



## Welcome to your CDP Climate Change Questionnaire 2018

### C0. Introduction

#### C0.1

**(C0.1) Give a general description and introduction to your organization.**

W.W. Grainger, Inc., incorporated in the State of Illinois in 1928, is a broad-line distributor of maintenance, repair and operating (MRO) supplies and other related products and services used by businesses and institutions. Grainger uses a multichannel business model to provide customers with a range of options for finding and purchasing products, utilizing sales representatives, direct marketing materials, catalogs and eCommerce. Grainger serves more than 2 million customers worldwide through a network of highly integrated branches, distribution centers, websites and export services.

#### C0.2

**(C0.2) State the start and end date of the year for which you are reporting data.**

	Start date	End date	Indicate if you are providing emissions data for past reporting years
Row 1	January 1, 2017	December 31, 2017	No

#### C0.3

**(C0.3) Select the countries/regions for which you will be supplying data.**

- Canada
- Mexico
- Panama
- United States of America



## C0.4

**(C0.4) Select the currency used for all financial information disclosed throughout your response.**

USD

## C0.5

**(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.**

Operational control

## C1. Governance

### C1.1

**(C1.1) Is there board-level oversight of climate-related issues within your organization?**

Yes

#### C1.1a

**(C1.1a) Identify the position(s) of the individual(s) on the board with responsibility for climate-related issues.**

Position of individual(s)	Please explain
Board/Executive board	The Charter for the Board Affairs and Nominating Committee of our Board of Directors includes the responsibility to review and provide guidance to management about our policies and programs that relate to our CSR program including environmental sustainability and community engagement.

## C1.1b

**(C1.1b) Provide further details on the board’s oversight of climate-related issues.**

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Please explain
Scheduled – some meetings	Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues	The Charter for the Board Affairs and Nominating Committee of our Board of Directors conducts the review on an annual basis, with information provided by the CSR Working Group.

## C1.2

**(C1.2) Below board-level, provide the highest-level management position(s) or committee(s) with responsibility for climate-related issues.**

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on climate-related issues
Chief Executive Officer (CEO)	Both assessing and managing climate-related risks and opportunities	As important matters arise
Other C-Suite Officer, please specify VP, Pres. Merchandising & Supplier Mgmt	Both assessing and managing climate-related risks and opportunities	As important matters arise

## C1.2a

**(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored.**

In 2017, we launched the CSR Advisory Council, a small group of senior-level team members who frequently interact with customers, investors, suppliers, or have direct line-of-sight to the revenue-generating parts of the business. The group's primary objectives are to provide strategic awareness to the program and to encourage developments in transparency throughout the organization. Adding team members in the areas of risk management, data privacy, corporate governance, and large contract sales and marketing strategy, the Council will work to enhance our unique value for customers, while supporting Grainger as responsible stewards of our business. The Advisory Council represents a meaningful step forward in our CSR and corporate citizenship efforts in a way that is authentic to our organization.

## C1.3

**(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?**

Yes

## C1.3a

**(C1.3a) Provide further details on the incentives provided for the management of climate-related issues.**

---

**Who is entitled to benefit from these incentives?**

All employees

**Types of incentives**

Monetary reward

**Activity incentivized**

Energy reduction project



**Comment**

Employees of Grainger’s U.S. business are eligible for profit sharing based on the company's annual financial performance. Grainger’s energy reduction and efficiency projects reduce the company’s utility expenses, which make up about 1% of Grainger's total operating expenses in the U.S., and therefore do have some minimal effect on the monetary profit sharing award provided to employees.

**Who is entitled to benefit from these incentives?**

Environment/Sustainability manager

**Types of incentives**

Monetary reward

**Activity incentivized**

Emissions reduction target

**Comment**

Managers receive annual salary increases based on the performance relative to their goals set each year. The Senior Manager of Global Sustainability has a goal to reduce Grainger's Carbon Intensity by 33% in 2020. This manager is rewarded based on this key performance indicator, Scope 1 and Scope 2 GHG emissions divided by total revenue of North American business operations.

## C2. Risks and opportunities

### C2.1

**(C2.1) Describe what your organization considers to be short-, medium- and long-term horizons.**

	From (years)	To (years)	Comment
Short-term	0	3	
Medium-term	4	9	



Long-term	10	20	
-----------	----	----	--

## C2.2

**(C2.2) Select the option that best describes how your organization's processes for identifying, assessing, and managing climate-related issues are integrated into your overall risk management.**

Integrated into multi-disciplinary company-wide risk identification, assessment, and management processes

## C2.2a

**(C2.2a) Select the options that best describe your organization's frequency and time horizon for identifying and assessing climate-related risks.**

	Frequency of monitoring	How far into the future are risks considered?	Comment
Row 1	Six-monthly or more frequently	>6 years	Risks are constantly monitored directly by the sustainability team. A formal review of risks is delivered to our CSR advisory team on a bi-annual basis and key findings are shared with the Board of Directors annually.

## C2.2b

**(C2.2b) Provide further details on your organization's process(es) for identifying and assessing climate-related risks.**

i: Grainger's process for identifying and assessing climate related risks includes having its' sustainability team designed in a way that requires cross-functional work and information sharing. Throughout the year, the team works with operational business partners to understand their processes and prioritize risks with substantive financial impact . Partnering with risk management, the team identifies remediation plans and prioritizes execution. ii: Grainger defines a risk that could cause substantive financial impact as those risk factors relevant to the Company's business that could adversely affect its financial condition, results of operations and cash flows. An example of an identified climate related risk is disruptions in Grainger's supply chain could result in an adverse impact on results of operations. A disruption within Grainger's logistics or supply chain network, including damage, destruction, extreme weather and other events, which could cause one or more of Grainger's distribution centers to become non-operational, could adversely affect Grainger's ability to obtain or deliver inventory in a timely manner, impair Grainger's ability to meet customer demand for products and



result in lost sales or damage to Grainger’s reputation. Grainger’s ability to provide same-day shipping and next-day delivery is an integral component of Grainger’s business strategy and any such disruption could adversely impact results of operations.

## C2.2c

### (C2.2c) Which of the following risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	i: Current regulatory risks reviewed during Grainger's risk assessment include those that support (or oppose) renewable energy. ii: Investments are prioritized based on our findings and a decision may be made to move forward if the investment helps our organization achieve business and climate goals.
Emerging regulation	Relevant, always included	i: Emerging regulatory risks reviewed during Grainger's risk assessment include those that would impact the price of materials utilized in the manufacturing process of goods purchased &/or sold. ii: Vetting these risks allows for the development of mitigation strategies should legislation pass.
Technology	Relevant, always included	i: New technologies are consistently evaluated. ii: Low cost buildings controls have, in the past, been too costly to implement, however, newer applications have contributed to Grainger's emissions reduction efforts.
Legal	Relevant, always included	i: Legal risks, such as those affecting environmentally preferable products sold, are assessed constantly. ii: Each product in our EPP assortment is designated by a green leaf on Grainger.com®, and comes with its own specific set of attributes or certifications highlighted in the technical spec section on the website. The green leaf icon guides customers toward more environmentally preferable solutions. Products identified with this leaf fall into two categories—those that are certified by independent organizations and those that have “green environmental attributes.” A certification acts as a stamp of approval and indicates that a product has met certain environmental standards around attributes such as “energy efficient” (ENERGY STAR) or “low toxicity” (Green Seal). Attributes are environmental qualities or features tied to a specific product. We ask our suppliers to provide these attributes or certifications, and our external partner, UL Environmental Inc., verifies the viability of the attribute to the product.



