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DELTA REPORT

10-K

GWW - W.W. GRAINGER, INC.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	3049
CHANGES	345
DELETIONS	1767
ADDITIONS	937

REFINITIV

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022 December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to _______

Commission file number 1-5684

W.W. Grainger, Inc.

(Exact name of registrant as specified in its charter)

Illinois	**36-1150280**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Grainger Parkway	
Lake Forest, Illinois	**60045-5201**
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (847) 535-1000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock	GWW	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller Reporting Company ☐ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that require a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §2401.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The aggregate market value of the voting common equity held by non-affiliates of the registrant w was $35,235,880,897 aas $20,641,746,573 as s of the close of trading as reported on the New York Stock Exchange on June 30, 2022June 30, 2023. The Company does not have nonvoting common equity.

The registrant had 50,199,27049,173,357 shares of the Company’s Common Stock outstanding as of February 15, 2023February 14, 2024.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed in connection with the annual meeting of shareholders to be held on April 26, 2023 April 24, 2024, are incorporated by reference into Part III of this Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023 (Form 10-K) where indicated. The registrant's definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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Forward-Looking Statements

From time to time in this Annual Report on Form 10-K as well as in other written reports, communications and verbal statements, Grainger (as defined below) makes forward-looking statements that are not historical in nature but concern forecasts of future results, business plans, analyses, prospects, strategies, objectives and other matters that may be deemed to be "forward-looking statements" under the federal securities laws. Forward-looking statements can generally be identified by their use of terms such as "anticipate," "estimate," "believe," "expect," "could," "forecast," "may," "intend," "plan," "predict," "project," "will" "will," or "would" "would," and similar terms and phrases, including references to assumptions.

The Company Grainger cannot guarantee that any forward-looking statement will be realized and achievement of future results is subject to risks and uncertainties, many of which are beyond the Company's Grainger's control, which could cause the Company's Grainger's results to differ materially from those that are presented.

Important factors that could cause actual results to differ materially from those presented or implied in the forward-looking statements include, without limitation: inflation, higher product costs or other expenses, including operational and administrative expenses; the impact of macroeconomic pressures and geopolitical trends, changes and events, including the impact of Russia's invasion of Ukraine on the global economy, tensions across the Taiwan Straits and in overall relations with China, and the ramifications of these and other events; a major loss of customers; loss or disruption of sources of supply; the unknown duration and health, economic, operational and financial impacts of the global outbreak of the coronavirus disease 2019 and its variants (COVID-19); changes in customer or product mix; increased competitive pricing pressures; changes in third party third-party practices regarding digital advertising; failure to enter into or sustain contractual arrangements on a satisfactory basis with group purchasing organizations; failure to develop, manage or implement new technology initiatives or business strategies, including with respect to the Company's Grainger's eCommerce platforms; failure to adequately protect intellectual property or successfully defend against infringement claims; fluctuations or declines in the Company's Grainger's gross profit margin; the Company's Grainger's responses to market pressures; the outcome of pending and future litigation or governmental or regulatory proceedings, including with respect to wage and hour, anti-bribery and corruption, environmental, regulations related to advertising, marketing and the Internet, consumer protection, pricing (including disaster or emergency declaration pricing statutes), product liability, compliance or safety, trade and export compliance, general commercial disputes, or privacy and cybersecurity matters; investigations, inquiries, audits and changes in laws and regulations; failure to comply with laws, regulations and standards, including new or stricter environmental laws or regulations; government contract matters; the impact of any government shutdown; disruption or breaches of information technology or data security systems involving the Company Grainger or third parties on which the Company Grainger depends; general industry, economic, market or political conditions; general global economic conditions including tariffs and trade issues and policies; currency exchange rate fluctuations; market volatility, including price and trading volume volatility or price declines of the Company's Grainger's common stock; commodity price volatility; facilities disruptions or shutdowns; higher fuel costs or disruptions in transportation services; outbreaks of pandemic disease or viral contagions such as the COVID-19 pandemic; contagions; natural or human induced disasters, extreme weather and other catastrophes or conditions; effects of climate change; failure to execute on our efforts and programs related to environmental, social and governance matters; competition for, or failure to attract, retain, train, motivate and develop executives and key employees; team members; loss of key members of management or key employees; team members; loss of operational flexibility and potential for work stoppages or slowdowns if team members unionize or join a collective bargaining arrangement; changes in effective tax rates; changes in credit ratings or outlook; the Company's Grainger's incurrence of indebtedness or failure to comply with restrictions and obligations under its debt agreements and instruments and other factors identified under Part I, Item 1A: Risk Factors and elsewhere in this Form 10-K.

Caution should The preceding list is not intended to be taken an exhaustive list of all of the factors that could impact Grainger's forward-looking statements. Given these risks and uncertainties, you are cautioned not to place undue reliance on the Company's forward-looking statements Grainger's forward looking-statements and the Company Grainger undertakes no obligation to update or revise any of its forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I

Item 1: Business

W.W. Grainger, Inc., incorporated in the State of Illinois in 1928, is a broad line, distributor of maintenance, repair and operating (MRO) products and services with operations primarily in North America, (N.A.), Japan and the United Kingdom (U.K.). In this report, the words “Grainger” or “Company” mean W.W. Grainger, Inc. and its subsidiaries, except where the context makes it clear that the reference is only to W.W. Grainger, Inc. itself and not its subsidiaries.

For financial information regarding the Company, see the Consolidated Financial Statements and Notes included in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K.

The Grainger Edge

Grainger's strategic framework, “The Grainger Edge,” uniquely defines the Company by asserting why it exists, how it serves customers and how team members work together to achieve its objectives. Grainger’s purpose is We Keep the World Working®, which in turn allows customers to focus on the core of their businesses and do what they do best.

This framework also outlines a set of principles that define the behaviors expected from Grainger’s team members in working with each other and the Company's customers, suppliers and communities as Grainger executes its strategy and creates value for shareholders. For further information on the Company's principles, see below "Workplace Practices and Policies."

General

Grainger's two reportable segments are High-Touch Solutions North America (High-Touch Solutions N.A.) and Endless Assortment. These reportable segments align with Grainger's go-to-market strategies and bifurcated business models of high-touch solutions and endless assortment. For further segment information, see Part II, Item 7: Management’s Discussion and Analysis (MD&A) of Financial Condition and Results of Operations and Note 14 13 of the Notes to Consolidated Financial Statements in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K.

Below is a description of Grainger’s reportable segments and other businesses.

High-Touch Solutions N.A.

The Company's High-Touch Solutions N.A. segment provides value-added MRO solutions that are rooted in deep product knowledge and customer expertise. The high-touch solutions model serves customers with complex buying needs. This segment primarily includes the Grainger-branded businesses in the United States (U.S.), Canada, Mexico and Puerto Rico.

Endless Assortment

The Company’s Endless Assortment segment provides a streamlined and transparent online platform with one-stop shopping for millions of products. The Endless Assortment segment includes the Company’s Zoro Tools, Inc. (Zoro) and MonotaRO Co., Ltd. (MonotaRO) online channels which operate predominately in the U.S. and Japan.

Other

Other businesses is primarily comprised of the Company's Cromwell business in the U.K. and a wholly owned captive insurance entity. These businesses individually and in the aggregate do not meet the criteria of a reportable segment.

Business Models

Competing with both high-touch solutions and endless assortment business models allows Grainger to leverage its scale and advantaged supply chain to meet the changing needs of its customers. The following provides a high-level view of the Company's business models:

Grainger Strategy_1632x1538_1.19.24.jpg

Customers

The Company uses a combination of its two business models to serve its more than 4.5 million4.5 million customers worldwide which rely on Grainger for products and services that enable them to run safe, sustainable and productive operations. Grainger's customers range from smaller businesses to large corporations, government entities and other institutions, representing a broad collection of industries, including, but not limited to commercial, healthcare, and manufacturing. No single end customer accounted for more than 4% 10% of total sales for the year ended December 31, 2022 December 31, 2023.

In the High-Touch Solutions N.A. segment, customers are typically mid-size and large businesses with complex purchasing operations and processes. Many customers served in this segment expect product and service depth and are focused on total cost of procurement. Customers in this segment utilize sophisticated electronic purchasing platforms that communicate directly with Grainger.com through eProcurement technology. Sales and service representatives drive relationships with customers by helping select the right products and reducing costs by utilizing Grainger as a consistent source of supply. KeepStock®, Grainger's inventory management solution, serves customers on site, offering valuable insights to drive efficiencies and cost savings. The North American Customer Service Centers handle customer interactions for the region via phone, email, eCommerce portals and online chat.

In the Endless Assortment segment, customers are typically smaller and mid-size businesses with less complex purchasing operations and processes. Customers served in this segment have straight-forward product and service needs. Additionally, MonotaRO continues to attract and retain large enterprise customers. Customers purchasing through the endless assortment platforms are focused on transparent pricing and an easy-to-navigate procurement process. MonotaRO and Zoro offer an innovative customer experience by allowing customers to quickly find competitively priced products through intuitive business-focused eCommerce platforms with intelligent analytic capabilities.

Products and Services

Grainger's product offering is grouped under several broad categories, including safety and security, material handling and storage, pumps and plumbing equipment, cleaning and maintenance, metalworking and hand tools. Products are regularly added and removed from Grainger's product lines based on customer demand, market research, suppliers' recommendations and other factors. No single product category comprised more than 20% of the Company's sales for the year ended December 31, 2022 December 31, 2023.

In the High-Touch Solutions N.A. segment, Grainger.com provides real-time price and product availability, detailed product information and features, such as product search and compare capabilities. The high-touch solutions businesses offer more thanapproximately 2 million products and several services, such as technical support and inventory management.

In the Endless Assortment segment, Grainger offers an expansive product assortment and a broad, extensive product range that contains millions of products including those outside of traditional industrial MRO categories. Zoro offers more than 11 million 13 million products and MonotaRO provides access to more than 20 million 22 million products, primarily through its websites and catalogs. The endless assortment businesses continue to enhance assortment by strategically adding products and expanding the offer of third party held products.

Distribution and Sources of Supply

In the large and fragmented MRO industry, Grainger holds an advantaged position with its supply chain infrastructure and a broad in-stock product offering. More than 5,000 primary suppliers worldwide provide Grainger businesses with more than 1.4 million products stocked in Distribution Centers (DCs) and branches globally. No single supplier comprised more than 5% of Grainger's total purchases for the year ended December 31, 2022 December 31, 2023.

In the High-Touch Solutions N.A. segment, DCs are the primary order fulfillment channel, mainly through direct shipments to customers. Automation in the DCs allows orders to ship complete with next-day delivery and also replenish branches that provide same-day availability to customers. Grainger's North American distribution network supplies inventory planning and management, transportation and distribution services to all Grainger businesses in the North American region. Branches serve the immediate needs of customers by allowing them to directly pick up items and leverage branch staff for their technical product expertise and search-and-select support. Additionally,

Grainger offers comprehensive inventory management through its KeepStock® program that includes vendor-managed inventory, customer-managed inventory and onsite vending machines.

In the Endless Assortment segment, orders are placed primarily through online channels. Zoro leverages the High-Touch Solution N.A.'s DC network and third-party drop shipments to deliver seamless service and product fulfillment to customers. MonotaRO fulfills customer orders through local DCs and third-party drop shipments.

For further information on the Company's properties, see Part I, Item 2: Properties of this Form 10-K.

Trademarks and Service Marks

Grainger conducts business under various trademarks and service marks. marks. Approximately 20% of 2022 2023 sales were private label MRO items bearing Grainger's registered trademarks, including DAYTON®, SPEEDAIRE®, AIR HANDLER®, TOUGH GUY®, WESTWARD®, CONDOR® and LUMAPRO®. Grainger also provides a suite of inventory services to its customers under the KEEPSTOCK® brand, which is a registered service mark. Grainger has taken steps to protect these service marks and trademarks against infringement and believes they will remain available for future use in its business.

Seasonality

Grainger sells products that may have seasonal demand fluctuations during the winter or summer seasons or during periods of natural disasters. However, historical seasonality impacts have not been material to Grainger's operating results.

Competition

Grainger faces competition from a variety of competitors, including manufacturers (including some of its own suppliers) that sell directly to certain segments of the market, wholesale distributors, retailers and internet-based businesses. Also, competitors vary by size, from large broad line distributors and eCommerce retailers to small local and regional competitors. Grainger differentiates itself by providing local product availability, a broad product line, sales and service representatives and advanced electronic and eCommerce technology. Grainger also offers other services, such as inventory management and technical support.

Government Regulations

Grainger's business is subject to a wide array of laws, regulations and standards in each domestic and foreign jurisdiction where Grainger operates. In addition to Grainger's U.S. based operations, which in 2022 2023 generated approximately 82% of its consolidated net sales, Grainger operates its business principally through wholly owned subsidiaries in Canada, Mexico and the U.K., and through its majority-owned subsidiary in Japan. Compliance with these laws, regulations and standards requires the dedication of time and effort of team members as well as financial resources. In 2022, 2023, compliance with the applicable laws, regulations and standards did not have a material effect on capital expenditures, earnings or competitive position. See Part I, Item 1A: Risk Factors of this Form 10-K for a discussion of the risks associated with government regulations that may materially impact Grainger.

Human Capital

The Company strongly believes that its corporate culture must be aligned with its business strategy and aspiration to create value. To that end, Grainger's Board of Directors (the Board) and senior management are actively involved in cultivating Grainger's culture. The Compensation Committee of the Board, which is comprised of independent directors, oversees the Company's human capital management programs and policies and routinely provides updates to the Board.

Grainger believes that a purpose-driven culture is an asset that creates a sustainable, competitive advantage for the Company. Building on its strong foundation while evolving a framework to address the future is critical to Grainger's continued success. Grainger has been consistently recognized for its commitment to its culture, diversity, equity and inclusion efforts and employee team member engagement.

Team Member Profile

As of December 31, 2022 December 31, 2023, Grainger had more than 26,000 team members worldwide, of whom approximately 23,000 23,200 were full-time and 3,000 2,900 were part-time or temporary. Approximately 86% 85% of these team members resided are located in

North America, 8% 9% in Asia and 6% in Europe. Grainger has not experienced any major work stoppages and considers team member relations to be good.

Workplace Practices and Policies

The Company has in place a Company's strategic framework, The Grainger Edge, which outlines a set of principles that define the behaviors expected from Grainger's team members in working with each other and the Company's customers, suppliers and communities. This framework helps the Company execute its strategy and create value for shareholders.

The Grainger Edge principles also guide the Company's actions supporting health and safety, diversity, equity and inclusion, and team member experience, including talent acquisition and team member retention, development and compensation and benefits. The Grainger Edge principles are:

- Start with the Customer
- Embrace Curiosity
- Act with Intent
- Compete with Urgency
- Win as One Team
- Invest in our Success
- Do the Right Thing

Grainger's purpose-driven culture and principles help the Company attract, retain, motivate and develop its workforce and drive team member engagement. The Company believes an engaged workforce leads to a more innovative, productive and profitable company and measures team member engagement on an ongoing basis. The results from engagement surveys are used to inform programs and processes designed and implemented to enhance the inclusive culture Grainger aspires to achieve.

Health and Safety

Grainger strives to provide a safe work environment and ensuring in which team members are properly prepared to perform the many tasks required to support customers. The Company's Environmental, Health and Safety (EHS) program is designed to integrate EHS into Grainger's business operations and comply with applicable regulations. To that end, the Company requires each of its locations to perform regular safety audits to confirm proper safety policies, programs procedures and training are in place and operating effectively. procedures.

The Company is focused on promoting a culture of safety and education. Operational team members must complete routine training to fully understand the expectation of behaviors defined by the Company's global EHS policy. Managing and reducing risks at DCs and other facilities remain a core objective and injury rates continue to be low. In 2022 2023, the Company's Occupational Safety and Health Administration (OSHA) Total Recordable Incident Rate in the U.S. was 1.3 and the Company's Lost Time Incident Rate in the U.S. was 0.4 based upon the number of incidents per 100 team members (or per 200,000 work hours).

Diversity, Equity and Inclusion

Grainger believes a diverse talent pool is essential to live its principles, foster innovation, build high-performing teams and drive business results. The Company understands that future business success requires a mix of current and new skill sets, multiple experiences, and a diversity of backgrounds and perspectives, and strives to reflect this priority in its hiring, retention and promotion practices. The Company aspires to increasingly promote a welcoming, inclusive culture that values all people – regardless of sex, gender, race, color, religion, national origin, age, disability, veteran status, sexual orientation, gender expression or experiences – through recruiting outreach, internal networking, business resource groups and mentoring programs.

Grainger's commitment to diversity, equity and inclusion starts at the top. The Company's Board of Directors is comprised of approximately 33% 31% female and 25%23% racially and ethnically diverse directors. Grainger also maintains this strong commitment with the CEO's leadership team and throughout the organization. The CEO's U.S. based leadership team is comprised of approximately 43% 40% women and approximately 29% 30% racially and ethnically diverse leaders. As of December 31, 2022 December 31, 2023, within Grainger's U.S. workforce, approximately 39% of team members were women and approximately 39% 37% of team members were racially and ethnically diverse.

Talent Acquisition, Retention and Development

Grainger believes that a great customer experience starts with a great team member experience. The Company is committed to providing team members with resources designed to help them succeed. Grainger focuses on creating opportunities for team member growth, development and training, including offering a comprehensive talent program that continues throughout a team member's career. This talent program is comprised of performance management, career management, professional development learning opportunities and milestone leadership development programs.

Compensation and Benefits

Grainger believes that its future success is highly dependent upon the Company's continued ability to attract, retain and motivate team members. As part of its efforts in these areas, the Company offers competitive compensation and benefits to meet the diverse needs of team members and support their physical and mental health and well-being, financial future and work-life balance. Team members are given access to health plan resources which include 24-hour virtual health services, disease management, tobacco cessation, parental support, stress management and weight loss programs with access to online support communities. In addition, Grainger provides retirement savings, paid holidays and time off, educational assistance and income protection benefits as well as a variety of other programs.

Available Information

Grainger's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are filed with the U.S. Securities and Exchange Commission (SEC). Such reports and other information filed with the SEC are available free of charge as soon as reasonably practicable after these materials are electronically filed with, or furnished to, the SEC, on the Company's website at www.grainger.com, and its investor relations website, invest.grainger.com. This includes press releases and other information about financial performance, information on environmental, social and governance matters, and details related to the Company's annual meeting of shareholders. The content of the Company's website and investor relations website is not incorporated by reference into this Form 10-K or in any other report or document filed with the SEC, and any references to Grainger's website and investor relations website are intended to be inactive textual references only. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Information about Executive Officers

Following is information about the executive officers of Grainger, including age, as of January 31, 2023 January 31, 2024. Executive officers of Grainger generally serve until the next annual appointment of officers, or until earlier resignation or removal.

Name and Age	Positions and Offices Held and Principal Occupation and Employment
Nancy L. Berardinelli-Krantz (45) (46)	Senior Vice President and Chief Legal Officer, a position assumed in January 2023 after John L. Howard stepped down as General Counsel(1). 2023. Previously, Ms. Berardinelli-Krantz served in roles of increasing responsibility at Eaton Corporation (Eaton), a power management company, from 2011-2015 and again from 2017-2022. Her most recent position was Senior Vice President and Deputy Chief Legal Officer. After her return to Eaton, her other positions were: Senior Vice President and General Counsel, Digital, Innovation and Technology; Senior Vice President, Ethics and Compliance; and Vice President and Chief Counsel, Litigation. Ms. Berardinelli-Krantz held various positions of senior leadership at The Goodyear Tire & Rubber Company, a multinational tire manufacturer, and worked for the international law firm of Jones Day. Ms. Berardinelli-Krantz is a veteran of the United States Army and Judge Advocate General's Corps, where she served as a trial attorney in Fort Hood, Texas, and for the Contract Appeals Division in Washington, D.C. She also served as a trial defense counsel in Baghdad, Iraq.
Kathleen S. Carroll (54) Matt Fortin (57)	Senior Vice President and Chief Human Resources Officer, a position assumed in December 2018. September 2023. Previously, Ms. Carroll Mr. Fortin served as Executive Group Vice President, Chief Human Resources Officer of First Midwest Bancorp, Inc., Merchandising and Supplier Management, Grainger Business Unit, a diversified financial services company, from 2017 to 2018. Prior to that role, Ms. Carroll was employed at Aon Corporation, position assumed in 2022, Vice President and President, Merchandising and Supplier Management, a global insurance brokerage position assumed in May 2018, and consulting company, between 2006 and 2017 in various human resources roles, culminating in her position as Vice President and President, Global Head Product Management and Indirect Procurement, a position assumed in September 2017. Since joining Grainger in 2006, Mr. Fortin has held various other positions, including in the areas of Talent Acquisition. supply chain, sourcing and operations in China. Prior to Grainger, Mr. Fortin spent 16 years at General Motors, a multinational automotive manufacturing company, in various leadership roles in manufacturing, purchasing, continuous improvement and general management.
D.G. Macpherson (55) (56)	Chairman of the Board, a position assumed in October 2017, and Chief Executive Officer, a position assumed in October 2016 at which time he was also appointed to the Board of Directors. Previously, Mr. Macpherson served as Chief Operating Officer, a position assumed in 2015, Senior Vice President and Group President, Global Supply Chain and International, a position assumed in 2013, Senior Vice President and President, Global Supply Chain and Corporate Strategy, a position assumed in 2012, and Senior Vice President, Global Supply Chain, a position assumed in 2008. Prior to Grainger, Mr. Macpherson served as Partner and Managing Director at Boston Consulting Group, a global management consulting firm.
Deidra C. Merriwether (54) (55)	Senior Vice President and Chief Financial Officer, a position assumed in January 2021. Previously, Ms. Merriwether served as Senior Vice President, and President, North American Sales & Services, a position assumed in November 2019, Senior Vice President, U.S. Direct Sales and Strategic Initiatives, a position assumed in September 2017, Vice President, Pricing and Indirect Procurement, a position assumed in 2016 and as a Vice President in Finance from 2013 to 2016. Prior to Grainger, Ms. Merriwether held various positions of increasing responsibility at Sears Holdings Corporation, a broadline retailer, PriceWaterhouseCoopers, a global professional services firm, and Eli Lilly & Company, a global pharmaceutical company.
Paige K. Robbins (54) (55)	Senior Vice President and President, Grainger Business Unit, a position assumed in January 2021. Previously, Ms. Robbins served as Senior Vice President and Chief Technology, Merchandising, Marketing, and Strategy Officer, a position assumed in November 2019, as Senior Vice President and Chief Merchandising, Marketing, Digital, Strategy Officer, a position assumed in May 2019, as Senior Vice President and Chief Digital Officer, a position assumed in September 2017, and as Senior Vice President, Global Supply Chain, Branch Network, Contact Centers and Corporate Strategy, a position assumed in 2016. Since joining Grainger in September 2010, Ms. Robbins has held various positions as a Vice President, including in the areas of Global Supply Chain and Logistics. Prior to Grainger, Ms. Robbins served as Partner and Managing Director at Boston Consulting Group, a global management consulting firm.
Laurie R. Thomson (49) (50)	Vice President, Controller and principal accounting officer, a position assumed in May 2021. Previously, Ms. Thomson served as Vice President, Internal Audit and Finance Continuous Improvement of the Company, a position assumed in November 2019, Vice President, Internal Audit from October 2016 to November 2019, Senior Director, Finance from June 2011 to September 2016, and Director, Internal Audit from February 2008 to June 2011. Ms. Thomson is a certified public accountant and prior to Grainger served as Director, Internal Audit at CVS Health Corporation, a pharmacy healthcare provider, and Audit Manager at Arthur Andersen LLP, a professional services firm.

Item 1A: Risk Factors

The following is represents a discussion of significant risk factors relevant to Grainger's business that could adversely affect its financial condition, results of operations and cash flows. flows, along with the accuracy of forward-looking statements. The risks included below are not exhaustive. As Grainger operates in a rapidly changing environment, it is not possible for management to predict all risks and the corresponding impact of each such risk or a combination of risks. The presented risks and any new risks could cause actual results to differ materially from those contained in any forward-looking statements. The risk factors discussed in this section should be considered together with information included elsewhere in this Annual Report on Form 10-K and should not be considered the only risks to which the Company Grainger is exposed.

__Industry and Market Risks__

***Inflation could cause Grainger's operating and administrative expenses to grow more rapidly than net sales, which could result in lower gross margins and lower net earnings*.**

Market variables, such as inflation of product costs, labor rates and fuel, freight and energy costs, as well as geopolitical events, could potentially cause the Company negatively impact Grainger's ability to be unable to effectively manage its operating and administrative expenses in a way that would enable it to leverage its revenue growth into higher net earnings. expenses. For example, Russia's invasion of Ukraine and other geopolitical conflicts as well as the and related international response, has responses have and may continue to exacerbate inflationary pressures, including causing increases in fuel and other energy costs. In addition, Grainger's inability to pass on increases in costs to customers in a timely manner, or at all, could cause Grainger's operating and administrative expenses to grow, which could result in lower gross profit margins and lower net earnings.

Disruptions in Grainger's supply chain could result in an adverse impact on results of operations.

Grainger's logistics or supply chain network could be disrupted by the occurrence of: one or more natural or human induced disasters, including earthquakes, tsunamis, storms, hurricanes, floods, fires, droughts, tornados and other extreme weather; weather events or conditions; pandemic diseases or viral contagions such as the COVID-19 pandemic; contagions; geopolitical events, such as war, civil unrest or terrorist attacks in a country in which Grainger operates or in which its suppliers are located; disruptions in transport to transportation infrastructure and networks, including from transport providers or third party third-party work stoppages related to labor strikes or lockouts; and the imposition of measures that create barriers to or increase the increases in costs associated with international trade. Even when Grainger is able to find alternate sources for certain products, they may cost more or require the Company Grainger to incur higher transportation costs, which could adversely impact the Company's Grainger's profitability and financial condition. Any of these circumstances could impair Grainger's ability to meet customer demand for products and result in lost sales, increased supply chain costs, penalties 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 and financial performance.

Furthermore, in connection with Russia's invasion of Ukraine, the U.S. and other countries have responded by imposing major, and potentially prolonged, economic sanctions and other responses. Although Grainger's business has limited direct exposure in Russia and Ukraine, further Further escalation of geopolitical tensions across the world and potential actions taken in response to them could have a broader broad impact that expands into other on markets where we do Grainger does business, which could adversely affect Grainger's business and/or supply chain, customers and/or its suppliers in the broader region. Similarly an increase in tensions across the Taiwan Straits and in overall relations with China, and the potential of various resulting actions and responses of the international community and other factors affecting trade in and from the region could disrupt the sourcing, manufacturing and manufacturing transportation of products in the region. products. It is not possible to predict whether these certain geopolitical events which could adversely affect Grainger's business will occur, or the broader consequences of these events if they did occur, which could include further instability, geopolitical shifts and adverse effects on the global economy or possible sanctions, embargoes or other trade barriers.

Weakness in the economy, market trends and other conditions affecting the profitability and financial stability of Grainger's customers could negatively impact Grainger's sales growth and results of operations.

Economic, political and industry trends affect Grainger's business environment. Grainger serves several industries and markets in which the demand for its products and services is sensitive to the production activity, capital spending and demand for products and services of Grainger's customers. Many of these customers operate in markets that are subject to cyclical fluctuations resulting from market uncertainty, trade and tariff policies, costs of goods sold, currency exchange rates, interest rate fluctuations, government spending and government shutdowns, economic downturns, recessions, foreign competition, offshoring of production, oil and natural gas prices, geopolitical developments, labor shortages, work stoppages, inflation, natural or human induced disasters, extreme weather, outbreaks of pandemic disease, such as the COVID-19 pandemic, inflation, deflation, and a variety of other factors beyond Grainger's control. Any of these factors could cause customers to idle or close facilities, delay purchases, reduce production levels, or experience reductions in the demand for their own products or services.

Any of these events could also reduce the volume of products and services these customers purchase from Grainger or impair the ability of Grainger's customers to make full and timely payments and could cause increased pressure on Grainger's selling prices pricing and terms of sale. Accordingly, a significant or prolonged slowdown in economic activity in Canada, China, Japan, Mexico, the U.K., the U.S. or any other major world economy, or a segment of any such economy, could negatively impact Grainger's sales growth and results of operations.

Unexpected product shortages, tariffs, product cost increases and risks associated with Grainger's suppliers could negatively impact customer relationships or result in an adverse impact on results of operations.

Grainger's competitive strengths include product selection and availability. Products Grainger's products are purchased from more than 5,000 primary suppliers located in various countries around the world, not one of which accounted for more than 5% of total purchases.

Disruptions in procuring sources of supply could occur due to factors beyond Grainger's control. These factors could include economic downturns, recessions, outbreaks of pandemic disease, such as the COVID-19 pandemic or other similar global pandemics, natural or human induced disasters, cybersecurity attacks, extreme weather, geopolitical unrest, tariffs, new tariffs or tariff increases, increased tariffs, trade issues and policies, detention orders or withhold release orders on imported products, labor problems or shortages experienced by Grainger's suppliers or others in the supply chain, transportation availability, staffing and cost, shortage of raw materials, supplier consolidation, unilateral product cost increases by suppliers of products in short supply, inflation and other factors, any of which could adversely affect a supplier's ability to manufacture or deliver products or could result in an increase in Grainger's product costs.

Further, Grainger sources products from Asia and other areas of the world. This increases the risk of supply disruption due to the additional lead time required, distances involved, and the range of potential consequences of various geopolitical risks. If Grainger was unable to promptly replace sources of supply that become disrupted, there could be adverse effects on inventory levels, results of operations, customer relationships and Grainger's reputation. In addition, Grainger has strategic relationships with a number of vendors. In the event Grainger was unable to maintain those relations, there might be a loss of competitive pricing advantages arrangements which could, in turn, adversely affect results of operations.

Grainger requires its suppliers and their sub-suppliers, for For products sold in the U.S., Canada, and Mexico, Grainger requires its suppliers and sub-suppliers, to comply with Grainger's Supplier Code of Ethics, or other similar responsible sourcing standards, as a condition to of doing business with Grainger. Grainger's Supplier Code of Ethics focuses on four main areas of ethical sourcing: (i) human rights and labor standards (including prohibitions on child and forced labor), ; (ii) environment, health and anti-corruption. safety; (iii) sanctions, trade, bribery and corruption; and (iv) privacy and information security. The Code also addresses how to report potential Code violations and related concerns. Grainger does not control its suppliers and their sub-suppliers, and neither Grainger nor its suppliers or other partners may be able to uncover all instances of noncompliance with Grainger's Supplier Code of Ethics and ethical and lawful business practices. Even an isolated incident, or the aggregate effect of individually insignificant incidents, can erode trust and confidence, particularly if they result in adverse publicity, governmental investigations, product recalls, or litigation, and as a result, could tarnish Grainger's brand and lead to adverse effects on Grainger's business.

Grainger's business and operations have been and could in the future be adversely affected by the global outbreak of the Coronavirus and its variants (COVID-19 pandemic), or other global outbreaks of pandemic disease.

Any global outbreaks of pandemic disease, such as the COVID-19 pandemic, could have a material adverse effect on Grainger's business, results of operations and financial condition, including liquidity, capital and financing resources.

Additional effects from global pandemics on Grainger's business could include adverse impacts on transportation, including shipping delays and port disruptions, increased shipping costs, constraints on the availability of products, inflation, and labor shortages. Furthermore, Grainger's ability to collect its accounts receivable or receive product ordered from suppliers, as customers and suppliers face higher liquidity and solvency risks and seek terms that are less favorable to Grainger, may adversely affect the Company's business. These adverse effects could result in product shortages, including certain PPE and cleaning supplies, and may impact the Company's ability to maintain sufficient inventory and to accurately predict demand or lead times, which might cause it to be unable to service customer demand or expose it to risks of product shortages. Addressing shortages may require the Company to procure products from new suppliers or through brokers with whom it has a limited or no prior relationship. These developments, alone or in combination, could materially adversely affect Grainger's future sales and results of operations.

Moreover, global outbreaks such as the COVID-19 pandemic have resulted in a widespread health crisis that has adversely affected and could continue to adversely affect the economies of many countries, resulting in a global or regional economic downturn or recession and supply chain challenges. Any such recession could result in a significant decline in access to products, demand for the Company's products or limit Grainger's ability to access capital markets, any of which could materially adversely affect the Company's business, results of operations and financial condition.

The duration and ultimate impact of a global pandemic on the Company's business, results of operations and financial condition will depend on numerous evolving factors and future developments, which are highly uncertain and cannot be predicted at this time. Such factors and developments may include the extent and geographic spread, severity and duration of the pandemic, including whether there are periods of increased cases, the extent and duration of the impact on the U.S. or global economy, including the pace and extent of recovery when the pandemic subsides, and the actions that have been or may be taken by various governmental authorities in response to the outbreak.

In addition, if the Company is unable to respond to and manage the impact of governmental mandates, requirements or other directives related to a pandemic, the Company's business and results of operations may be adversely affected.

Volatility in commodity prices may adversely affect gross margins.
Some of Grainger's products contain significant amounts of commodity-priced materials, such as steel, copper, petroleum derivatives, rare earth minerals, or other materials or inputs required to manufacture certain products and are subject to price changes based on fluctuations in the commodities market. The recent global geopolitical and trade environment has resulted in raw material inflation and potential for increased escalation of domestic and international tariffs and retaliatory trade policies. Further changes in U.S. trade policy (including new or additional increases in duties or tariffs) and retaliatory actions by U.S. trade partners could result in a worsening of economic conditions. The level of demand for Grainger's products and services is influenced in multiple ways by the price and availability of raw materials and commodities, including fuel. Fluctuations in the price of fuel or increased demand for freight services, including as a result of outbreaks of pandemic disease such as the COVID-19 a pandemic, could affect transportation costs. Grainger's ability to pass on such increases in costs in a timely manner depends on market conditions. The inability to pass along cost increases could result in lower gross margins. In addition, higher prices could reduce demand for these products, resulting in lower sales volumes.

Fluctuations in foreign currency could have an effect on reported results of operations.
Grainger's exposure to fluctuations in foreign currency rates results primarily from the translation exposure associated with the preparation of the Consolidated Financial Statements, as well as from transaction exposure associated with transactions in currencies other than an entity's functional currency. While the Consolidated Financial Statements are reported in U.S. dollars,

the Financial Statements of Grainger's subsidiaries outside the U.S. are prepared using the local currency as the functional currency and translated into U.S. dollars. In addition, Grainger is exposed to foreign currency exchange rate risk with respect to the U.S. dollar relative to the local currencies of Grainger's international subsidiaries, primarily the Japanese yen, Mexican peso, Canadian dollar, British pound sterling, Mexican peso, Chinese renminbi and euro, arising from transactions in the normal course of business, such as sales and loans to wholly owned subsidiaries, sales to customers, purchases from suppliers, and bank loans and lines of credit denominated in foreign currencies. The foreign currency exchange rate is driven by a variety of macroeconomic factors and fiscal decisions of various governments and central banks, all of over which Grainger has no control over. control. Grainger also has foreign currency exposure to the extent receipts and expenditures are not denominated in a subsidiary's functional currency and that could have an impact on sales, costs and cash flows. These fluctuations in foreign currency exchange rates has have affected and may continue to affect Grainger's results of operations and impact reported net sales and net earnings.

The facilities maintenance industry is highly competitive, and changes in competition and other risks could result in decreased impact demand for Grainger's products and services.
Grainger competes in a variety of ways, including product assortment and availability, services offered to customers, pricing, purchasing convenience and the overall experience Grainger offers. This includes the ease of use of Grainger's high-touch operations, eCommerce platforms and delivery of products.

There are several large competitors in the industry, although most of the market is served by small local and regional competitors. Grainger faces competition in all markets it serves from manufacturers (including some of its own suppliers) that sell directly to certain segments of the market, wholesale distributors, catalog houses, retail enterprises and online businesses that compete with price transparency. businesses.

To remain competitive, the Company Grainger must be willing and able to respond to market pressures. Downward pressure on sales prices, changes in the volume of orders, and an inability to pass higher product costs on to customers could cause Grainger's gross profit percentage to fluctuate or decline. Grainger may not be able to pass rising product costs to customers if those customers have ready product or supplier alternatives in the marketplace. These pressures could have a material effect on Grainger's sales and profitability.

