# 2022 Environmental, Social & Governance Report
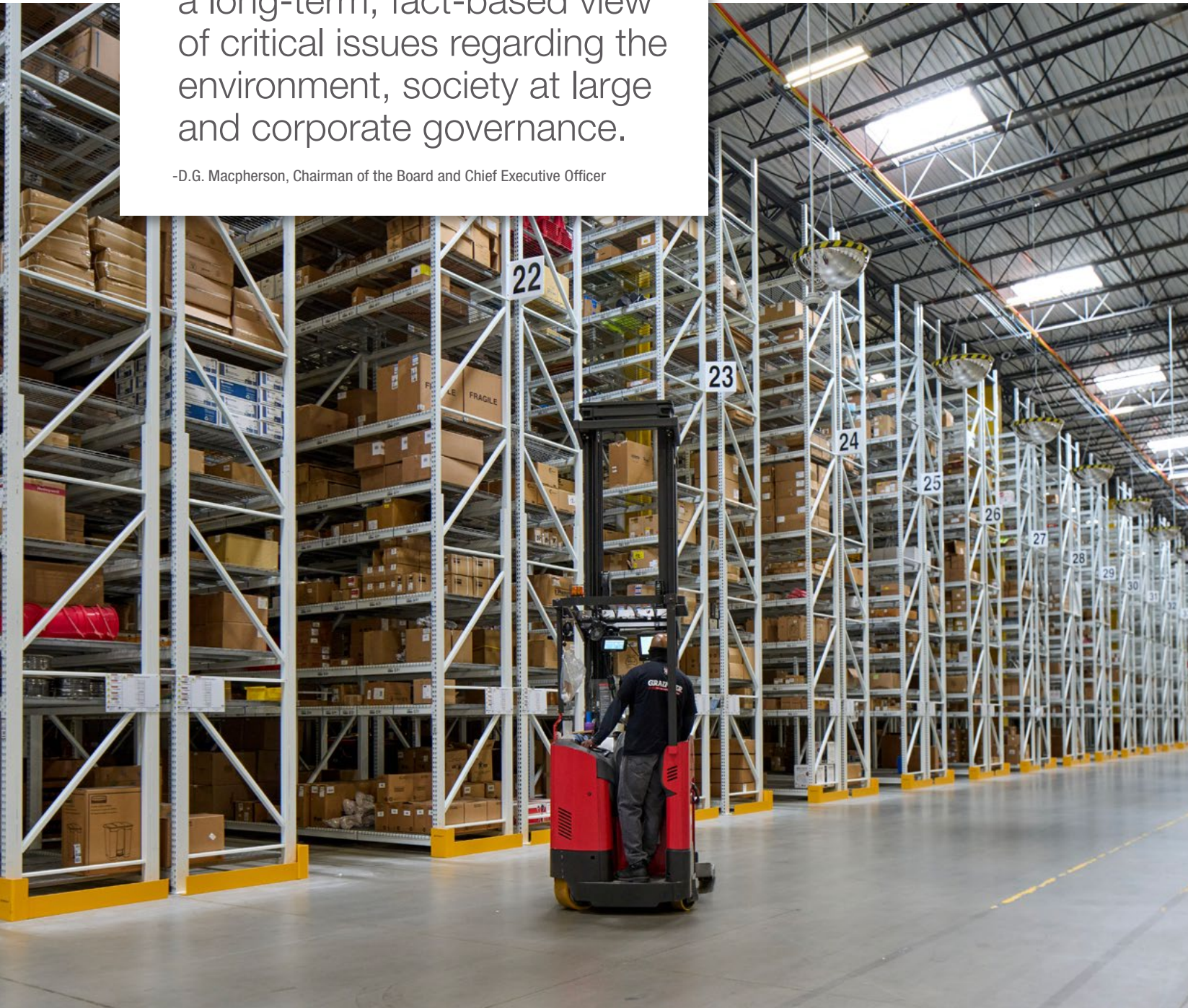
www.GraingerESG.com

Updated 6/16/2022

**GRAINGER**

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

APPENDIX

**GRAINGER**®

2

> "We have an obligation to operate sustainably and with a long-term, fact-based view of critical issues regarding the environment, society at large and corporate governance.
>
> -D.G. Macpherson, Chairman of the Board and Chief Executive Officer

# Contents

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

APPENDIX

**GRAINGER**®

3

# A LETTER FROM OUR CHAIRMAN AND CEO

I am pleased to share with you our 2022 Grainger Environmental, Social, and Governance (ESG) Report, which demonstrates our progress and the impact of this important work.

At Grainger, we have a straightforward purpose—We Keep the World Working®. Throughout the pandemic, we've kept true to our purpose by serving our customers and supporting our team members, while still making strong strides toward our ESG objectives.

To advance our efforts, last year we reorganized our ESG structure for greater accountability at all levels of the company. Our new structure includes an ESG Leadership Council comprised of Grainger senior leaders which I lead. This Council provides strategic direction for our ESG program to make certain that initiatives are integrated into our business operations and strategy. In addition to this Council, a Steering Committee of leaders and

a Working Group of subject matter experts were reorganized to implement our programs. More information on these groups and their important work is available on page 13.

In 2021, we also completed a comprehensive materiality assessment to better align our priorities with those of our stakeholders. This work ensures that our time and resources are effectively focused on the areas that matter most. As a result, we updated our materiality matrix (page 10) which reflects these shared priorities. In addition, we established four near-term focus areas:

• Customer Sustainability Solutions
• Diversity, Equity and Inclusion
• Energy and Emissions
• Supplier Diversity

These focus areas are bolstered by our continued strong commitment to ethics, safety, supply chain stewardship and community impact.

We are exploring how to tie our ESG goals to executive compensation and are testing which metrics are

best suited to include in our incentive programs. We will consider the outcome of this assessment and the results it drives as we assess appropriate ways to integrate ESG into future executive compensation program design.

At Grainger, we know we can only achieve our goals with a strong, winning culture. We're proud to be recognized as one of Fortune's 100 Best Companies to Work For® in 2022 for fostering a culture that is inclusive, healthy, welcoming and committed to fulfilling our purpose. To innovate and best serve our customers, we've built a culture based on curiosity, collaboration and teamwork where people are valued for who they are and recognized for the work they do.

Thank you to the entire Grainger team, including our team members, partners and suppliers who work each day to strengthen our customers and our communities while making the world a better place. I'm optimistic about what the future holds and look forward to what we'll achieve together.

**D.G. Macpherson**
Chairman of the Board and Chief Executive Officer

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

APPENDIX

**GRAINGER**®

4

**OUR FOCUS**

## Ethics & Governance

- **Board alignment with ESG**
- **Risk management**
- **Data and privacy**
- **Information security**

## People & Purpose

- **Gender equity**
- **Diverse hiring & retention**
- **Health and safety**
- **Community investment**

## Sustainability & Stewardship

- **GHG emissions**
- **Recycling and waste**
- **Sustainability products**
- **Sustainability services**

## Supply Chain

- **Responsible sourcing**
- **Supplier diversity**
- **Logistics**
- **Sustainable packaging**

**HIGHLIGHTS**

Our Chairman & CEO, D.G. Macpherson chairs our ESG Leadership Council. His direct involvement in this decision-making and governance reiterates how important ESG issues are to Grainger.

Grainger has a 'AAA' ESG risk rating from MSCI and is a Sustainalytics top-rated ESG company, demonstrating our industry-leading risk management.

Grainger has committed to strive to achieve 50 percent women in leadership positions by 2030.

We are working to increase the diversity of our workforce through many initiatives, such as actively rooting out bias in recruiting, interviewing and onboarding.

In 2021, Grainger contributed more than $96 million in cash and products to nonprofit organizations.

Our 2020 GHG targets align with the Paris Climate Agreement: using a 2018 baseline, we plan to reduce our absolute scope 1 and scope 2 emissions by 30 percent by 2030.

Our Environmentally Preferable Products (EPP) sales surpassed $875 million in 2021, a result of our focus on helping our customers achieve their sustainability goals.

In 2021, Grainger U.S. spent more than $1.6 billion with more than 6,600 small businesses, and $278 million with over 680 minority-, woman-, veteran-, disabled-person- and LGBT-owned businesses for goods and services.

Our packaging processes like right-sizing packaging technology and ship complete are designed to reduce freight costs and minimize unnecessary void fill, reducing our packaging impact.

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

APPENDIX

**GRAINGER**®

5

# 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 2021**

**Disability Equality Index 2021**

90 percent rating for the third consecutive year

**Fortune's 100 Best Companies to Work For® in 2022**

**Dow Jones Sustainability Index 2021**

**Fortune World's Most Admired Companies 2022**

#1 for diversified wholesalers for the ninth consecutive year

**Human Rights Campaign Foundation's Corporate Equality Index 2022**

100 percent for the eighth consecutive year

**Great Place To Work® Certified 2021-2022**

**Built in Chicago's Best Places to Work 2022**

Best-paying company and company with the best benefits in Chicago

**Barron's Most Sustainable Companies in the U.S. 2022**

For the fourth consecutive year

**Sustainalytics Low Risk (14.6) ESG Rating 2021**

**DiversityInc Top Regional Company 2021**

**EcoVadis Silver Rating in 2022**

**S&P Global Yearbook Member 2022**

**CDP B Rating 2021**

**MSCI AAA ESG Rating 2021**

**Newsweek America's Most Responsible Companies 2022**

A LETTER FROM OUR CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER

**GRAINGER AT A GLANCE**

ETHICS & GOVERNANCE

PEOPLE & PURPOSE

SUSTAINABILITY & STEWARDSHIP

SUPPLY CHAIN

APPENDIX

**GRAINGER®**

6

# Grainger at a Glance

Our purpose at Grainger is clear: 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.

**OUR 2021 HIGHLIGHTS**

**>1.5M**
products stocked

**>4.5M**
active customers

**24K**
Grainger team members worldwide

**$13B**
2021 net sales

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | PEOPLE & PURPOSE | SUSTAINABILITY & STEWARDSHIP | SUPPLY CHAIN | APPENDIX

**GRAINGER** ®   7

# Grainger at a Glance

About Grainger      About This Report



## ABOUT GRAINGER

### Our Purpose & Aspirations

The Grainger Edge® is our strategic framework that defines why we exist, how we serve our customers and how our team members work together to achieve our objectives. Grainger's purpose, We Keep the World Working®, allows our customers to focus on the core of their businesses and what they do best. This framework also outlines a set of principles that define the behaviors expected from all team members in working with each other and our customers, suppliers and communities as we execute our strategy and create value for shareholders.

We enter 2022 with confidence. While we continue to deal with the global pandemic and its short- and long-term implications, we have proven that when we follow the Grainger Edge and make decisions using our principles, we can thrive in both good and challenging times.

**The Grainger Edge®**

| | |
|---|---|
| **Our Purpose** | We Keep the World Working® |
| **Our Aspiration** | We relentlessly expand our leadership position by being the go-to partner for people who build and run safe, sustainable and productive operations. |
| **Our Strategy** | **High-Touch Solutions Model**<br>• Advantaged MRO solutions<br>• Differentiated sales and services<br>• Unparalleled customer service<br><br>**Endless Assortment Model**<br>• Expansive product assortment<br>• Innovative customer acquisition and retention capabilities |

**Our Principles**

- Start with the customer
- Embrace curiosity
- Act with intent
- Compete with urgency
- Win as one team
- Invest in our success
- Do the right thing

Our customers trust Grainger to keep them working and their people safe.

### Our Business

Grainger is the leading broadline distributor of maintenance, repair and operations (MRO) products and services, determined to keep the world working through innovative solutions, strong customer relationships, and unparalleled service. More than 4.5 million customers worldwide rely on Grainger for products in categories such as safety, material handling and metalworking, along with services like inventory management and technical support. These customers represent a broad collection of industries, including commercial, government, healthcare and manufacturing. They place orders online, on mobile devices, over the phone and at local branches. Approximately 5,000 suppliers provide Grainger with more than 1.5 million products stocked in the company's distribution centers (DCs) and branches worldwide. For more information on Grainger, visit invest.grainger.com.

A LETTER FROM OUR CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER

GRAINGER AT A GLANCE

ETHICS & GOVERNANCE

PEOPLE & PURPOSE

SUSTAINABILITY & STEWARDSHIP

SUPPLY CHAIN

APPENDIX

**GRAINGER**

8

# Grainger at a Glance

**About Grainger**　　**About This Report**

## Our Business Models

Our Grainger businesses are focused on creating value for their individual customers using their superior customer value propositions. Our company's strategy has always been defined by our customers' needs, and Grainger uses our high-touch solutions and endless assortment models to serve customers of all sizes.

### High-Touch Solutions

The high-touch solutions model serves customers with complex buying needs, primarily in North America. This model helps Grainger create powerful customer solutions, deliver an exceptional customer experience and develop deep customer relationships—whether onsite, at a branch, over the phone or online. Grainger creates value for customers through our sales and service representatives, technical product support, fulfillment capabilities, inventory management solutions and other services. The KeepStock® inventory management solution allows the U.S. high-touch business to help customers be more productive. The KeepStock® inventory management solution is a comprehensive program that includes vendor-managed inventory, customer-managed inventory and onsite vending machines.

### Endless Assortment

The endless assortment model is designed for customers with less complex needs and includes the Zoro brand in the United States and the U.K. and MonotaRO in Japan. Customers buying through the endless assortment platforms can quickly find the products they need with an easy and streamlined online search experience and an expansive product assortment. Collectively in the U.S. and U.K., Zoro offers approximately 10 million products and MonotaRO provides access to more than 20 million products, primarily through its websites and catalogs.

Grainger's two reportable segments, High-Touch Solutions North American (N.A) and Endless Assortment, align with Grainger's two distinct business models. For further segment and financial information see our 2021 Annual Report.

| | HIGH-TOUCH SOLUTIONS N.A. | ENDLESS ASSORTMENT | OTHER[1] | TOTAL COMPANY |
|---|---|---|---|---|
| REVENUE | $10.2B | $2.6B | $0.2B | $13.0B |
| DAILY REVENUE GROWTH %[2] | 11.3% | 19.2% | (34.2)% | 11.3% |
| ADJUSTED OPERATING MARGIN %[2] | 13.1% | 9.0% | (7.3)% | 11.9% |
| ADJUSTED ROIC[2] | 32.5% | 36.0% | N/A | 31.9% |

[1] Includes Cromwell as well as the divested Fabory and China businesses in periods prior to their divestitures.
[2] Reconciliations of the non-GAAP measures referenced in the table above to the most direct comparable GAAP measures are provided on page 84 of the 2021 Annual Report.

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

APPENDIX

**GRAINGER**

9

# Grainger at a Glance    About Grainger    About This Report

## ABOUT THIS REPORT

### Materiality Assessment

#### Our Approach

Our materiality assessment and resulting materiality matrix form the foundation of our ESG program. This assessment utilizes the Global Reporting Initiative (GRI) Standards' definition of materiality and enables an organization to determine the most important issues that reflect its economic, environmental and social impacts and the issues that influence the decisions of stakeholders.

We engaged a third-party consulting firm to assist with our latest materiality assessment in 2021. Our assessment methodology consisted of three parts:

1. Developing a universe of sustainability topics through benchmarking;
2. Engaging management and stakeholders; and
3. Performing analysis and engaging with Grainger's ESG Leadership Council on results.

