



# 2023

## Environmental, Social and Governance Report



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

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## ABOUT THIS REPORT

The report's contents are shaped by our ESG materiality assessment, which was last completed in 2021. We also align disclosures to the Task Force on Climate-Related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB), and we provide a Global Reporting Initiative (GRI) content index to indicate the location(s) of particular ESG topics and data. The data in this document is for the reporting period January 1, 2022 to December 31, 2022 unless otherwise specified. Throughout this report, data figures are rounded and approximate.

## BOUNDARY

Although Grainger's ESG commitments apply throughout the world, this report is primarily focused on the company's major operations in North America. These operations currently represent more than 80% of Grainger's business based on percentage of revenue, scope of operations and number of team members. In this report, the specific geographic and business unit boundaries are referenced as following:

- "Total company", "Grainger", "global", or "globally" refer to W.W. Grainger, Inc. and its subsidiaries, except where the context makes it clear that the reference is only to W.W. Grainger, Inc. itself and not its subsidiaries.
- "High-Touch Solutions N.A." refers to Grainger's High-Touch Solutions segment, which provides value-added MRO solutions that are rooted in deep product knowledge and customer expertise. The high-touch solutions model serves customers with complex buying needs. This segment includes the Grainger-branded businesses in the United States (U.S.), Canada, Mexico and Puerto Rico.
- "High-Touch Solutions U.S." refers to Grainger-branded businesses in the U.S. that form part of the high-touch solutions model.

- "Endless Assortment" refers to Grainger's Endless Assortment segment that provides a streamlined and transparent online platform with one-stop shopping for millions of products. The Endless Assortment segment includes Zoro Tools, Inc. (Zoro) and MonotaRO Co., Ltd. (MonotaRO) online channels which operate predominately in the U.S. and Japan.
- Stated geographies such as "U.S." or "U.S. and Canada" refer to all of Grainger's operations in the stated geographies. Both reportable segments High-Touch Solutions N.A. and Endless Assortment are included.

## EXTERNAL ASSURANCE

The company engages with Apex Companies, LLC, for verification of its greenhouse gas emissions, energy consumption, waste generation and water consumption data. Additionally, Grainger receives ongoing verification of its environmentally preferable SKU designation from a third-party provider.

## DATA VALIDATION

In 2021, Grainger's Controllershship team began an extensive ESG metric validation project, which was completed in 2022. The objectives of this work included assessment of all ESG metrics reported internally and externally, validation of source data and calculation of metrics. In 2022, a new team within Controllershship was established that is dedicated to reviewing ESG data and ensuring accuracy, completeness and consistency in external reporting on an ongoing basis.

A LETTER FROM OUR  
CHAIRMAN AND CEO

At Grainger, our more than 26,000 team members work diligently to fulfill our purpose:

# We Keep The World Working®

Achieving that calling demands that we always do the right thing for our people, our customers and the environment.

In that spirit, I'm excited to share with you Grainger's 2023 Environmental, Social and Governance (ESG) Report, in which we detail how we are enabling our team to make a positive impact for the customers and communities we are privileged to serve.

I have the honor of heading our ESG Leadership Council, which sets the strategic direction for Grainger's ESG program and identifies ways to incorporate those initiatives into our operations and strategy. Together with subject-matter experts across the business, we are advancing key priorities, including linking executive compensation to our ESG objectives and advancing our near-term focus areas:

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

Each of these focus areas is an important part of both our culture and operations and allows us to scale our actions to make a greater impact. Early indications show we are delivering on each of them, driving sustainability, making an impact in our communities and building a strong, welcoming culture. More details on our work can be found in this report.

Meeting our ESG objectives aligns with Grainger's purpose-driven culture. We have long focused on building a more diverse, equitable and inclusive environment. We strive to make sure each team member feels welcome and able to do their best work. For the second year in a row, Grainger was named one of the *Fortune*<sup>1</sup> 100 Best Companies to Work For, and for the first time was recognized by *Fortune* as one of the Best Workplaces for Women and America's Most Innovative Companies.

As we look ahead, we will remain a leader in ESG by living our principles, helping our customers meet their own sustainability goals and positively impacting the communities where we operate. By doing this, we continue to ensure Grainger remains a company our customers trust and a place where our team members have meaningful and fulfilling careers.

I am confident the Grainger team will continue to act with integrity and serve our customers, as we've done for nearly 100 years.



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

**Our success is the result of a purpose-driven culture, one which calls on each of us to always do the right thing for our customers, the environment and each other.**

— D.G. MACPHERSON

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# Grainger at a Glance

W.W. Grainger, Inc., is a leading broadline distributor of maintenance, repair and operating (MRO) products in North America, Japan and the United Kingdom. We achieve our purpose, We Keep The World Working®, by providing our customers with the products and services they need to keep their operations running and their people safe.

## TOTAL COMPANY HIGHLIGHTS

\$15.2B  
in sales

>4.5M  
active customers

>26,000  
team members

>30M  
products offered

>5,000  
product suppliers<sup>2</sup>

2. Represents product suppliers with over \$100K spend in 2022.

# Our Purpose

**We Keep The World  
Working<sup>®</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.

For more information on Grainger, visit [invest.grainger.com](https://invest.grainger.com).



Start with the **customer**



Win as **one team**



Embrace **curiosity**



Invest in our **success**



Act with **intent**



Do the **right thing**



Compete with **urgency**

# ESG Highlights

## CUSTOMER SUSTAINABILITY SOLUTIONS

**>\$1B** in Grainger High-Touch Solutions U.S. environmentally preferable product (EPP) sales

## SUPPLIER DIVERSITY

**>\$2B** spent by Grainger High-Touch Solutions U.S. on products from small businesses, including woman-, minority-, veteran-, LGBTQ+- and disabled person-owned businesses, as well as historically underutilized business zone (HUBZone) and disadvantaged businesses<sup>3</sup>

## ENERGY AND EMISSIONS

**26%** total global Scope 1 and Scope 2 emissions reduction since 2018. Grainger has set a target to reduce its total global absolute Scope 1 and Scope 2 GHG emissions by 30% by 2030 from a 2018 baseline

3. During the federal government's fiscal year ended September 30, 2022.  
4. This information is as disclosed in the 2023 Proxy Statement.

## DIVERSITY, EQUITY AND INCLUSION

**35%** women in leadership positions in the U.S. and Canada

**24%** racially and ethnically diverse team members in leadership positions in the U.S.

**36%** women directors serving on our board<sup>4</sup>

**27%** racially and ethnically diverse directors serving on our board<sup>4</sup>

## ETHICS AND COMPLIANCE

**100%** of required total company team members certified in Grainger's Business Conduct Guidelines

## WASTE AND RECYCLING

**94%** recycling rate across our U.S. distribution centers

# Awards

## SUSTAINABILITY AND ESG



A- in 2022

Member of  
**Dow Jones  
Sustainability Indices**

Powered by the S&P Global CSA

2022: sixth consecutive year



As of 2023, Grainger received an MSCI ESG Rating of AAA



72 percentile

2023 Sustainalytics ESG Industry Top-Rated Company

2023 Newsweek: America's Most Responsible Companies

2023 **S&P Global  
Sustainability  
Yearbook Member**

## DIVERSITY, EQUITY AND INCLUSION



Perfect score for eighth consecutive year in 2022



2022: sixth consecutive year



2023 Top 50 Noteworthy Companies and Top Regional Company for Diversity



## CULTURE AND WORKPLACE



Re-certified



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# Our Approach to ESG

At Grainger, we integrate ESG initiatives into our strategy and daily operations at each level of the business to deliver long-term value to our stakeholders. We embrace sustainability within our organization and are dedicated to helping our customers achieve their own sustainability goals through our products, services and resources.



# ESG Governance

The Board of Directors (Board), executive leadership team and senior leaders take an active role in our overall ESG strategy. This includes ESG oversight by the Board, strategic direction by our executive leadership team and strategic and programmatic implementation by senior leaders and subject matter experts.



## BOARD OVERSIGHT

Our Board, guided by the **Operating Principles for the Board of Directors**, is responsible for Grainger’s overall strategic direction. This direction includes ESG oversight by the **Board Affairs and Nominating Committee (BANC)**, which is composed of independent Directors, including those with expertise in corporate environmental, social and governance matters. The BANC reviews Grainger’s ESG programs and reporting at least annually, including, but not limited to, energy and emissions; community impact; governance; company culture; talent strategy; and diversity, equity and inclusion practices. Learn more about our Board governance in our **2023 Proxy Statement** and in our **Committee Charters**.

## ESG LEADERSHIP COUNCIL

In developing Grainger’s ESG efforts, Chairman and CEO, D.G. Macpherson leads an ESG Leadership Council (ELC) composed of senior-most leadership that sets the strategic direction of Grainger’s ESG program and identifies ways to incorporate ESG initiatives into operations and strategy. This group meets at least quarterly and updates the BANC on a regular basis.

## ESG WORKING GROUPS

The ESG Leadership Council’s strategy is implemented by cross-functional ESG Working Groups focused on near-term priorities, material topics and supporting efforts such as reporting. Our ESG Working Groups comprise leaders and subject matter experts who are responsible for implementing programs to drive progress on key ESG topics and goals.

## EXECUTIVE COMPENSATION

During 2022, in partnership with the Compensation Committee’s independent compensation consultant and our ESG Leadership Council, we studied various notional compensation program designs to assess how ESG metrics could align with our goal to drive a purpose-driven culture that enables strong performance and aligns with our ESG objectives. Informed by this review, we have integrated an ESG modifier within the U.S.-based Grainger Leadership Team’s annual incentive program for 2023<sup>5</sup>. The ESG modifier can increase or decrease payouts determined by financial performance based on two quantitative metrics: total global absolute Scope 1 and 2 emissions and diverse leadership representation.

5. Grainger Leadership Team represents the CEO’s leadership team (executive leadership).

# Materiality Assessment

## OUR APPROACH

Our materiality assessment forms the foundation of our ESG program. This assessment references the Global Reporting Initiative (GRI) Standards' definition of materiality and determines the economic, environmental, social and governance issues that are most important to our stakeholders and our business objectives. By focusing on these issues, we aim to optimize the impact of our products, services and solutions in these critical areas and create long-term value for our stakeholders. We engaged a third-party consulting firm to assist with our latest materiality assessment in 2021. The ELC then further prioritized the resulting material topics to identify four near-term priorities where Grainger should invest to improve performance. We update our materiality assessment approximately every three years to ensure continued focus on the most important topics to our stakeholders.

6. The Customer Sustainability Solutions topic referenced here is defined as environmentally sustainable products, services, packaging and resources intended to help our customers meet or make progress on their sustainability goals. Supplier diversity is a distinct material topic that has overlap with our total sustainability solutions offering of social and environmental solutions.

# Material Topics



## Four Near-Term Priorities



# Sustainability Solutions for Our Customers

Starting with our customers is one of Grainger's core principles. We are at our best when we understand their needs and provide solutions that help keep them working safely, sustainably and efficiently. Grainger's products, services and resources provide value to our customers while also helping them achieve their sustainability goals.

# Environmental and Social Customer Solutions

## ENVIRONMENTALLY PREFERABLE PRODUCTS

Grainger provides environmentally-focused solutions through our sustainability offering, including environmentally preferable products (EPP)<sup>7</sup> and sustainability services. In 2022, our overall Grainger High-Touch Solutions U.S. EPP revenue was more than \$1 billion, which represented an increase from the previous year.

At Grainger, we are committed to meeting customer demand by routinely evaluating our portfolio against customer needs and keeping our product certifications and attributes up to date. On a regular basis, we conduct a thorough review of certifications and attributes, in

conjunction with a third-party partner, based on U.S. federal and state sustainable-purchasing guidelines.

To guide customers toward sustainability solutions that may meet their needs, Grainger has developed a **Sustainability Solutions landing page** on our website. The solutions are organized by sustainability categories including energy, waste, air quality and water management. Grainger's EPP are identified with a "green" filter during the search process, accompanied by a green leaf icon. The technical specifications section of each product contains a detailed explanation of the certificate or attribute, making it simple for customers to understand the environmental benefits.

## GRAINGER PRODUCTS THAT HELP CUSTOMERS WITH SUSTAINABILITY INITIATIVES



Grainger products that feature an environmental attribute certified by an independent certification body and approved by a designated third-party (e.g., Energy Star®)



Grainger products that feature environmental attributes supported by product supplier claims and validated by a third-party (e.g., products made of recycled content)



Grainger products that do not contain environmental attributes but can help customers with sustainability initiatives (e.g., flowmeters)

7. Environmentally Preferable Products (EPP) or greener products are designed to have a lesser or reduced effect on human health or the environment when compared to competing products that serve the same purpose. Grainger's EPP listings are based on third-party certifications or other evidence of relevant product characteristics submitted by the product suppliers. In each case, the basis for the EPP designation is explained in the product description, including information about the specific third-party certification and/or the relevant product attributes. Grainger relies on information from its third-party suppliers for claimed certifications and relevant product attributes. To provide an additional measure of confidence, Grainger works with outside experts to review the basis claimed by its third-party suppliers to help verify the referencing of relevant standards and product attributes.

WE ARE THE GO-TO PARTNER FOR PEOPLE WHO SEEK TO BUILD AND RUN SAFE, SUSTAINABLE AND PRODUCTIVE OPERATIONS



**Grainger is deeply committed to the sustainability of its operations, and we believe that commitment extends beyond our walls. We are uniquely positioned to provide the know-how, supplier diversity and broad assortment of products customers need to achieve their sustainability goals.**



— PAIGE ROBBINS,  
SENIOR VICE PRESIDENT  
AND PRESIDENT, GRAINGER  
BUSINESS UNIT



## SUSTAINABILITY SERVICES

As part of our commitment to helping customers achieve their own sustainability goals, we continue to enhance and improve our sustainability services. Grainger offers a number of sustainability services that cover areas of energy, waste, water and air quality management through third-party service providers.

We recently added a service that provides a holistic sustainability assessment for customers covering all four environmental initiatives: energy, waste, water and air quality management. This enables them to better understand their environmental impact and identify areas for improvement.

CASE STUDY



### RENEWABLE ENERGY INSTALLATION<sup>8</sup>

As part of our sustainability services offering, we are able to help customers achieve their sustainability goals. One recent example of this is Grainger's engagement with a large container-terminal operator that was in search of an opportunity to offset fossil fuel-based energy use, enhance its energy grid and reduce cost. Through one of the third-party service providers included in our sustainability services offering, the customer has purchased and will install more than 300 solar panels. The installation is projected to realize a nearly 480% return on investment (ROI). Over the next 20 years, the system is expected to do more than just save money. It is expected to result in:

~4,000 tons  
of CO<sub>2</sub> avoided, which is equivalent<sup>9</sup> to:

~9,000,000 miles driven by cars OR ~59,000 trees planted

8. Disclaimer: results will vary by customer based on location and available tax credits, but expected results noted here are considered typical for the customer's particular region.

9. According to the EPA's Greenhouse Gas Equivalences Calculator.

## SAFETY AND SECURITY SOLUTIONS

Grainger is committed to providing customers with comprehensive safety and security solutions.

Grainger offers nearly 196,000 safety and security products on Grainger.com and collaborates with trusted third-party service providers to provide a range of safety services to help customers meet regulatory compliance requirements and create a safer and more secure workplace. We work with leading safety organizations to offer assessments, training, program development and testing to our customers. Innovative third-party service providers help migrate customers' environmental, health and safety (EHS) programs from paper to digital platforms and improve training effectiveness with virtual reality solutions.

Grainger's commitment to safety is also evident in our investment in Field Safety Consultants who are certified through the Board of Certified Safety Professionals. Our Field Safety Consultants provide value-added safety assessments and identify the best solutions for our customers. In 2022, our Field Safety Consultants completed more than 1,000 onsite safety assessments for our customers.