Market	Relevant, always included	i: Based on market assessments, Grainger has determined that a robust environmentally preferred product portfolio is a customer need. ii: We work to create a more sustainable workplace for our customers and our communities through our Environmentally Preferable Product (EPP) Portfolio. We offer our customers one of the largest green SKU counts in the industrial distribution market, providing more ways to reduce energy consumption, conserve water, reduce waste and improve indoor air quality. In addition the company offers data-driven EPP analytics to our customers helping them track, report and grow their green spend. Similarly, we equip our customer-facing team members with training, sales tools and marketing support so that they can help customers achieve meaningful progress towards their sustainability goals and initiatives.
Reputation	Relevant, always included	i: Grainger is a strong believer in the saying "if you talk the talk, you should walk the walk." ii: As such, Grainger is a leader in the MRO space in terms of our commitments to sustainability (first to set public targets, first to build LEED certified facilities, first to become EPA SmartWay Transport Partner).
Acute physical	Relevant, always included	i: Grainger has conducted an analysis to understand the potential physical impacts of climate change. ii: Grainger has a robust emergency response program in place to mitigate impacts from increased/more powerful natural disasters.
Chronic physical	Relevant, always included	Grainger has conducted an analysis to understand the potential physical impacts of climate change and has a robust emergency response program in place to mitigate impacts from increased/more powerful natural disasters.
Upstream	Relevant, always included	i: As a distributor of over 1 million items, Grainger is constantly working with our upstream supply chain partners to mitigate risks. ii: Grainger participates in CDP Supply Chain as a way to understand potential upstream impacts of climate change by engaging with our top suppliers and understanding the issues that impact their businesses.
Downstream	Relevant, always included	i: Grainger customers and team members are factored into our overall risk assessment. ii: Our emergency preparedness and response program is in place to help customers and team members affected by increased instances of natural disasters as the result of climate change.

## C2.2d

**(C2.2d) Describe your process(es) for managing climate-related risks and opportunities.**



- i) Scope of the Process: Grainger's risk management process includes weather-related, people and cost impacts as well as (potential) regulatory requirements related to climate change and climate change mitigation.
- ii) How risk/opportunities are prioritized at a company level: Climate change topics are prioritized at a GHG workshop once a year. Business partners from each area of the business that impacts Grainger's emissions and climate change strategy discuss our progress and develop the plan for the future. Specific projects, company level risks, and company level opportunities are discussed.
- iii) An example of how Grainger assessed a potential physical risk was when the organization conducted a Business Impact (BI) analysis to analyze risks and quantify major exposures to Grainger facilities within its supply chain. The outcomes include prioritization of key facilities or processes by quantifying the significant impact of exposures facing the organization against specific threats (e.g. physical risks/loss). The process to identify priorities for physical risks is based upon locations that distribute the highest average monthly volume and the longest recovery period. The recovery period is defined as the time it would take to rebuild a large distribution center in the event of complete loss.
- iv) An example of how Grainger assessed a potential transition risk was when the organization made the decision to set our first GHG reduction goal. At the time, no other MRO distributor had set a public target. The sustainability team worked cross-functionally to forecast emissions based on growth expectations through 2020 and paired that with revenue projections over the same time period. After factoring in project opportunities identified during risk/opportunity assessments (and making a company-wide commitment to annually re-assessing), Grainger became the first MRO distributor to publicly set a emissions reduction target.

## C2.3

**(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?**

Yes

### C2.3a

**(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.**

**Identifier**

Risk 1

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Physical risk

**Primary climate-related risk driver**

Acute: Increased severity of extreme weather events such as cyclones and floods

**Type of financial impact driver**

Reduced revenue from decreased production capacity (e.g., transport difficulties, supply chain interruptions)

**Company- specific description**

Grainger conducted a Business Impact (BI) analysis to analyze risks and quantify major exposures to Grainger facilities within its supply chain. The outcomes include prioritization of key facilities or processes by quantifying the significant impact of exposures facing the organization against specific threats (e.g. physical risks/loss). The process to identify priorities for physical risks is based upon locations that distribute the highest average monthly volume and the longest recovery period. The recovery period is defined as the time it would take to rebuild a large distribution center in the event of complete loss.

**Time horizon**

Long-term

**Likelihood**

Exceptionally unlikely

**Magnitude of impact**

High

**Potential financial impact**

50,000,000

**Explanation of financial impact**

Financial Impacts due to the loss of sales and loss of inventory. Increased severity of precipitation has the potential to increase this small financial impact. In 2016, Grainger has calculated that complete loss a building in a flood/severe storm region would cost the business at least \$50M and less than that in 99% of Grainger's buildings.

**Management method**

Continuous engagement with risk management and outside consultants to ensure structures and operations are sound. Additionally, dynamic models have been developed to re-route orders should one or multiple portions of our operations be affected.

**Cost of management**

60,000,000

**Comment**

Grainger spent approximately \$60M on maintenance to buildings and improvements to Grainger Properties and other critical assets in 2017

---

**Identifier**

Risk 2

**Where in the value chain does the risk driver occur?**

Supply chain

**Risk type**

Physical risk

**Primary climate-related risk driver**

Acute: Increased severity of extreme weather events such as cyclones and floods

**Type of financial impact driver**

Reduced revenue from decreased production capacity (e.g., transport difficulties, supply chain interruptions)

**Company- specific description**



The Business Impact analysis used to analyze risks and quantify major exposures to Grainger facilities is also a relevant tool utilized to evaluate similar risks in our supply chain. As a result, each supplier is required to have formalized, documented business continuity plans to eliminate and/or mitigate impacts from extreme weather events. These plans are updated annually and result in the limiting of exposure to lost revenue as the result of a failure within our network.

**Time horizon**

Short-term

**Likelihood**

Very unlikely

**Magnitude of impact**

Medium

**Potential financial impact**

**Explanation of financial impact**

With more than 5,200 supplier partners, the financial impacts are very difficult to identify. Larger supplier issues will cause larger impacts, while an impact to a smaller supplier would cause a smaller impact.

**Management method**

Grainger sells over 1 million items and, in many cases, has similar product types. This redundancy reduces risk of lost sales by providing the option to suggest an alternative to our customers should a supplier be unable to meet inventory demands.

**Cost of management**

0

**Comment**

There is no incremental cost to manage this issue as it is part of Grainger's everyday operation.

**Identifier**

Risk 3

**Where in the value chain does the risk driver occur?**

Supply chain

**Risk type**

Transition risk

**Primary climate-related risk driver**

Policy and legal: Other

**Type of financial impact driver**

Policy and legal: Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

**Company- specific description**

Regulations directed towards reducing greenhouse gas emissions may increase utility costs. Examples of this include the Clean Air Act, and the subsequent EPA New Source Performance Standards for any new power plant in the US. Increased utility costs would increase operational costs for Grainger's facilities located in the United States.

**Time horizon**

Long-term

**Likelihood**

Unlikely

**Magnitude of impact**

Medium-low

**Potential financial impact**

2,000,000

**Explanation of financial impact**



Regulation of GHG emissions has the potential to impact utility costs. Changes in legal and regulatory environments could increase the cost of doing business. Utility costs may increase in the future, but it will have a relatively small financial impact. Grainger has calculated that if regulations were to affect utility costs 10% there would be an estimated increase in operating expense of approximately 1%.

**Management method**

As regulations are proposed, Grainger investigates potential impacts and builds appropriate mitigation strategies. Grainger is conducting energy efficiency upgrades in existing facilities and building new facilities to energy efficient standards. In 2017 Grainger operated 17 LEED facilities in the US, Canada, and Mexico. Additionally, in 2017, Grainger implemented 10 energy efficiency projects, including but not limited to a 4.3 MW solar photovoltaic project, building management systems, and lighting upgrades, which will reduce the facilities future energy requirements.