To manage these potential pressures, Grainger continuously considers the adoption of new operating initiatives, including new marketing programs, productivity improvements, inventory management and loss prevention initiatives, and other similar strategies. If the Company Grainger is unable to sustain or grow sales, or reduce costs, and prevent loss and fraud, among other actions, the Company's Grainger's results of operations and financial condition may be adversely affected.

Moreover, Grainger expects technological advancements, innovations and the increased use of eCommerce solutions within the industry to continue to evolve at a rapid pace. As a result, Grainger's ability to effectively compete requires Grainger to respond and adapt to new industry trends and developments. Developing, upgrading, managing or implementing new technologies, business applications, strategies and innovations may require significant investment of resources by the Company, Grainger, may result in unexpected costs and disruptions to operations, may take longer than expected, may increase the Company's Grainger's vulnerability to cyber breaches, attacks or intrusions, and may not provide all anticipated benefits.

The growth of Grainger's eCommerce platforms exposes Grainger to additional risks which could adversely affect Grainger's reputation, financial performance condition and operating results.

The successful execution of Grainger's eCommerce growth strategy depends on a number of factors, including the Company's Grainger's investment in its eCommerce platforms, consumer preferences and purchasing trends, and the ability to deliver a seamless procurement experience across digital and also physical retail channels. As its eCommerce platforms have grown in recent years, Grainger has increased, and expects to continue to increase, its investments in developing, managing and implementing technology information systems, software development and other capabilities to provide simplified customer interactions and to provide high-quality, user-friendly service to its customers and streamline customer interactions. Grainger has also made significant investments in digital advertising and customer acquisition and retention efforts for its eCommerce channels, including through paid and non-paid advertising such as display advertising, search engine optimization, email and mobile "push" notifications. If Grainger's customer-facing technology systems are perceived as more difficult or less compelling for customers to use than those of the Company's Grainger's competitors, or if digital marketing efforts are unsuccessful or if Grainger is otherwise unsuccessful at realizing the benefits of these investments, its reputation, financial condition and operating results may be adversely affected. Additionally, Grainger faces many risks and uncertainties beyond the Company's control, including theft, credit card fraud, and other fraudulent behavior.

Grainger has also increased, and expects to continue to increase, its investments in developing, managing and implementing artificial intelligence (AI), machine learning and large language model technologies. While the use of these technologies can present significant benefits to Grainger, it also creates risks and challenges. Further, if these investments in Grainger's eCommerce platforms are less successful at attracting and retaining customers than similar investments by our competitors, or if Grainger is otherwise unsuccessful at realizing the benefits of these technological investments generally, its reputation, financial condition and operating results may be adversely affected.

In addition, the successful operation of Grainger's eCommerce channels depends in part upon third parties and factors over which Grainger has limited or no control. For example, Grainger relies in part on Internet search engines to drive traffic to its websites, and the reach of Grainger's eCommerce channels is impacted by how and where its websites rank in both paid and unpaid search results. Potential changes to search engine ranking rules could cause Grainger's websites to place lower in search results and cause Grainger to incur increased advertising costs in order to increase its visibility. Further, ongoing changes in the legal and regulatory requirements surrounding data privacy, online tracking technologies such as cookies, digital advertising and other eCommerce matters could require Grainger to modify its eCommerce strategy, incur significant additional costs to comply with such changes or otherwise adversely affect Grainger's business, results of operations or financial condition. Grainger also relies on email and other messaging services to promote its websites and product offerings, and changes in the Company's Grainger's current or prospective customers' use of email or other messaging services or actions by third parties to block, restrict or charge for the delivery of such messages could adversely affect sales through Grainger's eCommerce channels and the Company's Grainger's results of operations.

Changes in customer base or product mix could cause changes in Grainger's revenue or gross margin, or affect Grainger's competitive position.

From time to time, Grainger experiences changes in its customer base and product mix that affect gross margin. Changes in customer base and product mix result primarily from business acquisitions and divestitures, changes in customer demand, customer acquisitions, selling and marketing activities, competition and the increased use of eCommerce by Grainger and its competitors.

In addition, Grainger has entered, and may in the future continue to enter, into contracts with group purchasing organizations (GPOs) that aggregate the buying power of their member customers in negotiating selling prices. If the Company Grainger is unable to enter into, or sustain, contractual arrangements on a satisfactory commercial basis with GPOs, Grainger's results of operations could be adversely affected.

As its customer base and product mix change over time, Grainger must identify new products, product lines and services that respond to industry trends and customer needs. The inability to introduce new products and services and effectively integrate them into Grainger's existing assortment could have a negative impact on future sales growth and Grainger's competitive position. The inclusion of Grainger-branded products in the product assortment could subject Grainger to increased claims and litigation activity. In addition, any insurance or indemnification rights, including against the manufacturer of such products, may be insufficient or unavailable to protect Grainger against potential loss exposures.

Grainger's common stock may be subject to volatility or price declines.

The trading prices and volumes of Grainger's common stock may be subject to broad and unpredictable fluctuations due to changes in economic, political and market conditions, the financial results and business strategies of Grainger and its competitors, changes in expectations as to Grainger's future financial or operating performance, including estimates by securities analysts and investors, the Company's Grainger's failure to meet the financial performance guidance or other forward-looking statements provided to the public, speculation, coverage or sentiment in the media or investment community or by groups of individual investors, changes in capital structure, share repurchase programs repurchases or dividend policies, dividends, economic decline, political unrest or geopolitical conflict, outbreak of pandemic disease, such as the COVID-19 pandemic, and a number of other factors, including those discussed in this Item 1A. These factors, many of which are outside of Grainger's control, could cause stock price and trading volume volatility or Grainger's stock price to decline. Volatility in the price of Grainger's securities could result in the filing of securities class action litigation, which could result in substantial costs and the diversion of management time and resources.

Grainger has a controlling ownership interest in MonotaRO, which is listed on the Tokyo Stock Exchange (TSE). MonotaRO's disclosure and reporting obligations under TSE listing requirements and Japanese securities laws, including the timing of such obligations, may vary from Grainger's obligations under New York Stock Exchange

listing requirements and U.S. securities laws. MonotaRO's listed securities may be subject to the same volatility, price and securities litigation risks to which Grainger's common stock is subject.

Operational Risks

Interruptions in the proper functioning of information systems could disrupt operations and cause unanticipated increases in costs and/or decreases in revenues.

The proper functioning of Grainger's information systems is critical to the successful operation of its business. Grainger continues to invest in software, hardware and network infrastructures in order to effectively manage its information systems. Although However, Grainger may not be able to maintain or update its information systems to capture and use data in ways that result in operational efficiency, including as a result of ineffective software, difficulties obtaining the right talent and ability to manage the increasing volume of data available to, and managed by Grainger. Furthermore, although Grainger’s information systems are protected with backup and security systems, including physical and software safeguards and remote processing capabilities, information systems are still vulnerable to damage or interruption from natural or human induced disasters, extreme weather, power losses, telecommunication failures, user error, third party third-party actions such as malicious computer programs, denial-of-service attacks and cybersecurity breaches, and other problems. In addition, from time to time Grainger relies on the information technology (IT) systems of third parties to assist in conducting its business.

The implementation of new systems and upgrades to existing systems could impact Grainger's operations by imposing substantial capital expenditures, demands on management's time and risks of delays or difficulties in transitioning to new systems. In addition, Grainger's systems implementations may not result in productivity improvements at the levels anticipated. Systems implementation disruption and any other IT disruption could have an adverse effect on its business.

If Grainger’s systems or those of third parties on which Grainger depends are damaged, breached, cease to function properly or are otherwise disrupted, Grainger may have to make require a significant investment to repair or replace them and may suffer interim interruptions in its business operations in the interim. operations. If critical information systems fail or otherwise become unavailable, Grainger’s ability to operate its eCommerce platforms, process orders, maintain proper levels of inventories, collect accounts receivable, disburse funds, manage its supply chain, monitor results of operations, and process and store employee team member or customer data, among other functions, could be adversely affected. Any such interruption of Grainger’s information systems could have a material adverse effect on its business or results of operations. Grainger has experienced these incidents in the past, which it deemed immaterial to its business and operations individually and in the aggregate and may be subject to other incidents in the future. There can be no assurance that any future incidents will not be material to Grainger’s business, operations or financial condition.

Cybersecurity incidents, including breaches of information systems security, could damage Grainger’s reputation, disrupt operations, increase costs and/or decrease revenues.

Through Grainger’s sales and eCommerce channels, the Company Grainger collects and stores personally identifiable, confidential, proprietary and other information from customers so that they may, among other things, purchase products or services, enroll in promotional programs, register on Grainger’s websites or otherwise communicate or interact with the Company. Grainger. Moreover, Grainger’s operations routinely involve receiving, storing, processing and transmitting sensitive information pertaining to its business, customers, suppliers and employees, team member, and other sensitive matters.

Cyber threats are rapidly evolving and those threats and the means for obtaining access to information in digital and other storage media are becoming increasingly sophisticated. Each year, cyber-attackers make numerous attempts to access the information stored in the Company’s Grainger's information systems. Loss of customer, supplier, and team member information, intellectual property or other business information, or failure to comply with data privacy and security laws could, for example, disrupt operations, damage Grainger’s reputation and expose Grainger to claims from customers, suppliers, financial institutions, regulators, payment card associations, team members and others, any of which could have a material adverse effect on Grainger, including its financial condition and results of operations. If successful, cyber-attacks may expose Grainger to risk of loss or misuse of proprietary or confidential information or disruptions of business operations.

The transition in recent years to remote and “hybrid” working arrangements may increase Grainger’s vulnerability to cybersecurity incidents, including breaches of information systems security, which could damage Grainger’s reputation and commercial relationships, disrupt operations, increase costs and/or decrease revenues, and expose Grainger to claims or other actions from customers, suppliers, financial institutions, regulators, payment card associations, employees team members and others.

Grainger's IT infrastructure also includes products and services provided by suppliers, vendors and other third parties, and these providers can experience breaches of their systems and products that impact the security of systems and proprietary or confidential information. Moreover, from time to time, Grainger may share shares information with these third parties in connection with the products and services they provide to the business. While Although Grainger requires assurances that these performs risk assessments on third parties will protect confidential information, where appropriate to learn about their security program, there is a risk that the confidentiality of data held or accessed by them may be compromised. Moreover, Grainger may face threats to its information systems, for example, unauthorized access, business email compromise, viruses, malicious code, ransomware, phishing, and organized cyber-attacks. If successful, those attempting to penetrate Grainger’s or its vendors’ information systems may misappropriate intellectual property or personally identifiable, credit card, confidential, proprietary or other sensitive customer, supplier, employee team member or business information, or cause systems disruption. While many of Grainger's agreements with these third parties include indemnification provisions, the Company Grainger may not be able to recover sufficiently, or at all, under such provisions to adequately offset any losses it may incur.

Moreover, the Company may face the threat to its computer systems of unauthorized access, computer hackers, computer viruses, malicious code, ransomware, phishing, organized cyber-attacks and other security problems and system disruptions. Such tactics may also seek to cause payments due to or from the Company to be misdirected to fraudulent accounts, which may not be recoverable by the Company.

In addition, a Grainger employee, team member, contractor or other third party with whom Grainger does business may attempt to circumvent security measures or otherwise access Grainger’s information systems in order to obtain such information or inadvertently cause a breach involving such information. Further, Grainger’s systems are integrated with customer systems in certain cases, and a breach of the Company’s information Grainger's systems could be used as an attempt to gain illicit access to a customer’s customer systems and information.

Grainger has been subject to unauthorized accesses of certain supplier and customer information, including access in the last three years, past, which it deemed immaterial to its business and operations individually and in the aggregate and may be subject to other unauthorized accesses of its systems incidents in the future. There can be no assurance that any future unauthorized access to or breach of Grainger’s information systems incidents will not be material to Grainger’s Grainger's business, operations or financial condition.

Grainger maintains information security staff, policies and procedures for managing risk to its information security systems, conducts annual employee awareness training of cybersecurity threats and routinely utilizes consultants to assist in evaluating the effectiveness of the security of its IT systems. Moreover, senior leadership, including Grainger's Chief Technology Officer and Chief Information Security Officer, present a cybersecurity briefing at every Audit Committee meeting, provide "cyber dashboard" reports for the Board material at each meeting, and at least annually brief the full Board of Directors. While Grainger has instituted these and other safeguards for the protection of information and governance and oversight of its information security posture, because techniques Techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are may not be recognized until they are launched against a target, target. Grainger may be unable to anticipate these techniques or implement adequate preventative measures. Any breach of Grainger’s security measures or any breach, error or malfeasance of those of its third-party service providers could cause Grainger to incur significant costs to protect any customers, suppliers, employees, team members and other parties whose personal data information is compromised and compromised. Such a breach could also cause Grainger to make changes to its information systems and administrative processes to address security issues. Grainger works with third party information security consultants to assess and enhance its policies and incident responses and to respond to breaches. In addition, although Although Grainger maintains insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber and information security risks, depending on the nature, location and extent of any event, such insurance coverage may be insufficient to cover all losses.

Grainger continuously evaluates the need to upgrade and/or replace its systems and network infrastructure to protect its computing environment, to stay current on vendor supported products and to improve the efficiency of its systems and for other business reasons. The implementation of new systems and IT could adversely impact its operations by imposing substantial capital expenditures, demands on management time and risks of delays or difficulties in transitioning to new systems. In addition, the Company's systems implementations may not result in productivity improvements at the levels anticipated. Systems implementation disruption and any other IT disruption, if not anticipated and appropriately mitigated, could have an adverse effect on its business.

Loss of customer, supplier, employee or intellectual property or other business information or failure to comply with data privacy and security laws could disrupt operations, damage Grainger's reputation and expose Grainger to claims from customers, suppliers, financial institutions, regulators, payment card associations, employees and others, any of which could have a material adverse effect on Grainger, and financial condition and results of operations. Grainger has experienced certain of these cybersecurity incidents and in each instance Grainger provided notifications and adopted remedial measures. None of these incidents have been deemed to be material to Grainger and Grainger has neither incurred any material net expenses nor been materially penalized or paid subject to any material settlement amounts with respect to any cybersecurity breach such incidents in the last last three years. However, there can be no assurance that a future breach or incident would not be material to Grainger's operations and financial financial condition.

For further information regarding Grainger's cybersecurity risk management strategy and the Board's oversight role, see Part I, Item 1C: Cybersecurity of this Form 10-K.

Grainger's eCommerce channels are subject to risks related to online payment methods and other online transactions, including through purchasing platforms.
Grainger accepts a variety of payment methods via its eCommerce channels, including credit card, debit card, PayPal and other payment methods and other online transactions, including through its eProcurement technologies which communicate directly with Grainger.com and Grainger's other eCommerce channels. While Although Grainger generally relies on third parties to facilitate eCommerce payments and payment processing services, Grainger may become subject to additional compliance requirements and regulations regarding these transactions, and may also suffer losses from online fraudulent transactions on its eCommerce channels. In addition, Grainger must pay certain transaction fees relating to these transactions, which may increase over time and could have an impact on product margin, profitability and operating costs. Grainger's eCommerce channels may become subject to further rules and regulations, and changes in these rules and regulations, or their interpretation, could increase the cost of doing business. business and adversely affect results of operations.

Grainger's ability inability to adequately protect its intellectual property or successfully defend against infringement claims by others may have an adverse impact on operations.

Grainger's business relies on the use, validity and continued protection of certain proprietary information and intellectual property, which includes current and future patents, trade secrets, trademarks, service marks, copyrights and confidentiality agreements as well as license and sublicense agreements to use intellectual property owned by affiliated entities or third parties. Unauthorized use of Grainger's intellectual property by others could result in harm to various aspects of the business and may result in costly and protracted litigation in order to protect Grainger's rights. In addition, Grainger may be subject to claims that it has infringed on the intellectual property rights of others, which could subject Grainger to liability, require Grainger to obtain licenses to use those rights at significant cost or otherwise cause Grainger to modify its operations.

In order to compete, Grainger must attract, retain, train, motivate, develop and develop retain key employees, team members, and the failure to do so could have an adverse effect on results of operations.
In order to compete and have continued growth, Grainger must attract, retain, train, motivate, develop, and develop retain executives and other key employees, team members, including those in managerial, technical, sales, marketing supply chain, technology development and IT support information technology positions. Grainger competes to hire employees team members at increasingly competitive wage rates and then must train them and develop their skills and competencies. Qualified individuals needed to fill open positions may be in short supply in some areas. Further, changes in market compensation rates may adversely affect the Company's Grainger's labor costs. Competition for qualified employees team members could require the Company Grainger to pay higher wages to attract a sufficient number of employees. team members.

Additionally collective bargaining or unionization of team members could decrease Grainger's operational flexibility and lead to work stoppages or slowdowns. The performance of Grainger's stock price could impact Grainger's use of equity-based compensation to attract and retain executives and other key employees. team members. The Company's employee success of Grainger's team member hiring and retention also depends on the Company's Grainger's ability to build and maintain a diverse and inclusive workplace culture that enables its employees team members to thrive.

Grainger's results of operations could be adversely affected by increased Generally, higher wages and benefit costs, due to generally higher wage rates, competition for diverse talent, higher employee and the risk of an increase in team member turnover, increased employee benefit costs, could adversely affect Grainger's results of operations. Further, failure to successfully hire executives and key employees team members or adequately plan for the succession, transition, and assimilation of executive leaders and team members in key roles, or to plan for the loss of executives and key employees. Further, changes in the Company's management team may be disruptive to its business, and any failure to successfully transition and assimilate key new hires or promoted employees members, could adversely affect its Grainger's business results and results of operations. financial condition.

Grainger's continued success is substantially dependent on positive perceptions of Grainger's reputation.
One of the reasons customers choose to do business with Grainger and employees team members choose Grainger as a place of employment is the reputation that Grainger has built over many years. Grainger devotes time and resources to environmental, social and governance (ESG) efforts that are consistent with its corporate values and are designed to strengthen its business and protect and preserve its reputation, including programs driving environmental sustainability, ethics and corporate responsibility, strong communities, diversity, equity and inclusion, and gender equality and environmental sustainability. equality. These efforts and programs could be difficult to achieve and costly to implement, and Grainger's actual or perceived failure to execute its ESG programs as planned could adversely affect the Company's Grainger's reputation, business and financial performance. To

be successful in the future, Grainger must continue to preserve, grow and leverage the value of Grainger's brand. Reputational value is based in large part on perceptions of subjective qualities. Even an isolated incident, or the aggregate effect of individually insignificant incidents, can erode trust and confidence, particularly if they result in adverse publicity, governmental investigations or litigation, and as a result, could tarnish Grainger's brand and lead to adverse effects on Grainger's business.

Regulatory, Legal and Tax Risks

Grainger is subject to various domestic andforeign a complex array of laws, regulations and standards. standards globally. Failure to comply or unforeseen developments in related contingencies such as litigation and other regulatory proceedings could adversely affect Grainger's financial condition, profitability and cash flows.

Grainger's business is subject to legislative, legal, and regulatory risks and conditions specific to the countries in which it operates. In addition to Grainger's U.S. operations, which in 2022 2023 generated approximately 82% of its consolidated net sales, Grainger operates its business principally through wholly owned subsidiaries in Canada, Mexico, and the U.K., and its majority-owned subsidiary in Japan.

The wide array of laws, regulations and standards in each domestic and foreign jurisdiction where Grainger operates, include, but are not limited to, advertising, marketing and Internet regulations (including the use of proprietary or third-party "cookies" in connection with Grainger's eCommerce platforms), anti-bribery and corruption laws, anti-competition competition and antitrust regulations, data protection (including, because Grainger accepts credit cards, the Payment Card Industry Data Security Standard), data privacy (including in the U.S., the California Consumer Privacy Act and Privacy Rights Act,

in Japan, the Act on Protection of Personal Information, and in the European Union, the General Data Protection Regulation 2016) Regulation) and cybersecurity requirements (including protection of information and incident responses), environmental protection laws, foreign currency exchange controls and cash repatriation restrictions, health and safety laws, import and export compliance (including the U.S. Commerce Department's Export Administration Regulations, trade sanctions promulgated by the Office of Foreign Asset Control and anti-money laundering regulations), intellectual property laws, labor laws (including federal and state wage and hour laws), product compliance or safety laws, supplier regulations regarding the sources of supplies or products, tax laws (including as to U.S. taxes on foreign international subsidiaries), unclaimed property laws and laws, regulations and standards applicable to other commercial matters. Moreover, Grainger is also subject to audits and inquiries in the normal course of business.

Failure to comply with any of these laws, regulations and standards could result in civil, criminal, monetary and non-monetary fines, penalties, remediation costs and/or significant legal fees as well as potential damage to the Company's Grainger's reputation. Changes in these laws, regulations and standards, or in their interpretation, could increase the cost of doing business, including, among other factors, as a result of increased investments in technology and the development of new operational processes. Furthermore, while Grainger has implemented policies and procedures and provides training designed to facilitate compliance with these laws, regulations and standards, there can be no assurance that employees, team members, contractors, suppliers, vendors, or other third parties will not violate such laws, regulations and standards or Grainger's policies. Any such failure to comply or violation could individually or in the aggregate materially adversely affect Grainger's financial condition, results of operations and cash flows.

In addition, Grainger's business and results of operations in the U.K. may be negatively affected by changes in trade policies, or changes in labor, immigration, tax or other laws, resulting from the U.K.'s exit from the European Union.

Grainger is subject to a number of rules and regulations related to its government contracts, which may result in increased compliance costs and potential liabilities.

Grainger's contracts with federal, state and local government entities are subject to various and changing regulations related to procurement, formation and performance. In addition, the Company's Grainger's government contracts may provide for termination, reduction or modification by the government at any time, with or without cause. From time to time, Grainger is subject to governmental or regulatory investigations or audits related to its compliance with these rules and regulations. Violations of these terms, rules, and regulations could result in fines, criminal sanctions, the inability to participate in existing or future government contracting and other administrative sanctions. Any such penalties could result in damage to the Company's Grainger's reputation, increased costs of compliance and/or remediation and could adversely affect the Company's Grainger's financial condition and results of operations.

In conducting its business, Grainger may become subject to legal proceedings or governmental investigations, including in connection with product liability or product compliance claims if people, property or the environment are harmed by Grainger's products or services.

Grainger is, and from time to time may become, party to a number of legal proceedings or governmental investigations for alleged violations of laws, rules or regulations. Grainger also may be subject to disputes and proceedings incidental to its business, including product-related claims for personal injury or illness, death, environmental or property damage or other commercial disputes, including and the proceedings types of matters discussed in Note 15 14 to the Consolidated Financial Statements included in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K. The defense of these any proceedings may require significant expenses and divert management's time and attention, and Grainger may be required to pay damages that could individually or in the aggregate materially adversely affect its financial condition, results of operations and cash flows. In addition, any insurance or indemnification rights that Grainger may have with respect to such matters may be insufficient or unavailable to protect the Company Grainger against potential loss exposures. Grainger also may be requested or required to recall products or take other actions. The Company's Grainger's reputation could also be adversely affected by any resulting negative publicity.

Tax changes could affect Grainger's effective tax rate and future profitability.

Grainger's future results could be adversely affected by changes in the effective tax rate as a result of Grainger's relative overall profitability and the mix of earnings in countries with differing statutory tax rates, changes in tax legislation, the results of the examination of previously filed tax returns, and continuing assessment of the Company's Grainger's tax exposures. For example, The Organization for Economic Cooperation and Development (OECD) Pillar Two guidelines address the Company increasing digitization of the global economy, re-allocating taxing rights among countries. The OECD continues to monitor release additional guidance and countries are implementing legislation with widespread adoption of the Inflation Reduction Act of 2022 (IRA) and other similar regulatory developments Pillar Two Framework expected during 2024. Grainger continues to evaluate their the Pillar Two Framework and its potential impact on Grainger's future periods. Based on information to date, Grainger does not expect either the Pillar One or Two proposals to materially impact the Company's global income tax rate, financial statements and share repurchase program. liability or effective tax rate.

Grainger may be adversely impacted by the effects of climate change and may incur increased costs and experience other impacts due to new or more stringent environmental laws and regulations designed to address climate change.

The potential impacts of climate change on the Company's Grainger's suppliers, product offerings, operations, facilities and customers are accelerating and uncertain. Increased public awareness and concern regarding global climate change have resulted in, and may continue to result in, more international, federal, and/or state or other stakeholder requirements or expectations that have resulted in, and could continue to result in, more restrictive or expansive standards, such as stricter limits on greenhouse gas emissions or more prescriptive reporting of environmental, social, and governance metrics. There continues to be a lack of consistent climate change legislation and standards, which creates economic and regulatory uncertainty. New laws, regulations and enforcement could strain the Company's Grainger's suppliers and result in increased compliance-related costs, which could result in higher product costs that are passed to the Company. Grainger. New or changing environmental laws and regulations could also increase the Company's Grainger's operating costs, including through higher utility and transportation costs, and Grainger is unable to predict the potential impact such laws and regulations could have on its financial condition and results of operations. In addition, the potential physical risks of climate change may impact the availability and cost of materials and natural resources, sources and supply of energy and product demand, impact Grainger's transportation costs and supply chain network, and could increase the Company's Grainger's operating costs. Natural disasters as a result of climate change at locations where the Company, Grainger, its suppliers or customers operate could cause disruptions to the Company's Grainger's operations, which could adversely affect sales and could negatively impact Grainger's business, financial condition, results of operations and cash flows. If environmental laws, regulations, and regulations are either changed or adopted that other stakeholder requirements impose significant operational restrictions or compliance requirements upon the Company Grainger or its suppliers, products,

or customers, or the Company's Grainger's operations are disrupted due to physical impacts of climate change, the Company's Grainger's business, capital expenditures, financial condition, results of operations, reputation, and competitive position could be negatively impacted.

__Credit and Liquidity Risks__

Changes in Grainger's credit ratings and outlook may reduce access to capital and increase borrowing costs.

Grainger's credit ratings are based on a number of factors, including the Company's financial strength and factors outside of Grainger's control, such as conditions affecting Grainger's industry generally or the introduction of new rating practices and methodologies. Grainger cannot provide assurances that its current credit ratings will remain in effect or that the ratings will not be lowered, suspended or withdrawn entirely by the rating agencies. If rating agencies lower, suspend or withdraw the ratings, the market price or marketability of Grainger's securities may be adversely affected. In addition, any change in ratings could make it more difficult for the Company to raise capital on favorable terms, impact the Company's ability to obtain adequate financing, and result in higher interest costs for the Company's existing credit facilities or on future financings.

Grainger has incurred substantial indebtedness and may incur substantial additional indebtedness, which could adversely affect cash flow, decrease business flexibility, or prevent Grainger from fulfilling its obligations.

As of December 31, 2022 December 31, 2023, Grainger's consolidated indebtedness was approximately $2.3 billion. The Company's indebtedness could, among other things, limit Grainger's ability to respond to rapidly changing business and economic conditions, require the Company to dedicate a substantial portion of its cash flows to the payment of principal and interest on its indebtedness, reducing the funds available for other business purposes, and make it more difficult to satisfy the Company's financial obligations as they come due during periods of adverse economic and industry conditions.

The agreements governing Grainger's debt agreements and instruments contain representations, warranties, affirmative, negative and financial covenants, and default provisions. Grainger's failure to comply with these restrictions and obligations could result in a default under such agreements, which may allow Grainger's creditors to accelerate the related indebtedness. Any such acceleration could have a material adverse effect on Grainger's business, financial condition, results of operations, cash flows, and its ability to obtain financing on favorable terms in the future.

In addition, Grainger may in the future seek to raise additional financing for working capital, capital expenditures, refinancing of indebtedness, share repurchases or other general corporate purposes. Grainger's ability to obtain additional financing will be dependent on, among other things, the Company's financial condition, prevailing market conditions and numerous other factors beyond the Company's control. Such additional financing may not be available on commercially reasonable terms or at all. Any inability to obtain financing when needed could materially adversely affect the Company's business, financial condition or results of operations.

Item 1B: Unresolved Staff Comments

None.

Item 1C: Cybersecurity

Risk Management and Strategy

Grainger has a cybersecurity team that works to prevent, detect, and respond to cybersecurity threats. The team has implemented processes designed to assess, identify and manage material risks and vulnerabilities to the Company's security posture, including prioritizing and remediating such risks. The team also works to assess and manage cybersecurity risks by: (i) reviewing cyber risks with senior management, including the Senior Vice President and Chief Technology Officer (CTO); (ii) incorporating cybersecurity in its enterprise risk processes; (iii) establishing regular reviews of cybersecurity risks and mitigation efforts, including with the Audit Committee and the Board; and (iv) using third parties as needed for reviews and testing.

Grainger regularly identifies its enterprise risks. Grainger's cybersecurity team reviews and updates its information security strategy and plans to align cybersecurity prioritization with the identified top enterprise risks.

Grainger has developed a cybersecurity risk intake process to facilitate the identification of cybersecurity risks, including those related to third-party vendors. Identified risks are tracked by management, and incorporated into mitigation plans.

The management team engaged in the cybersecurity risk management process, including the CTO, has risk management backgrounds, certifications, and/or cyber experience in prior professional roles and at Grainger. The team maintains expertise on cyber risk management through third-party consultants, external trainings, and affiliations with relevant organizations.

Grainger has been subject to unauthorized access of systems on which certain supplier, customer, and team member information was stored, which have been deemed immaterial to our business and operations individually and in the aggregate. Grainger, or third-party service providers engaged by Grainger, may be subject to other unauthorized access of information systems in the future. There can be no assurance that any future unauthorized access to or breach of these information systems will not be material to Grainger's business, operations or financial condition. See Part I, Item 1A: Risk Factors of this Form 10-K.

Governance

The Audit Committee assists the Board in its oversight of the Company's Enterprise Risk Management (ERM) program and processes, including with respect to cybersecurity.

Both the Board and the Audit Committee regularly review the Company's risk assessment and management processes and policies and receive regular updates from the Company's management team members who are responsible for the effectiveness of the Company's ERM program. As part of its ERM oversight, the Board oversees and regularly reviews the Company's programs and processes for cybersecurity risks, including the Company's framework for preventing, detecting, and addressing cybersecurity incidents and identifying emerging risks both broadly and within related industries. The Company's CTO routinely provides cybersecurity updates to the Audit Committee and information to the Board. The CTO leads an information security team that works to facilitate the protection of the Company's information and computing assets.

Item 2: Properties

As of December 31, 2022 December 31, 2023, Grainger's owned and leased facilities totaled approximately 30.3 million 30.4 million square feet. Grainger owns and leases facilities primarily in the U.S., Japan, Canada(5), Mexico(6), Puerto Rico(7) and the U.K.(8) The Company's Company owns its corporate headquarters is located in Lake Forest, Illinois and leases other general offices are located in the Chicago Metropolitan area. area that consists of approximately one million square feet. Grainger believes that its properties are generally in excellent condition, well maintained and suitable for the conduct of business.

The following table includes Grainger's material facilities:

Location	Facility and Use(9)	Size in Square Feet (in thousands)	Segment
U.S.(1)	DCs	10,368 11,635	High-Touch Solutions N.A.
U.S.(2)	Branch Locations locations	6,325 6,324	High-Touch Solutions N.A.
Japan(3)	DCs	3,924 3,370	Endless Assortment
U.S.(4)	Other Facilities facilities	3,638 3,878	High-Touch Solutions N.A.

The square footage of Grainger's corporate headquarters in Lake Forest, Illinois and other general offices in the Chicago Metropolitan area are not included in the total square footage of Grainger's U.S. Other facilities provided above. Square footage of the Company's owned and leased properties provided below are presented as approximates.

(1) Consists of 21 DCs that range in size from approximately 60,000 to 1.5 million square feet, including six leased facilities that primarily manage bulk products. The remaining DCs are primarily owned.

(2) Consists of 245 branches, 62 onsite and four will-call express locations. These facilities range in size from under 1,000 to 110,000 square feet. These facilities are primarily owned.

(3) Consists of four DCs that range in size from approximately 160,000 to 2.1 million square feet. These facilities are both owned and leased. Other facilities include office space that range in size from approximately 1,500 to 90,000 square feet. These facilities are primarily leased.

(4) Primarily consists of storage facilities, office space and customer service centers. These facilities are owned and leased. These facilities range in size from under 1,000 to over 1 million square feet.

(5) In Canada, Grainger has 32 branch locations, five DCs and other facilities which total two million square feet.

(6) In Mexico, Grainger has 16 branch locations, two DCs and one other location which total 655,000 square feet.

(7) In Puerto Rico, Grainger has three branch locations and one DC which total 95,000 square feet.

(8) In the U.K., Grainger has 35 branch and other facility locations and one DC which total 705,000 square feet.

(9) Owned facilities are not subject to any mortgages.

(1) Consists of 19 DCs that range in size from approximately 61,000 to 1.5 million square feet, including three leased facilities that primarily manage bulk products, that were previously disclosed in Other Facilities. The remaining DCs are primarily owned.

(2) Consists of 246 branches, 49 onsite and four will-call express locations. These branches range in size from approximately 500 to 109,000 square feet. These facilities are primarily owned.

(3) Consists of seven DCs that range in size from approximately 11,000 to 2 million square feet. These facilities are primarily leased. Other facilities include office space that range in size from approximately 1,000 to 49,000 square feet. These facilities are also primarily leased.

(4) Primarily consists of storage facilities, office space and customer service centers. These facilities are owned and leased. These facilities range in size from approximately 200 to 633,000 square feet.

(5) In Canada, Grainger has 35 branch locations, five DCs and other facilities which total two million square feet.

(6) In Mexico, Grainger has 16 branch locations and two DCs which total 649,000 square feet.

(7) In Puerto Rico, Grainger has three branch locations and one DC which total 95,000 square feet.

(8) In the U.K., Grainger has 37 branch locations, one DC and other facilities which total 751,000 square feet.

(9) Owned facilities are not subject to any mortgages.

Item 3: Legal Proceedings

For a description of legal proceedings, see the disclosure contained in Note 15 14 to the Consolidated Financial Statements included in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K, which is incorporated herein by reference.

Item 4: Mine Safety Disclosures

Not applicable.

PART II

Item 5: Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information and Dividends

Grainger's common stock is listed and traded on the New York Stock Exchange, under the symbol GWW.

Dividends

Grainger expects that its practice of paying quarterly dividends on its common stock will continue, although the payment of future dividends is at the discretion of Grainger's Board of Directors and will depend upon Grainger's earnings, capital requirements, financial condition and other factors.

Holders

The approximate number of shareholders of record of Grainger's common stock as of January 31, 2023 February 14, 2024, was 531 510 with approximately 423,817 593,729 additional shareholders holding stock through nominees.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information relating to Grainger's repurchase of common stock during the three months ended December 31, 2022 December 31, 2023:

Period	Period	Total Number of Shares Purchased (A) (D)	Average Price Paid Per Share (B)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (C)	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs		Period	Total Number of Shares Purchased (A) (D)	Average Price Paid Per Share (B)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (C)	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs		
Oct. 1 – Oct. 31	Oct. 1 – Oct. 31	141,647	$521.62	141,647	3,003,036	shares	Oct. 1 – Oct. 31	154,423	$708.93	154,423	1,833,521	shares	shares
Nov. 1 – Nov. 30	Nov. 1 – Nov. 30	131,768	$595.88	131,722	2,871,314	shares	Nov. 1 – Nov. 30	150,765	$787.67	150,765	1,682,756	shares	shares
Dec. 1 – Dec. 31	Dec. 1 – Dec. 31	130,147	$575.69	129,348	2,741,966	shares	Dec. 1 – Dec. 31	130,851	$819.69	130,830	1,551,926	shares	shares
Total	Total	403,562		402,717			Total	436,039			436,018		

(A) There were no shares withheld to satisfy tax withholding obligations.

(B) Average price paid per share excludes commissions of $0.01 $0.02 per share paid.

(C) Purchases were made pursuant to a share repurchase program approved by Grainger's Board of Directors and announced April 28, 2021 (2021 Program). The 2021 Program authorized the repurchase of up to five million shares with no expiration date.

(D) The difference of 845 21 shares between the Total Number of Shares Purchased and the Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs represents shares purchased by the administrator and record keeper of the W.W. Grainger, Inc. Retirement Savings Plan for the benefit of the team members who participate in the plan.