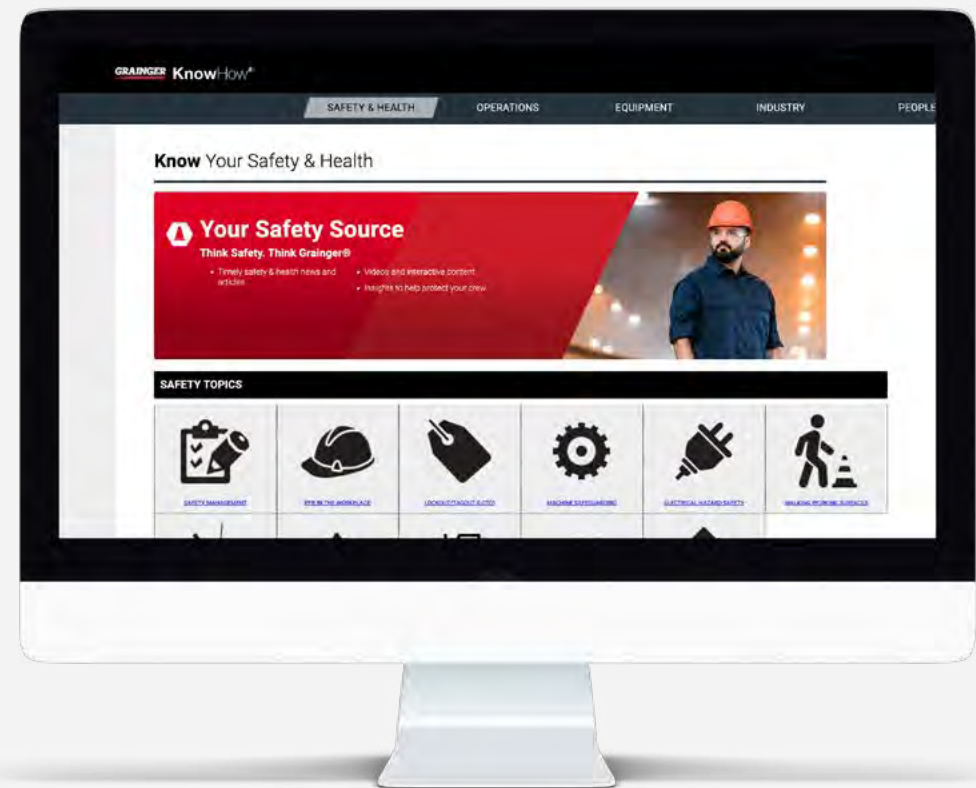
In addition to our team of Field Safety Consultants, we offer resources through the Grainger KnowHow® website and the Safety & Health Solutions Center to provide our customers with valuable safety information and insights.

We are proud to be a member of the National Safety Council's Campbell Institute for the fifth consecutive year as the sole industrial supplier.

~196,000  
safety and security products  
offered on Grainger.com<sup>10</sup>

Certified  
Field Safety Consultants  
through the Board of Certified  
Safety Professionals

>1,000  
onsite safety assessments  
completed for our U.S. and  
Canada customers



10. As of May 2023.

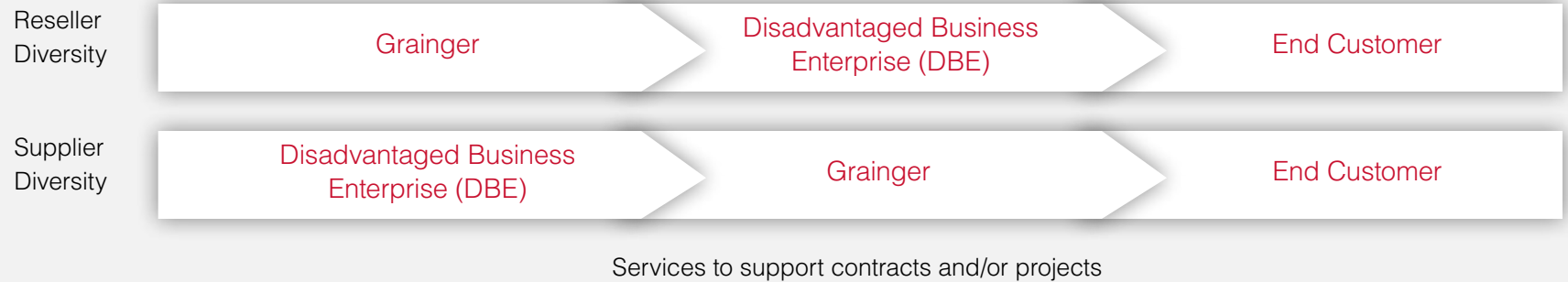
## DIVERSITY SOLUTIONS

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

Grainger's Tier 1 Reseller Diversity program helps customers meet their diversity procurement goals through certified Disadvantaged Business Enterprise (DBE) authorized resellers. The program is designed to deepen our customer relationships and identify ways to deliver greater value to new and existing customers. The program provides MRO resellers and customers greater access to products and services and provides reach to segments and contracts typically mandated or prioritized for small businesses and DBEs. Grainger's Tier 2 Supplier Diversity program enables customers to diversify their supply chains and promote the growth of underrepresented supplier groups.

Grainger is also a corporate member of the Women's Business Enterprise National Council (WBENC) and participates in various virtual trade, networking and learning events and develops relationships with diverse businesses.

## HOW GRAINGER SUPPORTS CUSTOMERS WITH THEIR DIVERSITY GOALS



### TIER 1 — DIVERSITY ALLIANCES OFFER (RESELLER DIVERSITY):

- Grainger High-Touch Solutions U.S. partners with small and diverse businesses, enabling them to directly sell to end customers through the Grainger contract as authorized resellers
- Grainger helps customers meet their diversity procurement goals through spend with certified DBEs
- In 2022, our network of diverse authorized Grainger resellers sold hundreds of millions of dollars of products to customers

### TIER 2 — SUPPLIER DIVERSITY PROGRAM

- Grainger works with diverse suppliers (DBEs) to buy product and sell to the end customer
- The customer can take diversity spend credit for those qualifying purchases
- In 2022, Grainger High-Touch Solutions U.S. spent more than more than \$2 billion on products from small businesses, including woman-, minority-, veteran-, LGBTQ+— and disabled person—owned businesses, as well as HUBZone and disadvantaged businesses<sup>11</sup>

- ~7,000 DBEs are part of the Grainger High-Touch Solutions U.S. Supplier Diversity Program, which includes direct and indirect spend<sup>11</sup>

### GRAINGER SERVICES

- Grainger works with small and diverse third-party businesses to support onsite services (e.g., delivery, sales activities, KeepStock®)
- Services offered through our network of qualified, insured and licensed third-party service providers

11. Data represents reporting period of the federal government's fiscal year ended September 30, 2022.

## EMERGENCY MANAGEMENT PROGRAM

Grainger's Emergency Management Program is the local support with national reach that customers can rely on before, during and after an incident. From severe weather to pandemics, Grainger's Emergency Management Program helps communities prepare for the expected and unexpected.



**Nationwide logistics network:** Grainger facilitates a large network of local branches supported by a state-of-the-art, integrated distribution network.



**Faster response, repair and recovery times:** As an invested member of the communities we serve, Grainger is committed to delivering the unique support and products our customers need as fast as possible.



**Emergency support teams:** Grainger mobilizes internal and external resources to assist impacted areas. Call centers can accept phone orders 24 hours a day, and local branches provide essential solutions to help their communities rebuild.



**Relationships with local, regional and national authorities:** By facilitating relationships with organizations like the Federal Emergency Management Agency, the Department of Homeland Security and the American Red Cross, Grainger keeps a pulse on what is happening nationwide and how to support when emergencies occur.

### 2022 HURRICANE IAN — FROM PREPARATION TO RECOVERY...GRAINGER IS THERE TO SUPPORT

CASE STUDY



#### PREPARE

Before Ian made landfall, Grainger evaluated inventory, moved high-demand product into market and was ready to meet customers' planning needs. Florida state and local governments purchased generators, sandbags, water and sheltering supplies in anticipation of Hurricane Ian. Grainger activated our internal Emergency Response Team to support the planning and eventual response and recovery needs of Florida customers.

#### RESPOND

Grainger was asked to participate in the state Emergency Operations Center (EOC) shoulder-to-shoulder with emergency professionals. During Ian, four Grainger team members worked shifts in Florida's EOC to meet the critical and high-volume demands of the state and local government.

#### RECOVER

During the recovery and restoration efforts, the Grainger team remained onsite to partner with impacted customers. Grainger supported staging and logistics efforts and ensured distribution of critical supplies, such as hygiene kits, tarps, personal protective equipment (PPE) and chainsaws.

## VALUE-DRIVEN SUSTAINABLE PRACTICES THAT BENEFIT OUR CUSTOMERS

In addition to our environmental products and services, Grainger embeds sustainability practices into our comprehensive offerings that drive value for the customer and support their sustainability goals. Some examples of this include:

### TRANSPORTATION AND SHIPPING EFFICIENCIES

Grainger demonstrates commitment to sustainability throughout our transportation and shipping practices. Grainger designs its distribution and transportation network to optimize the customer experience and reduce environmental waste. Throughout our network, we actively manage order fulfillment with the goal to ship orders in the fewest number of cartons from the nearest shipping point.

Grainger relies on a network of third-party carriers for transportation needs, and is always working to improve the environmental performance of outsourced logistics. We work closely with these providers to continuously identify opportunities to maximize efficiency and minimize fuel use. Grainger continues to be recognized by the U.S. Environmental Protection Agency (EPA) as a SmartWay® partner.

### SUSTAINABLE PACKAGING

At Grainger, we work closely with our suppliers to identify opportunities to improve packaging sustainability and protect the products we offer. Our Supplier Packaging Guidelines promote sustainable options and best practices for our suppliers to minimize potential product damage and waste while maximizing the use of recyclable materials.

**We have many sustainable packaging initiatives, including:**

**Right-size packaging:** In select distribution centers (DCs), we employ a technology to right-size packaging for parcels, reducing the overall size of a package. This results in a reduction of the number of vehicles needed, freight costs, emissions and product damage, while enabling labor savings and minimizing unnecessary void fill. We measure our carton-to-order ratio by tracking the number of boxes we ship compared to the number of orders we receive. We monitor this ratio to drive improvements in packaging and corrugate use.

**Primary packaging:** We ship products in suppliers' packaging (primary packaging) whenever possible. We also use strapping or wrapping when applicable to consolidate items without adding outer packaging.

**Recycled material:** Our iconic Grainger boxes and paper dunnage are certified by the Sustainable Forestry Initiative and are recyclable. Additionally, Grainger boxes are made from more than 40% post-consumer recycled content.





### KEEPSTOCK®

Grainger's KeepStock® inventory-management solutions help customers optimize their MRO inventory through inventory analysis and SKU and cost reduction. This solution also helps reduce their environmental footprint by enabling customers to minimize excess inventory, number of orders and transportation needed while optimizing space usage.

### SPECIALISTS AND OTHER VALUE-ADDED SERVICES

Grainger's specialist teams focused on safety, metalworking, consulting and technical product support provide value-added services for our customers at no charge. Typical outcomes include a greater level of safety protection, extended tool and product life, increased efficiencies, reduced scrap rates and reduced operating expenses. As an example, Grainger's metalworking program includes tool reconditioning services that reduce consumption of new products by extending the life of a customer's current inventory.

# Environmental

Grainger strives to operate its business and supply chain sustainably and takes proactive action to align our operations with our commitment to environmental responsibility.



## Our 2022 Highlights

26%

reduction in global total  
absolute Scope 1 and Scope 2  
emissions since 2018

94%

recycling rate in U.S.  
distribution centers

7 MW DC

of U.S. solar  
production capacity

28%

of North American footprint is  
LEED-certified

# Environmental Management

## OUR APPROACH

At Grainger, we aim to be responsible citizens of both our communities and our planet. As part of this commitment, we strive to operate our business and supply chain sustainably, while also supporting our customers in their sustainability efforts.

We recognize the urgency of climate change and are dedicated to reducing our carbon, water and waste footprint in our operations and throughout our value chain. We are focused on reducing our dependence on non-renewable

energy, improving energy efficiency and embedding sustainability into every aspect of our operations.

Through our ESG governance structure, the Board Affairs and Nominating Committee (BANC) and the ELC, composed of our executive leadership team, receives regular updates on material environmental topics' progress and provides strategic direction to our ESG Working Groups. As a testament to Grainger's commitment, environmental performance is tied to our executive leadership compensation program.



**We believe sustainability and strong business performance are connected. That's why we are committed to investing in projects like solar panels, building management systems and hydrogen fuel cell-powered material handling equipment in our DCs. These initiatives both contribute to a greener planet and generate measurable financial results.**



— DEE MERRIWETHER,  
SENIOR VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER

At Grainger, environmental, health and safety (EHS) excellence are at the forefront of our priorities. Our **Global EHS Policy** demonstrates this commitment, and our EHS management team is responsible for driving strategic initiatives that sustain and build upon our EHS performance. This involves driving short-term and long-term objectives that include:



Developing programs, procedures, training tools and action plans to meet annual goals and objectives



Promoting employee accident prevention through awareness, recognition and incentives



Implementing Company and regulatory requirements such as those relevant from U.S. Environmental Protection Agency (EPA) and Occupational Health and Safety Administration (OSHA)



Recommending disciplinary action as appropriate for employee/management non-compliance



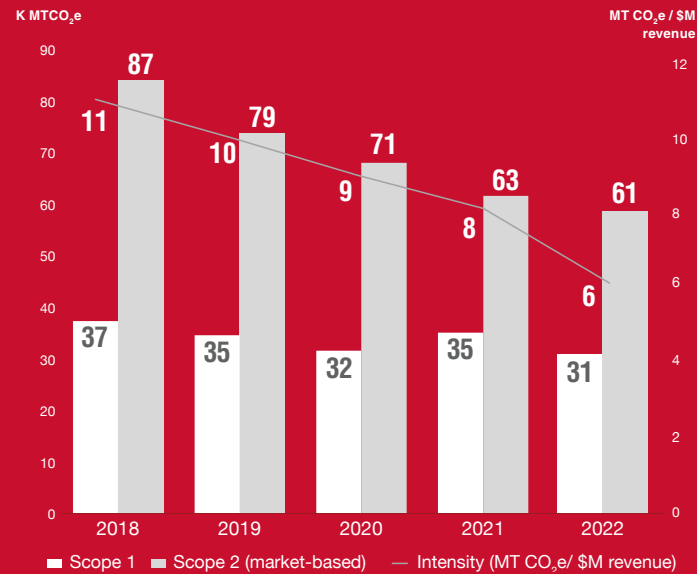
Managing the resources to meet requirements



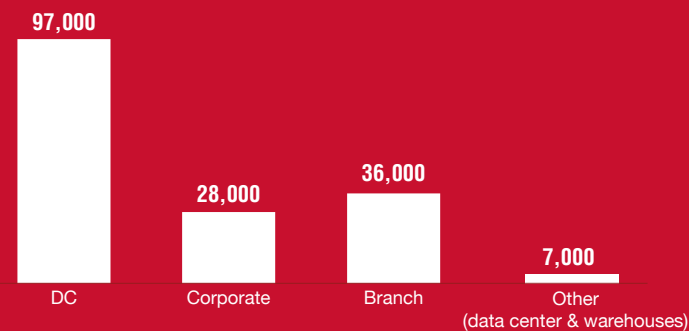
Leading EHS committees and working groups in order to drive overall program implementation

Further details on our EHS program can be found in the **Health and Safety section** of this report.