**Cost of management**

9,000,000

**Comment**

The cost of these 10 energy efficiency/renewable energy projects totaled approximately \$9.0M.

---

**Identifier**

Risk 4

**Where in the value chain does the risk driver occur?**

Customer

**Risk type**

Transition risk

**Primary climate-related risk driver**

Reputation: Shifts in consumer preferences

**Type of financial impact driver**

Reputation: Reduced revenue from decreased demand for goods/services

**Company- specific description**

Grainger sells environmentally preferred products, so we must maintain an environmentally responsible reputation or else we run the risk of reduced demand for our products. Grainger's continued success is substantially dependent on positive perceptions of Grainger's reputation. Reducing our GHG emissions intensity will support Grainger's continued success.

**Time horizon**

Long-term

**Likelihood**

Unlikely

**Magnitude of impact**

Low

**Potential financial impact**

27,000,000

**Explanation of financial impact**

One of the reasons why customers choose to do business with Grainger and why employees choose Grainger as a place of employment is the reputation that Grainger has built over 85+ years. To be successful in the future, Grainger must continue to preserve, grow and leverage the value of its brand. Reputational value is based in large part on perceptions of subjective qualities. If Grainger's reputation was negatively impacted, it could lead to a reduction in customer demand which could negatively impact the company's revenue. The financial implication to a negative effect on Grainger's climate change reputation could be a decline in green product sales. If there was a 5% reduction in green product sales, it would result in a sales decline of approximately \$27M.

**Management method**

Grainger has lead the MRO industry with its commitment to plan, execute and disclose climate change strategies and progress over time. Grainger was the first MRO distributor to publicly disclose our GHG footprint, set a public goal, build LEED certified facilities, and become an EPA SmartWay Transport Partner.

**Cost of management**

0

**Comment**

There is no incremental cost to manage this issue as it is part of Grainger's everyday operation.

**C2.4**

**(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes

**C2.4a**

**(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.**

---

**Identifier**

Opp1

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Type of financial impact driver**

Increased revenue through demand for lower emissions products and services

**Company- specific description**





As emerging environmental product standards take effect, new, more sustainable products and services are available to the marketplace through Grainger's product assortment. This could lead to an increased demand for new, environmentally preferable and sustainable products. Product standards such as GREENGUARD, Green Seal Certified and Energy Star Rated items are important certifications to offer customers who want to select green and sustainable choices in the products they are purchasing for their companies.

**Time horizon**

Current

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium

**Potential financial impact**

**Explanation of financial impact**

Grainger's dedication to managing and verifying products with green or sustainable certifications and attributes allows our customers to make an informed choice when selecting products. As our capabilities in this space become more sophisticated there is a potential for increased revenue from the Government and Healthcare sectors – which increasingly demand a higher percentage of their purchased products to be certified green or sustainable. In a 2012 press release issued by Johnson and Johnson they referenced a 2012 study conducted by SK&A who surveyed key decision makers within Institutional Delivery Networks and hospitals on the importance of green/sustainability on their purchasing decisions. The survey found that nearly one-third of current requests for proposals for medical products include green attributes, while key decision makers expect nearly 40% of future requests for proposals to include green attributes.

**Strategy to realize opportunity**

- i) In order to manage this opportunity, Grainger has implemented several category teams to address specific needs of customers. This includes energy reduction teams around lighting, marketing teams to communicate to customers, etc.
  
- ii) One team did an expansion of its emergency preparedness and safety offering to make more products immediately available to our customers. To do this, the product managers identified products that would be in useful for emergency preparedness and safety should an



extreme weather event occur. Similar to seasonal products, emergency preparedness and safety items are moved to regions of the country where extreme weather events are most likely to occur (ex. Southeast during Hurricane season). Grainger's distribution centers and branches receive the identified items in larger quantities so that we are able to fulfill the customer's need prior to, during and following the storm. This has proven to be a successful strategy for helping our customers prevent disruption to their business and/or recover quickly following an event.

**Cost to realize opportunity**

33,375

**Comment**

Because of the verification services which are performed by ULE we have engaged into a verification process contract with them in the amount not to exceed \$33,375 depending on the amount of work which is performed by ULE in 2017.

**C2.5**

**(C2.5) Describe where and how the identified risks and opportunities have impacted your business.**

	<b>Impact</b>	<b>Description</b>
Products and services	Impacted for some suppliers, facilities, or product lines	i) New products are being identified to meet the needs of customers looking for more energy/water efficient choices as well as those that promote increased indoor air quality and help reduce waste. Complimentary services, primarily in the energy space have also been added to our offering in recent years. ii) In 2017, Grainger sold more than \$532M in environmentally preferable products.
Supply chain and/or value chain	Impacted for some suppliers, facilities, or product lines	i) Grainger's engagement of suppliers around the topic of climate change has increased over the past several years resulting in efficiency opportunities and risk mitigation planning. ii) In 2017, we received responses from 126 of our largest vendors, an increase of more than 50 percent of suppliers from our pilot year. In total, our suppliers' efforts reduced 85 million metric tons of CO2 resulting in more than \$1.7 million in average savings for their respective businesses.
Adaptation and mitigation activities	Impacted for some suppliers, facilities, or product lines	i) As risks are identified, Grainger's risk management and business continuity teams help develop mitigation strategies on a prioritized basis. ii) Grainger relies on a network of third-party carriers for its transportation needs. The company works closely with these providers to continuously identify opportunities to maximize efficiency and minimize fuel use. Grainger



		continues to be the only industrial supplier to be recognized by the U.S. Environmental Protection Agency (USEPA) as a SmartWay® partner. The program provides a forum for the USEPA and businesses to collaborate in order to improve the environmental efficiency of their supply chains' transport by reducing GHG emissions and other air pollution.
Investment in R&D	Impacted for some suppliers, facilities, or product lines	<p>i) Sustainability products and services are one of many areas Grainger is pursuing to help better serve our customer needs.</p> <p>ii) In 2017, in order to help benchmark and standardize opportunities across our network, we conducted deep dive energy audits on 4 of our 10 major DCs in North America. We discovered commonalities among energy loads and batteries, HVAC systems, lighting, conveyor systems and air compressors, to name a few. All of these areas offered strategic opportunities for long-term efficiency gains. We then rolled out our discoveries to our branch network and corporate and administrative facilities, with similar success. Additionally, we found it to be very effective to implement comprehensive building management systems in key locations, update to LED lighting and other turn-key solutions with great return on investment timeframes, and various other initiatives.</p>
Operations	Impacted for some suppliers, facilities, or product lines	<p>i) Grainger has invested significantly in minimizing packaging through our "Ship Complete" initiative.</p> <p>ii) Given our 90 years of experience and more than 100,000 transactions a day, we understand the purchasing habits and buying behaviors of our customers. We know how they purchase online at home is different than at work. While a general consumer shopping for personal products at home may be fine with a staggered approach to completing a multi-product order, that same person has a completely different mindset at work when all of the products need to be there together to complete a critical project.</p> <p>Grainger strives to ship all items in an order in one box and on the same or next day, depending on customer needs. Internally, we refer to this practice as "ship complete." This approach and commitment to serving customers in the most efficient way possible also has positive implications on the environment. Ship complete reduces the amount of boxes we need overall, thereby increasing energy efficiency and producing fewer emissions through our transportation partners.</p>
Other, please specify		



## C2.6

### (C2.6) Describe where and how the identified risks and opportunities have factored into your financial planning process.

