

C0. Introduction

C0.1

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

W.W. Grainger, Inc. is a broad line, business-to-business distributor of maintenance, repair, and operating (MRO) supplies and other related products and services. More than 5 million customers worldwide rely on Grainger for products in categories such as safety, material handling, and metalworking, along with services like inventory management and technical support. These customers represent a broad collection of industries, including commercial, government, healthcare, and manufacturing and place orders online, on mobile devices, through sales representatives, over the phone, and at local branches. More than 4,500 suppliers provide Grainger with 1.5 million products stocked in the company's distribution centers (DCs) and branches worldwide. Additionally, Grainger's Endless Assortment businesses offer approximately 26 million products through the Company's expanding drop-ship assortment. Grainger employs approximately 23,000 team members across the globe. For more information on Grainger, visit www.grainger.com/investor.

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	Select the number of past reporting years you will be providing emissions data for
Reporting year	January 1 2020	December 31 2020	No	<Not Applicable>

C0.3

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

- Belgium
- Canada
- China
- Czechia
- Dominican Republic
- France
- Germany
- Hungary
- India
- Indonesia
- Ireland
- Japan
- Malaysia
- Mexico
- Netherlands
- Panama
- Peru
- Poland
- Portugal
- Romania
- South Africa
- Thailand
- United Arab Emirates
- United Kingdom of Great Britain and Northern Ireland
- 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 chosen approach for consolidating your GHG 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) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Board-level committee	General ESG oversight is by the Board Affairs and Nominating Committee (BANC), which is comprised of all independent Directors and, in effect, is a committee of the whole. The BANC annually reviews the Company's ESG programs and reporting, including environmental and sustainability, social responsibility to its communities, governance, the Company's culture, talent strategy, and diversity, equity and inclusion. In turn, the Compensation Committee oversees the Company's programs and policies for human capital management and assists the BANC in its oversight of the Company's programs and policies with respect to employee engagement and leadership effectiveness. In addition to the annual review, the BANC and the Compensation Committee receive routine reports and updates on ESG matters on an as-needed basis. The Board includes one Director with expertise in corporate sustainability and one Director with expertise in environmental matters. An example of a climate related decision made by the BANC was to review and approve Grainger's decision to disclose against the Sustainability Accounting Standards Board (SASB) and the Task-Force on Climate-related Financial Decisions (TCFD) in 2020 and provided feedback on climate-related disclosures on Form 10-K risk factors.
Chief Executive Officer (CEO)	The Company's ESG efforts are led by the Chairman and CEO who chairs management's ESG Leadership Council. The key objectives of the ESG Leadership Council include identifying ways to incorporate the appropriate ESG initiatives into operations and strategy, overseeing the overall ESG program, overseeing the ESG materiality assessment, and making regular reports to the BANC and other Board committees. The ESG Leadership Council is supported by a cross-functional steering committee providing subject matter expertise, implementing day-to-day programs and driving progress toward the success of our strategy.

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	Scope of board-level oversight	Please explain
Scheduled – some meetings	<ul style="list-style-type: none"> Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets 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 	<Not Applicable>	The Board recognizes the importance of ensuring that our strategy is designed to create sustainable long-term value for Grainger's shareholders and other stakeholders. The Board maintains an active role in formulating, planning and overseeing the implementation of Grainger's strategy as to operational, financial, regulatory and ESG matters. The Company integrates ESG initiatives into its strategy and daily operations at each level of its business. This begins with general ESG oversight by the Board Affairs and Nominating Committee (BANC), which is comprised of all independent Directors. The BANC annually reviews the Company's ESG programs and reporting, including environmental and sustainability, social responsibility to its communities, governance, the Company's culture, talent strategy, and diversity, equity and inclusion. In turn, the Compensation Committee oversees the Company's programs and policies for human capital management and assists the BANC in its oversight of the Company's programs and policies with respect to employee engagement and leadership effectiveness. The Board includes one Director with expertise in corporate sustainability and one Director with expertise in environmental matters. In addition to its annual review, the BANC and the Compensation Committee receive routine reports and updates on ESG matters on an as-needed basis. Continuing its practice begun in 2017, the Company also proactively made the Board's Lead Director available in 2020 to explain and discuss the Company's ESG and executive compensation practices and policies.

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Chief Executive Officer (CEO)	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Annually
Other C-Suite Officer, please specify (SVP & Chief Human Resources Officer)	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Annually
Chief Financial Officer (CFO)	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Annually
Other C-Suite Officer, please specify (SVP & General Counsel)	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Annually

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 (do not include the names of individuals).

ESG Leadership Council: Each of the positions identified as having the highest management-level with responsibility for climate-related issues – Chief Executive Officer (CEO), SVP & Chief Financial Officer (CFO), SVP & Chief Human Resources Officer (CHRO) and SVP & General Counsel – sit on Grainger's ESG Leadership Council. The Company's ESG efforts are led by the Chairman and CEO who chairs management's ESG Leadership Council. The ESG Leadership Council meets quarterly to discuss pertinent ESG issues and objectives. In addition to these regular meetings, various representatives from the ESG Leadership Council meet with the BANC annually to review the Company's promotion of ESG. The BANC also receives routine reports and updates from ESG Leadership Council members and senior management on ESG matters.

Description of responsibilities: The key objectives of the ESG Leadership Council include identifying ways to incorporate the appropriate ESG initiatives into operations and strategy, overseeing the overall ESG program, overseeing the ESG materiality assessment, and making regular reports to the BANC and other Board committees. The ESG Leadership Council is supported by a cross-functional steering committee providing subject matter expertise, implementing day-to-day programs and driving progress toward the success of our strategy. Core initiatives relating to culture and talent, including human capital management and diversity, equity and inclusion, are led by the Grainger Human Resources team in coordination with the ESG Leadership Council.

Titles: The titles of all members of the ESG Leadership Council members are: Chairman & CEO; SVP & CFO, SVP & CHRO, SVP & General Counsel; VP & President, Merchandising and Supplier Management; VP, Network Strategy & Transportation; Sr. Director, External Affairs.

Overall ESG Governance: The Company integrates ESG initiatives into its strategy and daily operations at each level of its business. This begins with general ESG oversight by the Board Affairs and Nominating Committee (BANC), which is comprised of all independent Directors. The BANC annually reviews the Company's ESG programs and reporting, including environmental and sustainability, social responsibility to its communities, governance, the Company's culture, talent strategy, and diversity, equity and inclusion. In turn, the Compensation Committee oversees the Company's programs and policies for human capital management and assists the BANC in its oversight of the Company's programs and policies with respect to employee engagement and leadership effectiveness. The Board includes one Director with expertise in corporate sustainability and one Director with expertise in environmental matters.

C1.3

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

	Provide incentives for the management of climate-related issues	Comment
Row 1	No, not currently but we plan to introduce them in the next two years	Grainger does not currently include incentives for the management of climate-related issues in executive compensation. Grainger is currently exploring considerations and associated timelines to incorporate ESG-related incentives into executive compensation.

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	3	Sustainability team defines short-term time horizon as 0-3 years.
Medium-term	3	10	Sustainability team defines medium-term time horizon as 3-10 years.
Long-term	10	30	Sustainability team defines long-term time horizon as 10-30 years.

C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

Enterprise Risk Management Framework:

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 risk rating scale quantifies risk magnitude through consideration of Impact and Likelihood ratings. Applying ratings to each risk helps to commonly measure and prioritize them in a consistent matter.

In this process, the definition of strategic/financial impact: The Impact Ratings measure risk on a 1 (Incidental) to 5 (Severe) scale across four categories: Financial, Customer Experience, Team Member and Compliance. The Financial risk rating scale is aligned with the Company’s financial reporting materiality thresholds.

5 – Severe - An event causing serious and extended disruptions in operations and/or causing severe hardship and damage to the organization and members, which may be characterized by the failure of critical services or prolonged disruptions, insufficient financial resources, or failure to operate in accordance with laws and regulations and has an extreme impact on our ability to achieve business objectives.

4 – Major - An event causing considerable disruptions in operations and/or causing substantial hardship and damage to the organization and members characterized by disruptions in critical services that result in the inability to meet service level commitments having on a major impact on our ability to achieve business objectives.

The Likelihood Ratings measures and reasonably predicts the probability of a specific event occurring on a 1 (Frequent) to 5 (Rare) scale. Scores are reported on the same 1-5 scale as the Impact Ratings.

Board Role in Risk Oversight: 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 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. Both the Board and the Audit Committee regularly review Grainger’s risk assessment and management processes and policies, including receiving regular reports on cybersecurity preparedness from the Company’s Chief Information Security Officer, and members of Grainger’s management who are responsible for the effectiveness of Grainger’s ERM programs. As part of its oversight responsibility, the Compensation Committee assesses the relationship between potential risk created by Grainger’s compensation programs and their impact on long-term shareholder value.