## TOTAL GLOBAL SCOPE 1 AND 2 ABSOLUTE EMISSIONS IN THOUSANDS OF MT CO<sub>2</sub>e AND EMISSIONS INTENSITY



## TOTAL GLOBAL ELECTRIC POWER USAGE BY FACILITY TYPE (MWH)



# Climate Change Disclosure and GHG Emissions

In line with Grainger’s commitment to mitigate climate risks and reduce carbon emissions, we follow the guidelines of the Science Based Targets initiative (SBTi) and the Greenhouse Gas Protocol to align our actions for Scope 1 and 2 emissions with the goal of limiting global warming to below 2 degrees Celsius.

Since 2009, Grainger has annually disclosed to the CDP, providing details on business risks and opportunities related to climate change. Grainger is proud to have received an A- rating from the CDP in 2022, which places us in the leadership level and indicates climate stewardship best practice.

### OUR INITIATIVES TO REDUCE DEPENDENCE ON NON-RENEWABLE ENERGY CONSUMPTION AND EMISSIONS INCLUDE:

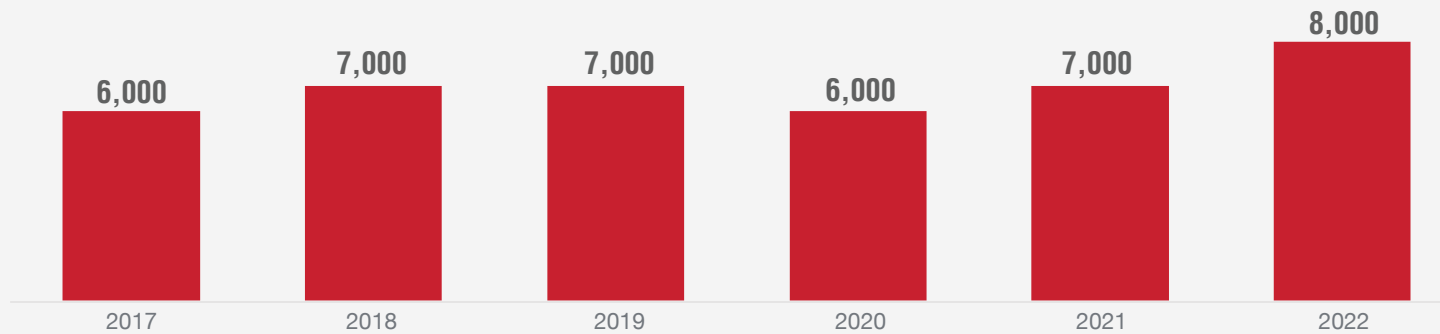
1. Increasing solar energy use at our facilities
2. Improving technology and efficiency in our building management systems
3. Implementing high-efficiency life cycle replacements
4. Transitioning from traditional Powered Industrial Equipment (PIE) batteries to hydrogen fuel cells

Our current climate target, set in 2020, is to reduce global absolute Scope 1 and Scope 2 emissions by 30% by 2030, using a 2018 baseline. This target follows the medium-term goals of the Paris Climate Agreement, and we have made steady progress toward achieving our target.

Since 2018, we have reduced global absolute Scope 1 and Scope 2 emissions by 26%, which achieves 87% of our global reduction target. In 2022, our total global Scope 1 and Scope 2 (market-based) GHG emissions totaled nearly 92,000 metric tons of CO<sub>2</sub>e.

We recognize the importance of reducing Scope 3 emissions as part of our strategy to mitigate climate risks and our environmental impact, and the ESG Leadership Council regularly reviews our overall carbon emissions reduction strategy. Scope 3 considers all indirect emissions (not included in Scopes 1 and 2) that occur upstream and downstream from Grainger’s operations. The majority of our Scope 3 impact resides in the product-use phase, or the energy required to operate the products Grainger sells. Our Scope 3 emissions disclosure can be found in our annual CDP Climate Change Assessment response. In 2022, we made progress in our Scope 3 strategy by further assessing our data quality and identifying suppliers that contribute to the majority of our Scope 3 emissions. In 2023, we plan to continue this progress by continually refining our calculation methodology, improving our data sources and engaging with our suppliers.

## SOLAR PRODUCTION (MWH)



# Emissions Reduction Strategy

## SOLAR

We currently have 7 megawatts direct current (MW DC)<sup>12</sup> of solar panel installations at our U.S. DCs. These solar installations have resulted in more than 8,000 megawatt hours of renewable energy produced in 2022.

We continue 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.

In 2023, we are adding a number of large-scale solar installations in addition to piloting smaller installations within our branch network.

## HIGH-EFFICIENCY LIFE CYCLE REPLACEMENTS

At Grainger, a core part of our strategy is upgrading to more efficient equipment once it has reached the end of its useful life. We do this through LED retrofitting with occupancy sensors and HVAC upgrading with energy efficient equipment. We continue to see high energy reductions from this and have projects slated for 2023, including select distribution center LED retrofits.

12. All solar capacity values are reported in megawatts direct current (MW DC). The solar capacity for 2021 has been restated from 6.4 MW, which was previously reported, to 7 MW DC.



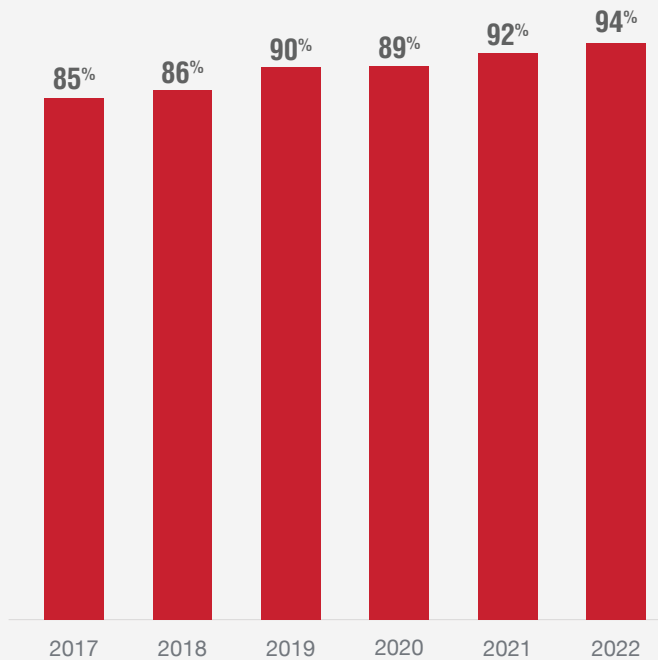
## BUILDING MANAGEMENT SYSTEM

Building Management Systems (BMS) help us achieve our energy efficiency goals by allowing our facility managers to provide the proper working environment for team members and minimize Grainger's energy costs.

- Currently, more than 40% of our footprint in North America has either been built or retrofitted with BMS
- On average, Grainger has realized a 10–15% reduction in energy use and expenses at our facilities after installing and optimizing set points and schedules

In 2023, we will continue to expand our BMS footprint across all of our U.S. DCs and branches, getting us closer to having an enterprise-wide view of our buildings. Given that branches account for one-third of Grainger's energy consumption, the implementation of BMS in these locations is expected to further optimize energy usage while monitoring air quality and enabling predictive maintenance.

## U.S. DC RECYCLING RATE 2017–2022



## TOTAL GLOBAL WASTE AND RECYCLING

~24M lbs

of non-hazardous waste disposed

>72M lbs

of waste recycled

## HYDROGEN

After our pilot in early 2022, we started construction to add the infrastructure needed to distribute hydrogen at three of our DCs, which will convert powered industrial equipment (PIE) from lead-acid batteries to hydrogen fuel cells.

These new hydrogen fuel cells will utilize green hydrogen produced through sustainable energy sources. Utilizing green hydrogen will reduce emissions from the operation of our PIE fleet at these facilities.

## WASTE AND RECYCLING

To achieve our sustainability goals, we focus on implementing innovative solutions that help us reduce or eliminate waste and close material loops. We standardize recycling processes and share best practices across our network. Our DC leadership receives monthly progress reports on recycling, and local facility managers include recycling metrics in their annual performance goals. We also partner with a third party to track our waste and recycling data and to find opportunities to improve our diversion rates.

To help manage waste and recycling at our U.S. branches, we use waste container monitors, which helps us optimize our scheduled pickups, reduce the amount of vehicle mileage required by waste haulers and quickly detect and resolve contamination issues before they impact downstream processes.

## HAZARDOUS WASTE

Grainger is a distributor of maintenance, repair and operation (MRO) products and does not generate hazardous waste as a function of a process or byproduct and only handles product in manufacturer’s packaging. Grainger does generate incidental hazardous waste from product that is damaged, obsolete or returned when it is no longer usable for its intended purpose. Grainger’s waste management policy ensures that management of regulated waste is conducted in accordance with all applicable laws and regulations. Additionally, we require regular hazardous material safety certification and training of all team members who might be expected to come into contact with our hazardous material products because of their job function.

### ZERO WASTE

Grainger has been awarded three silver level TRUE Zero Waste Certifications at our Dallas-Fort Worth DC (DFDC), Illinois DC (ILDC) and Northeast DC (NEDC). Prerequisites for the TRUE certification include a recycling rate of at least 90% and a contamination rate of less than 10%. Grainger has additional DCs that have met this threshold, and we continue to evaluate further opportunities to reduce waste.



**GRAINGER GLOBAL TOTAL WATER WITHDRAWN  
(CUBIC METERS)**

524,000      504,000  
2021            2022

**WATER ANALYTICS PILOT  
AT CORPORATE HEADQUARTERS**

Grainger is currently developing an internal water analytics system through the installation of advanced controllers and leak detection alarms. We plan to install additional water sensors throughout the building and are piloting the use of smart-battery technology. Once this system is fully installed, we will have the ability to monitor nearly all water usage down to individual systems and locations, allowing us to optimize our water consumption.

**WATER**

Because of our commitment to reducing water usage, we monitor and measure our water footprint and always look for opportunities to reduce usage, such as installing water-efficient fixtures at our largest facilities. Grainger’s total global water consumption in 2022 was more than 504,000 cubic meters, which represented an approximate 4% decrease from a 2021 total of nearly 524,000 cubic meters.

**LEED**

Grainger has been a member of the U.S. Green Building Council (USGBC) since 2007, and we are a leader among the MRO industry in operating Leadership in Energy and Environmental Design (LEED) certified facilities. Of Grainger’s total North American facility footprint, nearly 28% of square footage is LEED certified. LEED certified buildings use 25% less energy with a 19% reduction in aggregate operational costs in comparison to non-certified buildings<sup>13</sup>.

Grainger has led the MRO industry in building LEED-certified facilities with accomplishments including:

- First LEED certified building in the MRO industry
- First LEED certified DC in Monterrey, Mexico
- Largest LEED-CI Platinum project as of the completion date<sup>14</sup>
- World’s first LEED V4 data center

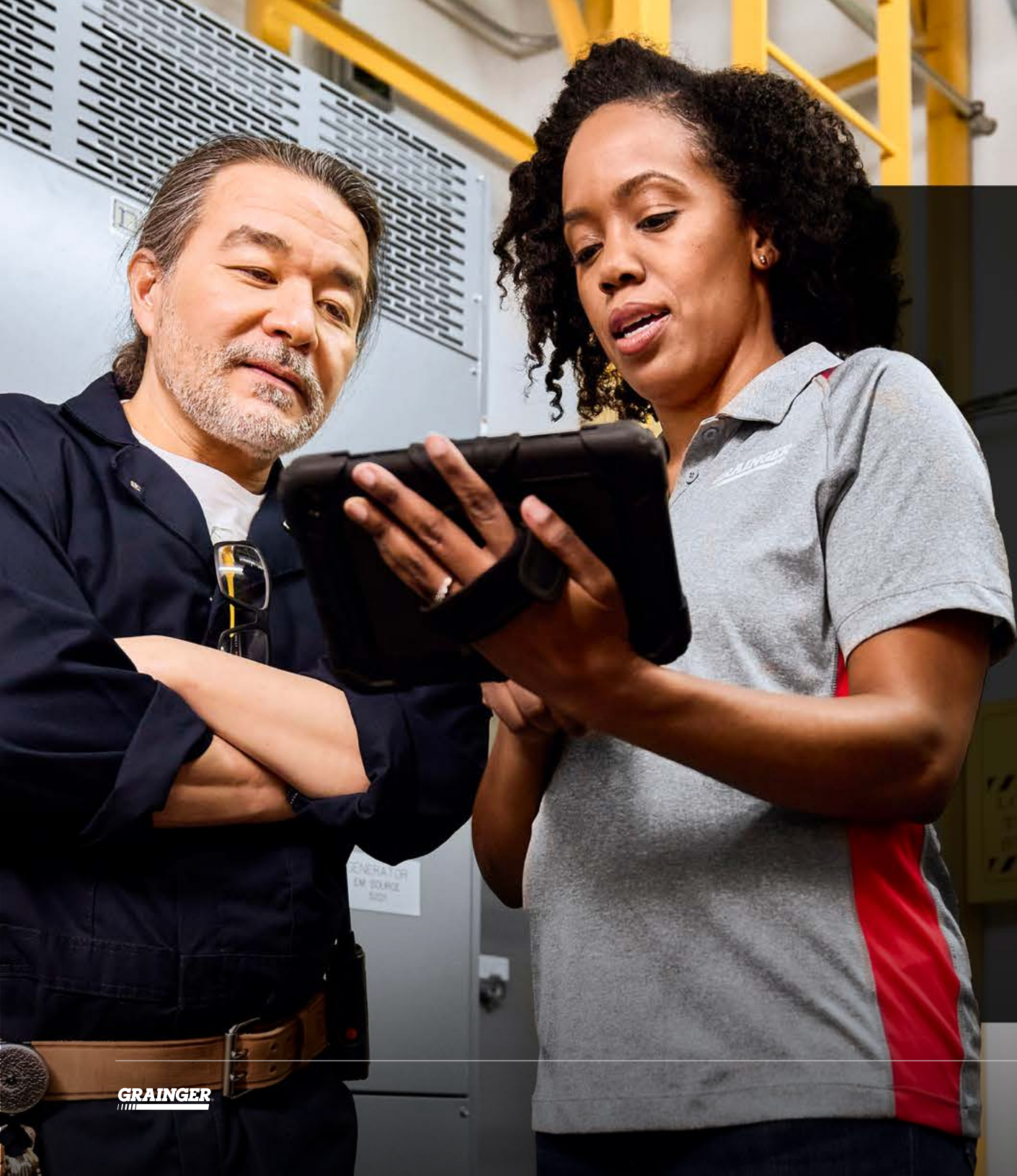
13. GSA, “Green building performance A Post occupancy evaluation of 22 GSA buildings,” August 2011.

14. In 2015, we completed what was recognized as the largest LEED Platinum Project at that time.

# Social

A woman with long dark hair, wearing a green short-sleeved top, sits at a table with her hands clasped. She is smiling and looking towards a man on the right. The man has short brown hair and is wearing a blue long-sleeved shirt. They are both sitting at a light-colored table with two laptops in front of them. The background is a blurred office or meeting space with a staircase and greenery.

Grainger is committed to creating a safe, inclusive and rewarding workplace for our team members and to strengthening the communities in which we operate.



# Our 2022 Highlights

24%

racially and ethnically diverse leadership representation in U.S.

35%

women leadership representation in U.S. and Canada

>12K

hours volunteered by U.S. team members at nonprofit organizations

~98%

of team member participation in Managing Unconscious Bias training<sup>15</sup>

~\$47M

of total company cash contributions and product donations

## OUR APPROACH

Advancing a safe and inclusive workforce while empowering our communities to have thriving and resilient futures

<sup>15</sup>. Total company, excluding MonotaRO.

# Health and Safety

Grainger is committed to providing a safe work environment and ensuring team members are properly trained to perform a variety of tasks necessary to support our customers.

As a global leader in industrial distribution, Grainger drives Environmental, Health and Safety (EHS) excellence by promoting:

- Safe people and processes for our operations around the world;
- Safe environments through proper product handling, storage and waste minimization for all business areas; and
- Safe distribution through proper transportation of hazardous materials.