	Relevance	Description
Revenues	Impacted for some suppliers, facilities, or product lines	<p>i) New products and services will drive increased revenue</p> <p>ii) In January of 2015, Grainger established a new portfolio of sustainability related services. In 2017 we expanded this portfolio of value-added services, which largely leverages the experience and expertise of our Grainger Energy Services Team. We also work with our network of partners in some instances to help our customers achieve their sustainability goals. The range of services includes site audits, payback analysis, utility rebate assistance, and recycling of replaced product. For example, Grainger can help facilitate a free lighting audit for customers considering a large interior or exterior lighting project. The audit consists of a site walk-through, fixture count, energy audit, return on investment, payback analysis, utility rebate assistance and applications (photo metrics), if applicable.</p>
Operating costs	Impacted for some suppliers, facilities, or product lines	<p>i) In addition to investing in energy efficiency and renewable energy, Grainger has also ensured that building management systems are being utilized to reduced energy consumption in our largest facilities.</p> <p>ii) Our BMS are the primary means through which Grainger achieves its energy efficiency goals. When operating optimally, they allow facility managers to provide the proper working environment while minimizing Grainger's energy costs. Effective utilization allows us to extend the operational life of equipment and systems through reduced energy consumption and operating hours. As a result, maintenance and capital costs are reduced, and less embedded energy is consumed through equipment replacement and upgrades.</p> <p>Currently, 14 of our largest facilities have either been built with or retrofitted with BMS. On average, Grainger has realized a 10 to 15 percent reduction in energy use and expenses at its facilities after installing BMS.</p>
Capital expenditures / capital allocation	Impacted for some suppliers, facilities, or product lines	<p>i) Each year, the sustainability team partners with our real estate group and other influential business partners to plan for sustainable investments such as energy upgrades, waste and recycling solutions, renewable energy to name a few.</p> <p>ii) In 2017, Grainger celebrated the grand opening of its new DC in Bordentown Township, N.J. (NEDC) The 1.4 million-square-foot facility stocks more than 300,000 items and allows the company to deliver more</p>



		<p>products by the next day to customers in the Northeast. The DC runs on state-of-the-art distribution technology enabling real-time order processing. A 4.3 megawatt solar panel system was installed on the facility's roof. This system included 13,000 high efficiency SunPower solar panels that generate on average about 40 percent of the DC's annual electricity requirements, which is equivalent to 1.6 percent of Grainger's North American carbon footprint. In early 2018, the U.S. Green Building Council (USGBC) approved LEED GOLD certification for the NEDC. This project will not only reduce annual operational expenditures significantly, but it will also play a key role in helping us meet our GHG reduction goals.</p> <p>We consider investments in renewable energy on a case-by-case basis as part of new project plans. Our decisions to invest often occur in locations where we can offset energy use, improve operational efficiency and create a return on investment.</p>
Acquisitions and divestments	Not yet impacted	
Access to capital	Not yet impacted	
Assets	Not yet impacted	
Liabilities	Not yet impacted	
Other		

### C3. Business Strategy

#### C3.1

**(C3.1) Are climate-related issues integrated into your business strategy?**

Yes

## C3.1a

### **(C3.1a) Does your organization use climate-related scenario analysis to inform your business strategy?**

No, but we anticipate doing so in the next two years

## C3.1c

### **(C3.1c) Explain how climate-related issues are integrated into your business objectives and strategy.**

i) Internal process for influencing the strategy/How the business strategy has been influenced: Grainger's climate change strategy has been influenced by a cross functional working group within the company. The team includes, but is not limited to the Corporate Social Responsibility team, community affairs, corporate facilities, environmental, health and safety, transportation, product management, legal and sustainability departments. The Sustainability department collects and monitors data around climate change on an ongoing basis to align current projects to the company's goal to reduce its GHG intensity. First, a project and its benefits and impacts of a climate change strategy are presented by this team to leadership of the business unit to gain organizational alignment around investing in our climate change reduction strategy. Secondly, the business unit verifies the improvements. Then, the climate change mitigation project is either approved or denied based on the impact to climate change, and the financial value for the shareholders. One example of how this integrated internal process has shaped strategy for Grainger is the introduction of a GHG intensity reduction initiative to reduce intensity by 33%. A Second example is Grainger's efforts to increase recycling rates in our largest facilities which reduces GHG in our supply chain. Both examples provide a strategic advantage through cost reductions and efficiencies. ii) Substantial business decisions: Grainger's goal to reduce GHG emissions intensity by 2020 was a driver in the decision to make and upgrade to the building management systems in Grainger's Dallas distribution center location. Additionally, Grainger commenced work on a new solar photovoltaic project to increase renewable energy production at a distribution facility in 2016. iii) Aspects of Climate Change that influence long term strategy: The aspects of climate change that have influenced Grainger's long term strategy are opportunities and risks associated with rising greenhouse gas emissions and rising energy expenses, as well as opportunities to meet customer demand for greener products that help customers reduce environmental impacts and costs while adapting to climate change. Additionally, Grainger has adopted energy efficiency strategies to help improve Grainger's GHG intensity at its largest facilities to reach the reduction goal of 33% from 2011 to 2020. iv) Short-term strategy components (present to 1 year): The following are examples of how climate change has influenced Grainger's short-term business strategies. Grainger is increasing the importance of building energy efficient facilities. Grainger is committed to building LEED-certified facilities and certified a new LEED facility in 2017: A LEED NC Gold distribution center in Bordentown, NJ. Additionally, Grainger is retrofitting its largest facilities with building management systems which reduce energy use by up to 15%. In 2016, Grainger completed a project for its Dallas distribution center. These strategies are currently active and all reduce energy consumption for the business, which

affects Grainger's emissions intensity reduction goal. v) Long-term strategy components (More than one year): The following are examples of how climate change has influenced Grainger's long-term business strategies. Grainger is making renewable energy, energy efficiency, and green products a priority for the future. We have invested in clean energy (5.3 MW of solar capacity between two distribution centers in New Jersey and California), annually invest in energy efficiency projects (LED Lighting retrofits, retro-commissioning, etc.), manage midstream utility rebates for customers to install energy efficient lighting, and Grainger offers more than 70,000 environmentally preferred products. vi) Strategic Advantage: Grainger has a competitive edge because it has a robust energy efficient product offering, products such as efficient lighting, V-belts, energy efficient motors, and more. Additionally, Grainger set up processing utility rebates for the customer on energy efficient lighting. This combination of products and services increases Grainger's relevance to the customer aiding our ability to be the first choice provider for product and services in the MRO space. Also, reducing Grainger's energy use per square foot in our facilities reduces our expenses, allowing Grainger to create profits more efficiently.

### C3.1g

**(C3.1g) Why does your organization not use climate-related scenario analysis to inform your business strategy?**

## C4. Targets and performance

### C4.1

**(C4.1) Did you have an emissions target that was active in the reporting year?**

Intensity target

### C4.1b

**(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).**

---

**Target reference number**

Int 1



**Scope**

Scope 1 +2 (market-based)

**% emissions in Scope**

100

**% reduction from baseline year**

33

**Metric**

Metric tons CO2e per USD(\$) value-added\*

**Base year**

2011

**Start year**

2011

**Normalized baseline year emissions covered by target (metric tons CO2e)**

0.0000187

**Target year**

2020

**Is this a science-based target?**

No, but we anticipate setting one in the next 2 years

**% achieved (emissions)**

100

**Target status**

Underway



**Please explain**

We are right on target and validating the results through multiple methods in 2018.

