

2021

# Corporate Responsibility

Highlights of Grainger's environmental,  
social and governance practices

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



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A photograph of a man with grey hair, wearing a blue button-down shirt and dark trousers, standing on a stage and speaking into a microphone. He is smiling and looking slightly to the side. The background shows a modern building interior with glass railings and other people in the distance.

# A Letter from Our Chairman & CEO

When I wrote this letter last year, I stated that our purpose is to keep the world working. It's an ambitious purpose and a noble aim, and it bears repeating this year. Grainger's purpose has taken on new significance for us to help customers overcome and hopefully soon recover from this global pandemic. I am proud of the Grainger family, including our partners, suppliers and our 23,000 team members who continue to focus on what matters: the health and safety of our communities.

If the events of this past year have taught us anything, it's that we are all in this together. This mindset has driven our ESG approach since the beginning. We know 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. In doing so, we ensure we continue to be an attractive and sustainable employer, business partner and investment option.

2021 marks our 10th consecutive year of publishing this report, which makes transparent our pledges as well as our evolution. While there is always more to be done, I'm proud of the progress we've so far achieved:

**Climate** In 2012 we became the first industrial distributor to publicly disclose our 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. It's with this same focused discipline that we announced our new GHG target in 2020.

**Equity** Grainger became a signatory to The Chicago Network Equity Principles in 2017, focused on achieving 50 percent representation of women in leadership positions by 2030. Since 2019, we have conducted annual pay equity audits, and have found appropriate pay equity across our workforce.

**Materiality** To inform our strategy and Global Reporting Initiative (GRI) reporting, in 2018 we conducted our first materiality assessment. This year we've completed another materiality assessment to learn how our stakeholders view key environmental, social and governance (ESG) issues today and moving forward. Given the events of 2020, we believed it was an important time to take a step back and reassess with our partners. You'll see our updated materiality matrix in the pages that follow.

**Diversity** To encourage and strengthen our team's commitment to building a diverse, equitable, and inclusive culture, we launched our BeBrave conversations in early 2020. These discussions offer a safe space to share and appreciate different experiences so that we all learn to better listen to and understand each other.

I am proud to share that this year we are intensifying our ESG approach internally. I now serve as Chair of our ESG Leadership Council. This group of Grainger leaders provides strategic direction and oversight of our ESG program and integrates relevant ESG initiatives into our business operations and strategy. Separately, our ESG Steering Committee of leaders within key functions will help carry out these initiatives.

We've achieved a lot over the last decade and I'm optimistic about what the future holds. We have a solid program and a way forward that underscores our commitment to not only keep the world working, but to make it a better place as well.

---

**DG Macpherson**

Chairman of the Board and Chief Executive Officer

# Corporate Responsibility at Grainger

In keeping with the company purpose, **We Keep the World Working**, Grainger's corporate responsibility mission is to ensure we do so sustainably and with a long-term view of critical environmental, social and governance issues. We help others fulfill that mission as well, especially our team members, customers, investors, suppliers and communities.



## 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 engagement (supplier diversity)
- Sustainable packaging

### OUR FOCUS

### HIGHLIGHTS

Our CEO, DG Macpherson, chairs our **ESG Leadership Council**. His direct involvement in ESG 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, including by actively rooting out bias in recruiting, interviewing and onboarding.

In 2020, Grainger contributed more than \$41 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 \$710 million in 2020, showing our focus on helping our customers achieve their sustainability goals.

In 2020, Grainger spent \$1.7 billion with more than 19,000 **small businesses**, and \$313 million with over 730 **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.

## 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 2020**



**Disability Equality  
Index 2020**

90 percent rating for the fourth  
consecutive year



**CDP A- Rating 2020**



**Dow Jones Sustainability  
Index 2020**



**Human Rights Campaign  
Foundation's Corporate  
Equality Index 2021**

100 percent for the seventh  
consecutive year



**FTSE4Good**

**FTSE4GOOD 2020**



**Built in Chicago's Best  
Places to Work 2021**

Best paying company and company  
with the best benefits in Chicago

**BARRON'S**

**Barron's Most Sustainable  
Companies in the U.S. 2021**

For the third consecutive year



**#1 for Diversified Wholesalers  
on Fortune World's Most  
Admired Companies 2021**

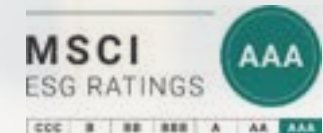
For the eighth consecutive year



**Investor's Business Daily 50  
Best ESG Companies 2020**



**EcoVadis Silver  
Rating in 2020**



**MSCI AAA  
ESG Rating 2020**



# 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.

**1.5M**  
products stocked

**5M**  
active customers

**\$11.8B**  
2020 net sales

**23k**  
team members

**4,500**  
key product suppliers

# GRAINGER AT A GLANCE

[About Grainger](#)[About This Report](#)

## Our Purpose & Aspirations

**The Grainger Edge<sup>SM</sup>** is our strategic framework that uniquely defines the company by asserting why we exist, how we serve our customers and how our team members work together to achieve our objectives. Grainger's purpose is to keep the world working, which in turn 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, customers, supplier partners and communities as we execute our strategy and create value for shareholders.

## Our Business

Grainger is a broad line, business-to-business distributor of maintenance, repair and operations (MRO) supplies and other related products and services. More than 5 million businesses and institutions worldwide rely on Grainger for products in categories such as safety, material handling and metalworking, along with services like inventory management and technical support. 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. More than 4,500 suppliers provide Grainger with 1.5 million products stocked in the company's distribution centers (DCs) and branches worldwide. For more information on Grainger, visit [invest.grainger.com](https://invest.grainger.com).

### Our Purpose

We Keep the World Working<sup>SM</sup>

### 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

- Advantaged MRO solutions
- Differentiated sales and services
- Unparalleled customer service

#### Endless Assortment Model

- Expansive product assortment
- Innovative customer acquisition and retention capabilities

### Our Principles





# GRAINGER AT A GLANCE

## About Grainger

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	HIGH-TOUCH SOLUTIONS N.A.	ENDLESS ASSORTMENT	OTHER <sup>1</sup>	TOTAL COMPANY
REVENUE	\$9.2B	\$2.2B	\$0.4B	\$11.8B
DAILY REVENUE GROWTH % <sup>2</sup>	1.7%	18.2%	(35.5)%	2.3% / 3.6% <sup>3</sup>
ADJUSTED OPERATING MARGIN % <sup>2</sup>	13.0%	8.0%	(11.9)%	11.2%
ADJUSTED ROIC <sup>2</sup>	29.6%	32.1%	—	28.2%

<sup>1</sup> Includes Cromwell as well as the divested Fabory and China businesses in periods prior to their divestitures.

<sup>2</sup> Reconciliations of measures referenced in the table above to the most direct comparable GAAP measures are provided on page 13 of this Fact Book.

<sup>3</sup> 3.6% is total company, organic daily sales growth and excludes results for Fabory (post June 30, 2020) and Grainger China (post August 21, 2020) in the prior year period to reflect the completed divestitures.

## Our Business Models

Both Grainger businesses are focused on creating value for their individual customers using their superior customer value propositions. The company's strategy has always been defined by its customers' needs, and Grainger uses its high-touch 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 its sales and service representatives, technical product support, fulfillment capabilities, inventory management solutions and other services.

Our inventory management through KeepStock<sup>®</sup> allows the U.S. high-touch business to help customers be more productive. KeepStock<sup>®</sup> 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 UK 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. The assortment contains millions of SKUs, including products outside of traditional industrial MRO categories.

Effective January 1, 2021, Grainger's two reportable segments are High Touch Solutions – North America and Endless Assortment to align with Grainger's two distinct business models. For further segment and financial information see our [2020 Annual Report](#).





# GRAINGER AT A GLANCE

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### Materiality Assessment

#### Approach

Our materiality assessment and resulting materiality matrix form the foundation of our corporate responsibility program at Grainger. Using the Global Reporting Initiative (GRI) Standards' definition of materiality, this assessment is the process through which an organization determines the most important issues that reflect its significant economic, environmental and social impacts; and those issues that influence the decisions of stakeholders.

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

We engaged a third-party consulting firm to assist with our latest materiality assessment in 2021. Assessment methodology consisted of three parts: 1) developing a universe of sustainability topics through benchmarking; 2) conducting management and stakeholder



engagement; and 3) performing analysis and engaging with Grainger's ESG Leadership Council on results. To better accommodate changes in how Grainger and our stakeholders have considered ESG topics since 2017, the year of Grainger's last assessment, the materiality team aggregated, disaggregated or renamed several topics.

#### Materiality Matrix

This materiality matrix demonstrates 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. In all, topics retained the same rough rankings as before, with product safety and quality as well as talent attraction, development and retention rising in importance. Energy and emissions, team member health and safety, ethics and compliance and data security and privacy remain key issues for Grainger and our partners. Lastly, it comes as no surprise that governance and accountability remains

at the highest level of importance on the matrix, given that it lies at the heart of all that we do.

We are encouraged at the outcome of this assessment and look forward to using the results to refine our ESG strategy, strengthen current business initiatives and address any gaps related to Grainger's top priority topics.

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## Stakeholder Engagement

During our materiality assessment, we engaged with critical stakeholders to identify the environmental, social and governance 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 Quality assurance Product stewardship	<ul style="list-style-type: none"> <li>• Sales and service teams</li> <li>• Customer satisfaction surveys</li> <li>• Focus groups</li> </ul>	<ul style="list-style-type: none"> <li>• Online reviews</li> <li>• One-on-one discussions</li> <li>• Materiality survey</li> </ul>
Team Members	Workplace health and safety Diverse and inclusive workforce Training and development Competitive compensation and benefits Team member engagement	<ul style="list-style-type: none"> <li>• Intranet, internal newsletter</li> <li>• Team member engagement survey</li> <li>• Internal reporting desk (helpline desk)</li> <li>• Materiality survey</li> </ul>	<ul style="list-style-type: none"> <li>• Education and training</li> <li>• Digital signage</li> <li>• Volunteering opportunities</li> <li>• Ethics and integrity survey</li> </ul>
Suppliers	Supply chain management Materials and packaging Supplier diversity Human rights	<ul style="list-style-type: none"> <li>• Supplier outreach</li> <li>• CDP Supply Chain questionnaire</li> <li>• Materiality interviews</li> </ul>	<ul style="list-style-type: none"> <li>• Partners in Performance</li> <li>• Supplier Code of Ethics</li> </ul>
Investors	Corporate governance Regulatory and disclosure compliance Financial performance Supply chain management	<ul style="list-style-type: none"> <li>• Annual shareholder meeting</li> <li>• Quarterly earnings call</li> <li>• Proxy statement and annual report</li> <li>• Investor conferences</li> <li>• Materiality interviews</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Responsibility Report</li> <li>• One-on-one discussions</li> <li>• Governance roadshow with lead outside director</li> </ul>
Community Partners	Community engagement Workforce development Disaster preparedness and response Education	<ul style="list-style-type: none"> <li>• Volunteer activities</li> <li>• Educational support for the next generation of supply chain leaders</li> </ul>	<ul style="list-style-type: none"> <li>• Supply chain resilience activities</li> <li>• Strategic partnerships</li> <li>• Materiality survey</li> </ul>





# GRAINGER AT A GLANCE

## About Grainger

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### Scope of Report

Except where otherwise noted, this corporate responsibility report covers Grainger's performance for fiscal year 2020 (January 1, 2020- December 31, 2020). This report was published in May 2021.