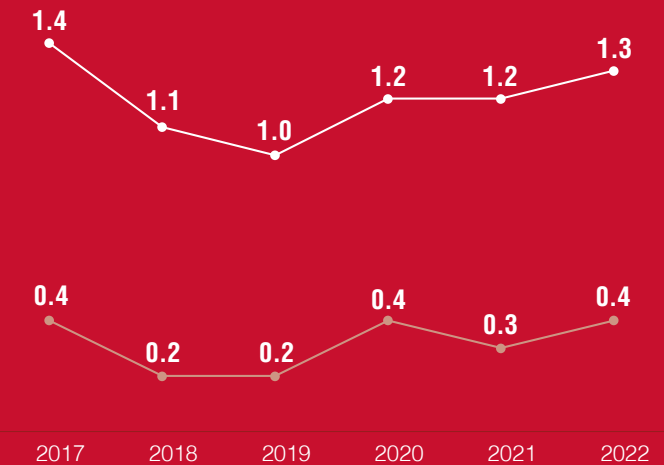
Our EHS program is integrated into all aspects of business operations to keep our team members safe and healthy, while keeping facilities operating safely and sustainably. The EHS team supports all functions, including the Branch and DC networks, and participates in the KeepStock® Inventory Management Steering Committee.

The EHS department is responsible for applying relevant federal, state and local regulations and for considering proposed regulations from the U.S. OSHA, U.S. EPA and the U.S. Department of Transportation. All operations team members complete training to ensure full understanding of the expectations outlined in our **Global EHS Policy**.

Our U.S.-based business safety performance includes all operational and non-operational full-time and part-time team members. Grainger experienced a total recordable incident rate of 1.3 for 2022 and a lost-time incident rate of 0.4, with zero work-related fatalities. Our total recordable incident rate and lost-time incident rate are favorable to the Wholesale Industry average of 2.4 and 1.0, respectively, as defined by the U.S. Bureau of Labor Statistics (BLS)<sup>16</sup>. In review of the total recordable cases, the data indicates an increased trend of treatment with physical therapy and prescription medications, which makes an injury case recordable by OSHA definition. A closer partnership with our workers' compensation provider on utilizing in-house early intervention practices will be a focus in 2023.



## U.S. SAFETY PERFORMANCE FROM 2017–2022



● U.S. Total Recordable Incident Rate (TRIR)

TRIR: The total number of OSHA recordable illnesses and injuries per 100 team members in a year

● U.S. Lost Time Incident Rate (LTIR)

LTIR: The total number of lost time incidents per 100 team members in a year.

16. U. S. Bureau of Labor Statistics (2022, November 9). U.S. Bureau of Labor Statistics - Injuries, Illnesses, and Fatalities, for NAICS 42 (wholesale trade industry).



## “DON’T WALK BY” INITIATIVE

Our Don’t Walk By campaign speaks to the health and safety rules in place at Grainger that team members are trained on and follow. We continue to incorporate best practices to ensure team members know how to speak up if they see a concern.



## SAFETY TRAINING PROGRAMS AND ENGAGEMENT

Grainger requires that team members are regularly certified on topics relevant to their role and responsibilities, such as hazard communication, hazardous materials safety and shipping, hazardous materials compliance policy, refrigerant compliance, back and knife safety and powered industrial-equipment operation.

We created a behavior-based safety program to build a self-sustaining culture of safety using safety observations performed by supervisors that enable in-the-moment coaching and positive feedback. Program implementation began in 2011 with our U.S. DC network, and by 2017, it was expanded to include the U.S. branch network, as well. It was further expanded to include Canada and Mexico in 2022. The number of safety observations conducted in the U.S. and Canada totaled nearly 44,000 during 2022.

As part of the 2022 annual training plan, we improved the tracking and classification of injuries and events, developed new protocol definitions, enabled better feedback through an Injury Review Forum and provided further opportunities for communication through devices and our online platform, all of which led to increased accountability. The Grainger team launched a campaign on safe manual handling of loads, which included behavior-based safety (BBS) audits, safety

talks from team members’ direct leaders, reinforced accident investigation and safety walkthroughs. Finally, the EHS team supports all team members through an internal website that provides answers to frequently asked questions and enables contact with the EHS team.

## SAFETY PARTNERSHIPS

Grainger leverages external partnerships to support our EHS professionals, including:

- Grainger is a proud member of the Campbell Institute of the National Safety Council, the mission of which is to use research, education and advocacy to eliminate preventable deaths at work, in homes and on the road.
- Grainger Canada participates in the Certificate of Recognition (COR), an audit standard for health and safety systems, as part of our EHS commitment to our resource extraction customers in Alberta, Canada. We undertake the COR audit for full certification every three years, with maintenance audits conducted annually.
- Grainger’s Field Safety Consultants work with third-party organizations to identify hazards and apply the hierarchy of hazard control to find solutions for customers.



### GRAINGER MEXICO'S “PROTECT YOUR BACK” CAMPAIGN

Back and muscle pain due to improper manual handling of loads represents a leading cause of team member injury. To address this challenge, the following activities are being implemented in Mexico:

1

“Protect your back” ergonomic trainings and campaign for all operative team members in accordance with local standard NOM-036-1-STPS-2018, which is also emphasized during new hire orientation

2

Ergonomic job instructions and visual aids on-site

3

Ergonomic tables implementation where required, as identified through kaizen and risk-analysis methodologies



### GRAINGER MEXICO SAFETY APPROACH

In Mexico, Grainger raises awareness about health and safety by encouraging team members to follow the four safety pillars:

1. Return home as I arrived at work
2. Be responsible for my own safety
3. Be responsible for others' safety
4. I have the power to “stop the line”

In part due to our focus on these safety pillars, the total recordable incident rate for Grainger’s Mexico facilities has remained below our internally established goal of a 2.9 TRIR during the past few years. Our EHS specialists designed a detailed plan to ensure team members continue to be prepared to carry out their daily tasks in a safe workplace in the coming years.

Nurses are available on-site at our two Mexico DCs to provide immediate medical attention if necessary, offer follow-up care and preventative health campaigns, as well as connect team members with local health institutions. Additionally, we participate in regular inspections from local authorities to verify Grainger remains in compliance with applicable federal, state and local regulations.

# Diversity, Equity and Inclusion

Over our 96 years, Grainger has earned a reputation as a respected employer and a trusted partner. We create a welcoming culture where team members can share their experiences with others, have opportunities to grow and feel a sense of belonging.

## OUR COMMITMENT

At Grainger, we believe our differences make us extraordinary. Diversity, equity and inclusion (DEI) are woven into our principles, so team members feel comfortable being their best selves and sharing who they are. We believe that the collective sum of our individual differences makes our business stronger, our teams more innovative and Grainger a great place to work.

We respect and welcome all individuals — regardless of sex, gender identity and expression, sexual orientation, nation of origin, race, color, age, disability, veteran status, and religion.

Our commitment to DEI starts at the top. Through our ESG governance structure, our Board Affairs and Nominating Committee (BANC) receives regular updates on DEI initiatives. The ESG Leadership Council reviews diversity representation data regularly to establish functional focus areas with the mission of equity and advancing gender and racial and ethnic diversity at all levels of the business. Senior leaders have embedded DEI priorities into their business goals and are accountable for advancing diverse leadership representation.



**Each day, Grainger delivers an exceptional experience for our customers, and we work just as hard to ensure our team members have a welcoming workplace where everyone can be who they are and have a thriving career. We know our investments in everything from comprehensive benefits to inclusive behavior education makes Grainger a great place to work.**

— KATHLEEN CARROLL, SENIOR VICE PRESIDENT AND CHIEF HUMAN RESOURCES OFFICER



## DIVERSITY DATA AND REPORTING

### DATA TRANSPARENCY

In 2022, our DEI data transparency journey focused on streamlining access to our data through dashboards. These tools enable senior leaders to more easily utilize demographic data as they engage in functional talent planning and DEI goal setting.

In addition to enhancing our data access and reporting capabilities, we prioritized strengthening the underlying dataset by deploying customized and targeted self-identification campaigns for team members inviting self-identification on multiple dimensions of diversity. We also recently expanded our self-identification categories to include gender and LGBTQ+ identity and invited team members to identify on these dimensions.

As part of the company's continued commitment to transparency, our consolidated U.S. Federal Employment Information Report (EEO-1) is available on [GraingerESG.com](https://www.grainger.com/ESG). It reflects the company's U.S. workforce as of December 31 of the most recent year's data available.

### TOTAL GRAINGER TEAM MEMBERS

>26,000  
Total Team Members

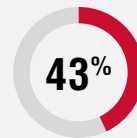
~23,000 Full-Time  
~3,000 Part-Time

### GENDER (U.S. AND CANADA) — ALL TEAM MEMBERS

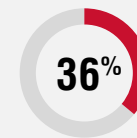
	2020	2021	2022
% Women	38%	39%	40%
% Men	62%	61%	60%

### RACIALLY AND ETHNICALLY DIVERSE — (U.S.) — ALL TEAM MEMBERS<sup>18</sup>

	2020	2021	2022
% White	62%	61%	59%
% Racially and Ethnically Diverse	34%	35%	37%
% Non-disclosed	4%	4%	4%



43%  
women in executive leadership  
(CEO's U.S. leadership team)



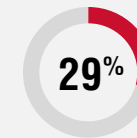
36%  
women directors serving on our board<sup>17</sup>

### GENDER (U.S. AND CANADA) — PEOPLE LEADERS

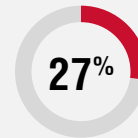
	2020	2021	2022
% Women	34%	34%	35%
% Men	66%	66%	65%

### RACIALLY AND ETHNICALLY DIVERSE — (U.S.) — PEOPLE LEADERS<sup>18</sup>

	2020	2021	2022
% White	76%	73%	73%
% Racially and Ethnically Diverse	22%	24%	24%
% Non-disclosed	2%	3%	3%



29%  
racially and ethnically diverse executive leadership  
(CEO's U.S. leadership team)



27%  
racially and ethnically diverse directors serving on our board<sup>17</sup>

17. This information is as disclosed in the 2023 Proxy Statement. All other data included on page as of December 31 of specified year.

18. Diversity data reflected in charts includes % non-disclosed as part of reporting. Previously, reported figures did not include non-disclosing team members as part of the denominator.

## ADVANCING DIVERSITY AND EQUITY

Grainger Chairman and CEO D.G. Macpherson was one of the first signatories of the Chicago Network Equity Principles, a campaign focused on committing to working toward achieving gender equity in leadership roles throughout the company by 2030. We have made progress in increasing women representation year-to-year across all levels within our organization. Our focus has expanded to encompass racial and ethnic equity and advancement as well, as evidenced in our diverse leadership representation metric for executive compensation, which includes gender and racial diversity in leadership positions. As an enterprise, we have evolved and advanced in how we interpret progress on DEI and are focused on influencing the drivers of representation that impact equity, such as helping to ensure equal opportunity to be hired and promoted and creating an environment that retains women and racially and ethnically diverse team members.

### GENDER DIVERSITY

Grainger demonstrates strength across drivers of gender diversity and has been successful in building the pipeline of women through both strong external hiring practices and promotion rates, especially into leadership positions. Furthermore, our data shows no statistically significant differences in retention rates based on gender.

### RACIAL AND ETHNIC DIVERSITY

Strong recruiting and external hiring are outpacing turnover, resulting in increased representation in racial and ethnic diversity since 2020. This increase holds true at both the individual contributor and people leaders levels.

Grainger remains focused on finding opportunities to expand our pipeline for women and people of color, and we continue to invest in the development of our talent through strategic partnerships with organizations committed to growth and professional development.

### PAY EQUITY

Grainger is refreshing the job classifications and groupings that underpin our U.S. pay equity analysis. With the support of a third party and with updates to our job architecture, we are continuing to strengthen the analytical model as part of our ongoing pay equity analysis of U.S. team member compensation. In addition to this voluntary, U.S.-based pay equity analysis, Grainger also complies with relevant country- and state-level mandatory analyses and disclosures. We remain committed to providing fair and equitable pay as we continue to evolve and enhance our analysis.



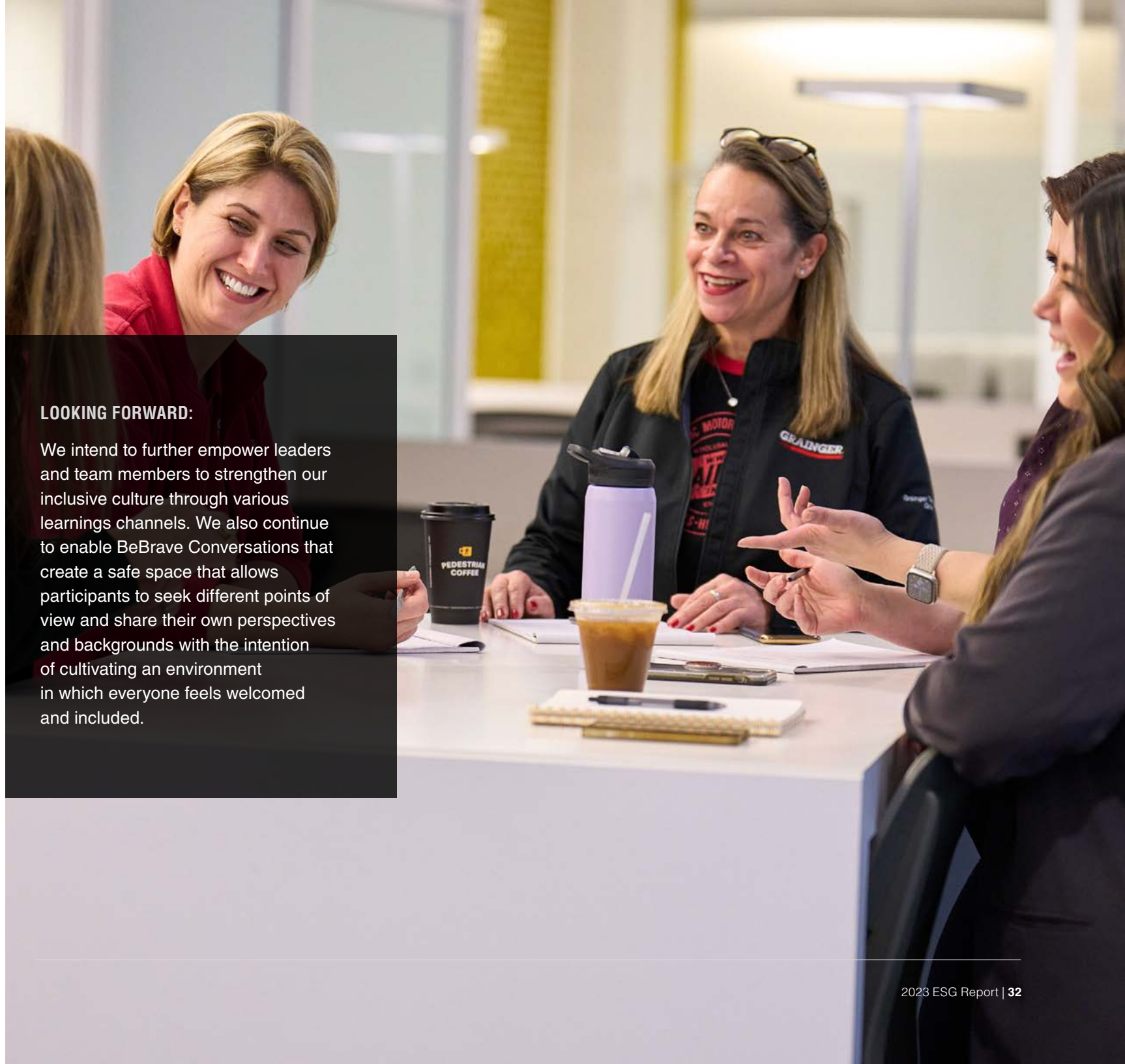
## DIVERSITY, EQUITY AND INCLUSION LEARNING PROGRAMS

### MANAGING UNCONSCIOUS BIAS

In 2022, Grainger leaders and team members participated in a DEI learning course called “Managing Unconscious Bias”. This course was modeled after the program our senior leaders took in 2021 and was designed to help learners:

- Learn more about what unconscious bias is and why most people experience it;
- Explore how workplace bias may emerge in our day-to-day work; and
- Identify specific and effective behaviors for managing it in the workplace.