**% change anticipated in absolute Scope 1+2 emissions**

-22

**% change anticipated in absolute Scope 3 emissions**

0

**C4.2**

**(C4.2) Provide details of other key climate-related targets not already reported in question C4.1/a/b.**

**C4.3**

**(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.**

Yes

**C4.3a**

**(C4.3a) Identify the total number of projects at each stage of development, and for those in the implementation stages, the estimated CO2e savings.**

	Number of projects	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	12	0
To be implemented*	2	450
Implementation commenced*	1	425
Implemented*	10	4,448

Not to be implemented	0	0
-----------------------	---	---

## C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

**Activity type**

Energy efficiency: Building services

**Description of activity**

HVAC

**Estimated annual CO2e savings (metric tonnes CO2e)**

138

**Scope**

Scope 1

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

18,025

**Investment required (unit currency – as specified in CC0.4)**

378,000

**Payback period**

21-25 years

**Estimated lifetime of the initiative**

16-20 years

**Comment**

HVAC replacements at (27) Branch locations

---

**Activity type**

Energy efficiency: Building services

**Description of activity**

Lighting

**Estimated annual CO2e savings (metric tonnes CO2e)**

210

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

19,464

**Investment required (unit currency – as specified in CC0.4)**

35,000

**Payback period**

1-3 years

**Estimated lifetime of the initiative**

21-30 years

**Comment**

Branch lighting retrofit projects

---

**Activity type**

Low-carbon energy installation

**Description of activity**

Solar PV

**Estimated annual CO2e savings (metric tonnes CO2e)**

2,009

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

422,555

**Investment required (unit currency – as specified in CC0.4)**

8,442,429

**Payback period**

16-20 years

**Estimated lifetime of the initiative**

21-30 years

**Comment**

New installation of a 4.3 MW solar rooftop photovoltaic system at the Grainger Bordentown Northeast Distribution Center

---

**Activity type**

Energy efficiency: Processes

**Description of activity**

Other, please specify

Decommission of Branch Sites still owned

**Estimated annual CO2e savings (metric tonnes CO2e)**

793

**Scope**

Scope 1

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

139,737

**Investment required (unit currency – as specified in CC0.4)**

0

**Payback period**

<1 year

**Estimated lifetime of the initiative**

>30 years

**Comment**

Decommission of Branch Sites closed to the public and internal operations but still owned and leased

---

**Activity type**

Energy efficiency: Processes

**Description of activity**

Other, please specify

Niles IT Consolidation & Ops Changes

**Estimated annual CO2e savings (metric tonnes CO2e)**

1,405

**Scope**

Scope 1

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

185,538

**Investment required (unit currency – as specified in CC0.4)**

20,000

**Payback period**

<1 year

**Estimated lifetime of the initiative**

>30 years

**Comment**

Change in cafeteria operations and decommissioning and consolidation of IT systems at Niles Data Center

---

**Activity type**

Energy efficiency: Building services

**Description of activity**

Building controls

**Estimated annual CO2e savings (metric tonnes CO2e)**

54

**Scope**

Scope 1

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

29,301

**Investment required (unit currency – as specified in CC0.4)**

29,093

**Payback period**

<1 year

**Estimated lifetime of the initiative**

21-30 years

**Comment**

Installation of additional Building Management System (Energy Management System) at San Francisco Distribution Center

---

**Activity type**

Energy efficiency: Building services

**Description of activity**

Lighting

**Estimated annual CO2e savings (metric tonnes CO2e)**

2

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

238

**Investment required (unit currency – as specified in CC0.4)**

94

**Payback period**

<1 year

**Estimated lifetime of the initiative**

21-30 years

**Comment**



Lighting Retrofit Lake Forest Maintenance Shop

---

**Activity type**

Energy efficiency: Building services

**Description of activity**

Other, please specify  
Retro-Commissioning

**Estimated annual CO2e savings (metric tonnes CO2e)**

33

**Scope**

Scope 1  
Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

1,150

**Investment required (unit currency – as specified in CC0.4)**

4,000

**Payback period**

1-3 years

**Estimated lifetime of the initiative**

6-10 years

**Comment**

Waterloo Contact Center Retro-Commissioning Project

---

**Activity type**

Energy efficiency: Building services

**Description of activity**

Lighting

**Estimated annual CO2e savings (metric tonnes CO2e)**

25

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

4,500

**Investment required (unit currency – as specified in CC0.4)**

9,742

**Payback period**

1-3 years

**Estimated lifetime of the initiative**

21-30 years

**Comment**

Lighting Retrofit of existing T8 fixtures with new LED Type A lamps at Greenville Distribution Center

---

**Activity type**

Energy efficiency: Building services

**Description of activity**

Building controls

**Estimated annual CO<sub>2</sub>e savings (metric tonnes CO<sub>2</sub>e)**

58

**Scope**

Scope 1

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

12,600

**Investment required (unit currency – as specified in CC0.4)**

1,475

**Payback period**

<1 year

**Estimated lifetime of the initiative**

21-30 years

**Comment**

Installation of additional building management system (Energy Management System) at Greenville Offsite Distribution Center

### C4.3c

**(C4.3c) What methods do you use to drive investment in emissions reduction activities?**

Method	Comment
Dedicated budget for energy efficiency	Each year Grainger dedicates a portion of its capital and expense budget toward energy efficiency projects within its real estate portfolio.

### C4.5

**(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?**

No

## C5. Emissions methodology

### C5.1

**(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).**

#### Scope 1

**Base year start**

January 1, 2011

**Base year end**

December 31, 2011

**Base year emissions (metric tons CO<sub>2</sub>e)**

40,275

**Comment**

**Scope 2 (location-based)**

---

**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**

**Scope 2 (market-based)**

---

**Base year start**

January 1, 2011

**Base year end**

December 31, 2011

**Base year emissions (metric tons CO2e)**

102,031

**Comment**

## C5.2

**(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.**

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

## C6. Emissions data

### C6.1

**(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO<sub>2</sub>e?**

Row 1

---

**Gross global Scope 1 emissions (metric tons CO<sub>2</sub>e)**

38,600

**Comment**

### C6.2

**(C6.2) Describe your organization's approach to reporting Scope 2 emissions.**

Row 1

---

**Scope 2, location-based**

We are reporting a Scope 2, location-based figure

**Scope 2, market-based**

We are reporting a Scope 2, market-based figure

**Comment**

**C6.3**

**(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO<sub>2</sub>e?**

Row 1

---

**Scope 2, location-based**

83,959

**Scope 2, market-based (if applicable)**

79,842

**Comment**

**C6.4**

**(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?**

Yes

**C6.4a**

**(C6.4a) Provide details of the sources of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure.**

---

**Source**

Locations outside the US, Canada, Mexico, or Panama are not included.

**Relevance of Scope 1 emissions from this source**

Emissions are relevant but not yet calculated

**Relevance of location-based Scope 2 emissions from this source**

Emissions are relevant but not yet calculated

**Relevance of market-based Scope 2 emissions from this source (if applicable)**

Emissions are relevant but not yet calculated

**Explain why the source is excluded**

Complete data is not yet available. The missing data is from non-North American Grainger facilities and newly acquired businesses.