#### Stakeholder Engagement

During our materiality assessment, we engaged with critical stakeholders to identify the ESG issues that provide value to our customers, team members, investors, suppliers and community partners. Through research, competitive intelligence, surveys and one-on-one interviews with these stakeholders, we confirmed many of our current areas of focus and gained insight into new ones.

| STAKEHOLDERS | TOPICS | MEANS OF DIALOGUE | |
|---|---|---|---|
| **Customers** | • Customer service and satisfaction<br>• Quality assurance<br>• Product stewardship | • Sales and service teams<br>• Customer satisfaction surveys<br>• Focus groups | • Online reviews<br>• One-on-one discussions<br>• Materiality survey |
| **Team Members** | • Workplace health and safety<br>• Diverse and inclusive workforce<br>• Training and development<br>• Competitive compensation and benefits<br>• Team member engagement | • Intranet, internal newsletter<br>• Team member engagement survey<br>• Internal reporting desk (helpline desk)<br>• Materiality survey | • Education and training<br>• Digital signage<br>• Volunteering opportunities<br>• Ethics and integrity survey |
| **Suppliers** | • Supply chain management<br>• Materials and packaging<br>• Supplier diversity<br>• Human rights | • Supplier outreach<br>• CDP Supply Chain questionnaire<br>• Materiality interviews | • Partners in Performance<br>• Supplier Code of Ethics |
| **Investors** | • Corporate governance<br>• Regulatory and disclosure compliance<br>• Financial performance<br>• Supply chain management | • Annual shareholder meeting<br>• Quarterly earnings call<br>• Proxy statement and annual report<br>• Investor conferences<br>• Materiality interviews | • Corporate Responsibility Report<br>• One-on-one discussions<br>• Governance roadshow with lead outside director |
| **Community Partners** | • Community engagement<br>• Workforce development<br>• Disaster preparedness and response<br>• Education | • Volunteer activities<br>• Educational support for the next generation of supply chain leaders | • Supply chain resilience activities<br>• Strategic partnerships<br>• Materiality survey |

A LETTER FROM OUR CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER

GRAINGER AT A GLANCE

ETHICS & GOVERNANCE

PEOPLE & PURPOSE

SUSTAINABILITY & STEWARDSHIP

SUPPLY CHAIN

APPENDIX

GRAINGER®

10

# Grainger at a Glance

About Grainger    About This Report



**Impact on stakeholders' decisions** (vertical axis: High → Moderate)

- ▲ ● Data security & privacy
- ● Ethics & compliance
- ● Sustainable products
- ▲ ● Diversity, equity & inclusion
- ● Energy & emissions
- ● Product safety & quality

- ● Environmental compliance
- ● Recycling & waste
- ● Hazardous materials management
- ● Responsible sourcing & human rights
- ● Supplier diversity
- ▲ ● Sustainable packaging
- ● Governance & accountability
- ● Team member health & safety
- ● Talent attraction, development & retention

- ● Community investment
- ● Water stewardship
- ▲ ● Climate change risk & resilience
- ▲ ● Emergency preparedness

**Importance to achieving Grainger's business objectives** (horizontal axis: Moderate → High)

Legend:
- ● Environmental
- ● Social
- ● Governance
- ▲ Expected to increase in importance over time

## Materiality Matrix

This materiality matrix reflects priority ESG issues as determined by stakeholder engagement and analysis. Topics rated highly material by both internal and external stakeholders are in the top right of the matrix. The results of our materiality assessment inform not only Grainger's opportunities to impact critical areas using our products, services, and solutions, but also helps us can refine program priorities.

Using the results of this latest assessment, our ESG Leadership Council (ELC) then categorized the material topics into three areas:

1. **Continue Doing:** Areas in which we currently perform well and are considered non-negotiable for Grainger's stakeholders and business success;

2. **Focus Resources:** Topics where Grainger would like to invest attention to improve performance;

3. **Monitor:** Topics considered less critical but that we actively monitor and will address if issues arise.

Using the "Focus Resources" category, the ELC further identified core priority areas of focus and efforts in the near term:

- Customer Sustainability Solutions[1]
- Diversity, Equity and Inclusion
- Energy and Emissions
- Supplier Diversity

[1] Customer Sustainability Solutions includes ESG topics identified as material to Grainger including sustainable products, packaging, services and resources intended to help our customers meet or make progress on their sustainability goals.

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

APPENDIX

**GRAINGER**®

11

# Ethics & Governance

Grainger is committed to being a responsible corporate citizen. We strive to integrate ESG objectives into the daily operation of our business.

**OUR 2021 HIGHLIGHTS**

**25%**[1]
racially & ethnically diverse board members

**33%**[1]
women board members

**100%**
team members certified in Grainger's business conduct guidelines

**60%**[1]
women named executive officers

[1] This information is as disclosed in the 2022 Proxy Statement

A LETTER FROM OUR CHAIRMAN & CEO   ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER   GRAINGER AT A GLANCE   **ETHICS & GOVERNANCE**   PEOPLE & PURPOSE   SUSTAINABILITY & STEWARDSHIP   SUPPLY CHAIN   APPENDIX

**GRAINGER**®   12

# Ethics & Governance

## OUR APPROACH

We pride ourselves on our strong ESG governance, our commitment to ethical practices, and our focus on risk management.



> Grainger has a strategic, engaged and diverse Board with a strong commitment to ESG. This helps ensure our program is relevant across all the communities we serve.
>
> -John Howard, SVP & General Counsel and ESG Leadership Council member

## 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. This direction includes regular ESG oversight by the Board Affairs and Nominating Committee (BANC), comprised of all independent directors, including those with expertise in corporate environmental, social and governance matters. The BANC oversees Grainger's ESG programs and reporting, including environmental and sustainability, social responsibility to our communities, governance, culture, talent strategy, and diversity, equity and inclusion. Learn more about our Board governance in our 2022 Proxy Statement and in our Committee Charters available on our Investor Relations website.

We integrate ESG initiatives into the company's strategy and daily operations at each level of the business. All independent directors annually review the company's promotion of all ESG and sustainability initiatives. As chair of the ESG Leadership Council, our CEO reviews ESG topics on a quarterly basis.

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | PEOPLE & PURPOSE | SUSTAINABILITY & STEWARDSHIP | SUPPLY CHAIN | APPENDIX

**GRAINGER**® 13

# Ethics & Governance

Our Approach    Board Governance    ESG Governance    Ethics & Compliance    Data Privacy    Information Security    Business Continuity

## ESG GOVERNANCE

Grainger's engaged workforce, comprehensive policies and strong business principles drive the strategic alignment of our ESG program. The strategic direction and implementation of our ESG program is led by our ESG Leadership Council, ESG Steering Committee and ESG Working Group.

### ESG Leadership Council

This group, comprised of senior-most leadership, provides strategic direction and oversight of Grainger's ESG program, and incorporates relevant ESG initiatives into the business operations and strategy. The ESG Leadership Council meets quarterly and updates the BANC on a regular basis. Our Chairman and CEO serves as Chair of the ESG Leadership Council.

### ESG Steering Committee

Our ESG Steering Committee is comprised of senior leaders who represent all material areas of the business. The primary objective of the group is to implement the ESG Leadership Council's strategic objectives, provide guidance over the Working Group deliverables, and serve as key ambassadors and advocates of Grainger's ESG vision, mission and strategy.

### ESG Working Group

Our ESG Working 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 ESG pillars—Ethics & Governance, Sustainability & Stewardship, Supply Chain and People & Purpose— and are responsible for implementing programs to drive progress toward our strategic goals.

| Level | Body |
|---|---|
| | Board of Directors |
| Oversight | Board Affairs & Nominating Committee (BANC) |
| Strategic Direction | ESG Leadership Council (ELC) |
| Strategic Implementation | ESG Steering Committee |
| Programmatic Implementation | ESG Working Group |

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

APPENDIX

**GRAINGER**®

14

# Ethics & Governance

Our Approach   Board Governance   ESG Governance   Ethics & Compliance   Data Privacy   Information Security   Business Continuity

# 100%
of Grainger team members completed Business Conduct Guidelines training

## 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 to incorporate topics such as social media, data security and privacy protocols.

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. In 2021, 100 percent of Grainger team members completed Business Conduct Guidelines training and certification. In addition, 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. Team members also complete training every three years to fully understand the expectation of legal and ethical behaviors defined by the Business Conduct Guidelines.

### Anti-Bribery and Corruption
Grainger places the highest value on integrity in our business dealings and the ethical conduct of our 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 our behalf, and others with whom we conduct 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 may call an independent, secure, 24-hour hotline at 888-873-3731. A global reporting website is available at GraingeriCareLine.com Grainger does not tolerate retaliation against any team member for making an inquiry, initiating a complaint, or participating in an investigation.

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

A LETTER FROM OUR CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER

GRAINGER AT A GLANCE

ETHICS & GOVERNANCE

PEOPLE & PURPOSE

SUSTAINABILITY & STEWARDSHIP

SUPPLY CHAIN

APPENDIX

GRAINGER

15

# Ethics & Governance

Our Approach    Board Governance    ESG Governance    Ethics & Compliance    Data Privacy    Information Security    Business Continuity

## DATA PRIVACY

Grainger recognizes the importance of protecting the personally identifiable information (PII) of our team members, customers and suppliers, which we collect during normal business activities to help 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 by design.

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 agreements detailing these expectations are executed.

Grainger team members have an obligation to ensure that the company's confidential information and trade secrets are properly protected. All team members receive annual privacy training, and team members

responsible for processing sensitive personal information receive supplemental role-based training. 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. 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.

A LETTER FROM OUR CHAIRMAN & CEO   ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER   GRAINGER AT A GLANCE   ETHICS & GOVERNANCE   **PEOPLE & PURPOSE**   SUSTAINABILITY & STEWARDSHIP   SUPPLY CHAIN   APPENDIX

**GRAINGER**®   16

# People & Purpose

Grainger works to ensure a safe, rewarding and inclusive environment for our teams, and we work to strengthen the communities in which we operate. We value all partners who play a role in our business.

## OUR 2021 HIGHLIGHTS

**10,400**
volunteer hours by team members at nonprofit organizations

**24K**
Grainger team members worldwide

**39K**
safety observations conducted

**>$96M**
cash and product donations to nonprofit organizations

A LETTER FROM OUR CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER

GRAINGER AT A GLANCE

ETHICS & GOVERNANCE

**PEOPLE & PURPOSE**

SUSTAINABILITY & STEWARDSHIP

SUPPLY CHAIN

APPENDIX

GRAINGER®

17

# People & Purpose

Our Approach   Health & Safety   Our COVID-19 Response   Talent & Diversity, Equity & Inclusion   Talent Recruitment & Onboarding   Team Member Learning   Community Investment

## OUR APPROACH

A commitment to our team members and communities lies at the heart of our culture. We focus our efforts on safety, diversity, equity and investing in the neighborhoods where we live and work.

## 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.

Our environmental, health and safety (EHS) professionals work to keep our team members safe and healthy, while keeping 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 regulation 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.
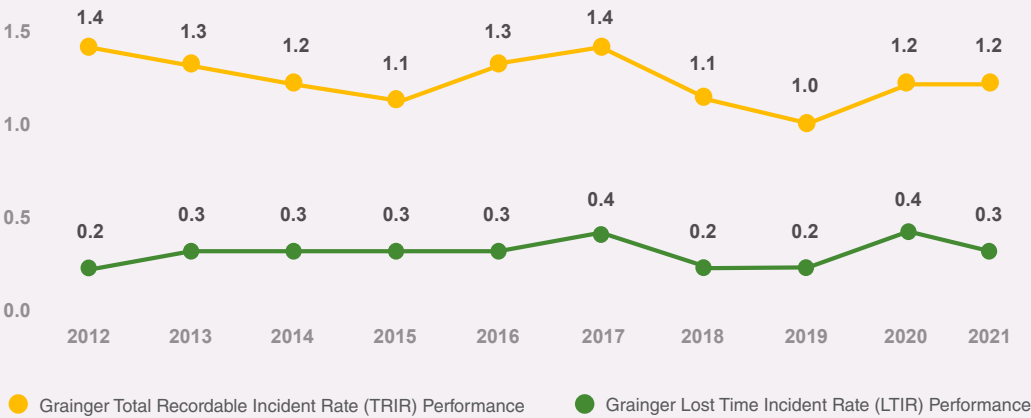
### Safety Performance

We make safety a core focus across our operations, trending 50 percent favorable to the U.S. Wholesale Industry Average as defined by the U.S. Bureau of Labor and Statistics.[1] In 2021, our U.S. Total Recordable Incident Rate (TRIR) was 1.2 and our Lost Time Incident Rate (LTIR) was 0.3.[2]

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|------|------|------|------|------|------|------|------|------|------|------|
| Grainger Total Recordable Incident Rate (TRIR) Performance | 1.4 | 1.3 | 1.2 | 1.1 | 1.3 | 1.4 | 1.1 | 1.0 | 1.2 | 1.2 |
| Grainger Lost Time Incident Rate (LTIR) Performance | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.2 | 0.2 | 0.4 | 0.3 |

● Grainger Total Recordable Incident Rate (TRIR) Performance   ● Grainger Lost Time Incident Rate (LTIR) Performance

[1] In late 2021 the Bureau of Labor Statistics updated its calculation methodology, resulting in a lower industry average. This affects our percent favorable status against that average.
[2] Additional detail included on page 47.

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

APPENDIX

GRAINGER®

18

# People & Purpose

Our Approach    Health & Safety    Our COVID-19 Response    Talent & Diversity, Equity & Inclusion    Talent Recruitment & Onboarding    Team Member Learning    Community Investment

## Safety Programs

Grainger created our behavior-based safety program with the aim to build a self-sustaining culture of safety using pointed safety observations performed by supervisors, managers and directors. These observations provide an opportunity for in-the-moment coaching and positive feedback. Program implementation began in 2011 with our distribution center (DC) network. In 2017, we rolled out the program to our branch network, and in 2020 we expanded the program throughout North America, including Canada and Mexico. In 2021, the total number of safety observations conducted in North America were 39,063.

The corporate environmental, health and safety (EHS) team maintains both a safety handbook and a new training program for all Grainger sales and service teams. Because our customer sites range from offices to manufacturing facilities to mines and everything in between, the training topics serve to provide the services team with the tools and knowledge to protect themselves in situations they are likely to face when visiting customer sites. Externally, online resources such as the Grainger KnowHow® website of the Safety & Health Solutions Center provide safety information and insights not only for Grainger team members but also for our customers.

**case study**

Sensors and algorithms can determine if the body has performed a high-risk posture by using a combination of angles, accelerations, and changes in height. Once a high-risk posture is detected, the device vibrates, giving employees real-time feedback.

18°

5'9"

26"
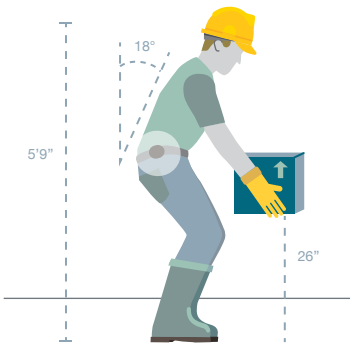
**DEVICE SENSORS:**

✓ **Motion Sensor:** An Inertial Measurement (IMU) is used to determine the pressure and angular rate of movement. *(This is the same IMU used in smartphones and tablets to reorient the screen when the phone is tilted.)*

✓ **Height Sensor:** An atmospheric pressure sensor or altimeter to detect height changes. *(This is also used in standard consumer electronics.)*

At Grainger, sprains and strains are the leading type of team member injury, often due to poor lifting techniques or improper lifting habits. To address this injury type, Grainger is piloting wearable technology which provides wearers with a buzz, or tactile feedback, to alert them to at-risk positions and movements. This device provides real-time, in-the-moment feedback to make the user aware of risks associated with the movement being performed. In addition, this information can be used to identify specific roles, activities or even moments in the day where at-risk movements are more frequent.

To test whether the device would be a good fit in the Grainger environment, the northeast distribution center (NEDC) team completed a 30-day pilot with 90 devices. In just 30 days of use by team members, the selected departments experienced a notable reduction in high-risk body positions/movements. As a result, Grainger has committed to deploying 500 wearable technology devices for a full year at the Illinois distribution center (ILDC) in Minooka, Illinois. The ILDC team began using the devices during the first week of November 2021 to positive team member reactions.

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

APPENDIX

GRAINGER

19

# People & Purpose

Our Approach  Health & Safety  Our COVID-19 Response  Talent & Diversity, Equity & Inclusion  Talent Recruitment & Onboarding  Team Member Learning  Community Investment

**case study**



Wildfires, particularly in the western U.S. and Canada, pose an increasing risk to business as usual. When a massive wildfire broke out in summer 2020 near one of Grainger's main DCs in northern California, we took a closer look at the potential risk to safety for employees and business continuity in the area.