### 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
<b>Ethics &amp; Governance</b>							
Ethics & Compliance	●	●	●	●	●	●	●
Information Security		●	●	●	●	●	●
Data Privacy		●	●	●	●	●	●
Governance & Accountability		●	●	●	●	●	●
<b>People &amp; Purpose</b>							
Team Member Health & Safety	●	●	●	●	●	●	●
Diversity, Equity & Inclusion			●	●	●		
Talent Attraction & Retention			●	●	●		
<b>Sustainability &amp; Stewardship</b>							
Climate Change Risk & Resilience	●	●	●		●	●	●
Energy & Emissions		●	●	●	●	●	●
Sustainable Products	●	●	●	●			●
Environmental Compliance & Hazmat Management		●			●		
Recycling & Waste	●	●	●		●	●	●
Sustainable Packaging	●	●	●	●	●	●	●
Water Stewardship	●	●	●	●	●		●
<b>Supply Chain</b>							
Responsible Sourcing & Human Rights	●	●	●	●	●	●	●
Product Safety & Quality	●	●			●	●	●
Emergency Preparedness	●	●			●	●	●
Supplier Diversity	●	●					●

# GRAINGER AT A GLANCE

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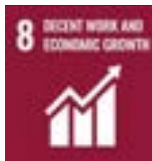
## Sustainable Development Goals (SDGs)

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



### Quality Education ::

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



### Decent Work and Economic Growth ::

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



### Sustainable Cities and Communities ::

Make cities and human settlements inclusive, safe, resilient and sustainable



### Climate Action ::

Take urgent action to combat climate change and its impacts



### Gender Equality ::

Achieve gender equality and empower all women and girls



### Industry, Innovation and Infrastructure ::

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



### Responsible Consumption and Production ::

Ensure sustainable consumption and production patterns



### Life on Land ::

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





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

**31%**

racially & ethnically  
diverse board directors

**31%**

female board directors

**100%**

team members certified  
in Grainger's business  
conduct guidelines

# Ethics & Governance

# ETHICS & GOVERNANCE

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## OUR APPROACH

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

## 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 general ESG oversight by the Board Affairs and Nominating Committee (BANC), comprised of all independent directors. The BANC annually reviews Grainger's ESG programs and reporting, including environmental and sustainability, social responsibility to our communities, governance, culture, talent strategy, and diversity, equity and inclusion. The Board includes directors with expertise in corporate sustainability and environmental matters. Learn more about our Board governance in our [2021 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 head of the ESG Leadership Council, our CEO will review ESG issues on a quarterly basis.

## ESG Governance

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

## ESG Leadership Council

This group, comprised of senior leadership including the CEO, provides strategic direction and oversight of Grainger's corporate responsibility program, and incorporates relevant ESG initiatives into the business operations and strategy. The ESG Leadership Council meets quarterly and updates the Board on a regular basis.

## ESG Steering Committee

Our ESG Steering Committee is comprised of senior leaders who represent virtually all 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 strategies.

## 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.



# ETHICS & GOVERNANCE

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# 100%

of 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. The Guidelines, applicable to all team members, now incorporate issues such as social media and data security and privacy protocols. In 2020, 100 percent of Grainger team members completed Business Conduct Guidelines training and certification.

Each new Grainger team member in the U.S. is required to complete training and certification within five days of hire, and new international team members are required to complete training and certification within 35 days. Moreover, all Grainger team members are expected to demonstrate their personal commitment to the company's high operating

standards by certifying their annual compliance with the Business Conduct Guidelines. 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 & Corruption

Grainger places the highest value on integrity in its business dealings and the ethical conduct of its directors, officers, team members, agents, shareholders, customers and suppliers. As set forth in our Business Conduct Guidelines, Grainger is committed to business practices that are consistent with the highest ethical and legal standards. Grainger expects the same ethical and legal commitment from all third parties (business partners, brokers, consultants and agents) acting on Grainger's behalf, and others with whom Grainger conducts business. Grainger team members in certain roles are required to complete biannual anti-corruption and anti-bribery training and certification to reinforce the requirements of this policy.

#### Reporting & Grievance Mechanisms

We encourage anyone to report ethical concerns or complaints regarding company or individual practices. Individuals may call an independent, secure, 24-hour hotline at 888-873-3731. A global reporting website is available at [www.tnwgrc.com/grainger](http://www.tnwgrc.com/grainger). 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 &  
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# ETHICS & GOVERNANCE

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## 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. PII helps us fulfill orders, provide benefits, and better serve our customers, team members and others. We are committed to protecting PII from unauthorized access, usage or disclosure by following globally recognized privacy standards, and building privacy and data protection principles into our systems and processes 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. More information on our pandemic business continuity is available in [Our COVID-19 Response](#).





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

# People & Purpose

**23k**

total number of  
Grainger team  
members worldwide

**8,750**

volunteer hours by  
team members at  
nonprofit organizations

**68**

scholarships awarded  
to support technical  
education programs

**\$41M**

cash and product  
donations to nonprofit  
organizations



# PEOPLE & PURPOSE

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## 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

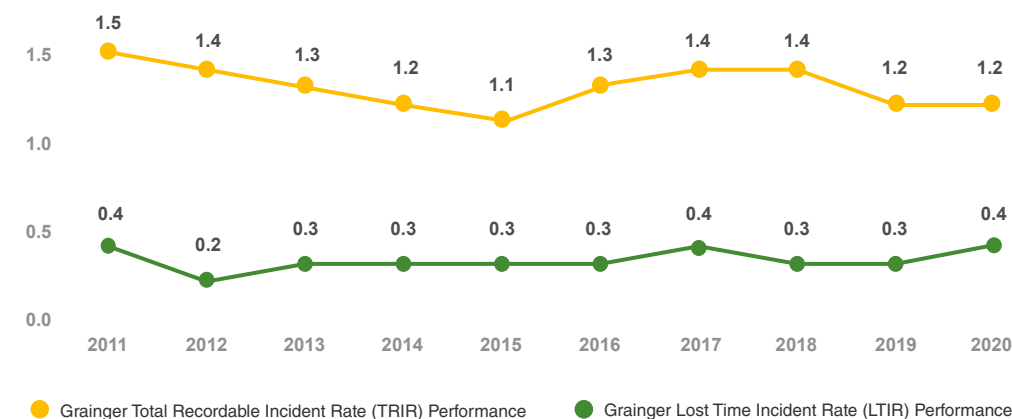
Grainger is committed to providing a safe work environment and ensuring team members are properly prepared to perform the many tasks required to support our customers.

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 legislation from the U.S. Occupational Health and Safety Administration, U.S. Environmental Protection Agency, and the U.S. Department of Transportation. All operational team members complete training to fully understand the expectation of behaviors defined by our [Global EHS Policy](#).

### Safety Performance

We make safety a core focus across our operations, trending 64 percent favorable to the U.S. Wholesale Industry Average as defined by the U.S. Bureau of Labor and Statistics. In 2020, our North American Total Recordable Incident Rate (TRIR) was 1.2 and our Lost Time Incident Rate (LTIR) was 0.4.

U.S. TOTAL RECORDABLE CASE RATE



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### Our COVID-19 Response

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### Safety Culture & Training

Grainger began implementing our Behavior Based Safety (BBS) Program in 2011, beginning with the distribution center (DC) network. This program strives 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. 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 2020, the total number of safety observations conducted in North America were over 41,000.

In 2020, the Corporate EHS team partnered with Grainger's North American Services and Solutions team to develop both a Safety Handbook and a new training program for the entire services organization. The training covers the safety topics and situations that our team members are likely to face when visiting customer sites. Our customer sites range from offices to manufacturing facilities and mines and everything in between. The training topics, then, also serve to provide the services team with the tools and knowledge to protect themselves when working on those sites. The entire services team will attend this training in 2021 and will then continue to do so on a recurring basis.

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

### Safety Partnerships

Grainger leverages external partnerships to best support our EHS professionals. Grainger's Field Safety Specialists 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, 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.

### Jacksonville's Safety Milestone

Our DC in Jacksonville, Florida, exemplifies our commitment to safety. Jacksonville has not sustained an OSHA recordable accident since July 24, 2019 nor a lost time injury since August 6, 2018. The building was recently recognized for this outstanding accomplishment with a safety milestone achievement award.

This accomplishment can be attributed to several initiatives taken by the team and the Area EHS Manager. These include, but are not limited to, extensive training, critical thinking meetings, constant process improvements, and newly implemented audits and surveys by our senior managers and leaders. This approach helped blend and mold the safest working environment possible, thus earning the valued trust of our hardworking team members. That's over 160 employees or multiple moving parts, coming together and working towards enhancing our company's reputation as a trusted business partner.





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### Our COVID-19 Response

Throughout the COVID-19 pandemic, the health and safety of our team members, customers and partners have remained at the center of all our decisions and response efforts. At the onset of the pandemic, Grainger immediately established a task force to plan and respond to the impacts of COVID-19. This group closely monitored reports from the Centers for Disease Control (CDC) and the World Health Organization (WHO) and worked with health officials to help ensure our actions met rigorous guidelines. All FAQs, policies and resources can be found on our public [COVID-19 resource page](#).

#### Our Customers

As an essential business, we provide hardware, safety, personal protective equipment (PPE) and other MRO products for customers to maintain a safe, healthy and productive work environment. These customers include government agencies, hospitals, first responders, food producers, utilities, pharmaceutical manufacturers and those in critical infrastructure sectors. We're committed to [helping businesses recover](#) and become even stronger than before.

In addition to welcoming customers into our branches using updated health and safety

protocols, we continue to provide curbside service for will call orders. Behind the scenes, we partnered with our branch safety process owners and leadership to assist them in developing our curbside services as well as training materials to adhere to CDC and other regulatory guidelines.

#### Our Team Members

Wherever possible, our team members began working remotely. To help them make their home offices safer, we developed and published guidance documents on setting up ergonomically appropriate home workspaces. For team members who must

be on-site to serve our customers, we have done the following:

- Instituted augmented cleaning procedures
- Implemented CDC and WHO guidelines
- Instituted social distancing practices
- Provided gloves and masks to branch and DC team members
- Provided masks, hand sanitizer and wipes to KeepStock team members visiting our customer facilities
- Implemented temperature screening at select Grainger locations nationwide



"From the onset of the pandemic our Grainger team members have gone above and beyond to ensure our customers had the critical supplies they needed to keep their operations running and people safe. I'm especially proud of our nearly 8,500 dedicated frontline team members who provided essential services at our branches, distribution centers and at customer locations safely and without pause. It has been truly inspiring to see our teams come together to deliver the best of Grainger during a very challenging year."

**BARRY GREENHOUSE, SENIOR VP & PRESIDENT,  
GLOBAL SUPPLY CHAIN & CUSTOMER EXPERIENCE**





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## Our Communities

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

## Our Suppliers

Supplier management and supply chain teams responded to dynamic market conditions and were able to make inventory investments of approximately \$200M by:

- Working closely with current suppliers as well identifying new sources of supply for critical pandemic inventory
- Bringing these new products through our rigorous quality assurance evaluation process more quickly than usual to ensure products (including PPE) met our high product quality standards
- Applying different strategies to expedite transit times
- Rapidly increasing the capacity to store this incremental inventory

## Nimble Leadership:: Our Pandemic Team

### Delaying the process

In mid-January 2020, closely attuned to world health news, leaders from across Grainger wasted no time in forming a COVID-19 Pandemic Leadership Committee (PLC). Representing 26 areas of the business ranging from EHS, facilities and business continuity to sales, supplier management and communications, the PLC directed the policies and protocols that ensured continued customer service, product availability, and team member health and safety across all North American entities.

This group of leaders quickly established a framework for cross-functional collaboration, allowing for responsive, adaptive problem solving, no matter the latest supply chain challenge or CDC directive. Through building out the right workstreams, enabling accelerated decision making and ensuring coordinated and transparent communications to all partners, the PLC enabled all Grainger leaders to embody the mission to protect and support team members, customers and the general public.