Beginning April 2021, the Enterprise Risk Management team collaborated with business leaders to establish a quarterly metrics dashboard to assess and monitor the performance of Grainger’s top enterprise risks with the purpose of enhanced Board oversight.

Integrating Sustainability & Climate-related Risks: Grainger’s Sustainability Team and Merchandising and Supplier Management Team collaborate with various partners within the business, including Enterprise Risk Management, to determine how climate-related risks are integrated into our risk planning.

In February 2021, Enterprise Risk Management and Supply Chain Leadership facilitated a deep dive assessment for the Board. While the discussion centered on the Grainger’s response to the pandemic, the review focused on the Company applied strategies it has prepared for climate-based disruptions to responding to the pandemic, and how lessons learned in responding to the pandemic can inform strategies identified for climate-based disruptions.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered

Upstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term

Medium-term

Long-term

Description of process

Enterprise Risk Management Framework: 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 risk rating scale quantifies risk magnitude through consideration of Impact and Likelihood ratings. Applying ratings to each risk helps to commonly measure and prioritize them in a consistent matter. The Impact Ratings measure risk on a 1 (Incidental) to 5 (Severe) scale across four categories: Financial, Customer Experience, Team Member and Compliance. The Financial risk rating scale is aligned with the Company's financial reporting materiality thresholds. 5 – Severe - An event causing serious and extended disruptions in operations and/or causing severe hardship and damage to the organization and members, which may be characterized by the failure of critical services or prolonged disruptions, insufficient financial resources, or failure to operate in accordance with laws and regulations and has an extreme impact on our ability to achieve business objectives. 4 – Major - An event causing considerable disruptions in operations and/or causing substantial hardship and damage to the organization and members characterized by disruptions in critical services that result in the inability to meet service level commitments having on a major impact on our ability to achieve business objectives. The Likelihood Ratings measures and reasonably predicts the probability of a specific event occurring on a 1 (Frequent) to 5 (Rare) scale. Scores are reported on the same 1-5 scale as the Impact Ratings. Board Role in Risk Oversight: 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 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. Both the Board and the Audit Committee regularly review Grainger's risk assessment and management processes and policies, including receiving regular reports on cybersecurity preparedness from the Company's Chief Information Security Officer, and members of Grainger's management who are responsible for the effectiveness of Grainger's ERM programs. As part of its oversight responsibility, the Compensation Committee assesses the relationship between potential risk created by Grainger's compensation programs and their impact on long-term shareholder value. Beginning April 2021, the Enterprise Risk Management team collaborated with business leaders to establish a quarterly metrics dashboard to assess and monitor the performance of Grainger's top enterprise risks with the purpose of enhanced Board oversight. Integrating Sustainability & Climate-related Risks: Grainger's Sustainability Team and Merchandising and Supplier Management Team collaborate with various partners within the business, including Enterprise Risk Management, to determine how climate-related risks are integrated into our risk planning. Case Study of Transition Opportunity: 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 products in the short-, medium-, and long-term that help customers meet their sustainable purchasing considerations particularly in the lighting category for energy efficient light bulbs and fixtures. We engage with key suppliers as partners to understand how existing and new products can help to reduce greenhouse gas emissions during product use, manufacturing, and/or end of life product disposal declarations. The Environmentally Preferable Products (EPP) feature independently tested product certifications such as DLC® Approved & EnergyStar®. In 2020, EPP sales totalled \$710 million, a 5% increase from 2019. 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. Case Study of Physical Risk: Grainger's assessment to analyze risks and quantify major exposures to Grainger distribution centers within its supply chain is typically updated on a three- to four-year cycle. The latest Business Impact (BI) analysis occurred in 2019. Disruptions in Grainger's supply chain could result in an adverse impact on results of operations in the short-, medium-, and long-term. In 2019, Internal Audit partnered with the Supply Chain leadership team to facilitate a deep dive into supply chain risks, risk management activities and opportunities. 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. In February 2021, Enterprise Risk Management and Supply Chain Leadership facilitated a deep dive assessment for the Board. While the discussion centered on the Grainger's response to the pandemic, the review focussed on the Company applied strategies it has prepared for climate-based disruptions to responding to the pandemic, and how lessons learned in responding to the pandemic can inform strategies identified for climate-based disruptions.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Current regulatory risks identified by Sustainability, in collaboration with other business departments as relevant, include those that support (or oppose) renewable energy, such as federal and state incentive programs or solar taxes, since the change in solar incentives due to regulation is a key component of our renewable energy strategy and GHG reduction targets. ii: Investments are prioritized based on our findings and a decision may be made to move forward or not if the investment helps our organization achieve business and climate goals or not. For instance, Solar Energy Industries Association reports that, "There is a federal investment tax credit (ITC) for solar energy systems in place until December 31st, 2023. Our organization considers both the investment viability in addition to carbon reduction to prioritize initiative. The Sustainability Team has built a viability scale for sustainability initiatives based on our Internal Return Rate (IRR). As federal and state incentives decline the investment viability is impacted, and lead to de-prioritization.
Emerging regulation	Relevant, always included	Emerging regulatory risks identified by Sustainability, in collaboration with other business departments as relevant, include those that would impact the price of materials utilized in the manufacturing process of goods purchased &/or sold, such as international trade tariffs on imported photovoltaic cells, as another key component of our renewable energy strategy and GHG reduction targets. Vetting these risks allows for the development of mitigation strategies should legislation pass.
Technology	Relevant, always included	New technologies in terms of relevance in supporting our GHG reduction goals are consistently evaluated within Sustainability, and in collaboration with other business departments as relevant. For example, low cost buildings controls have, in the past, been too costly to implement, however, newer applications have contributed to Grainger's emissions reduction efforts. At times newly implemented technologies can impose unintended consequences to the building operations. Risk of component failure in advance systems can impact part or all of operations due to issues such as power quality, harmonics, increased humidity or condensation. Once implemented, some are assessed within the context of latest industry technological advancements and reported on back to leadership monthly.
Legal	Relevant, always included	Grainger routinely reviews the accuracy of information provided by the entities that manufacture or supply the products. Potential legal risks of product greenwashing as it relates to Grainger's Environmentally Preferable Products (EPP) are routinely assessed from an interdisciplinary group led by Merchandising and Supplier Management. This is a growing segment of Grainger's business which represented \$710 million in sales in 2020, and can contribute to GHG reductions in Scope 3 product use phase. Grainger reviews the specific set of EPP attributes as new sustainable products are introduced to the product portfolio, and all values are assessed for relevancy, annually. In order to reduce the risk of product greenwashing, all EPP product claims are evaluated with an external partner, UL LLC, based on the Federal Trade Commission's Guides for the Use of Environmental Marketing Claims ("Green Guides"). To guide customers toward more environmentally preferable solutions, each product in Grainger's EPP portfolio is identified on Grainger.com® with a specific set of certificates, or attributes that are found in the technical specifications section for each product. These products are grouped together in a Green filter on the left-hand navigation bar of Grainger.com®. EPP products fall into two categories - those that are certified by independent organizations and those that have "green environmental attributes." A certification acts as a stamp of approval and indicates that a product has met certain environmental standards. These are designated with a green leaf icon on Grainger.com® and explained in the compliance section for each product.
Market	Relevant, always included	As the market demand for sustainable products and solutions grow, Grainger has determined that a robust Environmentally Preferable Product Portfolio is a customer need based on market assessments, customer requirements and questions from prospective customers. The Merchandising Strategy team conducts in-depth reviews of our portfolio to determine what to carry in our assortment, by listening to the voice of our customers; not just transactional data but actual feedback collected through our website or conversations with our customer-facing teams. For example, customers are telling us that they have internal goals of making their facilities greener: saving energy, saving water, buying products with recycled content or finding solutions to help them recycle products. Our merchants use this feedback, paired with market trends to ensure we have the right EPP solutions to help customers confidently choose the products that will help them meet their sustainability goals, otherwise there is a risk of customers seeking an alternative source of supply to Grainger in order to meet demand for sustainable products. In 2020, the EPP Portfolio featured 100,000 items that help customers maintain sustainable facilities. Annual sales were \$710 million, a 5% increase over 2019.
Reputation	Relevant, always included	Grainger's continued success is substantially dependent on positive perceptions of Grainger's reputation. Grainger assesses reputation considerations through its ESG Governance structure and the ESG Leadership Council and ESG Steering Committee, which includes representatives from Sustainability, Merchandising and Supplier Management, Human Resources, Risk Management, Offer Enablement, Finance, Global Ethics and Compliance, Legal, External Affairs and Community Engagement. Climate-related risks such as natural disasters and extreme weather could have an adverse impact on our supply chain, including difficulty in obtaining products from suppliers or in shipping products to customers, thereby potentially impacting our reputation. That said, Grainger's commitments to sustainability and customer relationships ensure that we continue to enhance our reputation by providing the sustainability products and services that enable our customers to address their own climate risks. Grainger is a leader in the MRO space. We were the first to set public targets such as a GHG reduction goal, first to build LEED certified facilities, first to become an EPA SmartWay Transport Partner.
Acute physical	Relevant, always included	An example of an identified acute physical risk is disruptions in Grainger's supply chain, due to the increased severity of extreme weather, which could result in an adverse impact on results of operations. In 2019, Internal Audit partnered with the Supply Chain leadership team to facilitate a deep dive into supply chain risks, risk management activities and opportunities. 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.
Chronic physical	Relevant, always included	Chronic physical risks are identified by Sustainability, in collaboration with other business departments as relevant. Long term shifts in climate patterns have the potential to impact Grainger, either through increase frequency and severity of extreme weather events, disrupting global supply chains and logistics impacting Grainger's revenue, or through increasing temperatures, putting strain on our workforces and supply chains, increasing operational costs in our distribution centers and branches through additional air conditioning requirements. Grainger has implemented multiple projects to analyze and mitigate risk arising from long term shifts in climate patterns, such as heat waves induced by increasing average temperatures.