Using best practices of surrounding businesses, we upgraded our plans

for immediate responses to these types of risk. Actions included the development of a singular response plan related to wildfires, extensive leadership and employee training, and technology implementation such as air quality monitoring and air scrubbing technology. Grainger EHS utilized and communicated emergency preparedness best practices and

procedures including "Air Quality Wildfire Procedure," "How to Prepare for a Wildfire" and "Emergency Kits: Vehicle & Home."

A year after having developed this program, fires again broke out in western Canada and northern California. Our newly developed wildfire response procedure allowed our business to begin the fire season prepared for the associated risks and created an atmosphere of confidence in our response to this risk. Through the actions of team member and leader training, air quality monitoring and constant fire watch monitoring through state and local services, we have put ourselves in the best position to operate our Grainger business with employee safety and business continuity as our top priorities.

## Engagement & Training

In early 2021, the EHS department began a process to engage team members at every aspect of the business. In the DC network, our area EHS managers expanded on their daily safety walk of the warehouse floor, engaging team members and leaders alike. In the branch network, the engagement between EHS and the district process owners continues to grow, with the formation of safety subcommittees made up of EHS and local branch leaders. In the KeepStock network, EHS continues to engage with leaders through the formation of a safety steering committee.

In collaboration with our branch district safety process owners leadership, this past year the EHS team rolled out a set of online safety videos related to powered industrial equipment (PIE) safety and pre-use inspections, safely loading customer vehicles, safe lifting practices during both individual and team lift process, and knife safety. These videos have been a great opportunity for team member involvement, as Grainger team members themselves lead the video demonstrations.

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | PEOPLE & PURPOSE | SUSTAINABILITY & STEWARDSHIP | SUPPLY CHAIN | APPENDIX

**GRAINGER**®  20

# People & Purpose

Our Approach | Health & Safety | Our COVID-19 Response | Talent & Diversity, Equity & Inclusion | Talent Recruitment & Onboarding | Team Member Learning | Community Investment

## Safety Partnerships

Grainger leverages external partnerships to best support our EHS professionals. Grainger's Field Safety Specialists work with partner organizations to identify hazards and apply the hierarchy of hazard control to find solutions for customers. Additionally, as part of our EHS commitment to our resource extraction customers in Alberta, Canada, Grainger Canada participates in the Certificate of Recognition (COR), an audit standard for health and safety systems. We undertake the COR audit for full certification every three years, with annual maintenance audits conducted in between.

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.

## OUR COVID-19 RESPONSE

The health and safety of our team members, customers and partners have remained at the center of all our decisions and response efforts throughout the pandemic. Our EHS teams and COVID-19 task force have closely monitored reports from the Centers for Disease Control (CDC) and the World Health Organization (WHO) and have worked with health officials to help ensure our actions meet rigorous guidelines.

## Our Customers

As an essential business, we provide safety, personal protective equipment (PPE), hardware and other MRO products for customers to maintain a safe, healthy and productive work environment. Our customers include government agencies, hospitals, first responders, food producers, utilities, pharmaceutical manufacturers and those in critical infrastructure sectors,

and we're committed to helping them recover and become even stronger than before. A full suite of customer services can be found on our COVID-19 Recovery page.

## Our Team Members

For team members who must be on-site to serve our customers, we encourage vaccination, employ CDC and WHO guidelines, implement augmented cleaning procedures, and provide gloves, masks, hand sanitizer and wipes to branch, DC and KeepStock team members. For team members who were working remotely, we developed and published guidance documents on setting up ergonomically appropriate home workspaces.

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | PEOPLE & PURPOSE | SUSTAINABILITY & STEWARDSHIP | SUPPLY CHAIN | APPENDIX

**GRAINGER**

21

## People & Purpose

Our Approach | Health & Safety | Our COVID-19 Response | Talent & Diversity, Equity & Inclusion | Talent Recruitment & Onboarding | Team Member Learning | Community Investment

## TALENT & DIVERSITY, EQUITY AND INCLUSION

Over our 95 years, Grainger has earned a reputation as a respected employer and a trusted partner. We all play an important role in making Grainger a welcoming workplace, and we work to provide our team members with the resources designed to help them succeed.

Our Diversity, Equity and Inclusion (DEI) Strategy overlays our Talent Strategy and impacts all aspects of the team member experience. Grainger has long been building a more diverse, equitable and inclusive environment 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 external DEI consultants and experts.

We are proud of the strides we have made for current and future Grainger team members and invigorated by the work that remains. We are also committed to advancing DEI outside our four walls for the communities in which we live and serve through our community impact work and by amplifying our partner network of diverse suppliers and resellers through our supplier diversity programming.

### Our Commitment

At Grainger, we believe our differences make us extraordinary. DEI is integral to Grainger's success, and we are committed to fostering an inclusive environment where all team members feel safe, valued and encouraged to voice their opinions. We value all people, regardless of sex, gender, race, color, religion, national origin, age, disability, veteran status, sexual orientation, gender expression or experiences.

We create a **welcoming** workplace where all team members can be themselves, have **opportunities** to grow and feel a sense of **belonging.**

**Our Vision**

**Diversity, Equity & Inclusion (DEI)**

**What it Means**

**Why it Matters**

**Diversity** is building a team comprised of the full range of human differences and valuing what makes us unique, including, but not limited to, identities like race, ethnicity, gender, sexual orientation, age, and physical ability; experiences like education, veteran status and background; and beliefs like values and religion.

**Equity** is ensuring fair treatment, opportunity and advancement while striving to identify and eliminate barriers through equitable and unbiased policies and practices and providing all team members with the tools and support needed to be successful.

**Inclusion** is creating a sense of belonging for people to feel understood and safe to share ideas and differences because their unique identities are recognized and accepted.

### Our People
We create an environment where all team members can bring their whole selves to work and feel that their unique identities are recognized and accepted. This allows each individual to maximize their full potential.

### Our Customers & Communities
We Keep the World Working®. Our customers have unique challenges to solve and represent a myriad of diverse backgrounds. We strive to ensure team members reflect our increasingly diverse customers and the communities we serve to bring a wide range of perspectives and best serve our customers.

### Our Principles
We have always been a company that prides itself on a strong culture of ethics. Doing the right thing is one of our core principles that describes how we work with one another, our customers, suppliers and communities and creating a welcoming, inclusive culture for all people is at the heart of doing the right thing.

A LETTER FROM OUR CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER

GRAINGER AT A GLANCE

ETHICS & GOVERNANCE

PEOPLE & PURPOSE

SUSTAINABILITY & STEWARDSHIP

SUPPLY CHAIN

APPENDIX

**GRAINGER**®

22

# People & Purpose

Our Approach  Health & Safety  Our COVID-19 Response  Talent & Diversity, Equity & Inclusion  Talent Recruitment & Onboarding  Team Member Learning  Community Investment

## Gender Equity

Grainger Chairman and CEO, D.G. Macpherson joined leaders from more than 70 organizations as one of the first signatories of The Chicago Network Equity Principles, a campaign focused on advancing women leaders in the workplace to strive to achieve 50 percent representation of women in leadership[1] 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, ultimately promoting a more productive and profitable workplace.

## Pay Equity

With the support of a third party, Grainger reviews the compensation of U.S. team members to ensure consistent pay equity practices on an annual basis. We are pleased to confirm that our 2021 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 we'll continue to evolve and enhance our analysis every year.

## 50%

goal of women in leadership by 2030

## Diversity Data & Reporting

As of December 31, 2021, Grainger had approximately 24,200 employees worldwide, of whom approximately 22,700 were full-time and 1,500 were part-time or temporary. Approximately 86 percent of these employees resided in North America, 8 percent in Asia and 6 percent in Europe.

Within Grainger's U.S. workforce, approximately 39 percent are women and 34 percent are women in leadership positions[2]. Grainger's U.S. workforce was comprised of 37 percent racially and ethnically diverse team members overall, and 24 percent racially and ethnically diverse leaders.

### EEO-1 Reporting

As part of the company's continued commitment to transparency and progress on our DEI objectives, we published our U.S. Federal Employment Information Report (EEO-1). The data in the consolidated EEO-1 report is based on the Company's population in the U.S. as of December 31, 2020 and reflects the Company's U.S. workforce as of that time. Grainger's consolidated EEO-1 report is available at GraingerESG.com.

## 34%

women in leadership currently

### Tools & Resources for Leaders

We continue to make progress on our DEI data transparency journey. In 2020, we focused on streamlining our existing data and building more robust datasets through expanded self-identification campaigns. We also built dashboards for data access to ensure consistency in formatting and calculation. In 2021, our HR leaders received training on the dashboards to enable better access of demographic information to support functional talent planning. In 2022, Grainger leadership will have regular access to enterprise-wide data and regular discussion of insights.

[1] Women in leadership is defined as Directors and above.
[2] Leadership positions is defined as People Leaders and Directors and above.

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | **PEOPLE & PURPOSE** | SUSTAINABILITY & STEWARDSHIP | SUPPLY CHAIN | APPENDIX

**GRAINGER**®   23

## People & Purpose

Our Approach  |  Health & Safety  |  Our COVID-19 Response  |  Talent & Diversity, Equity & Inclusion  |  Talent Recruitment & Onboarding  |  Team Member Learning  |  Community Investment

## TALENT RECRUITMENT & ONBOARDING

Grainger places a strong emphasis on finding and attracting the best candidates and continually seeks to make our candidate experience more inclusive, no matter the stage of the process or the needs of the candidate.

### Job Postings

Recent changes to our application process include accommodations for candidates with disabilities and enabling applicants to provide a preferred first name in case they are not known by their legal name. We also implemented a technology tool to remove uninclusive language from our job postings.

## 11K

inclusive language revisions to job postings

The tool went live in 2021, resulting in more than 11,000 revisions to approximately 400 positions. Women applicants have increased by 15 percent after using the tool.

### Selection Process

The Grainger talent team has incorporated several steps in our selection process to strive for greater inclusivity. Recruiters present diverse candidate slates to hiring leaders so they have a broad pool of talent for consideration. Recruiters also ensure that hiring panels are diverse and that interview participants join debrief discussions live to have healthy dialogue about applicants interviewed.

### Candidates

We continue to invest in focused partnerships that will expand our diverse talent pool for specific roles. These partnerships include relationships with Ascend, DisabilityIN, National Sales Network, National Black MBA Association, Prospanica, The Mom Project and Recruit Military. We support these and other organizations by participating in national events,

supporting local chapters, serving on committees and helping their student affiliations. We have also engaged in a partnership with the Thurgood Marshall College Fund to help identify diverse early career talent for our internship and full-time opportunities. These actions have helped Grainger sustain or increase overall representation in all measurable categories.

### Onboarding

We provide a multi-module learning experience designed to welcome new team members to Grainger, help them make connections, gain a broad overview of the company, learn about Grainger's history and culture, navigate internal systems and explore why Grainger is a great place to work. In 2021, within the professional development portfolio, 2,169 new team members from Canada, the U.S. and Panama participated in our new hire orientation and onboarding program. Several of our Business Resource Groups (BRGs) have also piloted a buddy program to ensure those team members can continue to get acclimated to Grainger and be successful.

A LETTER FROM OUR CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER

GRAINGER AT A GLANCE

ETHICS & GOVERNANCE

**PEOPLE & PURPOSE**

SUSTAINABILITY & STEWARDSHIP

SUPPLY CHAIN

APPENDIX

GRAINGER®

24

## People & Purpose

Our Approach    Health & Safety    Our COVID-19 Response    Talent & Diversity, Equity & Inclusion    Talent Recruitment & Onboarding    Team Member Learning    Community Investment

## TEAM MEMBER LEARNING

Our team members continue to learn and develop as the needs of our business change and the world changes around us. Whether a team member requires role-specific professional skills or leadership training, Grainger offers learning solutions to support their development needs. Grainger's learning curriculum includes instructor-led, self-paced and blended solutions that have been created internally or sourced from external partners.

### Enterprise Learning Programs

Within our three enterprise portfolios, Grainger has launched several new learning programs for team members and leaders:

### Professional Development Portfolio

**Badging Program**
This program provides a structured professional development learning path for team members who are interested in growing their careers at Grainger. Team members partner with their leaders to identify which badges to focus on and the pace at which they move through their learning journey, and then validate their skill acquisition. A badge is awarded when the leader validates the team member's skill acquisition. Grainger launched two pilots in 2021 with 238 participants.

### Career Development Portfolio

**Summer Intern Program**
Grainger hosted a virtual 10-week summer intern program in 2021 for 81 interns. The program provided interns with opportunities to work on a key project for their aligned function, and allowed them to learn, grow, network and have fun.

**Development Planning**
This simple 3-step process supports team members and their leaders in development planning, and also provides a site with tools and resources to support the team member's planning efforts.

### Leadership Development Portfolio

**Leadership Essentials**
This new leader onboarding program teaches leaders to create a great team member experience by knowing and leveraging their team members, providing effective coaching, feedback and development opportunities, and creating an inclusive environment where team members can thrive. In 2021, 251 leaders attended the Leadership Essentials program.

**The Aspiring Leader Program**
This program, launched in March 2022, creates a strong bench of ready-now candidates for frontline people leader roles. Through this program, we will regularly engage aspiring leaders to lead inclusively.

**The End-to-End Program**
This program provides senior leaders with a comprehensive end-to-end view of our business, increases their business acumen and drives a deeper understanding of functional interdependencies so leaders can lead with a broader perspective.

GRAINGER TEAM MEMBERS COMPLETED:

Over **306,354** total training hours, of which **47,440** hours were non-operational training hours

TRAINING HOURS PER TEAM MEMBER AVERAGED:

**15.1** total training hours, including **2.3** non-operational training hours

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

APPENDIX

**GRAINGER**®                    25

# People & Purpose

Our Approach  |  Health & Safety  |  Our COVID-19 Response  |  Talent & Diversity, Equity & Inclusion  |  Talent Recruitment & Onboarding  |  Team Member Learning  |  Community Investment

> "We follow the Grainger Edge® to create a strong culture where team members can be themselves as we all work together to achieve our shared purpose.

-Kathleen Carroll, SVP & Chief Human Resources Officer and ESG Leadership Council member

## Diversity, Equity & Inclusion Learning Programs

### Inclusive Behavior Learning

In summer 2021 our top 100 leaders at Grainger participated in an instructor-led workshop on managing unconscious bias. Delivered by an external DEI learning vendor, the workshop provided specific guidance for Grainger leaders to learn to mitigate biases and lead more inclusively. This program will next expand to all Grainger leaders and team members, who will participate in an online learning program on managing unconscious bias and engage in dialogue with their teams after undergoing the learning.

### BeBrave Conversations

The goal of BeBrave Conversations is to create a safe space that allows participants to seek different points of view and share their own perspectives and backgrounds with the intention of cultivating an environment where everyone feels welcomed and included. Our participant groups are made up of five to six cross-functional leaders and are facilitated by senior leaders. These leaders come from various functions and locations throughout our business, and represent a diverse set of gender, racial/ethnic, age, tenure, and cultural backgrounds. This diversity allows leaders to learn from and get to know others across Grainger and discover how their peers navigate topics that affect the entire company.

### BeBrave Leadership Circles

In 2021, more than 1,000 leaders participated in six hour-long BeBrave Leadership Circles covering a wide range of topics. We ensured that each discussion built on concepts explored in the previous session to reinforce how leaders could incorporate DEI into their interactions with team members. To facilitate robust dialogue, we set leaders up for success by providing them with a facilitator guide and coaching on how to lead the discussion. The series of Leadership Circles were:

- Leading Brave Conversations
- Psychological Safety
- Cultural Awareness
- Confronting Bias
- Microaggressions
- Disability Awareness

A LETTER FROM OUR CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER

GRAINGER AT A GLANCE

ETHICS & GOVERNANCE

**PEOPLE & PURPOSE**

SUSTAINABILITY & STEWARDSHIP

SUPPLY CHAIN

APPENDIX

**GRAINGER**

26

# People & Purpose

Our Approach　　Health & Safety　　Our COVID-19 Response　　Talent & Diversity, Equity & Inclusion　　Talent Recruitment & Onboarding　　Team Member Learning　　Community Investment

## Business Resource Groups (BRGs)

Our BRGs exist to advance our inclusive workplace. They serve team members from underrepresented or marginalized groups and are supported by their allies. Our BRGs, backed by senior leader executive sponsors, are considered an extension of our diversity, equity and inclusion team. They serve as advisors to Human Resources and the DEI team on team member concerns and needs.