By December 31, 2022, nearly 98% of team members overall completed the course<sup>19</sup>. Based on pre- and post-training survey results, Grainger team members taking the course reported an increase in understanding and awareness of unconscious bias, and confidence in mitigating bias. Following the course, leaders were asked to hold team discussion to reinforce the learnings.



### LOOKING FORWARD:

We intend to further empower leaders and team members to strengthen our inclusive culture through various learnings channels. We also continue to enable BeBrave Conversations that create a safe space that allows participants to seek different points of view and share their own perspectives and backgrounds with the intention of cultivating an environment in which everyone feels welcomed and included.

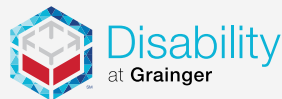
<sup>19</sup>. Total company, excluding MonotaRO

## BUSINESS RESOURCE GROUPS

Grainger Business Resource Groups (BRGs) play a significant role in shaping our culture. The results of a recent BRG satisfaction survey indicate that nearly 85% of BRG members would highly recommend their BRG to others.

Our BRGs, which are sponsored by senior leader executives, are considered an extension of our diversity, equity and inclusion team. They serve and empower team members from underrepresented or marginalized groups and are supported by their allies.

### GRAINGER'S EIGHT BRGs ARE:



In 2022, the DEI team and BRG leadership solicited feedback from team members and evaluated the purpose and missions of our BRGs. This work resulted in a refreshed BRG strategy centered around the following pillars:



### BUILD CONNECTION

Our BRGs build connection and a sense of belonging among team members through shared identities and lived experiences.



### EDUCATE OUR TEAM

Our BRGs celebrate diversity and equip our team to embrace curiosity through education and advocacy.



### DEVELOP OUR TEAM

Our BRGs help retain and advance our talent through networking, mentorship and development opportunities.



### STRENGTHEN OUR COMMUNITIES

Our BRGs make an impact beyond the walls of Grainger through volunteerism, charitable giving and strategic alliance relationships.

We continue to invest in our BRG leaders. BRG leaders and the DEI team meet monthly for collaboration and partnership. BRG leaders receive diversity workforce metrics and engagement survey results to support their goals and annual planning. We employ a robust succession planning process to ensure that we have top talent leaders driving the work of our BRGs. Finally, we are proud to have created new visual identities for each BRG. The new identities start with the Grainger box at the core, while the borders utilize unique colors and patterns selected by each BRG to best reflect and communicate their community and culture.



# Talent Recruitment

Grainger places a strong emphasis on finding and attracting the best candidates. We continue to enhance the inclusivity of the candidate experience for all individuals pursuing a career at Grainger.

## JOB POSTINGS

Recent changes to our application process include accommodations for applicants with disabilities and a preferred first name field for applicants whose chosen name differs from their legal name. We also implemented a technology tool to remove non-inclusive language from our job postings. Since implementing the tool, we have experienced an 18% increase in the number of applicants identifying as women and a 22% increase in applicants identifying as racially or ethnically diverse for our U.S. operations.

## SELECTION PROCESS

The Grainger talent team has adjusted the selection process to achieve greater diversity among considered candidates, when possible. Recruiters present diverse candidate slates to hiring leaders to provide a broad pool of talent to choose from. Recruiters also ensure that hiring panels are diverse, that the standard interview guide is consistently utilized and that all interviewers join live debrief discussions to have healthy dialogue about applicants interviewed.

## CANDIDATES

We continue to invest in and build relationships with organizations that enable us to expand our diverse talent pool.

- Grainger engages with Ascend, DisabilityIN, Out & Equal, National Sales Network, National Black MBA Association, HACE, The Mom Project, Recruit Military and Hire Heroes USA
- We have also engaged with Historically Black Colleges and Universities and Hispanic-Serving Institutions across the U.S. to foster relationships and attract talent for our early-career internships and rotational positions
- Through these and other partnerships, we participate in national events, support local chapters, serve on committees and help student associations

# Team Member Learning

In today's ever-changing and competitive market, the importance of developing talent is more crucial than ever. To meet the unique needs of our global population, we offer a broad range of role-specific, professional development and career and leadership learning designed to build and enhance skills.

At Grainger, we segment our learning into three enterprise portfolios that allow us to target learning by audience and need.

## PROFESSIONAL DEVELOPMENT PORTFOLIO

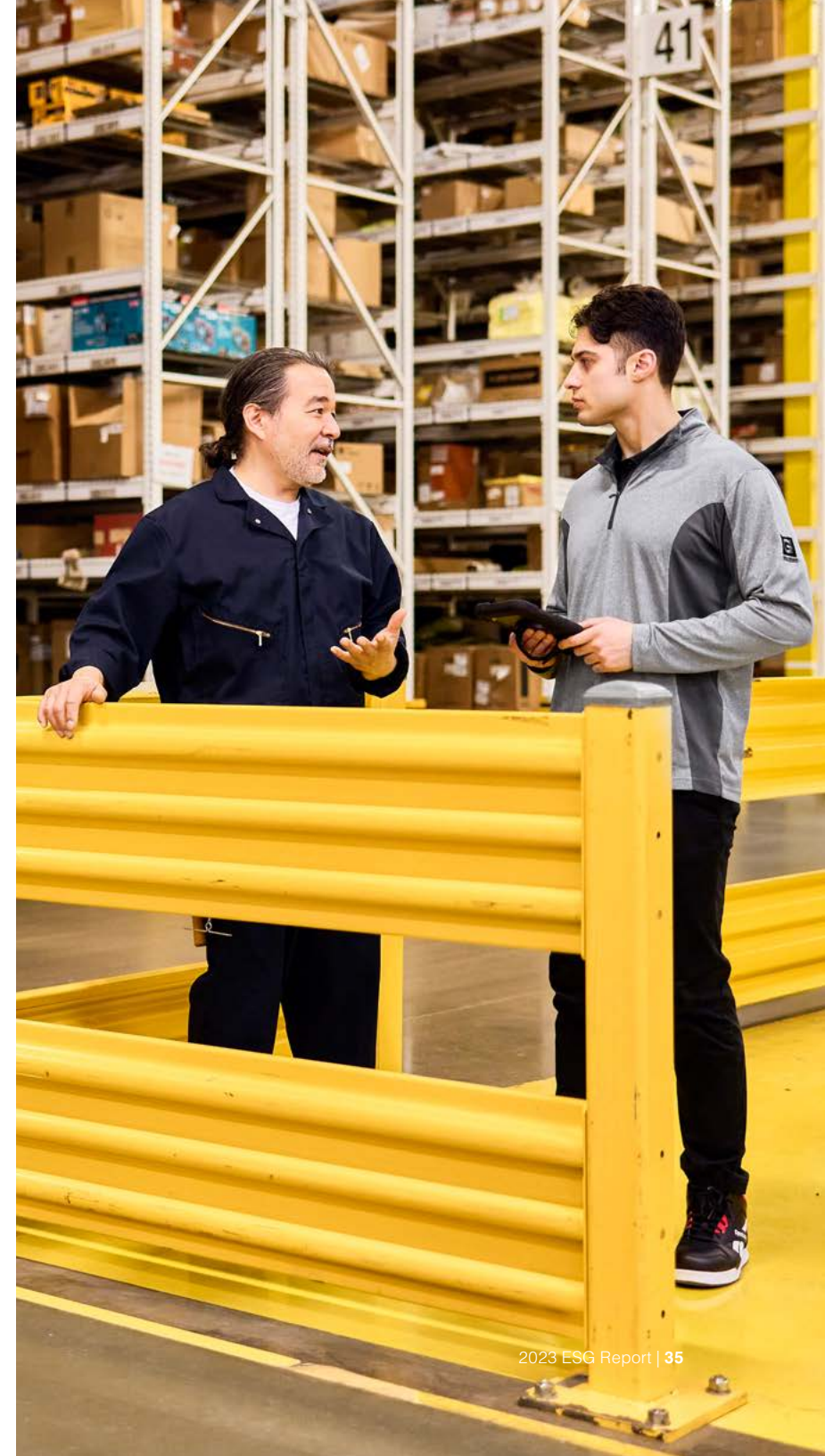
This portfolio consists of learning solutions for all team members and leaders.

- **Virtual New Hire Orientation:** This program is a multi-module learning journey that takes place during a new team member's first week. New team members make connections with orientation colleagues, learn to navigate internal systems, build awareness of Grainger's business and learn about Grainger's culture and how to support it.
- **Elevate Badging Program:** This program provides a structured and self-paced learning path for team members who want to grow their careers at Grainger.
- **Educational Assistance:** Grainger is proud to support U.S. full- and part-time team members looking to further their education by offering to provide team members up to \$5,250 per year toward a qualifying degree of their choice. For any programs that are above \$5,250, Grainger splits the cost with the team member 50/50.

## CAREER DEVELOPMENT PORTFOLIO

This portfolio focuses on Development Planning and career-based programs.

- **Development Planning:** This three-step process supports team members and leaders in planning professional development. Grainger offers tools, resources and online courses to support the planning process.
- **Summer Intern Program:** In 2022, Grainger organized a 10-week hybrid intern program that offered interns an opportunity to work on a key, function-aligned project, engage in executive learning sessions, take part in professional development opportunities and attend various networking events.
- **Early-in-Career Programs:** Grainger offers functional development programs spanning a variety of business areas such as technology, finance and supply chain to support entry-level professionals in their career journeys. The programs provide hands-on learning, mentorship and networking opportunities, as well as a peer cohort community to accelerate development.



## LEADERSHIP DEVELOPMENT PORTFOLIO

The leadership development portfolio focuses on building and reinforcing people leadership skills for high-potential team members, frontline leaders and experienced leaders.



### ASPIRING LEADER PROGRAM

This program is designed to prepare high-potential individual contributors for future leadership roles. In 2022, 22% of those individuals were promoted to a leader or supervisor role.



### LEADERSHIP ESSENTIALS

Leadership Essentials is an eight-week leader onboarding program focusing on creating a great team-member experience by giving new leaders the knowledge and tools to coach, develop, provide feedback and create an inclusive environment that allows team members to thrive.



### END-TO-END PROGRAM

Our End-to-End program provides select director-level team members and above with a comprehensive view of our business, increases business acumen and drives deeper understanding of functional interdependencies to expand leaders' perspective. This seven-month investment includes a combination of in-person and peer learning, coupled with immersion activities in a variety of Grainger functions.

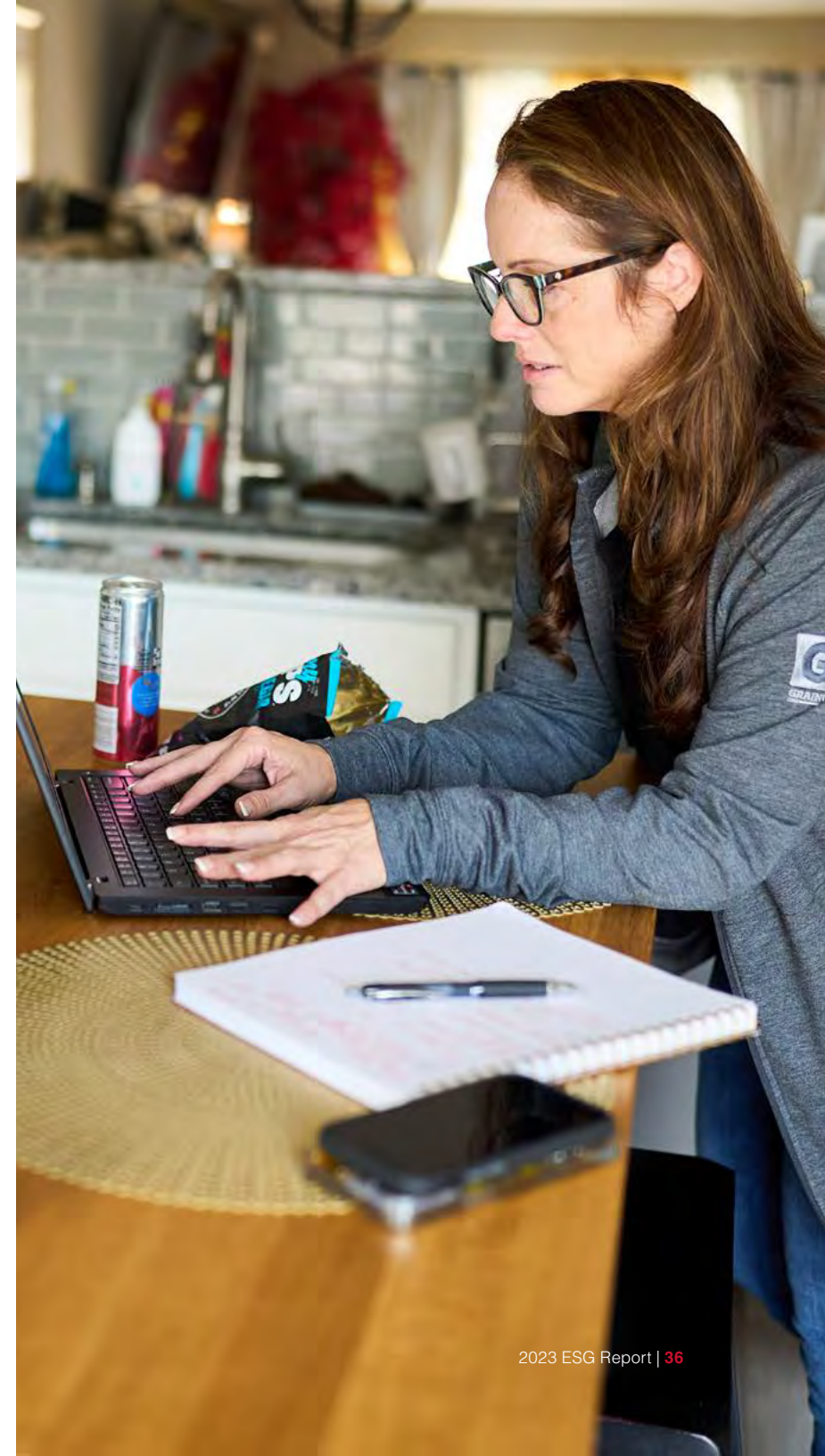
### GRAINGER TEAM MEMBERS COMPLETED:

~360,000

total training hours

>12

total training hours per team member



## TEAM MEMBER ENGAGEMENT

We use a continuous listening approach to understand and take action on employee feedback and sentiment. Our listening strategy includes the following initiatives:

- Conducting an annual engagement survey for all Grainger team members<sup>20</sup>, followed by a check-in survey six months later.
- Candidate and exit surveys to capture valuable feedback at the beginning and end of their employment experience with Grainger.
- Facilitating regular roundtable discussions and team member calls involving our executive team.

We hold our leaders accountable for discussing engagement results with their teams and crafting action plans based on the findings to foster ongoing enhancements in the team member experience. Our engagement scores consistently surpass industry benchmarks and have seen consistent improvement, underscoring our dedication to creating a fulfilling and rewarding workplace for our team members.