Company Performance

The following following stock price performance graph compares the cumulative total return on an investment in Grainger common stock with the cumulative total return of an investment in each of the Dow Jones US Industrial Suppliers Total Stock Market Index and the S&P 500 Stock Index. It covers the period commencing December 31, 2017 December 31, 2018 and ending December 31, 2022 December 31, 2023. The graph assumes that the value for the investment in Grainger common stock and in each index was $100 on December 31, 2017 December 31, 2018, and that all dividends were reinvested.

Updated Chart.jpg

		December 31,					
		2017	2018	2019	2020	2021	2022
	December 31,						December 31,
	2018	2018	2019	2020	2021	2022	2023
W.W. Grainger, Inc.	W.W. Grainger, Inc.	$100	$122	$149	$183	$235	$256
Dow Jones US Industrial Suppliers Total Stock Market Index	Dow Jones US Industrial Suppliers Total Stock Market Index	100	96	126	149	192	157
S&P 500 Stock Index	S&P 500 Stock Index	100	92	122	153	209	184

Item 6: [Reserved]

Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

Objective

The following Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operations is intended to help the reader understand the results of operations and financial condition of W.W. Grainger, Inc. (Grainger or Company) as it is viewed by the Company. The following discussion should be read in conjunction with the Consolidated Financial Statements and accompanying notes included in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K. This section of this Form 10-K generally discusses 2022 2023 and 2021 2022 items and year-to-year comparisons between 2023 and 2022. Discussions of 2021 items and year-to-year comparisons between 2022 and 2021. Discussions of 2020 items and year-to-year comparisons between 2021 and 2020 are not included in this Form 10-K, and can be found in MD&A of Financial Condition and Results of Operations in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 December 31, 2022.

Percentage figures included in this section have not been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this section may vary slightly from those obtained by performing the same calculations using the figures in the Company's Consolidated Financial Statements or in the associated text.

Overview

W.W. Grainger, Inc. is a broad line distributor of maintenance, repair and operating (MRO) products and services with operations primarily in North America, (N.A.), Japan and the United Kingdom (U.K.). Grainger uses a combination of its high-touch solutions and endless assortment businesses to serve its customers worldwide, which rely on Grainger for products and services that enable them to run safe, sustainable and productive operations.

Strategic Priorities

The Company's continued strategic priority aspiration for 2023 2024 is to relentlessly expand Grainger's leadership position in the MRO space by being the go-to partner for people who build and run safe, sustainable, and productive operations. To achieve this, each Grainger business has a set of strategic objectives. The high-touch solutions businesses are focused on key initiatives that growth drivers to drive top-line revenue and MRO market outgrowth. Additionally, In the high-touch solutions High-Touch Solutions North America (High-Touch Solutions N.A.) segment, businesses are focused on growing through three areas: advantaged MRO solutions, differentiated sales and services, (e.g., direct customer relationships and onsite services), advantaged MRO solutions (e.g., get customers the exact products and services they need to solve a problem quickly) and unparalleled customer service (e.g., deliver flawlessly on every customer transaction). The endless assortment service. In the Endless Assortment segment, businesses are focused on product assortment expansion and innovative customer acquisition and retention. retention capabilities. Additionally, all Grainger businesses are focused on continuously improving enhancing our operational processes to improve service and cost through customer experience, productivity and optimizing and scaling cost structures and investing in digital marketing, technology and supply chain infrastructure to which ultimately deliver delivers long-term returns for shareholders.

Recent Events

Inflation Reduction Act of 2022

In August 2022, the Inflation Reduction Act of 2022 (IRA) was signed into United States (U.S.) law. Under the IRA, there is a new 15% corporate minimum tax and a new 1% excise tax on net stock repurchases, effective after December 31, 2022. In addition, the IRA contains provisions relating to climate change, energy and health care. Based on Grainger's current analysis of the provisions, the Company does not anticipate compliance with the IRA will result in a material impact to the Consolidated Financial Statements.

Inflationary Cost Environment and Macroeconomic Pressures

In combination with the economic recovery of the ongoing COVID-19 pandemic, the The global economy continues to experience volatile disruptions including to the commodity, labor and transportation markets. markets, arising from a combination of geopolitical events and various economic and financial factors. These disruptions have contributed to an inflationary environment which has affected the Company's operations and may continue to affect the price and availability of certain products and services necessary for the Company's operations. Such disruptions have impacted, and may continue to impact, the Company's business, financial condition and results of operations.

The Company continues to monitor economic conditions in the U.S. and globally, and the impact of macroeconomic pressures, including repercussions from changes in interest rates, currency exchange fluctuations, inflation and a potential recession on the Company's business, customers, suppliers and other third parties. As a result of continued inflation, the Company has implemented strategies designed to mitigate certain adverse effects of higher costs while also remaining market price competitive.

The Company continues to monitor economic conditions in the U.S. and globally, and the impact of macroeconomic pressures, including rising interest rates, fluctuating currency exchange rates and recession fears, on the Company's business, customers, suppliers and other third parties. Historically, the Company's broad and diverse customer base and the nondiscretionary nature of the Company's products to its customers has helped to insulate it perform well from the effects of recessionary periods in the industrial MRO market in recessionary periods. market. The full extent and impact of these conditions are uncertain and cannot be predicted at this time.

Geopolitical Events

In February 2022, Russia invaded Ukraine. In response to the conflict, the U.S. and other countries have implemented economic and other sanctions. While Grainger has limited direct exposure in Russia and Ukraine, the Company continues to monitor any broader impact on the global economy, including with respect to inflation, supply chains and fuel prices. The full impact of the conflict on the Company's business and financial results remains uncertain and will depend on the severity and duration of the conflict and its impact on global and regional economic conditions.

The Company does not currently expect significant disruption to its overall business resulting from these events.

For further discussion of the Company's risks and uncertainties, see Part I, Item 1A: Risk Factors of this Form 10-K.

Results of Operations

The following table is included as an aidIn this section, Grainger utilizes non-GAAP measures where it believes it will assist users of its financial statements in understanding its business. Non-GAAP measures exclude certain items affecting comparability that can affect the year-over-year assessment of operating results and other one-time items that do not directly reflect ongoing operating results. For further information regarding the Company's non-GAAP measures including reconciliations to understanding changes in Grainger's Consolidated Statements of Earnings (in millions of dollars) the most directly comparable GAAP measures, see below "Non-GAAP Measures.

	For the Years Ended December 31,				
			Percent Increase/(Decrease) from Prior Year	As a Percent of Net Sales	
	2022	2021		2022	2021
Net sales(1)	$ 15,228	$ 13,022	16.9 %	100.0 %	100.0 %
Cost of goods sold	9,379	8,302	13.0	61.6	63.8
Gross profit	5,849	4,720	23.9	38.4	36.2
Selling, general and administrative expenses	3,634	3,173	14.5	23.9	24.4
Operating earnings	2,215	1,547	43.2	14.5	11.9
Other expense – net	69	62	10.6	0.4	0.5
Income tax provision	533	371	43.8	3.5	2.8
Net earnings	1,613	1,114	44.8	10.6	8.6
Noncontrolling interest	66	71	(7.1)	0.4	0.5
Net earnings attributable to W.W. Grainger, Inc.	$ 1,547	$ 1,043	48.4	10.2	8.0
Diluted earnings per share:	$ 30.06	$ 19.84	51.5 %		

(1) For further information regarding the Company's disaggregated revenue, see Note 3 of the Notes to the Consolidated Financial Statements in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K.

"

The following table is included as an aid to understanding the changes in Grainger's Consolidated Statements of Earnings for the twelve months ended December 31, 2023 and 2022 (in millions of dollars).

	For the Years Ended December 31,				
				% of Net Sales	
	2023	2022	% Change	2023	2022
Net sales(1)	$ 16,478	$ 15,228	8.2 %	100.0 %	100.0 %
Cost of goods sold	9,982	9,379	6.4	60.6	61.6
Gross profit	6,496	5,849	11.1	39.4	38.4
Selling, general and administrative expenses	3,931	3,634	8.2	23.8	23.9
Operating earnings	2,565	2,215	15.8	15.6	14.5
Other expense – net	65	69	(5.5)	0.4	0.4
Income tax provision	597	533	12.0	3.6	3.5
Net earnings	1,903	1,613	18.0	11.6	10.6
Less noncontrolling interest	74	66	12.5	0.5	0.4
Net earnings attributable to W.W. Grainger, Inc.	$ 1,829	$ 1,547	18.2	11.1 %	10.2 %
Diluted earnings per share:	$ 36.23	$ 30.06	20.5 %		

(1) For further information regarding the Company's disaggregated revenue, see Note 2 of the Notes to the Consolidated Financial Statements in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K.

The following table is included as an aid to understanding the changes of Grainger's total net sales, daily net sales and daily organic constant currency net sales from the prior period to for the most recent period twelve months ended December 31, 2023 (in millions of dollars) dollars):

	For the Years Ended December 31,	
	2022	2021
Net Sales	$ 15,228	$ 13,022
$ Change from prior-year period	2,206	1,225
% Change from prior-year period	16.9 %	10.4 %
Daily sales(1)	$ 59.7	$ 51.3
$ Change from prior-year period	8.4	5.2
% Change from prior-year period	16.5 %	11.3 %
Daily sales impact of currency fluctuations	(2.8)%	0.3 %

(1) Daily sales are defined as the total net sales for the period divided by the number of U.S. selling days in the period. There were 255 and 254 sales days in the full year 2022 and 2021, respectively.

	For the Years Ended December 31,			
	2023	% Change(1)	2022	% Change(1)
Net sales	$ 16,478	8.2 %	$ 15,228	16.9 %
Daily net sales(2)	$ 65.2	8.6 %	$ 59.5	16.5 %
Daily, organic constant currency net sales(2)	$ 65.8	9.5 %	$ 61.0	19.3 %

(1) Calculated on the basis of prior year reported net sales for the years ended December 31, 2023 and 2022.

(2) Daily net sales are adjusted for the difference in U.S. selling days relative to the prior year period. Daily, organic constant currency net sales excludes the results of E & R Industrial Sales, Inc. in the comparable prior year period post date of divestiture and excludes the impact on net sales due to year-over-year foreign currency exchange rate fluctuations. There were 254 and 255 sales days in the full year 2023 and 2022, respectively. For further information regarding the Company's non-GAAP measures, including reconciliations to the most directly comparable GAAP measures, see below "Non-GAAP Measures."

Net sales of $15,228 million $16,478 million for the year ended December 31, 2022 December 31, 2023 increased $2,206 million $1,250 million, or 16.9% 8%,and on a daily, organic constant currency basis, net sales increased 10% compared to the same period in 2021. The increase in net sales was primarily due to growth in the 2022. Both High-Touch Solutions N.A. and the Endless Assortment segments contributed to sales growth in 2022. 2023. For further discussion on the Company's net sales, see the Segment Analysis section below.

Gross profit of $5,849 million $6,496 million for the year ended December 31, 2022 December 31, 2023 increased $1,129 million $647 million, or 24% 11%, and gross profit margin of 39.4% increased 100 basis points compared to the same period in 2021. Gr 2022. Both segments contributed to margin expansion in 2023.oss profit margin of 38.4% increased 2.2

percentage points compared to the same period in 2021. The increase was driven by favorability in the High-Touch Solutions N.A. and Endless Assortment segments. For further discussion discussion on the Company's gross profit, see the Segment Analysis section below.

SG&ASelling, general, and administrative (SG&A) expenses of $3,634 million $3,931 million for the year ended December 31, 2022 December 31, 2023 increased $461 million $297 million, or 15% 8%. Adjusted SG&A of $3,905 million increased $250 million, or 7%, compared to the same period in 2022 driven by higher marketing and payroll expenses. Adjusted SG&A leverage improved 30 basis points in 2023.

Operating earnings of $2,565 million for the year ended December 31, 2023 increased $350 million, or 16%. Adjusted operating earnings of $2,591 million increased $397 million, or 18%, compared to the same period in 2021. The increase was primarily 2022 due to higher marketing, payroll and variable compensation expenses in 2022.

Operating earnings of $2,215 million for the year ended December 31, 2022 increased $668 million, or 43%, compared to the same period in 2021. The increase was driven by higher gross profit dollars, partially offset by higher increased SG&A.

Other expense – net of $69 million for the year ended December 31, 2022 increased $7 million, or 11%, compared to the same period &A consistent with sales growth in 2021. The increase was primarily driven by unfavorable changes 2023. Adjusted operating margin improved 130 basis points in market interest rates in 2022.

Income taxes of $533 million for the year ended December 31, 2022 increased $162 million, or 44%, compared to the same period in 2021. The increase was primarily driven by higher taxable operating earnings for the full year 2022. Grainger's effective tax rates were 24.8% and 25.0% for the twelve months ended December 31, 2022 and 2021, respectively.

Net earnings of $1,547 million attributable to W.W. Grainger, Inc. for the year ended December 31, 2022 increased $504 million, or 48%, compared to the same period in 2021 2023.

Income tax expense of $597 million and $533 million represents effective tax rates of 23.9% and 24.8% for the years ended December 31, 2023 and 2022, respectively. The Company's effective tax rate was positively impacted by increased benefits related to stock compensation in 2023.

Diluted earnings per share was $30.06 $36.23 for the year ended December 31, 2023. Adjusted diluted earnings per share was $36.67 for the year ended December 31, 2022 December 31, 2023, an increase of 52% 24% compared to $19.84 $29.66 for the same period in 2021. The increase was primarily due to higher net earnings in 2022.

Non-GAAP Measures

The following tables reconcile reported selling, general Grainger utilizes non-GAAP measures where it believes it will assist users of its financial statements in understanding its business. Non-GAAP measures exclude certain items affecting comparability that can affect the year-over-year assessment of operating results and administrative (SG&A) expenses, other one-time items that do not directly reflect ongoing operating earnings, results. Organic net earnings attributable to W.W. Grainger, Inc. sales results exclude the impact of changes in foreign currency exchange rates and diluted earnings per share determined results of certain divested businesses in accordance with U.S. generally accepted accounting principles (GAAP) to non-GAAP measures the comparable prior year period post date of divestiture. Adjusted results including adjusted SG&A, adjusted operating earnings, adjusted net earnings attributable to W.W. Grainger, Inc. and adjusted diluted earnings per share. EPS exclude certain non-recurring items, including restructuring charges, asset impairments, gains and losses associated with business divestitures and other non-recurring, infrequent or unusual gains and losses from the Company's most directly comparable reported U.S. generally accepted accounting principles (GAAP) results. The Company believes that these its non-GAAP measures provide meaningful information to assist investors in understanding financial results and assessing prospects for future performance as they provide a better baseline for analyzing the ongoing performance of its businesses by excluding items that may not be indicative of core operating results. Because Grainger's non-GAAP financial measures are should be considered in addition to, and not standardized, it as a replacement for or as a superior measure to its most directly comparable GAAP measure and may not be possible comparable to compare these similarly titled measures with reported by other companies' non-GAAP measures having the same or similar names. companies.

The following tables provide Business Divestitures

In the fourth quarter of 2023, Grainger divested E & R Industrial Sales, Inc. (E&R) and recorded a reconciliation one-time pre-tax loss on the divestiture of GAAP to non-GAAP measures (in millions $26 million in SG&A. In the fourth quarter of dollars):

	For the Years Ended December 31,		Percent Increase from Prior Year
	2022	2021	
Reported selling, general, and administration expenses	$ 3,634	$ 3,173	14.5 %
Business divestiture	21	—	
Adjusted selling, general, and administration expenses	$ 3,655	$ 3,173	15.2 %
Reported operating earnings	$ 2,215	$ 1,547	43.2 %
Business divestiture	(21)	—	
Adjusted operating earnings	$ 2,194	$ 1,547	41.9 %
Reported net earnings attributable to W.W. Grainger, Inc.	$ 1,547	$ 1,043	48.4 %
Business divestiture	(21)	—	
Adjusted net earnings attributable to W.W. Grainger, Inc.	$ 1,526	$ 1,043	46.4 %

Reported diluted earnings per share	$ 30.06	$ 19.84	51.5 %
Business divestiture	(0.40)	—	
Adjusted diluted earnings per share	$ 29.66	$ 19.84	49.5 %

For further information regarding the Company's business divestitures, see Note 2 of the Notes to the Consolidated Financial Statements in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K.

Noted in the table above for the twelve months ended December 31, 2022, 2022, Grainger divested Cromwell's wholly owned software business in the U.K. (Cromwell subsidiary). As a result of the divestiture, the Company and recorded a one-time pre-tax gain in Other businesses on the divestiture of $21 million in SG&A in the fourth quarter &A. The Company does not expect these business exits to have a material effect on its future results of 2022. operations.

Excluding

The following table provides a reconciliation of reported net sales growth from the business divestiture, adjusted SG&A and adjusted operating earnings for the full prior year 2022 were $3,655 and $2,194, an increase of $482 million and $647 million, or 15% and 42%, respectively, compared period in accordance with GAAP to the same period in 2021.

Grainger's adjusted effective tax rate was 25.1% Company's non-GAAP measures daily net sales and daily, organic constant currency net sales for the twelve months ended December 31, 2022. The divestiture was non-taxable. ended December 31, 2023 (in millions of dollars):

	For the Years Ended December 31,					
	High-Touch Solutions N.A.		Endless Assortment		Total Company(1)	
	2023	% Change(2)	2023	% Change(2)	2023	% Change(2)
Reported net sales	$ 13,267	8.9 %	$ 2,916	4.7 %	$ 16,478	8.2 %
Daily impact(3)	0.2	0.4	—	0.4	0.3	0.4
Daily net sales	52.4	9.3	11.5	5.1	65.2	8.6
Foreign currency exchange(4)	—	—	0.6	5.3	0.6	0.9
Business divestiture(5)	—	0.1	—	—	—	—
Daily, organic constant currency net sales	$ 52.4	9.4 %	$ 12.1	10.4 %	$ 65.8	9.5 %
	2022	% Change(2)	2022	% Change(2)	2022	% Change(2)
Reported net sales	$ 12,182	19.6 %	$ 2,787	8.2 %	$ 15,228	16.9 %
Daily impact(3)	(0.2)	(0.5)	—	(0.5)	(0.2)	(0.4)
Daily net sales	47.6	19.1	10.9	7.7	59.5	16.5
Foreign currency exchange(4)	0.1	0.2	1.3	12.4	1.5	2.8
Daily, organic constant currency net sales	$ 47.7	19.3 %	$ 12.2	20.1 %	61.0	19.3 %

(1) Total Company includes Other. Grainger's businesses reported in Other do not meet the criteria of a reportable segment.

(2) Calculated on the basis of prior year reported net sales. Daily, organic constant currency net sales excludes the results of E&R in the comparable prior year period post date of divestiture for the year ended December 31, 2023.

(3) Excludes the impact on net sales due to the difference in U.S. selling days relative to the prior year period on a daily basis. There were 254 and 255 sales days in the full year 2023 and 2022, respectively.

(4) Excludes the impact on net sales due to year-over-year foreign currency exchange rate fluctuations on a daily basis.

(5) Excludes the results of E&R in the comparable prior year period post date of divestiture on a daily basis.

The following tables provide a reconciliation of reported SG&A expenses, operating earnings, net earnings attributable to W.W. Grainger, Inc. and diluted earnings per share determined in accordance with GAAP to the Company's non-GAAP measures adjusted SG&A, adjusted operating earnings, adjusted net earnings attributable to W.W. Grainger, Inc. for the full year 2022 was $1,526 million, an increase of $483 million, or 46%, compared to the same period in 2021.

Adjusted and adjusted diluted earnings per share of $29.66 increased 49% compared to $19.84 for the twelve months ended December 31, 2021. December 31, 2023 and 2022 (in millions of dollars):

	For the Year Ended December 31, 2023				
	Reported	Business Divestiture(1)	Adjusted	% Change Adjusted	% of Net Sales Adjusted(2)

High-Touch Solutions N.A.	$ 3,212	$ (26)	$ 3,186	7.3%	24.0%
Endless Assortment	631	—	631	6.2	21.6
Other(3)	88	—	88	(3.8)	30.0
Selling, general and administrative expenses	$ 3,931	$ (26)	$ 3,905	6.8	23.7
High-Touch Solutions N.A.	$ 2,334	$ 26	$ 2,360	19.0	17.8
Endless Assortment	233	—	233	4.3	8.0
Other(3)	(2)	—	(2)	(81.2)	(0.8)
Operating earnings	$ 2,565	$ 26	$ 2,591	18.1	15.7
Total other expense – net	(65)	—	(65)	(5.5)	(0.4)
Income tax provision(4)	(597)	(4)	(601)	12.9	(3.6)
Net earnings	$ 1,903	$ 22	$ 1,925	20.9	11.7
Noncontrolling interest	(74)	—	(74)	12.5	(0.5)
Net earnings attributable to W.W. Grainger, Inc.	$ 1,829	$ 22	$ 1,851	21.2	11.2
Diluted earnings per share:	$ 36.23	$ 0.44	$ 36.67	23.6%	

(1) Reflects the loss on the divestiture of E&R in the fourth quarter of 2023.

(2) Calculated on the basis of reported net sales for the year ended December 31, 2023.

(3) Grainger's businesses reported in Other do not meet the criteria of a reportable segment.

(4) Reflects a one-time tax benefit recognized upon the divestiture of E&R in the fourth quarter of 2023. Grainger's reported and adjusted effective tax rates were 23.9% and 23.8% for the year ended December 31, 2023, respectively.

	For the Year Ended December 31, 2022				
	Reported	Business Divestiture(1)	Adjusted	% Change Adjusted	% of Net Sales Adjusted(2)
High-Touch Solutions N.A.	$ 2,968	$ —	$ 2,968	15.4%	24.3%
Endless Assortment	594	—	594	19.4	21.3
Other(3)	72	21	93	(11.4)	35.4
Selling, general and administrative expenses	$ 3,634	$ 21	$ 3,655	15.2	24.0
High-Touch Solutions N.A.	$ 1,983	$ —	$ 1,983	48.7	16.3
Endless Assortment	223	—	223	(3.8)	8.0
Other(3)	9	(21)	(12)	(37.3)	(4.6)
Operating earnings	$ 2,215	$ (21)	$ 2,194	41.9	14.4
Total other expense – net	(69)	—	(69)	10.6	(0.4)
Income tax provision(4)	(533)	—	(533)	43.8	(3.5)
Net earnings	$ 1,613	$ (21)	$ 1,592	43.0	10.5
Noncontrolling interest	(66)	—	(66)	(7.1)	(0.5)
Net earnings attributable to W.W. Grainger, Inc.	$ 1,547	$ (21)	$ 1,526	46.4	10.0%
Diluted earnings per share:	$ 30.06	$ (0.40)	$ 29.66	49.3%	

(1) Reflects the gain on the divestiture of Cromwell's enterprise software business in the fourth quarter of 2022.

(2) Calculated on the basis of reported net sales for the year ended December 31, 2022.

(3) Grainger's businesses reported in Other do not meet the criteria of a reportable segment.

(4) Grainger's reported and adjusted effective tax rates were 24.8% and 25.1% for the year ended December 31, 2022, respectively.

Segment Analysis

In this section, Grainger utilizes non-GAAP measures where it believes it will assist users of its financial statements in understanding its business. For further information regarding the Company's non-GAAP measures including reconciliations to the most directly comparable GAAP measures, see above "Non-GAAP Measures." For further segment information, see Note 14 13 of the Notes to Consolidated Financial Statements in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K.

High-Touch Solutions N.A.

The following table shows reported segment results (in millions of dollars):

		For the Years Ended December 31,		Percent Increase from Prior Year						
		2022	2021							
		For the Years Ended December 31, 2023								
		2023								
		2023						2022	% Change	
Net sales	Net sales	$12,182	$10,186	19.6 %	Net sales	$ 13,267	$	$ 12,182	8.9	8.9 %
Gross profit	Gross profit	$ 4,951	$ 3,906	26.8 %						
Gross profit										
Gross profit										
Selling, general and administrative expenses	Selling, general and administrative expenses	$ 2,968	$ 2,572	15.4 %						
Operating earnings	Operating earnings	$ 1,983	$ 1,334	48.7 %	Operating earnings	$ 2,334	$	$ 1,983	17.7	17.7 %

Net sales of $12,182 million$13,267 million for the year ended December 31, 2022December 31, 2023 increased $1,996 million$1,085 million, or 19.6%, 9% compared to the same period in 2021. On a daily basis, net sales 2022. The increase was due to volume of 5% and price, increased 19.1%. This consisted of increased price, which includes customer mix, of 10.6% and increased volume, which includes product mix, of 8.7%,partially offset by unfavorable foreign exchange of 0.2% 4%.

Gross profit of $4,951 million$5,546 million for the year ended December 31, 2023 increased $595 million, or 12%, and gross profit margin of 41.8% increased 120 basis points compared to the same period in 2022. The increase was driven by freight and supply chain efficiencies in 2023.

SG&A of $3,212 million for the year ended December 31, 2023 increased $244 million, or 8%, and adjusted SG&A of $3,186 million increased $218 million, or 7% compared to the same period in 2022. The increase was primarily due to higher marketing and payroll expenses. Adjusted SG&A leverage improved 30 basis points compared to the same period in 2022.

Operating earnings of $2,334 million for the year ended December 31, 2022 2023 increased $1,045 million$351 million, or 27%18%, and adjusted operating earnings of $2,360 million increased $377 million, or 19% compared to the same period in 2021.Gross profit margin of 40.6% increased 2.3 percentage points compared to the same period in 2021. The increase was primarily due to favorable product mix and lapping of prior year pandemic-related inventory adjustments.

SG&A of $2,968 million for the year ended December 31, 2022 increased $396 million, or 15%, compared to the same period in 2021. The increase was primarily due to higher payroll, marketing and variable compensation expenses in 2022. SG&A leverage improved by 0.9 percentage point.

Operating earnings of $1,983 million for the year ended December 31, 2022 increased $649 million, or 49%, compared to the same period in 2021. The increase was driven by higher gross profit dollars, partially offset by higher SG&A.

Endless Assortment
The following table shows reported segment results (in millions of dollars):

	For the Years Ended December 31,		Percent Increase (decrease) from Prior Year
	2022	2021	
	For the Years Ended December 31,		
	2023		
	2023		

		2023				2022				% Change
Net sales	Net sales	$2,787	$2,576	8.2 %	Net sales	$ 2,916	$	$ 2,787	4.7	4.7 %
Gross profit	Gross profit	$ 817	$ 729	12.0 %						
Gross profit										
Gross profit										
Selling, general and administrative expenses	Selling, general and administrative expenses	$ 594	$ 497	19.4 %						
Operating earnings	Operating earnings	$ 223	$ 232	(3.8) %	Operating earnings	$ 233	$	$ 223	4.3	4.3 %

Net sales of $2,787 million $2,916 million for the year ended December 31, 2022 December 31, 2023 increased $211 million $129 million, or 8.2% 5%, and on a daily constant currency basis, increased 10% compared to the same period in 2021 and on a daily basis, net sales increased 7.7%. 2022. The increase was due to sales growth of 20.1% 10%, driven by strong new customer acquisition and repeat business for the segment as well as enterprise customer and enterprise growth at MonotaRO, partially offset by declining sales at Zoro and non-core, consumer-like customers for the segment. Sales growth was offset by unfavorable foreign currency exchange of 12.4% 5% due to changes in the exchange rate between between the U.S. dollar and the Japanese yen.

Gross profit of $817 million $864 million for the year ended December 31, 2022 December 31, 2023 increased $88 million $47 million, or 12% 6%, and gross profit margin of 29.6% increased 30 basis points compared to the same period in 2022. The increase was driven by freight efficiencies at MonotaRO partially offset by unfavorable product mix at Zoro in 2023.

SG&A of $631 million for the year ended December 31, 2023 increased $37 million, or 6%, compared to the same period in 2021. Gross profit margin of 29.3% increased 1.0 percentage point compared to the same period in 2021. 2022. The increase was driven by freight efficiencies and business unit mix in 2022.

SG&A of $594 million for the year ended December 31, 2022 increased $97 million, or 19%, compared to the same period in 2021. The increase was primarily due to higher marketing and payroll and benefits, occupancy and marketing benefit expenses to support the continued growth of the segment in 2022. SG 2023. SG&A leverage leverage decreased 2.0 percentage points. 30 basis points compared to the same period in 2022.

Operating earnings of $223 million $233 million for the year ended December 31, 2022 decreased $9 million December 31, 2023 increased $10 million, or 4%, compared to the same period in 2021. The decrease was primarily driven by higher SG&A, partially offset by higher gross profit dollars.

Other

Net sales of $259 million for the year ended December 31, 2022 decreased $1 million, or 0.2%, compared to the same period in 2021. The decrease was driven by unfavorable foreign exchange of 11.3% due to changes in the exchange rate between the U.S. dollar and British pound sterling, partially offset by increased sales growth due to improved customer mix of 11.1%.

Operating earnings of $9 million for the year ended December 31, 2022 increased $28 million, or 145%, compared to the same period in 2021. 2022. The increase was due to the divestiture of Cromwell's software business higher gross profit dollars, partially offset by higher SG&A in the fourth quarter of 2022.

2023.

Liquidity and Capital Resources

Grainger believes its current balances of cash and cash equivalents, marketable securities and availability under its revolving credit facilities will be sufficient to meet its liquidity needs for the next 12 months twelve months. The Company expects to continue to invest in its business and beyond. return excess cash to shareholders through cash dividends and share repurchases, which it plans to fund through cash flows generated from operations. Grainger also maintains access to capital markets and may issue debt or equity securities from time to time, which may provide an additional source of liquidity. The Company will continue to assess its liquidity position and potential sources of supplemental liquidity in view of Grainger's operating performance, current economic and capital market conditions and other relevant circumstances.

Sources of Liquidity

Cash and Cash Equivalents

As of December 31, 2022 December 31, 2023 and 2021, 2022, Grainger had cash and cash equivalents of $325 million $660 million and $241 million $325 million, respectively. The increase in cash was primarily due to cash flows from operations and lower favorable year-over-year working capital, partially offset by higher capital expenditures and higher volume of share repurchases, partially offset by working capital changes and higher tax disbursements in 2022. repurchases. The Company had approximately $1.6 billion $1.9 billion in available liquidity as of December 31, 2022 December 31, 2023.

Cash Flows

The following table shows the Company's cash flow activity for the periods presented (in millions of dollars):

	For the Years Ended December 31,

	2023		2022
Total cash provided by (used in):			
Operating activities	$ 2,031		$ 1,333
Investing activities	(422)		(263)
Financing activities	(1,278)		(972)
Effect of exchange rate changes on cash and cash equivalents	4		(14)
Increase in cash and cash equivalents	$ 335		$ 84

	For the Years Ended December 31,	
	2022	2021
Total cash provided by (used in):		
Operating activities	$ 1,333	$ 937
Investing activities	(263)	(226)
Financing activities	(972)	(1,039)
Effect of exchange rate changes on cash and cash equivalents	(14)	(16)
Increase (decrease) in cash and cash equivalents	$ 84	$ (344)

Net cash provided by operating activities was $2,031 million and $1,333 million for the year ended December 31, 2023 and 2022, respectively. The increase compared to the prior year period was due to higher earnings and favorable changes in year-over-year working capital largely driven by sales growth, inventory management and timing of cash receipts and payments.

Net cash used in investing activities was $422 million and $263 million for the year ended December 31, 2023 and 2022, respectively. The increase compared to the prior year period primarily reflects increased U.S. supply chain investments including capacity, automation and sustainability initiatives, as well as technology enhancements across the Company.

Net cash used in financing activities was $1,278 million and $972 million for the year ended December 31, 2023 and 2022, respectively. The increase compared to the prior year period was primarily due to higher treasury stock repurchases.

Debt

Grainger maintains a debt ratio and liquidity position that provides flexibility in funding working capital needs and long-term cash requirements. Grainger has various sources of financing available. For further information regarding the Company's debt instruments and available financing sources, see Note 6 5 of the Notes to the Consolidated Financial Statements in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K.

Total debt which is defined as total interest-bearing debt and lease liabilities as a percent of total capitalization was 49.9% 40.1% and 56.2% 45.9%, as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Credit Ratings

Grainger receives ratings from two independent credit ratings agencies: Moody's Investor Service (Moody's) and Standard & Poor's (S&P). Both credit rating agencies currently rate the Company's corporate credit at investment grade.

The following table summarizes the Company's credit ratings as of December 31, 2022 December 31, 2023:

	Corporate	Senior Unsecured	Short-term
Moody's	A3 A2	A3 A2	P2 P1
S&P	A+	A+	A1

Uses of Liquidity

Internally generated cash flows are the primary source of Grainger's working capital and growth initiatives, including

capital expenditures. The Company expects to continue to return excess capital to shareholders through share repurchases and dividends.

Working Capital

The Company's working Working capital as of December 31, 2023 was $2,864 million at December 31, 2022 $3,078 million, an increase of $214 million compared to $2,455 million at December 31, 2021 $2,864 million as of December 31, 2022. The increase was driven by higher accounts receivable and inventory primarily due to sustained sales growth and inflation, partially offset inventory management driven by increased accounts payable.supply chain efficiencies compared to the prior year period. As of December 31, 2022 December 31, 2023 and 2021, 2022, the ratio of current assets to current liabilities was 2.8 and 2.5, and 2.7, respectively.

Capital Expenditures

In fiscal 2022, 2023, the Company continued U.S. and Japanese supply chain investments. Capital Company's capital expenditures were $256 million $445 million and $255 million $256 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Capital project spending for 2023 2024 is expected to be in the range of $450 of $400 and $525 million $500 million. This includes continued supply chain capacity expansion and technology enhancements across the Company. With Grainger's strategic plan to expand its distribution network, the Company completed land purchases in Oregon and Texas in the second and fourth quarters of 2023 for construction of approximately 500,000 and 1,200,000 square foot distribution centers (DC), respectively.

Share Repurchases

For the years ended December 31, 2022 December 31, 2023 and 2021, 2022, Grainger repurchased shares of its common stock in the open market market for $850 million an$603 million and $695 million d $603 million, respectively. Share repurchases are executed at prices the Company determines appropriate subject to various factors, including market conditions and the Company's financial performance and may be effected affected through accelerated share repurchase programs, open market purchases or privately negotiated transactions, including through Rule 10b5-1 plans. Share repurchases for 2023 2024 are expected to be in the range of $550 $900 and $700 million $1,100 million.

Dividends

For the years ended December 31, 2022 2023 and 2021, 2022, Grainger declared and paid $392 million a$370 million and $357 million nd $370 million, respectively, in dividends to holders of the Company's common stock.

Commitments and Other Contractual Obligations

The Company's material cash requirements include the following commitments and other contractual obligations.

Debt

As of December 31, 2022 December 31, 2023, the Company had outstanding debt obligations with varying maturities for an aggregate principal amount of $2,374 million $2,337 million, with $35 million $34 million payable within 12 months. Total future interest payments associated with the Company's outstanding debt obligations was $1,843 million $1,729 million, with $87 million payable within 12 months.

Purchase Obligations

Grainger had purchase obligations of approximately $1,563 million $1,453 million as of December 31, 2022 2023, which includes approximately $1,407 million $1,175 million payable within 12 months. Grainger's purchase obligations primarily include commitments to purchase inventory, uncompleted additions to property, buildings and equipment and other goods and services. Purchase obligations are made in the normal course of business to meet operating needs and are primarily noncancelable.

Leases

The Company has lease arrangements for certain properties, buildings and equipment (including branches, warehouses, DCs and office space). As of December 31, 2022 2023, the Company had fixed operating lease payment obligations of $405 million of $492 million, with $77 million payable $87 million payable within 12 months.

Critical Accounting Estimates

The preparation of Grainger’s Consolidated Financial Statements and accompanying notes are in conformity with GAAP and the Company’s discussion and analysis of its financial condition and operating results require the Company’s management to make assumptions and estimates that affect the reported amounts. The Company considers an accounting policy to be a critical estimate if: (1) it involves assumptions that are uncertain when judgment was applied, and (2) changes in the estimate assumptions, or selection of a different estimate methodology, could have a significant impact on Grainger’s consolidated financial position and results. While the Company believes the assumptions and estimates used are reasonable, the Company’s management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances. Note 1 of the Notes to Consolidated Financial Statements in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K describes the significant accounting policies and methods used in the preparation of the Company’s Consolidated Financial Statements.