Grainger's nine BRGs are:

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

Our BRGs make a positive impact on the team member experience through their wide variety of offerings, which include small group circles dedicated to professional development, mentorship programs, access to Grainger sessions featuring expert external speakers, brave conversations, and educational programming and discussions on the experiences of different communities.

The BRGs regularly collaborate and apply an intersectional lens to their content, which has created rich and powerful programming. The results of a recent BRG satisfaction survey indicate that over 80 percent of our team members would highly recommend our BRGs to others.



### Pride BRG

Our commitment to supporting team members who identify as lesbian, gay, bisexual, transgender, queer and non-binary (LGBTQ+) is clear, as we've earned a perfect score of 100 percent with the Human Rights Campaign's Corporate Equality Index for eight consecutive years.

The Pride BRG exists so that team members of any sexual orientation or gender identity feel comfortable bringing their whole selves to work. The Pride BRG fosters inclusion through immersive programming and events focused on education, celebration, and community.

**EDUCATION** The Pride BRG provides education opportunities for allies and non-allies on LGBTQ+ topics. Their "Transgender & Non-Binary (TNB) Essentials" training has had a wide reach at Grainger, providing a framework for learning about the gender spectrum, the power of language, and the ways in which people can use their voice to cultivate inclusion and a sense of belonging for team members.

In recent years, the Pride BRG has raised awareness on the importance of personal pronoun usage. Last year, they held events such as a BeBrave conversation for the International Day Against Homophobia, Biphobia & Transphobia, and they created a pronoun one-pager. This document is accessible both internally and externally to Grainger, providing a peek into our inclusive culture for the external stakeholders we interact with, whether that be customers, suppliers, vendors, or candidates. Team members across Grainger are now including personal pronouns in their email signatures.

**CELEBRATION** During Pride Month in June 2021, the Pride BRG featured weekly virtual offerings, from Pride trivia and a concert with the Windy City Gay Chorus to film club discussions and Pride-themed meeting backgrounds. The month of activities culminated in a fireside chat with external speaker Will Sherry, who leads one of the most historic gender and sexuality centers on a US college campus, at the University of Michigan.

Pride celebrations were not minimized in the face of COVID-19 and team members across the organization were able to participate in the wide offering of events.

**COMMUNITY** The Pride BRG has built relationships with community partners and has made an impact both inside and outside of Grainger. Through its longstanding partnership with Chicago-based organization Howard Brown Health, the Grainger team has learned about health and mental wellness issues impacting the LGBTQ+ community and volunteered their time both in-person and virtually to support the local community. The Pride BRG proudly donates funding to the organization's programs.

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

**PEOPLE &
PURPOSE**

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

APPENDIX

**GRAINGER**®

27

# People & Purpose

Our Approach | Health & Safety | Our COVID-19 Response | Talent & Diversity, Equity & Inclusion | Talent Recruitment & Onboarding | Team Member Learning | Community Investment

## Talent & Performance Management

We believe Grainger is a company where everyone can grow their career and be successful. We help team members receive ongoing coaching and feedback and encourage development for their current and future roles. We also provide differentiated training and development throughout their career journey.

We have found that successful enterprise leaders demonstrate our principles, gain diverse experiences across our business and build a strong skill set enabling them to build high performing, inclusive teams, deliver business results and bring a collaborative, end-to-end mindset. We are actively working to develop a pipeline of leaders through job rotations, development investments and programs, coaching and mentoring.

### Team Member Performance

Team members and leaders have three formal performance and development conversations at the start of year, mid-year and year-end. These conversations are an opportunity to talk about business and development goals, review progress, recognize accomplishments, give balanced feedback and identify opportunities for improvement. Open, honest dialogue about performance, development and career growth supports our principles, keeps the lines of communication open, builds trust and helps us fulfill our purpose.

Leaders are equipped with a toolkit to enable effective discussions with team members on setting clear goals, delivering impactful performance assessments, and supporting individual career development. This information is also embedded in our Leadership Essentials Program to ensure all new leaders are well-versed and can support their team. Team members consistently rate career development and manager support categories high in our annual team member engagement survey.

## Total Rewards

Grainger delivers a competitive 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 wellbeing, 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 2021, we introduced several new benefit enhancements such as a stress management program and



financial wellbeing and education services to better support our team members. We enhanced our benefits offerings by introducing programs such as onsite COVID vaccine clinics, stress management support, virtual physical therapy, virtual medical care, as earned wage access to support financial emergencies.

In addition, we provide each team member retirement savings, paid holidays and time off, educational assistance and income protection benefits as well as a variety of other programs. 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.

# People & Purpose

Our Approach    Health & Safety    Our COVID-19 Response    Talent & Diversity, Equity & Inclusion    Talent Recruitment & Onboarding    Team Member Learning    Community Investment

## 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 2021, Grainger contributed more than $96 million in cash and products to nonprofit organizations.

## Our Approach

In 2020, Grainger began the process of restructuring our approach to community investment to better align with the company's purpose, We Keep the World Working®. This work continued into 2021. Through the evolution of Grainger's enhanced community pillars, we support partners and programs that build resiliency and empower our local communities.

### Support Disaster Resilience and Relief

Crises in our communities are increasing in frequency and severity, whether community-, public health- or climate-related disasters. Grainger's partnerships, products and people

**Community Strategy**

**Support Disaster Resilience and Relief**

**Advance the Emerging Workforce**

**Empower Our Communities**

enable us to provide vital resources to prepare for and respond when crises hit our local communities.

Grainger supports disaster resiliency and relief. 2021 marks Grainger's 20th anniversary of partnership with the Red Cross. Since the beginning of our relationship in 2001, Grainger has donated more than $21 million in cash and product to the American Red Cross. In 2021, we served as a $150,000 member of the American Red Cross Disaster Responder Program, which allows the Red Cross to proactively prepare and respond

to disasters, such as the COVID-19 pandemic.

In 2021, Grainger also supported the Chicago & Northern Illinois Chapter of the Red Cross as a Regional Ready 365 Partner. Our support helps enable the Chicago & Northern Illinois Chapter to help people affected by everything from home fires, tornadoes, hurricanes and floods to transportation accidents, explosions and other human-caused tragedies. Grainger has partnered with the Canadian Red Cross since 2009.

> "For the last 20 years, Grainger has powered the American Red Cross with critical resources needed to prepare for and respond to disasters of all sizes. From financial and in-kind product donations totaling more than $21 million, to investments strengthening our technology and workforce, to countless volunteer hours dedicated by your associates—Grainger's unwavering generosity has enabled the Red Cross to deliver comfort and care to people in their times of greatest need.

-Gail McGovern, President & CEO, American Red Cross

### Mask & Hand Sanitizer Donation

In 2021, Grainger donated 150,000 face masks and 150,000 units of hand sanitizer to school districts in Lake County, Illinois. This donation provided the teachers, students, families and staff with personal protective equipment needed for a safe school year during the ongoing pandemic. We are proud to support disinvested communities to address education equity and to ensure students and teachers are prepared for a successful academic year.

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | **PEOPLE & PURPOSE** | SUSTAINABILITY & STEWARDSHIP | SUPPLY CHAIN | APPENDIX

**GRAINGER**®   29

# People & Purpose

Our Approach   Health & Safety   Our COVID-19 Response   Talent & Diversity, Equity & Inclusion   Talent Recruitment & Onboarding   Team Member Learning   Community Investment

## Grainger Canada Provides Bursaries for Indigenous Communities

In 2021, Canadians learned of the devastating discovery of unmarked graves on the grounds of former residential schools across the country. In response, Grainger immediately strengthened its support of Canada's Indigenous communities through a $15,000 donation to Indspire, a charity that invests in the education of First Nations, Inuit and Métis people.

Grainger and WFS, a subsidiary of Grainger, have since announced a longer-term partnership with Indspire: funding the Grainger Canada Bursary. This five-year, $25,000 commitment, administered through Indspire's Building Brighter Futures program, provides bursaries to Indigenous students entering full- and part-time studies in college or university in a skilled trades, apprenticeship and technology program.



Thanks to a Government of Canada matching program, Grainger's commitment will result in a $50,000 overall contribution to this initiative.

Grainger Canada supports three areas of community investment: disaster preparedness through the company's partnership with the Canadian Red Cross; skilled trades development; and Indigenous advancement through partnerships with Indspire, the Canadian Centre for Aboriginal Business, the Canadian Aboriginal and Minority Supplier Council. Grainger also provides local economic benefits to Indigenous communities through customer-led programs.

## Advance the Emerging Workforce

As the next generation enters the workforce, it is important they have the skills needed to succeed in today's world. Grainger's programs and support equip individuals to become life-long learners and embrace curiosity with the guidance, funding and tools necessary to enable success and be connected to work across technology and skilled trades.

In 2021, we continued to support Folds of Honor with $50,000 that will directly fund scholarships to qualified incoming college freshmen who are pursuing degrees in engineering and technology. Folds of Honor provides educational scholarships that are directed to the children and spouses of fallen and disabled service members. We also supported Chicago Innovation and 1871 for the third consecutive year, in support of initiatives and programs that increase the accessibility of STEM for underrepresented groups in Chicagoland.

## Empower Our Communities

Programs that empower communities and their inhabitants are essential to build long-term resiliency, growth and upward mobility. Grainger's culture of service and giving extends into the local communities where our team members live and work to help drive social and economic benefits.

Grainger works collaboratively with various community partners through a combination of resources, including in-kind donations, a nonprofit board placement program, team member volunteerism and our 3:1 Matching Gifts Program.

### 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 2021, Grainger granted more than $2 million in matching gift contributions to more than 1,000 nonprofit organizations.

# People & Purpose

Our Approach    Health & Safety    Our COVID-19 Response    Talent & Diversity, Equity & Inclusion    Talent Recruitment & Onboarding    Team Member Learning    Community Investment

**Business Resource Group Community Fund**
Since its inception in 2014, the Business Resource Group (BRG) Community Fund has aligned our BRGs with nonprofit partners to amplify the efforts of both. Each of Grainger's nine BRGs receives $10,000 annually to designate to nonprofit organizations of their choice. In 2021, BRGs at Grainger contributed to organizations such as Asian Americans Advancing Justice, El Valor, Equal Justice Initiative, Junior Achievement, Pride Center San Antonio, Nature Conservancy, YWCA Chicago and others.

**Volunteerism**
Our team members are passionate in their support of their local communities. In 2021, U.S. team members volunteered more than 10,000 hours.

Volunteerism helps support long-term resilient communities and drives team member engagement by providing unique opportunities for professional development and team building.

At the onset of the COVID-19 pandemic in 2020, Grainger moved all company sponsored volunteerism programming to virtual settings. Grainger curated a list of virtual volunteering opportunities with nonprofit organizations across the U.S. for teams and individual team members. Organizations supported included Missing Maps/American Red Cross, The Smithsonian Institution and others.

U.S. and Panama-based team members also have access to Grainger's Serving Our Communities volunteer portal. This portal allows team members to identify volunteer opportunities, create and share volunteer opportunities, as well as record their volunteer hours.

**Executive Board Placement Program**
Grainger's 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 approximately 25 leaders in 2021.

Nonprofits supported through the Grainger EBP program include organizations such as FIRST Robotics, International Women's Forum (IWF), Junior Achievement, Oakton Educational Foundation and Urban Initiatives.

**Special Grants**
In the wake of the ongoing pandemic, Grainger awarded $145,000 in special grants to support non-profit organizations aligning with the company's diversity and community pillars. YWCA Metropolitan Chicago was among the recipients. YWCA is dedicated to eliminating racism, empowering women and promoting peace, justice, freedom and dignity for all. Grainger is proud to also partner with this organization through executive board service. In addition, Grainger made a grant to the International Women's Forum, an organization that connects women leaders across every professional sector in support of each other and the common mission of advancing women's leadership and championing equality worldwide. Based on this support, Grainger has been recognized as the founding partner of a new leadership development program for high potential women leaders with 10-15 years of experience which will draw upon the IWF membership to act as speakers on professional and personal leadership topics.



# 96K
buildings mapped by Grainger volunteers

**Grainger Missing Maps Challenge Supports Red Cross Partnership**
In 2021, 170 Grainger team members volunteered their time to participate in the Fifth Missing Maps Challenge to help map "missing" geographic areas. Volunteers used a computer to digitally trace buildings to create an accurate picture of an unmapped region. These maps help Red Cross volunteers and emergency responders locate communities that experience disasters and deliver much-needed resources to residents who live there.

Since Grainger introduced the Missing Maps Challenge in 2017, team members have traced more than 96,600 buildings and recorded more than 1,700 cumulative volunteer hours.

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

APPENDIX

GRAINGER®

31

# Sustainability & Stewardship

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

## OUR 2021 HIGHLIGHTS

**100K**
environmentally preferable products

**6.7M**
kilowatt hours of renewable energy produced

**92%**
recycling rate across our DCs

**$875M**
revenue from environmentally preferable products

# Sustainability & Stewardship

Our Approach     Climate Change Disclosure     Efficient Operations     Sustainability Solutions for Our Customers

## OUR APPROACH

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.

## CLIMATE CHANGE DISCLOSURE

Grainger recognizes the urgency of climate change action and employs greenhouse gas (GHG) reduction targets consistent with the net-zero climate goals of the Paris Climate Agreement. We have a longstanding history of emissions disclosure: in 2012, we became the first industrial distributor to publicly disclose its carbon footprint, and in 2013, we became the first in our industry to set a public GHG emissions reduction target, which we achieved two years early.

Since 2009, Grainger has disclosed to the CDP (formerly the Carbon Disclosure Project), providing detail on business risks and opportunities related to climate change. Grainger is proud to have received a B rating from the CDP Grainger is proud to have received a B rating from the CDP in 2021.

## EFFICIENT OPERATIONS

Grainger is committed to reducing our carbon, water and waste footprint in our

**CDP** DISCLOSURE INSIGHT ACTION    **B**

Grainger is proud to have received a B rating from the CDP in 2021.

operations and value chain. Our efforts are focused on improving energy efficiency and embedding sustainability into all that we do.

### GHG Emissions

In line with Grainger's commitment to mitigating climate risk and reducing our carbon emissions, we follow guidelines set forth by the Science Based Targets Initiative (SBTi) and the Greenhouse Gas Protocol, ensuring that our internal actions align with the global goal of limiting warming to well below 2 degrees Celsius.

Our approach relies in part upon increasing the use of solar at our Grainger facilities, investment in lighting retrofits and HVAC improvements, and improved technology and efficiency in our building management systems, among other interventions.