## **C6.5**

### **(C6.5) Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.**

#### **Purchased goods and services**

---

**Evaluation status**

Relevant, not yet calculated

**Metric tonnes CO2e**

**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**



## **Explanation**

### **Capital goods**

---

#### **Evaluation status**

Relevant, not yet calculated

#### **Metric tonnes CO2e**

#### **Emissions calculation methodology**

#### **Percentage of emissions calculated using data obtained from suppliers or value chain partners**

## **Explanation**

### **Fuel-and-energy-related activities (not included in Scope 1 or 2)**

---

#### **Evaluation status**

Relevant, calculated

#### **Metric tonnes CO2e**

27,930

#### **Emissions calculation methodology**

i) Description of the types and sources of data used to calculate emissions: The data to calculate these emissions comes from Grainger's scope 1&2 emissions. This electricity and natural gas data comes from utility bills. The emissions factors used are the eGRID grid loss emission factors and the GWPs are from the IPCC AR5 (CO<sub>2</sub> = 1, CH<sub>4</sub> = 28, N<sub>2</sub>O = 265). ii) Description of the data quality of reported emission: The data quality of all sources for scope 3 emissions calculations is high. iii) Description of the methodologies, assumptions and allocation methods

used to calculate emissions: The methodology used was GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. 100% of the emissions from electricity and natural gas used in Grainger North American operations were allocated to Grainger's footprint.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Explanation**

This category includes transmission losses from electricity and natural gas.

**Upstream transportation and distribution**

---

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

99,275

**Emissions calculation methodology**

i) Description of the types and sources of data used to calculate emissions: This figure comes from fuel charge in our transportation department's billing system and uses the US EPA Smartway's avg MPG, US Govt. Fuel Economy's avg diesel fuel cost in 2017. It then uses the emissions factors used are from the EPA's climate Leaders program (CO2: 10.21 kg/gal, CH4: .015g/mile, N2O: .013g/mile). Emissions factors and the GWPs are from the IPCC SAR (CO2 = 1, CH4 = 21, N2O = 310) ii) Description of the data quality of reported emission: The data quality is medium to high. iii) Description of the methodologies, assumptions and allocation methods used to calculate emissions: The methodology used was GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. 100% of the emissions from fuel expense used in upstream transportation and distribution were allocated to Grainger's footprint in the US.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Explanation**

This category includes transportation in the US from suppliers to Grainger's owned facilities and between Grainger owned facilities, and to customers.

## **Waste generated in operations**

---

### **Evaluation status**

Relevant, calculated

### **Metric tonnes CO2e**

2,456

### **Emissions calculation methodology**

i) Description of the types and sources of data used to calculate emissions: The data to calculate these emissions comes from waste and recycling tonnage for Grainger facilities. The emissions factors used are from the EPA's WARM model and the GWPs are from the IPCC AR5 (CO<sub>2</sub> = 1, CH<sub>4</sub> = 28, N<sub>2</sub>O = 265). These emissions come from waste sent to landfills (0.482912783828248 MT CO<sub>2</sub>e/ton). This data is compiled by Waste Management. The GWPs are from the IPCC AR5 (CO<sub>2</sub> = 1, CH<sub>4</sub> = 28, N<sub>2</sub>O = 265). ii) Description of the data quality of reported emission: The data quality of all sources for scope 3 emissions calculations is high. iii) Description of the methodologies, assumptions and allocation methods used to calculate emissions: The methodology used was GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. 100% of the emissions from waste generated were allocated to Grainger's footprint.

### **Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

### **Explanation**

Grainger's waste generated in operations includes all waste sent to landfill or incineration from Grainger buildings.

## **Business travel**

---

### **Evaluation status**

Relevant, calculated

### **Metric tonnes CO2e**

28,075

### **Emissions calculation methodology**



i) Description of the types and sources of data used to calculate emissions. The data to calculate these emissions comes from two sources. The commercial air travel data comes from our travel agency, Egencia, and it consists of flight length, type of flight, departure city, and arrival city. The emissions factors used are the DEFRA air travel emissions factors and the GWPs are from the IPCC AR5 (CO<sub>2</sub> = 1, CH<sub>4</sub> = 28, N<sub>2</sub>O = 265). The emissions from employee travel in other vehicles all come from fuel combustion in passenger cars. This fuel data is compiled by Grainger’s third party vehicle management company. The emissions factors used are for gasoline consumption from the EPA (8.78 kg CO<sub>2</sub>/gal, .0173 g CH<sub>4</sub>/mile, .0036 g N<sub>2</sub>O/mile). the GWPs are from the IPCC AR5 (CO<sub>2</sub> = 1, CH<sub>4</sub> = 28, N<sub>2</sub>O = 265). ii) Description of the data quality of reported emissions The data quality of all sources for scope 3 emissions calculations is high. iii) Description of the methodologies, assumptions and allocation methods used to calculate emissions. The methodology used was GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The assumptions and allocations for commercial air travel emissions that were used were based on DEFRA standards. 100% of the emissions from fuel used in employee travel in other vehicles were allocated to Grainger’s footprint.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Explanation**

Grainger’s business travel emissions include commercial air travel as well as well as employees traveling in non-Grainger owned vehicles.

**Employee commuting**

---

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

49,159

**Emissions calculation methodology**

i) Description of the types and sources of data used to calculate emissions: The data to calculate these emissions comes from an employee transportation survey. Some of the data is estimated because it is extrapolated from this survey. The emissions factors used are from the EPA’s climate Leaders program (CO<sub>2</sub>: 0.185 kg/mile, CH<sub>4</sub>: .002/mile, N<sub>2</sub>O: .001/mile). Emissions factors and the GWPs are from the IPCC AR5 (CO<sub>2</sub> = 1, CH<sub>4</sub> = 28, N<sub>2</sub>O = 265). The emissions from employee commuting come from fuel combustion in passenger cars. ii) Description of the data quality of reported emission: The data quality from the employee transportation survey is good. iii) Description of the methodologies,



assumptions and allocation methods used to calculate emissions: The methodology used was GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. 100% of the emissions from fuel used in employee commuting were allocated to Grainger's footprint.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Explanation**

This category includes emissions from employees commuting to work.

**Upstream leased assets**

---

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Explanation**

Grainger does not have upstream leased assets

**Downstream transportation and distribution**

---

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**



**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Explanation**

Grainger customers use Grainger's shipping methods to receive products, they do not manage the shipments themselves.

**Processing of sold products**

---

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Explanation**

Grainger sells finished products, not raw materials.

**Use of sold products**

---

**Evaluation status**

Relevant, not yet calculated

**Metric tonnes CO2e**



**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Explanation**

Grainger does not track the use of its sold products and therefore is unable at this time to calculate the life cycle analysis of sold products.

**End of life treatment of sold products**

---

**Evaluation status**

Relevant, not yet calculated

**Metric tonnes CO<sub>2</sub>e**

**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Explanation**

Grainger does not track the use of its sold products and therefore is unable at this time to calculate the life cycle analysis of sold products.

**Downstream leased assets**

---

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO<sub>2</sub>e**



**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Explanation**

Grainger has no leased assets.

**Franchises**

---

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Explanation**

Grainger has no franchises

**Investments**

---

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**





**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Explanation**

Grainger makes no investments

**Other (upstream)**

---

**Evaluation status**

Relevant, not yet calculated

**Metric tonnes CO2e**

**Emissions calculation methodology**

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Explanation**

**Other (downstream)**

---

**Evaluation status**

Relevant, not yet calculated

**Metric tonnes CO2e**

## Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

### C6.7

(C6.7) Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?

No

### C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO<sub>2</sub>e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

---

**Intensity figure**

0.00001249

**Metric numerator (Gross global combined Scope 1 and 2 emissions)**

110,654

**Metric denominator**

unit total revenue

**Metric denominator: Unit total**

8,860,000,000



**Scope 2 figure used**

Market-based

**% change from previous year**

15

**Direction of change**

Decreased

**Reason for change**

This metric decreased by 15% because of an absolute emissions reduction caused by emissions reduction activities, such as LED lighting projects, retro-commissioning projects and building management system installations. Changes in conversion factors year-over-year, and an increase in revenue year-over-year also attributed to the decrease.