20. Total company excluding MonotaRO



## TALENT MANAGEMENT

We continue to focus on helping team members grow their careers and be successful at Grainger. We support team members' growth through differentiated learning and development options, including gaining experience through cross-functional movement. We know that leaders who demonstrate our principles and gain key experiences across different areas of the business can drive results, build high-performing teams and understand the business end-to-end. Through enterprise talent committees made up of senior leaders, we get to know our highest potential emerging talent and identify ways to accelerate their development. Through these committees, we continue to see the growth of our future leaders.

## PERFORMANCE AND DEVELOPMENT

In addition to ongoing informal conversations, there are three formal performance and development conversations team members and leaders have at the start of each year, in the middle of the year and at year-end. Open, honest dialogue about performance, development and career growth supports our principles, keeps lines of communication open, builds trust and helps fulfill our purpose.

Team members and leaders are equipped with several resources to enable effective discussion on setting clear goals, delivering impactful feedback and supporting individual career development. To further enhance the conversations, a guide was developed to provide leaders with additional and consistent language to assess team member performance and have focused input for goal and development planning.

## TOTAL REWARDS

Grainger delivers a comprehensive **Total Rewards** program that offers flexibility, choice and the opportunity for team members to actively participate in benefits that are most important to them and their families<sup>21</sup>.

- Team members have access to health plan resources, including disease management, tobacco cessation, parental support, stress management and weight loss programs with online support communities, 24-hour virtual health services and many other features to receive timely health-related advice.
- We launched a pilot maternity support program to allow 24/7 support from a care advocate through pregnancy and the newborn phase.
- In 2022, we announced the expansion of participation in the company's annual incentive plan program and a one-time special financial recognition bonus to acknowledge the contributions of our team members and in recognition of the work they do every day to support our customers and keep the world working.
- All team members receive a 6% company 401(k) contribution regardless of whether they contribute personally. In 2022, we expanded the funds in the 401(k) program to provide sufficient options to cover the most important and prevalent asset classes.

Each team member receives paid holidays and time off, educational assistance and income protection benefits, as well as a variety of other benefits. We regularly seek team member feedback and conduct external compensation and benefits-related benchmarking to remain competitive in each of the markets where we operate.

21. Benefits discussed in this report are U.S.-focused.



# Community Investment

Grainger is committed to creating a positive impact in our communities. In 2022, Grainger contributed nearly \$47 million in cash and product donations to nonprofit organizations.

Grainger is committed to positively impacting the communities where our team members and customers live and work by collaborating with community partners that build resiliency and strengthen our local communities through a combination of grants, in-kind donations, team-member volunteerism, nonprofit board placements and our 3:1 Grainger Matching Charitable Gifts Program.

## OUR APPROACH

In 2022, we began implementation of our new strategy, supporting partners and programs aligned to our new community pillars.

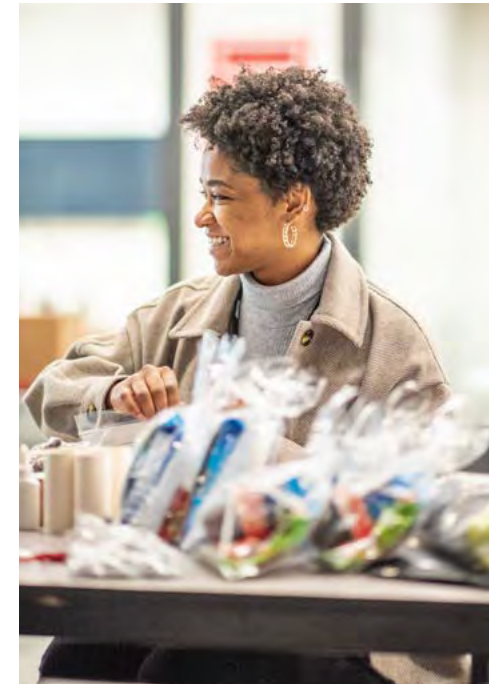
### COMMUNITY STRATEGY



Support Disaster Resilience and Relief



Advance the Emerging Workforce



Empower Our Communities





## VOLUNTEERISM

Our team members are passionate in their support of local communities. In 2022, U.S. team members volunteered more than 12,000 hours.

Volunteerism helps support communities and drives team member engagement by providing unique opportunities for professional development and team building while positively impacting our communities. Grainger provided many opportunities for team members to volunteer, including but not limited to, events through our Red Cross relationship, events during National Volunteer Month and events offered by our Business Resource Groups.

## 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. In 2022, Grainger granted more than \$2 million in matching gift contributions to more than 1,000 nonprofit organizations. The company matches up to \$2,500 of team-member-eligible contributions to qualifying organizations annually. The match program has been offered to U.S. team members since 1981.

## COMMUNITY IMPACT THROUGH BUSINESS RESOURCE GROUPS

### COMMUNITY FUND

Since the community fund's inception in 2014, each of Grainger's eight BRGs receives \$10,000 annually to donate to nonprofit organizations of their choosing, enabling BRGs to take action to strengthen our community. In 2022, BRGs contributed to organizations such as Apex for Youth, Gigi's Playhouse, Girls on the Run, Hispanic Business Foundation, KLEO, MyGoodDeed, San Antonio PRIDE Center, The Nature Conservancy, Wreaths Across America, YWCA Metropolitan Chicago and Zacharias Sexual Abuse Center.

### COMMUNITY CHALLENGE

To celebrate National Volunteer Month, Diversity Month and the company's 95th anniversary, each BRG was challenged to contribute at least 95 hours of community service during the month of April in order to receive an additional \$1,000 grant to donate to a nonprofit organization of their choice. As part of the challenge, our teams volunteered with nonprofits focused on topics such as education, environment and LGBTQ+ awareness.

## EXECUTIVE BOARD PLACEMENT PROGRAM

Through Grainger's Executive Board Placement (EBP) program, high-potential executives develop leadership skills and build strong, strategic partnerships with local nonprofit organizations through board service. Many senior leaders, including the majority of Grainger's executive leadership team, participate in this program to support non-profit organizations that align with the company's community impact pillars, gain leadership development experience and advocate for Grainger's community engagement initiatives. Notable examples of nonprofits that have benefited from the program include FIRST Robotics®, International Women's Forum (IWF), North Chicago Community Partners and YWCA Metropolitan Chicago.

## SPECIAL GRANTS

As we continue to identify key partners aligned with our community pillars, special grants were awarded to charitable organizations, including Club Invention®, which hosts STEM camps for underserved children; MakerGirl, which introduces young girls to 3D printing technology; and iMentor, which matches mentors to underserved high school students in Chicago.



# Governance

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



# Ethics and Compliance

Our commitment to doing the right thing is ingrained in our company history, our culture of compliance and our Grainger Principles. Our stakeholders trust Grainger to operate with the greatest level of integrity, and in turn we hold ourselves accountable to full compliance with local, national and international laws and regulations. We maintain our culture of compliance and ethical standards through a robust framework of policies, training and reporting.

## POLICIES AND TRAININGS

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 December 2022, the Board adopted our updated Business Conduct Guidelines, incorporating new and enhanced topics including responsible sourcing; diversity, equity and inclusion; intellectual property; and social media.

Each new Grainger team member is required to complete training and certification. In 2022, 100% of Grainger team members completed Business Conduct Guidelines training and certification<sup>22</sup>. In addition, all 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 regularly to fully understand the expectation of legal and ethical behaviors defined by the Business Conduct Guidelines.

22. Excludes part-time MonotaRO team members.

Additional ethics and compliance training is provided to team members globally, based on their role in the organization, through our online learning management system. Examples of this training include Anti-Bribery and Corruption, Data Privacy and Security, Government Code of Ethics, Trade Compliance and Workplace Behavior.

## ANTI-BRIBERY AND CORRUPTION

Grainger places the highest value on integrity in our business dealings and the ethical conduct of our directors, officers, team members, agents, shareholders, customers and suppliers. As set forth in our Business Conduct Guidelines, Grainger is committed to business practices that are consistent with the highest ethical and legal standards. Grainger expects the same ethical and legal commitment from third parties (business partners, brokers, consultants and agents) acting on our behalf and others with whom we conduct business.

## REPORTING/GRIEVANCE MECHANISMS

We encourage reporting ethical concerns or complaints regarding company or individual practices. Individuals may raise concerns via various channels, including our confidential and anonymous hotline, the Grainger iCareLine, management, Human Resources, Legal, Compliance or the Board of Directors. The **Grainger iCareLine** is an independent, secure, around-the-clock hotline able to take calls in every language where Grainger operates. Concerns raised through our various channels are treated confidentially, thoroughly investigated and reported to leadership and the Audit Committee of the Board of Directors by the Chief Ethics and Compliance Officer on a quarterly basis. Grainger does not tolerate retaliation against any team member for making an inquiry, initiating a complaint or participating in an investigation.

# Privacy

Grainger recognizes the importance of protecting the personally identifiable information (PII) of our team members, customers and suppliers. This information is collected during normal business activities to help us fulfill orders, provide benefits and better serve our stakeholders. 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. Annual privacy training is mandatory for all team members, and team members responsible for processing sensitive personal information receive supplemental role-based training.

Notice regarding our practices is published via our **Privacy Policy**. To address global and local privacy laws in specific jurisdictions, such as the California Consumer Privacy Act (CCPA), General Data Protection Regulation (GDPR) and Personal Information Protection and Electronic Documents Act (PIPEDA), solutions have been implemented to facilitate individual privacy requests and to provide further transparency about how Grainger may collect, use, share or store PII. Our ethical expectation and legal commitment from third parties (business partners, consultants and agents) acting on Grainger's behalf extends to Privacy and Information Security. Third-party physical, technical and administrative controls are assessed as part of due diligence and required agreements detailing these expectations are executed.

# Information Security

The Grainger Information Security team's mission is to facilitate the protection of Grainger information and technology assets worldwide. We achieve this by establishing guidelines to help ensure the confidentiality, integrity and availability of assets across the global organization. We manage risk through the application of appropriate technologies, people and processes to identify, detect, protect, respond and recover in alignment with the organizational risk posture and National Institute of Standards and Technology (NIST) Cybersecurity Framework.

Ensuring information security risk appetites are understood and appropriately managed enables our organization's future growth and positions us to balance protecting and running the business. Understanding of the information security operating environment allows leadership to make informed decisions, mitigate disruption to the business, help prevent data breaches, limit damage to the Grainger brand, understand the financial impacts and ensure alignment to applicable requirements. To this end, the Information Security organization provides quarterly updates to the Board on relevant security metrics and program maturity. In turn, the Board provides valuable guidance and oversight. Information Security also provides awareness training for all team members, focused training for developers and deploys phishing campaigns that tests team members' ability to recognize and respond to threats.



**At Grainger, we put integrity, safety and sustainability at the heart of everything we do for all our stakeholders. Doing the right thing starts at the top, with our board and executives leading by example and ensuring that all team members adhere to our Business Conduct Guidelines.**

— NANCY BERARDINELLI-KRANTZ,  
SENIOR VICE PRESIDENT AND CHIEF LEGAL OFFICER



# Business Continuity

Grainger works to develop, implement and enhance business continuity processes in alignment with the ISO/IEC 22301 framework for Business Continuity. This standard provides the strategic direction for our business continuity program and guides the establishment of activities that align with the framework.

Processes and procedures, including Emergency Response, Pandemic Planning, IT Disaster and Ransomware Recovery and Business Process Contingency Plans, are necessary components of a successful business continuity program. Planning development, tabletop exercises, identifying gaps and prioritizing remediation efforts are all critical activities of a program designed for uninterrupted business operations.

For situations closer to home, localized response procedures are designed to allow customers in need to obtain emergency response items at any time. Local Grainger branches may remain open 24 hours a day during major emergencies and disasters. Trailers can bring in critical products and extra personnel can be on site to support relief efforts. In addition, preexisting supplier agreements allow products and equipment to be quickly replenished to help keep Grainger's customers working.

## PRODUCT AND SUPPLIER 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 the following key areas of ethical sourcing: human rights and labor standards; health and safety; environment; sanctions; bribery and corruption; conflicts of interest; privacy and data protection; and reporting concerns. 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. We recently updated our Supplier Code of Ethics to include the International Labour Organization's forced labor standards.

### SUPPLIER ENGAGEMENT

Grainger's Supplier Engagement strategy seeks to understand the material opportunities of suppliers who are most impactful to our business. In 2022, we continued proactively communicating with these key suppliers through quarterly calls and business reviews, ad hoc meetings to address operational challenges and other active feedback channels. The objectives for our Supplier Engagement strategy are:

1. Proactively engage the suppliers who are the most impactful to our business
2. Understand what is the most important and try to stay ahead of potential issues
3. Maintain fluid lines of communication

### 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 shipped to our network, as well as on 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 to consult in performance improvement areas, helping our suppliers focus on the most meaningful areas for corrective action.

All active product suppliers that Grainger purchases from are provided a detailed scorecard each month measuring specific metrics such as stock fill rate, drop-ship availability and shipping compliance, allowing Grainger to provide exceptional customer service.

Each metric and performance to goal is calculated and points are provided based on actual performance. These points are summarized into an overall score for each supplier. In monthly performance discussions, Grainger provides feedback and possible corrective action steps to resolve issues on metrics below goal. Suppliers also utilize this time to share headwinds that are impacting their ability to achieve goals. The supplier teams share this information throughout the organization for visibility.

## 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. Each year, we work to provide special recognition and awards to our top performing suppliers through the Partner in Performance Program.

For 2022, Grainger recognized 20 suppliers through Partners in Performance, with awards being announced by Supplier Managers and Directors with direct supplier relationships. This annual event enhances supplier engagement through educating and informing the top-performing supplier community about Grainger's key initiatives and strategy. Our 2022 Supplier of the Year is Milwaukee Tool, a global leader in professional construction trade solutions. Milwaukee Tool earned high marks in their operational excellence, Grainger-dedicated sales force and focus on partnering with Grainger to make sure we had product when and where we needed for our customers.

Our 2022 Partners in Performance Sustainability Award recipient was Newell Brand Distribution LLC — Rubbermaid®, a leader in home and food storage. This award is determined by a supplier's performance in sustainability solutions, their role in enabling customers to achieve sustainability goals and responsible business stewardship. Rubbermaid has embedded sustainability into its strategy and operations by focusing on reducing waste, improving compliance, offering green product solutions and partnering with Grainger on initiatives, such as customer waste audits.

## 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.

In 2022, Grainger engaged a third-party consulting firm to conduct an independent assessment of our human rights and anti-forced labor program against current U.S. and international standards. Based on that review, Grainger is enhancing our program's policy, training and processes related to the validation of our suppliers' adherence to Grainger's Supplier Conduct Guidelines and Human Rights 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 or the surrounding region.





## PRODUCT SAFETY, QUALITY AND GOVERNANCE

Although Grainger does not manufacture the products it distributes to customers, we take product safety seriously. Our company has established a Product Safety Committee made up of senior leadership from the Product Compliance, Legal and Supplier Management teams. This committee convenes regularly to provide ongoing governance and oversight of product safety, quality and compliance.

## PRIVATE LABEL

To ensure high-quality private label products, our engineering team conducts product evaluation and testing as well as directly engaging with suppliers. This engagement includes conducting investigations and factory audits, as well as continually working to ensure our suppliers have the appropriate equipment and processes in place to deliver consistent quality products. If quality issues arise, the engineering team typically conducts an investigation, performs appropriate product testing and summarizes its findings. Those findings may lead to corrective action, including, but not limited to, supplier improvement in tools and/or processes, applying a stop sale, sending product back to supplier for rework and recalling product.

One way we measure private label brand quality is through the return rate performance, calculated as a percent of total

return dollars over cost of goods sold (COGS). Total return rate performance for Grainger High-Touch Solutions U.S. shifted slightly from 2.6%<sup>23</sup> in 2021 to 2.7% in 2022, driven primarily by product mix shift.