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | PEOPLE & PURPOSE | **SUSTAINABILITY & STEWARDSHIP** | SUPPLY CHAIN | APPENDIX

**GRAINGER** 33

# Sustainability & Stewardship

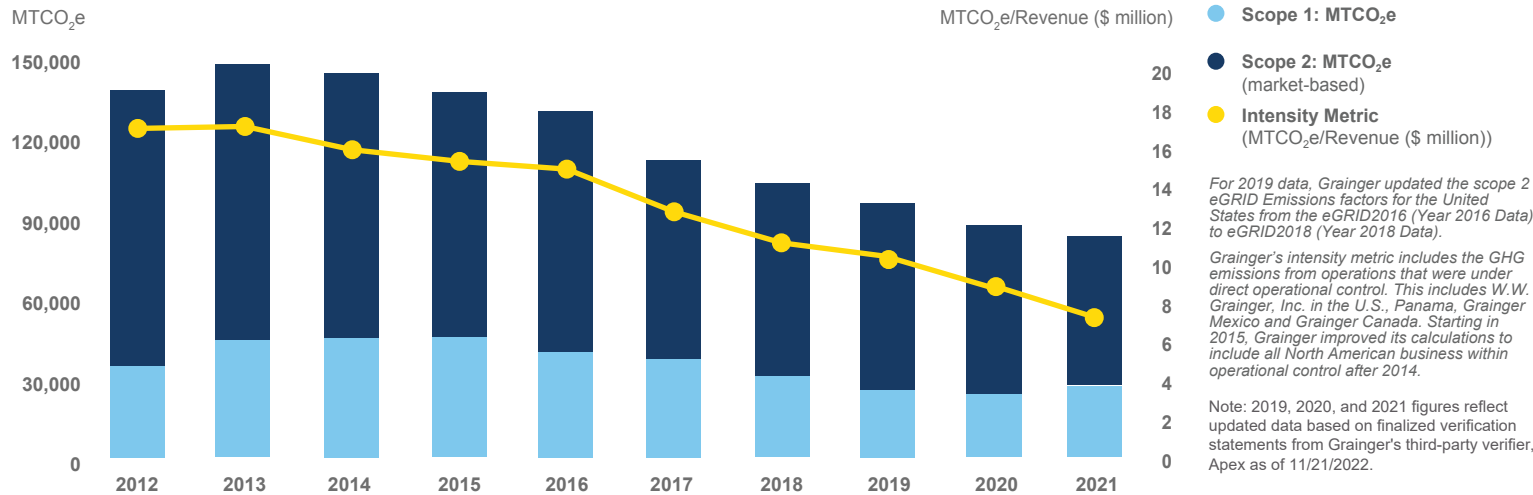Our Approach | Climate Change Disclosure | Efficient Operations | Sustainability Solutions for Our Customers

## 30%

Grainger plans to reduce its global absolute scope 1 and 2 GHG emissions by 30 percent from a 2018 baseline by 2030

### SCOPE 1 AND SCOPE 2 EMISSIONS WITH INTENSITY



MTCO$_2$e — left axis: 0, 30,000, 60,000, 90,000, 120,000, 150,000

MTCO$_2$e/Revenue ($ million) — right axis: 0, 2, 4, 6, 8, 10, 12, 14, 16, 18, 20

Years: 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021

Legend:
- Scope 1: MTCO$_2$e
- Scope 2: MTCO$_2$e (market-based)
- Intensity Metric (MTCO$_2$e/Revenue ($ million))

*For 2019 data, Grainger updated the scope 2 eGRID Emissions factors for the United States from the eGRID2016 (Year 2016 Data) to eGRID2018 (Year 2018 Data).*

*Grainger's intensity metric includes the GHG emissions from operations that were under direct operational control. This includes W.W. Grainger, Inc. in the U.S., Panama, Grainger Mexico and Grainger Canada. Starting in 2015, Grainger improved its calculations to include all North American business within operational control after 2014.*

Note: 2019, 2020, and 2021 figures reflect updated data based on finalized verification statements from Grainger's third-party verifier, Apex as of 11/21/2022.

### Scopes 1, 2 & 3

Since 2018, we have reduced global absolute scope 1 and scope 2 emissions by 20 percent[1], which achieves 68 percent of our global reduction target. In 2021, our North American scope 1 and 2 GHG emissions were 86,682 metric tons[2]. Scope 1 emissions are direct emissions from owned or controlled sources, while scope 2 emissions are indirect emissions from the generation of purchased energy.

Our current climate target, set in 2020, is to reduce global absolute scope 1 and scope 2 emissions by 30 percent by 2030, using a 2018 baseline. This target follows the medium-term goals of the Paris Climate Agreement, and we are excited to work toward achieving our new GHG target.

The Intergovernmental Panel on Climate Change (IPCC) has confirmed that in order to limit global warming to 1.5°C, the world needs to halve CO2 emissions by around 2030 and reach net-zero CO$_2$ emissions by no later than 2050.

In light of these longer-term goals, we also recognize the need to reduce scope 3 emissions as part of this process. Scope 3 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 product use phase, or 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 first step to setting a scope 3 target will be to functionally model and develop reporting and accounting for product use phase.

[1] Restated figure that reflects global absolute emissions reduction from a 2018 baseline; The 68 percent figure previously referenced for reduction corresponds to progress towards Grainger's 2030 global absolute emissions target
[2] 2021 North American scope 1 and 2 GHG emissions include North America and Panama.

A LETTER FROM OUR CHAIRMAN & CEO   ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER   GRAINGER AT A GLANCE   ETHICS & GOVERNANCE   PEOPLE & PURPOSE   **SUSTAINABILITY & STEWARDSHIP**   SUPPLY CHAIN   APPENDIX

**GRAINGER**®   34

# Sustainability & Stewardship

Our Approach   Climate Change Disclosure   Efficient Operations   Sustainability Solutions for Our Customers

## Energy Use & Renewable Energy

Grainger's facilities account for about 97 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.

Grainger's distribution centers (DCs) account for roughly 59.5 percent of our operational square footage. Inherent to this footprint is the opportunity for efficient energy management.

# 6.7M

kilowatt hours of renewable energy produced at Grainger facilities

## Solar

Grainger currently has 6.4 megawatts (MW) of solar panel installations at our DCs. These solar installations have

resulted in 6.7 million kilowatt hours of renewable energy produced in 2021.

Grainger is currently expanding 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.

At the end of 2021, Grainger completed a rooftop installation of an additional 1.1 MW of solar panels at our northeast distribution center (NEDC). This is in addition to the 4.3 MW already installed at our NEDC, for a total of 5.4 MW at this site alone.

## Fuel Cell Pilot

In 2021, our facilities team started a pilot to investigate how the benefits of hydrogen fuel cells can improve Grainger's DC operations. Starting at our ILDC, we replaced traditional batteries with hydrogen fuel cells for some of our power industrial equipment. Running the equipment uses zero emissions, and the only output from the fuel cells is water. Initial data results are promising, and we will continue to evaluate the impact to our DCs.

SOLAR PRODUCTION

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|

● Solar Production (kWh)[1]

[1] Renewable energy production across Grainger North American facilities.

A LETTER FROM OUR CHAIRMAN & CEO    ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER    GRAINGER AT A GLANCE    ETHICS & GOVERNANCE    PEOPLE & PURPOSE    **SUSTAINABILITY & STEWARDSHIP**    SUPPLY CHAIN    APPENDIX

**GRAINGER** 35

# Sustainability & Stewardship

Our Approach    Climate Change Disclosure    Efficient Operations    Sustainability Solutions for Our Customers
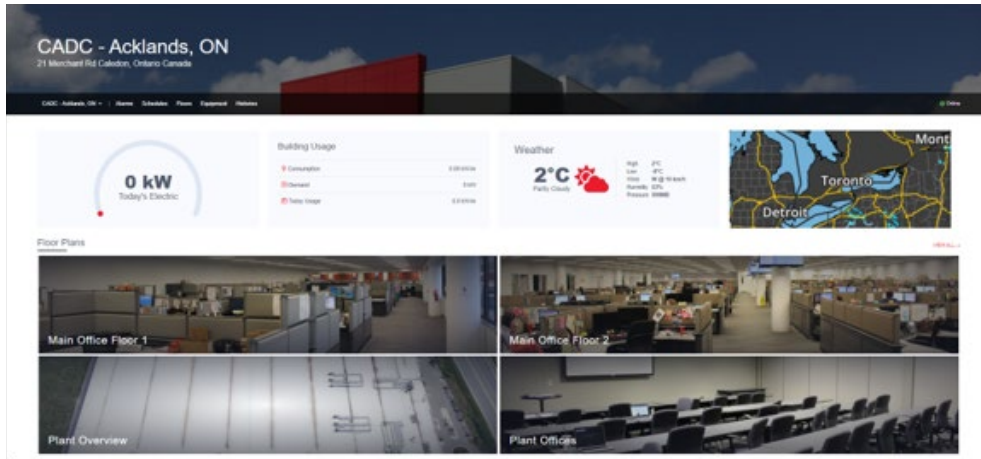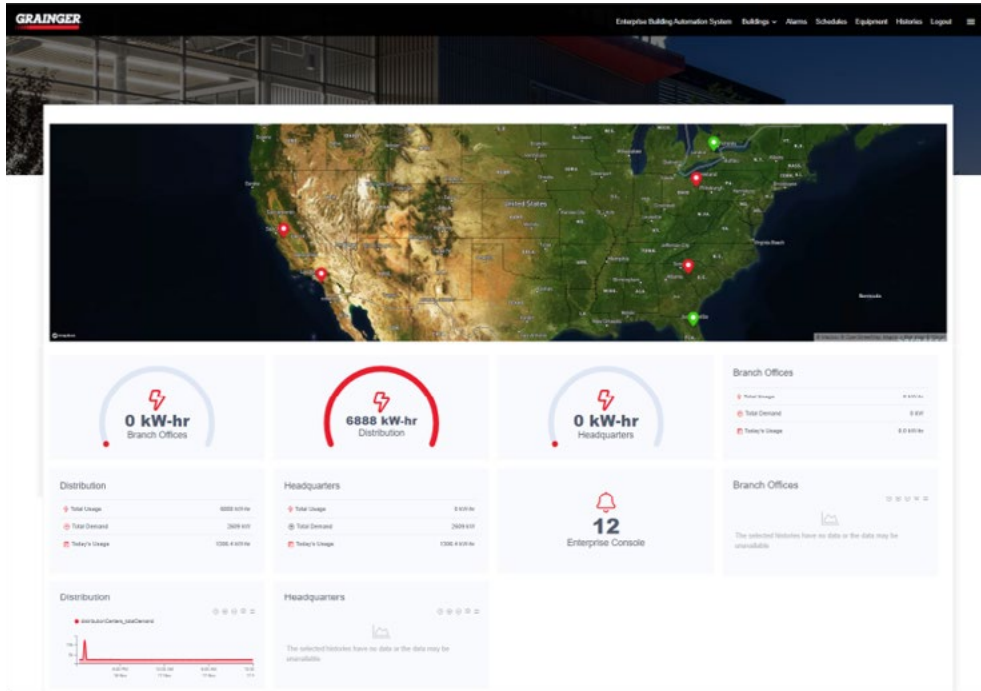




## Building management system

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, 29 of our facilities have either been built or retrofitted with BMS representing 9.8 million square feet, or 40.7 percent of our footprint, in North America. On average, Grainger has realized a 10 to 15 percent reduction in energy use and expenses at our facilities after installing BMS.

We have begun a pilot BMS program within Grainger's branch network, with expanded implementation across the network planned in 2022. Since branches make up approximately 35 percent of Grainger's energy usage, implementing a network-wide BMS for the branches will optimize their energy use.

By harmonizing the BMS of branches and distribution centers, Grainger is able to have an enterprise-wide view of our buildings. Advancements in these technologies like with the Internet of Things (IOT) allow Grainger to monitor the health and status of our facilities, from energy usage to air quality to predictive maintenance, and everything in between.

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

Grainger has 7.0 million square feet of LEED certified space through 18 North American facilities, representing 28.8 percent of Grainger's total square feet in North America. Examples of LEED certified buildings across our network include:

## 7.0M sq ft

LEED certified space through 18 North American Grainger facilities

- 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
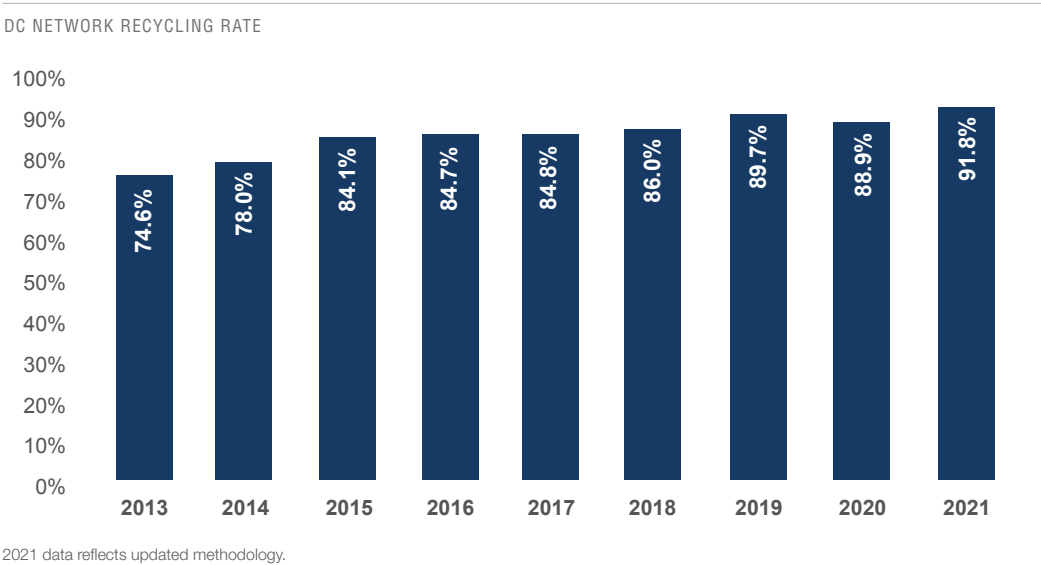- Our new LEED Gold 1.5 million square foot DC in Louisville, Kentucky

A LETTER FROM OUR CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER

GRAINGER AT A GLANCE

ETHICS & GOVERNANCE

PEOPLE & PURPOSE

**SUSTAINABILITY & STEWARDSHIP**

SUPPLY CHAIN

APPENDIX

**GRAINGER**®

36

# Sustainability & Stewardship

Our Approach    Climate Change Disclosure    Efficient Operations    Sustainability Solutions for Our Customers

DC NETWORK RECYCLING RATE

| Year | Rate |
|------|------|
| 2013 | 74.6% |
| 2014 | 78.0% |
| 2015 | 84.1% |
| 2016 | 84.7% |
| 2017 | 84.8% |
| 2018 | 86.0% |
| 2019 | 89.7% |
| 2020 | 88.9% |
| 2021 | 91.8% |

2021 data reflects updated methodology.

## 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 working to continually improve 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 2021, our U.S. DCs recycled 92 percent of all waste leaving the facility.

## Data Methodology & Collection

In 2020, we recognized that our previous recycling data methodology accounted for the quantity of wood rather than the weight. By changing the methodology to account for the weight of recycled wood, our team greatly enhanced the accuracy of our recycling reporting.

In 2021, all of Grainger's recycling and waste data was further enhanced by full automation. This collaborative initiative included partnerships with Avangard Initiative and Grainger Technology Group to ensure accurate, all-encompassing data processes.

By incorporating greater automation and streamlining data entry in our systems, Grainger will be able to analyze our recycling and waste processes with enhanced efficiency and continue to optimize our operations.

## Zero waste

In 2021, Grainger's Dallas-Fort Worth DC (DFDC) received the TRUE Zero Waste Certification. The prerequisite for this certification is a recycling rate of at least 90 percent. Grainger has other DCs that have met this threshold and will begin the certification process. Certification will enable Grainger to define, pursue and achieve our waste reduction and emissions targets by creating new opportunities to lower our waste streams while cutting our carbon footprint.

## Water

We monitor and measure our water footprint and always look for opportunities to reduce usage, such as installing water-efficient fixtures at our largest facilities.

Grainger's total water consumption in the U.S. in 2021 was 417,200 cubic meters, a slight increase from a 2020 total of 409,707 cubic meters[1]. Beyond our own operations, our top product segments for water treatment, infrastructure, and efficiency include pumps, plumbing and hydraulics.

## Preventing Food Waste

Our sustainability team recently installed a biodigester in 2022 at Grainger's headquarters in Lake Forest, Illinois. Using microorganisms, this system breaks down food waste that ultimately goes down the building wastewater system. This system prevents food waste from going to landfills, a benefit in itself, and therefore prevents food waste from breaking down to carbon dioxide and methane.



1. Restated 2021 figure. Previously reported 386,059.

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

APPENDIX

**GRAINGER**®

37

# Sustainability & Stewardship

Our Approach   Climate Change Disclosure   Efficient Operations   Sustainability Solutions for Our Customers

## SUSTAINABILITY SOLUTIONS FOR OUR CUSTOMERS

Starting with our customers is core to our culture. We are at our best when we truly understand their needs and provide solutions that keep them working, protect their people, and save them time and money. In line with this principle, we are advancing and integrating our portfolio of sustainable products and services. Combining our environmental, health and safety EHS and sustainability solutions provides our customers with a total solution and lays the foundation for compliance, consistency, and continuous improvement.