Inventories

Company inventories primarily consist of merchandise purchased for resale and are valued at the lower of cost or net realizable market value. The majority of the Company’s inventory is accounted for using the last-in, first-out (LIFO) method. Net realizable Market value is based on an analysis of inventory trends including, but not limited to, reviews of inventory levels, sales and cost information and on-hand quantities relative to the sales history for the product and shelf-life. The Company's methodology for estimating whether adjustments are necessary is continually evaluated for factors including significant changes in product demand, liquidation or disposition history values and market conditions such as inflation and other acquisition costs, including freight and duties. If business or economic conditions change, estimates and assumptions may be adjusted as deemed appropriate.

Goodwill and Other Intangible Assets

The Company evaluates goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter and more frequently if impairment indicators exist. The fair value of reporting units is calculated primarily using the discounted cash flow method and utilizing value indicators from a market approach to evaluate the reasonableness of the resulting fair values. The Company’s indefinite-lived intangible assets are primarily trade names. The fair value of trade names is calculated primarily using the relief-from-royalty method, which estimates the expected royalty savings attributable to the ownership of the trade name asset.

The estimates used to calculate the fair values of reporting units and indefinite-lived intangible assets involve the use of significant assumptions, estimates and judgments and changes from year to year based on operating results, market conditions, macroeconomic developments and other factors. Changes in these estimates and assumptions could materially affect the determination of fair value and impairment for each reporting unit and indefinite-lived intangible intangible asset. For further information on the Company's goodwill and other intangible assets, see Note 5 4 of the Notes to Consolidated Financial Statements in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K.

Contingencies and Legal Matters

The Company is subject to various claims and legal proceedings that arise in the ordinary course of business, the outcomes of which are inherently uncertain. The Company accrues for costs relating to litigation claims and other contingent matters when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. A detailed summary of For further information on the Company's Company's contingencies and legal matters, is included in see Note 15 14 of the Notes to Consolidated Financial Statements in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K.

Item 7A: Quantitative and Qualitative Disclosures About Market Risk

Grainger's primary market risk exposures is as follows:

Foreign Currency Exchange Rates

Grainger's financial results, including the value of assets and liabilities, are exposed to foreign currency exchange rate risk when the financial statements of the business units outside the U.S., as stated in their local currencies, are translated into U.S. dollars. For the fiscal year ended December 31, 2022 December 31, 2023, approximately 18% of the Company's net sales were denominated in a currency other than the Company's functional U.S. dollar currency. Consequently, the Company is exposed to the impact of exchange rate volatility primarily between the U.S. dollar and the Japanese yen, Mexican peso, Canadian dollar and the British pound sterling. In February 2020, Grainger entered into certain derivative instrument agreements to manage this risk. A hypothetical 10% change in the relative value of the U.S. dollar would not materially impact the Company's net earnings for 2022. 2023.

For derivative instrument information, see Note 12 of the Notes to Consolidated Financial Statements in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K.

Interest Rate Risks

Grainger is exposed to interest rate risk on its long-term debt. In February 2020, Grainger entered into certain derivative instrument agreements to hedge a portion of its fixed-rate long-term debt to manage this risk. The annualized effect of a hypothetical 1 percentage point increase in interest rates on Grainger's variable-rate debt obligations would not materially impact the Company's net earnings for 2022. 2023.

For debt and derivative instrument information, see Note 6 5 and Note 12 11 of the Notes to Consolidated Financial Statements in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K.

Commodity Price Risks

Grainger's transportation costs are exposed to fluctuations in the price of fuel and some sourced products contain commodity-priced materials. The Company regularly monitors commodity trends and, as a broad line supplier, mitigates any material exposure to commodity price risk by having alternative sourcing plans in place that mitigate the risk of supplier concentration, passing commodity-related inflation to customers or suppliers and continuing to scale its distribution networks, including its transportation infrastructure.

Item 8: Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
W.W. Grainger, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of W.W. Grainger, Inc. and Subsidiaries subsidiaries (the Company) as of December 31, 2022 December 31, 2023 and 2021, 2022, the related consolidated statements of earnings, comprehensive earnings, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 December 31, 2023 and 2021, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 21, 2023 February 22, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

	Valuation of Goodwill for the Canadian Reporting Unit
Description of the Matter	At December 31, 2022 December 31, 2023, the goodwill balance of the Canada business reporting unit was $121 million.$124 million. As discussed in Notes 1 and 5 4 of the financial statements, goodwill is tested at the reporting unit level annually during the fourth quarter and more frequently if impairment indicators exist. Auditing management's annual goodwill impairment analysis is complex and highly judgmental due to certain the significant estimation required to determine the fair value of the reporting unit. In particular, the fair value estimate was sensitive to significant assumptions that are significant to the analysis. Management performed an annual impairment analysis in the fourth quarter to evaluate changes in key assumptions and results since the last impairment test. The more subjective assumptions used in the analysis were such as projections of future revenue growth, operating expenditures, changes in working capital, as well as the discount rate used, which are all affected by expectations about future market or economic conditions.
How We Addressed the Matter in Our Audit	Our audit procedures included, among others obtaining an understanding, evaluating the design and testing the operating effectiveness of controls over the Company's goodwill impairment analysis, including controls over management's review of the significant assumptions assumption described above. To test management's annual goodwill impairment analysis the estimated fair value of the Canada business reporting unit, we performed audit procedures that included, among others, evaluating assessing methodologies and involving our valuation specialists to assist in testing the key significant assumptions and results considering testing the relevant events completeness and circumstances identified since accuracy of the date underlying data used by the last fair value calculation. Company in its analysis. We compared the significant assumptions used by management to current industry and economic trends, changes to the Company's business model, customer base or product mix, and other relevant factors. We also assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting units that would result from changes in the assumptions utilized in the last quantitative assessment. In addition, we reviewed the reconciliation of the fair value of the reporting units to the market capitalization of the Company and tested the completeness and accuracy of the underlying data used by management in its analysis. assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2005.

Chicago, Illinois
February 21, 2023 22, 2024

W.W. Grainger, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF EARNINGS
(In millions, except for per share amounts)

		For the Years Ended December 31,			For the Years Ended December 31,		
For the Years Ended December 31,							
		2022	2021	2020	2023	2022	2021
Net sales	Net sales	$15,228	$13,022	$11,797			
Cost of goods sold	Cost of goods sold	9,379	8,302	7,559			
Gross profit	Gross profit	5,849	4,720	4,238			
Selling, general and administrative expenses	Selling, general and administrative expenses	3,634	3,173	3,219			
Operating earnings	Operating earnings	2,215	1,547	1,019			
Other (income) expense:	Other (income) expense:						
Interest expense – net							
Interest expense – net							
Interest expense – net	Interest expense – net	93	87	93			
Other – net	Other – net	(24)	(25)	(21)			

Total other expense – net	Total other expense – net	69	62	72	
Earnings before income taxes	Earnings before income taxes	2,146	1,485	947	
Income tax provision	Income tax provision	533	371	192	
Net earnings	Net earnings	1,613	1,114	755	
Less net earnings attributable to noncontrolling interest	Less net earnings attributable to noncontrolling interest	66	71	60	
Net earnings attributable to W.W. Grainger, Inc.	Net earnings attributable to W.W. Grainger, Inc.	$ 1,547	$ 1,043	$ 695	
Earnings per share:	Earnings per share:				
Basic	Basic	$ 30.22	$ 19.94	$ 12.88	
Basic					
Basic					
Diluted	Diluted	$ 30.06	$ 19.84	$ 12.82	
Weighted average number of shares outstanding:	Weighted average number of shares outstanding:				Weighted average number of shares outstanding:
Basic	Basic	50.9	51.9	53.5	
Diluted	Diluted	51.1	52.2	53.7	

The accompanying notes are an integral part of these financial statements.

W.W. Grainger, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(In millions of dollars)

		For the Years Ended December 31,					
		2022	2021	2020			
	For the Years Ended December 31,				For the Years Ended December 31,		
	2023				2023	2022	2021
Net earnings	Net earnings	$1,613	$1,114	$755			
Other comprehensive earnings (losses):	Other comprehensive earnings (losses):						
Foreign currency translation adjustments – net of reclassification to earnings (see Note 2 and Note 11)		(101)	(64)	83			
Foreign currency translation adjustments – net of reclassification to earnings							
Foreign currency translation adjustments – net of reclassification to earnings							
Foreign currency translation adjustments – net of reclassification to earnings							

Postretirement benefit plan (losses) gains – net of tax benefit (expense) of $6, $—, and $(7), respectively (see Note 7 and Note 11)		(17)	—	22
Postretirement benefit plan losses – net of tax expense of $2, $6, and $0, respectively				
Postretirement benefit plan losses – net of tax expense of $2, $6, and $0, respectively				
Postretirement benefit plan losses – net of tax expense of $2, $6, and $0, respectively				
Total other comprehensive earnings (losses)				
Total other comprehensive earnings (losses)				
Total other comprehensive earnings (losses)	Total other comprehensive earnings (losses)	(118)	(64)	105
Comprehensive earnings – net of tax	Comprehensive earnings – net of tax	1,495	1,050	860
Less comprehensive earnings (losses) attributable to noncontrolling interest	Less comprehensive earnings (losses) attributable to noncontrolling interest			
Net earnings	Net earnings	66	71	60
Net earnings				
Net earnings				
Foreign currency translation adjustments	Foreign currency translation adjustments	(34)	(29)	12
Total comprehensive earnings (losses) attributable to noncontrolling interest	Total comprehensive earnings (losses) attributable to noncontrolling interest	32	42	72
Comprehensive earnings attributable to W.W. Grainger, Inc.	Comprehensive earnings attributable to W.W. Grainger, Inc.	$1,463	$1,008	$788

The accompanying notes are an integral part of these financial statements.

W.W. Grainger, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In millions of dollars, except for share and per share amounts)

		As of December 31,				
As of December 31,					As of December 31,	
Assets	Assets	2022	2021	Assets	2023	2022
Current assets	Current assets			Current assets		
Cash and cash equivalents	Cash and cash equivalents	$ 325	$ 241			

Accounts receivable (less allowance for credit losses of $36 and $30, respectively)		2,133	1,754
Accounts receivable (less allowance for credit losses of $35 and $36, respectively)			
Inventories – net	Inventories – net	2,253	1,870
Prepaid expenses and other current assets	Prepaid expenses and other current assets	266	146
Total current assets	Total current assets	4,977	4,011
Property, buildings and equipment – net	Property, buildings and equipment – net	1,461	1,424
Goodwill	Goodwill	371	384
Intangibles – net	Intangibles – net	232	238
Operating lease right-of-use	Operating lease right-of-use	367	393
Other assets	Other assets	180	142
Total assets	Total assets	$7,588	$6,592
Liabilities and shareholders' equity	Liabilities and shareholders' equity		
Liabilities and shareholders' equity			
Liabilities and shareholders' equity			
Current liabilities	Current liabilities		
Current liabilities			
Current liabilities			
Current liabilities			
Current liabilities			
Current liabilities			
Current liabilities			
Current liabilities			
Current liabilities			
Current maturities			
Current maturities			
Current maturities	Current maturities	35	—
Trade accounts payable	Trade accounts payable	1,047	816
Accrued compensation and benefits	Accrued compensation and benefits	334	319
Operating lease liability	Operating lease liability	68	66
Accrued expenses	Accrued expenses	474	290
Income taxes payable	Income taxes payable	52	37

Total current liabilities	Total current liabilities	2,010	1,528	
Long-term debt	Long-term debt	2,284	2,362	
Long-term operating lease liability	Long-term operating lease liability	318	334	
Deferred income taxes and tax uncertainties	Deferred income taxes and tax uncertainties	121	121	
Other non-current liabilities	Other non-current liabilities	120	87	
Shareholders' equity	Shareholders' equity			Shareholders' equity
Cumulative preferred stock – $5 par value – 12,000,000 shares authorized; none issued nor outstanding		—	—	
Common Stock – $0.50 par value – 300,000,000 shares authorized; issued 109,659,219 shares		55	55	
Cumulative preferred stock – $5 par value – 12,000,000 shares authorized; none issued or outstanding				
Common Stock – $0.50 par value – 300,000,000 shares authorized; 109,659,219 shares issued				
Additional contributed capital	Additional contributed capital	1,310	1,270	
Retained earnings	Retained earnings	10,700	9,500	
Accumulated other comprehensive losses	Accumulated other comprehensive losses	(180)	(96)	
Treasury stock, at cost – 59,402,896 and 58,439,014 shares, respectively		(9,445)	(8,855)	
Treasury stock, at cost – 60,341,817 and 59,402,896 shares, respectively				
Total W.W. Grainger, Inc. shareholders’ equity	Total W.W. Grainger, Inc. shareholders’ equity	2,440	1,874	
Noncontrolling interest	Noncontrolling interest	295	286	

Total shareholders' equity	Total shareholders' equity	2,735	2,160
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	$7,588	$6,592

The accompanying notes are an integral part of these financial statements.

W.W. Grainger, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions of dollars)

		For the Years Ended December 31,			For the Years Ended December 31,		
For the Years Ended December 31,							
		2022	2021	2020	2023	2022	2021
Cash flows from operating activities:	Cash flows from operating activities:						
Net earnings	Net earnings	$1,613	$1,114	$ 755			
Net earnings							
Net earnings							
Adjustments to reconcile net earnings to net cash provided by operating activities:	Adjustments to reconcile net earnings to net cash provided by operating activities:						
Provision for credit losses							
Provision for credit losses							
Provision for credit losses	Provision for credit losses	19	18	22			
Deferred income taxes and tax uncertainties	Deferred income taxes and tax uncertainties	8	27	(5)			
Depreciation and amortization	Depreciation and amortization	217	185	182			
Impairment of goodwill, intangible and other assets		7	—	187			
Net (gains) losses from sales of assets and business divestitures		(14)	(6)	106			
Non-cash lease expense							
Net losses (gains) from sales of assets and business divestitures							
Net losses (gains) from sales of assets and business divestitures							
Net losses (gains) from sales of assets and business divestitures							
Stock-based compensation	Stock-based compensation	48	42	46			

Change in operating assets and liabilities:	Change in operating assets and liabilities:			
Change in operating assets and liabilities:				
Change in operating assets and liabilities:				
Accounts receivable				
Accounts receivable				
Accounts receivable	Accounts receivable	(436)	(324)	(121)
Inventories	Inventories	(412)	(152)	(158)
Prepaid expenses and other assets	Prepaid expenses and other assets	(158)	(15)	(23)
Trade accounts payable	Trade accounts payable	225	54	80
Operating lease liabilities				
Accrued liabilities	Accrued liabilities	200	43	15
Income taxes – net	Income taxes – net	42	(26)	24
Other non-current liabilities	Other non-current liabilities	(26)	(23)	13
Net cash provided by operating activities	Net cash provided by operating activities	1,333	937	1,123
Net cash provided by operating activities				
Net cash provided by operating activities				
Cash flows from investing activities:	Cash flows from investing activities:			
Additions to property, buildings, equipment and intangibles		(256)	(255)	(197)
Proceeds from sale or redemption of assets		28	29	20
Capital expenditures				
Capital expenditures				
Capital expenditures				
Proceeds from sales of assets and business divestitures				
Other – net	Other – net	(35)	—	(2)

Net cash used in investing activities	Net cash used in investing activities	(263)	(226)	(179)
Net cash used in investing activities				
Net cash used in investing activities				
Cash flows from financing activities:	Cash flows from financing activities:			
Proceeds from short-term debt		16	—	12
Payments of short-term debt		(15)	—	(65)
Proceeds from long-term debt		—	—	1,584
Payments of long-term debt		—	(8)	(1,370)
Proceeds from debt				
Proceeds from debt				
Proceeds from debt				
Payments of debt				
Proceeds from stock options exercised	Proceeds from stock options exercised	26	48	70
Payments for employee taxes withheld from stock awards				
Payments for employee taxes withheld from stock awards				
Payments for employee taxes withheld from stock awards	Payments for employee taxes withheld from stock awards	(23)	(30)	(18)
Purchases of treasury stock	Purchases of treasury stock	(603)	(695)	(601)
Cash dividends paid	Cash dividends paid	(370)	(357)	(338)
Other – net	Other – net	(3)	3	—
Net cash used in financing activities	Net cash used in financing activities	(972)	(1,039)	(726)
Exchange rate effect on cash and cash equivalents	Exchange rate effect on cash and cash equivalents	(14)	(16)	7
Net change in cash and cash equivalents	Net change in cash and cash equivalents	84	(344)	225
Cash and cash equivalents at beginning of year	Cash and cash equivalents at beginning of year	241	585	360
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	$ 325	$ 241	$ 585

Supplemental cash flow information:	Supplemental cash flow information:			
Cash payments for interest (net of amounts capitalized)	Cash payments for interest (net of amounts capitalized)	$ 91	$ 87	$ 94
Cash payments for interest (net of amounts capitalized)				
Cash payments for interest (net of amounts capitalized)				
Cash payments for income taxes	Cash payments for income taxes	$ 479	$ 377	$ 180

The accompanying notes are an integral part of these financial statements.

W.W. Grainger, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions of dollars, except for per share amounts)

		Common Stock	Additional Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Earnings (Losses)	Treasury Stock	Noncontrolling Interest	Total
Balance at January 1, 2020		$ 55	$ 1,182	$ 8,405	$ (154)	$ (7,633)	$ 205	$ 2,060
	Common Stock	Common Stock	Additional Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Earnings (Losses)	Treasury Stock	Noncontrolling Interest	Total
Balance at January 1, 2021								
Stock-based compensation	Stock-based compensation	—	49	—	—	49	—	98
Purchases of treasury stock	Purchases of treasury stock	—	—	—	—	(600)	(1)	(601)
Net earnings	Net earnings	—	—	695	—	—	60	755
Other comprehensive earnings (losses)	Other comprehensive earnings (losses)	—	—	—	93	—	12	105
Capital contribution	Capital contribution	—	7	—	—	—	7	14
Cash dividends paid ($5.94 per share)		—	1	(321)	—	—	(18)	(338)
Balance at December 31, 2020		$ 55	$ 1,239	$ 8,779	$ (61)	$ (8,184)	$ 265	$ 2,093
Stock-based compensation		—	31	—	—	28	1	60
Purchases of treasury stock		—	—	—	—	(699)	(1)	(700)
Net earnings		—	—	1,043	—	—	71	1,114
Other comprehensive earnings (losses)		—	—	—	(35)	—	(29)	(64)
Reclassification due to the adoption of ASU 2019-12	Reclassification due to the adoption of ASU 2019-12	—	—	12	—	—	—	12
Capital contribution		—	—	—	—	—	2	2
Cash dividends paid ($6.39 per share)	Cash dividends paid ($6.39 per share)	—	—	(334)	—	—	(23)	(357)

Balance at December 31, 2021	Balance at December 31, 2021	$ 55	$ 1,270	$ 9,500	$ (96)	$ (8,855)	$ 286	$ 2,160
Stock-based compensation	Stock-based compensation	—	40	—	—	12	1	53
Purchases of treasury stock	Purchases of treasury stock	—	—	—	—	(602)	(1)	(603)
Net earnings	Net earnings	—	—	1,547	—	—	66	1,613
Other comprehensive earnings (losses)	Other comprehensive earnings (losses)	—	—	—	(84)	—	(34)	(118)
Cash dividends paid ($6.78 per share)								
Cash dividends paid ($6.78 per share)								
Cash dividends paid ($6.78 per share)	Cash dividends paid ($6.78 per share)	—	—	(347)	—	—	(23)	(370)
Balance at December 31, 2022	Balance at December 31, 2022	$ 55	$ 1,310	$ 10,700	$ (180)	$ (9,445)	$ 295	$ 2,735
Stock-based compensation								
Purchases of treasury stock								
Net earnings								
Other comprehensive earnings (losses)								
Capital contribution								
Cash dividends paid ($7.30 per share)								
Balance at December 31, 2023								

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

W.W. Grainger, Inc. is a broad line distributor of maintenance, repair and operating (MRO) products and services with operations primarily in North America, (N.A.), Japan and the United Kingdom (U.K.). In this report, the words “Grainger” or “Company” mean W.W. Grainger, Inc. and its subsidiaries, except where the context makes it clear that the reference is only to W.W. Grainger, Inc. itself and not its subsidiaries.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries over which the Company exercises control. All significant intercompany transactions are eliminated from the Consolidated Financial Statements. The Company has a controlling ownership interest in MonotaRO, the endless assortment business in Japan, with the residual representing the noncontrolling interest.

The Company reports MonotaRO on a one-month calendar lag allowing for the timely preparation of financial statements. This one-month reporting lag is with the exception of significant transactions or events that occur during the intervening period.

Use of Estimates

The preparation of the Company's Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions affecting reported amounts in the Consolidated Financial Statements and accompanying notes. Actual results may differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior year amounts in Grainger's Consolidated Statements of Cash Flows to conform with the current year presentation. The Company reclassified amounts to separately disclose Non-cash lease expense as an adjustment to reconcile net earnings to net cash provided by operating activities and Operating lease liabilities as a change in operating assets and liabilities. Previously, the net activity for these amounts were included in Depreciation and amortization. The change had no effect on previously reported results including net cash provided by (used in) operating, investing and financing activities or net earnings for the twelve months ended December 31, 2023, 2022 and 2021.

Foreign Currency Translation

The U.S. dollar is the Company's reporting currency for all periods presented. The financial statements of the Company's foreign operating subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of the Company's foreign operating subsidiaries are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at average rates in effect during the period. Translation gains or losses are recorded as a separate component of other comprehensive earnings (losses).

Revenue Recognition

The Company recognizes revenue when a sales arrangement with a customer exists (e.g., contract, purchase orders, others), the transaction price is fixed or determinable and the Company has satisfied its performance obligation per the sales arrangement.

The majority of Company revenue originates from contracts with a single performance obligation to deliver products, whereby performance obligations are satisfied when control of the product is transferred to the customer per the arranged shipping terms. Some Company contracts contain a combination of product sales and services, which are distinct and accounted for as separate performance obligations and are satisfied when the services are rendered. Total service revenue is not material and accounted for approximately 1% of the Company's revenue for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020. 2021.

The Company's revenue is measured at the determinable transaction price, net of any variable considerations granted to customers and any taxes collected from customers and subsequently remitted to governmental authorities. Variable considerations include rights to return products and sales incentives, which primarily consist of volume rebates. These variable considerations are estimated throughout the year based on various factors, including contract terms, historical experience and performance levels. Total accrued sales returns were approximately $38 million $52 million and $34 million $38 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively, and are reported as a reduction of Accounts receivable – net. Total accrued sales incentives were approximately $102 million $114 million and $73 million $102

million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively, and are reported as part of Accrued expenses.

The Company records a contract asset when it has a right to payment from a customer that is conditioned on events other than the passage of time. The Company also records a contract liability when customers prepay but the Company has not yet satisfied its performance obligation. The Company Company did not have any not have any material unsatisfied performance obligations, contract assets or liabilities as of December 31, 2022 December 31, 2023 and 2021. 2022.

Cost of Goods Sold (COGS)

COGS, exclusive of depreciation and amortization, includes the purchase cost of goods sold net of vendor considerations, in-bound shipping costs, outbound shipping and handling costs and service costs. The Company receives vendor considerations, such as rebates to promote their products, which are generally recorded as a reduction to COGS. Rebates earned from vendors that are based on product purchases are capitalized into inventory and rebates earned based on products sold are credited directly to COGS. Total accrued vendor rebates were $155 million and $136 million as of December 31, 2023 and 2022, respectively, and are reported in Trade accounts payable.

Selling, General and Administrative Expenses (SG&A)

Company SG&A is primarily comprised of payroll and benefits, advertising, depreciation and amortization, compensation and benefit costs, lease, indirect purchasing, supply chain and branch operations, technology, leases, restructuring, impairments, advertising and selling expenses, as well as other types of general and administrative costs.

Advertising

Advertising costs, which include online marketing, are generally expensed in the year the related advertisement is first presented or when incurred. Total advertising expense was $638 million, $519 million and $402 million for 2023, 2022 and $319 million for 2022, 2021, and 2020, respectively.

Stock Incentive Plans

The Company measures all share-based payments using fair-value-based methods and records compensation expense on a straight-line basis over the vesting periods, net of estimated forfeitures.

Income Taxes

The Company recognizes the provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. Also, the Company evaluates deferred income taxes to determine if valuation allowances are required using a "more likely than not" standard. This assessment considers the nature, frequency and amount of book and taxable income and losses, the duration of statutory carryback and forward periods, future reversals of existing taxable temporary differences and tax planning strategies, among other matters.

The Company recognizes tax benefits from uncertain tax positions only if (based on the technical merits of the position) it is more likely than not that the tax positions will be sustained on examination by the tax authority. The Company recognizes interest expense and penalties to its tax uncertainties in the provision for income taxes.

Other Comprehensive Earnings (Losses)

The Company's Other comprehensive earnings (losses) include foreign currency translation adjustments and unrecognized gains (losses) on postretirement and other employment-related benefit plans. Accumulated other comprehensive earnings (losses) (AOCE) are presented separately as part of shareholders' equity.

Cash and Cash Equivalents

The Company considers investments in all highly liquid debt instruments, purchased investments with an original maturity maturities of 90 days three months or less at time of purchase to be cash equivalents.

Concentration of Credit Risk

The Company places temporary cash investments with institutions of high credit quality and, by policy, limits the amount of credit exposure to any one institution. Also, the Company has a broad customer base representing many diverse industries across North America, Japan and U.K. Consequently, no significant concentration of credit risk is considered to exist.

Accounts Receivable and Allowance for Credit Losses

The Company's accounts receivable arises primarily from sales on credit to customers and are stated at their estimated net realizable value. The Company establishes allowances for credit losses on customer accounts that are potentially uncollectible. These allowances are determined based on several factors, including the age of the receivables, historical collection trends and economic conditions that may have an impact on a specific industry, group of customers or a specific customer.

The Company establishes an allowance for credit losses to present the net amount of accounts receivable expected to be collected. The allowance is determined by using the loss-rate method, which requires an estimation of loss rates based upon historical loss experience adjusted for factors that are relevant to determining the expected collectability of accounts receivable. Some of these factors include macroeconomic conditions that correlate with historical loss experience, delinquency trends, aging behavior of receivables and credit and liquidity quality indicators for industry groups, customer classes or individual customers.

Inventories

Company inventories primarily consist of merchandise purchased for resale, resale. The Company uses the last-in, first-out (LIFO) method, valued at the lower of cost or market, to account for approximately 77% of total inventory and they are the first-in, first-out (FIFO) method, valued at the lower of cost or net realizable value. The Company uses the last-in, first-out (LIFO) method to account for approximately 73% of total inventory and the first-in, first-out (FIFO) method value, for the remaining inventory. The Company regularly reviews inventory to evaluate continued demand and records excess and obsolete provisions representing the difference between excess and obsolete inventories and net realizable market value. Estimated net realizable market value considers various variables, including product demand, aging and shelf life, market conditions, and liquidation or disposition history and values.

If FIFO had been used for all of the Company's inventories, they would have been $693 million $770 million and $510 million $693 million higher than reported as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively. Concurrently, net earnings would have increased by $139 million $58 million, $49 million $139 million and $15 million $49 million for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively.

Property, Buildings and Equipment

Property, buildings and equipment are stated at cost, less accumulated depreciation. Depreciation is computed over the estimated useful lives of the asset classes using the straight-line method. Useful lives for buildings, structures and improvements range from 10 to 50 years and furniture, fixtures, machinery and equipment from three to 15 years. Amounts expended for maintenance and repairs are charged to expense as incurred.

Historically, Grainger had depreciated certain property, buildings and equipment using both the declining balance and sum-of-the-years' digits methods as well as certain buildings over estimated useful lives of approximately thirty years. In accordance with its policy, the Company periodically reviews information impacting the pattern of consumption for its capital assets and useful lives to ensure that estimates of depreciation expenses are appropriate. The Company's investment in its supply chain infrastructure and technology triggered the review of these patterns of consumption. Pursuant to the review and effective January 1, 2020, the method of estimating depreciation for certain assets was changed to the straight-line method and updated useful lives to forty and fifty years. The Company determined that these changes in depreciation method and useful lives were considered a change in accounting estimate effected by a change in accounting principle, and as such have been accounted for on a prospective basis. Grainger believes the changes to the straight-line method and useful lives are appropriate estimations of the Company's current patterns of economic consumption of its capital assets and appropriately match current revenues and costs over updated estimates of the assets' useful lives. The effect of these changes resulted in a decrease of $34 million to depreciation expense for the year ended December 2020.

Depreciation expense was $139 million, $123 million and $116 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Long-Lived Assets

The carrying value of long-lived assets, primarily property, buildings and equipment and amortizable intangibles, is evaluated whenever events or changes in circumstances indicate that the carrying value of the asset group may be impaired. An impairment loss is recognized when estimated undiscounted future cash flows resulting from use of the asset, including disposition, are less than their carrying value. Impairment is measured as the amount by which the asset's carrying amount exceeds the fair value.

Leases

The Company leases certain properties, buildings and equipment (including branches, warehouses, DCs and office space) under various arrangements which provide the right to use the underlying asset and require lease payments for the lease term. The Company determines if an arrangement contains a lease at inception. Leases with an initial term of more than 12 months are recorded on the balance sheet as right-of-use (ROU) assets representing the right to use the underlying asset for the lease term and the corresponding current and long-term lease liabilities representing the obligation to make lease payments arising from the lease.

ROU assets and lease liabilities are recognized at the lease commencement or possession date based on the present value of lease payments over the lease term and include options to extend or terminate the lease when they are reasonably certain to be exercised. The present value of lease payments is determined using the incremental borrowing rate based on the information available at the lease commencement date. The incremental borrowing rate, the ROU asset and the lease liability are re-evaluated upon a lease modification.

Certain lease agreements include variable lease payments that primarily include payments for non-lease components including pass-through operating expenses such as certain maintenance costs and utilities, and payments for non-components such as real estate taxes and insurance. Lease agreements with fixed lease and non-lease components are generally accounted for as a single lease component for all underlying classes of assets. Certain of the Company's lease arrangements contain renewal provisions from one to 30 years, exercisable at the Company's option. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company's operating lease expense is recognized on a straight-line basis over the lease term and is recorded in SG&A.

Goodwill and Other Intangible Assets

In a business acquisition, the Company recognizes goodwill as the excess purchase price of an acquired reporting unit over the net amount assigned to assets acquired including intangible assets and liabilities assumed. Acquired intangibles include both assets with indefinite lives and assets that are subject to amortization, which are amortized straight-line over their estimated useful lives.

The Company tests goodwill and indefinite-lived intangibles for impairment annually during the fourth quarter and more frequently if impairment indicators exist. The Company performs qualitative assessments of significant events and circumstances, such as reporting units' historical and current results, assumptions regarding future performance, strategic initiatives and overall economic factors to determine the existence of impairment indicators and assess if it is more likely than not that the fair value of the reporting unit or indefinite-lived intangible asset is less than its carrying value that would necessitate a quantitative impairment test. In the quantitative test, Grainger compares the carrying value of the reporting unit or an indefinite-lived intangible asset with its fair value. Any excess of the carrying value over fair value is recorded as an impairment charge, presented as part of SG&A.

The fair value of reporting units is calculated primarily using the discounted cash flow method and utilizing value indicators from a market approach to evaluate the reasonableness of the resulting fair values. Estimates of market-participant risk-adjusted weighted average cost of capital are used as a basis for determining the discount rates to apply to the reporting units' future expected cash flows and terminal value.

The Company's indefinite-lived intangibles are primarily trade names. The fair value of trade names is calculated primarily using the relief-from-royalty method, which estimates the expected royalty savings attributable to the ownership of the trade name asset. The key assumptions when valuing a trade name are the revenue base, the royalty rate and the discount rate.

Additionally, the Company capitalizes certain costs related to the purchase and development of internal-use software, which are presented as intangible assets. Amortization of capitalized software is on a straight-line basis over three or five years.

Accounting for Derivative Instruments

The Company recognizes all derivative instruments as assets or liabilities in the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship.

To qualify for hedge accounting, a derivative must be highly effective at reducing the risk associated with the exposure being hedged. In addition, for a derivative to be designated as a hedge, the risk management objective and strategy must be documented. Hedge documentation must identify the derivative hedging instrument, the asset or liability or forecasted transaction, type of risk to be hedged, and how the effectiveness of the derivative is assessed prospectively and retrospectively. To assess effectiveness, the Company uses statistical methods and qualitative comparisons of critical terms. The extent to which a derivative has been and is expected to continue to be highly effective at offsetting changes in the fair value or cash flows of the hedged item is assessed and documented periodically. If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting is discontinued. For those derivative instruments that are designated and qualify as hedging instruments, the Company classifies them as fair value hedges or cash flow hedges.

Contingencies

The Company records a liability when a particular contingency is both probable and estimable. If the probable loss cannot be reasonably estimated, no accrual is recorded, but the loss contingency and the reasons to the effect that it cannot be reasonably estimated are disclosed. If a loss is reasonably possible, the Company will provide disclosure to that affect. effect.

For further discussion on the Company's contingencies, see Notes 15 and 16. Note 14.

New Accounting Standards

Accounting Pronouncements Recently Adopted Issued

In March 2020, November 2023, the FASB issued ASU 2020-04, Accounting Standards Update (ASU) 2023-07, *Reference Rate Reform Segment Reporting (Topic 848) 280): Facilitation Improvements to Reportable Segment Disclosures.* This update requires public entities to disclose significant segment expenses and other segment items on an annual and interim basis. The effective date is for fiscal years beginning after December 15, 2023, with the option to early adopt prior to the effective date and requires application on a retrospective basis. The Company is evaluating the impact of the Effects of Reference Rate Reform on Financial Reporting as modified by subsequently issued ASU 2021-01. This update provides optional expedients and exceptions for applying GAAP to certain contract modifications and hedging relationships that reference London Inter-bank Offered Rate (LIBOR) or another reference rate expected to be discontinued. The guidance is effective upon issuance and generally can be applied prospectively to contract modifications made and hedging relationships entered or evaluated on or before December 31, 2022. In October 2022, the FASB amended Topic 848, updating the sunset date from December 31, 2022 to December 31, 2024. The Company adopted this ASU on July 1, 2022 on a prospective basis and it did not have a material impact requirements on the Consolidated Financial Statements. For further discussion on the credit agreement modifications made to the revolving credit facility, see Note 6. related segment reporting disclosures.

In November 2021, December 2023, the FASB issued ASU 2021-10, Government Assistance Accounting Standards Update (ASU) 2023-09, *Income Taxes (Topic 832) 740): Improvements to Income Tax Disclosures by Business Entities about Government Assistance*. This update provides increased transparency requires public entities to disclose consistent categories and greater disaggregation of government assistance, including information in the disclosure of the types of assistance an entity receives, an entity's method of accounting rate reconciliation, and income taxes paid disaggregated by jurisdiction. The effective date is for government assistance and the effect of the assistance on an entity's financial statements. The guidance is effective for annual periods fiscal years beginning after December 15, 2021 December 15, 2024, with the option to early adopt prior to the effective date and should be applied prospectively or retrospectively. Early adoption on prospective basis, but retrospective application is permitted. The Company adopted this ASU on January 1, 2022 on a prospective basis and it did not have a material is evaluating the impact of the requirements on the Consolidated Financial Statements and related income tax disclosures.

NOTE 2 - BUSINESS DIVESTITURES AND LIQUIDATIONS

Consistent with the Company's strategic focus on broad line MRO distribution in key markets, Grainger divested Cromwell's wholly owned software business in the U.K. (Cromwell subsidiary) on October 21, 2022, the China business (China) on August 21, 2020, the Fabory business in Europe (Fabory) on June 30, 2020 and commenced the liquidation of Zoro Tools Europe (ZTE) in the fourth quarter of 2020. Accordingly, the Company's Consolidated Statements of Earnings, Comprehensive Earnings and Cash Flows and related notes include these business results in Other businesses through the respective dates of divestiture and liquidation. The proceeds from the divestitures were used to fund general business and corporate needs. The Company does not expect these business exits to have a future material impact on its Consolidated Financial Statements.