### Return to work

Beyond the immediate focus of pandemic response, the PLC also addressed plans to eventually reopen facilities and bring team members back to the workplace under new protocols. Under a medium-term transition plan, team members have received communications around vaccines, maintaining social distancing and masking up in the office, among other new protocols. Over the longer term, we will continue to explore a potential reimagination of what a new "normal" workplace looks like.



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## Our Diversity, Equity & Inclusion Strategy

### OUR VISION

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

### WHAT DEI MEANS

#### 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, 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.

### WHY DEI MATTERS

#### 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.

## Diversity, Equity & Inclusion

### Our Commitment

At Grainger, we believe our differences make us extraordinary. Diversity, equity and inclusion (DEI) are 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.

### Demographics

As of December 31, 2020, Grainger had approximately 23,100 employees worldwide, of whom approximately 21,800 were full-time and 1,300 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 38.5 percent are women and 34.1 percent are women in leadership positions. Grainger's U.S. workforce was comprised of 35.2 percent racially and ethnically diverse team members overall, and 23.3 percent racially and ethnically diverse leaders.

# 34.5%

percent of Grainger's  
U.S. workforce  
comprised of racially  
and ethnically diverse  
team members

### DEI Roadmap

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

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### Talent

Within the talent pillar of our DEI roadmap, we are prioritizing action in the following areas: data transparency, recruiting and onboarding, inclusive behavior learning, Business Resource Groups (BRGs), and BeBrave conversations.

**Data Transparency** We have made a public commitment to pay equity and to continue to publish the gender and racial/ethnic makeup of our US workforce and leaders. We have established dashboards to provide leadership with visibility internally to diversity data.

**Recruiting & Onboarding** We have improved the inclusiveness of talent acquisition processes including new technology solutions to create more inclusive job postings which will attract a broader talent pool. During the recruitment process, we do not ask candidates to share their current salary, in order to prevent the continuation of historic pay inequity.

**Inclusive Behavior Learning** We are evaluating learning solutions to build skills for leaders and team members in creating and leading an inclusive culture and managing diverse teams.

**Business Resource Groups (BRGs)** Our BRGs serve as partners to Human Resources and ensure that team member challenges and concerns are visible. They provide peer support and mentoring opportunities,

in addition to raising awareness through a variety of discussion groups and activities that are open to all. Grainger's nine BRGs are:

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

**BeBrave Conversations** We have continued to build our muscle in having brave conversations through small cohort learning for leaders and peer-to-peer dialogues through our BRGs. We have empowered our leaders to hold brave conversations with their teams utilizing available toolkits and resources.

These efforts will continue to help us accelerate progress toward a more diverse, equitable and inclusive culture.

## Disability Business Resource Group

Our recognition on the Disability Equality Index and the 'Best Place to Work for Disability Inclusion' list are a testament to our commitment to supporting team members with disabilities and team members with family members with disabilities. Our Disability Business Resource Group (DBRG) is a key player in this journey where dedicated team members partner, along with strong executive sponsorship, to advance disability inclusion through four focus areas.

### AWARENESS

The DBRG held informational sessions about programs and benefits that Grainger offers to team members with disabilities and their family members. In 2020, team member benefits expanded to include Applied Behavioral Analysis therapy for early diagnosis and treatment of autism.

### ACCOMMODATION

Grainger is committed to the success of all team members. Accommodations for team members with disabilities can include modifying work schedules, acquiring or modifying equipment or devices, or providing qualified readers or interpreters to assist in supporting them. This includes any needed accommodations for working from home due to the pandemic.

### ALLYSHIP

Our BRG provides a safe zone for Grainger team members with disabilities, those who are caregivers to people with disabilities and their allies to ask questions and share knowledge about programs, resources and personal experience.

### PARTNERS

We engage our community partner Disability:IN to help improve recruiting capabilities and advance disability inclusion. We have partnered with Cerebral Palsy Alliance in the "September Challenge" to raise awareness of cerebral palsy, get people moving by logging their steps and promote a more inclusive workplace.





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## Our BeBrave Journey

We started our journey with brave conversations in January 2020, in celebration of Martin Luther King, Jr. Day. On that day, team members gathered to have real conversations about identity and equality—including the challenging topics of race, gender, age and sexual orientation. Since then, brave conversations have become a part of our culture as we navigated the difficulties of 2020.

In June, we deployed resources for leaders including a guide and a video message from the president of our African American Business Resource Group. In August, we deployed our BeBrave toolkit, which walks leaders through how to hold a brave conversation in a team setting, and encourages team members to share, for example, the history of their first or last name and a time they were made to feel different or made someone else feel different. More than 750 leaders joined a training session on effectively delivering the toolkit to their teams.

We are continuing BeBrave conversations through many forums.

- Senior leaders engaged in brave conversations during our annual Grainger Leadership Summit.

- We piloted a BeBrave conversation program for people leaders; participants said they valued having a safe space to learn, share and hold thought-provoking discussions on tough topics like unconscious bias, psychological safety and microaggressions.
- The African American, Asian Pacific Islanders and Women's BRGs hold regular, small group conversations where members can build a powerful internal network in a safe and inclusive setting. Grainger's Equality Alliance BRG celebrated International Pronoun Day and Unity (Anti-Bullying) Day with BeBrave conversations.

These opportunities to share ideas and perspectives are critically important to further diverse and inclusive teams unified by our differences. It is a key priority for us to continue to build our capabilities in having brave conversations.

## Honest conversations:: Grainger's Board members

Thousands of Grainger team members participated in three fireside chats with several of our Board members: Rod Adkins, Ann Hailey and Steve White. Through these events we learned firsthand that they are committed to engaging in brave conversations, advancing DEI efforts and giving back to our team members.

In a BeBrave conversation, Rod Adkins shared some of his personal experiences, both negative and positive, as an African American in business. One of the negative experiences included "being 'invisible in meetings,' meaning not having my presence acknowledged or points made by me being ignored only to have the same point recognized when made by a non-African American colleague." He also shared positive experiences like seeking out friendships with those who had very little in common with him, and together learning how to better appreciate their differences and to productively address biases.

As the featured speaker for International Women's Day, Ann Hailey shared the story of her successful career path, notably where a decision or career choice was particularly important. When she chose to join the Grainger board, she did so after asking herself several pivotal questions: "first of all the company has to have absolutely high ethics and integrity, which Grainger does; secondly, the other Board members have to be accomplished and interesting; and the business has to have a worthwhile value proposition and strong strategy."

Lastly, Steve White joined us in a fireside chat for Black History Month. In a heartfelt discussion around the theme of Black families, Steve shared that he learned from his mother "to be uncompromising. In a lot of places, that's a bad word, but in this case, an unwavering commitment to your "why" leads to an impactful life and lasting legacy. Your "why" is defined by your core values, your attitude and effort, and a love of what you're doing." On the topic of uncertainty in one's own abilities, he reminded us to lean on our peers. "No one goes through this world alone; no one does this by themselves. Show vulnerability and seek out help —there are always people willing to support and help you."



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# 50%

percent of executive  
officers at Grainger  
who are women

### Gender Equity

DG Macpherson joined leaders from more than 70 organizations in supporting The Chicago Network Equity Principles, a campaign focused on advancing women leaders in the workplace to strive to achieve 50 percent representation of women in leadership positions by 2030. Signatories of The Equity Principles are empowering women to lead by creating workplaces that provide equal opportunities for women to pursue leadership positions, 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. We are pleased to confirm that our 2020 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 will perform this review on an annual basis.

### Team Member Experience

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

### Talent Recruitment & Retention

Before team members even join Grainger, we place a strong emphasis on finding and attracting the best candidates. To do so, we have taken several actions to improve our recruiting process.

**Job Postings** We are implementing technology solutions to remove biased language from our job postings to ensure we are attracting a more diverse slate of candidates.

**Requirements** We are evaluating job requirements such as education and experience across all functions, and adjusting to focus only on the important must-have skills and qualifications for each particular role.

**Interview Process** We are leveraging our principles-based interview guide to score candidates, which will create more consistency and remove bias during the interview process.

**Candidates** Our recruiters are committed to presenting diverse candidate slates to hiring managers for each open role.

We continue to invest in certain partnerships that will expand our diverse talent pool for specific roles. These partnerships include relationships with the National Sales Network, National Black MBA Association and Recruit Military. We support these and more organizations by participating in national events, supporting local chapters, serving on committees and helping their student affiliations.

### Talent & Performance Management

Our talent program is comprised of performance and career management, professional development learning opportunities, and milestone leadership development programs. Even though 2020 proved to be a different and challenging year across many fronts, Grainger continued to offer a comprehensive talent program that begins at orientation and continues throughout a team member's career.

### 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 training, professional skills training or leadership training, Grainger offers approximately 337 courses through our Learning Management System. Grainger team members completed approximately 90,635 non-operational training hours in 2020, averaging 4.5 hours of training per team member.

# 337

courses offered  
each year through  
our Learning  
Management System





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# 13

new virtual courses  
offered to support  
team members  
working remotely

These numbers represent a decrease from 2019 data, due in part to a scaling back of face-to-face training opportunities during the pandemic.

2020 highlights include our ability to support leaders and team members with learning solutions and resources for leading and working virtually in a pandemic, quickly pivoting to adjust our learning portfolio to allow for all-virtual deployment, accelerating our Diversity, Equity, and Inclusion (DEI) strategy, and offering a refreshed Leader Onboarding program to support first time leaders at Grainger.

We offered 13 new virtual courses to support team members and leaders working in and leading remote teams. 1,977 team members and leaders took advantage of these 1-hour sessions, many centered upon working in a virtual environment. Grainger launched a new well-being series in 2020, focused on mindfulness, simplifying your life, and managing your finances. 602 team members have taken advantage of the series so far.

This investment in virtual learning underpins Grainger's commitment to continued team member and leader development, regardless of the environment or business conditions.

Rounding out the year, Grainger introduced a refreshed 9-week all virtual new leader program, Leadership Essentials. 268 new leaders completed the program which consists of a mixture of individual, partner, and group learning. The heart of the program is creating a great team member experience by knowing and leveraging your team, providing effective coaching, feedback and development opportunities, and creating an inclusive environment where team members can thrive.

### Team Member Performance

Team members receive regular feedback and coaching to improve their performance. They are also provided with opportunities to help them grow and develop, including mentoring opportunities and on-the-job development. Grainger launched a new Development Planning Process inclusive of resources to help team members reflect on their skills and aspirations, explore career options and possibilities, and document a plan to grow. The Individual Development Plan (IDP) provides career focus and is a shared responsibility between a team member and their leader that outlines a team member's plan to grow in their current role and to prepare for future roles at Grainger.

### Total Rewards

In return for everything our team members do, we deliver an above-market Total Rewards program that offers flexibility and choice, and the opportunity for our team members to actively participate in the benefits that are most important to them and their families.

Our Total Rewards programs are designed to meet the diverse needs of our team members and support their health and well-being, financial future and work-life balance. We encourage our team members to take charge of their health and create their own wellness journey. Team members are given access to health plan resources which include disease management, tobacco cessation, parental

support, stress management and weight loss programs with access to online support communities, 24-hour virtual health services and many other resources so they can get timely health-related advice.

In addition, we provide retirement savings, paid holidays and time off, educational assistance and income protection benefits as well as a variety of other programs to U.S. team members. We regularly seek team member feedback and conduct external compensation and benefits-related benchmarking to remain competitive in each of the markets in which we operate.

[Learn more about our benefits at Grainger Total Rewards.](#)



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### Community Investment

Our community investments reflect the core of our business, and our commitments are driven by where our resources can be most impactful. In 2020, Grainger contributed more than \$41 million in cash and products to nonprofit organizations.

#### Our Approach

Grainger's community efforts focus within the areas of education and workforce development and disaster preparedness and response.

In 2020, Grainger began the process of restructuring our approach to community investment to better align the company's purpose – to keep the world working – and our philanthropic and social impact activities. We expect to share the results of this work in our 2022 Corporate Responsibility report.