### Sustainability Offer

Grainger works hard to help create more sustainable workplaces for our customers with our total solution of Environmentally Preferable Products (EPPs), services, and resources.

We are committed to identifying new opportunities to help integrate and sustain sound environmental practices in our customers' operations.

### LED Lighting Retrofit

A leading state university was in search of energy savings related to lighting, particularly for areas like parking garages. Over 45,000 vehicles park at the university in five main garages each week. The five garages had a total of 1,320 fixtures that included older T8 fluorescent and high-intensity discharge (HID) lighting technology that produced unwanted glare and consumed large quantities of excess energy. The university was burdened with high maintenance costs related to the need to frequently maintain and replace lamps and ballasts that were failing or had burned out.

Grainger partnered with Hubbell Lighting, now known as "Current" after its integration with GE Current,

a Daintree company, in order to provide the correct LED solution for the customer. Current's Beacon brand of lighting fixtures were integrated with occupancy and daylight harvesting sensors that helped maximize energy savings.

**Results included:**

- Reduced the overall fixture count of the five garages by 20 percent while still maintaining Illuminating Engineering Society (IES) light levels.
- The new lighting saved an average of $48,000 in energy and maintenance savings per year, per garage.
- Total annual savings across all five garages equated to 76 percent savings on overall energy spend.

This project and the immediate energy savings the customer saw led directly to more opportunities to reduce energy consumption on the campus.

**Eliminating Waste Through Roof Restoration**

Grainger partnered with Tremco Roofing and Building Maintenance to install 498,843 square feet of bio-based materials over an existing roof membrane at a healthcare facilities service provider. This eliminated 1,344 tons of landfill waste in 2021, and 2022 projections are slated to total 769,190 square feet installed and 1,860 tons of eliminated landfill waste. These roof restorations can have up to two 20-year landfill diversions, equating greenhouse gas savings of 39,066,764 pounds over a 40-year period.

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | PEOPLE & PURPOSE | **SUSTAINABILITY & STEWARDSHIP** | SUPPLY CHAIN | APPENDIX

**GRAINGER**®    38

# Sustainability & Stewardship

Our Approach    Climate Change Disclosure    Efficient Operations    Sustainability Solutions for Our Customers

### 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

## Sustainability Products

Grainger's Environmentally Preferable Product (EPP) portfolio and sustainability offerings provide ways for our customers to keep their business running while reducing energy consumption, conserving water, reducing waste and improving indoor air quality.

Our EPP portfolio of approximately 100,000 products comprises one of the largest green SKU counts in the industrial distribution market. To guide customers toward more environmentally preferable solutions, products in Grainger's EPP portfolio are grouped together in a "Green" filter on the left-hand navigation bar of Grainger.com®. EPP products fall into two categories—those certified by independent

organizations and those with green environmental attributes.

Green certification 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 certified products and responsible products where third-party certifications are not yet available or where they meet industry standards (e.g. ASTM standard test methods, LEED criteria, 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 U.S. federal and state sustainable purchasing considerations.

We continuously evaluate available product certifications based on emerging certifications, customer demand, and to reflect new or remerchandised products already in Grainger's portfolio.

In 2021, EPP sales totaled more than $875 million, a 23 percent increase from 2020. Program growth is driven by increased customer demand for products. Merchandising our portfolio to add green certifications and environmental information to existing products also contributed to growth and helps customers with their sustainability goals.

**case study**

## Helping Customers Meet Sustainability Goals

Customers often tell us they want products to meet sustainability goals: managing energy, conserving water, reducing waste through methods like purchasing products with recycled content, improving indoor air quality, and other solutions to help make their facilities greener and more efficient.

Grainger's merchandising strategy team reviews customer feedback collected through channels like Grainger.com, visits to customer facilities, and conversations with our technical product support team. Using this feedback, the merchandising strategy team regularly reviews our assortment to determine what products to sell and how best to present them on Grainger.com and in our catalog.

During a recent review of circulating pumps for radiant heat and potable water applications, we identified pumps with more energy-efficient motors. These enhanced motors use up to 80 percent less electricity and will meet the anticipated 2024 motor Department of Energy efficiency standards. By collecting and merchandising relevant energy efficiency information, customers will be able to identify these motors and other efficient products in Grainger's environmentally preferable product portfolio.

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

**SUPPLY
CHAIN**

APPENDIX

GRAINGER®

39

# Supply Chain

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

## OUR 2021 HIGHLIGHTS

**1.5M**
total number of stocked products

**720K+**
products from more than 2,800 key small and/or diverse suppliers

**> $1.6B**
spent with more than 6,600 small businesses

**348**
branches in North America

A LETTER FROM OUR CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER

GRAINGER AT A GLANCE

ETHICS & GOVERNANCE

PEOPLE & PURPOSE

SUSTAINABILITY & STEWARDSHIP

SUPPLY CHAIN

APPENDIX

GRAINGER

40

# Supply Chain

Our Approach        Supply Chain Stewardship        Product Stewardship

## OUR APPROACH

We work with thousands of suppliers to stock more than 1.5 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 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 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 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.

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | PEOPLE & PURPOSE | SUSTAINABILITY & STEWARDSHIP | **SUPPLY CHAIN** | APPENDIX

**GRAINGER**®

41

# Supply Chain

Our Approach     Supply Chain Stewardship     Product Stewardship

## 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. The objectives for our Supplier Engagement Program are:

- Engage the suppliers who are the most impactful to our business
- Understand what is most important to them
- Maintain open lines of communication

### Supplier Diversity

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

Grainger's Tier 1 Channel Development program helps customers meet their diversity procurement goals through the use of certified Diverse Business Enterprise (DBE) authorized resellers. Grainger's Tier 1 Channel Development (CD) program is designed to deepen our customer relationships and identify ways to deliver greater value to existing customers and customers in new markets. The reseller program enables MRO resellers and customers greater access to products and services and provides reach to segments and contracts typically mandated or prioritized for small businesses/diverse business enterprises (DBEs). The program allows Grainger resellers to offer niche, value-added services and a broader selection of products.

Grainger's Tier 2 Supplier Diversity program helps customers to diversify their supply chains and promote the growth of underrepresented supplier groups. This portfolio offers more than 720,000 products from more than 2,800 key small and/or diverse suppliers. In 2021, Grainger U.S.

> **$1.6B** spent in 2021 with more than → **6,600** small businesses

**$278M** spent in 2021 with → **680+** minority, woman, veteran, disabled-person and LGBT-owned businesses
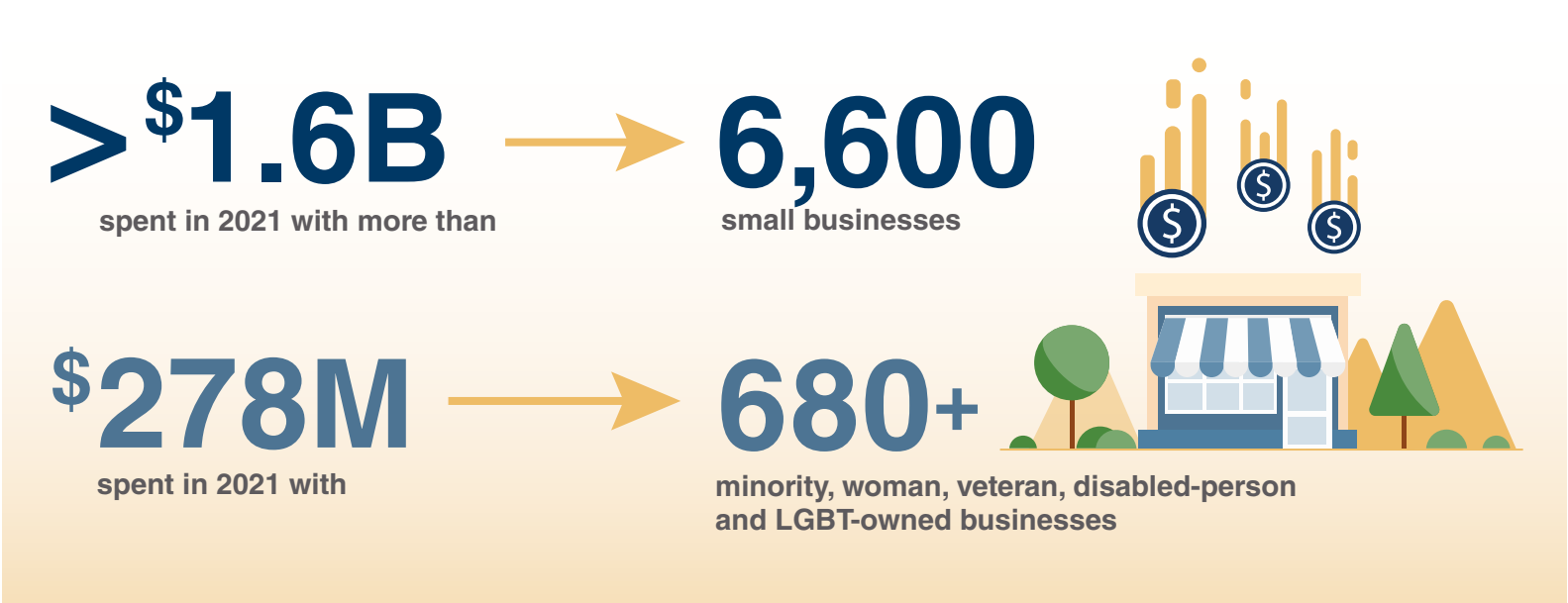
spent more than $1.6 billion[1] with more than 6,600 small businesses, and $278 million with over 680 minority-, woman-, veteran-, disabled-person- and LGBT-owned businesses for goods and services.

In 2021, leveraging the Grainger product portfolio of over 1.5M products stocked, these diverse authorized Grainger resellers sold over $264M to more than 4,200 customers.

Grainger is also a corporate member of the Women's Business Enterprise National Council, participates in virtual trade and networking events, and develops mentor-protegee relationships with diverse businesses.

### Private Label

We also evaluate Grainger private label products to confirm they meet our responsible sourcing guidelines. Suppliers who provide Grainger private label products

through Grainger Global Sourcing (GGS) complete an annual social responsibility survey, which indicates the suppliers' compliance with social responsibility topics. Grainger reviews responses and contacts suppliers directly for additional clarification or information.

Another way we measure private label brand quality is through the return rate performance of those products, calculated as a percent of total return dollars over cost of goods sold (COGS).

[1] Data is for the period 10/1/2020-9/30/2021

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

APPENDIX

GRAINGER®

42

# Supply Chain

Our Approach          Supply Chain Stewardship          Product Stewardship

**case study**

**In 2021, we partnered with PepsiCo's Global Procurement and Supplier Diversity team to help them with their strategic initiatives around supplier diversity. Grainger's Sales & Channel Business leadership teams worked with PepsiCo leadership and discussed strategies for implementing a stronger Tier 1 and Tier 2 supplier diversity program.**

Together, the teams identified a Frito Lay site in Modesto, California, as a great opportunity to engage one of Grainger's Tier 1 Channel Business resellers, Diversified Supply Inc. The Channel Business program was introduced to the plant leadership who was excited to help drive PepsiCo's diversity initiative forward. The partnership with Diversified Supply Inc. and PepsiCo was successfully implemented in August of 2021.

In addition to Tier 1 program development, our Tier 2 program offering is being leveraged to grow PepsiCo's diverse spend. We continue to monitor and report diverse spend progress through PepsiCo's diversity portal on a quarterly basis. Through leveraging both Tier 1 and Tier 2, Grainger supports PepsiCo's unique customer supplier diversity goals, delivering greater value with greater access and reach.

Total return rate performance shifted from 4.2% in 2020 to 3.8% in 2021, with COGS up significantly in 2021. The increase was driven by product mix shift and the overall core business returning to more stable state post pandemic.

**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.

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | PEOPLE & PURPOSE | SUSTAINABILITY & STEWARDSHIP | **SUPPLY CHAIN** | APPENDIX

**GRAINGER**

43

# Supply Chain

Our Approach      Supply Chain Stewardship      Product Stewardship

## 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 2021, Grainger recognized 20 suppliers at Partners in Performance, a virtual event sponsored by our Group Vice President, Merchandising and Supplier Management to celebrate top performing suppliers, including our Supplier of the Year, Milwaukee Tool a global leader in professional construction trade solutions. Milwaukee Tool earned high marks in their operational excellence, Grainger-dedicated sales force and focus on product information completeness, all vital to keeping our customers working.

**Sustainable Solution Performance**

**Helping Customers Reach Their Sustainability Goals**

**Environmental Stewardship**

**Grainger Sustainable Supplier Award**



This annual event enhances supplier engagement through educating and informing the top-performing supplier community about Grainger's key initiatives and strategy. For 2021, Grainger has introduced three new categories:

- Senior Executive Contact of the Year to recognize supplier contacts whose work with Grainger executives strengthened our mutually beneficial relationships and improved outcomes,
- Executive Contact of the Year for those supplier executives whose partnership with the Grainger leadership team helped drive the best cost and availability, and
- Supplier Rep Agency of the Year for the representative agency that demonstrated true partnership, understanding of Grainger requirements, and who were always striving to advocate for Grainger with suppliers.

We are also pleased to honor our winner of the 2021 Partners in Performance Sustainability Award, Signify, a leading global lighting corporatation. This award is based on sustainable solution performance, how the solution helps customers reach their sustainability goals, and stewardship as a responsible business. Signify has embedded sustainability into its strategy and how it operates and does business. The company puts great effort into understanding and proactively addressing pressing environmental and social challenges, such as climate action and food availability, to create brighter lives and better world.

A LETTER FROM OUR CHAIRMAN & CEO    ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER    GRAINGER AT A GLANCE    ETHICS & GOVERNANCE    PEOPLE & PURPOSE    SUSTAINABILITY & STEWARDSHIP    **SUPPLY CHAIN**    APPENDIX

**GRAINGER**®    44

## Supply Chain

Our Approach    Supply Chain Stewardship    Product Stewardship

## PRODUCT STEWARDSHIP

### Product Safety & Quality

To ensure the highest quality private label products, our engineering team conducts extensive product evaluation and testing as well as direct supplier engagement. This engagement includes investigations and factory audits to ensure the highest levels of quality throughout the manufacturing process. The team continually works with our suppliers over time to ensure they have the best equipment and processes in place to deliver consistent quality products.

### 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 GGS suppliers to help reduce damage and waste, while maximizing recyclable materials, thereby encouraging our partners to choose sustainable packaging options. We have a number of initiatives in place to help us meet our sustainable packaging goals:

- 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.

- We ship products in suppliers' packaging (primary packaging) whenever possible; our DC teams schedule regular reviews to determine shipping suitability of primary packaging. We also use strapping or wrapping when applicable, in order to consolidate items without the need to add outer packaging.

- Partnering with Grainger's Real Estate & Facilities team and using our improved recycling data methodology, our supply chain team found that a significant amount of recycled material in our DC network was wood pallets. Combining the recycling data with pallet purchase data, have since greatly decreased pallet purchases, saving costs and lowering scope 3 carbon emissions.

- Our iconic Grainger boxes are fully recyclable, made from significant post-consumer content and certified by the Sustainable Forestry Initiative.

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | PEOPLE & PURPOSE | SUSTAINABILITY & STEWARDSHIP | **SUPPLY CHAIN** | APPENDIX

**GRAINGER**®  45

# Supply Chain

Our Approach      Supply Chain Stewardship      Product Stewardship

## Logistics

### Transportation

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.

### Supply Chain Resiliency

We are proud of the measures our supply chain teams take to ensure business continuity for our customers, but especially when faced with the added disruption of a pandemic.

Our teams adhere to strict safety protocols which have been highly effective in preventing community spread, but which has sometimes resulted in reduction in capacity in some distribution locations.



Nonetheless, DC teams in other locations were ready, working extra hours on the frontlines to fill those capacity gaps.

Our supplier management and supply chain teams have also shown agility in uncertain market conditions by:

- Working closely with existing current suppliers as well as identifying new sources of supply for critical pandemic inventory
- Bringing new products through our rigorous quality assurance evaluation process more quickly than usual to ensure products (including PPE) meet our high product quality and compliance standards
- Applying different strategies to expedite transit times

We also took advantage of our network coverage and inventory redundancy to move customer shipments to where the capacity was, including leveraging our 348 branches. All of these measures enabled us to continue to ship as many complete orders as possible, meet our delivery promises to our customers and keep each other safe.