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 & Primary climate-related risk driver

Acute physical	Increased severity and frequency of extreme weather events such as cyclones and floods
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Primary potential financial impact

Decreased revenues due to reduced production capacity

Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

Company-specific description

Grainger's assessment to analyze risks and quantify major exposures to Grainger distribution centers within its supply chain is typically updated on a three- to four-year cycle. The latest Business Impact (BI) analysis occurred in 2019. This analysis is reflective of ten in-scope distribution centers in nine states across the west, midwest, south and northeast. The outcomes include prioritization of key facilities or processes by quantifying the significant impact of exposures facing the organization against

specific threats.

Time horizon

Long-term

Likelihood

Unlikely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

78000000

Potential financial impact figure – maximum (currency)

600000000

Explanation of financial impact figure

In 2019, Grainger has calculated that a complete loss of one of its distribution centers could cost the business anywhere between 78M and 600M. This estimated range assumes total loss and includes estimates for rebuild, as well as corresponding financial impacts due to the assumed loss of sales and loss of inventory. The figures shared here represent estimates. Grainger cannot guarantee the stated range of financial impact would be realized if this loss scenario were to occur.

Cost of response to risk

139000000

Description of response and explanation of cost calculation

To mitigate and manage this risk continuous engagement with risk management and outside consultants takes place 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. Grainger recognizes the importance of customers having access to products and services when and where they are needed. Grainger's business continuity and disaster recovery (BCDR) planning helps minimize the impact of unplanned events and outages affecting Grainger customers. To that end, BCDR efforts include developing, implementing and enhancing business continuity processes in alignment with the ISO/IEC 22301 framework for Grainger's Business Continuity Management Programs (BCMPs). This standard provides the strategic direction for BCMPs and guides the establishment of activities that align with the framework. Components of a BCMP include a Business Impact Analysis, Risk Assessment, and other mitigation methods and tools. For example, localized response procedures are designed to allow customers in need to obtain emergency response items at any time of the day or night, and local Grainger branches may remain open 24 hours a day during major emergencies and disasters. The cost of management for this risk is related to the cost of maintaining and improving Grainger Properties and other critical assets to sure they are resilient against extreme weather events. In 2019, Grainger spent approximately \$139,000,000 in capital expenditures related to property, buildings, and equipment.

Comment

n/a

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Upstream

Risk type & Primary climate-related risk driver

Current regulation	Other, please specify (Increased costs associated with carbon standards)
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Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

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

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

2000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

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 markets continue to fluctuate, and therefore costs may increase in the future. Extreme weather has also adversely affected utility costs in the past. Grainger has calculated that the variability in utility costs could mean an increase of about 3%. Additionally, Grainger has calculated that utility related regulations could affect energy related expenses by 6%. Altogether, Grainger expects a 10% estimated increase in energy operating expense of approximately \$2,000,000.

Cost of response to risk

2000000

Description of response and explanation of cost calculation

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. Grainger has been a member of the U.S. Green Building Council since 2007, and remains committed to building Leadership in Energy and Environmental Design (LEED) aligned facilities. Grainger currently maintains 8.1 million square feet of LEED certified space through 18 North American facilities, representing 34 percent of Grainger's total square feet in North America. Grainger's facilities account for about 97% of our annual energy use in North America. We focus our efforts on improving energy efficiency and embedding sustainability into our operations whenever feasible. For example, Grainger currently has 5.3MW of solar panels installed on the rooftops of our distribution centers (DCs). Current renewable energy projects have resulted in 6 million kilowatt hours of renewable energy produced in 2020. The annual cost of management for this risk is \$2,000,000 and equivalent to the annual spend on energy efficiency and plant upgrades to help drive down our energy consumption across our locations.

Comment

n/a

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Upstream

Risk type & Primary climate-related risk driver

Reputation	Shifts in consumer preferences
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Primary potential financial impact

Decreased revenues due to reduced demand for products and services

Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

Company-specific description

Grainger offers a portfolio of Environmentally Preferable Products (EPP) and sustainability-related services, so we must maintain an environmentally responsible reputation or else we run the risk of reduced demand. Our customers have increasingly requested these products and services keep their businesses running over the long term from site audits, payback analysis, utility rebate assistance, recycled or replaced product. The EPP portfolio offers nearly 100,000 products to help customers maintain sustainable facilities through efficient energy management, water conservation, waste reduction and air-quality improvement. In 2020, EPP sales totalled \$710 million, a 5% increase from 2019. Program growth is driven by increased customer demand, and updates to the product information we share about how they can help customers with their sustainable goals. Grainger's continued success is substantially dependent on positive perceptions of Grainger's reputation.

Time horizon

Long-term

Likelihood

Unlikely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

21300000

Potential financial impact figure – maximum (currency)

78100000

Explanation of financial impact figure

As the market demand for sustainable products and solutions grow, Grainger has determined that a robust Environmentally Preferable Product Portfolio is a customer need based on market assessments, customer requirements and questions from prospective customers in order to maintain an environmentally responsible reputation or else we run the risk of reduced demand. For example, customers are telling us that they have internal goals of making their facilities greener: saving energy, saving water, buying products with recycled content or finding solutions to help them recycle products. Our merchants use this feedback, paired with market trends to ensure we have the right EPP solutions to help customers confidently choose the products that will help them meet their sustainability goals. To estimate the maximum potential impact figure, we aligned with Grainger's 2021 full year guidance at 11% as economic trends improve, and applied this to last year's Environmentally Preferable Product (EPP) portfolio sales of \$710 million because we anticipate customers will sustain this growth rate as they resume non-pandemic purchasing. In order to estimate the minimum potential impact figure, we took a conservative approach and multiplied EPP sales by the rate of overall 2020 sales growth at 3% since customer spend fell due to the pandemic.

Cost of response to risk

19000

Description of response and explanation of cost calculation

In order to build a robust Environmentally Preferable Portfolio, products are routinely assessed from an interdisciplinary group led by Merchandising and Supplier Management. Grainger reviews the specific set of EPP attributes as new sustainable products are introduced to the product portfolio, and all values are assessed for relevancy, annually. In order to reduce the risk of product greenwashing, all EPP product claims are evaluated with an external partner, UL LLC, based on the Federal Trade Commission's Guides for the Use of Environmental Marketing Claims ("Green Guides"). This serves customers who require products that meet Federal or targeted State requirements for sustainable procurement, including products that help customers with reduced energy use with certified EnergyStar® products. If regulations were

passed that would require a review of Grainger's energy-related environmental claims to meet new requirements, Grainger would move quickly in order to identify relevant products, audit and update existing claims with UL LLC in order to meet new guidelines and maintain a best-in-class customer experience. The estimated cost of this review cycle would be \$19,000 based on the cost of reviewing products for greenwashing and the volume of energy related products in the EPP portfolio.