In the fourth quarter of 2022, the Company recorded a gain of $21 million in SG&A as a result of the Cromwell subsidiary divestiture. In 2020, Grainger recorded a gain of $5 million and a loss of approximately $109 million in SG&A as a result of the China and Fabory business divestitures, respectively, which included net accumulated foreign currency translation losses of $45 million, that were reclassified from Accumulated other comprehensive earnings (losses) (AOCE) to SG&A. Additionally in 2020, the Company recorded $9 million in expense in SG&A associated with the wind down of ZTE.

NOTE 3 2 - REVENUE

The Company's revenue is primarily comprised of MRO product sales and related activities, such as freight and services.

Grainger serves a large number of customers in diverse industries, which are subject to different economic and market-specific factors. The Company's presentation of revenue by segment and industry most reasonably depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic and market-specific factors. In addition, the segments have unique underlying risks associated with customer purchasing behaviors. In the High-Touch Solutions N.A. segment, more than two-thirds of revenue is derived from customer contracts whereas in the Endless Assortment segment, a majority of revenue is derived from non-contractual purchases.

The following table presents the Company's percentage of revenue by reportable segment and by major customer industry:

		Twelve Months Ended December 31,										Twelve Mor		
		2023												
		2022			2021			2020				High-Touch Solutions N.A.	Endless Assortment	Total Company (2)
		High-Touch Solutions N.A.	Endless Assortment	Total Company (2)	High-Touch Solutions N.A.	Endless Assortment	Total Company (2)	High-Touch Solutions N.A.	Endless Assortment	Total Company (2)				
Manufacturing											Manufacturing	30 %	30 %	30 %
Government											Government	19 %	3 %	16 %
Wholesale											Wholesale	7 %	16 %	9 %
Commercial Services											Commercial Services	7 %	12 %	8 %
Contractors	Contractors	9 %	15 %	10 %	9 %	16 %	10 %	9 %	15 %	10 %	Contractors	5 %	12 %	6 %
Commercial		9	15	10	9	15	10	8	15	9				
Government		17	3	14	18	3	15	20	3	16				
Healthcare	Healthcare	7	2	6	7	2	6	9	2	7	Healthcare	7 %	2 %	6 %
Manufacturing		31	30	31	30	29	30	29	29	30				
Retail/Wholesale		9	15	10	10	10	10	9	10	9				
Retail											Retail	4 %	4 %	4 %
Transportation	Transportation	6	3	5	5	3	5	5	3	5	Transportation	4 %	2 %	4 %

Other(1)		12	17	14	12	22	14	11	23	14
Utilities										
Warehousing										
Other(3)										
Total net sales	Total net sales	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Percent of total company revenue	Percent of total company revenue	80 %	18 %	100 %	78 %	20 %	100 %	78 %	18 %	100 %

Utilities	3 %	2 %	3 %
Warehousing	4 %	— %	3 %
Other(3)	10 %	17 %	11 %
Total net sales	100 %	100 %	100 %
Percent of total company revenue	81 %	18 %	100 %

(1) Other primarily includes revenue from industries and custome
natural resources and resellers not aligned to a major industr

(1) Customer industry results for the twelve months ended December 31, 2022, and 2021 were reclassified to reflect the Company's current year classifications, which primarily uses the North American Industry Classification System (NAICS) beginning January 1, 2023.

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(1) Customer industry results for the twelve months ended December 31, 2022, and 2021 were reclassified to reflect the Company's current year classifications, which primarily uses the North American Industry Classification System (NAICS) beginning January 1, 2023.

(1) Customer industry results for the twelve months ended December 31, 2022, and 2021 were reclassified to reflect the Company's current year classifications, which primarily uses the North American Industry Classification System (NAICS) beginning January 1, 2023.

(2) Total Company includes Other, which includes the Cromwell business. Other accounts for approximately 1%, 2% and 2% of revenue for the twelve months ended December 31, 2023, 2022 and 2021, respectively.

(2) Total Company includes Other, which includes the Cromwell b
revenue for the twelve months ended December 31, 2023, 202

(3) Other primarily includes revenue from industries and customers that are not material individually, including hospitality, restaurants, property management and natural resources.

(3) Other primarily includes revenue from industries and custo
restaurants, property management and natural resources.

NOTE 4 3 - PROPERTY, BUILDINGS AND EQUIPMENT

Grainger's property, buildings and equipment consisted of the following (in millions of dollars):

	As of		As of	
	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Land	$ 318	$ 329		

Land and land improvements			
Building, structures and improvements	Building, structures and improvements	1,463	1,431
Furniture, fixtures, machinery and equipment	Furniture, fixtures, machinery and equipment	1,662	1,567
Property, buildings and equipment	Property, buildings and equipment	$ 3,443	$ 3,327
Less accumulated depreciation and amortization	Less accumulated depreciation and amortization	1,982	1,903
Property, buildings and equipment – net	Property, buildings and equipment – net	$ 1,461	$ 1,424

Depreciation expense on property, buildings and equipment was $146 million, $139 million and $123 million for the years ended December 31, 2023, 2022 and 2021, respectively.

NOTE 5 4 - GOODWILL AND OTHER INTANGIBLE ASSETS

Grainger completed its annual impairment testing of goodwill and intangible assets during the fourth quarter of 2022 2023 and 2021. 2022. Based on the results of that testing, the Company did not identify any significant events or changes in circumstances that indicated the existence of impairment indicators and concluded that it was more likely than not that the fair value of the reporting units exceeded their carrying amounts at each respective period.

High-Touch Solutions N.A. – Canada Business

As of December 31, 2022 December 31, 2023 and 2021, 2022, the Canada business reporting unit had goodwill of $121 $124 million and $129 $121 million, respectively. As part of our annual impairment testing, the Company performed evaluations of changes in key assumptions, notably projections of revenue growth, operating expenditures, changes in working capital, and factors that could impact the discount rate used in the analysis. In doing so, we compared the current results to forecasted expectations of the most recent quantitative analysis, along with analyzing macroeconomic conditions, current industry trends and transactions, and other market data of industry peers. The Company also performed various sensitivities over key assumptions, including projections of future operating expenditures used in the analysis. The Company did not identify any significant events or changes in circumstances that indicated the existence of impairment indicators for its Canada business, and concluded that it was more likely than not that the its fair value of the Canada business reporting unit exceeded its carrying amount. value.

The Company's balances and changes in the carrying amount of Goodwill by segment are as follows (in millions of dollars):

	High-Touch Solutions N.A.	Endless Assortment	Other	Total
Balance at January 1, 2021	$ 321	$ 70	$ —	$391
	High-Touch Solutions N.A.			
	High-Touch Solutions N.A.			
	High-Touch Solutions N.A.	Endless Assortment		Total
Balance at January 1, 2022				

Translation	Translation	—	(7)	—	(7)
Balance at December 31, 2021		321	63	—	384
Translation					
Translation					
Balance at December 31, 2022					
Translation	Translation	(8)	(5)	—	(13)
Balance at December 31, 2022		$ 313	$ 58	$ —	$371
Translation					
Translation					
Balance at December 31, 2023					

The ag Grainger's cumulativegregate cumulative goodwill impairmentsimpairment as of December 31, 2022 December 31, 2023, was $137 million. No goodwill impairment was recorded for the twelve months ended December 31, 2023, 2022 and consisted of $32 million in High-Touch Solutions N.A. and $105 million in O 2021.ther.

The balances and changes in intangible assets – net are as follows (in millions of dollars):

			As of December 31,					
			2022			2021		
		Weighted average life	Gross carrying amount	Accumulated amortization/ impairment	Net carrying amount	Gross carrying amount	Accumulated amortization/impairment	Net carrying amount
Customer lists and relationships	Customer lists and relationships	11.7 years	$ 217	$ 181	$ 36	$ 221	$ 176	$ 45
Trademarks, trade names and other	Trademarks, trade names and other	14.4 years	32	22	10	36	24	12
Non-amortized trade names and other	Non-amortized trade names and other	Indefinite	22	—	22	25	—	25
Capitalized software	Capitalized software	4.2 years	580	416	164	525	369	156
Total intangible assets	Total intangible assets	6.9 years	$ 851	$ 619	$ 232	$ 807	$ 569	$ 238

	As of December 31,						As Decem
	2023				2023		
Weighted average life		Weighted average life	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization

Amortization expense of intangible assets recorded in SG&A was $61 million $64 million, $63 million, $61 million and $60 million $63 million for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively.

Estimated amortization expense for future periods is as follows (in millions of dollars):

Year	Year	Expense	Year	Expense
2023		$ 61		
2024	2024	53		
2025	2025	44		
2026	2026	31		

2027	2027	16
2028		
Thereafter	Thereafter	5
Total	Total	$ 210

NOTE 6 5 - DEBT

Total debt, including long-term, current maturities and debt issuance costs and discounts – net, consisted of the following (in millions of dollars):

		As of December 31,				As of December 31,			
		2022		2021		2023		2022	
	Carrying Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
4.60% senior notes due 2045	4.60% senior notes due 2045	$ 1,000	$ 916	$ 1,000	$1,284				
1.85% senior notes due 2025	1.85% senior notes due 2025	500	470	500	509				
4.20% senior notes due 2047	4.20% senior notes due 2047	400	338	400	492				
3.75% senior notes due 2046	3.75% senior notes due 2046	400	317	400	459				
Japanese yen term loan	Japanese yen term loan	69	69	78	78				
Japanese yen term loan									
Japanese yen term loan									
Other									
Other									
Other	Other	(29)	(29)	7	7				
Subtotal	Subtotal	2,340	2,081	2,385	2,829				
Less current maturities	Less current maturities	(35)	(35)	—	—				
Debt issuance costs and discounts – net of amortization		(21)	(21)	(23)	(23)				
Debt issuance costs – net of amortization									
Long-term debt	Long-term debt	$ 2,284	$2,025	$ 2,362	$2,806				

Revolving Credit Facility

In February 2020, October 2023, the Company entered into a five-year unsecured revolving credit agreement. facility agreement (2023 Credit Facility). Grainger may obtain loans in various currencies on a revolving basis in an aggregate amount not exceeding $1.25 billion (revolving credit facility), which may be increased up to $1.875 billion at the request of the Company, subject to approval from lenders obtaining additional commitments and other customary conditions. The primary purpose of the revolving credit facility 2023 Credit Facility is to support the Company's commercial paper program and for general corporate purposes. The revolving credit facility 2023 Credit Facility replaced the Company's former $750 million $1.25 billion unsecured revolving credit facility, dated as of February 2020 (2020 Credit Facility), which originated in October 2017 and was scheduled to mature in February 2025. The 2020 Credit Facility was terminated in October 2022.

In August 2022, the Company entered into a First Amendment (the Amendment) to its revolving credit facility. The Amendment changes the benchmark rate for borrowings denominated in U.S. and foreign currencies from LIBOR to certain alternative benchmark rates. This includes benchmark rates based on the Euro Interbank Offered Rate (EURIBOR) for borrowings denominated in Euros, the Canadian Dollar Offer Rate (CDOR) for borrowings denominated in Canadian dollars, the Sterling Overnight Index Average (SONIA) for borrowings denominated in sterling and Secured Overnight Financing Rate (SOFR) for borrowings denominated in U.S. dollars. The Amendment also updates certain other provisions regarding successor interest rates to LIBOR. 2023.

There were no borrowings outstanding under the revolving credit facility Company's 2023 Credit Facility and terminated 2020 Credit Facility as of December 31, 2022 December 31, 2023 and 2021.

The Company's foreign subsidiaries utilize various financing sources for working capital purposes and other operating needs. These financing sources in aggregate were not material as of December 31, 2022 and 2021.

Commercial Paper

The Company issues commercial paper from time to time for general working capital needs. As of December 31, 2022 and 2021, there was none outstanding. 2022.

Senior Notes

In the years 2015-2020, Grainger issued $2.3 billion in unsecured long-term debt (senior notes) primarily to provide flexibility in funding general working capital needs, share repurchases and long-term cash requirements. The senior notes require no principal payments until maturity and interest is paid semi-annually.

The Company may redeem the senior notes in whole at any time or in part from time to time at a make-whole redemption price prior to their respective maturity dates. The redemption price is calculated by reference to the then-current yield on a U.S. treasury security with a maturity comparable to the remaining term of the senior notes plus 10-25 basis points, together with accrued and unpaid interest, at the redemption date. Additionally, if the Company experiences specific kinds of changes in control, it will be required to make an offer to purchase the senior notes at 101% of their principal amount plus accrued and unpaid interest, at the date of purchase. Within one year of the maturity date, the Company may redeem the senior notes in whole at any time or in part at 100% of their principal amount, together with accrued and unpaid interest, at the redemption date.

The Company incurred debt issuance costs related to the senior notes of approximately $29 million, representing underwriting fees and other expenses. These costs were recorded as a contra-liability in Long-term debt and are being amortized over the term of the senior notes using the straight-line method to Interest expense – net. As of December 31, 2023 and 2022, the unamortized costs were $19 million and $21 million, respectively.

Grainger uses interest rate swaps to manage the risks associated with the 1.85% senior notes. These swaps were designated for hedge accounting treatment as fair value hedges. The resulting carrying value adjustments as of December 31, 2022 December 31, 2023 and 2021 2022, are presented in Other in the table above. For further discussion on the Company's hedge accounting policies and derivative instruments, see Note 12. 11.

Term Loan

In August 2020, MonotaRO entered into a ¥9 billion term loan agreement to fund technology investments and the expansion of its distribution center (DC) network. As of December 31, 2022 December 31, 2023 and 2021 2022, the carrying amount of the term loan, including current maturities due within one year, was $69 $32 million and $78 $69 million, respectively. The term loan matures in 2024, payable over four two equal remaining semi-annual principal installments in 2023 and 2024 and bears an average interest rate of 0.05%.

Fair Value

The estimated fair value of the Company's senior notes was based on available external pricing data and current market rates for similar debt instruments, among other factors, which are classified as Level 2 inputs within the fair value hierarchy.

The Company's debt instruments include affirmative and negative covenants that are usual and customary for companies with similar credit ratings and do not contain any financial performance covenants. The Company Company was in in compliance with all debt covenants as of December 31, 2022December 31, 2023 and 2021. 2022.

The Company's foreign subsidiaries utilize various financing sources for working capital purposes and other operating needs. These financing sources in aggregate were not material as of December 31, 2023 and 2022.

The scheduled aggregate principal payments required on the Company's indebtedness, based on the maturity dates defined within the debt arrangements, for the succeeding five years, excluding debt issuance costs and the impact of derivatives, are due as follows (in millions of dollars):

Year	Year	Payment Amount	Year	Payment Amount
2023		$ 35		
2024	2024	34		
2025	2025	500		
2026	2026	5		
2027	2027	—		
2028				
Thereafter	Thereafter	1,800		
Total	Total	$ 2,374		

NOTE 7 6 - EMPLOYEE BENEFITS

The Company provides various retirement benefits to eligible team members, including contributions to defined contribution plans, pension benefits associated with defined benefit plans, postretirement medical benefits and other benefits. Eligibility requirements and benefit levels vary depending on team member location. Various foreign benefit plans cover team members in accordance with local legal requirements.

Defined Contribution Plans

A majority of the Company's U.S. team members are covered by a retirement savings plan, adopted as of January 1, 2021. The new plan amended and restated the prior noncontributory profit-sharing plan, which previously aligned Company contributions to Company performance and included two components, a variable annual contribution based on the Company's rate of return on invested capital and provides for an automatic contribution equal to 3% 6% of the eligible team member's total eligible compensation. As part of the amendment, beginning in 2021, the profit-sharing contribution was removed and the Company's automatic contribution increased from 3% to 6% of total eligible participants' compensation. In addition, team members covered by the plan are also able to make personal contributions.

The total retirement savings plan expense was $87 million $85 million, $78 million $87 million, and $99 million $78 million for 2023, 2022 and 2021, and 2020, respectively.

The Company sponsors additional defined contribution plans available to certain U.S. and foreign team members for which contributions are made by the Company and participating team members. The expense associated with these defined contribution plans totaled $11 million $21 million, $16 million $11 million and $16 million for 2023, 2022 2021 and 2020, 2021, respectively.

Postretirement Healthcare Benefits Plans

The Company has a postretirement healthcare benefit plan that provides coverage for a majority of its certain U.S. team members hired prior to January 1, 2013, and their dependents should they elect to maintain such coverage upon retirement. Covered members. Covered team members become eligible for participation when they qualify for retirement while working for the Company. Participation in the plan is voluntary and requires participants to make contributions toward the cost of the plan, as determined by the Company.

The net periodic benefits costs were valued with a measurement date of January 1 for each year and consisted of the following components (in millions of dollars):

		For the Years Ended December 31,					
		2022	2021	2020			
	For the Years Ended December 31,				For the Years Ended December 31,		
	2023				2023	2022	2021
SG&A	SG&A						
Service cost	Service cost	$ 4	$ 5	$ 5			
Service cost							
Service cost							
Other (income) expense	Other (income) expense						
Interest cost							
Interest cost							
Interest cost	Interest cost	4	3	6			

Expected return on assets	Expected return on assets	(8)	(8)	(8)
Amortization of prior service credit	Amortization of prior service credit	(10)	(9)	(10)
Amortization of unrecognized gains	Amortization of unrecognized gains	(9)	(8)	(5)
Amortization of unrecognized gains				
Amortization of unrecognized gains				
Net periodic benefits	Net periodic benefits	$(19)	$(17)	$(12)

Reconciliations of the beginning and ending balances of the postretirement benefit asset, (obligation), which is calculated as of December 31 measurement date, the fair value of plan assets available for benefits and the funded status of the benefit asset (obligation) follow (in millions of dollars):

		2022	2021
	2023	2023	2022
Benefit obligation at beginning of year	Benefit obligation at beginning of year	$153	$167
Service cost	Service cost	4	5
Interest cost	Interest cost	4	3
Plan participants' contributions	Plan participants' contributions	3	3
Actuarial gains		(40)	(14)
Actuarial loss (gains)			
Actuarial loss (gains)			
Actuarial loss (gains)			
Benefits paid	Benefits paid	(12)	(11)
Benefit obligation at end of year	Benefit obligation at end of year	$112	$153
Benefit obligation at end of year			
Benefit obligation at end of year			
Plan assets available for benefits at beginning of year			
Plan assets available for benefits at beginning of year			
Plan assets available for benefits at beginning of year	Plan assets available for benefits at beginning of year	$207	$206
Actual returns on plan assets	Actual returns on plan assets	(36)	9

Plan participants' contributions	Plan participants' contributions	3	3
Plan participants' contributions			
Plan participants' contributions			
Benefits paid			
Benefits paid			
Benefits paid	Benefits paid	(12)	(11)
Plan assets available for benefits at end of year	Plan assets available for benefits at end of year	162	207
Noncurrent postretirement benefit asset	Noncurrent postretirement benefit asset	$ 50	$ 54
Noncurrent postretirement benefit asset			
Noncurrent postretirement benefit asset			

The amounts recognized in AOCE consisted of the following (in millions of dollars):

		As of December 31,			
		2022	2021		
	As of December 31,				As of December 31,
	2023			2023	2022
Prior service credit	Prior service credit	$ 33	$ 42		
Unrecognized gains	Unrecognized gains	77	90		
Unrecognized gains					
Unrecognized gains					
Deferred tax liability	Deferred tax liability	(28)	(33)		
Net accumulated gains	Net accumulated gains	$ 82	$ 99		

The Company has elected to amortize the amount of net unrecognized gains over a period equal to the average remaining service period for active plan participants expected to retire and receive benefits of approximately 10 years for 2022.

2023.

The postretirement benefit obligation was is determined by applying the terms of the plan and actuarial models. These models include various actuarial assumptions, including discount rates, long-term rates of return on plan assets, healthcare cost trend rate, mortality and cost-sharing between the Company and the retirees. The Company evaluates its actuarial assumptions on an annual basis and considers changes in these long-term factors based upon market conditions and historical experience. The actuarial gains loss recognized during the plan year are is primarily related to changes the change in assumptions related to certain retiree coverage elections, health reimbursement arrangement (HRA) subsidy and changes to the discount rate. rate assumption.

The following assumptions were used to determine net periodic benefit costs at costs as of January 1 of each year: 1:

	For the Years Ended December 31,		
	2022	2021	2020
	2023		

	2023		
Discount rate	2.57 %	2.17 %	3.01 %
Long-term rate of return on plan assets – net of tax	4.04 %	4.04 %	4.04 %
Initial healthcare cost trend rate			
Pre age 65	6.50 %	5.81 %	6.06 %
Post age 65	NA	NA	NA
Catastrophic drug benefit	NA	NA	NA
Ultimate healthcare cost trend rate	4.50 %	4.50 %	4.50 %
Year ultimate healthcare cost trend rate reached	2030	2026	2026
HRA credit inflation index for grandfathered retirees	— %	— %	2.50 %

	2023	2022	2021
Discount rate	4.92 %	2.57 %	2.17 %
Long-term rate of return on plan assets – net of tax	4.04 %	4.04 %	4.04 %
Pre age 65			
Pre age 65	7.50 %	6.50 %	5.81 %
Ultimate healthcare cost trend rate			
Ultimate healthcare cost trend rate			
Ultimate healthcare cost trend rate	4.50 %	4.50 %	4.50 %
Year ultimate healthcare cost trend rate reached	2033	2030	2026

The following assumptions were used to determine benefit obligations as of December 31:

	2022	2021	2020
Discount rate	4.92 %	2.57 %	2.17 %
Expected long-term rate of return on plan assets – net of tax	4.04 %	4.04 %	4.04 %
Initial healthcare cost trend rate			

	2023	2022	2021
Discount rate	4.73 %	4.92 %	2.57 %
Expected long-term rate of return on plan assets – net of tax	4.04 %	4.04 %	4.04 %

Pre age 65	Pre age 65	7.50 %	6.50 %	5.81 %				
Post age 65		NA	NA	NA				
Catastrophic drug benefit		NA	NA	NA				
Pre age 65								
Pre age 65						7.20 %	7.50 %	6.50 %
Ultimate healthcare cost trend rate								
Ultimate healthcare cost trend rate								
Ultimate healthcare cost trend rate	Ultimate healthcare cost trend rate	4.50 %	4.50 %	4.50 %		4.50 %	4.50 %	4.50 %
Year ultimate healthcare cost trend rate reached	Year ultimate healthcare cost trend rate reached	2033	2030	2026	Year ultimate healthcare cost trend rate reached	2033	2033	2030
HRA credit inflation index for grandfathered retirees		— %	— %	— %				

The discount rate assumptions reflect the rates available on high-quality fixed-income debt instruments as of December 31, the measurement date of each year. These rates have been selected due to their similarity to the duration of the projected cash flows of the postretirement healthcare benefit plan. As of December 31, 2022, the Company increased the discount rate from 2.57% to 4.92% to reflect the increase in the market interest rates as of December 31, 2022.

The Company reviews external data and its own historical trends for healthcare costs to determine the healthcare cost trend rates. As of December 31, 2022, the initial healthcare cost trend rate was 7.50% for pre age 65. The healthcare costs trend rates decline each year until reaching the ultimate trend rate of 4.50%. The plan amendment adopted in 2017 moves all post age 65 Medicare eligible retirees to an exchange and provides a subsidy to those retirees to purchase insurance. The amount of the subsidy is based on years of service for grandfathered team members.

The Company has established a Group Benefit Trust (Trust) to fund the plan obligations and process benefit payments. In 2019, the Company liquidated previously held index funds and temporarily invested all assets of the Trust in money market funds. In 2020, the Company transitioned the Trust assets from money market funds into a liability-driven investment solution which enhances the Trust's after-tax returns and de-risks the Company's exposure by more closely match-funding the underlying liability. This investment strategy reflects the long-term nature of the plan obligation and seeks to reach a balanced balance allocation between Fixed Income securities and Equities of approximately 65% and 35%, respectively. Current allocations may differ from targeted allocations based on investment results and other timing factors. The plan's assets are stated at fair value, which represents the net asset value of shares held by the plan in the registered investment investment companies at the quoted market prices (Level 1 input) or at significant other observable inputs (Level 2 input).

The plan assets available for benefits are net consisted of Trust liabilities, primarily related to deferred income taxes and taxes payable the following as of December 31 (in millions of dollars):

		2022	2021		
	2023			2023	2022
Asset class:	Asset class:				
Level 1 inputs:	Level 1 inputs:				
Level 1 inputs:					
Level 1 inputs:					
Mutual funds:					
Mutual funds:					
Mutual funds:	Mutual funds:				
Funds – municipal/provincial bonds	Funds – municipal/provincial bonds	$ 8	$ 12		
Funds – municipal/provincial bonds					

Funds – municipal/provincial bonds			
Funds – corporate bonds fund	Funds – corporate bonds fund	3	5
Federal Money Market Fund		—	4
Level 2 inputs:			
Level 2 inputs:			
Level 2 inputs:	Level 2 inputs:		
Fixed income:	Fixed income:		
Fixed income:			
Fixed income:			
Corporate bonds			
Corporate bonds			
Corporate bonds	Corporate bonds	57	89
Government/municipal bonds	Government/municipal bonds	12	14
Equity funds	Equity funds	73	85
Plan assets	Plan assets	153	209
Less trust assets (liabilities)		9	(2)
Trust assets			
Plan assets available for benefits	Plan assets available for benefits	$162	$207

Consistent with the new investment strategy, the after-tax expected long-term rates of return on plan assets of 4.04% as of December 31, 2022 is based on the historical average of long-term rates of return and an estimated tax rate. The required use of an expected long-term rate of return on plan assets may result in recognition of income that is greater or lower than the actual return on plan assets in any given year. Over time, however, the expected long-term returns are designed to approximate the actual long-term returns and, therefore, result in a pattern of income recognition that more closely matches the pattern of the services provided by the team members.

The Company's investment policies include periodic reviews by management and trustees at least annually concerning: (1) the allocation of assets among various asset classes (e.g., domestic stocks, international stocks, short-term bonds, long-term bonds, etc.); (2) the investment performance of the assets, including performance comparisons with appropriate benchmarks; (3) investment guidelines and other matters of investment policy and (4) the hiring, dismissal or retention of investment managers.

The Company forecasts the following benefit payments related to postretirement (which include a projection for expected future team member service) for the next ten years (in millions of dollars):

Year	Year	Estimated Gross Benefit Payments	Year	Estimated Gross Benefit Payments
2023		$ 9		
2024	2024	9		
2025	2025	9		
2026	2026	9		
2027	2027	9		
2028-2032		41		
2028				
2029-2033				
Total	Total	$ 86		

NOTE 8 7 - LEASES

The Company leases certain properties, buildings and equipment (including branches, warehouses, DCs and office space) under various arrangements which provide the right to use the underlying asset and require lease payments for the lease term. The Company's lease portfolio consists mainly of operating leases that expire at various dates through 2037.

Information related to operating leases is as follows (in millions of dollars):

	As of December 31, 2022	As of December 31, 2021
Right-of-use assets		
Operating lease right-of-use	$ 367	$393
Operating lease liabilities		
Operating lease liability	68	66
Long-term operating lease liability	318	334
Total operating lease liabilities	$ 386	$400

	As of December 31, 2023	As of December 31, 2022
Right-of-use assets		
Operating lease right-of-use		
Operating lease liabilities		
Operating lease liability		
Long-term operating lease liability		
Total operating lease liabilities		

	As of December 31, 2022	As of December 31, 2021	As of December 31, 2023	As of December 31, 2022
Weighted average remaining lease term	7 years	7 years	7 years	
Weighted average incremental borrowing rate	1.46 %	0.81 %	2.19 %	1.46 %

Cash paid for operating leases	Cash paid for operating leases	$	76	$ 68
Right-of-use assets obtained in exchange for operating lease obligations	Right-of-use assets obtained in exchange for operating lease obligations	$	96	$244

Rent expense was $93 million $102 million, $93 million and $74 million for 2023, 2022 and $76 million for 2022, 2021, and 2020, respectively. These amounts are net of sublease income of $2 million for 2023, 2022 2021 and 2020. 2021.

Remaining The remaining maturity of existing lease liabilities as of December 31, 2022 December 31, 2023 are as follows (in millions of dollars):

Year	Year	Operating Leases	Year	Operating Leases
2023		$ 77		
2024	2024	68		
2025	2025	62		
2026	2026	50		
2027	2027	40		
2028				
Thereafter	Thereafter	108		
Total lease payments	Total lease payments	405		
Less interest	Less interest	(19)		
Present value of lease liabilities	Present value of lease liabilities	$ 386		

As of December 31, 2022 December 31, 2023 and 2021, 2022, the Company's finance leases and service contracts with lease arrangements were not material. material. Finance leases are reported in Property, buildings and equipment – net, and as a short and long-term finance lease liability in Accrued Expenses expenses and Other non-current liabilities.

As of December 31, 2022 and 2021, Grainger's future lease obligations that have not yet commenced were $65 million and $18 million, respectively.

NOTE 9 8 - STOCK INCENTIVE PLANS

The Company maintains stock incentive plans under which the Company may grant a variety of incentive awards to team members and executives, which include restricted stock units (RSUs), performance shares and deferred stock units. As of December 31, 2022 December 31, 2023, there were 1.5 million 1.4 million shares available for grant under the plans. When awards are exercised or settled, shares of the Company's treasury stock are issued.

Pretax stock-based compensation expense included in SG&A was $48 million $62 million, $42 million $48 million, and $46 million $42 million in 2023, 2022 2021 and 2020, 2021, respectively, and was primarily comprised of RSUs. Related income tax benefits recognized in earnings were $19 million $34 million, $21 million $19 million, and $16 million $21 million in 2023, 2022 2021 and 2020, 2021, respectively.

Restricted Stock Units

The Company awards RSUs to certain team members and executives. RSUs vest generally over periods from one to seven years from issuance. The RSU grant date fair value is based on the closing price of the Company's common stock on the last trading day preceding the date of the grant. RSU expense for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021 was approximately $43 million, $34 million $30 million and $32 $30 million, respectively.

The following table summarizes RSU activity (in millions of dollars, except for share and per share amounts):

	2022	2021	2020

	Shares	Weighted Average Price Per Share	Shares	Weighted Average Price Per Share	Shares	Weighted Average Price Per Share
	2023		2022		2021	
	Shares	Weighted Average Price Per Share	Shares	Weighted Average Price Per Share	Shares	Weighted Average Price Per Share
Beginning nonvested units Beginning nonvested units	202,321	$ 318.40	317,414	$ 259.67	326,124	$ 259.88
Issued Issued	96,940	$ 520.67	105,866	$ 406.17	140,815	$ 252.11
Canceled Canceled	(17,038)	$ 345.30	(36,134)	$ 274.74	(26,254)	$ 257.56
Vested Vested	(91,191)	$ 336.99	(184,825)	$ 276.34	(123,271)	$ 252.05
Ending nonvested units Ending nonvested units	191,032	$ 409.77	202,321	$ 318.40	317,414	$ 259.67
Fair value of shares vested Fair value of shares vested	$ 31		$ 51		$ 31	

As of December 31, 2022 December 31, 2023, there was $55 million $64 million of total unrecognized compensation expense related to nonvested RSUs the Company expects to recognize over a weighted average period of 2.1 2 years.

NOTE 10 9 - CAPITAL STOCK

The Company had no shares of preferred stock outstanding as of December 31, 2022 December 31, 2023 and 2021. 2022. The activity related to outstanding common stock and common stock held in treasury was as follows:

	2022		2021		2020	
	Outstanding Common Stock	Treasury Stock	Outstanding Common Stock	Treasury Stock	Outstanding Common Stock	Treasury Stock
	2023		2022		2021	
	Outstanding Common Stock	Treasury Stock	Outstanding Common Stock	Treasury Stock	Outstanding Common Stock	Treasury Stock
Balance at beginning of period Balance at beginning of period	51,220,205	58,439,014	52,524,391	57,134,828	53,687,528	55,971,691
Exercise of stock options Exercise of stock options	101,802	(101,802)	188,444	(188,444)	311,374	(311,374)
Settlement of restricted stock units – net of 31,132, 61,377 and 41,019 shares retained, respectively	64,649	(64,649)	127,969	(127,969)	82,241	(82,241)
Settlement of performance share units – net of 10,359, 9,746 and 16,830 shares retained, respectively	13,890	(13,890)	12,507	(12,507)	28,098	(28,098)

Settlement of restricted stock units – net of 32,800, 31,132 and 61,377 shares retained, respectively							
Settlement of performance share units – net of 18,521, 10,359 and 9,746 shares retained, respectively							
Purchase of treasury shares	Purchase of treasury shares	(1,144,223)	1,144,223	(1,633,106)	1,633,106	(1,584,850)	1,584,850
Balance at end of period	Balance at end of period	50,256,323	59,402,896	51,220,205	58,439,014	52,524,391	57,134,828

NOTE 11 10 - ACCUMULATED OTHER COMPREHENSIVE EARNINGS (LOSSES) (AOCE)

The components of AOCE consisted of the following (in millions of dollars):

	Foreign Currency Translation and Other					
	Foreign Currency Translation and Other					
	Foreign Currency Translation and Other	Defined Postretirement Benefit Plan	Other Employment-related Benefit Plans	Total	Foreign Currency Translation Attributable to Noncontrolling Interests	AOCE Attributable to W.W. Grainger, Inc.
	Foreign Currency Translation and Other	Defined Postretirement Benefit Plan	Other Employment-related Benefit Plans	Total	Foreign Currency Translation Attributable to Noncontrolling Interests	AOCE Attributable to W.W. Grainger, Inc.
Balance at January 1, 2020 – net of tax	$ (238)	$ 79	$ (8)	$ (167)	$ (13)	$ (154)
Other comprehensive earnings (loss) before reclassifications – net of tax	36	33	—	69	12	57
Amounts reclassified to net earnings	47	(11)	—	36	—	36
Net current period activity	$ 83	$ 22	$ —	$ 105	$ 12	$ 93
Balance at December 31, 2020 – net of tax	$ (155)	$ 101	$ (8)	$ (62)	$ (1)	$ (61)

Other comprehensive earnings (loss) before reclassifications – net of tax		(64)	12	2	(50)	(29)	(21)
Amounts reclassified to net earnings		—	(14)	—	(14)	—	(14)
Net current period activity		(64)	(2)	2	(64)	(29)	(35)
Balance at December 31, 2021 – net of tax							
Balance at December 31, 2021 – net of tax							
Balance at December 31, 2021 – net of tax	Balance at December 31, 2021 – net of tax	$ (219)	$ 99	$ (6)	$ (126)	$ (30)	$ (96)
Other comprehensive earnings (loss) before reclassifications – net of tax	Other comprehensive earnings (loss) before reclassifications – net of tax	$ (101)	$ (4)	$ —	$ (105)	$ (34)	$ (71)
Amounts reclassified to net earnings	Amounts reclassified to net earnings	$ —	$ (13)	$ —	$ (13)	$ —	$ (13)
Net current period activity	Net current period activity	$ (101)	$ (17)	$ —	$ (118)	$ (34)	$ (84)
Net current period activity							
Net current period activity							
Balance at December 31, 2022 – net of tax	Balance at December 31, 2022 – net of tax	$ (320)	$ 82	$ (6)	$ (244)	$ (64)	$ (180)
Other comprehensive earnings (loss) before reclassifications – net of tax							
Amounts reclassified to net earnings							
Net current period activity							
Balance at December 31, 2023 – net of tax							

NOTE 12 11 - DERIVATIVE INSTRUMENTS

The Company maintains various agreements with bank counterparties that permit the Company Company's earnings and cash flows are subject to enter into "over-the-counter" derivative instrument agreements fluctuations due to manage its risk associated with interest changes in foreign currency exchange rates and foreign currency fluctuations. In February 2020, the Company entered interest rates. Grainger currently enters into certain derivative instrument agreements to manage its risk associated with interest rates of its 1.85% Notes and foreign currency fluctuations in connection with its foreign currency-denominated intercompany borrowings. The Company did not enter into these agreements for trading derivatives or speculative purposes.

Cash Flow Hedges

The Company uses cash flow hedges primarily other financial instruments to hedge the exposure against these risks, and may continue to variability in forecasted cash flows from foreign currency-denominated intercompany borrowings via cross-currency swaps. Gains or losses on the cross-currency swaps are reported as a component of Accumulated other comprehensive earnings (losses) (AOCE) and reclassified into earnings do so in the same period during which the hedged transaction affects earnings. The notional amount of the Company's outstanding cash flow hedges as of December 31, 2022 and 2021 was approximately $34 million.