We also evaluate Grainger private label products to confirm they meet our responsible sourcing guidelines. Suppliers who provide Grainger private label products through Grainger Global Sourcing (GGS) complete an annual social responsibility survey, which indicates the suppliers' compliance with social responsibility topics.

## NATIONAL BRANDS

At Grainger, we offer a wide selection of national brand products sourced from our trusted supplier partners, who are experts in their respective industries. To ensure we are partnering with suppliers that represent socially responsible procurement practices, all vendors are required to acknowledge the supplier handbook. In the event of a safety or recall issue, the Product Safety team convenes and partners with the supplier to determine the best course of action. If required, the team promptly implements a stop sale into the Grainger system, preventing Grainger from shipping these products to customers. Grainger works with the supplier to determine how to resolve the issue. Once the situation is resolved to the satisfaction of the supplier and Grainger, the stop sale is lifted.

23. Only includes private label. Previously reported figure of 3.8% in 2021 represented the total return rate.

# Appendix



# Forward-Looking Statement

All statements in this 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 Grainger’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: inflation, higher product costs or other expenses, including operational and administrative expenses; the impact of macroeconomic pressures and geopolitical trends, changes and events, including the impact of Russia’s invasion of Ukraine on the global economy, tensions across the Taiwan Straits and in overall relations with China, and the ramifications of these and other events; a major loss of customers; loss or disruption of sources of supply; changes in customer or product mix; increased competitive pricing pressures; changes in third party practices regarding digital advertising; failure to enter into or sustain contractual arrangements on a satisfactory basis with group purchasing organizations; failure to develop, manage or implement new technology initiatives or business strategies, including with respect to the company’s eCommerce platforms; failure to adequately protect intellectual property or successfully defend against infringement claims; fluctuations or declines in the company’s gross profit margin; the company’s responses to market pressures; the outcome of pending and future litigation or governmental or regulatory proceedings, including with respect to wage and hour, anti-bribery and corruption, environmental, regulations related to advertising, marketing and the Internet, consumer protection, pricing (including disaster or emergency declaration pricing statutes), product liability, compliance or safety, trade and export compliance, general commercial disputes, or privacy and cybersecurity matters; investigations, inquiries, audits and changes in laws and regulations; failure to comply with laws, regulations and standards, including new or stricter environmental laws or regulations; government contract matters; disruption or breaches of information technology or data security systems involving the company or third parties on which the company depends; general industry, economic, market

or political conditions; general global economic conditions including tariffs and trade issues and policies; currency exchange rate fluctuations; market volatility, including price and trading volume volatility or price declines of the company’s common stock; commodity price volatility; facilities disruptions or shutdowns; higher fuel costs or disruptions in transportation services; outbreaks of pandemic disease or viral contagions such as the COVID-19 pandemic; natural or human induced disasters, extreme weather and other catastrophes or conditions; effects of climate change; failure to execute on the Company’s efforts and programs related to environmental, social and governance matters; competition for, or failure to attract, retain, train, motivate and develop executives and 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 or failure to comply with restrictions and obligations under its debt agreements and instruments; and other factors that can be found in the company’s filings with the Securities and Exchange Commission (“SEC”), including the company’s most recent periodic reports filed on Form 10-K and Form 10-Q, which are available under “Financials” in the Investor Relations section of the company’s website at <http://invest.grainger.com>.

The preceding list is not intended to be an exhaustive list of all of the factors that could impact the Company’s forward-looking statements. Caution should be taken not to place undue reliance on the company’s forward-looking statements. Historical, current, and forward-looking sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. The information included in, and any issues identified as material for purposes of, this document shall not be considered material for SEC reporting purposes. As such, in the context of this report, the term “material” is distinct from, and should not be confused with, such term as defined for SEC reporting purposes. Website references and hyperlinks throughout this report are provided for convenience only, and the content on the referenced websites is not incorporated by reference into this report, nor does it constitute a part of this report. The company 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



	2020	2021	2022
<b>CUSTOMER SUSTAINABILITY SOLUTIONS</b>			
Grainger High-Touch Solutions U.S. Environmentally Preferred Product Revenue (\$ billion)	0.7	0.9	1
Grainger High-Touch Solutions U.S. Environmentally Preferred Product Revenue (% of High-Touch Solutions North American sales)	6	7	9
Grainger High-Touch Solutions U.S. Spend on Products from Small Businesses, including Woman-, Minority-, Veteran-, LGBTQ+- and Disabled Person-owned Businesses, as well as Historically Underutilized Business Zone (HUBZone) and Disadvantaged Businesses (\$ billion)	2	2	2
<b>ENVIRONMENTAL</b>			
Global Energy Consumption (MWh)	354,000	348,000	327,000
Global Scope 1 & 2 Emissions (MTCO <sub>2</sub> e)	103,000	99,000	92,000
Global GHG Intensity (MTCO <sub>2</sub> e/Revenue)	9	8	6
Global Renewable Energy Produced (MWh)	6,000	7,000	8,000
Global Water Use (cubic meters)	Not Stated	524,000	504,000
Global Non-Hazardous Waste (million lbs.) <sup>1</sup>	Not Stated	25	24
Total U.S. Distribution Center Network Recycling Rate (%)	89	92	94
<b>SOCIAL</b>			
U.S. Lost Time Incident Rate	0.4	0.3	0.4
U.S. Total Recordable Incident Rate	1.2	1.2	1.3
Global Team Members	23,000	24,000	26,000
U.S. & Canada Team Members	19,000	19,000	21,000
U.S. & Canada Team Members — Women (%)	38	39	40
U.S. & Canada Leadership — Women (%)	34	34	35
U.S. Team Members — Racially and Ethnically Diverse (%) <sup>2</sup>	34	35	37
U.S. Leadership — Racially and Ethnically Diverse (%) <sup>2</sup>	22	24	24
CEO's U.S. Leadership Team — Women (%)	50	43	43
CEO's U.S. Leadership Team — Racially and Ethnically Diverse (%)	33	29	29
U.S. Total Cash and Product Contributions (\$ million)	41	96	47
U.S. Team Member Volunteer Hours	9,000	10,000	12,000
<b>GOVERNANCE</b>			
Global Team Members Trained on Business Conduct Guidelines (%)	100	100	100
Women Board Members (%)	31	33	36
Racially and Ethnically Diverse Board Members (%)	31	25	27

1. 2021 data reported in 2022 ESG report restated due to error in prior calculation.

2. 2020 and 2021 figures restated to include population that chose not to disclose in denominator. Previously reported figures excluded non-disclosing population from denominator.

# Grainger and The Sustainable Development Goals (SDGs)

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

SDG	SDG TARGET	GRAINGER ALIGNMENT
 <p><b>Quality Education</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<ul style="list-style-type: none"> <li>• <b>Target 4.1:</b> By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes</li> <li>• <b>Target 4.3:</b> By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university</li> <li>• <b>Target 4.4:</b> By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</li> </ul>	<p><b>Community Investment</b></p> <ul style="list-style-type: none"> <li>• Grainger’s community strategy pillars: “Advance the Emerging Workforce” and “Empower Our Communities”, <a href="#">pages 39-40</a></li> <li>• STEM investment in underrepresented communities through grants to charitable organizations such as North Chicago Community Partners, <a href="#">pages 40-41</a></li> </ul>
 <p><b>Gender Equality</b> Achieve gender equality and empower all women and girls</p>	<ul style="list-style-type: none"> <li>• <b>Target 5.1:</b> End all forms of discrimination against all women and girls everywhere</li> <li>• <b>Target 5.5:</b> Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</li> </ul>	<p><b>Diversity, Equity and Inclusion</b></p> <ul style="list-style-type: none"> <li>• Diversity data &amp; reporting, <a href="#">page 30</a></li> <li>• Signed the Chicago Network Equity Principles, a campaign focused on advancing women leaders in the workplace to strive to achieve 50% representation of women in leadership positions by 2030, <a href="#">page 31</a></li> <li>• Self-identification for gender identity, <a href="#">page 30</a></li> <li>• Grainger’s DEI learning programs, <a href="#">page 32</a></li> <li>• Women’s Business Resource Group, <a href="#">page 33</a></li> <li>• Corporate member of the Women’s Business Enterprise National Council, <a href="#">page 13</a></li> </ul>



## SDG



### Sustainable Cities and Communities

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

## SDG TARGET

- **Target 11.5:** By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations
- **Target 11.6:** By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and solid waste management
- **Target 11.B:** By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels

## GRAINGER ALIGNMENT

- Community Impact strategy pillar: Support Disaster Resilience and Relief, [page 39-40](#)
- American Red Cross Regional Disaster Responder, [page 40](#)
- Business Continuity, [page 46](#)
- Emergency Management Program, [page 14](#)
- Climate risk management and GHG emissions reductions (please see most recent CDP Climate Change Assessment Response)
- TRUE Zero Waste certifications, [page 22](#)
- Recycling and waste management, [page 22](#)



### Responsible Consumption and Production

Ensure sustainable consumption and production patterns

- **Target 12.5:** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
- **Target 12.6:** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

- Customer Sustainability Solutions, [pages 9-16](#)
- Grainger boxes and dunnage are certified by the Sustainable Forestry Initiative (SFI), [page 15](#)
- Recycling and waste management, [page 22](#)
- TRUE Zero Waste certifications, [page 22](#)
- Integrated reporting processes across our Annual Report, Proxy Statement and ESG Report

## SDG



### Climate Action

Take urgent action to combat climate change and its impacts

## SDG TARGET

- **Target 13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

## GRAINGER ALIGNMENT

- Climate Change Disclosure and GHG Emissions, [page 20](#)
- Emissions Reduction Strategy, [pages 21-22](#)
- CDP Climate Change Assessment & TCFD
- Customer Sustainability Solutions, [pages 9-16](#)
- Emergency Management Program, [page 14](#)



### 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

- **Target 15.1:** By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
- **Target 15.5:** Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species

- Grainger boxes and dunnage are certified by the Sustainable Forestry Initiative (SFI), [page 15](#)
- Grainger's EPP portfolio offers products made of recycled materials, as well as products that support recycling (e.g., bins), [page 10](#)
- TRUE Zero Waste certifications, [page 22](#)
- Customer Sustainability Solutions, [pages 9-16](#)
- [Supplier Code of Ethics](#)
- [Global Environmental, Health and Safety Policy](#)

# GRI Index

Grainger has reported the information cited in this GRI content index for the period January 1, 2022 to December 31, 2022, unless otherwise specified. Grainger applies the GRI standards in the below GRI content index as a means of indicating where particular topics and disclosures can be found.

## GRI 1 used — GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	W.W. Grainger, Inc. <a href="#">2022 Annual Report</a> , pages 1, 5-10
	2-2 Entities included in the organization’s sustainability reporting	2023 ESG Report, <a href="#">About This Report</a>
	2-3 Reporting period, frequency and contact point	Reporting period: Fiscal year 2022 (January 1, 2022 to December 31, 2022), unless otherwise noted. Reporting frequency: Annual Contact: <a href="mailto:GraingerESG@Grainger.com">GraingerESG@Grainger.com</a>
	2-4 Restatements of information	Details of restatements can be found in footnotes of respective sections. 2023 ESG Report, pages <a href="#">21</a> , <a href="#">48</a> , <a href="#">51</a>
	2-5 External assurance	2023 ESG Report, <a href="#">Assurance</a>
	2-6 Activities, value chain and other business relationships	<a href="#">2022 Annual Report</a> , pages “About Us”, iv, 5-10,
	2-7 Employees	<a href="#">2022 Annual Report</a> , pages 8-10   ESG report, pages <a href="#">30</a> , <a href="#">51</a> , <a href="#">62</a>   <a href="#">EEO-1 report</a>
	2-8 Workers who are not employees	<a href="#">2022 Annual Report</a> , pages 8-10
	2-9 Governance structure and composition	<a href="#">2023 Proxy Statement</a>   2023 ESG Report <a href="#">page 7</a>
	2-10 Nomination and selection of the highest governance body	<a href="#">2023 Proxy Statement</a> , pages 5-30
	2-11 Chair of the highest governance body	<a href="#">2023 ProxyStatement</a> , page 27
	2-12 Role of the highest governance body in overseeing the management of impacts	<a href="#">2023 Proxy Statement</a> , pages 31-37
	2-13 Delegation of responsibility for managing impacts	<a href="#">2023 Proxy Statement</a> , pages 23-26, 31-37
	2-14 Role of the highest governance body in sustainability reporting	<a href="#">2023 Proxy Statement</a> , pages 33-36   2023 ESG Report, <a href="#">page 7</a>
	2-15 Conflicts of interest	<a href="#">2023 Proxy Statement</a> , pages 10, 92   <a href="#">2023 Business Conduct Guidelines</a> , pages 6, 8
	2-16 Communication of critical concerns	<a href="#">2023 Proxy Statement</a> , pages 36-37
	2-17 Collective knowledge of the highest governance body	<a href="#">2023 Proxy Statement</a> , pages 5-8
	2-18 Evaluation of the performance of the highest governance body	<a href="#">2023 Proxy Statement</a> , pages 28-30
	2-19 Remuneration policies	<a href="#">2023 Proxy Statement</a> , pages 38-39, 47-84

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-20 Process to determine remuneration	<a href="#">2023 Proxy Statement</a> , pages 38-39, 47-84
	2-21 Annual total compensation ratio	<a href="#">2023 Proxy Statement</a> , page 82
	2-22 Statement on sustainable development strategy	2023 ESG Report, <a href="#">page 1</a>
	2-23 Policy commitments	<a href="#">Business Conduct Guidelines</a>   <a href="#">Conflict Minerals Policy</a>   <a href="#">Supplier Code of Ethics</a>   <a href="#">Human Rights Principles</a>   <a href="#">Global Environmental, Health and Safety Policy</a>
	2-24 Embedding policy commitments	ESG Report, <a href="#">pages 6-8</a> Please see respective sections in 2023 ESG Report
	2-25 Processes to remediate negative impacts	ESG Report, <a href="#">page 44</a>   <a href="#">Business Conduct Guidelines</a>
	2-26 Mechanisms for seeking advice and raising concerns	ESG Report, <a href="#">page 44</a>   <a href="#">Business Conduct Guidelines</a>
	2-27 Compliance with laws and regulations	Material legal proceedings are disclosed in our <a href="#">Annual Report on Form 10-K</a> for the fiscal year ended December 31, 2022, pages 23, 66-67
	2-28 Membership associations	<a href="#">CDP</a> (C12.3, C12.3b)
	2-29 Approach to stakeholder engagement	2023 ESG Report, <a href="#">page 8</a>
2-30 Collective bargaining agreements	Not applicable	
GRI 3: Material Topics 2021	3-1 Process to determine material topics	2023 ESG Report, <a href="#">page 8</a>
	3-2 List of material topics	2023 ESG Report, <a href="#">page 8</a>
	3-3 Management of material topics	2023 ESG Report, <a href="#">pages 6-8</a>   For further details on specific material topics, please see respective sections and metrics included in the 2023 ESG Report
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	<a href="#">2022 Annual Report</a> , pages 39-65
	201-2 Financial implications and other risks and opportunities due to climate change	<a href="#">2022 Annual Report</a> , pages 21-22   <a href="#">CDP</a> (C2.2a, C2.3a, C2.4a, C3.1, C3.2a, C3.2b, C3.3, C3.4)
	201-3 Defined benefit plan obligations and other retirement plans	<a href="#">2022 Annual Report</a> , pages 54-57, 59
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	<a href="#">2022 Annual Report</a> , pages 8-10, 21   2023 ESG Report pages <a href="#">9-16</a> , <a href="#">39-42</a>
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	2023 ESG Report, <a href="#">page 13</a>
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	ESG Report, <a href="#">page 44</a>   <a href="#">Business Conduct Guidelines</a>
GRI 207: Tax 2019	207-1 Approach to tax	<a href="#">2022 Annual Report</a> , pages 45, 62-64
	207-2 Tax governance, control, and risk management	<a href="#">2022 Annual Report</a> , pages 20-21, 29, 45, 62-64
GRI 301: Materials 2016	301-2 Recycled input materials used	2023 ESG Report, (EPP & packaging), <a href="#">pages 9-16</a>
	301-3 Reclaimed products and their packaging materials	2023 ESG Report, (EPP & packaging), <a href="#">pages 9-16</a>