## C7. Emissions breakdowns

### C7.1

**(C7.1) Does your organization have greenhouse gas emissions other than carbon dioxide?**

No

### C7.2

**(C7.2) Break down your total gross global Scope 1 emissions by country/region.**

Country/Region	Scope 1 emissions (metric tons CO2e)
United States of America	26,612
Canada	11,988
Mexico	0.52

Panama	0
--------	---

### C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

### C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh)
United States of America	71,370	67,253	145,136	7,250
Canada	8,344	8,344	24,628	0
Mexico	3,613	3,613	6,568	0
Panama	632	632	1,798	0

### C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

### C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Decreased

### C7.9a

**(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined) and for each of them specify how your emissions compare to the previous year.**

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption				
Other emissions reduction activities	2,718	Decreased	2	Grainger is constantly evaluating its assets to ensure the business can meet a growing customer demand. As a result of this growing demand on our facilities, Grainger invested approximately \$0.5M on its branch, distribution center and administrative facilities on energy efficient projects and activities, such as the new building management controls systems, lighting projects, and property realignment at the branches, distribution centers, and data centers. Based on previous year usage this resulted in an absolute reduction of 2718 MT of CO2e, or approximately 2.0% of Grainger GHG emissions in 2016. $(2718 \text{ MT CO}_2\text{e} / 137063 \text{ MT CO}_2\text{e}) * 100 = 2.0$ (Grainger's 2016 scope 1 and scope 2 emissions equals 137063)
Divestment	1,474	Decreased	1.1	In 2017 Grainger finished the restructure of its stand-alone branch network in the U.S. Also in late 2017, Acklands -Grainger in Canada began taking action to reset the business model to reflect the market realities. Divestment of Techni-Tool Inc. to TestEquity in mid-2017. Based on previous year usage this resulted in an absolute reduction of 1474 MT of CO2e, or approximately 1.1% of Grainger GHG emissions in

				2016. $(1474 \text{ MT CO}_2\text{e}/137063 \text{ MT CO}_2\text{e}) * 100 = 1.1$ (Grainger's 2016 scope 1 and scope 2 emissions equals 137063)
Acquisitions				
Mergers				
Change in output				
Change in methodology	5,596	Decreased	4.1	In 2017, Grainger updated the Scope 2 eGRID Emissions Factors for the United States from eGRID2014 (Year 2014 Data) to eGRID2016 (Year 2016 Data). Based on the previous year usage this resulted in an absolute reduction of 5596 MT of CO <sub>2</sub> e, or approximately 4.1% of Grainger GHG emissions in 2016. $(5596 \text{ MT CO}_2\text{e}/137063 \text{ MT CO}_2\text{e}) * 100 = 4.1$ (Grainger's 2016 scope 1 and scope 2 emissions equals 137063)
Change in boundary				
Change in physical operating conditions	6,138	Decreased	4.5	Over the past five years, order origination has shifted from branches and phones to digital channels such as Grainger.com®. In response to this migration, Grainger has consolidated its 150 contact centers in the United States into three national contact centers and has also reduced its owned fleet mobile services and associated mileage driven. Based on the previous year usage this resulted in an absolute reduction of 6138 MT of CO <sub>2</sub> e, or approximately 4.5% of Grainger GHG emissions in 2016. $(6138 \text{ MT CO}_2\text{e}/137063 \text{ MT CO}_2\text{e}) * 100 = 4.5$ (Grainger's 2016 scope 1 and scope 2 emissions equals 137063)
Unidentified	2,741	Decreased	2	Grainger has reviewed the categories in which emissions have decreased, and it is unknown why emissions decreased by 2741 MTCO <sub>2</sub> e, or approximately 2.0% of 2016 emissions. There were decreases in electricity and natural gas consumption in the US which is most likely associated with changing climate conditions. Yet, this has not been confirmed. $(2741 \text{ MTCO}_2\text{e}/137063 \text{ MTCO}_2\text{e}) * 100 = 2.0$ (Grainger's 2016 scope 1 and scope 2 emissions equals 137063)

Other				
-------	--	--	--	--

## C7.9b

**(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?**

Market-based

## C8. Energy

### C8.1

**(C8.1) What percentage of your total operational spend in the reporting year was on energy?**

More than 0% but less than or equal to 5%

### C8.2

**(C8.2) Select which energy-related activities your organization has undertaken.**

	Indicate whether your organization undertakes this energy-related activity
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	Yes

## C8.2a

**(C8.2a) Report your organization’s energy consumption totals (excluding feedstocks) in MWh.**

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total MWh
Consumption of fuel (excluding feedstock)	HHV (higher heating value)	0	193,013	193,013
Consumption of purchased or acquired electricity		7,250	170,880	178,130
Consumption of self-generated non-fuel renewable energy		0		0
Total energy consumption		7,250	363,893	371,143

## C8.2b

**(C8.2b) Select the applications of your organization’s consumption of fuel.**

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	No
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	No

## C8.2c

**(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.**





**Fuels (excluding feedstocks)**

Natural Gas

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

153,540

---

**Fuels (excluding feedstocks)**

Motor Gasoline

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

32,481

---

**Fuels (excluding feedstocks)**

Jet Gasoline

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

6,990

---

**Fuels (excluding feedstocks)**

Propane Liquid

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

2

**C8.2d**

**(C8.2d) List the average emission factors of the fuels reported in C8.2c.**

**Jet Gasoline**

---

**Emission factor**

0.0026

**Unit**

metric tons CO<sub>2</sub>e per liter

**Emission factor source**

[http://www.epa.gov/sites/production/files/2015-12/documents/emission-factors\\_nov\\_2015.pdf](http://www.epa.gov/sites/production/files/2015-12/documents/emission-factors_nov_2015.pdf)

**Comment**

**Motor Gasoline**

---

**Emission factor**

0.00232

**Unit**

metric tons CO2 per liter

**Emission factor source**

[http://www.epa.gov/sites/production/files/2015-12/documents/emission-factors\\_nov\\_2015.pdf](http://www.epa.gov/sites/production/files/2015-12/documents/emission-factors_nov_2015.pdf)

**Comment**

**Natural Gas**

---

**Emission factor**

0.00193

**Unit**

metric tons CO2e per m3

**Emission factor source**

[http://www.epa.gov/sites/production/files/2015-12/documents/emission-factors\\_nov\\_2015.pdf](http://www.epa.gov/sites/production/files/2015-12/documents/emission-factors_nov_2015.pdf)

**Comment**

**Propane Liquid**

---

**Emission factor**

0.0015

**Unit**

metric tons CO2e per liter

**Emission factor source**

[http://www.epa.gov/sites/production/files/2015-12/documents/emission-factors\\_nov\\_2015.pdf](http://www.epa.gov/sites/production/files/2015-12/documents/emission-factors_nov_2015.pdf)

**Comment**

**C8.2e**

**(C8.2e) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.**

	Total Gross generation (MWh)	Generation that is consumed by the organization (MWh)	Gross generation from renewable sources (MWh)	Generation from renewable sources that is consumed by the organization (MWh)
Electricity	5,874	0	5,874	0
Heat				
Steam				
Cooling				

**C8.2f**

**(C8.2f) Provide details on the electricity, heat, steam and/or cooling amounts that were accounted for at a low-carbon emission factor in the market-based Scope 2 figure reported in C6.3.**

**Basis for applying a low-carbon emission factor**

Energy attribute certificates, Renewable Energy Certificates (RECs)

**Low-carbon technology type**



Wind

**MWh consumed associated with low-carbon electricity, heat, steam or cooling**

7,250

**Emission factor (in units of metric tons CO<sub>2</sub>e per MWh)**

0

**Comment**

Grainger purchased 7,250 MWh of Green-e certified Wind Renewable Energy Certificates in 2017. Grainger also produced 5,874 MWh of rooftop solar RECs at it's Bordentown, NJ and Patterson, CA distribution centers. These solar RECs were sold to utility entities.