The effect of the Company's cash flow hedges on AOCE for the twelve months ended December 31, 2022 and 2021 was not material.

future.

Fair Value Hedges

The Company uses fair value hedges primarily interest rate swaps to hedge a portion of its fixed-rate long-term debt via interest rate swaps. Changes in the debt. These swaps are treated as fair value of hedges and consequently the interest rate swaps, along with gain or loss on the derivative as well as the offsetting gain or loss on the hedged item, is recorded are recognized in earnings under the same line item, Consolidated Statements of Earnings in Interest expense – net. The notional amount of the Company's outstanding fair value hedges as of December 31, 2022 December 31, 2023 and 2021 was 2022 were $450 million and $500 million. million, respectively.

The liability hedged by the interest rate swaps is recorded on the Consolidated Balance Sheets in Long-term debt. As of December 31, 2023 and 2022, the carrying amount of the hedged item, including the cumulative amount of fair value hedging adjustments totaled $432 millionand $466 million, respectively.

The Company's interest rate swaps are reported on the Consolidated Balance Sheets in Other non-current liabilities. As of December 31, 2023 and 2022, the fair values of the Company's interest rate swaps were $16 million and $34 million, respectively.

The effect of the Company's fair value hedges on the Consolidated Statement of Earnings in Interest expense – net for the twelve months ended December 31, 2022 December 31, 2023 and 2021, respectively, were as follows 2022, are shown in the following table (in millions of dollars):

	For the Years Ended December 31,	
	2022	2021
Gain or (loss):		
Interest rate swaps:		
Hedged item	$ 35	$ 20
Derivatives designated as hedging instrument	$ (35)	$ (20)

The fair value and carrying amounts of outstanding derivative instruments in the Consolidated Balance Sheets as of December 31, 2022 and 2021, respectively, were as follows (in millions of dollars):

		As of December 31,	
		2022	2021
	Balance Sheet Classification	Fair Value and Carrying Amounts	
Cross-currency swap	Other non-current liabilities	$ —	$ 2
Interest rate swaps	Other assets	$ —	$ 1
	Other non-current liabilities	$ 34	$ —

The carrying amount of the liability hedged by the interest rate swaps recorded in Long-term debt, including the cumulative amount of fair value hedging adjustments, as of December 31, 2022 and 2021 totaled $466 millionand $501 million, respectively.

	For the Years Ended December 31,	
	2023	2022
Gain or (loss):		
Interest rate swaps:		
Hedged item	$ (15)	$ 35
Derivatives designated as hedging instrument	$ 15	$ (35)

Fair Value

The estimated fair values of the Company's derivative instruments were based on quoted market forward rates, which are classified as Level 2 inputs within the fair value hierarchy and reflect the present value of the amount that the Company would pay for contracts involving the same notional amounts and maturity dates. No adjustments were required during the current period to reflect the counterparty's credit risk or the Company's own nonperformance risk.

NOTE 13 12 - INCOME TAXES

Earnings (losses) before income taxes by geographical area consisted of the following (in millions of dollars):

	For the Years Ended December 31,		
	2022	2021	2020
	For the Years Ended December 31,	For the Years Ended December 31,	
	2023	2022	2021
U.S. U.S.	$1,903	$1,267	$1,015
Foreign Foreign	243	218	(68)
Total Total	$2,146	$1,485	$ 947

Income tax expense consisted of the following (in millions of dollars):

	For the Years Ended December 31,		
	2022	2021	2020
	For the Years Ended December 31,	For the Years Ended December 31,	
	2023	2022	2021
Current income tax expense: Current income tax expense:			
U.S. Federal U.S. Federal			
U.S. Federal U.S. Federal	$374	$221	$119
U.S. State U.S. State	77	46	28
Foreign Foreign	78	81	65
Total current Total current	529	348	212
Deferred income tax expense (benefit)	4	23	(20)
Deferred income tax (benefit) expense			
Total income tax expense Total income tax expense	$533	$371	$192

The income tax effects of temporary differences that gave rise to the net deferred tax asset (liability) as of December 31, 2022 December 31, 2023 and 2021 2022 were as follows (in millions of dollars):

	As of December 31,	
	2022	2021
	As of December 31,	As of December 31,
	2023	2022
Deferred tax assets: Deferred tax assets:		
Accrued expenses Accrued expenses	150	152
Foreign loss carryforwards	62	59

Accrued expenses			
Accrued expenses			
U.S. and foreign loss carryforwards			
Accrued employment-related benefits	Accrued employment-related benefits	51	50
Tax credit carryforward	Tax credit carryforward	26	27
Other	Other	23	17
Deferred tax assets	Deferred tax assets	312	305
Deferred tax assets			
Deferred tax assets			
Less valuation allowance	Less valuation allowance	(71)	(70)
Deferred tax assets – net of valuation allowance	Deferred tax assets – net of valuation allowance	$241	$235
Deferred tax liabilities:	Deferred tax liabilities:		
Property, buildings, equipment and other capital assets			
Property, buildings, equipment and other capital assets			
Property, buildings, equipment and other capital assets	Property, buildings, equipment and other capital assets	(212)	(217)
Intangibles	Intangibles	(64)	(67)
Inventory	Inventory	(18)	(9)
Other	Other	(11)	(8)
Deferred tax liabilities	Deferred tax liabilities	(305)	(301)
Deferred tax liabilities			
Deferred tax liabilities			
Net deferred tax liability	Net deferred tax liability	$ (64)	$ (66)
The net deferred tax asset (liability) is classified as follows:	The net deferred tax asset (liability) is classified as follows:		
The net deferred tax asset (liability) is classified as follows:			
The net deferred tax asset (liability) is classified as follows:			

Noncurrent assets			
Noncurrent assets			
Noncurrent assets	Noncurrent assets	$ 12	$ 14
Noncurrent liabilities (foreign)	Noncurrent liabilities (foreign)	(76)	(80)
Net deferred tax liability	Net deferred tax liability	$ (64)	$ (66)

As of December 31, 2022 December 31, 2023 and 2021, 2022, the Company had $248 million $335 million and $238 $248 million, respectively, of gross loss carryforwards related to foreign operations. operations and U.S. transactions. Some of the loss carryforwards may expire at various dates through 2042 2043. The Company has recorded a valuation allowance, which represents a provision for uncertainty as to the realization of the tax benefits of these carryforwards and deferred tax assets that may not be realized.

The Company's valuation allowance changed as follows (in millions of dollars):

		For the Years Ended December 31,			
		2022	2021		
	For the Years Ended December 31,			For the Years Ended December 31,	
	2023			2023	2022
Balance at beginning of period	Balance at beginning of period	$(70)	$(53)		
Increases primarily related to foreign NOLs	Increases primarily related to foreign NOLs	(10)	(8)		
Releases primarily related to foreign NOLs	Releases primarily related to foreign NOLs	1	2		
Foreign subsidiaries tax impacts due to divestiture		—	2		
Tax rate changes		—	(7)		
Foreign exchange rate changes					
Foreign exchange rate changes					
Foreign exchange rate changes	Foreign exchange rate changes	4	1		
Increase related to U.S. foreign tax credits	Increase related to U.S. foreign tax credits	1	(3)		

Increase related to capital loss carryforwards		
Other changes – net	3	(4)
Balance at end of period	$(71)	$(70)

A reconciliation of income tax expense with federal income taxes at the statutory rate follows (in millions of dollars):

	For the Years Ended December 31,		
	2022	2021	2020
Federal income tax	$451	$312	$199
State income taxes – net of federal income tax benefit	64	41	33
Foreign rate difference	26	26	23
Foreign subsidiaries tax impacts due to divestiture	—	—	(61)
Change in valuation allowance	7	7	16
Other – net	(15)	(15)	(18)
Income tax expense	$533	$371	$192
Effective tax rate	24.8 %	25.0 %	20.3 %

	For the Years Ended December 31,		
	2023	2022	2021
Stock compensation			
Stock compensation			
Stock compensation			
Change in valuation allowance(1)			
Change in valuation allowance(1)			
Change in valuation allowance(1)			
Income tax expense			
Income tax expense			
Effective tax rate	23.9 %	24.8 %	25.0 %

(1) Net of changes in related tax attributes.

(1) Net of changes in related tax attributes.

(1) Net of changes in related tax attributes.

The changes decrease to the Company's effective tax rate for the year ended December 31, 2022 December 31, 2023 was primarily driven by favorable mix of U.S. earnings versus foreign earnings taxed at a higher rate. The changes increased tax benefits related to the Company's effective tax rate for the year ending December 31, 2021 was primarily driven by the absence of tax losses in the Company's investment in Fabory due to the impairment and internal reorganization of the Company's holdings of Fabory in the first quarter of 2020. The Company divested Fabory during the second quarter of 2020. stock compensation.

Foreign Undistributed Earnings

Estimated gross undistributed earnings of foreign subsidiaries as of December 31, 2022 December 31, 2023 and 2021, 2022, totaled $530 million $544 million and $544 $530 million, respectively. The Company Company considers these undistributed earnings permanently reinvested in its foreign operations and is not recording a deferred tax liability for any foreign withholding taxes on such amounts. If at some future date the Company ceases to be permanently reinvested in its foreign subsidiaries, the Company may be subject to foreign withholding and other taxes on these undistributed earnings and may need to record a deferred tax liability for any outside basis difference in its investments in its foreign subsidiaries.

Tax Uncertainties

The Company recognizes in the financial statements a provision for tax uncertainties, resulting from application of complex tax regulations in multiple tax jurisdictions.

The changes in the liability for tax uncertainties, excluding interest, are as follows (in millions of dollars):

		For the Years Ended December 31,					
		2022	2021	2020			
	For the Years Ended December 31,				For the Years Ended December 31,		
	2023				2023	2022	2021
Balance at beginning of year	Balance at beginning of year	$ 38	$ 39	$ 28			
Additions for tax positions related to the current year	Additions for tax positions related to the current year	4	3	23			
Additions for tax positions of prior years	Additions for tax positions of prior years	2	—	—			
Reductions for tax positions of prior years	Reductions for tax positions of prior years	—	(1)	(2)			
Reductions due to statute lapse	Reductions due to statute lapse	(2)	(3)	(10)			
Settlements, audit payments, refunds – net	Settlements, audit payments, refunds – net	(1)	—	—			
Balance at end of year	Balance at end of year	$ 41	$ 38	$ 39			

The Company classifies the liability for tax uncertainties in deferred income taxes and tax uncertainties. Included in this amount is $5 million as of December 31, 2023 and $4 million at December 31, 2022 and 2021, respectively, 2022, of tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Any changes in the timing of deductibility of these items would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authorities to an earlier period. Excluding the timing items, the remaining amounts would affect the annual tax rate. In 2023, 2022 and 2021, the changes to tax positions were primarily related to the impact of expiring statutes and current year state and local reserves. In 2020, the changes to tax positions were related generally to the tax losses on the Company's investment in Fabory along with the impact of expiring statutes, the conclusion of audits and audit settlements. Estimated interest and penalties were not material.

The Company is regularly subject to examination of its federal income tax returns by the Internal Revenue Service. The statute of limitations expired for the Company's 2018 2019 federal tax return while tax years 2019 2020 through 2021 2022 remain open. The Company is also subject to audit by state, local and foreign taxing authorities. Tax years 2012 through 2021 2022 remain subject to state and local audits and 2017 2012 through 2021 2022 remain subject to foreign audits. The amount of liability associated with the Company's tax uncertainties may change within the next 12 months due to the pending audit activity, expiring statutes or tax payments. A reasonable estimate of such change cannot be made.

NOTE 14 13 - SEGMENT INFORMATION

Grainger's two reportable segments are High-Touch Solutions N.A. and Endless Assortment. The remaining businesses, which includes the Company's Cromwell business, are classified as Other to reconcile to consolidated results. These businesses individually and in the aggregate do not meet the criteria of a reportable segment.

The Company's corporate costs are allocated to each reportable segment based on benefits received. Additionally, intersegment sales transactions, which are sales between Grainger businesses in separate reportable segments, are eliminated within the segment to present only the impact of sales to external customers. Service fees for intersegment sales are included in each segment's SG&A and are also eliminated in the Company's Consolidated Financial Statements.

Following is a summary of segment results (in millions of dollars):

		2022		2021		2020(1)	
		Net sales	Operating earnings (losses)	Net sales	Operating earnings (losses)	Net sales	Operating earnings (losses)
	2023 Net sales						
High-Touch Solutions N.A.	High-Touch Solutions N.A.	$12,182	$ 1,983	$10,186	$ 1,334	$ 9,221	$ 1,182
Endless Assortment	Endless Assortment	2,787	223	2,576	232	2,178	166
Other	Other	259	9	260	(19)	398	(329)
Total Company	Total Company	$15,228	$ 2,215	$13,022	$ 1,547	$11,797	$ 1,019

2023		2022		2021	
Net sales	Operating earnings (losses)	Net sales	Operating earnings (losses)	Net sales	Operating earnings (losses)

(1) Segment results for the year ended December 31, 2020 were recast to reflect the Company's 2021 re-segmentation.

		2022	2021	2020(1)
Depreciation and amortization:				
	2023			
Depreciation, amortization and non-cash lease expense:				
High-Touch Solutions N.A.				
High-Touch Solutions N.A.				
High-Touch Solutions N.A.	High-Touch Solutions N.A.	$168	$148	$ 143
Endless Assortment	Endless Assortment	35	22	17
Other	Other	3	3	9
Total consolidated depreciation and amortization		$206	$173	$ 169
Total				

2023	2022	2021

(1) Segment results for the year ended December 31, 2020 were recast to reflect the Company's 2021 re-segmentation.

Depreciation, amortization and amortization non-cash lease expense presented above includes depreciation of long-lived assets, and amortization of capitalized software and ROU assets. Long-lived assets consist of property, buildings and equipment.

Following is revenue by geographic location (in millions of dollars):

		2022	2021	2020			
	2023				2023	2022	2021
Revenue by geographic location:	*Revenue by geographic location:*						
United States							
United States							
United States	United States	$12,325	$10,236	$ 9,200			
Japan	Japan	1,719	1,705	1,436			
Canada	Canada	621	560	494			
Other foreign countries	Other foreign countries	563	521	667			
		$15,228	$13,022	$11,797			
	$						

The Company is a broad line distributor of MRO products and services. Products are regularly added and removed from the Company's inventory. Accordingly, it would be impractical to provide sales information by product category due to the way the business is managed, and the dynamic nature of the inventory offered, including the evolving list of products stocked and additional products available online but not stocked. Assets for reportable segments are not disclosed as such information is not regularly reviewed by the Company's Chief Operating Decision Maker.

NOTE 15 14 - CONTINGENCIES AND LEGAL MATTERS

From time to time the Company is involved in various legal and administrative proceedings, including claims related to: product liability, safety or compliance; privacy and cybersecurity matters; negligence; contract disputes; environmental issues; unclaimed property; wage and hour laws; intellectual property; advertising and marketing; consumer protection; pricing (including disaster or emergency declaration pricing statutes); employment practices; regulatory compliance, including trade and export matters; anti-bribery and corruption; and other matters and actions brought by employees, team members, consumers, competitors, suppliers, customers, governmental entities and other third parties.

As previously disclosed, since the fourth quarter of between 2019 and 2021, Grainger, KMCO, LLC (KMCO) and other entities were named as defendants have been named in several product liability-related various personal injury and property damage lawsuits in the Harris County, Texas District Court relating to an explosion at a KMCO chemical refinery located in Crosby, Harris County, Texas on April 2, 2019. The complaints in which Grainger Company has been named, which to date encompass approximately 186 plaintiffs, seek recovery since settled several of compensatory and other damages and relief in relation to the personal injury lawsuits, including one death and various other alleged injuries. On May 8, 2020, KMCO filed a voluntary petition in the United States Bankruptcy Court for the Southern District of Texas for relief under Chapter 7 of Title 11 of the United States Bankruptcy Court in the case KMCO, LLC, No. 20-60028. As a result of the Chapter 7 proceedings, the claims against KMCO in the Harris County lawsuits were stayed. Effective January 1, 2021, the Bankruptcy Court lifted the stay with respect to KMCO.

In the product liability cases, the Harris County District Court decided to schedule bellwether trials involving a subset of plaintiffs the Court believes are representative of the parties' claims and defenses, and the first of such trials involving six plaintiffs (the First Scheduled Trial) was scheduled to commence in mid-January 2023. Prior to the start of the First Scheduled Trial, the Company and 27 plaintiffs engaged in mediation and reached settlements in principle with respect to such plaintiffs' claims against the Company. Those 27 plaintiffs include the plaintiffs who alleged those alleging the most serious injuries, as well as five of the six plaintiffs from the First Scheduled Trial. injuries. As previously disclosed, those settlements had no effect on net earnings or cash flows for prior quarters or years. The Company has executed final settlement agreements with those 27 plaintiffs. Grainger believes the payment of these settlements is probable through available insurance. The Company recorded a contingent liability related continues to these settlements in Accrued expenses and a corresponding recoverable asset in Prepaid expenses and other current assets on the Consolidated Balance Sheet as of December 31, 2022, which resulted in no effect to the Company's Consolidated Statement of Earnings for the year ended December 31, 2022.

Whether trials involving any or all of contest the remaining plaintiffs will proceed is uncertain and the timing or outcome of any such trials cannot currently be predicted, nor is it currently possible to make any additional estimate of potential loss or range of loss.

On December 16, 2020, KMCO, the trustee of its estate and ORG Chemical Holdings, LLC, KMCO's parent company (ORG), filed a property damage lawsuit relating to the KMCO chemical refinery incident against Grainger and another defendant in the Harris County, Texas District Court, which seeks unspecified damages (the KMCO Case). On April 1, 2021, 24 individual plaintiffs filed a petition in intervention seeking to be added as plaintiffs in the KMCO Case and seeking unspecified damages. On March 24, 2021, Indian Harbor Insurance Company, together with other insurance companies and underwriters, filed a property damage lawsuit relating to the KMCO chemical refinery incident against Grainger and another defendant in the Harris County, Texas District Court, seeking reimbursement of insurance payments made to or on behalf of KMCO and ORG, the insured parties under their respective policies, and other damages. KMCO-related lawsuits. The Company is currently unable to predict the timing, outcome or any estimate of possible loss or range of loss of the ORG and the Indian Harbor Insurance Company lawsuits.

Grainger continues to investigate each of the various remaining claims against the Company relating to on the KMCO chemical refinery incident and intends to contest these matters vigorously. lawsuits.

Also, as a government contractor selling to federal, state and local governmental entities, the Company may be subject to governmental or regulatory inquiries or audits or other proceedings, including those related to contract administration, pricing and product compliance.

From time to time, the Company has also been named, along with numerous other nonaffiliated companies, as defendant in litigation in various states involving asbestos and/or silica. These lawsuits typically assert claims of personal injury arising from alleged exposure to asbestos and/or silica as a consequence of products manufactured by third parties purportedly distributed by the Company. While several lawsuits have been dismissed in the past based on the lack of product identification, if a specific product distributed by the Company is identified in any pending or future lawsuits, the Company will seek to exercise indemnification remedies against the product manufacturer to the extent available. In addition, the Company believes that a substantial number of these claims are covered by insurance. The Company has entered into agreements with its major insurance carriers relating to the scope, coverage and the costs of defense, of lawsuits involving claims of exposure to asbestos. The Company believes it has strong legal and factual defenses and intends to continue defending itself vigorously in these lawsuits.

While the Company is unable to predict the outcome of any of these proceedings and other matters, it believes that their ultimate resolution will not have, either individually or in the aggregate, a material adverse effect on the Company's consolidated financial condition or results of operations.

NOTE 16 15 - SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the Company reached a settlement agreement related to the First Scheduled Trial as described in Note 15.

On January 25, 2023 January 31, 2024, Grainger's Board of Directors declared a quarterly cash dividend of $1.72 $1.86 per share of common stock, payable March 1, 2023 March 1, 2024 to shareholders of record on February 13, 2023 February 12, 2024.

Grainger evaluated all subsequent event activity and concluded that no other subsequent events have occurred that would require recognition in the Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

Item 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
None.

Item 9A: Controls and Procedures

Evaluation of Disclosures and Controls

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of Grainger's disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934, as amended (Exchange Act). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that Grainger's disclosure controls and procedures were effective as of the end of the period covered by this report.

Management's Annual Report on Internal Control Over Financial Reporting

The management of W.W. Grainger, Inc. (Grainger) is responsible for establishing and maintaining adequate internal control over financial reporting. Grainger's internal control system was designed to provide reasonable assurance to Grainger's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements under all potential conditions. Therefore, effective internal control over financial reporting provides only reasonable, and not absolute, assurance with respect to the preparation and presentation of financial statements.

Grainger's management assessed the effectiveness of Grainger's internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Based on its assessment under that framework and the criteria established therein, Grainger's management concluded that Grainger's internal control over financial reporting was effective as of December 31, 2022 December 31, 2023.

Ernst & Young LLP, an independent registered public accounting firm, has audited Grainger's internal control over financial reporting as of December 31, 2022 December 31, 2023, as stated in their report, which is included herein.

Changes in Internal Control Over Financial Reporting

There were no changes to Grainger's internal control over financial reporting for the quarter ending December 31, 2022 December 31, 2023 that have materially affected, or are reasonably likely to materially affect, Grainger's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
W.W. Grainger, Inc. and Subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited W.W. Grainger, Inc. and Subsidiaries' subsidiaries' internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, W.W Grainger, Inc. and Subsidiaries subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, the related consolidated statements of earnings, comprehensive earnings, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023, and the related notes and our report dated February 21, 2023 dated February 22, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Controls over Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chicago, Illinois
February 21, 2023 22, 2024

Item 9B: Other Information

None. None of the Company's directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's quarter ended December 31, 2023.

Item 9C: Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

Item 10: Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to Grainger's proxy statement relating to the annual meeting of shareholders to be held April 26, 2023 April 24, 2024, under the captions "Board Qualifications, Attributes, Skills and Background," "Annual Election of Directors," "Candidates for Board Membership," "Director Nominees' Experience and Qualifications," "Audit Committee," and "Board Affairs and Nominating Committee," and "Delinquent Section 16(a) Reports." Information required by this item regarding executive officers of Grainger is set forth in Part I, Item 1, under the caption "Information about our Executive Officers."

Grainger has adopted a code of ethics that applies to its principal executive officer, principal financial officer and principal accounting officer and controller. This code of ethics is part of Grainger's Business Conduct Guidelines for directors, officers and employees, team members, which is available free of charge through Grainger's website at invest.grainger.com. A copy of the Business Conduct Guidelines is also available in print without charge to any person upon request to Grainger's Corporate Secretary. Grainger intends to disclose on its website any amendment to any provision of the Business Conduct Guidelines that relates to any element of the definition of "code of ethics" enumerated in Item 406(b) of Regulation S-K under the Exchange Act and any waiver from any such provision granted to Grainger's principal executive officer, principal financial officer, principal accounting officer and controller or persons performing similar functions. Grainger has also adopted Operating Principles for the Board of Directors, which are available on its website and are available in print to any person who requests them.

Item 11: Executive Compensation

The information required by this item is incorporated by reference to Grainger's proxy statement relating to the annual meeting of shareholders to be held April 26, 2023 April 24, 2024, under the captions "Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee of the Board," "Report of the Compensation Committee of the Board," "CEO Pay Ratio," and "Pay Versus Performance Disclosure."

Item 12: Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to Grainger's proxy statement relating to the annual meeting of shareholders to be held April 26, 2023 April 24, 2024, under the captions "Ownership of Grainger Stock" and "Equity Compensation Plans."

Item 13: Certain Relationships and Related Transactions and Director Independence

The information required by this item is incorporated by reference to Grainger's proxy statement relating to the annual meeting of shareholders to be held April 26, 2023 April 24, 2024, under the captions "Director Independence," "Annual Election of Directors" and "Transactions with Related Persons."

Item 14: Principal Accountant Fees and Services

The information required by this item is incorporated by reference to Grainger's proxy statement relating to the annual meeting of shareholders to be held April 26, 2023 April 24, 2024, under the caption "Audit Fees and Audit Committee Pre-Approval Policies and Procedures."

PART IV

Item 15: Exhibits and Financial Statements Schedules

(a) Documents filed as part of this Form 10-K

(1) All Financial Statements

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Financial Statement Schedules: the schedules listed in Rule 5-04 of Regulation S-X have been omitted because they are either not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

(3) Exhibits Required by Item 601 of Regulation S-K

EXHIBIT INDEX(1)

EXHIBIT NO.	DESCRIPTION
2.1	Share Purchase Agreement, dated as of July 30, 2015, by and among Grainger, GWW UK Holdings Limited, Gregory Family Office Limited and Michael Gregory, incorporated by reference to Exhibit 2.1 to W.W. Grainger, Inc.’s Current Report on Form 8-K dated July 31, 2015.
3.1	Restated Articles of Incorporation, incorporated by reference to Exhibit 3(i) to W.W. Grainger, Inc.’s Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.
3.2	By-laws, as amended on March 9, 2017, incorporated by reference to Exhibit 3.1.1 to W.W. Grainger, Inc.’s Current Report on Form 8-K dated March 9, 2017.
4.1 4.1	Indenture, dated as of June 11, 2015, between W.W. Grainger, Inc. and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.1 to W.W. Grainger, Inc.’s Current Report on Form 8-K dated June 11, 2015.
4.2 4.2	First Supplemental Indenture, dated as of June 11, 2015, between W.W. Grainger, Inc. and U.S. Bank National Association, as trustee, and Form of 4.60% Senior Notes due 2045, incorporated by reference to Exhibit 4.2 to W.W. Grainger, Inc.’s Current Report on Form 8-K dated June 11, 2015.
4.3 4.3	Second Supplemental Indenture, dated as of May 16, 2016, between W.W. Grainger, Inc., and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.1 to W.W. Grainger, Inc.’s Current Report on Form 8-K dated May 16, 2016.
4.4 4.4	Third Supplemental Indenture, dated as of May 22, 2017, between W.W. Grainger, Inc., and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.1 to W.W. Grainger, Inc.’s Current Report on Form 8-K dated May 22, 2017.
4.5 4.5	Form of 3.75% Senior Notes due 2046 (included in Exhibit 4.3), incorporated by reference to Exhibit 4.1 to W.W. Grainger, Inc.’s Current Report on Form 8-K dated May 16, 2016.
4.6 4.6	Form of 4.20% Senior Notes due 2047 (included in Exhibit 4.4), incorporated by reference to Exhibit 4.1 to W.W. Grainger, Inc.’s Current Report on Form 8-K dated May 22, 2017.
4.7 4.7	Description of Registrant's Securities Pursuant to Section 12 of the Securities Exchange Act of 1934.
4.8 4.8	Fourth Supplemental Indenture, dated as of February 26, 2020, between W.W. Grainger, Inc., and U.S. Bank National Association, as trustee incorporated by reference to Exhibit 4.1 to W.W. Grainger, Inc.’s Current Report on Form 8-K dated February 21, 2020.

4.9 4.9	Form of 1.85% Senior Notes due 2025 (included in Exhibit 4.8), incorporated by reference to Exhibit 4.1 to W.W. Grainger, Inc.'s Current Report on Form 8-K dated February 21, 2020.
10.1	1990 Long-Term Stock Incentive Plan, as amended, incorporated by reference to Exhibit 10(a) to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.*
10.2	Form of Indemnification Agreement between W.W. Grainger, Inc. and each of its directors and certain of its executive officers, incorporated by reference to Exhibit 10(b)(i) to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.*
10.3 10.2	Frozen Executive Death Benefit Plan, as amended, incorporated by reference to Exhibit 10(b)(v) to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007.*
10.4 10.3	First amendment to the Frozen Executive Death Benefit Plan, incorporated by reference to Exhibit 10(b)(v)(1) to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008.*
10.5 10.4	Second amendment to the Frozen Executive Death Benefit Plan, incorporated by reference to Exhibit 10(b)(iv)(2) to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009.*
10.6 10.5	Supplemental Profit Sharing Plan, as amended, incorporated by reference to Exhibit 10(viii) to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003.*
10.7 10.6	Supplemental Profit Sharing Plan II, as amended, incorporated by reference to Exhibit 10(b)(ix) to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007.*
10.8 10.7	Voluntary Salary and Incentive Deferral Plan, as amended, incorporated by reference to Exhibit 10(b)(xi) to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007.*
10.9 10.8	Summary Description of the Directors Compensation Program.*
10.10 10.9	2010 Incentive Plan, incorporated by reference to Appendix B of W.W. Grainger, Inc.'s Proxy Statement dated March 12, 2010.*
10.11 10.10	Form of Stock Option Award Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10(b)(xvi) to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009.*
10.12	Form of Stock Option Award and Restricted Stock Unit Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10(b)(xvii) to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009.*
10.13	Summary Description of the Company Management Incentive Program.*
10.14 10.11	Incentive Program Recoupment Agreement, incorporated by reference to Exhibit 10(b)(xxv) to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009.*
10.15 10.12	Form of Change in Control Employment Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10(b)(xxvii) to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010.*
10.16 10.13	Form of 2015 Performance Share Award Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.28 to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015.*
10.17	W.W. Grainger, Inc. 2015 Incentive Plan, incorporated by reference to Exhibit B of W.W. Grainger, Inc.'s Proxy Statement dated March 13, 2015.*
10.18 10.14	First Amendment to the W.W. Grainger, Inc. 2015 Incentive Plan, incorporated by reference to 10.1 of W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.*
10.19 10.15	W.W. Grainger, Inc. 2015 Incentive Plan as Amended and Restated Effective October 31, 2018, incorporated by reference to Exhibit 10.1 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018.*
10.20 10.16	Form of Stock Option Award Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.1 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.*
10.21 10.17	Form of Restricted Stock Unit Award Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.2 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.*
10.22	Form of 2016 Performance Share Award Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.3 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.*

10.23		Form of Stock Option Award Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.2 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.*
10.24	10.18	Form of Restricted Stock Unit Award Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.3 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.*
10.25	10.19	Form of 2017 Performance Share Award Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.4 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.*
10.26	10.20	Form of 2018 W.W. Grainger, Inc. 2015 Incentive Plan Stock Option Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.3 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.*
10.27	10.21	Form of 2018 W.W. Grainger, Inc. 2015 Incentive Plan Restricted Stock Unit Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.4 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.*
10.28	10.22	Form of 2018 W.W. Grainger, Inc. 2015 Incentive Plan Performance Restricted Stock Unit Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.5 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.*
10.29	10.23	Form of 2019 W.W. Grainger, Inc. 2015 Stock Incentive Plan Stock Option Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.1 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2019.*
10.30	10.24	Form of 2019 W.W. Grainger, Inc. 2015 Stock Incentive Plan Restricted Stock Unit Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.2 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2019.*
10.31	10.25	Form of 2019 W.W. Grainger, Inc. 2015 Stock Incentive Plan Performance Restricted Stock Unit Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.3 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2019.*
10.32	10.26	Credit Agreement dated as of February 14, 2020, by and among W.W. Grainger, Inc., the lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, incorporated by reference to Exhibit 10.1 to W.W. Grainger, Inc.'s Current Report on Form 8-K dated February 14, 2020.
10.33	10.27	First Amendment to Credit Agreement, dated as of August 29, 2022, by and among W.W. Grainger, Inc., the lenders party thereto and JPMorgan Chase, N.A., as Administrative Agent, incorporated by reference to Exhibit 10.1 to W.W. Grainger, Inc.'s Current Report on Form 8 K dated August 30, 2022.
10.34	10.28	Form of 2020 W.W. Grainger, Inc. 2015 Incentive Plan Restricted Stock Unit Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.1 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.*
10.35	10.29	Form of 2020 W.W. Grainger, Inc. 2015 Incentive Plan Performance Stock Unit Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.2 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.*
10.36	10.30	2022 Form of W.W. Grainger, Inc. 2015 Incentive Plan Performance Stock Unit Agreement between W.W. Grainger, Inc. and certain of its executive officers incorporated by reference to Exhibit 10.35 to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2021.*
10.37	10.31	2022 Form of W.W. Grainger, Inc. 2022 Incentive Plan Restricted Stock Unit Award Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.1 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2022.*
10.38	10.32	2022 Form of W.W. Grainger, Inc. 2022 Incentive Plan Performance Stock Unit Award Agreement between W.W. Grainger, Inc. and certain of its executive officers, incorporated by reference to Exhibit 10.2 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2022.*
10.39	10.33	W.W. Grainger, Inc. 2022 Incentive Plan, incorporated by reference to Appendix C of the Company's Definitive Proxy Statement on Schedule 14A filed on March 17, 2022.*

10.40 10.34	Compensation Continuation - Severance Policy Guidance, incorporated by reference to Exhibit 10.1 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2022.*
10.41 10.35	2023 Form of W.W. Grainger, Inc. 2022 Incentive Plan Restricted Stock Unit Award Agreement between W.W. Grainger, Inc. and certain of its executive officers. officers, incorporated by reference to Exhibit 10.41 to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31,2022.*
10.42 10.36	2023 Form of W.W. Grainger, Inc. 2022 Incentive Plan Performance Stock Unit Award Agreement between W.W. Grainger, Inc. and certain of its executive officers. officers, incorporated by reference to Exhibit 10.42 to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31,2022.*
10.43 10.37	Shareholder Agreement, Dated as of February 17, 2023, by and among W.W. Grainger, Inc. and MonotaRO Co., Ltd., incorporated by reference to Exhibit 10.43 to W.W. Grainger, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2022.*
10.38	Transition Agreement and General Release, dated July 6, 2023, by and between John L. Howard and W.W. Grainger, Inc., incorporated by reference to Exhibit 10.1 to W.W. Grainger, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023.*
10.39	Credit Agreement dated as of October 11, 2023, by and among W.W. Grainger, Inc. the lenders party thereto, and JP Morgan Chase Bank, N.A., as Administrative Agent, incorporated by reference to Exhibit 10.1 to W.W. Grainger, Inc.'s Current Report on Form 8-K filed on October 12, 2023.
21	Subsidiaries of Grainger.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97	W.W. Grainger, Inc. Financial Statement Executive Compensation Recoupment Policy
101.INS	XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

(*) Management contract or compensatory plan or arrangement.

Item 16: Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATE: February 21, 2023 February 22, 2024

W.W. GRAINGER, INC.

By: **/s/ D.G. Macpherson**

D.G. Macpherson

Chairman of the Board

and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant on February 21, 2023 February 22, 2024, in the capacities indicated.

/s/ D.G. Macpherson	**/s/ V. Ann Hailey George Davis**
D.G. Macpherson Chairman of the Board and Chief Executive Officer, Director (Principal Executive Officer)	V. Ann Hailey George Davis Director
	/s/ Katherine D. Jaspon V. Ann Hailey
	Katherine D. Jaspon V. Ann Hailey Director
/s/ Deidra C. Merriwether	**/s/ Stuart L. Levenick Katherine D. Jaspon**
Deidra C. Merriwether Senior Vice President and Chief Financial Officer (Principal Financial Officer)	Stuart L. Levenick Katherine D. Jaspon Director
/s/ Laurie R. Thomson	**/s/ Neil S. Novich Chris Klein**
Laurie R. Thomson Vice President and Controller (Principal Accounting Officer)	Neil S. Novich Chris Klein Director
	/s/ Stuart L. Levenick
	Stuart L. Levenick Director
	/s/ Neil S. Novich
	Neil S. Novich Director
	/s/ E. Scott Santi
	E. Scott Santi Director

Exhibit 4.7

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2022 December 31, 2023, W.W. Grainger, Inc. has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (Exchange Act), being its common shares.

Description of Common Stock

The following description of our common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Restated Articles of Incorporation (Articles of Incorporation) and our By-Laws (By-Laws), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.7 is a part. We encourage you to read our Articles of Incorporation, our By-Laws and the applicable provisions of the Illinois Business Corporation Act of 1983, as amended (IBCA) for additional information.

Authorized Capital Shares

Our authorized shares of stock consist of 300,000,000 shares of common stock, $0.50 par value per share (Common Stock), and 12,000,000 shares of preferred stock, $5.00 par value per share (Preferred Stock). Each outstanding share of Common Stock is fully paid and nonassessable. As of December 31, 2022 December 31, 2023, 50,475,402 49,969,062 shares, and as of February 15, 2023 February 16, 2024, 50,187,304 49,194,123 shares of Common Stock were issued and outstanding. As of December 31, 2022 December 31, 2023, and as of February 15, 2023 February 16, 2024 no shares of Preferred Stock were issued and outstanding.