Comment

n/a

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

Primary potential financial impact

Increased revenues resulting from increased demand for 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 products that help customers meet their sustainable purchasing considerations particularly in the lighting category for energy efficient light bulbs and fixtures. Since 2014, we have engaged with key suppliers as partners to understand how existing and new products can help to reduce greenhouse gas emissions during product use, manufacturing, and/or end of life product disposal declarations. We expect to continue this engagement over the long-term in order to assist customer with sustainable purchases as new technologies emerge such as Carbon Capture and Sequestration (CCS), we research to understand customer and industry considerations for products that assist with decarbonization, or leverage raw materials derived through CCS. The Environmentally Preferable Products (EPP) feature independently tested product certifications such as Carbonfree® Certified, EnergyStar®, EnergyAware®, DLC® Approved, as well as verified Environmental Product Declarations (EPDs) to assist in understanding the emissions of greenhouse gases of a product from a life cycle perspective. Most recently, the following certifications were added to the EPP program to continue expanding options for greenhouse gas reducing products certified by the Carbon Trust®. Examples include: Carbon Trust Carbon Neutral Certification, Carbon Trust Footprint Label, Carbon Trust Standard for Carbon and Carbon Trust Standard for Supply Chain for end-to-end sustainable product considerations. In 2020, EPP sales totalled \$710 million, a 5% increase from 2019.

Time horizon

Unknown

Likelihood

Very likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

21300000

Potential financial impact figure – maximum (currency)

78100000

Explanation of financial impact figure

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 customer segments including manufacturing, government, and healthcare. To estimate the maximum potential impact figure, we aligned with Grainger's 2021 full year guidance at 11% as economic trends improve, and applied this to last year's Environmentally Preferable Product (EPP) portfolio sales of \$710 million because we anticipate customers will sustain this growth rate as they resume non-pandemic purchasing. In order to estimate the minimum potential impact figure, we took a conservative approach and multiplied EPP sales by the rate of overall 2020 sales growth at 3% since customer spend fell due to the pandemic.

Cost to realize opportunity

28300

Strategy to realize opportunity and explanation of cost calculation

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. i) We have engaged a third party, EcoAct, in order to better understand the carbon impact of the products we sell from the point of distribution through the product end-of-life. This work will help us to prioritize where to align resources to improve our portfolio of products. ii) Additionally, the Merchandising and Supplier Management department conducts in-depth reviews of our portfolio to determine what we should carry in our assortment, as well as how it should be presented to customers through our website and catalogue. For Grainger's lighting products, the team listened to the voice of our customers; not

just transactional data but actual feedback submitted through our website or conversations with our Technical Product Support team, paired with market trends. For example, customers are telling us they have internal goals of making their facilities more sustainable through efficient lighting. The team then makes sure we capture the relevant EPP certifications and product information (e.g. EnergyStar®, DLC® Approved), and display it in a manner to help a customer confidently manage their energy and greenhouse gas emissions. iii) We also engage with UL LLC to review Environmentally Preferable Product certification and attributes as the demand for more sustainable products and services grow. We estimate the combined related costs to manage this opportunity to a third of the overall cost of management opportunities which is \$85,000 overall between EcoAct and UL fees (i.e. one-third of the \$85,000 overall cost of management equals approximately \$28,300). The cost of management was consolidated and adjusted to support an established EPP portfolio in order to maintain and audit existing products, evaluate new EPP products & consult regarding emerging third-party certifications to meet customer procurement considerations.

Comment

Opportunity for our largest use phase category (lighting) only.

Identifier

Opp2

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

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

Based on market assessments, Grainger has determined that sustainability related services are a key customer need. Grainger's portfolio of sustainability related services continues to expand and offers assistance in the areas of Lighting, HVAC, Motors, Solar, Steam, Dust Collection, Compressed Air, EV Charging and Water conservation. These Sustainability related services are focused on energy efficiency measures to optimize existing systems, reduce operating costs and meet ROI targets while offering rebates on energy-efficient products through utility incentive programs. Our focus is to help our customers operate and manage efficient facilities through our suite of climate related services by following best demonstrated practices for every practical area of their operation.

Time horizon

Unknown

Likelihood

Very likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

30000000

Potential financial impact figure – maximum (currency)

60000000

Explanation of financial impact figure

Grainger's portfolio of sustainability related services continues to expand and offers assistance in the areas of Lighting, HVAC, Motors, Solar, Steam, Dust Collection, Compressed Air, EV Charging and Water conservation. These Sustainability related services are focused on energy efficiency measures to optimize existing systems, reduce operating costs and meet ROI targets while offering rebates on energy-efficient products through utility incentive programs. The estimated potential impact range is based on sustainability-related services sales range and corresponding sales goals for fiscal 2021.

Cost to realize opportunity

1172000

Strategy to realize opportunity and explanation of cost calculation

Grainger's highly adaptable services are selected to ensure a full spectrum of energy efficiency services, while offering flexibility to target solutions where they are needed from opportunity assessments to investment grade audits. These solutions are delivered through our nationwide network of pre-vetted, qualified, insured and licensed providers which offers scalability in performing comprehensive multi-site efficiently projects where needed to help customers save time and money through a strategic suite of solutions. We engage with customers to create and execute a bespoke plan from understanding key priorities and establishing a baseline to performing opportunity assessments and/or investment grade audits. From there, we partner to identify projects and/or countermeasures as well as costs and benefits in order for customers to prioritize and select energy-saving measures along with a communication plan to select and socialize investments before implementing projects. The cost of this opportunity is equivalent to the annual operating expense for Grainger's Energy Services team in 2020, which was \$1.172M.

Comment

Opportunity for all energy efficiency-related services

Identifier

Opp3

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

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

In order to support growing customer demand for sustainable products and services, Grainger continues to develop and expand the availability of custom customer insights. Grainger's suite of customer-specific sustainability reports continues to expand from documenting the value of energy rebates and incentives collected on behalf of customers, to trend reporting of past Environmentally Preferable Product (EPP) purchases as well as sustainable product alternative suggestions to guide customers based on their strategic procurement considerations. These sustainability insights are now integrated into the overall suite of customer-facing resources and are available upon request, and we expect to continue these insights over the long-term.

Time horizon

Unknown

Likelihood

Very likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

21300000

Potential financial impact figure – maximum (currency)

35500000

Explanation of financial impact figure

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 customer segments including manufacturing, government and healthcare. To estimate the maximum potential impact figure, we aligned with Grainger's 2021 full year guidance at 11% as economic trends improve, and applied this to last year's Environmentally Preferable Product (EPP) portfolio sales of \$710 million because we anticipate customers will sustain this growth rate as they resume non-pandemic purchasing. In order to estimate the minimum potential impact figure, we took a conservative approach and multiplied EPP sales by the rate of overall 2020 sales growth at 3% since customer spend fell due to the pandemic.

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

In order to manage this opportunity, Grainger has integrated Environmentally Preferable Product (EPP) transparency into our enterprise level reporting capabilities. Leveraging the business process to manage EPP claims, all EPP products are set with a dedicated reporting flag which in turn feed downstream enterprise reporting systems. This enables teams across Grainger's value chain to leverage EPP information from merchandising on Grainger.com, to featuring customer specific sustainable products in branch locations as well as individualized customer-facing reporting insights. All costs of maintaining EPP product information are covered in managing the portfolio (2.4a Opp1), therefore there is no additional investment as customer reporting, including sustainability. As customers continue to refine their sustainable purchasing requirements and considerations, we look to direct customer feedback in order to pilot and develop meaningful and scalable solutions. An example of increased green revenue from Grainger's customer purchasing insights includes feedback from a customer with progressive sustainability goals. This customer was looking to increase its percentage of green purchases, and Grainger team members from the Sales and Merchandising & Supplier Management departments partnered to produce insights covering current EPP purchases, and opportunities to add additional EPP products to meet this increased demand. As a result, the customer's percentage of green purchases increased by 4.4% when comparing performance before and after implementing this reporting.

Comment

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?

Yes

C3.1b

(C3.1b) Does your organization intend to publish a low-carbon transition plan in the next two years?

	Intention to publish a low-carbon transition plan	Intention to include the transition plan as a scheduled resolution item at Annual General Meetings (AGMs)	Comment
Row 1	No, we do not intend to publish a low-carbon transition plan in the next two years	<Not Applicable >	Our new climate target, set in 2020, is to reduce our absolute scope 1 and scope 2 emissions by 30 percent by 2030, using a 2018 baseline. This target follows the medium-term goals of the Paris Climate Agreement and we are excited to work toward achieving our new GHG target. The Intergovernmental Panel on Climate Change (IPCC) has confirmed that in order to limit global warming to 1.5°C, the world needs to halve CO2 emissions by around 2030 and reach net-zero CO2 emissions by no later than 2050. In light of these longer-term goals, we also recognize the need to reduce scope 3 emissions as part of this process. Scope 3 considers all indirect emissions (not included in scope 2) that occur upstream and downstream from Grainger's operations. The majority of our scope 3 impact resides in the energy required to operate the products Grainger sells, such as the electricity required to run an industrial air conditioner or recharge the battery of a cordless drill over its lifetime. Our supplier engagement program is the cornerstone of this effort. Via quarterly calls and active feedback channels, this program engages the top 80 percent of our suppliers by revenue to understand how to approach this scope 3 measurement effort. Scope 3 emissions reduction targets specific to product use phase are an emerging topic. We are working to set a target that will be both industry-leading and best-in-class among other U.S. large cap organizations. Our first step to setting this target will be to functionally model and develop reporting and accounting for product use phase. Measurement methodologies are emerging and complex. We plan to provide the results of our scope 3 analysis and our scope 3 emissions reduction target in the next one to two years. In addition, we plan to establish a carbon reduction program to help our customers achieve their emissions targets.

