

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) INDEX

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

GOVERNANCE

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

Delivering business results and creating a sustainable business that does the right thing has guided Grainger for 95 years. To ensure the Company continues to deliver on these objectives, the Board carefully reviews the Company's environmental, social and governance (ESG) initiatives. The Charter for the Board Affairs and Nominating Committee (BANC) of our Board of Directors provides that the BANC oversees on an annual basis the Company's ESG activity to advance the interests of shareholders, including involvement in the communities Grainger serves and promotion of a sustainable environment. In addition, the BANC receives routine reports and updates on environmental, social and governance (ESG) matters. The Board includes one Director with particular expertise in corporate sustainability and one Director with particular expertise in environmental matters. Grainger is committed to being a responsible corporate citizen and strives to integrate ESG principles into the daily operation of its business.

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[CDP 2021 Response, Pages 2-3](#)

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The ESG Leadership Council, comprised of senior leaders, provides strategic direction and oversight of Grainger's ESG program and incorporates relevant ESG initiatives into the business operations and strategy. Grainger's Chairman and CEO serves as Chair of the ESG Leadership Council. The strategic and programmatic implementation is led by the ESG Steering Committee and the ESG Working Group, respectively.

STRATEGY

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

Grainger's ESG platform includes the Company's commitment to ethics and governance, people and purpose, sustainability and stewardship and supply chain. The Company integrates citizenship initiatives into its strategy and daily operations at each level of the business. Our risks and opportunities are detailed in our 2021 CDP Response, our 2021 Corporate Responsibility Report and the risk-factors section of our 2021 Annual Report. For example, we focus on improving energy efficiency and embedding sustainability into our operations and across our value chain. We were the first in our industry to set a public GHG emissions reduction target, which we achieved two years early in 2018. In 2020, we set a new target consistent with the Paris Agreement's goal of limiting global warming to well below two degrees Celsius. Using a 2018 baseline, we intend to reduce our absolute scope 1 and scope 2 emissions by 30 percent by 2030.

[2020 Annual Report, Page 17](#)

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RISK MANAGEMENT

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

Grainger's Enterprise Risk Management (ERM) team facilitates the use of the Company's Enterprise Risk Management Framework (RMF) to define, measure, and monitor risk across the organization, including climate-related risks. The RMF establishes a common language and methodology to measure and prioritize risks and opportunities and define a process for monitoring of risk treatments. As part of this framework, there is an enterprise risk rating scale that provides guidelines for risk scoring/magnitude. The Board has overall responsibility for risk oversight, with the Audit Committee assisting the Board in performing this function. The Board's role is to oversee the Company's enterprise risk management (ERM) programs, including risk assessment and risk management processes and policies used by Grainger to identify, assess, monitor and address potential financial, compensation, operational, strategic and legal risks on an enterprise-wide basis. Details of the Company's ERM process are included in our 2021 CDP response.

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[CDP 2021 Response, Pages 3-11](#)

Our 2021 CDP Response and 2021 Corporate Responsibility Report outline our proactive approach to reduce climate-related impacts across our business. This includes information about our environmentally preferable product portfolio and investments to improve energy efficiency, reduce our carbon footprint and embed sustainability into our operations and value chain.

METRICS

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

Climate-related metrics, targets and our Scope 1 and 2 emissions data are included in our 2021 Corporate Responsibility Report and also included in our 2021 CDP Climate Change Survey response. In 2020, we announced a new GHG reduction target. Using a 2018 baseline, we intend to reduce our absolute scope 1 and scope 2 emissions by 30 percent by 2030.

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These metrics and emissions data for the 2020 fiscal year include:

- Revenue from Environmentally Preferable Products (% revenue): 6.02%
- GHG Intensity (MTCO₂e/Revenue): 0.00000874
- Scope 1 emissions: 31,821 metric tons CO₂e
- Scope 2 emissions, location-based: 73,395 metric tons of CO₂e
- Scope 2 emissions, market-based: 71,275 metric tons of CO₂e