Voting Rights

As required under Illinois law, majority voting and cumulative voting apply to all elections of Grainger's Board of Directors. Under cumulative voting, stockholders have the right to cumulate their votes in the election of Directors, meaning stockholders have a number of votes in the election equal to the number of shares owned multiplied by the number of Directors being elected. Each stockholder is entitled to one vote for each share of Common Stock held on all other matters submitted to a vote of stockholders.

Dividend Rights

Subject to preferences that may apply to shares of Preferred Stock outstanding at the time, the holders of our Common Stock are entitled to receive dividends when and as declared by the Board of Directors in accordance with Illinois law.

Liquidation Rights

Upon the occurrence of a liquidation, dissolution or winding-up, the holders of our Common Stock would be entitled to share ratably in the distribution of all of our assets remaining available for distribution after satisfaction of all our liabilities and the payment of the liquidation preference of any outstanding Preferred Stock.

Certain Anti-Takeover Effects

Grainger is subject to the provisions of Section 11.75 of the IBCA. Section 11.75 prohibits a publicly held Illinois corporation from engaging in a "business combination" with an "interested stockholder" for a period

of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to specified exceptions, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's voting stock.

Other Rights and Preferences

Our Common Stock is not entitled to preemptive rights and is not subject to conversion or redemption.

Exchange Listing

Our Common Stock is traded on the New York Stock Exchange under the trading symbol "GWW."

Transfer Agent

The transfer agent and registrar for Grainger's Common Stock is Computershare Trust Company, N.A., 150 Royall Street, Suite 101, Canton, Massachusetts, 02021.

Exhibit 10.9 10.8

Summary Description of the Directors Compensation Program

Members of the Company's Board of Directors who are not Company employees receive an annual retainer of $100,000, which is intended to cover all regularly scheduled meetings of the Board and its committees.

The Chairs of Board committees receive additional annual retainers. For the Chair of the Audit Committee, the retainer is $25,000; for the Chair of the Board Affairs and Nominating Committee, the retainer is $10,000; and for the Chair of the Compensation Committee, the retainer is $20,000. The retainer for the Lead Director is $35,000.

All independent directors also receive an annual deferred stock unit grant. The number of shares covered by each grant is equal to $160,000 (based on the 20-day average stock price through March 31, in the year of the grant, a methodology consistent with the calculation for other executive equity awards), rounded up to the next one-share increment. The deferred stock units are settled upon termination of service as a director. Directors may also defer their annual retainers, committee chair retainers, and meeting fees in a deferred stock unit account.

A director who is an employee of Grainger or any Grainger subsidiary does not receive any retainer fees for Board or Board committee service, Board or Board committee meeting attendance fees, or stock options or stock units under the Director Stock Plan.

Stock ownership guidelines applicable to non-employee directors were established in 1998. These guidelines provide that within five years after election, a director must own Grainger common stock and common stock equivalents having a value of at least five times the annual retainer fee for serving on the Board

Exhibit 10.13 10.10

SUMMARY DESCRIPTION OF THE

COMPANY MANAGEMENT INCENTIVE PROGRAM

I. Introduction

The Company Management Incentive Program ("CMIP") is designed to provide an incentive cash compensation opportunity to the CEO of W.W. Grainger, Inc. (the "Company"), the Company's other named executive officers, and the CEO's other direct reports and U.S. members of the Grainger Leadership Team (individually, a participant, and collectively, the participants) based upon: two key financial factors that drive improvements in shareholder value: adjusted return on invested capital ("ROIC"); and year-over-year adjusted daily sales growth ("Sales Growth") as defined below and an Environmental, Social and Governance (ESG) modifier that can increase or decrease payouts determined by financial performance by up to +/-10 percentage points based on two quantitative metrics: total absolute scope 1 and 2 emissions and diverse leadership representation.

II. Objectives

The CMIP is designed to:

- Encourage decision-making focused on growing the business profitably and efficiently, thus leading to improvements in shareholder value;
- Influence participants to make decisions consistent with shareholders' interests;
- Align participant actions with relevant Company objectives; and
- Attract and retain the talent required to achieve the Company's objectives.

III. Eligibility

Eligibility for participation in the CMIP is limited to the Company's CEO, and the CEO's direct reports. reports, and members of the Grainger Leadership Team ("GLT"). Criteria for selection as a participant are external market practice, impact of the role and internal practice. Participation in the CMIP is subject to the eligibility provisions in Section B of the attached Terms and Conditions.

IV. Performance Measures

Shareholder value will improve most dramatically if The Company is focused on simultaneously achieving the Company can achieve these goals simultaneously: following goals:

1. Produce a favorable rate of ROIC; and
2. Grow the business rapidly. by driving sales growth.

The 20[[] CMIP will be based on the Company's achievement of ROIC and Sales Growth targets, and will be equal to a percentage of each participant's target award ("% Payout") and the ESG modifier can increase or decrease payouts determined by financial performance by up to +/-10 percentage points as follows:

% Payout = (ROIC component + Sales Growth component) +/- ESG Modifier Results

The maximum award that may be paid to a participant is capped at 200% of such participant's target incentive (inclusive of any adjustment from the ESG Modifier).

ROIC Component

ROIC is generally defined as total Company adjusted operating earnings divided by the Company's average net working assets: assets (a five-point average year-to-date):

ROIC = Operating Earnings

$$\text{ROIC} = \frac{\text{Adjusted Operating Earnings}}{\text{Average Net Working Assets}}$$

The ROIC component will range from []% 0% to []% 100% of a participant's total target incentive award.

Sales Growth Component

Sales Growth is defined as total Company year-over-year daily sales growth performance: performance (total Company net sales on a consolidated basis for the period divided by the U.S. selling days for the period).

$$\text{Sales Growth} = \left(\frac{\text{Total Company Daily Sales, Current Year}}{\text{Total Company Daily Sales, Prior Year}} \right) -1$$

The Sales Growth component will range from []% 0% to []% 100% of a participant's total target incentive.

Payout amounts between these scales for both Sales Growth and ROIC will be interpolated as necessary. For the total payout, MIP Sales & ROIC contributions are calculated, summed, and then rounded to the nearest percent for the final MIP payout.

The calculations of ROIC and Sales Growth will be modified for the Company's planned foreign exchange rates used when setting initial targets. In addition, the calculations of ROIC and Sales Growth will generally exclude the effect of any mergers, acquisitions or divestitures with a closing date that occurs during the same fiscal year. In other words, the impact of any merger, acquisition or divestiture on sales growth, operating earnings and net working assets will generally be excluded when calculating the Company's achievement of the performance measures. The calculations of ROIC and Sales Growth may also be adjusted from time to time to exclude other items that the Company believes may not be indicative of core operating results. In any such case, reconciliations of any non-GAAP financial measures to the most directly comparable GAAP financial measures will be provided as required or appropriate in the Company's disclosures relating to the compensation paid to its named executive officers.

ESG Modifier Component

The ESG modifier can increase or decrease payouts determined by financial performance by up to +/-10 percentage points based on two quantitative metrics: total absolute scope 1 and 2 GHG emissions (on a global basis) and diverse leadership representation in the United States and Canada.

The Compensation Committee of the Board (the "CCOB") reviews and recommends for approval by the Board of Directors of the Company (the "Board") any payouts under the CMIP, including in respect of the exercise of any discretion to modify the payout formula. Any CMIP payouts to the CEO are approved by the Board's independent directors in executive session without management present.

V. Target Incentive Award

Also known as the target incentive, the target awards for each participant are stated as a percentage of the participant's base salary ("Target Incentive %") (alternatively the target awards may be stated as a target value expressed as a fixed dollar amount). Target awards follow competitive market practice and internal considerations.

VI. Determination of Payment Amounts

The following process is used to determine the payment amount for each participant.

- **Step 1:** The Company's finance function ("Finance") determines the performance results for the ROIC component and the resultant performance to goal, and computes the appropriate percentage of the target incentive earned.

- **Step 2**: Finance determines the performance results for the Sales Growth component and the resultant performance to goal, and computes the appropriate percentage of target incentive earned.

- **Step 3:** Finance calculates the CMIP payout amount, as follows:

    - *Total % Payout = ROIC Component + Sales Growth Component*

- **Step 4**: Finance and the Company's ESG function calculate the performance results for the ESG modifier metrics which can adjust the financial payout determined in Step 3 by +/- 10 percentage points. The final CMIP payout is determine as follows:
    - *Total % Payout = (ROIC Component + Sales Growth Component)+/-ESG modifier adjustment*

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- **Step 5**: The Company's executive compensation function ("Executive Compensation") calculates each participant's incentive award earned as follows:
    - *Incentive Earned = Base Salary (as of December 31, 20[]) of the applicable plan year) x Target Incentive % x Total % Payout*

    Participants holding incentive-eligible jobs for part of the year will earn an adjusted award based on the eligibility provisions of the CMIP Terms and Conditions.

- **Step 6**: Management assists the CCOB by making recommendations, and the CCOB reviews and recommends for Board approval the final incentive amounts for each participant. Any CMIP payout to the CEO is approved by the Board's independent directors in executive session without management present.

- **Step 7:** Executive Compensation is responsible for setting communication standards for the final incentive amounts earned by each participant and the payment dates.

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TERMS AND CONDITIONS OF THE
COMPANY MANAGEMENT INCENTIVE PROGRAM (CMIP)

Capitalized terms used but not defined herein have the meaning ascribed thereto in Section H. below.

A. <u>Program Year</u>

The CMIP covers the period from January 1, 20[] to December 31, 20[].

B. <u>Eligibility Provisions</u>

Specific eligibility provisions are developed and reviewed annually. Eligibility provisions for Participants on active payroll are outlined below. For purposes of the following provisions, pro-rata calculations are based on the number of eligible days in each month.

1. Full-Year Participation – Participants who were in incentive-eligible jobs for the full year will be eligible to receive a full award under the CMIP, except as noted below.

2. First-Year Participation (internal promotion or external hire) – Participants who are placed into an incentive eligible job on or before November 30 October 31 will be eligible to receive a pro-rata award based on the number of months days in the eligible job. Participants placed in an eligible job on or after December November 1 are not eligible to participate in the CMIP for that year (except as approved by the CCOB).

3. Changes in Target CMIP Percentage – Participants who have their Target CMIP Percentage change during the year due to promotion, demotion or reclassification of the current job will receive an award pro-rated based on the number of months eligible days at each Target CMIP Percentage level and Participant's Base Salary during each such month. as of December 31st unless as otherwise stated below.

4. Transfer to Another Incentive Program – A Participant who changes jobs during the year such that the former and current jobs participate in different incentive programs will receive an award pro-rated based on the number of months eligible days at each Target CMIP Percentage level at each eligible job.

5. Transfer to a Non-Incentive Eligible Job – A Participant in an incentive-eligible job who transfers to a non-incentive-eligible job will receive a pro-rata award for the number of months eligible days based on the applicable Target CMIP Percentage level in an eligible job. Payment will be made on the next incentive payment date.

6. Job Elimination or Downgrade – In the sole discretion of Management, if a Participant's job is eliminated for business reasons or is downgraded and the Participant's new job is non-incentive eligible, a pro-rata award for the current year will be made on the next incentive payment date, regardless of the

effective date of the job elimination or downgrade. In the event the Participant does not continue Employment, any award for the current year will be made

on the next incentive payment date. The salary used in the calculations will be the Participant's Base Salary as of the Participant's last day of Employment.

7. Voluntary Resignation – If Participant resigns and the date of exit is before the CMIP payment date for a given year, no award will be paid. The Participant will not receive any incentive payment despite formerly being in an incentive-eligible job.

8. Death, Retirement or Long-term Disability – If a Participant dies, retires following attainment of the Normal Retirement Date or suffers a long-term disability which prevents their continued performance of their duties at the Company or is on a leave of absence that is considered inactive for payroll and benefits, a pro-rata award will be made for the current year to the Participant or the Participant's estate on the next incentive payment date. The salary used in the calculations will be the Base Salary as of their last day worked.

9. Pro-rata Calculation – Participation in CMIP will be calculated are based on the number of days in whole months with the 14th calendar day of the month as the cutoff. applicable program year. For example, if assume a Participant participant begins eligibility on February 1. The proration is based on number of eligible days in each eligible month. The proration is calculated based on number of eligible days divided by total days in the job on the 14th day of the month, they year (e.g. 334/365 or approximately 91.5%). The proration will get credit for the whole month, if they are on the job on the 15th, they will get credit beginning the next month (e.g., transfer into an eligible job on January 15th – February 14th will get 11/12th CMIP for the year, transfer into an eligible job between January 1st and January 14th will get 12/12th CMIP). be adjusted as appropriate to reflect leap years.

10. Good Standing – Eligible Employees must be in good standing, as determined in the sole discretion of Management, to be eligible for participation in the CMIP. A Participant who is on a performance improvement program will not be deemed to be in good standing.

C. <u>Termination of Employment; Engaging in Misconduct; Excess Payments; Restatement of Inaccurate Financial Results; Indemnification; Conflicts</u>

1. If (a) the Participant's Employment is terminated by the Employer for whatever reason (other than by reason of job elimination), (b) the Employer does not renew an employment contract (if applicable) with a Participant or (c) the Participant Engaged in Misconduct, or is believed to have Engaged in Misconduct, all awards will be forfeited.

2. If a Participant Engaged in Misconduct or is believed to have Engaged in Misconduct, the Company shall be entitled to recover from the Participant, and Participant shall re-pay any cash sum received pursuant to the CMIP, in whole or in part, for any period of time, as the Company deems appropriate under

the circumstances. Further, if the Participant (or former Participant) receives any amount in excess of what the Participant (or former Participant) should have received under the terms of the CMIP for any reason (including, without limitation, by reason of a mistake in calculations or administrative error or as otherwise may be required by the Recoupment Policy, any applicable Laws or listing standard adopted by the New York Stock Exchange), all as required by or, in its discretion, determined by Management, in its discretion, then the Company shall have the right to cancel the award, require

the repayment of any excess cash distribution acquired pursuant to, or received in connection with, the CMIP or take any other action it deems appropriate under the circumstances with respect to recouping recoup any such excess payment for the period the Company determines appropriate.

3. The Company shall have the discretion to recover awards that were paid or settled to the Participant at a time when she or he was they were an employee of the Employer in the following instances:

   a. If the payment or settlement of awards would have been lower had the achievement of applicable financial performance goals been calculated based on any restated financial results, if the Participant Engaged in Misconduct; and/or

   b. In the case of inaccurate financial results, whether or not they result in a restatement, and whether or not the Participant has Engaged in Misconduct; and/or

   c. As set forth in the Recoupment Policy; and/or

   d. For any reason (including, without limitation, by reason of a mistake in calculations or administrative error), all as determined by Management in its discretion.

   Except in circumstances where a Participant has Engaged in Misconduct or for a longer period of time if required by the Recoupment Policy, applicable Law or a listing standard adopted by the New York Stock Exchange, awards received or settled more than three years after the date of the initial filing with the U.S. Securities & Exchange Commission that contained the incorrect financial results shall not be subject to recovery under this Section C.3.

4. The rights and obligations of each Participant under the terms and conditions of the Participant's Employment shall be unaffected by the Participant's participation in the CMIP or any right the Participant may have with the Company to participate in the CMIP. A Participant who participates in the CMIP waives any and all rights to compensation or damages in consequence of the termination of the Participant's Employment for any reason insofar as those rights arise or may arise from the Participant's forfeiture of an award under the

CMIP as a result of such termination or from the loss or diminution in value of rights or entitlements the Participant may have under the CMIP. If necessary, a Participant's terms of Employment shall be varied accordingly.

5. The exercise of the Company of its rights under this Section C shall not constitute the recovery of liquidated damages, nor shall the exercise of such rights be deemed its exclusive remedy, but shall be in addition to all other rights available at law or in equity. By participating in the CMIP, the Participant expressly agrees to indemnify and hold the Company and the Participant's Employer harmless from any loss, cost, damage or expense (including attorneys' fees) that the Company or the Employer may incur as a result of the Participant's actions or in the Company's and/or the Employer's efforts to recover such previously made payments or value pursuant to this Section C.

6. In the event of any conflict between these Terms and Conditions and the terms and conditions of any equity award agreement, including any Restricted Stock Unit Agreement, Performance Share Award Agreement or Stock Option Award Agreement, or any Unfair Competition Agreement, in each case, to which the Employer and the Participant are parties, the terms and conditions that carry the greater obligation on the part of the Participant shall control and be determinative in all respects.

7. Notwithstanding anything to the contrary under these Terms and Conditions, the Company may cancel, recoup, rescind, or otherwise recover any award or compensation made under the CMIP if such recovery is pursuant to a claw-back or recoupment policy adopted by the Company from time to time, including the Recoupment Policy, or as otherwise permitted or required by applicable law or listing standard adopted by the New York Stock Exchange.

D. <u>Oversight of CMIP and Administration</u>

The CCOB and the Board of Directors of the Company (the "Board") are responsible for the oversight of the CMIP.

Management assists the CCOB by making recommendations, and the CCOB reviews, in conjunction with its independent compensation consultant, and recommends for Board approval any changes to CMIP design and the final incentive amounts payable to each Participant. Any CMIP design changes, payouts or other actions impacting the CEO's compensation are approved by the Board's independent directors in executive session without management present.

The administration of the CMIP, including the calculation of payments, is the responsibility of the Company.

E. <u>Payment</u>

Payment under the CMIP will be made annually on or before March 15 for the prior year's results unless country-specific regulations require otherwise. Payment will be made by the Employer in local currency or equivalent, less applicable withholding taxes and other amounts required to be withheld.

Notwithstanding anything herein to the contrary, payment of all or part of awards under the CMIP that are subject to or otherwise result in disallowance as deductions for employee remuneration under Section 162(m) of the Internal Revenue Code of 1986, as amended, shall be deferred as and to the extent provided by the Board or the CCOB.

F. Right of Continued Employment

Participation in the CMIP is not a guarantee of continuing Employment or of continued participation in the CMIP in any subsequent year.

G. Amendment or Termination of CMIP

The CCOB may from time to time recommend that the Company amend, change or terminate the CMIP to the Board for approval. Any amendment, change or termination

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related to the CEO's CMIP is subject to review by the CCOB and approval by the Board's independent directors in executive session without management present.

For Participants other than the CEO, the Company also reserves the right, subject to the review and approval of the CCOB and the Board, to amend these Terms and Conditions or the CMIP at any time and from time to time, with or without prior notice; provided, that no amendment shall, without the consent of the Participant, operate to affect adversely any previously earned payment.

H. Definitions

Base Salary is defined as the locally relevant rate of pay used to determine a CMIP award.

CCOB is the Compensation Committee of the Board.

CMIP is the Company Management Incentive Program, as governed by these Terms and Conditions.

Company is W.W. Grainger, Inc.

Eligible Employee is the Company's CEO and each employee of the Company or its subsidiaries that directly reports to the Company's CEO.

Employer is the Company or the local subsidiary of the Company that employs the Participant.

Employment is a Participant's employment with the Employer in accordance with the terms and conditions of their employment contract, if any, in business units where applicable.

Engaged in Misconduct means a Participant:

(i) has breached any contract or agreement with the Employer;

(ii) has made any unauthorized disclosure of any of the trade secrets or confidential information of Employer;

(iii) has committed an act of embezzlement, fraud or theft with respect to the property of Employer;

(iv) has engaged in conduct which violates the company's Business Conduct Guidelines, employee handbook, or any anti-corruption or bribery law (whether involving government officials or otherwise);

(v) has deliberately disregarded the rules of the Employer in such a manner as to cause any loss, damage or injury to, or otherwise endanger the property, reputation or employees of the Employer;

(vi) induced any employee, supplier, customer, agent or contractor of Employer or any other individual to take any action described in (i)-(v) above;

(vii) intends to take any action described in (i)-(vi) above; or

(viii) has taken any other action that Management in its discretion determines to be detrimental.

Management means the CEO of the Company and the CEO's direct reports or their respective duly authorized designees.

Normal Retirement Date has refers to the meaning ascribed thereto in date upon which a participant attains any of the W.W. Grainger, Inc. Employees Profit Sharing Plan, as the same was amended and/ following: age 60, age 55 and 20 years of service; or restated from time to time. 25 years of service.

Participant is each Eligible Employee who has been designated by the CCOB to participate in the CMIP.

Recoupment Policy isthe W.W. Grainger, Inc. Financial Statement Executive Compensation Recoupment Policy (the "Recoupment Policy").

Target CMIP Percentage is the target percentage determined by the Board of a Participant's Base Salary used to calculate such Participant's incentive award before any performance criteria increase or decrease the award.

Termination Date is the date a Participant ceases Employment howsoever caused.

Terms and Conditions are these Terms and Conditions as amended from time to time.

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Exhibit 10.41

W.W. GRAINGER, INC. 2022 Incentive Plan

2023 Form of Restricted Stock Unit Award Agreement

This Restricted Stock Unit Award Agreement (this "**Award Agreement**"), dated as of _____________ (the "**Grant Date**"), is entered into between W.W. Grainger, Inc., an Illinois corporation (the "**Company**"), and you (the "**Participant**") as an Employee of the Company or a Subsidiary (collectively, the "**Employer**").

In consideration of the Participant's agreement to enter into an Unfair Competition Agreement with the Company concurrently with this Award Agreement on the Grant Date (the "**Unfair Competition Agreement**"), the Company desires to grant the Participant an award of restricted stock units (the "**RSUs**"), providing for the issuance of shares of the Company's common stock ("**Shares**") pursuant to the W.W. Grainger, Inc. 2022 Incentive Plan (as may be amended from time to time, the "**2022Plan**") and the Participant agrees to enter into the Unfair Competition Agreement and accept such RSUs on the terms and conditions set forth in this Award Agreement, the 2022 Plan and the Unfair Competition Agreement.

Capitalized terms used but not defined in this Award Agreement have the meanings specified in the 2022 Plan.

In consideration of the mutual provisions set forth in this Award Agreement and in the Unfair Competition Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

Grants

1.01 Grant. Subject to the terms and conditions of this Award Agreement, the 2022 Plan and the Unfair Competition Agreement (the terms of which are hereby incorporated herein by reference) and effective on the Grant Date, the Company hereby grants to the Participant the number of RSUs as specified in the _________ award grant notice posted to the Participant's electronic investment account maintained with Morgan Stanley Smith Barney LLC, the stock plan service provider engaged by the Company in connection with the administration of the 2022 Plan (the "**Stock Plan Administrator**"). Each RSU represents a contractual right to receive one (1) Share upon the satisfaction of the terms and conditions of this Award Agreement.

ARTICLE II

Provisions Relating to RSUs

2.01 Vesting of RSUs. If the Participant remains continuously employed by the Employer (or any other Subsidiary or Affiliate) until the vesting date(s) specified in the grant notice ("**RSU Vesting Date**"), the RSUs shall become vested on such date and the Participant shall be entitled to receive the underlying Shares as provided herein.

The RSUs shall not vest before the RSU Vesting Date unless otherwise provided or permitted by the 2022 Plan or this Award Agreement, and any RSUs that do not vest shall be forfeited in full and the Participant shall have no further rights with respect to such RSUs. Each RSU that becomes vested as provided herein shall be settled in accordance with Section 2.05.

2.02 Effect of Termination of Employment. Except as otherwise stated in the 2022 Plan, if the Participant's employment or service is terminated prior to the RSU Vesting Date for any reason whatsoever other than the Participant's death, Disability or Retirement, the Participant shall cease vesting in the RSUs as of the Participant's Termination Date (defined below) and the RSUs shall be forfeited in their entirety. If the Participant is a resident of, or employed in, the United States, "**Termination Date**" shall mean the effective date of termination of the Participant's employment. If the Participant is a resident of, or employed outside of, the United States, "**Termination Date**" shall mean the earliest of (i) the date on which notice of termination is provided to the Participant, (ii) the last day of the Participant's active service with the Employer or (iii) the last day on which the Participant is an employee of the Employer, as determined in each case without including any required advanced notice period and irrespective of the status of the termination under local labor or employment laws.

2.03 Effect of Death or Disability of the Participant. If the Participant's employment or service is terminated prior to the RSU Vesting Date due to the Participant's death or Disability, the RSUs immediately shall fully vest. For purposes of this Award Agreement, "**Disability**" shall have the same meaning as defined in the 2022 Plan, subject to modification as may be required to conform to the laws, rules and regulations ("**Laws**") of the Participant's country of residence (and country of employment, if different). For the sake of clarity, the date of the Participant's death or Disability shall be a RSU Vesting Date. The RSUs that becomes vested as provided herein shall be settled in accordance with Section 2.05.

2.04 Effect of Retirement of the Participant. If the Participant's employment or service is terminated prior to the RSU Vesting Date due to the Participant's Retirement, the RSUs shall continue to vest and shall be settled in accordance with Sections 2.01 and 2.05. For purposes of this Award Agreement, "**Retirement**" shall mean the Participant's retirement of employment with the Company and its Subsidiaries on or after the Participant's (i) completion of at least 25 years of service with the Company and its Subsidiaries, (ii) completion of at least 20 years of service with the Company and its Subsidiaries and attainment of age 55, or (iii) completion of at least five (5) years of service with the Company and its Subsidiaries and attainment of age 60. Further, if the Participant is employed in a country other than Canada, Mexico or the United States, the provisions of this Section 2.04 shall be inapplicable.

2.05 Settlement. Upon the RSU Vesting Date, the Company shall, as soon as practicable (but in no event later than 60 days following the applicable RSU Vesting Date), settle the RSUs by registering Shares in the Participant's name and delivering such Shares to the Participant's electronic stock plan account maintained by the Stock Plan Administrator. At the discretion of the Committee, and subject to such policies and procedures as it may adopt from time to time, the Participant's RSUs may be settled in

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the form of: (i) cash, to the extent settlement in Shares (a) is prohibited under applicable Laws, (b) would require the Participant, the Company or the Employer to obtain the approval of any governmental and/or regulatory body in the Participant's country of residence (and country of employment, if different), or (c) is administratively burdensome or (ii) Shares, but the Company may require the Participant to immediately sell such Shares if necessary to comply with applicable Laws (in which case, the Participant hereby expressly authorizes the Company to issue sales instructions in relation to such Shares on the Participant's behalf).

2.06 Dividend Equivalents. Prior to the RSU Vesting Date, the Participant shall be entitled to receive cash dividend payments equal to any cash dividends and other distributions paid with respect to a number of Shares underlying the RSUs held by the Participant. If the Company declares any dividends payable in Shares (rather than in cash), the Participant shall be entitled to additional RSUs equal to the Fair Market Value (as determined by the Committee) of such Share dividends; provided, such additional RSUs shall be subject to the same vesting, forfeiture and transferability requirements and restrictions that apply to the original RSUs with respect to which they relate, including the vesting provisions of Section 2.01 and the settlement provisions of Section 2.05.

ARTICLE III
Recoupment

3.01 Recoupment in Event of Misconduct. If the Company determines that the Participant has committed or engaged in misconduct against the Company or has engaged in any criminal conduct, including embezzlement, fraud or theft, that involves or is related to the Company, or any other conduct that violates Company policy, causes or is discovered to have caused, any loss, damage, injury or other endangerment to the Company's property or reputation, and such Participant has received or is entitled to receive performance stock units, performance restricted stock units, stock options, restricted stock units or cash incentive compensation (collectively, "**Incentive Compensation**"), then the Company shall have the right to cancel the Incentive Compensation, require the return of Shares acquired under the 2022 Plan, recapture any gain realized upon the sale of Shares acquired under the 2022 Plan or take any other action it deems appropriate under the circumstances with respect to recouping the Incentive Compensation. The Company shall have sole discretion in determining whether the Participant's conduct was in compliance with applicable Law or Company policy and the extent to which the Company will seek recovery of the Incentive Compensation notwithstanding any other remedies available to the Company. If the Participant engages in misconduct or is believed to have engaged in misconduct, including but not limited to any violation of any of Participant's obligations under the Unfair Competition Agreement, the Company shall be entitled to take the actions outlined above for recouping the Incentive Compensation, as the Company deems appropriate under the circumstances.

3.02 Recoupment in Event of Materially Inaccurate Financial Results. If the Company has publicly filed inaccurate financial results (the "**Subject Financials**"), whether or not they result in a restatement, the Company may recover any Incentive Compensation (a)

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that was paid or settled to the Participant during the period covered by the Subject Financials as set forth herein, or (b) as otherwise may be required by any applicable Laws or listing standard adopted by the New York Stock Exchange. If the payment or settlement of Incentive Compensation would have been lower had the achievement of applicable financial performance goals been calculated based on restated financial results with respect to the Subject Financials, the Company may, if it determines it appropriate in its sole discretion, recover the portion of the paid or settled Incentive Compensation in excess of the payment or settlement that would have been made based on restated financial results or as otherwise may be required by any applicable Laws or listing standard adopted by the New York Stock Exchange. The Company will not seek to recover Incentive Compensation received or settled more than three (3) years after the date of the initial filing that contained the Subject Financials or any longer period as may be required by any applicable Law or listing standard adopted by the New York Stock Exchange.

3.03Recoupment in Event of Error. If the Participant receives any amount in excess of what the Participant should have received under the terms of this Award Agreement for any reason (including, without limitation, by reason of a mistake in calculations or administrative error), all as determined by the Committee, then the Company shall have the right to cancel the Incentive Compensation, require the return of Shares acquired under the 2022 Plan, recapture any gain realized upon the sale of Shares acquired under the 2022 Plan or take any other action it deems appropriate under the circumstances with respect to recouping the Incentive Compensation.

3.04 Implementation. For purposes of this Article III, the Participant expressly authorizes the Company to issue instructions, on behalf of the Participant, to the Stock Plan Administrator (and/or any other brokerage firm/third party service provider engaged by the Company to hold Shares and other amounts acquired under the 2022 Plan) to re-convey, transfer or otherwise return to the Company any Incentive Compensation (whether paid in the form of cash or Shares) subject to recoupment hereunder. Participant acknowledges and agrees that the Company's rights hereunder shall not be affected in any way by any subsequent change in the Participant's status, including retirement or termination of employment (including due to death or Disability).The Participant expressly agrees to indemnify and hold the Company and the Employer harmless from any loss, cost, damage, or expense (including attorneys' fees) that the Company or the Employer may incur as a result of the Participant's actions or in the Company and the Employer's efforts to recover such previously made payments or value pursuant to this Article III.

3.05 Forfeiture. To the extent any of the events set forth in this Article III occur before the Participant receives any Incentive Compensation due hereunder, any such Incentive Compensation shall be forfeited as determined by the Company in its sole discretion.

3.06 Recoupment Policy. Notwithstanding anything to the contrary, the Company may cancel, recoup, rescind, or otherwise recover any award or compensation made under this Award Agreement if such recovery is pursuant to a claw-back or recoupment policy adopted by the Company from time to time or as otherwise permitted or required by applicable law or listing standard adopted by the New York Stock Exchange.

ARTICLE IV
Tax

4.01 Tax-Related Items. Regardless of any action the Company or the Employer takes with respect to any or all income tax (including U.S. federal, state and local taxes or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("**Tax-Related Items**"), the Participant acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due by the Participant is and remains the Participant's responsibility and that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including the grant of the RSUs, the vesting of the RSUs, the subsequent sale of any Shares acquired pursuant to the RSUs and the receipt of any dividends or dividend equivalents and (ii) do not commit to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate the Participant's liability for Tax-Related Items.

4.02 Tax Withholding Obligations. Prior to the delivery of Shares (or cash) upon the vesting of the RSUs, if the Participant's country of residence (and country of employment, if different) requires withholding of Tax-Related Items, the Company shall withhold a sufficient number of whole Shares otherwise issuable upon the vesting of the RSUs that have an aggregate Fair Market Value sufficient to pay the Tax-Related Items required to be withheld with respect to the Shares or the cash equivalent. The Company may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including maximum applicable rates. The cash equivalent of the Shares withheld will be used to settle the obligation to withhold the Tax-Related Items. In the event that the withholding of Shares is prohibited under applicable Law or otherwise may trigger adverse consequences to the Company or the Employer, the Company and the Employer may withhold the Tax-Related Items required to be withheld with respect to the Shares in cash from the Participant's regular salary and/or wages or any other amounts payable to the Participant, or may require the Participant to personally make payment of the Tax-Related Items required to be withheld. In the event the withholding requirements are not satisfied through the withholding of Shares by the Company or through the withholding of cash from the Participant's regular salary and/or wages or other amounts payable to the Participant, no Shares will be issued to the Participant (or the Participant's estate) upon vesting of the RSUs unless and until satisfactory arrangements (as determined by the Committee) have been made by the Participant with respect to the payment of any Tax-Related Items that the Company or the Employer determines, in its sole discretion, must be withheld or collected with respect to such RSUs. If the obligation for the Participant's Tax-Related Items is satisfied by withholding a number of Shares as described herein, the Participant shall be deemed to have been issued the full number of Shares issuable upon vesting, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items due as a result of the vesting or any other aspect of the RSU.

The Participant will pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of the Participant's participation in the 2022 Plan or the Participant's acquisition of Shares that cannot be satisfied by the means described in this Article IV. The Company may refuse

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to deliver any Shares due upon vesting of the RSUs if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items as described herein. If the Participant is subject to taxation in more than one jurisdiction, the Participant acknowledges that the Company, the Employer or one or more of their respective Subsidiaries may be required to withhold or account for Tax-Related Items in more than one jurisdiction. The Participant hereby consents to any action reasonably taken by the Company and the Employer to meet the Participant's obligation for Tax-Related Items. By accepting this grant of RSUs, the Participant expressly consents to the withholding of Shares and/or withholding from the Participant's regular salary and/or wages or other amounts payable to the Participant as provided for hereunder. All other Tax-Related Items related to the RSUs and any Shares delivered in payment thereof are the Participant's sole responsibility.

ARTICLE V
International Arrangements

5.01 Exchange Controls. As a condition to this RSU award, the Participant agrees to comply with any applicable foreign exchange Laws and hereby consents to any necessary, appropriate or advisable actions taken by the Company, the Employer or any of their respective Subsidiaries as may be required to comply with any applicable Laws of the Participant's country of residence (and country of employment, if different).

5.02 Foreign Asset and Account Reporting Requirements. The Participant acknowledges that there may be certain foreign asset and/or account reporting requirements, which may affect the Participant's ability to acquire or hold Shares acquired under the 2022 Plan or cash received from participating in the 2022 Plan (including from any dividends or dividend equivalent payments) in a brokerage or bank account outside the Participant's country of residence (and country of employment, if different). The Participant may be required to report such accounts, assets or transactions to the tax or other authorities in the Participant's country of residence (and country of employment, if different). The Participant acknowledges and agrees that it is the Participant's personal responsibility to be compliant with such Laws.

5.03 Country Addendum. Notwithstanding any provisions of this Award Agreement to the contrary, the RSUs shall be subject to any special terms and conditions for the Participant's country of residence (and country of employment, if different) set forth in the addendum to this Award Agreement ("**Country Addendum**"). If the Participant transfers residence and/or employment to another country reflected in the Country Addendum at the time of transfer, the special terms and conditions for such country will apply to the Participant to the extent the Company determines, in its sole discretion, that the application of such special terms and conditions is necessary or advisable in order to comply with local Laws or to facilitate the operation and administration of the RSUs and the 2022 Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). In all circumstances, the Country Addendum shall constitute part of this Award Agreement.

5.04 Controlling Language. If the Participant is in a country where English is not an official language, the Participant acknowledges that the Participant is sufficiently

proficient in English to understand the terms and conditions of this Award Agreement or has had the ability to consult with an advisor who is sufficiently proficient in the English language. The Participant acknowledges and agrees that it is the Participant's express intent that this Award Agreement, the 2022 Plan, the Unfair Competition Agreement and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the RSUs be drawn up in English. If the Participant has received this Award Agreement, the 2022 Plan, the Unfair Competition Agreement or any other documents related to the RSUs translated into a language other than English and the meaning of any translated version is different than the English version, the English version will control.