#### Education & Workforce Development

Over the past few years, we have expanded our focus in education and workforce development within science, technology, engineering and mathematics (STEM). Skills within STEM are an integral component of many current, and increasingly future, careers. Supporting opportunities for STEM education allows our community investments to continue to align

# \$5.2M+

Grainger contributions  
to support technical  
education programs

and adapt with the strategic priorities of the company and the external changing landscape and marketplace.

In 2020, 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 second consecutive year, in support of initiatives and programs that increase the accessibility of STEM for underrepresented groups in Chicagoland.

Since 2006, Grainger has invested in the future of the skilled trade workforce through our Grainger Tools for Tomorrow® scholarship program. Each year, Grainger offers two scholarships of \$2,000 each to participating community colleges in the United States. The scholarships are awarded to students in skilled trade, public safety and supply chain programs. Half of the scholarships offered are earmarked for veterans of the U.S. Armed Forces. In addition to the scholarship, Grainger provides tools to students after they graduate to help them launch successful professional careers. Throughout the program's duration, Grainger has donated more than \$5.2 million to support technical education programs. In 2020, 42 schools participated in the program

and we awarded 68 scholarships. Grainger is sunsetting the Tools for Tomorrow® program after the completion of the 2020-2021 academic year.

We are proud of what we accomplished with this program and the students we've helped throughout the years. We know more can be done, so our plan to redirect this funding to serve communities in the greatest need, starting in the Chicago area. Through volunteerism and mentorship, we will aspire to further live into our purpose and help communities to become more economically stable.





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"For 20 years, Grainger has been a distinguished partner of the American Red Cross. Every day, the Red Cross is in communities assisting people and saving lives. Whether it is helping a family standing on the curb as they watch the fire department put out what is left of their home; a deployed member of our armed forces thousands of miles from home, who gets a message and is able to make it to the birth of his child; or a cancer patient in need of lifesaving blood transfusions; the Red Cross prevents and alleviates human suffering, and it is partners like Grainger that make this possible. Thank you for standing with us."

CELENA ROLDÁN, CHIEF EXECUTIVE OFFICER,  
AMERICAN RED CROSS OF ILLINOIS.



### Disaster Preparedness & Response

Grainger supports the preparation for disaster and recovery when disaster strikes. 2021 marks Grainger's 20th anniversary in 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 2020, we served as a \$500K member of the American Red Cross Annual Disaster Giving Program (ADGP)®. ADGP allows the Red Cross to proactively prepare and respond to disasters, such as the COVID-19 pandemic.

Grainger also supported the Chicago & Northern Illinois Chapter of the Red Cross as a Regional Ready 365 Partner in 2020. 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 also has partnered with the Canadian Red Cross since 2009.

### Civic Engagement

Grainger works collaboratively with various community partners through a

combination of resources, including in-kind donations, 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 2020, Grainger granted more than \$2 million in matching gift contributions to more than 1,000 nonprofit organizations. This included one-fourth of Grainger contributions that through the matching gifts program were aligned across our philanthropic pillars.

### 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 \$10K annually to designate to nonprofit organizations of their selection.

In 2020, Business Resource Groups at Grainger contributed to organizations such as: El Valor, DisabilityIN, Junior Achievement, Northern IL Foodbank, One Million Degrees, Pride Center San Antonio, Special Operations Warrior Foundation, YWCA Chicago and others.

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# 8,750+

hours volunteered by U.S.  
team members in 2020

### Volunteerism

Our team members are passionate in their support of their local communities. In 2020, U.S. team members volunteered more than 8,750 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. Virtual volunteerism allows Grainger to continue support nonprofit organizations and the communities they serve, while keeping health and safety prioritized. Grainger curated a list of virtual volunteering opportunities with nonprofit organizations across the U.S. for teams and individual team members. Organizations supported included Junior Achievement, Missing Maps/American Red Cross, The Smithsonian Institute 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 2020.

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



"We wanted to help team members break up their day while doing something for a good cause. A lot of us are in the mindset of what is happening in the world. Given current guidelines, virtual volunteering is a way for us to help even if it's not in person. I also learned a little bit more about the topic I was transcribing, and being able to help virtually while in my home was impactful to me."

KRISTIN VAIA, MANAGER, PRODUCT MANAGEMENT OPERATIONS AND WBRG MEMBER

## Virtual Volunteers Collaborate to Digitally Support Smithsonian Transcription Center

Grainger curated virtual volunteer opportunities to provide team members safe options to continue to support nonprofit organizations during the pandemic.

In 2020, sixty-eight team members volunteered nearly 200 hours to digitally support the Smithsonian Transcription Center. Volunteers help transcribe historical documents, such as field notes, diaries, ledgers and manuscripts to enable the Smithsonian to expand their digital database and create new pathways of learning for their educational programs.

From April 25 through May 3, 2020, the Grainger Women's Business Resource Group (WBRG) organized a virtual volunteer opportunity. WBRG members transcribed documents for the Smithsonian Institute from 12 different states and eight different Grainger departments.





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

# Sustainability & Stewardship

**100k**  
environmentally  
preferable products

**6.0**  
gigawatt hours  
of renewable  
energy produced

**89%**  
recycling rate  
across our DCs

**6.0%**  
revenue from  
environmentally  
preferable products

# SUSTAINABILITY & STEWARDSHIP

## Our Approach

## Climate Change Disclosure

## Efficient Operations

## Customer Solutions

## Partners

### 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.



Grainger is proud to have received an A- rating from the CDP for 2020

we achieved two years early. Grainger is proud to have received an A- rating from the CDP for 2020.

### Efficient Operations

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

### GHG Emissions

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 ramping up the use of rooftop solar at our Grainger facilities, investment in renewable energy credits including wind and hydroelectric energy, and improved technology and efficiency in our building management systems, among other interventions.

### Climate Change Disclosure

Grainger recognizes the urgency of climate change action and supports greenhouse gas (GHG) reduction targets consistent with the net-zero climate goals of the Paris Climate Agreement. Since 2009, Grainger has disclosed to the CDP (formerly the Carbon Disclosure Project), providing detail on business risks and opportunities related to climate change. In 2012, we became the first industrial distributor to publicly disclose its carbon footprint. In 2013, we became the first in our industry to set a public GHG emissions reduction target, which



# SUSTAINABILITY & STEWARDSHIP

Our Approach

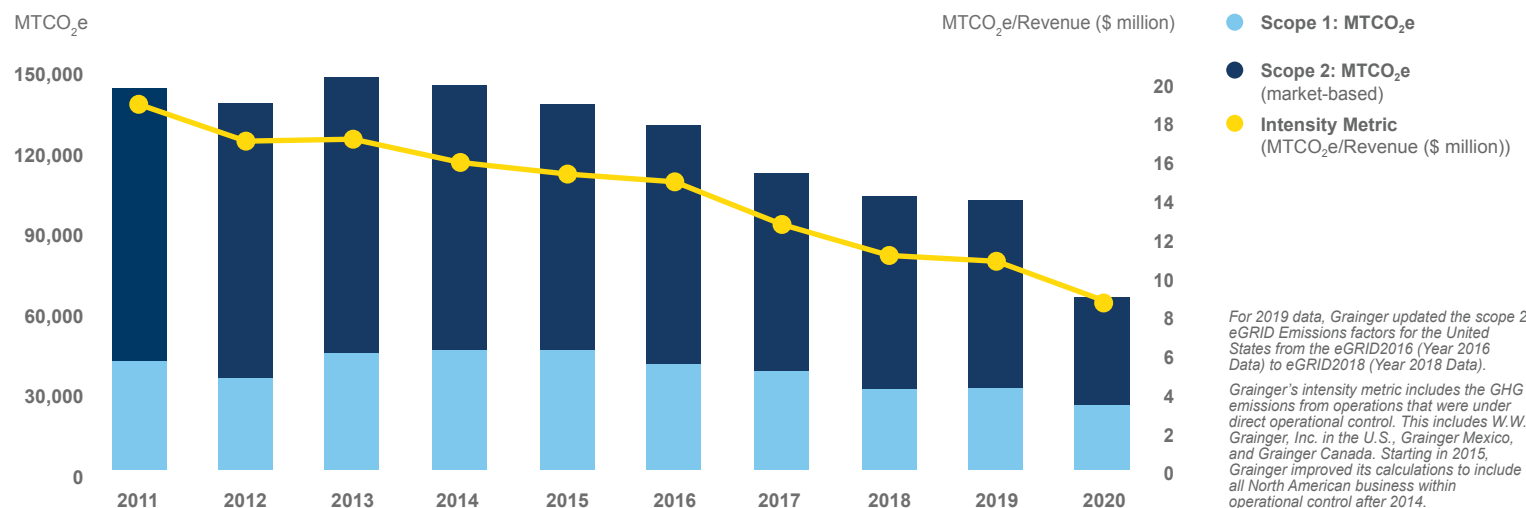
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# 30%

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

SCOPE 1 AND SCOPE 2 EMISSIONS WITH INTENSITY



## Scopes 1, 2 & 3

Since 2011, we have reduced absolute scope 1 and scope 2 emissions by 37 percent. In 2020, our North American scope 1 and 2 GHG emissions were 90,255 metric tons. Scope 1 emissions are direct emissions from owned or controlled sources, while scope 2 emissions are indirect emissions from the generation of purchased energy.

Our new climate target, set in 2020, is to reduce our 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 CO<sub>2</sub> emissions by around 2030 and reach net-zero CO<sub>2</sub> 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 the energy required to operate the products Grainger sells, such as the electricity

required to run an industrial air conditioner or recharge the battery of a cordless drill over its lifetime.

Our supplier engagement program is the cornerstone of this effort. Via quarterly calls and active feedback channels, this program engages the top 80 percent of our suppliers by revenue to understand how to approach this scope 3 measurement effort.

Scope 3 emissions reduction targets specific to product use phase are an emerging topic. We are working to set a target that will be both industry-leading and best-in-class among other U.S. large cap organizations.

Our first step to setting this target will be to functionally model and develop reporting and accounting for product use phase. Measurement methodologies are emerging and complex.

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

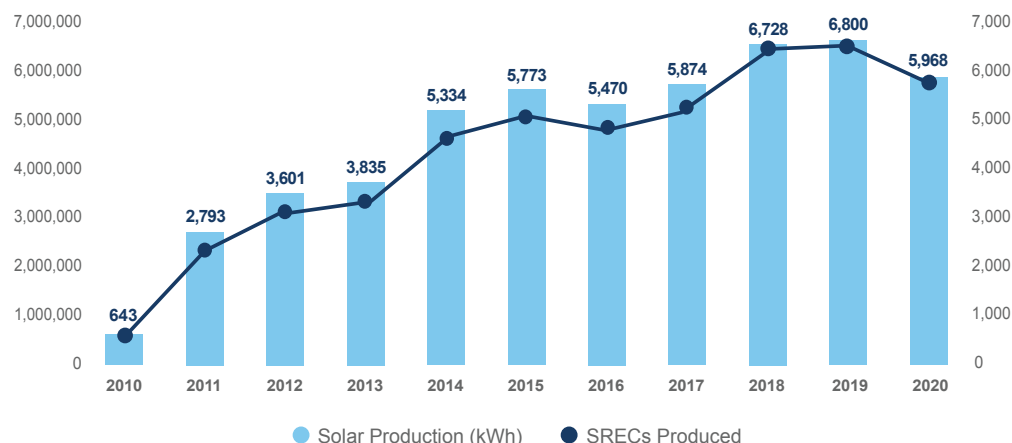
# SUSTAINABILITY & STEWARDSHIP

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SOLAR PRODUCTION



## 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.

### Solar

Grainger's distribution centers (DCs) account for roughly 34 percent of our operational square footage. Inherent to this footprint is the opportunity for efficient energy management. Grainger currently has 5.3 megawatts of solar panel installations at our DCs. These solar installations have resulted in 6.1 million kilowatt hours of renewable energy produced

in 2020, a dip in production from 2019 due to weather and heat variables. Grainger is currently planning to expand our solar footprint across key facilities, which will help us achieve GHG reductions, provide additional clean energy independence and financial incentives, and lower operational risks.