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

Yes, quantitative

C3.2a

(C3.2a) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenarios and models applied	Details
RCP 2.6 IEA B2DS Other, please specify (IPCC SP15)	To enable Grainger to build strategic approach to evaluate accredited Science Based Targets alignment, we utilized our Marginal Abatement Cost Curve (MACC). This tool provided a visual aid to compare cost and emission impacts associated with various investment options. A MACC presents the extra (or 'marginal') costs and carbon reduction (or 'abatement') potential of these options relative to a business as usual (BAU) baseline. Grainger has used this quantitative scenario analyses to assess the required emissions reductions from Grainger's own operations and value chain emissions to align with latest scientific consensus and the Science Based Targets Initiative's criteria as a guideline. Grainger has used climate scenarios IEA B2DS and IPCC SP15 to assess the magnitude of the emissions reduction required to align with a well-below 2.0 Degrees Celsius emissions reduction trajectory and a 1.5 Degrees Celsius emissions reduction trajectory respectively. These scenarios have been chosen to align with latest scientific consensus and SBTi criteria version 4 as a guideline. Grainger has also used the RCP 2.0 scenario to assess the magnitude of reduction required for a 2.0 Degrees Celsius emissions reduction trajectory, the minimum ambition of the Paris Agreement. In all cases, a 12-year time horizon was used, assessing the magnitude of reduction required by 2030 from a 2018 emissions base year. This time horizon has been chosen to ensure that base year emissions are relevant and representative of current business activity and to demonstrate Grainger's commitment to emissions reductions over the long-term. 100% of Grainger's operations have been included within the assessment, to ensure all significant areas of Grainger's GHG emissions are included. The results of the analysis show that Grainger is required to reduce absolute GHG emissions by 30% to align to a well-below 2.0 Degrees Celsius emission reduction trajectory, and 51% to align with a 1.5 Degrees Celsius emission reduction trajectory. These targets have informed our decision to evaluate accredited Science Based Targets alignment. Using our MACC and carbon analytics tool, this target will be directly linked to our business strategy and support other initiatives such as solar generation. To maintain progress, we have implemented medium-term target that align with CDP's Leadership criteria and address 100% of our Scope 1 and 2 emissions. We consider these combined targets to be science-based as SBTi states that per IPCC AR5 RCP 2.6, the minimum reduction required is 30% absolute emissions reduction by 2030. This translates to a linear 2.5% reduction (based from 2018) per year on average. Grainger has taken strategic steps toward benchmarking our buildings' operations against industry standard to ensure we are investing in the most impactful initiatives to reduce our total carbon emissions (facility lighting retrofits, and HVAC equipment heat load studies to right-size our building loads). We continue to determine the necessary steps for including Scope 3 Use of Sold Products in our target-setting efforts. For example, we are evaluating the increase in sales of specific Energy Star products to achieve an annual reduction that meets SBTi's Scope 3 criteria within the appropriate time periods (5-10 years). One case study from Grainger's analysis was evaluating the impact of solar panel system generating electricity in our network. With two systems in place already, Grainger investigated the effects of installing more systems. Grainger found that not only do more solar panels offer the primary environmental and economic benefits, but there are secondary benefits as well. This includes increased energy independence from the energy grid, and that in turn improves Grainger's business continuity by minimizing the impact of utility grid disruptions.

C3.3

(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	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 products that help customers meet their sustainable purchasing considerations particularly as new sustainability certifications, GHG transparency information, and carbon reduction manufacturing gain in prominence and availability. We engage with key suppliers as partners to understand how existing and new products can help to reduce greenhouse gas emissions during product use, manufacturing, and/or end of life product disposal declarations. As new technologies emerge such as Carbon Capture and Sequestration (CCS), we research to understand customer and industry considerations for products that assist with decarbonization, or leverage raw materials derived through CCS. Each year, we review the Environmentally Preferable Products (EPP) portfolio specific to independently tested product certifications related to climate change such as Carbonfree® Certified, EnergyStar®, EnergyAware®, DLC® Approved, as well as verified Environmental Product Declarations (EPDs) to assist in understanding the emissions of greenhouse gases of a product from a life cycle perspective. Most recently, the following certifications were added to the EPP program to continue expanding options for greenhouse gas reducing products certified by the Carbon Trust®. Examples include: Carbon Trust Carbon Neutral Certification, Carbon Trust Footprint Label, Carbon Trust Standard for Carbon and Carbon Trust Standard for Supply Chain for end-to-end sustainable product considerations. In 2020, EPP sales totalled \$710 million, a 5% increase from 2019.
Supply chain and/or value chain	Yes	In addition to a science-aligned scope 1 and 2 emissions reduction target, we must consider Grainger's impact across its value chain, including scope 3 emissions, the largest area of impact. This is a complex impact to measure. Currently, there are very few organizations setting scope 3 targets even among the most progressive organizations. Still, Grainger has continued to build on its supplier engagement program to understand how we might scope this request in the future. In 2019, the Merchandising and Supplier Management team established Grainger's Supplier Engagement Program to proactively engage with the suppliers who are the most impactful to our business. This long-term supplier engagement strategy is not time bound. We seek to partner with key strategic suppliers of sustainable products and solutions through quarterly meetings and invite suppliers to showcase their products at Grainger's North American Sales and Service Meeting. During this event, we bring our top performing suppliers together for a recognition event, Partners in Performance. This annual event also educates and informs the supplier community about Grainger's key initiatives and strategy. Reflecting 2020 performance, Grainger continued our recognition program with a Sustainable Supplier Award. Key performance factors included sales of Environmentally Preferable Products (EPP) that manage energy and/or contribute to lower, or more transparency in greenhouse gas emissions. Additionally, we considered their own environmental stewardship as a responsible business across environment, people and governance. While quantitative measures are factored into top supplier awards, key measures of success for this annual event are qualitative as we recognize partnerships with strategic suppliers at an exclusive event with top leaders. Impact of engagement, including measures of success: In order to build Grainger's Supplier Engagement Program since 2019, a group of suppliers were asked to participate in some focus groups where we shared information about supplier management and other key areas within the organization. Based on the feedback from those focus groups, we decided to communicate more proactively with our key suppliers via quarterly calls and proactive feedback channels and are continuing this cadence in 2020.
Investment in R&D	Yes	Grainger continues to make climate-related R&D investments. For example, sustainability products and services are one of many areas Grainger is pursuing to help better serve our customer needs. In 2020, in order to help benchmark and standardize opportunities across our network, we conducted 25 lighting audits across our supply chain and corporate network. We have continued these initiatives in 2021. We discovered commonalities among energy loads, 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 as we implemented energy reduction projects from the findings of these audits. Additionally, we found it to be very effective to invest in comprehensive building management systems in key locations with great return on investment timeframes. By monitoring our building via these systems, we are able to identify and trend global warming risks as they occur and adjust our investment and operation strategies accordingly.
Operations	Yes	As a distributor of millions of products, we recognize our duty to ensure our supply chain operates responsibly and sustainably. Grainger has invested significantly in minimizing packaging through "ship complete." Grainger's DCs are dedicated to reducing packaging and freight usage. In a process called "ship complete," we strive to ship all items in the fewest number of cartons, on the same day, from the same shipping point. In doing so, Grainger can maintain a lower usage of corrugate and produce fewer transportation emissions. This results in resource savings that our customers value as much as we do. We also measure our carton-to-order ratio by tracking the number of boxes we ship compared to the number of orders we receive. We continue to monitor this ratio in order to drive improvement and efficiencies in packaging and corrugate use.