We also celebrated the full go-live of our new Louisville DC, which brings more network capacity and coverage with its extensive reach to the Midwestern and Eastern U.S. This investment further solidifies the resiliency of the network.

### Shipping Efficiencies

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. 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 to drive improvement and efficiencies in packaging and corrugate use.

**case study**

The Grainger team saw that a popular item, 4 ft. light bulbs, was getting damaged in transit more frequently than other products. While inconvenient to the customer, this also meant a higher carbon footprint from replacement products shipped to the customer and the disposal of the damaged product containing mercury, a toxic material. After testing multiple options designed to protect the light bulbs during shipping, the team selected a highly effective and environmentally friendly option containing recycled materials. Next, the team educated packing team members on this issue and trained them on the proper packing process and new package design. This focus and packaging change reduced the rate of damaged shipments by more than 40%[1], reducing unnecessary transportation miles and hazardous waste.

[1] Data is for the period 4/1/2021 – 3/31/2022.

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

**APPENDIX**

**GRAINGER**®

46

## Forward-Looking Statement

All statement in 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 disease 2019 and its variants (COVID-19), as well as the impact

of actions taken or contemplated by government authorities to mitigate the spread of COVID-19 (such as vaccine mandates for certain federal contractors, mask mandates, social distancing or other requirements) and to promote economic stability and recovery, on the company's businesses, its employees, customers and suppliers, including disruption to Grainger's operations resulting from employee illnesses, the development, availability and usage of effective treatment or vaccines, changes in customers' product needs, the acquisition of excess inventory leading to additional inventory carrying costs and inventory obsolescence, raw material, inventory and labor shortages, continued strain on global supply chains, and diminished transportation availability and efficiency, disruption caused by business responses to the COVID-19 pandemic, including remote working arrangements which may create increased vulnerability to cybersecurity incidents, including breaches of information systems security, adaptions to the company's controls and procedures required by remote working 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; inflation, higher product costs or other expenses, including operational expenses; the impact of Russia's invasion of Ukraine on the global economy; a major loss of customers, loss or disruption of sources of supply; changes in customer or product mix; increased competitive pricing pressures; failure to enter into or sustain contractual arrangements on a satisfactory basis with group purchasing organizations; failure to develop, manage 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 margin; 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 and marketing, consumer protection, pricing (including disaster or emergency declaration pricing statutes), product liability, compliance

or safety, trade and export compliance, general commercial disputes, or privacy and cybersecurity matters; investigations, inquiries, audits and changes in laws and regulations; failure to comply with laws, regulations and standards, including new or stricter environmental laws or regulations; government contract matters; disruption or breaches 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 price and trading volume volatility or price declines of the company's common stock; commodity price volatility; facilities disruptions or shutdowns; higher fuel costs or disruptions in transportation services; geopolitical events, including war or acts of terrorism; other pandemic diseases or viral contagions; natural or human induced disasters, extreme weather and other catastrophes or conditions; effects of climate change; competition for, or failure to attract, retain, train, motivate and develop key employees; loss of key members of management or key employees; changes in effective tax rates; changes in credit ratings or outlook; the company's incurrence of indebtedness and other factors identified under Part I, Item 1A: Risk Factors in the company's Form 10-K, updated from time to time 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.

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | PEOPLE & PURPOSE | SUSTAINABILITY & STEWARDSHIP | SUPPLY CHAIN | **APPENDIX**

**GRAINGER**®                    47

# KEY PERFORMANCE DATA[1]

| | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| **Grainger at a Glance** | | | | |
| Net Sales, $ billion | 11.2 | 11.5 | 11.8 | 13.0 |
| Suppliers | 5,000 | 5,000 | 4,500 | 5,000 |
| Products Stocked, million | 1.7 | 1.6 | 1.5 | 1.5 |
| Active Customers[2], million | 3.5 | 3.8 | 5.0 | 4.5 |
| **Ethics & Governance** | | | | |
| **Business Ethics** | | | | |
| Team Members Trained on Business Conduct Guidelines, percent | 100 | 100 | 100 | 100 |
| **Board Diversity** | | | | |
| Women Board Members, percent[3] | 18 | 27 | 31 | 33 |
| Racially and Ethnically Diverse Board Members, percent[3] | 27 | 27 | 31 | 25 |
| **Sustainability & Stewardship** | | | | |
| North American Energy Consumption, million kilowatt hours | 344 | 316 | 300 | 311 |
| North American Facility $CO_2e$ Emissions, million metric tons | 0.10 | 0.10 | 0.09 | 0.09 |
| North American GHG Intensity (MTCO$_2$e/Revenue)[4] | 11.4 | 10.2 | 9.1 | 7.9 |
| North American Water Use, million cubic meters | 0.51 | 0.47 | 0.41 | 0.39 |
| Renewable Energy Produced, million | 6.73 | 6.80 | 6.0 | 6.7 |
| U.S. Distribution Center Network Recycling Rate, percent | 91.0 | 90.5 | 93.0 | 91.8 |
| LEED Certified Space, million square feet | 6.7 | 8.1 | 8.1 | 7.0 |
| Environmentally Preferable Products, percent revenue | 5.3 | 5.9 | 6.0 | 6.7 |
| **People & Purpose** | | | | |
| **Safety** | | | | |
| Lost Time Incident Rate[5] | 0.2 | 0.2 | 0.4 | 0.3 |
| Total Recordable Incident Rate[6] | 1.1 | 1.0 | 1.2 | 1.2 |
| **Workforce Demographic** | | | | |
| Global Workforce (Total) | 24,600 | 25,300 | 23,100 | 24,200 |
| U.S. Workforce | 17,000 | 17,400 | 17,300 | 18,000 |
| U.S. Workforce (Total), percent women | 38.0 | 38.1 | 38.5 | 38.8 |
| U.S. Workforce (Leaders), percent women | 31.0 | 32.7 | 34.1 | 34.2 |
| U.S. Workforce (Total), percent racially and ethnically diverse | 32.7 | 34.5 | 35.2 | 36.8 |
| U.S. Workforce (Leaders), percent racially and ethnically diverse | 20.3 | 21.6 | 23.3 | 24.4 |
| **Community Impact** | | | | |
| Matching Gifts Contributions, $ million | 2.0 | 2.0 | 2.1 | 2.1 |
| Volunteer Corps, volunteer hours | 8,500 | 8,000 | 8,750 | 10,400 |

[1] For further information on data boundary, scope and assurance, please see "Boundary" on page 48 and "Assurance & Data Validation" on page 49.
[2] The number of customers is an approximate.
[3] The coverage is not for calendar year but as of the Proxy statement.
[4] Updated figures as of 11/21/2022 to reflect emissions data verified by third party provider
[5] Per 100 employees; cases with one or more days away from work per 200,000 hours.
[6] Per 100 employees.

# BOUNDARY

Although Grainger's ESG commitments apply throughout the world, this report is primarily focused on the company's major operations in the U.S. and Canada. These operations currently represent more than 80 percent of Grainger's business based on percentage of revenue, scope of operations and number of team members. Where applicable, the specific 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 | | Sales & Service | | Distribution | | Consumption |
|---|---|---|---|---|---|---|---|
| | Point of origin for our packaging, supplier data, private label or nationally branded products | | Creating unique value and ensuring an effortless customer experience | | Storing and moving our products to customers | | Customers keeping their operations running and their people safe |
| | RAW MATERIALS | SUPPLIERS | HIGH-TOUCH | ENDLESS ASSORTMENT | OPERATIONS | TRANSPORTATION | CUSTOMER |
| **Ethics & Governance** | | | | | | | |
| Ethics & Compliance | • | • | • | • | • | • | • |
| Information Security | | • | • | • | • | • | • |
| Data Privacy | | • | • | • | • | • | • |
| Governance & Accountability | | • | • | • | • | • | • |
| **People & Purpose** | | | | | | | |
| Team Member Health & Safety | • | • | • | • | • | • | • |
| Diversity, Equity & Inclusion | | | • | • | • | | |
| Talent Attraction & Retention | | | • | • | • | | |
| **Sustainability & Stewardship** | | | | | | | |
| Climate Change Risk & Resilience | • | • | • | | • | • | • |
| Energy & Emissions | | • | • | • | • | • | • |
| Sustainable Products | • | • | • | • | | | • |
| Environmental Compliance & Hazmat Management | | • | | | • | | |
| Recycling & Waste | • | • | • | | • | • | • |
| Sustainable Packaging | • | • | • | • | • | • | • |
| Water Stewardship | • | • | • | • | • | | • |
| **Supply Chain** | | | | | | | |
| Responsible Sourcing & Human Rights | • | • | • | • | • | • | • |
| Product Safety & Quality | • | • | | | • | • | • |
| Emergency Preparedness | • | • | | | • | • | • |
| Supplier Diversity | • | • | | | | | • |

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

**APPENDIX**

GRAINGER®

49

## 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. 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 it environmentally preferable SKU designation from UL Verification Services Inc. (formerly Underwriter's Labs).

## DATA VALIDATION

In 2021, Grainger's Controllership team began an extensive ESG metric validation project. The objectives of this work include assessment of all ESG metrics reported internally and externally, validation of source data and calculation of metrics, and ensuring accuracy, completeness, and consistency of data for future external reporting.

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

**APPENDIX**

**GRAINGER**®

50

# GRAINGER AND THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

The Sustainable Development Goals (SDGs) of the United Nations form part of the 2030 Agenda for Sustainable Development, which serves 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. The 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.

| SDG | SDG TARGET | GRAINGER ALIGNMENT |
|---|---|---|
| **Quality Education**<br>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all | • **Target 4.3:** By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university<br>• **Target 4.4:** By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship | • Community strategy pillar, "Advance the Emerging Workforce"<br>• STEM investment in underrepresented communities |
| **Gender Equality**<br>Achieve gender equality and empower all women and girls | • **Target 5.1:** End all forms of discrimination against all women and girls everywhere<br>• **Target 5.5:** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life | • Grainger's DEI program<br>• Gender equity pledge<br>• Improved talent analytics |
| **Decent Work and Economic Growth**<br>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all | • **Target 8.4:** Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead<br>• **Target 8.7:** Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms<br>• **Target 8.8:** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment | • Environmentally preferable products (EPP) portfolio<br>• Customer sustainability solutions<br>• Human rights principles<br>• Supplier code of ethics<br>• Conflict minerals policy<br>• Business conduct guidelines |
| **Industry, Innovation and Infrastructure**<br>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation | • **Target 9.1:** Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all<br>• **Target 9.2:** Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries<br>• **Target 9.4:** Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities<br>• **Target 9.5:** Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending | • Climate scenario analysis of operations (CDP and TCFD)<br>• Operational efficiency at Grainger (LEED buildings, solar investment, etc.)<br>• STEM investment in underrepresented communities |

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | PEOPLE & PURPOSE | SUSTAINABILITY & STEWARDSHIP | SUPPLY CHAIN | **APPENDIX**

GRAINGER

51

# (SDGS) CONTINUED

| SDG | SDG TARGET | GRAINGER ALIGNMENT |
|---|---|---|
| **11 SUSTAINABLE CITIES AND COMMUNITIES**<br>**Sustainable Cities and Communities**<br>Make cities and human settlements inclusive, safe, resilient and sustainable | • **Target 11.5:** By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations<br>• **Target 11.6:** By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and solid waste management<br>• **Target 11.B:** By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels | • Direct: disaster response/Red Cross partnership;<br>• Indirect: climate risk management and GHG emissions reductions<br>• Zero waste Initiatives<br>• Recycling and solid waste management |
| **12 RESPONSIBLE CONSUMPTION AND PRODUCTION**<br>**Responsible Consumption and Production**<br>Ensure sustainable consumption and production patterns | • **Target 12.5:** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse<br>• **Target 12.6:** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle | • Recycling and solid waste management<br>• Integrated reporting processes across our Annual Report, Proxy Statement and ESG Report |
| **13 CLIMATE ACTION**<br>**Climate Action**<br>Take urgent action to combat climate change and its impacts | • **Target 13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries | • Climate risk management and GHG emissions reductions |
| **15 LIFE ON LAND**<br>**Life on Land**<br>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss | • **Target 15.1:** By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally<br>• **Target 15.5:** Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species | • Grainger boxes are Sustainable Forestry Initiative (SFI) certified<br>• EPP portfolio offers hundreds of recycled paper products |

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INDEX

## General Disclosures

| | | | |
|---|---|---|---|
| 102-1 | General Disclosures | Name of the organization | W.W. Grainger, Inc. |
| 102-2 | General Disclosures | Activities, Brands, Products & Services | Grainger at a Glance, **Pages 6-8;** **Fact Sheet, Page 1;** **Annual Report, Pages 2-6** |
| 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 Sheet, Page 1;** **Annual Report, Page 9** |
| 102-5 | General Disclosures | Ownership and legal form | **Annual Report, Page 9** |
| 102-6 | General Disclosures | Markets served | Grainger at a Glance, **Page 8;** **Fact Sheet, Page 1;** **Annual Report, Page 4** |
| 102-7 | General Disclosures | Scale of the organization | Grainger at a Glance, **Page 8;** People & Purpose, **Page 16;** **Fact Sheet, Page 1;** **Annual Report, Page 4** |
| 102-8 | General Disclosures | Information on employees and other workers | People & Purpose, **Pages 16-22;** **Annual Report, Page 7** |
| 102-9 | General Disclosures | Supply chain | Supply Chain, **Pages 39-46;** **Fact Sheet, Page 2;** **Annual Report, Page 6** |
| 102-10 | General Disclosures | Significant changes to the organization and its supply chain | **Annual Report, Pages 11-13** |
| 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 Wholesaler–Distributors |
| 102-14 | General Disclosures | Statement from senior decision-maker | A Letter from our CEO, **Page 3** |
| 102-15 | General Disclosures | Key impacts, risks and opportunities | A Letter from our CEO, **Page 3;** Grainger at a Glance, **Pages 8-9;** **Fact Sheet, Page 2;** **Annual Report, Pages 11-20 Item 1A (Risk Factors);** **TCFD Index; CDP Report** |
| 102-16 | General Disclosures | Values, principles, standards, and norms of behavior | Ethics & Governance, **Pages 11-15;** **Proxy Statement, Pages 24-33** |
| 102-17 | General Disclosures | Mechanisms for advice and concerns about ethics | Ethics & Governance, **Page 14** |
| 102-18 | General Disclosures | Governance structure | Ethics & Governance, **Page 12;** **Annual Report, Page 71;** **Proxy Statement, Page 1; TCFD Index** |
| 102-19 | General Disclosures | Delegating authority | **Proxy Statement, Page 124** |
| 102-20 | General Disclosures | Executive-level responsibility for economic, environmental, and social topics | A Letter from our CEO, **Page 3;** Ethics & Governance, **Pages 12-13;** **Proxy Statement, Page 34** |