### Renewable Energy Credits

We also work to reduce our carbon footprint using renewable energy credits (RECs). RECs allow Grainger to offset some of the carbon creating energy consumed with energy credits sourced from renewables.

## BMS

Building management systems (BMS) also help us achieve our energy efficiency goals. When operating optimally, BMS allow our facility managers to provide the proper working environment for team members, while minimizing Grainger's energy costs. Currently, 28 of our facilities have either been built or retrofitted with BMS representing 9.9 million square feet, or 43.8 percent of our footprint, in North America. On average, Grainger has realized a 10-15 percent reduction in energy use and expenses at our facilities after installing BMS.

We have begun a pilot BMS program within Grainger's branch network, with expanded implementation across the network planned in 2021. Since branches make up approximately 40% 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 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.

## Additional Solar Production at NEDC

Grainger has 4.33 MW of solar production at our northeast distribution center (NEDC).

Grainger will install an additional 1.1 MW of solar panels at the NEDC in 2021, increasing its solar generation by up to 25%. Project completion is expected by July 2021.





# SUSTAINABILITY & STEWARDSHIP

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### LEED

Grainger has been a member of the U.S. Green Building Council (USGBC) since 2007 and we operate Leadership in Energy and Environmental Design (LEED) certified facilities. We use the USGBC's LEED certification program to guide best practices for the design, construction and operation of our facilities. Since 2008, we have made a commitment to build all new corporate projects in alignment with LEED standards. LEED certified buildings use 25 percent less energy with a 19 percent reduction in aggregate operational costs in comparison to non-certified buildings.



**8.1M** square  
feet

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

Grainger currently maintains 8.1 million square feet of LEED certified space through 17 North American facilities, representing 36 percent of Grainger's total square feet in North America. Examples of LEED certified buildings across our network include:

- The first LEED certified building in the MRO industry
- The first LEED certified DC in Monterrey, Mexico
- The largest LEED-CI Platinum project of 2015
- The world's first LEED V4 data center
- Our new LEED Gold 1.5 million square foot DC in Louisville, Kentucky

### 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.

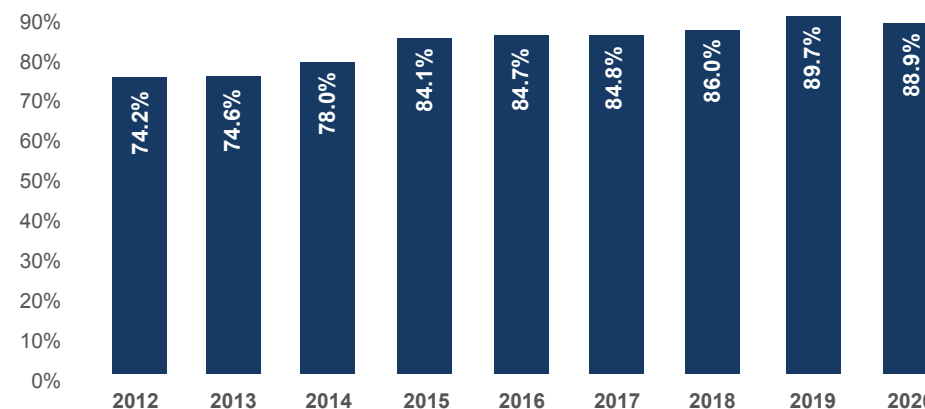
We are working to continually improve the recycling rate in our U.S. DCs by standardizing recycling processes and sharing best practices across our network. For example, teams are trained to use a

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 2020, our U.S. DCs recycled 89 percent of all waste leaving the facility, a small rate decrease mainly attributed to pandemic protocols.

**89%**

percent of total waste  
recycled by Grainger  
U.S. DCs in 2020

DC NETWORK RECYCLING RATE



# SUSTAINABILITY & STEWARDSHIP

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## Case Study:: New Recycling Technology

Grainger is currently piloting new technology that will help us better understand both waste and recycling streams at our branch facilities. During the first months of monitoring, we have realized opportunity areas to better utilize container space, and most importantly, visibility into actual needs versus currently scheduled service levels. With this new data and analytics, we can confidently right size our services by reducing current schedules by 50 percent or more. This reduction in service levels correlates to a sizable savings in overall costs to Grainger while also eliminating over 100 metric tons of scope 3 CO<sub>2</sub> emissions.



### 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 will be 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,

the Grainger sustainability team will be able to analyze our recycling and waste processes with enhanced efficiency and continue to optimize our operations.

### Zero Waste Certification

In 2021, three Grainger Distribution Centers (Northeast, Illinois, and Dallas-Fort Worth) will receive TRUE Zero Waste Certification. The prerequisite for attaining this certification is a recycling rate of at least 90 percent, which all three sites have achieved. 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 and landscaping irrigation at our largest facilities.

Grainger's total water consumption in the U.S. in 2020 was 409,797 cubic meters, a decrease from a 2019 total of 474,648 cubic meters.

Beyond our own operations, water-related products comprise roughly 24 percent of our overall revenue. Our top product segments for water treatment, infrastructure, and efficiency include pumps, plumbing and hydraulics.



# SUSTAINABILITY & STEWARDSHIP

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## ENVIRONMENTALLY PREFERABLE PRODUCT (EPP) PORTFOLIO



### Conserve Water

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

PUMPS & VALVES | FITTINGS | METERS  
FIXTURES | PLUMBING EQUIPMENT | FILTERS



### Manage Energy

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

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



### Reduce Waste

Facilitate recycling and decrease landfill growth through recycled content

RECYCLING EQUIPMENT | SORBENTS  
PAPER & PACKAGING



### Improve Indoor Air

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

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

## Customer Solutions

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 offer customer sustainability solutions through our products and services.

### Sustainability Products

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

Our EPP portfolio of nearly 100,000 products comprises one of the largest green SKU counts

in the industrial distribution market, providing more ways for our customers to reduce energy consumption, conserve water, reduce waste and improve indoor air quality. Last year, we introduced a new line of over 1,800 sustainable packaging products that are plastic-free, or contain post-consumer recycled materials based on in-depth reviews of our portfolio and actual customer feedback collected through our website or discussions with our Technical Product Support team.

To guide customers toward more environmentally preferable solutions, each product in Grainger's EPP portfolio is identified on Grainger.com® with a specific set of certificates, or attributes that are found in the technical specifications section for each product. These products are grouped together in a Green filter on the

left-hand navigation bar of Grainger.com®. EPP products fall into two categories—those that are certified by independent organizations and those that have “green environmental attributes.” A certification acts as a stamp of approval and indicates that a product has met certain environmental and/or social standards. These are designated with a green leaf icon on Grainger.com® and explained in the compliance section for each product (e.g. EnergyStar®, DLC® Approved). Green environmental attributes narrow the gap between 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.

In the past year, we expanded the number of available product certifications by 75 percent based on emerging certifications, customer demand, and to reflect new or remerchandised products that are already in Grainger's portfolio.

In 2020, EPP sales totaled more than \$710 million, a five percent increase from 2019. Program growth is driven by increased customer demand for products that facilitate recycling and decrease landfill growth through recycled content. Merchandising our portfolio to add green certifications and environmental information to existing products also contributed to growth, and helps customers with their sustainability goals.

# SUSTAINABILITY & STEWARDSHIP

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## Case Study:: Water Efficiency Solutions

As our customers' facilities age, so too can their equipment, marked by deterioration and inefficiencies. By working with the Grainger Energy Services team, our customers can rely on Grainger to provide solutions for their facilities in terms of energy and water conservation.

### THE CHALLENGE

Our customer had issues maintaining outdated toilets and sinks. Not only were inefficient equipment, leaking water, overflows and clogs causing a higher water bill, but there were higher maintenance costs as well.

### FINDINGS

Older toilets can have a flush volume between 3.0 to 7.0 gallons per flush (gpf), which is vastly higher than the federal standard of 1.6 gpf. By engaging the Grainger Energy Services team, the Grainger representative was able to identify equipment solutions for the customer, which included stainless steel, auto-sensing and low flow toilets, urinals and sinks. With a flush volume of 1.28 gpf, the new toilets went well beyond the federal efficiency standard.

### IMPACT

The auto-sensing and low flow toilets and urinals have allowed the customer to significantly save on water and to virtually eliminate maintenance costs related to the bathrooms. Given the benefits and savings of the initial project, the team decided to extend the same upgrades to three additional areas of the facility.

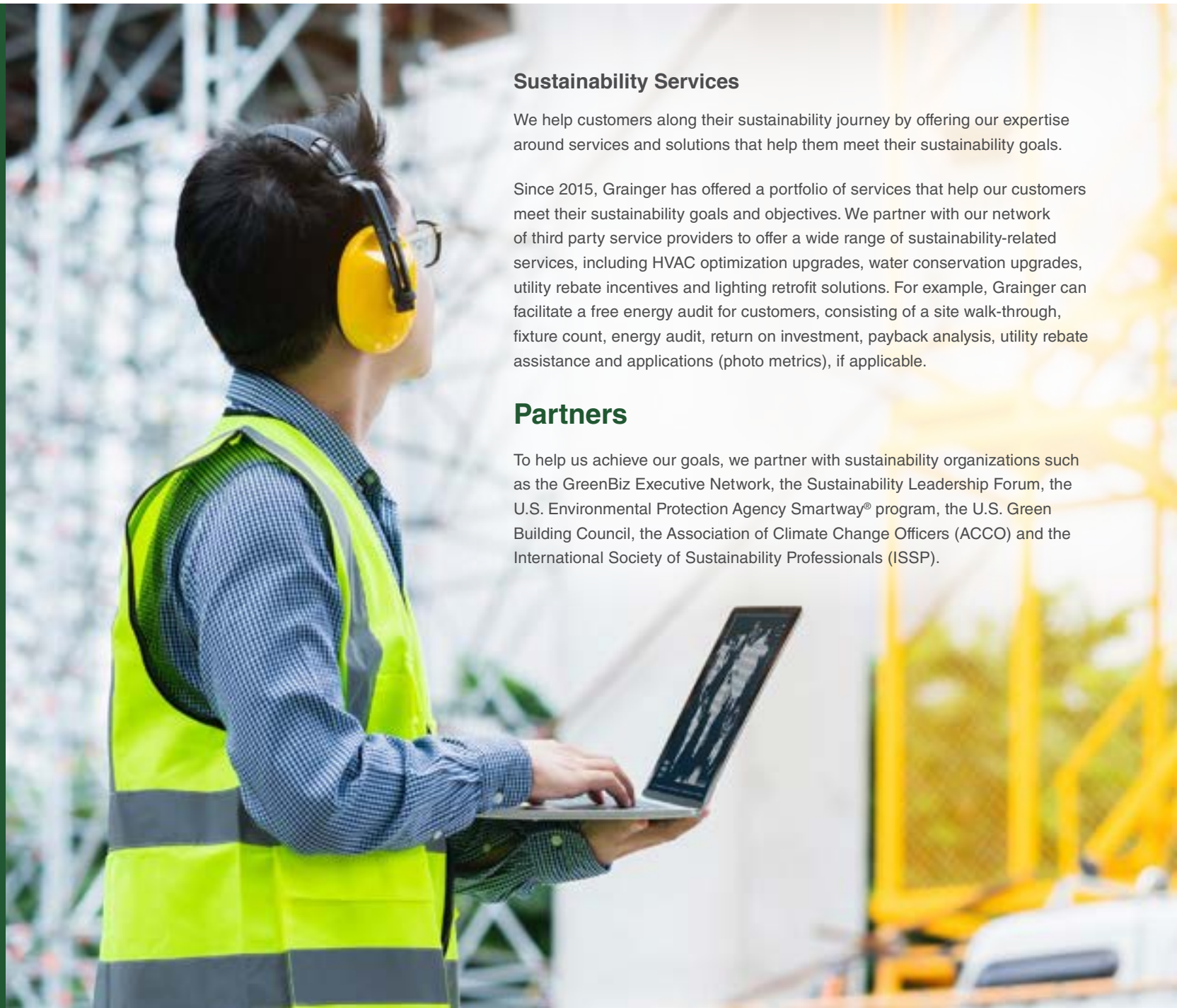
## Sustainability Services

We help customers along their sustainability journey by offering our expertise around services and solutions that help them meet their sustainability goals.