C3.4

(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Indirect costs Capital expenditures	Capital Expenditures: Each year, sustainability 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. In 2019, Grainger celebrated the grand opening of its new DC in Louisville, KY. (LVDC) The 1.5 million-square-foot facility stocks more than 300,000 items and allows the company to deliver more products by the next day to customers in the region. The DC runs on state-of-the-art distribution technology enabling real-time order processing. The U.S. Green Building Council (USGBC) approved LEED GOLD certification for the LVDC. This project will not only reduce annual operational expenditures significantly, but it will also play a key role in helping Grainger meet their GHG reduction goals. 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. Grainger recognizes that capital expenditures may be moderately impacted for some suppliers, facilities, or product lines in the short-, medium-, and long-term. Grainger is currently exploring expanding the existing solar plant at its NEDC facility. Those efforts should be completed in 2021. Indirect Costs: In addition to investing in energy efficiency and renewable energy, Grainger has also ensured that building management systems are being utilized to reduce energy consumption in our facilities. Historically, Grainger has focused on its largest facilities, but the global warming risk has made it essential to expand our focus and strategy to all Grainger facilities. Currently, 28 of our facilities have either been built with or retrofitted with BMSs. On average, Grainger has realized a 10-15 percent reduction in energy use and expenses at our facilities after installing a BMS. Our BMSs 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. This has a positive impact on Grainger's financial planning for future energy initiatives in the short, medium and long-term. Revenues: We help customers along their sustainability journey by offering our expertise around services and solutions that help them meet their sustainability goals. New products and services will drive increased revenue. Since 2015, Grainger has offered a portfolio of services that help our customers meet their sustainability goals and objectives. We partner with our network of third party service providers to offer a wide range of sustainability-related services, including HVAC optimization upgrades, water conservation upgrades, utility rebate incentives and lighting retrofit solutions. For example, Grainger can facilitate a free energy audit for customers, consisting of a site walk-through, fixture count, energy audit, return on investment, payback analysis, utility rebate assistance and applications (photo metrics), if applicable. The financial planning time horizon applies was short-, medium- and long-term as its expected that consumer demand for sustainability-related products will continue to grow.

C3.4a

(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

n/a

C4. Targets and performance

C4.1

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

Absolute target

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number

Abs 1

Year target was set

2020

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (market-based)

Base year

2018

Covered emissions in base year (metric tons CO₂e)

123995

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2030

Targeted reduction from base year (%)

30

Covered emissions in target year (metric tons CO₂e) [auto-calculated]

86796.5

Covered emissions in reporting year (metric tons CO₂e)

103096

% of target achieved [auto-calculated]

56.1823729451456

Target status in reporting year

New

Is this a science-based target?

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

Target ambition

Well-below 2°C aligned

Please explain (including target coverage)

Our new climate target, set in 2020, is to reduce our absolute scope 1 and scope 2 emissions by 30 percent by 2030, using a 2018 baseline. This target follows the medium-term goals of the Paris Climate Agreement. The target is not approved by SBTi, but Grainger is aligning with the SBTi guidance for Scope 1 and Scope 2 (market based). The Intergovernmental Panel on Climate Change (IPCC) has confirmed that in order to limit global warming to 1.5°C, the world needs to halve CO₂ emissions by around 2030 and reach net-zero CO₂ emissions by no later than 2050. In light of these longer-term goals, we also recognize the need to reduce scope 3 emissions as part of this process. The majority of our scope 3 impact resides in the energy required to operate the products Grainger sells, such as the electricity required to run an industrial air conditioner or recharge the battery of a cordless drill over its lifetime. We plan to provide the results of our scope 3 analysis and our scope 3 emissions reduction target in the next one to two years. In addition, we plan to establish a carbon reduction program to help our customers achieve their emissions targets. The target coverage is company-wide and covers all global Grainger scope 1 and scope 2 (market based) emissions.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

No other climate-related targets

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 initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	5	14000
To be implemented*	328	15900
Implementation commenced*	105	3100
Implemented*	15	1439
Not to be implemented	0	

C4.3b

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

Initiative category & Initiative type

Energy efficiency in buildings	Lighting
--------------------------------	----------

Estimated annual CO2e savings (metric tonnes CO2e)

198

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

28286

Investment required (unit currency – as specified in C0.4)

143324

Payback period

4-10 years

Estimated lifetime of the initiative

11-15 years

Comment

Lighting Retrofits at approximately 14 branches

Initiative category & Initiative type

Energy efficiency in buildings	Heating, Ventilation and Air Conditioning (HVAC)
--------------------------------	--

Estimated annual CO2e savings (metric tonnes CO2e)

40

Scope(s)

Scope 1
Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

5700

Investment required (unit currency – as specified in C0.4)

0

Payback period

<1 year

Estimated lifetime of the initiative

Ongoing

Comment

BMS controls installed in 3 branches

Initiative category & Initiative type

Energy efficiency in buildings	Other, please specify
--------------------------------	-----------------------

Estimated annual CO2e savings (metric tonnes CO2e)

1201

Scope(s)

Scope 1
Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

0

Investment required (unit currency – as specified in C0.4)

0

Payback period

<1 year

Estimated lifetime of the initiative

Ongoing

Comment

Grainger is routinely evaluating its assets to ensure the business can meet a growing customer demand. As a result of this growing demand on our facilities, Grainger continues investing its branch, distribution center and administrative facilities that have a continual improvement to the energy performance. All of the individual improvements were not explicitly tracked, would account for this reduction.

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?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Group of products

Description of product/Group of products

Group of products

Are these low-carbon product(s) or do they enable avoided emissions?

Low-carbon product and avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (Independent third-party product certifications)

% revenue from low carbon product(s) in the reporting year

4

% of total portfolio value

<Not Applicable>

Asset classes/ product types

<Not Applicable>

Comment

Grainger’s Environmentally Preferable Products (EPP) offer products that are certified as low-carbon or enable avoided emissions through transparent reporting so customers can compare data and select a sustainable option. Examples of certified low-carbon designations include Carbonfree®, EnergyStar® and DLC® Approved. We engage with key suppliers to share Environmental Product Declarations on Grainger.com where available so customers may compare and calculate product life cycle emissions. We continue to engage with suppliers to add more low carbon certified products such as CarbonTrust and qualified calculations to avoid emissions as new EPP products are introduced to Grainger’s portfolio.

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 2018

Base year end

December 31 2018

Base year emissions (metric tons CO2e)

37447

Comment

Scope 2 (location-based)

Base year start

January 1 2018

Base year end

December 31 2018

Base year emissions (metric tons CO2e)

90805

Comment

Scope 2 (market-based)

Base year start

January 1 2018

Base year end

December 31 2018

Base year emissions (metric tons CO2e)

86548

Comment

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate 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 CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)

31821

Start date

<Not Applicable>

End date

<Not Applicable>

Comment

n/a

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

n/a

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO₂e?

Reporting year

Scope 2, location-based

73395

Scope 2, market-based (if applicable)

71275

Start date

<Not Applicable>

End date

<Not Applicable>

Comment

n/a

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?

No

C6.5

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

Purchased goods and services

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

3063173

Emissions calculation methodology

Indirect emissions from goods and services purchased by Grainger were estimated using the Comprehensive Environmental Data Archive (CEDA) 5.0, which is an economic input-output database. The relevant emission factors from the CEDA database have been applied to Grainger's direct spend in order to calculate GHG emissions. Note: CEDA emission factors only account for embodied emissions, not use of the product, which may be accounted for in another part of the footprint.

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

0

Please explain

n/a

Capital goods

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

18609

Emissions calculation methodology

Indirect emissions from goods and services purchased by Grainger were estimated using the Comprehensive Environmental Data Archive (CEDA) 5.0, which is an economic input-output database. The relevant emission factors from the CEDA database have been applied to Grainger's indirect spend in order to calculate GHG emissions (IT services, Manufacturing services, Infrastructure Maintenance and Production Equipment). Note: Indirect spend includes items that are not considered CAPEX but it was not possible to identify CAPEX within this data set, so all emissions have been included here. CEDA emission factors only account for embodied emissions, not use of the product, which may be accounted for in another part of the footprint.

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

0

Please explain

n/a

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

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

21505

Emissions calculation methodology

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. The mobile fuel data comes from fuel purchase bills. The emissions factors used are the well-to-tank factors provided by DEFRA. The GWPs are from the IPCC AR5 (CO₂ = 1, CH₄ = 28, N₂O = 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, as well as well-to-tank mobile fuel emissions, 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

Please explain

This category includes transmission losses from electricity and natural gas, and well-to-tank emissions of mobile fuel.