GRI STANDARD	DISCLOSURE	LOCATION
GRI 302: Energy 2016	302-1 Energy consumption within the organization	2023 ESG Report, <a href="#">page 51</a>   SASB, CG-MR-130a.1
	302-3 Energy intensity	2023 ESG Report, <a href="#">page 51</a> (2022 revenue and total energy consumed)
	302-4 Reduction of energy consumption	<a href="#">CDP</a> (C7.9a)   2023 ESG Report, <a href="#">pages 20-23</a>
	302-5 Reductions in energy requirements of products and services	2023 ESG Report, <a href="#">pages 9-16</a>
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	2023 ESG Report, <a href="#">page 23</a>
	303-5 Water consumption	2023 ESG Report, <a href="#">page 23</a>
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	2023 ESG Report, <a href="#">pages 20, 51</a> <a href="#">CDP</a> (C6.1)
	305-2 Energy indirect (Scope 2) GHG emissions	2023 ESG Report, <a href="#">pages 20, 51</a> <a href="#">CDP</a> (C6.3)
	305-3 Other indirect (Scope 3) GHG emissions	2023 ESG Report, <a href="#">page 20</a> <a href="#">CDP</a> (C6.5)
	305-4 GHG emissions intensity	2023 ESG Report, <a href="#">pages 20, 51</a> <a href="#">CDP</a> (C6.10)
	305-5 Reduction of GHG emissions	2023 ESG Report, <a href="#">pages 20-23</a>   <a href="#">CDP</a> (C4.1a, C7.9, C7.9a)
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	2023 ESG Report, <a href="#">page 22</a>
	306-2 Management of significant waste-related impacts	2023 ESG Report, <a href="#">page 22</a>
	306-3 Waste generated	2023 ESG Report, <a href="#">page 22</a>
	306-4 Waste diverted from disposal	2023 ESG Report, <a href="#">page 22</a>
	306-5 Waste directed to disposal	2023 ESG Report, <a href="#">page 22</a>
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	2023 ESG Report, <a href="#">pages 46-48</a>   <a href="#">Supplier Code of Ethics</a>
	308-2 Negative environmental impacts in the supply chain and actions taken	2023 ESG Report, <a href="#">pages 46-48</a>   <a href="#">Supplier Code of Ethics</a>
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	2023 ESG Report, <a href="#">page 38</a>   <a href="#">Total Rewards Website</a>
	401-3 Parental leave	2023 ESG Report, <a href="#">page 38</a>   <a href="#">Total Rewards Website</a>

GRI STANDARD	DISCLOSURE	LOCATION
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	2023 ESG Report, <a href="#">pages 26-28</a>   <a href="#">Global Environmental, Health and Safety Policy</a>
	403-2 Hazard identification, risk assessment, and incident investigation	2023 ESG Report, <a href="#">pages 26-28</a>   <a href="#">Global Environmental, Health and Safety Policy</a>
	403-3 Occupational health services	2023 ESG Report, <a href="#">pages 26-28</a>   <a href="#">Global Environmental, Health and Safety Policy</a>
	403-4 Worker participation, consultation, and communication on occupational health and safety	2023 ESG Report, <a href="#">pages 26-28</a>   <a href="#">Global Environmental, Health and Safety Policy</a>
	403-5 Worker training on occupational health and safety	2023 ESG Report, <a href="#">pages 26-28</a>   <a href="#">Global Environmental, Health and Safety Policy</a>
	403-6 Promotion of worker health	2023 ESG Report, <a href="#">page 38</a>   <a href="#">Total Rewards Website</a>
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	2023 ESG Report, <a href="#">pages 26-28</a>   <a href="#">Global Environmental, Health and Safety Policy</a>
	403-8 Workers covered by an occupational health and safety management system	2023 ESG Report, <a href="#">pages 26-28</a>   <a href="#">Global Environmental, Health and Safety Policy</a>
	403-9 Work-related injuries	2023 ESG Report, <a href="#">pages 26-28</a>   No work-related fatalities in 2022.
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	2023 ESG Report, <a href="#">page 36</a>
	404-2 Programs for upgrading employee skills and transition assistance programs	2023 ESG Report, <a href="#">pages 35-37</a>
	404-3 Percentage of employees receiving regular performance and career development reviews	2023 ESG Report, <a href="#">page 37</a>
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	2023 ESG Report, pages <a href="#">30</a> , <a href="#">51</a> , <a href="#">62</a>   <a href="#">EEO-1 report</a>   <a href="#">2023 Proxy Statement</a>
	405-2 Ratio of basic salary and remuneration of women to men	Details of our Pay Equity analysis disclosed in our 2023 ESG Report on <a href="#">page 31</a> , but Grainger does not publicly disclose the results at this time.
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	2023 ESG Report, <a href="#">pages 46-48</a>   <a href="#">Human Rights Principles</a>   <a href="#">Supplier Code of Conduct</a>
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	2023 ESG Report, <a href="#">pages 46-48</a>   <a href="#">Human Rights Principles</a>   <a href="#">Supplier Code of Conduct</a>
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	2023 ESG Report, <a href="#">pages 39-42</a>
	413-2 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.

GRI STANDARD	DISCLOSURE	LOCATION
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	2023 ESG Report, <a href="#">pages 46-48</a> <a href="#">Human Rights Principles</a>   <a href="#">Supplier Code of Conduct</a>
	414-2 Negative social impacts in the supply chain and actions taken	2023 ESG Report, <a href="#">pages 46-48</a> <a href="#">Human Rights Principles</a>   <a href="#">Supplier Code of Conduct</a>
GRI 415: Public Policy 2016	415-1 Political contributions	Grainger’s Business Conduct Guidelines 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.   <a href="#">Business Conduct Guidelines</a>
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	2023 ESG Report, <a href="#">page 48</a>
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	2023 ESG Report, <a href="#">pages 9-16</a>
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Material items would be disclosed in our <a href="#">Annual Report</a> on Form 10-K for the fiscal year ended December 31, 2022.

# 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.

ACCOUNTING METRIC	DATA TYPE	CODE	GRAINGER 2023 DISCLOSURE
<b>Energy Management in Retail &amp; Distribution</b>			
(1) Total energy consumed	Quantitative	CG-MR-130a.1	1,178,000 GJ (327,000 MWh)
(2) Percentage grid electricity	Quantitative	CG-MR-130a.1	603,000 GJ, 51% of total (168,000 MWh)
(3) Percentage renewable	Quantitative	CG-MR-130a.1	48,000 GJ, 4% of total (13,000 MWh)
<b>Data Security</b>			
Description of approach to identifying and addressing data security risks	Qualitative	CG-MR-230a.1	<p>2023 ESG Report <a href="#">page 45</a></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.</p> <p><b>Information Security Risk Management:</b> The Governance, Risk, and Compliance (GRC) team's function is to provide governance to ensure that Grainger's information and systems are secured in accordance with our standards, and to nurture our commitment to asset security and integrity. The GRC team accomplishes this through the implementation of frameworks (like the NIST RMF framework) to ensure appropriate asset classification, control alignment and implementation, risk assessments and audit support, risk acceptance and asset authorization, and ongoing risk and control monitoring..</p> <p><b>Information Security — Vendor Risk Management:</b> Grainger's Information Security GRC team reviews vendors when they are onboarded, upon contract renewal, and when a new Statement of Work (SOW) is executed. A review of the information and applications involved is conducted and advise on the appropriate controls is given to ensure that the adequate Information Security contractual obligations are in place.</p> <p><b>Information Security Policies:</b> The Information Security team has numerous policies and administrative procedures that are in place to provide guidance around Information Security and Risk Management requirements. These policies are available to all team members on the company's intranet homepage, and are updated regularly to align with industry standards, regulatory requirements, and contractual agreements.</p> <p><b>Information Security Awareness:</b> Grainger has an Information Security Awareness program that provides team members with an understanding of the foundations of Information Security through regular communications via the company intranet and newsletters. All team members also go through annual training around Information Security to ensure that they understand their roles and responsibilities in protecting Grainger information and systems appropriately. Additional training is provided for more critical roles, such as software developers who build such systems and applications. In addition, Grainger Information Security organization executes monthly company wide Information Security education &amp; awareness campaigns and phishing tests to determine compliance with company policies and best practices and to determine additional focus needs. Grainger uses gamification to improve employee engagement with its security awareness content and tracks compliance with remediation training with HR as an escalation point.</p>

ACCOUNTING METRIC	DATA TYPE	CODE	GRAINGER 2023 DISCLOSURE																					
(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.																					
<b>Labor Practices</b>																								
(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.																					
(1) Voluntary and (2) Involuntary turnover rate for all employees	Quantitative	CG-MR-310a.2	Grainger does not disclose this.																					
Total amount of monetary losses as a result of legal proceedings associated with labor law violations	Quantitative	CG-MR-310a.3	Material legal proceedings are disclosed in our 2022 Form 10-K, but Grainger does not disclose this specific metric.																					
<b>Workforce Diversity &amp; Inclusion</b>																								
Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees	Quantitative	CG-MR-330a.1	<b>GENDER REPRESENTATION</b>																					
			<table border="1"> <thead> <tr> <th></th> <th>Female</th> <th>Male</th> <th>Not Disclosed</th> </tr> </thead> <tbody> <tr> <td>Management</td> <td>35%</td> <td>65%</td> <td>0%</td> </tr> <tr> <td>All Other Employees</td> <td>40%</td> <td>60%</td> <td>0%</td> </tr> </tbody> </table>		Female	Male	Not Disclosed	Management	35%	65%	0%	All Other Employees	40%	60%	0%									
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<table border="1"> <thead> <tr> <th></th> <th>Asian</th> <th>Black</th> <th>Hispanic</th> <th>White</th> <th>Other</th> <th>Multiracial</th> <th>Not Disclosed</th> </tr> </thead> <tbody> <tr> <td>Management</td> <td>6%</td> <td>7%</td> <td>9%</td> <td>73%</td> <td>0%</td> <td>2%</td> <td>3%</td> </tr> <tr> <td>All Other Employees</td> <td>4%</td> <td>13%</td> <td>17%</td> <td>56%</td> <td>1%</td> <td>4%</td> <td>5%</td> </tr> </tbody> </table>		Asian	Black	Hispanic	White	Other	Multiracial	Not Disclosed	Management	6%	7%	9%	73%	0%	2%	3%	All Other Employees	4%	13%	17%	56%	1%	4%	5%
	Asian	Black	Hispanic	White	Other	Multiracial	Not Disclosed																	
Management	6%	7%	9%	73%	0%	2%	3%																	
All Other Employees	4%	13%	17%	56%	1%	4%	5%																	
Total amount of monetary losses as a result of legal proceedings associated with employment discrimination	Quantitative	CG-MR-330a.2	Material legal proceedings are disclosed in our 2022 Form 10-K, but Grainger does not disclose this specific metric.																					

ACCOUNTING METRIC	DATA TYPE	CODE	GRAINGER 2023 DISCLOSURE
<b>Product Sourcing, Packaging &amp; Marketing</b>			
Revenue from products third-party certified to environmental and/or social sustainability standards	Quantitative	CG-MR-410a.1	Environmentally preferable product revenue: more than \$1B (2023 ESG Report <a href="#">page 10</a> )
Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	Discussion and Analysis	CG-MR-410a.2	<p><b>Products:</b> 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 and attributes, such as GreenGuard and EPA Safer Choice, helping consumers identify and consider these products while shopping. We also continue 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.</p> <p><b>Hazard Communication Program:</b> Grainger maintains a set of hazard communication policies and best practices. Our corporate EHS and Supplier Management/Product Compliance departments are jointly responsible for the management and implementation of the Hazard Communication Program. Employees who work with or are potentially exposed to hazardous chemicals receive initial training on the hazard communication standard and this plan before starting work. Each new employee attends a health and safety orientation that includes an overview of the Hazard communication &amp; GHS standard. The Hazardous Material Shipping Compliance Guidelines Acknowledgement must be signed by the appropriately trained members of Grainger's Management Teams at the DC's and Branch locations.</p>
Discussion of strategies to reduce the environmental impact of packaging	Discussion and Analysis	CG-MR-410a.3	Details can be found in 2023 ESG Report <a href="#">page 15</a>
<b>Activity Metric</b>			
Number of: (1) retail locations and (2) distribution centers	Quantitative	CG-MR-000.A	Retail locations (branches): 390 Distribution centers: 35
Total area of: (1) retail space and (2) distribution centers	Quantitative	CG-MR-000.B	Retail locations (branches): ~8 million sq. ft. Distribution centers: ~16 million sq. ft. Further details can be found in our <a href="#">2022 Annual Report</a> pg. 23

# 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 meaningful information to stakeholders. Below is a summary outlining references in which you can find Grainger's relevant information pertaining to the TCFD's recommended disclosures. Please note, at the time of publishing this index, our 2022 CDP Climate Change Assessment is available and covers FY2021. Our 2023 CDP Climate Change Assessment will be made available later in 2023, according to the CDP's timeline, and will cover FY2022.

## RECOMMENDED DISCLOSURES

## GRAINGER REFERENCES & DISCLOSURES

### Governance — Disclose the organization's governance around climate-related risks and opportunities.

Describe the board's oversight of climate-related risks and opportunities.

[CDP](#) (C1.1, C1.1a, C1.1b, C1.1d), 2023 ESG Report, [page 7, 2023 Proxy Statement](#), pages 1-2, 33-35

Describe management's role in assessing and managing climate-related risks and opportunities

[CDP](#) (C1.2, C1.2a)

### 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.

Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

[2022 Annual Report](#), pages 21-22, 26, [CDP](#) (C2.1, C2.1a, C2.1b, C2.2a, C2.3, C2.3a, C2.4, C2.4a), 2023 ESG Report, pages [9-16, 19-23](#)

Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

[2022 Annual Report](#), pages 21-22, [CDP](#) (C2.2a, C2.3a, C2.4a, C3.1, C3.2a, C3.2b, C3.3, C3.4)

Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

[CDP](#) (C3.2, C3.2a, C3.2b)

### Risk Management — Disclose how the organization identifies, assesses, and manages climate-related risks.

Describe the organization's processes for identifying and assessing climate-related risks

[CDP](#) (C2.1, C2.1b, C2.2, C2.2a)

Describe the organization's processes for managing climate-related risks.

[CDP](#) (C2.1, C2.2, C2.3a)

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

[CDP](#) (C2.1, C2.1b, C2.2), [2023 Proxy Statement](#), pages 33-36

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

Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

2022 Scope 1 emissions: 31,100, [CDP](#) (C6.1)  
 2022 Scope 2 emissions, location-based: 67,000, [CDP](#) (C6.3)  
 2022 Scope 2 emissions, market-based: 61,000, [CDP](#) (C6.3)  
 2022 Scope 1 and 2 emissions intensity (MT CO<sub>2</sub>e/revenue): 0.000006, [CDP](#) (C6.10), 2023 ESG Report, pages [20, 51](#)  
 2022 Scope 3 emissions: please see [CDP](#) (C6.5)  
 Environmentally Preferable Product revenue: 2023 ESG Report, pages [10, 51](#)  
 Other: [CDP](#) (C2.3a, C2.4a)

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

2022 [CDP](#) (C4.1, C4.1a)  
 2023 ESG Report, pages [20-23](#)

# 2023 Environmental, Social and Governance Report

For our most up-to-date news, visit [graingeresg.com](https://www.graingeresg.com).

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

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