Since 2015, Grainger has offered a portfolio of services that help our customers meet their sustainability goals and objectives. We partner with our network of third party service providers to offer a wide range of sustainability-related services, including HVAC optimization upgrades, water conservation upgrades, utility rebate incentives and lighting retrofit solutions. For example, Grainger can facilitate a free energy audit for customers, consisting of a site walk-through, fixture count, energy audit, return on investment, payback analysis, utility rebate assistance and applications (photo metrics), if applicable.

## Partners

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







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

**1.5M**

total number of stocked products

**700k+**

products from more than 2,500 key small and / or diverse suppliers

**\$1.7B**

spent with more than 19,000 small businesses

**5.0M**

active customers

# Supply Chain



# SUPPLY CHAIN

## Our Approach

## Supply Chain Stewardship

## Product Stewardship

### OUR APPROACH

We work with thousands of suppliers to stock 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.

#### 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 issues. Grainger reviews responses and contacts suppliers directly for additional clarification or information.

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.

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). Total return rate performance shifted from 3.17% in 2019 to 3.80% in 2020, with COGS up significantly in 2020. The increase was driven by product mix shift due to the pandemic and returns associated with pandemic items.

# 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. We have continued this cadence in 2020 and plan to expand future engagement topics.

The objective for our Supplier Engagement Program is simple:

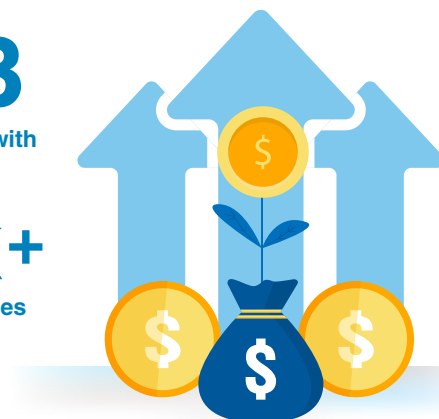
- Engage the suppliers who are the most impactful to our business
- Understand what is most important to them
- Maintain open lines of communication
- Ensure our strategic partners feel that they are part of this change

### 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 2 Supplier Diversity program helps customers to diversify their supply chains and promote the growth of underrepresented supplier groups. This portfolio offers more than

**\$1.7B**  
spent in 2020 with  
**19k+**  
small businesses



**\$313M**  
spent in 2020 with  
**730+**  
minority, woman, veteran,  
disabled-person and  
LGBT-owned businesses

700,000 products from more than 2,500 key small and/or diverse suppliers. In 2020, Grainger U.S. spent \$1.7 billion with more than 19,000 small businesses, and \$313 million with over 730 minority-, woman-, veteran-, disabled-person- and LGBT-owned businesses for goods and services.

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. In 2020, leveraging the Grainger product portfolio of over 1.5M products, these authorized Grainger resellers sold over \$253M to more than 3,500 customers.

Beyond leveraging our purchasing power, Grainger is also a corporate member of the Women's Business Enterprise National Council,

participates in virtual trade and networking events, and develops mentor-protégé relationships with diverse businesses.

### 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.

### Case Study:: Customized Displays

In response to growing customer demand for sustainable products, the Branch Network team is rolling out new cleaning product displays at branch locations to make it easier to find Environmentally Preferable products (EPP).

The team started with the customer, conducted in-depth analysis of the most popular products, and included important customizations for each branch display design. For example, locations that primarily serve government customers also feature products from AbilityOne, a federal program that provides employment opportunities to people who are blind or have significant disabilities.

Not only do these displays highlight what we can do for customers at branch locations, it also spotlights Grainger's inclusive supply chain. Displays featuring customer-centric environmentally preferable products are expected to roll out to more branch locations in the coming year.

"10 Stars. I am pleased to see AbilityOne products in-store and well displayed Grainger Team."

CUSTOMER COMMENT



# SUPPLY CHAIN

## Our Approach

## Supply Chain Stewardship

## Product Stewardship

### Sustainable Solution Performance

### Helping Customers Reach Their Sustainable Goals

### Environmental Stewardship



## Grainger Sustainable Supplier Award

### 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 2020, Grainger recognized 24 suppliers at Partners in Performance, a virtual event sponsored by our Vice President and President, Merchandising and Supplier Management to celebrate top performing suppliers, including our Supplier of the Year Milwaukee Electric Tool Corporation. Milwaukee earned high marks in their

operational excellence, Grainger-dedicated sales force and focus on product information completeness, all vital to keeping our customers working.

This annual event enhances supplier engagement through educating and informing the top-performing supplier community about Grainger's key initiatives and strategy. For 2020, Grainger has introduced a new category to recognize suppliers who showed incredible resiliency and a commitment to answering the needs of our customers and communities during some of the most critical pandemic challenges.

We are also pleased to honor our winner of the 2020 Partners in Performance Sustainability Award, Kimberly-Clark Professional. This award is based on sustainable solution performance, how the solution helps

customers reach their sustainable goals, and stewardship as a responsible business. As a purpose-driven enterprise, Kimberly-Clark Professional recognizes the critical role of business in creating a healthy future. The company puts great effort into understanding and proactively managing the social, environmental and economic impacts of its business on society and the environment as new needs and challenges emerge. Not only does this create value through the products they offer in cleaning and safety, this also extends to zero waste solutions such as their RightCycle™ Program which helps customers recycle used personal protective equipment into new consumer goods.



# SUPPLY CHAIN

## Our Approach

## Supply Chain Stewardship

## Product Stewardship

# \$500k+

projected net benefit  
of our pallet  
re-use initiative



## Product Stewardship

### 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:

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

### Pallet Re-Use Initiative

Partnering with Grainger's sustainability team, improved recycling data methodology revealed that more than 50 percent of recycled material in our DC network was wood pallets. Combining the recycling data with pallet purchase data, we found site-wide discrepancies in purchasing behaviors. In creating jobs for pallet sorting and repairing within DCs, rather than outsourcing, this initiative will work to greatly decrease pallet purchases, saving costs and lowering scope 3 carbon emissions. Overall, we expect the net benefit from the initiative to reach \$500,000 or more.

# 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. Last year our teams implemented strict safety protocols which were highly effective in preventing community spread, but this often resulted in reduction in capacity in some locations. Nonetheless, DC teams in other locations were ready, working extra hours on the frontlines to fill those capacity gaps.

We also took advantage of our network coverage and inventory redundancy to move customer shipments to where the capacity was, including leveraging our 249 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.

Looking ahead, our teams worked to prepare for 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 US. This investment further solidifies the resiliency of the network.

#### Ship Complete / Carton to Order

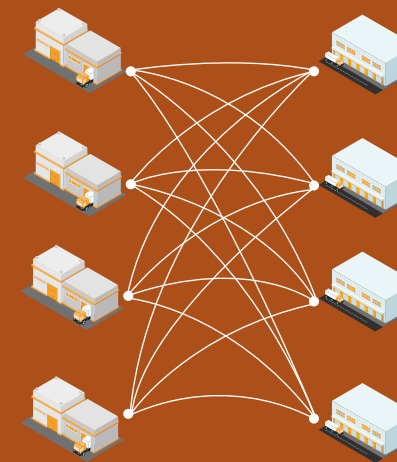
Grainger's DCs are dedicated to reducing packaging and freight usage. In a process called "ship complete," we strive to ship all items in the fewest number of cartons, on the same day, from the same, and most often nearest, shipping point. In doing so, Grainger can maintain a lower usage of corrugate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

### Case Study:: Shipping Efficiencies

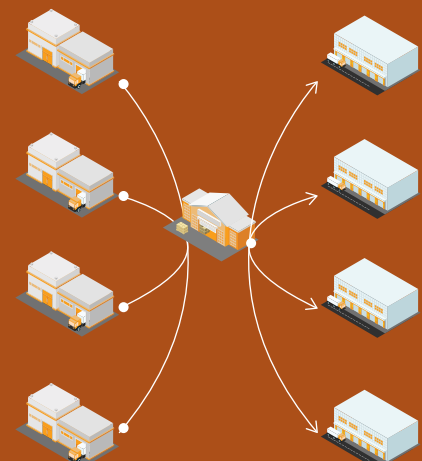
Crossdocks are third-party logistics facilities that consolidate pallets from multiple suppliers across the U.S. to load onto outbound trailers destined for our Grainger distribution centers. The goal of the crossdock is to quickly turn trailers and maximize the number of pallets per trailer ("utilization") while ensuring the product remains damage-free and safe for unload at our DCs.

At the end of 2019, Grainger switched crossdock providers in Atlanta and Cleveland, and both new providers have seen an increase in trailer utilization throughout 2020. Better trailer utilization means that more pallets can fit on each DC-bound trailer, thus reducing the number of outbound trailers needed over the course of the year. This new crossdock efficiency has resulted in an impressive reduction of 1,161 trailers in 2020, translating into a total cost savings of \$1.28M and total carbon emissions savings of 550 MtCO<sub>2</sub>e.

#### BEFORE CROSSDOCK



#### AFTER CROSSDOCK







### Assurance

Since 2011, Grainger has sought and obtained independent third-party verification of its sustainability data. The company partners with Apex Companies LLC for verification of its greenhouse gas emissions, energy consumption, waste generation and water consumption data. In addition, Grainger's Environmental Health & Safety team has received validation since 2014 from Environ International Corporation for its safety reporting process. Finally, Grainger receives ongoing verification of its environmentally preferable SKU designation from UL Verification Services Inc. (formerly Underwriter's Labs).

### Forward-Looking Statements

All statements in this Corporate Responsibility 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 in 2019 (COVID-19) as well as the duration, extent and impact of the actions

taken or contemplated by governmental authorities or others in connection with the COVID-19 pandemic on the Company's businesses, its employees, customers and suppliers, including disruption to Grainger's operations resulting from employee illnesses, the development and availability of effective treatment or vaccines, any mandated facility closures of non-essential businesses, stay in shelter health orders or other similar restrictions for customers and suppliers, changes in customers' product needs, suppliers' inability to meet unprecedented demand for COVID-19 related products, inventory shortages, the potential for government action to allocate or direct products to certain customers which may cause disruption in relationships with other customers, disruption caused by business responses to the COVID-19 pandemic, including working remote arrangements, which may create increased vulnerability to cybersecurity incidents, including breaches of information systems security, adaptations to the Company's controls and procedures required by working remote arrangements, including financial reporting processes, which could impact the design or operating effectiveness of such controls or procedures, and global or regional economic downturns or recessions, which could result in a decline in demand for the Company's products or limit the Company's ability to access capital markets on terms that are attractive or at all; higher product costs or other expenses; a major loss of customers; loss or disruption of sources of supply; changes in customer or product mix; increased competitive pricing pressures; failure to develop or implement new technology initiatives or business strategies; failure to adequately protect intellectual property or successfully defend against infringement claims; fluctuations or declines in the Company's gross profit percentage; the

Company's responses to market pressures; the outcome of pending and future litigation or governmental or regulatory proceedings, including with respect to wage and hour, anti-bribery and corruption, environmental, advertising, consumer protection, pricing (including disaster or emergency declaration pricing statutes), product liability, general commercial disputes, safety or compliance, or privacy and cybersecurity matters; investigations, inquiries, audits and changes in laws and regulations; failure to comply with laws, regulations and standards; government contract matters; disruption of information technology or data security systems involving the Company or third parties on which the Company depends; general industry, economic, market or political conditions; general global economic conditions including tariffs and trade issues and policies; currency exchange rate fluctuations; market volatility, including price and trading volume volatility or price declines of the Company's common stock; commodity price volatility; labor shortages; facilities disruptions or shutdowns; higher fuel costs or disruptions in transportation services; other pandemic diseases or viral contagions; natural or human induced disasters, extreme weather and other catastrophes or conditions; failure to attract, retain, train, motivate, develop and transition 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 II, Item 1A: "Risk Factors" in the Company's 2020 Form 10-K, as updated in the Company's Quarterly Reports on Form 10-Q.