## General Disclosures (cont.)

| | | | |
|---|---|---|---|
| 102-21 | General Disclosures | Consulting stakeholders on economic, environmental, and social topics | Grainger at a Glance, **Page 9** |
| 102-22 | General Disclosures | Composition of the highest governance body and its committees | Ethics & Governance, **Pages 12-13;** **Proxy Statement, Pages 34-35;** **Annual Report, Page 71** |
| 102-23 | General Disclosures | Chair of the highest governance body | **Proxy Statement, Page 24** |
| 102-24 | General Disclosures | Nominating and selecting the highest governance body | **Proxy Statement, Pages 4, 24** |
| 102-25 | General Disclosures | Conflicts of interest | **Proxy Statement, Pages 10, 98** |
| 102-26 | General Disclosures | Role of highest governance body in setting purpose, values and strategy | A Letter from our CEO, **Page 3;** Ethics & Governance, **Pages 12-13;** **TCFD Index; Annual Report, Pages 7, 71;** **Proxy Statement, Page 1** |
| 102-27 | General Disclosures | Collective knowledge of highest governance body | A Letter from our CEO, **Page 3;** Ethics & Governance, **Pages 12-13;** **TCFD Index; Annual Report, Pages 7, 71;** **Proxy Statement, Pages 9-27** |
| 102-28 | General Disclosures | Evaluating the highest governance body's performance | **Proxy Statement, Pages 29-30** |
| 102-29 | General Disclosures | Identifying and managing economic, environmental, and social impacts | A Letter from our CEO, **Page 3;** Ethics & Governance, **Pages 9, 10, 13, 15;** **TCFD Index; SASB Index; Annual Report, Pages 11-20, Item 1A (Risk Factors);** **Proxy Statement, Pages 32-35; CDP Report** |
| 102-30 | General Disclosures | Effectiveness of risk management processes | A Letter from our CEO, **Page 3;** Ethics & Governance, **Pages 12-15;** **TCFD Index; SASB Index; Annual Report, Pages 11-20, Item 1A (Risk Factors);** **Proxy Statement, Page 33; CDP Report** |
| 102-31 | General Disclosures | Review of economic, environmental, and social topics | **Annual Report, Pages 11-20, Item 1A (Risk Factors);** **Proxy Statement, Pages 32-35** |
| 102-32 | General Disclosures | Highest governance body's role in sustainability reporting | A Letter from our CEO, **Page 3;** Ethics & Governance, **Pages 12-13;** **Annual Report, Pages 7, 71; TCFD Index;** **Proxy Statement, Pages 32-35** |
| 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 37** |
| 102-40 | General Disclosures | List of stakeholder groups | Grainger at a Glance, **Page 9** |
| 102-42 | General Disclosures | Identifying and selecting stakeholders | Grainger at a Glance, **Page 9** |
| 102-43 | General Disclosures | Approach to stakeholder engagement | Grainger at a Glance, **Page 9** |
| 102-44 | General Disclosures | Key topics and concerns raised | A Letter from the CEO, **Page 3;** Grainger at a Glance, **Pages 8-11** |
| 102-45 | General Disclosures | Entities included in the consolidated financial statements | **Annual Report, Pages 4-6, 24;** **Fact Sheet, Page 2** |

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | PEOPLE & PURPOSE | SUSTAINABILITY & STEWARDSHIP | SUPPLY CHAIN | **APPENDIX**

**GRAINGER**  53

# (ESG) INDEX CONTINUED

## General Disclosures (cont.)

| | | | |
|---|---|---|---|
| 102-46 | General Disclosures | Defining report content and topic Boundaries | Grainger at a Glance, **Page 9;** Boundary, **Page 48** |
| 102-47 | General Disclosures | List of material topics | Grainger at a Glance, **Pages 9-10** |
| 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 | June 2021 |
| 102-52 | General Disclosures | Reporting cycle | Annual |
| 102-53 | General Disclosures | Contact point for questions regarding the report | graingeresg@grainger.com |
| 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 | Appendix, **Page 49;** Proxy Statement, **Page 42** |

## Management Approach

| | | | |
|---|---|---|---|
| 103-1 | Management Approach | Explanation of the material topic and its Boundary | Grainger at a Glance, **Pages 9-10;** Boundary, **Page 48;** Sustainability & Stewardship, **Pages 32-33** |
| 103-2 | Management Approach | The management approach and its components | A Letter from the CEO, **Pages 3-4;** Grainger at a Glance, **Pages 9-10;** Ethics & Governance, **Pages 13-15;** Boundary, **Page 48** |
| 103-3 | Management Approach | Evaluation of the management approach | Ethics & Governance, **Page 12;** Grainger at a Glance, **Page 13** |

## Economic Performance

| | | | |
|---|---|---|---|
| 201-1 | Economic Performance | Direct economic value generated and distributed | Grainger at a Glance, **Page 8** |
| 201-2 | Economic Performance | Financial implications and other risks and opportunities due to climate change | TCFD Index; Annual Report, Item 1A, Page 19 |
| 201-3 | Economic Performance | Defined benefit plan obligations and other retirement plans | Annual Report, Pages 55-58 |

## Indirect Economic Impacts

| | | | |
|---|---|---|---|
| 203-2 | Indirect Economic Impacts | Significant indirect economic impacts | Annual Report, Item 1A, Page 19 |

## Anti-corruption

| | | | |
|---|---|---|---|
| 205-1 | Anti-corruption | Operations assessed for risks related to corruption | Ethics & Governance, **Page 14;** Annual Report, Page 18 |
| 205-2 | Anti-corruption | Communication and training about anti-corruption policies and procedures | None, material items would be disclosed in our **Annual Report on Form 10-K** for the fiscal year ended December 31, 2021 |
| 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, 2021 |

## 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, 2021 |

## Materials

| | | | |
|---|---|---|---|
| 301-2 | Materials | Recycled input materials used | Sustainability & Stewardship, **Pages 36, 38;** Supply Chain, **Pages 44-45** |
| 301-3 | Materials | Reclaimed products and their packaging materials | Sustainability & Stewardship, **Page 38;** Supply Chain, **Pages 44-45;** SASB Index |

## Energy

| | | | |
|---|---|---|---|
| 302-1 | Energy | Energy consumption within the organization | Sustainability & Stewardship, **Page 35;** SASB Index; CDP Report |
| 302-2 | Energy | Energy consumption outside of the organization | CDP Report |
| 302-3 | Energy | Energy intensity | Sustainability & Stewardship, **Page 37;** Key Performance Data, **Page 47;** SASB Index; CDP Report |
| 302-4 | Energy | Reduction of energy consumption | Sustainability & Stewardship, **Page 35;** SASB Index; CDP Report |
| 302-5 | Energy | Reductions in energy requirements of products and services | Sustainability & Stewardship, **Pages 37-38;** SASB Index; CDP Report |

## Water and Effluents

| | | | |
|---|---|---|---|
| 303-5 | Water and Effluents | Water consumption | Sustainability & Stewardship, **Page 36** |

## Emissions

| | | | |
|---|---|---|---|
| 305-1 | Emissions | Direct (Scope 1) GHG emissions | Sustainability & Stewardship, **Page 33;** CDP Report |
| 305-2 | Emissions | Energy indirect (Scope 2) GHG emissions | Sustainability & Stewardship, **Page 33;** CDP Report |
| 305-3 | Emissions | Other indirect (Scope 3) GHG emissions | Sustainability & Stewardship, **Page 33;** CDP Report |
| 305-4 | Emissions | GHG emissions intensity | Sustainability & Stewardship, **Page 33;** CDP Report |
| 305-5 | Emissions | Reduction of GHG emissions | Sustainability & Stewardship, **Page 33;** CDP Report |

## Effluents and Waste

| | | | |
|---|---|---|---|
| 306-2 | Effluents and Waste | Waste by type and disposal method | Sustainability & Stewardship, **Page 36** |
| 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, 2021 |
| 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, 2021 |

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | PEOPLE & PURPOSE | SUSTAINABILITY & STEWARDSHIP | SUPPLY CHAIN | APPENDIX

**GRAINGER**®    54

# (ESG) INDEX CONTINUED

## Supplier Environmental Assessment

| | | | |
|---|---|---|---|
| 308-1 | Supplier Environmental Assessment | New suppliers that were screened | Supply Chain, **Pages 39-45; 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, 2021 |

## Occupational Health and Safety

| | | | |
|---|---|---|---|
| 403-1 | Occupational Health and Safety | Occupational health and safety management system | People & Purpose, **Pages 16-20** |
| 403-2 | Occupational Health and Safety | Hazard identification, risk assessment, and incident investigation | People & Purpose, **Pages 16-20** |
| 403-3 | Occupational Health and Safety | Occupational health services | People & Purpose, **Pages 16-20** |
| 403-4 | Occupational Health and Safety | Worker participation, consultation, and communication on occupational health and safety | People & Purpose, **Pages 16-20** |
| 403-5 | Occupational Health and Safety | Worker training on occupational health and safety | People & Purpose, **Pages 16-20** |
| 403-6 | Occupational Health and Safety | Safety Promotion of worker health | People & Purpose, **Pages 16-20** |
| 403-9 | Occupational Health and Safety | Work-related injuries | People & Purpose, **Page 17; SASB Index** No work-related fatalities in 2021 |

## Training and Education

| | | | |
|---|---|---|---|
| 404-1 | Training and Education | Average hours of training per year per employee | People & Purpose, **Page 24** |
| 404-2 | Training and Education | Programs for upgrading employee skills and transition assistance programs | People & Purpose, **Pages 24-27** |
| 404-3 | Training and Education | Percentage of employees receiving regular performance and career development reviews | People & Purpose, **Pages 24-27** |

## Diversity and Equal Opportunity

| | | | |
|---|---|---|---|
| 405-1 | Diversity and Equal Opportunity | Diversity of governance bodies and employees | Ethics & Governance, **Page 11-12** People & Purpose, **Pages 21-22; SASB Index 2022 Proxy Statement, Page 7** |

## 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 |

## 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, 2021 |

## Human Rights Assessment

| | | | |
|---|---|---|---|
| 412-1 | Human Rights Assessment | Operations that have been subject to human rights reviews or impact assessments | Supply Chain, **Page 40** |
| 412-2 | Human Rights Assessment | Employee training on human rights policies or procedures | Ethics & Governance, **Page 14;** Supply Chain, **Page 40** |
| 412-3 | Human Rights Assessment | Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | Supply Chain, **Page 40** |

## Local Communities

| | | | |
|---|---|---|---|
| 413-1 | Local Communities | Operations with local community engagement, impact assessments, and development programs | People & Purpose, **Pages 28-30** |
| 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 40** |
| 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, 2021 |

## 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, 2021 |

[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

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

**APPENDIX**

**GRAINGER**

55

# 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 2022 Disclosure[1] |
|---|---|---|---|---|
| Energy Management in Retail & Distribution | (1) Total energy consumed | Quantitative | CG-MR-130a.1 | 1,287,778 GJ  (357,716 MWh) |
| Energy Management in Retail & Distribution | (2) percentage grid electricity | Quantitative | CG-MR-130a.1 | 603,695 GJ, 48.9% of total (167,693 MWh) |
| Energy Management in Retail & Distribution | (3) percentage renewable | Quantitative | CG-MR-130a.1 | 35,828 GJ, 2.8% of total (9,952 MWh) |
| Data Security | Description of approach to identifying and addressing data security risks | Qualitative | CG-MR-230a.1 | **2022 Environmental, Social and Governance Report, Page 15**<br><br>**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.<br><br>**Information Security Risk Management:** The Governance, Risk, and Compliance (GRC) team's function is to provide governance to ensure that Grainger's information and systems are secured in accordance with our standards, and to nurture our commitment to asset security and integrity. The GRC team accomplishes this through the implementation of frameworks (like the NIST RMF framework) to ensure appropriate asset classification, control alignment and implementation, risk assessments and audit support, risk acceptance and asset authorization, and ongoing risk and control monitoring.<br><br>**Information Security - Vendor Risk Management:** Grainger's Information Security GRC team reviews vendors when they are onboarded, upon contract renewal, and when a new Statement of Work (SOW) is executed. A review of the information and applications involved is conducted and advise on the appropriate controls is given to ensure that the adequate Information Security contractual obligations are in place.<br><br>**Information Security Policies:** The Information Security team has numerous policies and administrative procedures that are in place to provide guidance around Information Security and Risk Management requirements. These policies are available to all team members on the company's intranet homepage, and are updated regularly to align with industry standards, regulatory requirements, and contractual agreements.<br><br>**Information Security Awareness:** Grainger has an 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, Grainger Information Security organization executes 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. Grainger uses gamification to improve employee engagement with its security awareness content and tracks compliance with remediation training with HR as an escalation point. |
| 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 |

A LETTER FROM OUR CHAIRMAN & CEO | ENVIRONMENTAL, SOCIAL & GOVERNANCE AT GRAINGER | GRAINGER AT A GLANCE | ETHICS & GOVERNANCE | PEOPLE & PURPOSE | SUSTAINABILITY & STEWARDSHIP | SUPPLY CHAIN | **APPENDIX**

**GRAINGER**®

56

# (SASB) INDEX CONTINUED

| Category | Accounting Metric | Data Type | Code | Grainger 2021 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 | **Gender Representation[2]** / **Racial/Ethnic Group Representation[3]** (see tables below) |

**Gender Representation[2]**

| | Female | Male | N/A |
|---|---|---|---|
| Management[4] | 34% | 66% | 0% |
| All Other Employees | 40% | 60% | 0% |

**Racial/Ethnic Group Representation[3]**

| | Asian | Black | Hispanic | White | Other | NA |
|---|---|---|---|---|---|---|
| Management[4] | 6% | 7% | 9% | 73% | 2% | 3% |
| All Other Employees | 4% | 13% | 17% | 59% | 3% | 4% |

| Category | Accounting Metric | Data Type | Code | Grainger 2021 Disclosure |
|---|---|---|---|---|
| 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 | **2022 Enviromental, Social and Governance Report, Page 47** <br> 6.7% 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. <br><br> 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. <br><br> 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. <br><br> **Hazard Communication Program:** Grainger maintains a set of hazard communication policies and best practices. Our corporate EHS and Supplier Management/Product Compliance departments are jointly 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. <br><br> The Hazardous Material Shipping Compliance Guidelines Acknowledgement must be signed by the appropriately trained members of Grainger's Management Teams at the DC's and Branch locations. |
| Product Sourcing, Packaging & Marketing | Discussion of strategies to reduce the environmental impact of packaging | Qualitative | CG-MR-410a.3 | **2022 Environmental, Social and Governance Report, Page 44** |
| 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 |

[1] Information reflects the 2021 fiscal year.
[2] Gender Representation (U.S. and Canada)
[3] Racial/Ethnic Group Representation (U.S)
[4] Management is defined as People Leaders and Directors and above.

A LETTER FROM OUR
CHAIRMAN & CEO

ENVIRONMENTAL, SOCIAL &
GOVERNANCE AT GRAINGER

GRAINGER AT
A GLANCE

ETHICS &
GOVERNANCE

PEOPLE &
PURPOSE

SUSTAINABILITY &
STEWARDSHIP

SUPPLY
CHAIN

**APPENDIX**

**GRAINGER**®

57

# 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 95 years. To ensure the Company continues to deliver on these objectives, the Board carefully reviews the Company's environmental, social and governance (ESG) 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 ESG 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. The Board includes one Director with particular expertise in corporate sustainability and one Director with particular expertise in 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 ESG Leadership Council, comprised of senior leaders, provides strategic direction and oversight of Grainger's ESG program and incorporates relevant ESG initiatives into the business operations and strategy. Grainger's Chairman and CEO serves as Chair of the ESG Leadership Council. The strategic and programmatic implementation is led by the ESG Steering Committee and the ESG Working Group, respectively.

**2021 Proxy Pages 1-2; 30-32**

**CDP 2021 Response, Pages 2-3**

**2021 CSR Report, Page 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 ESG platform includes the Company's commitment to ethics and governance, people and purpose, sustainability and stewardship and supply chain. 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 2021 CDP Response, our 2021 Corporate Responsibility Report and the risk-factors section of our 2021 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.

**2020 Annual Report, Page 17**

**2021 Proxy Pages 30-32**

**CDP 2021 Response, Page 13**

**2021 CSR Report, Page 32**

## 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 2021 CDP response.

Our 2021 CDP Response and 2021 Corporate Responsibility 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.

**2021 Proxy Pages 30-32**

**CDP 2021 Response, Pages 3-11**

## 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 and our Scope 1 and 2 emissions data are included in our 2021 Corporate Responsibility Report and also included in our 2021 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 for the 2020 fiscal year include:
- Revenue from Environmentally Preferable Products (% revenue): 6.02%
- GHG Intensity (MTCO2e/Revenue): 0.00000874
- Scope 1 emissions: 31,821 metric tons $CO_2$e
- Scope 2 emissions, location-based: 73,395 metric tons of $CO_2$e
- Scope 2 emissions, market-based: 71,275 metric tons of $CO_2$e

**CDP 2021 Response, Pages 13-16**

**2021 CSR Report, Page 32**

# 2022 Environmental, Social & Governance Report

For our most up-to-date news, visit graingeresg.com.
We welcome your feedback at graingeresg@grainger.com

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