## C9. Additional metrics

### C9.1

**(C9.1) Provide any additional climate-related metrics relevant to your business.**

## C10. Verification

### C10.1

**(C10.1) Indicate the verification/assurance status that applies to your reported emissions.**

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

## C10.1a

**(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 and/or Scope 2 emissions and attach the relevant statements.**

---

**Scope**

Scope 1

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

 Grainger 2017 GHG Verification statement.pdf

**Page/ section reference**

1-3

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

---

**Scope**

Scope 2 location-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

 Grainger 2017 GHG Verification statement.pdf

**Page/ section reference**

1-3

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

---

**Scope**

Scope 2 market-based

**Verification or assurance cycle in place**

Annual process


**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

 Grainger 2017 GHG Verification statement.pdf

**Page/ section reference**

1-3

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

## C10.1b

**(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.**

---

**Scope**

Scope 3- at least one applicable category

**Verification or assurance cycle in place**



Annual process

**Status in the current reporting year**

Complete

**Attach the statement**

 Grainger 2017 GHG Verification statement.pdf

**Page/section reference**

1-3

**Relevant standard**

ISO14064-3

## C10.2

**(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?**

No, but we are actively considering verifying within the next two years

## C11. Carbon pricing

### C11.1

**(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?**

No, and we do not anticipate being regulated in the next three years

## C11.2

**(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?**

No

## C11.3

**(C11.3) Does your organization use an internal price on carbon?**

No, but we anticipate doing so in the next two years

## C12. Engagement

### C12.1

**(C12.1) Do you engage with your value chain on climate-related issues?**

Yes, our suppliers

Yes, our customers

Yes, other partners in the value chain

### C12.1a

**(C12.1a) Provide details of your climate-related supplier engagement strategy.**

---

**Type of engagement**

Other, please specify

Information collection / Incentivization

**Details of engagement**



**% of suppliers by number**

100

**% total procurement spend (direct and indirect)**

100

**% Scope 3 emissions as reported in C6.5**

48

**Rationale for the coverage of your engagement**

Grainger views our suppliers and vendors as our allies in improving our and their emissions and materials management. We work with more than 5,200 suppliers to offer more than 1.7 million products used by customers to maintain, repair and operate their facilities. We strive to ensure all the products we distribute are manufactured and delivered with high ethical standards, through inclusion of our Supplier Code of Ethics, which focuses on four main areas of ethical sourcing: human rights, labor, environment and anti-corruption. % Scope 3 contained herein accounts for upstream transportation.

**Impact of engagement, including measures of success**

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. These suppliers must acknowledge our Code of Ethics and agree to the rules and expectations within as a condition of doing business with Grainger, and confirm this by signing a Supplier Agreement Letter. Prior to onboarding, a new supplier must agree to abide by the Supplier Handbook, which includes applicable Grainger policies, transportation requirements and the Supplier Code of Ethics. Grainger also relies on a network of third-party carriers for its transportation needs. The company works closely with these providers to continuously identify opportunities to maximize efficiency and minimize fuel use. Grainger continues to be the only industrial supplier to be recognized by the U.S. Environmental Protection Agency (USEPA) as a SmartWay® partner. The program provides a forum for the USEPA and businesses to collaborate in order to improve the environmental efficiency of their supply chains' transport by reducing GHG emissions and other air pollution. Grainger prioritizes which transportation vendors to encourage to partake in SmartWay based on % spend with that vendor, and success is measured based on Grainger's ability to be SmartWay Certified as a Transportation Partner. We furthermore work with our largest suppliers to innovate and improve our distribution packaging. In 2015, the company introduced Supplier Packaging Guidelines to its U.S. and GGS suppliers to encourage suppliers to take sustainability into account when making packaging decisions. The guideline included best practices to help reduce damage



and waste while maximizing recyclable materials. Grainger prioritizes engagement by identifying its largest suppliers, and directly working with them to identify packaging hot spots. Success is measured by the reduction of Grainger's own waste stream and an increase in recycling, and surveying inbound packaging from suppliers. We also collect data and share best practices in sustainability across our value chain by engaging our suppliers through the CDP Supply Chain Program. In 2017, we received responses from 126 of our largest vendors, an increase of more than 50 percent. In total, our suppliers' efforts reduced 85 million metric tons of CO2 resulting in more than \$11 million in average savings.

### Comment

## C12.1b

**(C12.1b) Give details of your climate-related engagement strategy with your customers.**

---

#### Type of engagement

Other, please specify

Product Offering/Information

#### Details of engagement

#### Size of engagement

100

#### % Scope 3 emissions as reported in C6.5

28

#### Please explain the rationale for selecting this group of customers and scope of engagement

We work to create a more sustainable workplace for our customers and our communities through our Environmentally Preferable Product (EPP) Portfolio. We offer our customers one of the largest green SKU counts in the industrial distribution market, providing more ways to reduce energy consumption, conserve water, reduce waste and improve indoor air quality. In addition the company offers data-driven EPP analytics to

our customers helping them track, report and grow their green spend. Similarly, we equip our customer-facing team members with training, sales tools and marketing support so that they can help customers achieve meaningful progress towards their sustainability goals and initiatives. The % Scope 3 Emissions attributable to this group includes Business Travel, Waste Generated, and Fuel and Energy Related Activities.

**Impact of engagement, including measures of success**

We continuously review our EPP for opportunities to provide tailored solutions to customers with sustainability and EPP procurement goals. Our EPP Portfolio offers more than 72,000 SKUs, including 33 certifications and 45 attributes. In 2017, sales of environmentally preferable products totaled more than \$532 million, which represents approximately five percent of our revenue.

## C12.1c

**(C12.1c) Give details of your climate-related engagement strategy with other partners in the value chain.**

In 2017, we launched a new module in our First Time Manager leadership development program. Our objectives were to drive engagement and understanding in our sustainability initiatives across the business, bring awareness to the effect CSR has on our operations and gain insight from our team members on how they plan to tailor the CSR message to meet their daily business needs. 434 team members learned about our value chain, environmental performance and the ways we serve our community.

## C12.3

**(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?**

Trade associations

## C12.3b

**(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?**

No

## C12.3f

**(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?**

Grainger belongs to a limited number of trade associations and participates in educational events held by these groups on sustainability topics. The company's process is to periodically review the trade associations' sustainability materials and report our sustainability activities to these organizations. Grainger does not take part in influencing trade associations regarding climate change.

## C12.4

**(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).**

---

### Publication

In voluntary communications

### Status

Complete

### Attach the document

 Grainger\_2018\_Corporate\_Responsibility\_Report.pdf

### Content elements

Other, please specify

Grainger 2018 CSR Report



## C14. Signoff

### C-FI

**(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

### C14.1

**(C14.1) Provide details for the person that has signed off (approved) your CDP climate change response.**

	Job title	Corresponding job category
Row 1	Chairman and Chief Executive Officer	Board chair