

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

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

GOVERNANCE

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

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

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

2020 Proxy, Pages 2, 18-19, 24
CDP 2020 Response, Pages 2-3
2020 CSR Report, Pages 13-14

STRATEGY

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

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

2019 Annual Report, Pages 10-16
2020 Proxy, Page 24
CDP 2020 Response, Pages 12-13
2020 CSR Report, Pages 18-24

RISK MANAGEMENT

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

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

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

2020 Proxy, Page 25
CDP 2020 Response, Pages 3-12

METRICS

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

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

- Revenue from Environmentally Preferable Products (% revenue): 5.9%
- GHG Intensity (MTCO₂e/Revenue): 10.6%
- Scope 1 emissions (2019): 34,685 metric tons of CO₂-e
- Scope 2 emissions, location-based (2019): 80,962 metric tons of CO₂-e
- Scope 2 emissions, market-based (2019): 78,750 metric tons of CO₂-e

CDP 2020 Response, Pages 19-20
2020 CSR Report, Page 5