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

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

	2016	2017	2018	2019	2020
<b>Grainger at a Glance</b>					
Net Sales, \$ billion	10.1	10.4	11.2	11.5	<b>11.8</b>
Suppliers	5,100	5,200	5,000	5,000	<b>4,500</b>
Products Stocked, million	1.6	1.7	1.7	1.6	<b>1.5</b>
Active Customers, million	3.2	3.5	3.5	3.8	<b>5.0</b>
<b>Ethics &amp; Governance</b>					
<b>Business Ethics</b>					
Team Members Trained on Business Conduct Guidelines, percent	100	100	100	100	<b>100</b>
<b>Board Diversity</b>					
Female Directors, percent <sup>2</sup>	11	18	18	27	<b>31</b>
Racially and Ethnically Diverse Directors, percent	22	27	27	27	<b>31</b>
<b>Sustainability &amp; Stewardship</b>					
North American Energy Consumption, million kilowatt hours	401	371	344	316	<b>300</b>
North American Facility CO <sub>2</sub> e Emissions, million metric tons	0.13	0.11	0.10	0.10	<b>0.09</b>
GHG Intensity (MTCO <sub>2</sub> e/Revenue)	14.7	12.5	10.9	10.6	<b>9.6</b>
North American Water Use, million cubic meters	0.51	0.47	0.51	0.47	<b>0.41</b>
Renewable Energy Produced, thousand kilowatt hours	5.47	5.87	6.73	6.80	<b>6.0</b>
U.S. Distribution Center Network Recycling Rate, percent	84.7	84.8	86.0	89.7	<b>88.9</b>
LEED Certified Space, million square feet	4.2	5.5	6.7	8.1	<b>8.1</b>
Environmentally Preferable Products, percent revenue	5.4	5.1	5.3	5.9	<b>6.0</b>
<b>People &amp; Purpose</b>					
<b>Safety</b>					
Lost Time Incident Rate <sup>3</sup>	0.3	0.4	0.3	0.3	<b>0.4</b>
Total Recordable Incident Rate	1.3	1.4	1.4	1.2	<b>1.2</b>
<b>Workforce Demographic</b>					
Global Workforce (Total)	25,600	25,700	24,600	25,300	<b>23,100</b>
U.S. Workforce	16,900	16,400	17,000	17,400	<b>17,300</b>
U.S. Workforce (Total), percent women	—	37.4	38.0	38.1	<b>38.5</b>
U.S. Workforce (Leaders), percent women	—	29.6	31.0	32.7	<b>34.1</b>
U.S. Workforce (Total), percent racially and ethnically diverse	—	31.8	32.7	34.5	<b>35.2</b>
U.S. Workforce (Leaders), percent racially and ethnically diverse	—	23.3	20.3	21.6	<b>23.3</b>
<b>Community Engagement</b>					
Matching Gifts Contributions, \$ million	2.2	2.2	2.0	2.0	<b>2.25</b>
Volunteer Corps, volunteer hours	—	9,000	8,500	8,000	<b>8,750</b>

<sup>1</sup> For further information on data boundary, scope and assurance, please see "Boundary" on page 11, "Scope" on page 11 and "Assurance" on page 44. <sup>2</sup> This information reflects the April 2021 Grainger shareholder election of all the nominees. <sup>3</sup> Per 100 employees; cases with one or more days away from work per 200,000 hours.

# 2021 Corporate Responsibility Index<sup>1</sup>

## General Disclosures

102-1	General Disclosures	Name of the organization	W.W. Grainger, Inc.
102-2	General Disclosures	Activities, brands, products, and services	Grainger at a Glance, <b>Pages 7-8 Fact Book, Pages 2-11 Annual Report, Pages 3-7</b>
102-3	General Disclosures	Location of headquarters	Lake Forest, Illinois, USA
102-4	General Disclosures	Location of operations	Grainger at a Glance, <b>Page 8 Fact Book, Annual Report: Pages 4-9</b>
102-5	General Disclosures	Ownership and legal form	<b>Annual Report, Pages 4-9, 28</b>
102-6	General Disclosures	Markets served	Grainger at a Glance, <b>Pages 7-8 Fact Book, Page 4; Annual Report, Pages 4-6</b>
102-7	General Disclosures	Scale of the organization	Grainger at a Glance, <b>Pages 7-8 People &amp; Purpose, Page 22 Fact Book, Pages 2-11; Annual Report, Pages 4-9</b>
102-8	General Disclosures	Information on employees and other workers	People & Purpose, <b>Page 22 Annual Report, Page 9</b>
102-9	General Disclosures	Supply chain	Supply Chain, <b>Pages 38-42; Fact Book, Pages 2-11 Annual Report, Pages 5-7</b>
102-10	General Disclosures	Significant changes to the organization and its supply chain	<b>Annual Report, Page 25-27</b>
102-11	General Disclosures	Precautionary Principle or approach	Grainger does not have a position on the precautionary approach
102-12	General Disclosures	External initiatives	<b>GRI; CDP Report; SASB Index; TCFD Index</b>
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, <b>Page 3</b>
102-15	General Disclosures	Key impacts, risks and opportunities	A Letter from our CEO, <b>Page 3; Grainger at a Glance, Page 8; TCFD Index; Fact Book, Pages 2-10; Annual Report, Pages 9-15, Item 1A (Risk Factors); CDP Report</b>
102-16	General Disclosures	Values, principles, standards, and norms of behavior	Ethics & Governance, <b>Pages 13-16 Proxy Statement, Pages 22-30</b>
102-17	General Disclosures	Mechanisms for advice and concerns about ethics	Ethics & Governance, <b>Pages 13-16</b>
102-18	General Disclosures	Governance structure	Ethics & Governance, <b>Pages 13-14 TCFD Index; Annual Report, Page 29 Proxy Statement, Pages 1-38</b>
102-19	General Disclosures	Delegating authority	Ethics & Governance, <b>Pages 13-16 Annual Report, Page 29 Proxy Statement, Pages 1-38</b>
102-20	General Disclosures	Executive-level responsibility for economic, environmental, and social topics	A Letter from Our CEO, <b>Page 3 Ethics &amp; Governance, Pages 13-14 Proxy Statement, Pages 19, 26</b>
102-21	General Disclosures	Consulting stakeholders on economic, environmental, and social topics	Grainger at a Glance, <b>Pages 9-10</b>

## General Disclosures (cont.)

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



## 2021 Corporate Responsibility Index (continued)

### General Disclosures (cont.)

102-46	General Disclosures	Defining report content and topic Boundaries	Grainger at a Glance, <b>Pages 9, 11</b>
102-47	General Disclosures	List of material topics	Grainger at a Glance, <b>Page 9</b>
102-48	General Disclosures	Restatements of information	None
102-49	General Disclosures	Changes in reporting	None
102-50	General Disclosures	Reporting period	Annual
102-51	General Disclosures	Date of most recent report	September 2020
102-52	General Disclosures	Reporting cycle	Annual
102-53	General Disclosures	Contact point for questions regarding the report	Joseph Micucci
102-54	General Disclosures	Claims of reporting in accordance with the GRI Standards	This report is prepared in close alignment with the Global Reporting Initiative's (GRI) Standards, but does not claim to be in full accordance with the GRI Standards
102-55	General Disclosures	GRI content index	GRI content index
102-56	General Disclosures	External assurance	Appendix, <b>Page 44</b>

### Management Approach

103-1	Management Approach	Explanation of the material topic and its Boundary	Grainger at a Glance, <b>Pages 9-11</b> ; Ethics & Governance, <b>Page 14</b> ; Sustainability & Stewardship, <b>Pages 32-33</b> ; Supply Chain, <b>Page 39</b> ; People & Purpose, <b>Page 22</b>
103-2	Management Approach	The management approach and its components	Grainger at a Glance, <b>Pages 9-11</b> ; Ethics & Governance, <b>Pages 14-15</b>
103-3	Management Approach	Evaluation of the management approach	Grainger at a Glance, <b>Pages 9-11</b> ; Ethics & Governance, <b>Pages 14-15</b>

### Economic Performance

201-1	Economic Performance	Direct economic value generated and distributed	<b>Fact Book, Pages 11, 13-14</b>
201-2	Economic Performance	Financial implications and other risks and opportunities due to climate change	<b>TCFD Index Annual Report, Item 1A, Pages 10-11</b>
201-3	Economic Performance	Defined benefit plan obligations and other retirement plans	<b>Annual Report, Pages 58-62</b>

### Indirect Economic Impacts

203-2	Indirect Economic Impacts	Significant indirect economic impacts	<b>Annual Report, Pages I-II, Item 1A</b>
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### Anti-corruption

205-1	Anti-corruption	Operations assessed for risks related to corruption	Ethics & Governance, <b>Page 15</b>
205-2	Anti-corruption	Communication and training about anti-corruption policies and procedures	Ethics & Governance, <b>Page 15</b>

### Anti-corruption (cont.)

205-3	Anti-corruption	Confirmed incidents of corruption and actions taken	None, material items would be disclosed in our <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2020
<b>Anti-competitive behavior</b>			
206-1	Anti-competitive behavior	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	None, material items would be disclosed in our <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2020
<b>Materials</b>			
301-2	Materials	Recycled input materials used	Sustainability & Stewardship, <b>Pages 34-35</b>
301-3	Materials	Reclaimed products and their packaging materials	Sustainability & Stewardship, <b>Pages 34-35</b> ; Supply Chain, <b>Page 42</b> ; <b>SASB Index</b>
<b>Energy</b>			
302-1	Energy	Energy consumption within the organization	Sustainability & Stewardship, <b>Page 33</b> ; <b>SASB Index</b> ; <b>CDP Report</b>
302-2	Energy	Energy consumption outside of the organization	Sustainability & Stewardship, <b>Page 33</b> ; <b>SASB Index</b> ; <b>CDP Report</b>
302-3	Energy	Energy intensity	Sustainability & Stewardship, <b>Page 33</b> ; <b>SASB Index</b> ; <b>CDP Report</b>
302-4	Energy	Reduction of energy consumption	Sustainability & Stewardship, <b>Page 33</b> ; <b>SASB Index</b> ; <b>CDP Report</b>
302-5	Energy	Reductions in energy requirements of products and services	Sustainability & Stewardship, <b>Pages 36-37</b>
<b>Water and Effluents</b>			
303-5	Water and Effluents	Water consumption	Sustainability & Stewardship, <b>Page 35</b>
<b>Emissions</b>			
305-1	Emissions	Direct (Scope 1) GHG emissions	Sustainability & Stewardship, <b>Page 32</b> ; <b>CDP Report</b>
305-2	Emissions	Energy indirect (Scope 2) GHG emissions	Sustainability & Stewardship, <b>Page 32</b> ; <b>CDP Report</b>
305-3	Emissions	Other indirect (Scope 3) GHG emissions	Sustainability & Stewardship, <b>Page 32</b> ; <b>CDP Report</b>
305-4	Emissions	GHG emissions intensity	Sustainability & Stewardship, <b>Page 32</b> ; <b>CDP Report</b>
305-5	Emissions	Reduction of GHG emissions	Sustainability & Stewardship, <b>Page 32</b> ; <b>CDP Report</b>
<b>Effluents and Waste</b>			
306-2	Effluents and Waste	Waste by type and disposal method	Sustainability & Stewardship, <b>Pages 34-35</b>
306-3	Effluents and Waste	Significant spills	None; material items would be disclosed in our <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2020
306-4	Effluents and Waste	Transport of hazardous waste	<b>SASB Index</b>
<b>Environmental Compliance</b>			
307-1	Environmental Compliance	Non-compliance with environmental laws and regulations	None; material items would be disclosed in our <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2020