Upstream transportation and distribution

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

123081

Emissions calculation methodology

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 2019. It then uses the emissions factors used are from the EPA's climate Leaders program (CO₂: 10.21 kg/gal, CH₄: .013g/mile, N₂O: .033g/mile). Emissions factors and the GWPs are from the IPCC SAR (CO₂ = 1, CH₄ = 25, N₂O = 298) 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

Please explain

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

3572

Emissions calculation methodology

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 (CO₂ = 1, CH₄ = 28, N₂O = 265). These emissions come from waste sent to landfills (0.482912783828248 MT CO₂e/ton). This data is compiled by Waste Management. The GWPs are from the IPCC AR5 (CO₂ = 1, CH₄ = 28, N₂O = 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

Please explain

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

15428

Emissions calculation methodology

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 (CO2 = 1, CH4 = 28, N2O = 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 CO2/gal, .009 g CH4/mile, .008 g N2O/mile). the GWPs are from the IPCC AR5 (CO2 = 1, CH4 = 28, N2O = 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

Please explain

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

Employee commuting

Evaluation status

Relevant, calculated

Metric tonnes CO2e

30589

Emissions calculation methodology

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 (CO2: 0.335 kg/mile, CH4: .009g/mile, N2O: .008g/mile). Emissions factors and the GWPs are from the IPCC AR5 (CO2 = 1, CH4 = 25, N2O = 298). 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

Please explain

This category includes emissions from employees commuting to work.

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Grainger does not have upstream leased assets.

Downstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Grainger customers use Grainger's shipping methods to receive products, they do not manage the shipments themselves. Emissions associated with transport and distribution are captured in upstream categories.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Grainger sells finished products, not raw materials.

Use of sold products

Evaluation status

Relevant, calculated

Metric tonnes CO2e

18538954

Emissions calculation methodology

Using product level attributes for life expectancy, power usage and fuel use, emissions were calculated based on product total use phase emissions for Grainger North America's catalogue. Please note this excludes the Use Phase Emissions originating from products sold by our Zoro business in the US due to emerging nature of this business and inaccessibility of data. We are continuously looking to increase the boundary of products and geographies included within our Use Phase model. Electricity emissions have been calculated using IEA 2019 (2017) factors as Grainger is not able to track the location that the product is used. For products using fuel (diesel, gasoline, propane, natural gas) and/or refrigerants, emissions have been calculated using BEIS 2020 emission factors

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

0

Please explain

n/a

End of life treatment of sold products

Evaluation status

Relevant, calculated

Metric tonnes CO2e

144344

Emissions calculation methodology

Weight and material type of total North America, Canada and Mexico sold products has been mapped to waste destinations based on the Environmental Protection Agency (EPA) waste treatment averages. BEIS 2020 emission factors have been used to convert waste mass into emissions.

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

0

Please explain

n/a

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Grainger has no leased assets.

Franchises

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Grainger has no franchises.

Investments

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Grainger makes no investments.

Other (upstream)

Evaluation status

Please select

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

n/a

Other (downstream)

Evaluation status

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

n/a

C6.7

(C6.7) Are carbon dioxide emissions from biogenic 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 CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure

0.00000874

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)

103096

Metric denominator

unit total revenue

Metric denominator: Unit total

11797000000

Scope 2 figure used

Market-based

% change from previous year

11

Direction of change

Decreased

Reason for change

This metric decreased by 11% because of an absolute emissions reduction largely driven by emissions reduction activities, such as LED lighting projects and HVAC 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 break down its Scope 1 emissions by greenhouse gas type?

Yes

C7.1a

(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).

Greenhouse gas	Scope 1 emissions (metric tons of CO2e)	GWP Reference
CO2	31698	IPCC Fifth Assessment Report (AR5 – 100 year)
CH4	63	IPCC Fifth Assessment Report (AR5 – 100 year)
N2O	60	IPCC Fifth Assessment Report (AR5 – 100 year)

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	22626
Mexico	580
Panama	146
Canada	4639
United Kingdom of Great Britain and Northern Ireland	1428
Belgium	69
France	83
Netherlands	277
Romania	5
Portugal	33
India	26
United Arab Emirates	0
Japan	1527
Ireland	6
China	66
Hungary	15
Poland	17
Dominican Republic	0
Indonesia	36
Malaysia	0
Thailand	11
Germany	45
Czechia	163
South Africa	22
Peru	0

C7.3

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

By business division

By activity

C7.3a

(C7.3a) Break down your total gross global Scope 1 emissions by business division.

Business division	Scope 1 emissions (metric ton CO2e)
Grainger Branch	13695
Distribution Center	13458
Corporate Office	3141
Master Branch	694
Data Center	2
Warehouse	832

C7.3c

(C7.3c) Break down your total gross global Scope 1 emissions by business activity.

Activity	Scope 1 emissions (metric tons CO2e)
Stationary combustion	29953
Mobile combustion	1868

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 for in Scope 2 market-based approach (MWh)
United States of America	59005	55838	130769	7500
Canada	3775	3779	13119	0
Mexico	2568	2568	5628	0
Panama	78	78	449	0
United Kingdom of Great Britain and Northern Ireland	1021	1523	4381	0
Belgium	29	27	143	0
France	12	10	226	0
Netherlands	1482	1940	3494	0
Romania	9	9	28	0
Portugal	44	38	149	0
India	100	100	133	0
United Arab Emirates	1	1	2	0
Japan	4456	4456	8875	0
Ireland	11	16	33	0
China	212	212	344	0
Hungary	19	22	77	0
Poland	62	71	87	0
Dominican Republic	0	0	0	0
Indonesia	143	143	186	0
Malaysia	0	0	0	0
Thailand	27	27	56	0
Germany	94	142	234	0
Czechia	144	174	292	0
South Africa	104	104	116	0
Peru	0	0	0	0

C7.6

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

By business division

C7.6a

(C7.6a) Break down your total gross global Scope 2 emissions by business division.

Business division	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
Grainger Branch	14931	14269
Distribution Center	40653	40499
Corporate Office	14589	13141
Master Branch	1074	1029
Data Center	6	6
Warehouse	2144	2331

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	0	Please select	0	Our solar generation, and therefore consumption, was nearly identical to year prior, with small a change due to weather fluctuations.
Other emissions reduction activities	1439	Please select	2.9	Grainger is routinely evaluating its assets to ensure the business can meet a growing customer demand. As a result of this growing demand on our facilities, Grainger continues investing its branch, distribution center and administrative facilities on energy efficient projects and activities, such as the new building management control systems, HVAC upgrades, employee engagement, and lighting projects. This also included 14 lighting projects in our branch network. Overall, improvements have saved an estimated 1,439 MtCO2e in 2020. This is approximately 1.3% of Grainger GHG emissions from 2019. Changes such as emissions factors have impacted our total emissions, the impact of which has not been calculated explicitly. Last year, 1439 tCO2e were reduced by a change on our emissions reduction activities, and our total Scope 1 and Scope 2 emissions in the previous year was 113,435 tCO2e, therefore we arrived at 1.3% through $(1439/113435)*100 = 1.2\%$.
Divestment	2000	Please select	1.8	About halfway through 2020, Grainger divested from its Fabory business and its business in China. On an absolute scale, these divestments would reduce Grainger's carbon footprint by about 3800 MtCO2e. The 2000 MtCO2e shown here is an approximation of the partial year closures for 2020, about 1.8% of Grainger's GHG emissions from 2019.
Acquisitions	0	Please select	0	n/a
Mergers	0	Please select	0	n/a
Change in output	6900	Please select	4.4	The pandemic affected occupancy at corporate sites facilities. For most of the year, they have been mainly vacant as employees worked remotely. This allowed lighting and HVAC energy to be set back, reducing carbon footprint by about 5000 MtCO2e. Also, with reduced travel, our scope 1 carbon footprint related to fuel also reduced, by about 1900 MtCO2e. This reduction in energy consumption led to a carbon reduction of 6900 MtCO2e, or about a 6.1% reduction from 2019.
Change in methodology	0	Please select	0	n/a
Change in boundary	0	Please select	0	n/a
Change in physical operating conditions	0	Please select	0	n/a
Unidentified	0	Please select	0	Changes such as emissions factors have impacted our total emissions, the impact of which has not been calculated.
Other	0	Please select	0	n/a

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 undertook this energy-related activity in the reporting year
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 (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	Unable to confirm heating value	0	171490	171490
Consumption of purchased or acquired electricity	<Not Applicable>	7500	168818	176318
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	5968	<Not Applicable>	5968
Total energy consumption	<Not Applicable>	13468	168818	353776

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 heat	Yes
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

163890

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Emission factor

11.7

Unit

lb CO2e per tce

Emissions factor source

2020 Climate Registry Default Emission Factors (April 2020)

Comment

Fuels (excluding feedstocks)

Motor Gasoline

Heating value

HHV (higher heating value)