## 2021 Corporate Responsibility Index (continued)

### Supplier Environmental Assessment

308-1	Supplier Environmental Assessment	New suppliers that were screened using environmental criteria	Supply Chain, <b>Page 39</b> ; <b>CDP Report</b>
308-2	Supplier Environmental Assessment	Negative environmental impacts in the supply chain and actions taken	None; material items would be disclosed in our <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2020

### Occupational Health and Safety

403-1	Occupational Health and Safety	Occupational health and safety management system	People & Purpose, <b>Pages 18-21</b>
403-2	Occupational Health and Safety	Hazard identification, risk assessment, and incident investigation	People & Purpose, <b>Pages 18-21</b>
403-3	Occupational Health and Safety	Occupational health services	People & Purpose, <b>Pages 18-21</b>
403-4	Occupational Health and Safety	Worker participation, consultation, and communication on occupational health and safety	People & Purpose, <b>Pages 18-21</b>
403-5	Occupational Health and Safety	Worker training on occupational health and safety	People & Purpose, <b>Pages 18-21</b>
403-6	Occupational Health and Safety	Promotion of worker health	People & Purpose, <b>Pages 18-21, 26</b>
403-9	Occupational Health and Safety	Work-related injuries	People & Purpose, <b>Page 18</b> ; <b>SASB Index</b> No work-related fatalities in 2020

### Training and Education

404-1	Training and Education	Average hours of training per year per employee	People & Purpose, <b>Pages 25-26</b>
404-2	Training and Education	Programs for upgrading employee skills and transition assistance programs	People & Purpose, <b>Pages 25-26</b>
404-3	Training and Education	Percentage of employees receiving regular performance and career development reviews	People & Purpose, <b>Pages 25-26</b>

### Diversity and Equal Opportunity

405-1	Diversity and Equal Opportunity	Diversity of governance bodies and employees	Ethics & Governance, <b>Page 13</b> People & Purpose, <b>Pages 22-24</b> ; <b>SASB Index 2020 Proxy Statement, Page 6</b>
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### 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
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### 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
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### 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
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### 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
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### 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 <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2020
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### Human Rights Assessment

412-1	Human Rights Assessment	Operations that have been subject to human rights reviews or impact assessments	Supply Chain, <b>Page 39</b>
412-2	Human Rights Assessment	Employee training on human rights policies or procedures	Ethics & Governance, <b>Page 15</b> Supply Chain, <b>Page 39</b>
412-3	Human Rights Assessment	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Supply Chain, <b>Page 39</b>

### Local Communities

413-1	Local Communities	Operations with local community engagement, impact assessments, and development programs	Grainger at a Glance, <b>Page 10</b> People & Purpose, <b>Pages 27-29</b>
413-2	Local Communities	Operations with significant actual and potential negative impacts on local communities	Grainger has not identified any operations where there are significant actual or potential negative impacts on local communities

### Supplier Social Assessment

414-1	Supplier Social Assessment	New suppliers that were screened using social criteria	Supply Chain, <b>Page 39</b>
414-2	Supplier Social Assessment	Negative social impacts in the supply chain and actions taken	Grainger has not identified any negative social impacts in the supply chain

### 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.
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### 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 <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2020
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### 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 <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2020
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<sup>1</sup> 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.



## 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 2021 Disclosure
Energy Management in Retail & Distribution	(1) Total energy consumed	Quantitative	CG-MR-130a.1	1,225,051 GJ (340,292 MWh)
Energy Management in Retail & Distribution	(2) percentage grid electricity	Quantitative	CG-MR-130a.1	607,745 GJ, 49.6% of total (168,818 MWh)
Energy Management in Retail & Distribution	(3) percentage renewable	Quantitative	CG-MR-130a.1	29.775 GJ, 2.4% of total (8,271 MWh)
Data Security	Description of approach to identifying and addressing data security risks	Qualitative	CG-MR-230a.1	<p><b>2021 Corporate Responsibility Report, Page 16</b></p> <p><b>Vulnerability Identification:</b> Grainger identifies vulnerabilities using vulnerability management tools and exercises such as scans and penetration tests, which are aligned with a defined, documented, and approved vulnerability remediation strategy for all Grainger owned operational assets. The IT environment is continuously analyzed to help identify new assets, devices, or applications that require vulnerability scanning and penetration testing. Reports or automated dashboards identifying the current state of vulnerabilities impacting Grainger assets are provided by the Threat and Vulnerability Management team to technical stakeholders, and appropriate management, who are responsible to review and respond to vulnerability risk, and the Information Security Governance, Risk &amp; Compliance team holds monthly Patch &amp; Vulnerability Management Governance forums to help drive remediation efforts.</p> <p><b>Information Security Risk Management:</b> The Information Security (IS) Process, Risk and Control (PRC) Framework provides the baseline for Grainger's overarching processes, the inherent risks native to Grainger's business and controls, that when implemented effectively, mitigate Grainger's risks in alignment with Grainger's risk appetite, and the enterprise risk thresholds that are established by Enterprise Risk Management. The Information Security Governance, Risk &amp; Compliance (IS GRC) team provides oversight of risks to the information security ecosystem including the data, systems, people, processes and technologies within. The IS GRC team identifies risks through methods such as vendor engagements, project reviews, customer engagements, compliance assessments and audits, Internal Audit Findings, or through self-identification by a control or process owner or a business partner. IS GRC will then assess risk by measuring the impact and likelihood. If the risk is in alignment with residual risk appetite, IS GRC will confirm the mitigation with the Control Owner. If the risk is not in alignment with residual risk appetite, the risk assessment is documented in the IS GRC Risk Management System, and the risk assessment will be communicated to the appropriate level of leadership for determining the risk treatment, including mitigation, acceptance, avoidance, or transfer. Risk mitigations are tracked to remediation completion by the IS GRC team, and risk acceptances are also reviewed on a regular cycle to ensure alignment with the current threat landscape, as well as the risk appetite of the organization.</p> <p><b>Information Security - Vendor Risk Management:</b> Grainger's IS GRC team reviews vendors when they are onboarded, upon contract renewal, and when a new Statement of Work (SOW) is executed to review the information and applications involved, and advise on the appropriate controls, and ensure the adequate Information Security contractual obligations are in place.</p> <p><b>Information Security Policies:</b> The Information Security team has a number of policies and administrative procedures that provide guidance around Information Security and Risk Management requirements. These policies are updated regularly to align with industry standards, regulatory requirements and contractual obligations. They are available to all team members on the company's intranet homepage.</p> <p><b>Information Security Awareness:</b> Grainger has a fulsome Information Security Awareness program that provides team members with an understanding of the foundations of Information Security through regular communications via the company intranet and newsletters. All team members also go through annual training around Information Security to ensure that they understand their roles and responsibilities in protecting Grainger information and systems appropriately. Additional training is provided for more critical roles, such as software developers who build such systems and applications. In addition, the IS GRC team manages monthly company wide Information Security education &amp; awareness campaigns and phishing tests to determine compliance with company policies and best practices and to determine additional focus needs.</p>
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

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	<u>Gender Representation</u>				<u>Racial/Ethnic Group Representation</u>							
					Female	Male	N/A		Asian	Black or African American	Hispanic or Latino	White	Other	N/A	
				Management	33%	67%	0%	Management	5%	7%	9%	75%	1%	3%	
				All Other Employees	38%	62%	0%	All Other Employees	5%	12%	16%	60%	3%	4%	
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	2021 Corporate Responsibility Report, Page 45 6.0% revenue from environmentally preferable products											
Product Sourcing, Packaging & Marketing	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	Qualitative	CG-MR-410a.2	Products: As part of our product category review process, we conduct a product regulatory review, which ensures that our products meet requirements like federal and state laws, and we assess product ingredient lists for substances which may have harmful effects on human health or the environment. Our strong understanding of industry best practices for products are driven by evaluations from our suppliers and product expectations from our customers. Where necessary to serve our customers, Grainger will work with suppliers to identify alternative products.											
				For Grainger's private label products where we are the importer of record, we conduct in-person factory and product audits and quality checks prior to any product entering our supply chain. When a product enters our supply chain, we conduct audits before the product is released into stock to ensure the product meets the requirements set with the supplier. All products must meet the testing and ingredient requirements for functionality, quality, federal and state regulations.											
				We continue to increase the number of products in our portfolio with environmental certifications, such as GreenGuard and EPA Safer Choice, helping consumers identify and consider these products while shopping. We also continue to phase out volatile organic compound (VOC) paints to align with product safety best practices and forecast emerging risks and regulations. Our established and refined compliance requirements ensure that our products are safe for their intended use. We actively educate team members and customers on potential risks and continuously monitor and research chemical safety trends to enhance the availability of safe products.											
				Hazard Communication Program: Grainger maintains a set of hazard communication policies and best practices. Our corporate EHS department is responsible for the management and implementation of the Hazard Communication Program. Employees who work with or are potentially exposed to hazardous chemicals receive initial training on the hazard communication standard and this plan before starting work. Each new employee attends a health and safety orientation that includes an overview of the Hazard communication & GHS standard.											
Product Sourcing, Packaging & Marketing	Discussion of strategies to reduce the environmental impact of packaging	Qualitative	CG-MR-410a.3	The Hazardous Material Shipping Compliance Guidelines Acknowledgement must be signed by all relevant branch managers, ABMs, branch hazmat designates, DBSMs, DC directors, DC operations/process managers, DC hazmat specialists and master branch managers.											
				2021 Corporate Responsibility Report, Page 42											
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											

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

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

### GOVERNANCE

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

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

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

**2020 Proxy, [Pages 2, 18-19, 24](#)**

**CDP 2020 Response, [Pages 2-3](#)**

**2020 CSR Report, [Pages 13-14](#)**

### STRATEGY

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

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

**2019 Annual Report, [Pages 10-16](#)**

**2020 Proxy, [Page 24](#)**

**CDP 2020 Response, [Pages 12-13](#)**

**2020 CSR Report, [Pages 18-24](#)**

### RISK MANAGEMENT

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

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

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

**2020 Proxy, [Page 25](#)**

**CDP 2020 Response, [Pages 3-12](#)**

### METRICS

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

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

- Revenue from Environmentally Preferable Products (% revenue): 5.9%
- GHG Intensity (MTCO<sub>2</sub>e/Revenue): 10.6%
- Scope 1 emissions (2019): 34,685 metric tons of CO<sub>2</sub>-e
- Scope 2 emissions, location-based (2019): 80,962 metric tons of CO<sub>2</sub>-e
- Scope 2 emissions, market-based (2019): 78,750 metric tons of CO<sub>2</sub>-e

**CDP 2020 Response, [Pages 19-20](#)**

**2020 CSR Report, [Page 5](#)**



# Corporate Responsibility



For our most up-to-date news, visit [graingeresg.com](https://www.graingeresg.com).  
We welcome your feedback at [graingercsr@grainger.com](mailto:graingercsr@grainger.com)



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