Total fuel MWh consumed by the organization

3439

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Emission factor

19.36

Unit

lb CO2e per gallon

Emissions factor source

2020 Climate Registry Default Emission Factors (April 2020)

Comment

Fuels (excluding feedstocks)

Other, please specify (Misc. (including e85))

Heating value

HHV (higher heating value)

Total fuel MWh consumed by the organization

15

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Emission factor

0.00022

Unit

metric tons CO2e per liter

Emissions factor source

EPA CCCL; Emission Factors for GHG Inventories; 2020

Comment

Fuels (excluding feedstocks)

Propane Liquid

Heating value

HHV (higher heating value)

Total fuel MWh consumed by the organization

2

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Emission factor

12.61

Unit

lb CO2e per gallon

Emissions factor source

2020 Climate Registry Default Emission Factors (April 2020)

Comment

Fuels (excluding feedstocks)

Diesel

Heating value

HHV (higher heating value)

Total fuel MWh consumed by the organization

4144

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Emission factor

22.51

Unit

lb CO2e per gallon

Emissions factor source

2020 Climate Registry Default Emission Factors (April 2020)

Comment

C8.2d

(C8.2d) 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	5968	5968	5968	5968
Heat	0	0	0	0
Steam	0	0	0	0
Cooling	0	0	0	0

C8.2e

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

Sourcing method

Unbundled energy attribute certificates, Renewable Energy Certificates (RECs)

Low-carbon technology type

Hydropower

Country/area of consumption of low-carbon electricity, heat, steam or cooling

United States of America

MWh consumed accounted for at a zero emission factor

7500

Comment

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 emissions, and attach the relevant statements.

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 - CDP Verification Statement Limited.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 2 emissions and attach the relevant statements.

Scope 2 approach

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 - CDP Verification Statement Limited.pdf

Page/ section reference

1-3

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 2 approach

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 - CDP Verification Statement Limited.pdf

Page/ section reference

1-3

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1c

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

Scope 3 category

Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2)

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 - CDP Verification Statement Limited.pdf

Page/section reference

1-3

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

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, and we do not currently 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

Engagement & incentivization (changing supplier behavior)

Details of engagement

Climate change performance is featured in supplier awards scheme

% of suppliers by number

15

% total procurement spend (direct and indirect)

63

% of supplier-related Scope 3 emissions as reported in C6.5

59

Rationale for the coverage of your engagement

In May of 2018, Grainger reorganized Global Product Management into Merchandising and Supplier Management to answer three basic questions: 1) What products should we sell, 2) How do we organize and present the products to show the value of the assortment, and, 3) What information do we need for customers to choose efficiently with confidence? This was a shift in the way we thought about our assortment decisions that affected the way we connect with our internal and external stakeholders. To understand how we could stay connected to our suppliers through this shift, we established Grainger's Supplier Engagement Program. In 2019, the Merchandising and Supplier Management team established Grainger's Supplier Engagement Program to proactively engage with the suppliers who are the most impactful to our business. We seek to partner with key strategic suppliers of sustainable products and solutions through quarterly meetings and invite suppliers to showcase their products at Grainger's North American Sales and Service Meeting. During this event, we bring our top performing suppliers together for a recognition event, Partners in Performance. This annual event also educates and informs the supplier community about Grainger's key initiatives and strategy. Reflecting 2020 performance, Grainger continued to bestow a Sustainable Supplier Award for a second year in a row. Key performance factors included sales of Environmentally Preferable Products (EPP) that manage energy and/or contribute to lower, or more transparency in greenhouse gas emissions. Additionally, we considered their own environmental stewardship as a responsible business across environment, people and governance. While quantitative measures are factored into top supplier awards, key measures of success for this annual event are qualitative as we recognize partnerships with strategic suppliers at an exclusive event with top leaders.

Impact of engagement, including measures of success

Not only does the annual Sustainable Supplier Award recognize our keynote partner in the area of sustainability, this foundation for education and awareness has led to meaningful discussions not only around our supplier's current performance within the EPP portfolio, but around new and planned innovations to bring energy efficient products to the market in addition to managing energy during product manufacturing. Supplier engagement includes a 100% audit of all products that are currently available in the portfolio in order to update and anticipate new product features to help customers manage energy, in addition discussing best practices around corporate climate action, and bringing additional value to customers through sustainable services. Measuring success includes monitoring the number of green products offered by suppliers and success is considered growth in the number of green products available. In 2020, the number of green products offered by suppliers grew by 3.6%.

Comment

n/a

C12.1b

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

Type of engagement

Education/information sharing

Details of engagement

Share information about your products and relevant certification schemes (i.e. Energy STAR)

% of customers by number

100

% of customer - related Scope 3 emissions as reported in C6.5

85

Portfolio coverage (total or outstanding)

<Not Applicable>

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 Portfolio. The Merchandising Strategy team conducts in-depth reviews of our portfolio to determine what we should carry in our assortment, and how it should be presented to customers through our website/catalogue. This is accomplished by listening to the voice of our customers via actual feedback submitted, paired with market trends. For example, customers are telling us that they have internal goals of making their facilities greener: saving energy, saving water, buying products with recycled content or finding solutions to help them recycle products. Our merchants use this feedback during their portfolio reviews to ensure we have the right sustainable product solutions. The team makes sure we capture all the relevant product information and display it in a manner to help a customer confidently choose the product that will help them meet their sustainability goals. In order to better understand our sustainability goals, we hosted a targeted customer roundtable at our annual National Sales and Services Meeting. As a result, we enhanced our data-driven EPP analytics. Customers taking science-based climate action seek energy efficient products that are certified as low-carbon or enable avoided emissions through transparent reporting so customers can compare data and select a sustainable option. Examples of certified low-carbon designations include Carbonfree®, EnergyStar® and DLC® Approved. We engage with key suppliers to share Environmental Product Declarations on Grainger.com where available so customers may compare and calculate product life cycle emissions. 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 the emissions associated with product use phase.

Impact of engagement, including measures of success

We routinely review our EPP for opportunities to provide tailored solutions to customers with sustainability and EPP procurement goals. Our EPP Portfolio offers nearly 100,000 SKUs. We look at the sales performance of the EPP portfolio as our measure of success in helping customers select the products that will help them meet their sustainability goals. In 2020, EPP sales totalled \$710 million, a five percent increase over 2019. Grainger's measure of success for the EPP portfolio is when the EPP sales growth rate is higher than general sales growth rate.

C12.1d

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

Who are the other partners: Employees. Grainger offers a comprehensive talent program that begins at orientation and continues throughout an employee's career. Grainger covers a variety of topics via these various learning and training programs, including CSR/ESG.

Who are the other partners: Grainger Global Sourcing (GGS). GGS evaluates Grainger private label products to confirm they meet the company's responsible sourcing guidelines. Suppliers who provide Grainger private label products through GGS complete an annual social responsibility survey, which indicates the suppliers' compliance with social responsibility issues. Grainger reviews responses and contacts suppliers directly for additional clarification or information. To ensure the highest quality private label products, our engineering team conducts extensive product evaluation and testing as well as direct supplier engagement. This engagement includes investigations and factory audits to ensure the highest levels of quality throughout the manufacturing process. The team continually works with our suppliers over time to ensure they have the best equipment and processes in place to deliver consistent quality products.

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's Business Conduct Guidelines prohibit 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 (PAC). Given a particular issue, it is prudent for the Company to understand the legislative and regulatory environments at both the Federal and State levels. We have, from time-to-time, engaged advisors to assist us in advocacy, mainly related to government procurement. In 2020, Grainger was also a member of three trade associations.

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 mainstream reports

Status

Complete

Attach the document

Grainger_2021_Proxy.pdf

Page/Section reference

Emissions Targets: pg. 31; Governance: pg. 1; pgs. 30 - 33; Strategy: pg. 1; pgs. 30 - 33; Risk & Opportunities: pg. 30

Content elements

Governance

Strategy

Risks & opportunities

Emission targets

Comment

Grainger 2021 Proxy

Publication

In mainstream reports

Status

Complete

Attach the document

2020_AR10K.pdf

Page/Section reference

Governance & Strategy: Cover Page / CEO Letter; Risk & Opportunities: pg. 15, pg. 18

Content elements

Governance

Strategy

Risks & opportunities

Comment

Grainger 2020 10K (Annual Report)

Publication

In voluntary sustainability report

Status

Complete

Attach the document

Grainger_2021_Corporate_Responsibility.pdf

Page/Section reference

Strategy: 9-12; Governance: 14; Emissions Figures: 31-33; Emission Targets: 31-33; Other Metrics: 45

Content elements

Governance

Strategy

Emissions figures

Emission targets

Other metrics

Comment

Grainger ESG Report

C15. 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.

C15.1

(C15.1) 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