ARTICLE VI
Miscellaneous

6.01 Restriction on Transferability. Except to the extent expressly provided in the 2022 Plan or this Award Agreement, the RSUs may not be sold, transferred, pledged, assigned, or otherwise alienated at any time other than by will or by the laws of descent and distribution. Any attempt to do so contrary to the provisions hereof shall be null and void. Notwithstanding the foregoing, the Committee may permit, in its sole discretion, the Participant to transfer the RSUs to a member of the Participant's immediate family or trust, a partnership or other entity for the benefit of the Participant or the members of the Participant's immediate family; provided, however, that the Participant retains beneficial ownership of any such RSUs. For purposes hereof, "immediate family" has the meaning ascribed thereto in Rule 16(a)-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and "beneficial owner" has the meaning ascribed thereto in Rule 13d-3 of the Exchange Act.

6.02 Rights as Shareholder. The Participant shall not have voting or any other rights as a shareholder of the Company with respect to the Shares issuable upon the vesting of RSUs until the date of issuance of such Shares. Upon settlement of the RSUs, the Participant will obtain, with respect to the Shares received in such settlement, full voting and other rights as a shareholder of the Company.

6.03 Administration. The Committee shall have the power to interpret the 2022 Plan and this Award Agreement and to adopt such rules for the administration, interpretation, and application of the 2022 Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participant, the Company, and all other Persons. No member of the Committee shall be personally liable for any action, determination, or interpretation made in good faith with respect to the 2022 Plan or this Award Agreement.

6.04 No Employment Rights. This Award Agreement and the Participant's participation in the 2022 Plan are not and shall not be interpreted to: (i) form an employment contract or relationship with the Company, the Employer or any of their respective Subsidiaries; (ii) confer upon the Participant any right to continue in the employ of the Company, the Employer or any of their respective Subsidiaries; or (iii) interfere with the ability of the

Company, the Employer or any of their respective Subsidiaries to terminate the Participant's employment at any time.

6.05 Nature of Grant. In accepting the grant hereunder, the Participant acknowledges and agrees that: (i) the 2022 Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time; (ii) the Participant has read the 2022 Plan and any RSUs granted under it shall be subject to all of the terms and conditions of the 2022 Plan, including but not limited to the power of the Committee to interpret and determine the terms and provisions of the 2022 Plan and this Award Agreement and to make all determinations necessary or advisable for the administration of the 2022 Plan, all of which interpretations and determinations shall be final and binding; (iii) the RSU does not create any contractual or other right to receive future grants of RSUs, benefits in lieu of RSUs, or any other Plan benefits in the future; (iv) nothing contained in this Award Agreement is intended to create or enlarge any other contractual obligations between the Company or the Employer and the Participant; (v) any grant under the 2022 Plan, including any grant of RSUs, is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long service option, pension, or retirement benefits or similar payments; (vi) the Participant is voluntarily participating in the 2022 Plan; (vii) the future value of the Shares underlying the RSUs granted hereunder is unknown and cannot be predicted with certainty; (viii) neither the Company, the Employer nor any of their respective Subsidiaries shall be liable for any change in value of the RSUs, the amount realized upon settlement of the RSUs or the amount realized upon a subsequent sale of any Shares acquired upon settlement of the RSUs, resulting from any fluctuation of the United States Dollar/local currency foreign exchange rate, and (ix) the RSUs and the underlying Shares are not granted to the Participant for prior services rendered to the Company, the Employer or any Subsidiaries. Without limiting the generality of the foregoing, the Committee shall have the discretion to adjust the terms and conditions of any award of RSUs to correct for any windfalls or shortfalls in such RSUs which, in the Committee's determination, arise from factors beyond the Participant's control; provided, however, that the Committee's authority with respect to any Award to a "covered employee, " as defined in Section 162(m)(3) of the Code, shall be limited to decreasing, and not increasing, such RSU.

6.06 Compliance with Law. The Company shall not be required to issue or deliver any Shares pursuant to this Award Agreement pending compliance with all applicable Laws (including any registration requirements or tax withholding requirements) and compliance with the Laws and practices of any stock exchange or quotation system upon which the Shares are listed or quoted. If the Participant resides or is employed outside of the United States, the Participant agrees, as a condition of the grant of the RSUs, to repatriate all payments attributable to the Shares and/or cash acquired under the 2022 Plan (including, but not limited to, dividends and any proceeds derived from the sale of Shares acquired pursuant to the RSUs) if required by and in accordance with local Laws in the Participant’s country of residence (and country of employment, if different). In addition, the Participant also agrees to take any and all actions, and consent to any and all actions taken by the Company, its Subsidiaries and the Employer, as may be required to allow the Company, its Subsidiaries and the Employer to comply

with local Laws in the Participant’s country of residence (and country of employment, if different). Finally, the Participant agrees to take any and all actions as may be required to comply with the Participant’s personal legal and tax obligations under local Laws in the Participant’s country of residence (and country of employment, if different).

6.07 Amendment. This Award Agreement may be amended by a writing which specifically states that it is amending this Award Agreement executed by (i) the Company and the Participant, (ii) the Company (at the discretion of the Committee), so long as a copy of such amendment is delivered to the Participant, and provided that no such amendment having a material adverse effect on the rights of the Participant hereunder may be made without the Participant's written consent or (iii) the Company (at the discretion of the Committee) in any way it may deem necessary or advisable to carry out the purpose of the grant as a result of any change in applicable Laws or any future Laws or judicial decisions.

6.08 Notices. Any notice to be given under the terms of this Award Agreement to the Company shall be addressed to the Company in care of its Corporate Secretary. Any notice to be given to the Participant shall be addressed to the Participant at the address listed in the Employer's records or to the Participant's electronic investment account held at the Stock Plan Administrator. By a notice given pursuant to this Section 6.08, either party may designate a different address for notices. Any notice shall have been deemed given when actually delivered.

6.09 Severability. If all or any part of this Award Agreement or the 2022 Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Award Agreement or the 2022 Plan not declared to be unlawful or invalid. Any provision of this Award Agreement (or part of such provision) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such provision (or part of such provision) to the fullest extent possible while remaining lawful and valid.

6.10 Construction. The RSUs are being issued pursuant to Article 8 (Restricted Stock and Restricted Stock Units) of the 2022 Plan. The RSUs are subject to the terms of the 2022 Plan. The Participant acknowledges receipt of the 2022 Plan booklet which contains the entire Plan, and the Participant represents and warrants that the Participant has read the 2022 Plan. Additional copies of the 2022 Plan are available upon request during normal business hours at the principal executive offices of the Company. To the extent that any provision of this Award Agreement violates or is inconsistent with an express provision of the 2022 Plan, the 2022 Plan provision shall govern and any inconsistent provision in this Award Agreement shall be of no force or effect. The words "including,""includes," or "include" are to be read as listing non-exclusive examples of the matters referred to, whether or not words such as "without limitation" or "but not limited to" are used in each instance.

6.11 Waiver of Right to Jury Trial. **EACH OF THE PARTIES KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ALL RIGHT TO TRIAL BY JURY IN ANY**

ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THE RSUS, THE PLAN OR THIS AWARD AGREEMENT.

6.12 Waiver; No Third Party Beneficiaries. A waiver by the Company of a breach of any provision of this Award Agreement by the Participant shall not operate or be construed as a waiver of any other provision of this Award Agreement, or of any subsequent breach by the Participant. This Award Agreement shall not be construed to create any third party beneficiary rights.

6.13 Data Privacy. The Company is located at 100 Grainger Parkway, Lake Forest, Illinois 60045, United States of America, and grants RSUs under the 2022 Plan to employees of the Company and its Subsidiaries in its sole discretion. In conjunction with the Company's grant of the RSUs under the 2022 Plan and its ongoing administration of such awards, the Company is providing the following information about its data collection, processing and transfer practices. In accepting the grant of the RSU, the Participant expressly and explicitly consents to the personal data activities as described herein.

i. Data Collection, Processing and Usage. The Company and the Employer will collect, process and use certain personal information about the Participant, specifically, the Participant’s name, home address, email address and telephone number, date of birth, social security or insurance number, passport number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all RSUs or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Participant’s favor (“**Data**”), for the purpose of implementing, administering and managing the 2022 Plan. The Company's legal basis for the collection, processing and use of the Participant's Data is the Participant's consent. The Participant's Data also may be disclosed to certain securities or other regulatory authorities where the Company’s securities are listed or traded, or regulatory filings are made. The Company's legal basis for such disclosure of the Participant's Data is to comply with applicable laws, rules and regulations.

ii. Stock Plan Administration Service Providers. The Company and the Employer transfer the Participant's Data to the Stock Plan Administrator based in the United States of America, which assists the Company with the implementation, administration and management of the 2022 Plan. In the future, the Company may select a different Stock Plan Administrator and share the Participant's Data with another company that serves in a similar manner. The Stock Plan Administrator will open an account for the Participant to receive and trade Shares acquired under the 2022 Plan. The Participant will be asked to agree to separate terms and data processing practices with the Stock Plan Administrator, which is a condition of the Participant's ability to participate in the 2022 Plan.

iii. International Data Transfers. The Company and the Stock Plan Administrator are based in the United States of America. The Participant should note that the Participant's country of residence may have enacted data privacy laws that are different from the United States of America. The Company's legal basis for the

transfer of the Participant's Data to the United States of America is the Participant's consent.

iv. Voluntariness and Consequences of Consent, Denial or Withdrawal. The Participant's participation in the 2022 Plan and the Participant's grant of consent hereunder is purely voluntary. The Participant may deny or withdraw the Participant's consent at any time. If the Participant does not consent, or if the Participant later withdraws the Participant's consent, the Participant may be unable to participate in the 2022 Plan. This would not affect the Participant's existing employment or salary; instead, the Participant merely may forfeit the opportunities associated with participation in the 2022 Plan.

v. Data Retention. The Participant understands that the Participant's Data will be held only as long as is necessary to implement, administer and manage the Participant's RSU and participation in the 2022 Plan; provided that the Company may hold the Participant's Data for longer periods of time consistent with its retention policies and practices with respect to employee data.

vi. Data Subject Rights. The Participant understands that the Participant may have the right under applicable law to (i) access or copy the Participant's Data that the Company possesses, (ii) rectify incorrect Data concerning the Participant, (iii) delete the Participant's Data, (iv) restrict processing of the Participant's Data, (vi) lodge complaints with the competent supervisory authorities in the Participant's country of residence. To receive clarification regarding these rights or to exercise these rights, the Participant understands that the Participant can contact the Participant's local human resources representative.

6.14 Private Placement. The grant of the RSUs is not intended to be a public offering of securities in the Participant's country of residence (and country of employment, if different). The Company has not submitted any registration statement, prospectus or other filing with the local securities authorities (unless otherwise required under local Laws).

6.15 No Advice Regarding Grant. The Company and the Employer are not providing any tax, legal or financial advice, nor is the Company or the Employer making any recommendations regarding the RSUs, the Participant's participation in the 2022 Plan or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding participation in the 2022 Plan before taking any action related to the 2022 Plan or this Award Agreement.

6.16 Securities Law Restrictions. The Participant acknowledges that, depending on the Participant's country of residence (and country of employment, if different) or where the Company Shares are listed, the Participant shall be subject to insider trading restrictions and/or market abuse Laws, which may affect the Participant's ability to acquire, sell or otherwise dispose of Shares, rights to Shares (e.g., RSUs) or rights linked to the value of Shares during such times as the Participant is considered to have "inside information" regarding the Company or its business (as defined by the local

Laws in the Participant's country of residence and/or employment). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant placed before the Participant possessed inside information. Furthermore, the Participant could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties (including other employees of the Company and its Subsidiaries) or causing them otherwise to buy or sell securities. Any restrictions under these Laws are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading or other policy. The Participant solely is responsible for ensuring compliance with any applicable restrictions and should consult with the Participant's personal legal advisor on this matter.

6.17 EU Age Discrimination Rules. If the Participant is a local national of and employed in the United Kingdom or a country that is a member of the European Union, the grant of the RSUs and the terms and conditions governing the RSUs are intended to comply with the age discrimination provisions of the EU Equal Treatment Framework Directive, as implemented into local law (the "**Age Discrimination Rules**"). To the extent that a court or tribunal of competent jurisdiction determines that any provision of this Award Agreement is invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, the Company, in its sole discretion, shall have the power and authority to revise or strike such provision to the minimum extent necessary to make it valid and enforceable to the full extent permitted under local Laws.

6.18 Electronic Delivery. The Company may, in its sole discretion, deliver any documents related to the RSUs granted to the Participant under the 2022 Plan by electronic means. The Participant hereby expressly consents to receive such documents by electronic delivery and agrees to participate in the 2022 Plan through an online or electronic system established and maintained by the Company or a third party designated by the Company.

6.19 Governing Law; Jurisdiction. This Award Agreement shall be exclusively governed by, and construed in accordance with, the Laws of the State of Illinois without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Illinois or of any other jurisdiction) that would cause the application of the laws of a jurisdiction other than the State of Illinois. All disputes and controversies arising between the parties are to be submitted for determination exclusively to the federal or state courts of the State of Illinois and by accepting the grant of RSUs, the Participant expressly consents to the jurisdiction of such courts. Notwithstanding the foregoing, the Company may at its option seek interim and permanent injunctive relief before any competent court, tribunal or judicial forum, which in the absence of the foregoing provision, would have jurisdiction to grant the relief sought.

6.20 Entire Agreement. The Plan, this Award Agreement (including any applicable addendum) and the Unfair Competition Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede, in their entirety, all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Company has caused this Award Agreement to be executed by a duly authorized officer and the Participant acknowledges and agrees that by clicking on the “Accept” box below this Award Agreement in the section "Your New Grant" on the screen titled "View Grant," the Participant expressly agrees to be bound by the terms and conditions of the RSU, including Participant's electronic signature constituting the sole and exclusive means of executing this Award Agreement.

W.W. GRAINGER, INC.

By:______________________________
Name:
Title:

W.W. GRAINGER, INC.
2022 Incentive Plan

Addendum to Restricted Stock Unit Award Agreement

In addition to the terms of the W.W. Grainger, Inc. 2022 Incentive Plan (as may be amended from time to time, the "**2022 Plan**") and the Restricted Stock Unit Agreement (the "**Award Agreement**"), the RSUs are subject to the following additional terms and conditions as set forth in this addendum (this "**Country Addendum**") to the extent the Participant resides or is employed in one of the countries addressed herein. The Country Addendum is based upon the securities, tax, exchange control and other laws in effect in the respective countries **as of April 2022.** All capitalized terms contained in this Country Addendum shall have the same meaning as set forth in the 2022 Plan and this Award Agreement unless otherwise defined. If the Participant transfers residence or employment to a country identified in this Country Addendum, the additional terms and conditions for such country as reflected in this Country Addendum will apply to the Participant to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and regulations, or to facilitate the operation and administration of the RSUs and the 2022 Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer).

European Union ("EU") / European Economic Area ("EEA") / United Kingdom

The following provision replaces Section 6.13 to the extent the Participant is employed in the EU, EEA or the United Kingdom:

6.13 Data Privacy. The Company is located at 100 Grainger Parkway, Lake Forest, Illinois 60045, United States of America, and grants RSUs under the 2022 Plan to employees of the Company and its Subsidiaries in its sole discretion. In conjunction with the Company's grant of the RSUs under the 2022 Plan and its ongoing administration of such awards, the Company is providing the following information about its data collection, processing and transfer practices, which the Participant should carefully review.

i. Data Collection, Processing and Usage. The Company and the Employer will collect, process and use certain personal information about the Participant, specifically, the Participant's name, home address, email address and telephone number, date of birth, social security or insurance number, passport number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all RSUs or any other entitlement to Shares awarded, canceled,

exercised, vested, unvested or outstanding in the Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the 2022 Plan. The Company collects, process and uses the Participant's Data pursuant to the Company's legitimate interest of administering the Participant's RSUs and generally managing the 2022 Plan, and to satisfy its contractual obligations under the Award Agreement. The Participant's Data also may be disclosed to certain securities or other regulatory authorities where the Company's securities are listed or traded or regulatory filings are made. The Company's legal basis for such disclosure of the Participant's Data is to comply with applicable laws, rules and regulations.

ii. Stock Plan Administration Service Providers. The Company and the Employer transfer the Participant's Data to the Stock Plan Administrator based in the United States of America, which assists the Company with the implementation, administration and management of the 2022 Plan. In the future, the Company may select a different Stock Plan Administrator and share the Participant's Data with another company that serves in a similar manner. The Stock Plan Administrator will open an account for the Participant to receive and trade Shares acquired under the 2022 Plan. The Participant will be asked to agree to separate terms and data processing practices with the Stock Plan Administrator, which is a condition of the Participant's ability to participate in the 2022 Plan.

iii. International Data Transfers. The Company and the Stock Plan Administrator are based in the United States of America. The Participant should note that the Participant's country of residence may have enacted data privacy laws that are different from the United States of America. The Company's legal basis for the transfer of the Participant's Data to the United States of America is to satisfy its contractual obligations under the Award Agreement.

iv. Data Retention. The Participant understands that the Participant's Data will be held only as long as is necessary to implement, administer and manage the Participant's RSU and participation in the 2022 Plan. When the Company no longer needs the Data, the Company will remove it from its systems. If the Company retains the Participant's Data longer, it would be to satisfy the Company's legal or regulatory obligations and the Company's legal basis would be for compliance with applicable laws, rules and regulations.

v. Data Subject Rights. The Participant understands that the Participant may have the right under applicable law to (i) access or copy the Participant's Data that the Company possesses, (ii) rectify incorrect Data concerning the Participant, (iii) delete the Participant's Data, (iv) restrict processing of the Participant's Data, (vi) lodge complaints with the competent supervisory authorities in the Participant’s country of residence. To receive clarification regarding these rights or to exercise these rights, the Participant understands that the Participant can contact the Participant's local human resources representative.

Canada

RSUs Payable in Shares Only

Notwithstanding any provision in the Award Agreement or the 2022 Plan to the contrary, vested RSUs shall be payable in Shares only (and shall not be settled in cash).

Securities Law Information

The Participant is permitted to sell Shares acquired through the 2022 Plan through the designated broker appointed under the 2022 Plan, if any, provided that the resale of such Shares takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed (i.e., the New York Stock Exchange).

Foreign Asset Reporting Information

Any foreign property (including Shares and RSUs acquired under the 2022 Plan) must be reported to the Canada Revenue Agency on form T1135 (Foreign Income Verification Statement) if the total cost of your foreign property exceeds C$100,000 at any time in the year. The RSUs must be reported - generally at a nil cost - if the C$100,000 cost threshold is exceeded because of other foreign property held. If Shares are acquired, their cost generally is the adjusted cost base ("ACB") of the Shares. The ACB would normally equal the fair market value of the Shares at time of vesting, but if the Participant owns other Shares, this ACB may have to be averaged with the ACB of the other Shares. The form must be filed by April 30 of the following year. The Participant should consult with the Participant's personal tax advisor to determine the Participant’s reporting requirements.

The following provisions will apply if the Participant is a resident of Quebec:

Use of English Language

If the Participant is a resident of Quebec, by accepting the RSUs, the Participant acknowledges and agrees that it is the Participant's wish that the Award Agreement, this Addendum, the 2022 Plan, as well as all other documents, notices and legal proceedings entered into, given or instituted pursuant to the RSUs, either directly or indirectly, be drawn up in English.

Utilisation de l'anglais

Si le Participant est un résident du Québec, en acceptant les RSU, le Participant reconnaît et convient que c'est le souhait du Participant que l'Entente, le présent Avenant, le Plan 2022, ainsi que tous les autres documents, avis et procédures judiciaires engagés, donnés ou institués en vertu des RSU, directement ou indirectement, soient rédigés en anglais.

Mexico

Plan Document Acknowledgement

By accepting the RSUs, the Participant acknowledges that the Participant has received a copy of the 2022 Plan, has reviewed the 2022 Plan and the Award Agreement in their entirety, and fully understands and accepts all provisions of the 2022 Plan and the Award Agreement. In addition, by accepting the RSUs, the Participant acknowledges that the Participant has read and specifically and expressly approves the terms and conditions in Section 6.05 of the Award Agreement ("Nature of Grant"), in which the following is clearly described and established: (i) participation in the 2022 Plan does not constitute an acquired right; (ii) the 2022 Plan and participation in the 2022 Plan is offered by the Company on a wholly discretionary basis; (iii) participation in the 2022 Plan is voluntary; and (iv) neither the Company, the Employer nor any Subsidiary is responsible for any decrease in the value of the Shares underlying the RSUs.

Acuse de recibo del documento del Plan

Al aceptar las RSU, el Participante reconoce que ha recibido una copia del Plan 2022, ha revisado el Plan 2022 y el Acuerdo en su totalidad, y comprende y acepta completamente todas las disposiciones del Plan 2022 y el Acuerdo. Además, al aceptar las RSU, el Participante reconoce que el Participante ha leído y aprueba específica y expresamente los términos y condiciones de la Sección 6.05 del Acuerdo ("Naturaleza de la Subvención"), en la que se describe y establece claramente lo siguiente: (i) la participación en el Plan 2022 no constituye un derecho adquirido; (ii) el Plan 2022 y la participación en el Plan 2022 son ofrecidos por la Compañía de forma totalmente discrecional; (iii) la participación en el Plan 2022 es voluntaria; y (iv) ni la Compañía, el Empleador ni ninguna Subsidiaria son responsables de ninguna disminución en el valor de las Acciones subyacentes a las RSU.

Commercial Relationship

The Participant expressly recognizes that participation in the 2022 Plan and the Company's grant of the RSUs does not constitute an employment relationship between the Participant and the Company. The Participant has been granted RSUs as a consequence of the commercial relationship between the Company and the Employer, and the Employer is the Participant's sole employer. Based on the foregoing, (a) the Participant expressly recognizes that the 2022 Plan and the benefits derived from participation in the 2022 Plan do not establish any rights between the Participant and the Company or the Employer, (b) the 2022 Plan and the benefits derived from participation in the 2022 Plan are not part of the employment conditions and/or benefits provided by the Company or the Employer, and (c) any modifications or amendments to the 2022 Plan by the Company, or a termination of the 2022 Plan by the Company, shall not constitute a change or impairment of the terms and conditions of the Participant's employment with the Employer.

Relación Comercial

El Participante reconoce expresamente que la participación en el Plan 2022 y el otorgamiento de las RSU por parte de la Compañía no constituye una relación laboral entre el Participante y la Compañía. Al Participante se le han otorgado RSU como consecuencia de la relación comercial entre la Compañía y el Empleador, y el Empleador es el único empleador del Participante. Con base en lo anterior, (a) el Participante reconoce expresamente que el Plan 2022 y los beneficios derivados de la participación en el Plan 2022 no establecen ningún derecho entre el Participante y la Compañía o el Empleador, (b) el Plan 2022 y los beneficios derivados de la participación en el Plan 2022 no son parte de las condiciones de empleo y/o beneficios proporcionados por la Compañía o el Empleador, y (c) cualquier modificación o enmienda al Plan 2022 por parte de la Compañía, o una terminación del Plan 2022 por la Compañía, no constituirá un cambio o deterioro de los términos y condiciones del empleo del Participante con el Empleador.

Extraordinary Item of Compensation

The Participant expressly acknowledges and agrees that participation in the 2022 Plan is a result of the discretionary and unilateral decision of the Company, as well as the Participant's free and voluntary decision to participate in the 2022 Plan in accord with the terms and conditions of the 2022 Plan, the Award Agreement, the Unfair Competition Agreement and this Addendum. As such, the Participant acknowledges and agrees that the Company may, in its sole discretion, amend and/or discontinue the Participant's participation in the 2022 Plan at any time and without any liability. The value of the RSUs are an extraordinary item of compensation outside the scope of the employment contract, if any. The RSUs are not a part of the Participant's regular or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or any similar payments, which are the exclusive obligations of the Employer.

Partida Extraordinaria de Compensación

El Ejecutivo reconoce y acepta expresamente que la participación en el Plan es el resultado de la decisión discrecional y unilateral de la Compañía, así como la decisión libre y voluntaria del Ejecutivo de participar en el Plan de acuerdo con los términos y condiciones del Plan, la Acuerdo, el Acuerdo de Competencia Desleal y este Addendum. Como tal, el Ejecutivo reconoce y acepta que la Compañía puede, a su exclusivo criterio, modificar y/o interrumpir la

participación del Ejecutivo en el Plan en cualquier momento y sin responsabilidad alguna. El valor de las RSUs constituye una retribución extraordinaria fuera del ámbito del contrato de trabajo, si lo hubiere. Las RSU no forman parte de la compensación regular o esperada del Ejecutivo a los fines de calcular cualquier indemnización, renuncia, despido, pago por terminación del servicio, bonificaciones, premios por servicio prolongado, pensión o beneficios de jubilación o cualquier pago similar, que son exclusivos obligaciones del Empleador.

United Kingdom

Income Tax and Social Insurance Contribution Withholding

The following provision shall supplement Article IV of the Award Agreement:

Without limitation to Article IV of the Award Agreement, the Participant agrees that the Participant is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items as and when requested by the Company or the Employer or by Her Majesty's Revenue and Customs

("HMRC") (or any other tax authority or any other relevant authority). The Participant also agrees to indemnify and hold harmless the Company and the Employer against any taxes that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Participant's behalf.

Exclusion of Claim

The Participant acknowledges and agrees that the Participant will have no entitlement to compensation or damages, insofar as such entitlement arises or may arise from the Participant's ceasing to have rights under or to be entitled to vest in the RSUs as a result of such termination (whether the termination is in breach of contract or otherwise), or from the loss or diminution in value of the RSUs. Upon the grant of the RSUs, the Participant shall be deemed to have irrevocably waived any such entitlement.

* * * * *

Exhibit 10.42

W.W. GRAINGER, INC.

2022 Incentive Plan

2023 Form of Performance Stock Unit Award Agreement

This Performance Stock Unit Agreement (this "**Award Agreement**"), dated as of ___________(the "**Grant Date**"), is entered into between W.W. Grainger, Inc., an Illinois corporation (the "**Company**"), and you (the "**Participant**") as an Employee of the Company or a Subsidiary (the "**Employer**").

In consideration of the Participant's agreement to enter into an Unfair Competition Agreement with the Company concurrently with this Award Agreement on the Grant Date (the "**Unfair Competition Agreement**"), the Company desires to grant the Participant an award of performance stock units (the "**PSUs**"), providing for the issuance of shares of the Company's common stock ("**Shares**") pursuant to the W.W. Grainger, Inc. 2022 Incentive Plan (as may be amended from time to time, the "**2022Plan**") subject to the Company's attainment of certain long-term performance goals and the Participant agrees to enter into the Unfair Competition Agreement and accept such PSUs on the terms and conditions set forth in this Award Agreement, the 2022 Plan and the Unfair Competition Agreement. Capitalized terms used but not defined in this Award Agreement have the meanings specified in the 2022 Plan.

In consideration of the mutual provisions set forth in this Award Agreement and in the Unfair Competition Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

Grants

1.01 Grant. Subject to the terms and conditions of this Award Agreement, the 2022 Plan and the Unfair Competition Agreement (the terms of which are hereby incorporated herein by reference) and effective on the Grant Date, the Company hereby grants to the Participant the number of PSUs (the "**Target PSUs**") as specified in the _________ award grant notice posted to the Participant's electronic investment account maintained with Morgan Stanley Smith Barney LLC, the stock plan service provider engaged by the Company in connection with the administration of the 2022 Plan (the "**Stock Plan Administrator**"). Each PSU represents a contractual right to receive one (1) Share upon the satisfaction of the terms and conditions of this Award Agreement. The actual number of PSUs that may become vested and settled pursuant to this Award Agreement will depend on the Company's achievement of the performance metrics defined and reflected in Exhibit I to this Award Agreement (the "**Performance Metrics**") during the period of ___________________ through ___________ (the "**Measurement Period**"), as shall be determined and certified by the Committee in its sole discretion. The Committee's determination and certification shall be final and conclusive, and until the Committee has made such determination and certification, none of the Performance Metrics will be considered to have been satisfied. The Target PSUs will be equally apportioned to each Performance Metric (and reflected in Exhibit I of this Award Agreement).

ARTICLE II
Provisions Relating to PSUs

2.01Vesting of PSUs. Subject to the terms and conditions set forth in the 2022 Plan and this Award Agreement, the Target PSUs shall vest as determined pursuant to the terms of Exhibit I, which is incorporated by reference herein and made a part of this Award Agreement; provided that (except as otherwise set forth in this Article II) the Target PSUs shall not vest unless the Participant remains continuously employed by the Employer (or any other Subsidiary or Affiliate) from the Grant Date through the third anniversary of the Grant Date (the "**PSU Vesting Date**"). Any PSUs that do not vest shall be forfeited, and the Participant shall have no further rights with respect to such PSUs. Each PSU that becomes vested as provided herein shall be settled in accordance with Section 2.06.

2.02 Effect of Termination of Employment. Except as otherwise stated in the 2022 Plan, if the Participant's employment or service is terminated prior to the PSU Vesting Date for any reason whatsoever other than the Participant's involuntary termination without Cause or for the Participant's death, Disability or Retirement (defined below), the Target PSUs shall be forfeited in their entirety as of the Participant's Termination Date. If the Participant is a resident of, or employed in, the United States, "**Termination Date**" shall mean the effective date of termination of the Participant's employment. If the Participant is a resident of, or employed outside of, the United States, "**Termination Date**" shall mean the earliest of (i) the date on which notice of termination is provided to the Participant, (ii) the last day of the Participant's active service with the Employer or (iii) the last day on which the Participant is an employee of the Employer, as determined in each case without including any required advanced notice period and irrespective of the status of the termination under local labor or employment laws. For purposes of this Award Agreement, "**Cause**" shall have the same meaning as defined in the 2022 Plan, subject to modification as may be required to conform to the laws, rules and regulations ("**Laws**") of the Participant's country of residence (and country of employment, if different).

2.03 Effect of Involuntary Termination without Cause. If the Participant's employment or service is involuntarily terminated prior to the PSU Vesting Date for reasons other than Cause, the Participant will become vested in a pro-rata portion of the Target PSUs based upon the Company's achievement of the Performance Metrics. For purposes of the foregoing, the pro-ration shall be determined based upon a fraction, the numerator of which will be the number of full calendar months from the Grant Date to the Participant's Termination Date, and the denominator shall equal the number of full calendar months in the Measurement Period. Each actual PSU that becomes vested as provided herein shall be settled in accordance with Section 2.06.

2.04 Effect of Termination due to Death or Disability. If the Participant's employment or service is terminated prior to the PSU Vesting Date due to death or Disability, the Participant immediately will become vested in the number of PSUs equal to the Target

PSUs. For purposes of this Award Agreement, "**Disability**" shall have the same meaning as defined in the 2022 Plan, subject to modification as may be required to conform to the Laws of the Participant's country of residence (and country of employment, if different). For the sake of clarity, the date of the Participant's death or Disability shall be a PSU Vesting Date. Each actual PSU that becomes vested as provided herein shall be settled in accordance with Section 2.06.

2.05 Effect of Retirement of the Participant. If the Participant's employment or service is terminated prior to the PSU Vesting Date due to the Participant's Retirement, the PSUs shall continue to vest and shall be settled in accordance with Sections 2.01 and 2.06. For purposes of this Award Agreement, "**Retirement**" shall mean the Participant's retirement of employment with the Company and its Subsidiaries on or after the Participant's (i) completion of at least 25 years of service with the Company and its Subsidiaries, (ii) completion of at least 20 years of service with the Company and its Subsidiaries and attainment of age 55, or (iii) completion of at least five (5) years of service with the Company and its Subsidiaries and attainment of age 60.

2.06 Settlement of Vested PSUs. Following the date on which the Committee certifies the Company's achievement of the Performance Metrics and determines the actual number of PSUs that vest pursuant to the achievement of the Performance Metrics, the Company shall, as soon as practicable (but in no event later than 60 days following the PSU Vesting Date), settle the vested PSUs by registering Shares in the Participant's name and delivering such Shares to the Participant's electronic stock plan account maintained by the Stock Plan Administrator. At the discretion of the Committee, and subject to such policies and procedures as it may adopt from time to time, the Participant's PSU may be settled in the form of: (i) cash, to the extent settlement in Shares (a) is prohibited under applicable Laws, (b) would require the Participant, the Company or the Employer to obtain the approval of any governmental and/or regulatory body in the Participant's country of residence (and country of employment, if different), or (c) is administratively burdensome or (ii) Shares, but the Company may require the Participant to immediately sell such Shares if necessary to comply with applicable Laws (in which case, the Participant hereby expressly authorizes the Company to issue sales instructions in relation to such Shares on the Participant's behalf).

2.07 Dividend Equivalents. No dividend equivalents will be paid on the Shares underlying the PSUs.

ARTICLE III
Recoupment

3.01 Recoupment in Event of Misconduct. If the Company determines that the Participant has committed or engaged in misconduct against the Company or has engaged in any criminal conduct, including embezzlement, fraud or theft, that involves or is related to the Company, or any other conduct that violates Company policy, causes or is discovered to have caused, any loss, damage, injury or other endangerment to the Company's property or reputation, and such Participant has received or is entitled to receive performance stock units, performance restricted stock units, stock options, restricted stock units or cash incentive compensation (collectively, "**Incentive**

Compensation"), then the Company shall have the right to cancel the Incentive Compensation, require the return of Shares acquired under the 2022 Plan, recapture any gain realized upon the sale of Shares acquired under the 2022 Plan or take any other action it deems appropriate under the circumstances with respect to recouping the Incentive Compensation. The Company shall have sole discretion in determining whether the Participant's conduct was in compliance with applicable Law or Company policy and the extent to which the Company will seek recovery of the Incentive Compensation notwithstanding any other remedies available to the Company. If the Participant engages in misconduct or is believed to have engaged in misconduct, including but not limited to any violation of any of Participant's obligations under the Unfair Competition Agreement, the Company shall be entitled to take the actions outlined above for recouping the Incentive Compensation, as the Company deems appropriate under the circumstances.

3.02 Recoupment in Event of Materially Inaccurate Financial Results. If the Company has publicly filed inaccurate financial results (the "**Subject Financials**"), whether or not they result in a restatement, the Company may recover any Incentive Compensation (a) that was paid or settled to the Participant during the period covered by the Subject Financials as set forth herein, or (b) as otherwise may be required by any applicable Laws or listing standard adopted by the New York Stock Exchange. If the payment or settlement of Incentive Compensation would have been lower had the achievement of applicable financial performance goals been calculated based on restated financial results with respect to the Subject Financials, the Company may, if it determines it appropriate in its sole discretion, recover the portion of the paid or settled Incentive Compensation in excess of the payment or settlement that would have been made based on restated financial results or as otherwise may be required by any applicable Laws or listing standard adopted by the New York Stock Exchange. The Company will not seek to recover Incentive Compensation received or settled more than three (3) years after the date of the initial filing that contained the Subject Financials or any longer period as may be required by any applicable Law or listing standard adopted by the New York Stock Exchange.

3.03 Recoupment in Event of Error. If the Participant receives any amount in excess of what the Participant should have received under the terms of this Award Agreement for any reason (including, without limitation, by reason of a mistake in calculations or administrative error), all as determined by the Committee, then the Company shall have the right to cancel the Incentive Compensation, require the return of Shares acquired under the 2022

Plan, recapture any gain realized upon the sale of Shares acquired under the 2022 Plan or take any other action it deems appropriate under the circumstances with respect to recouping the Incentive Compensation.

3.04 Implementation. For purposes of this Article III, the Participant expressly authorizes the Company to issue instructions, on behalf of the Participant, to the Stock Plan Administrator (and/or any other brokerage firm/third party service provider engaged by the Company to hold Shares and other amounts acquired under the 2022 Plan) to re-convey, transfer or otherwise return to the Company any Incentive Compensation (whether paid in the form of cash or Shares) subject to recoupment hereunder. Participant acknowledges and agrees that the Company's rights hereunder shall not be affected in any way by any subsequent change in the Participant's status, including retirement or termination of employment (including due to death or Disability). The Participant expressly agrees to indemnify and hold the Company and the Employer harmless from any loss, cost, damage, or expense (including attorneys' fees) that the Company or the Employer may incur as a result of the Participant's actions or in the Company and the Employer's efforts to recover such previously made payments or value pursuant to this Article III.

3.05 Forfeiture. To the extent any of the events set forth in this Article III occur before the Participant receives any Incentive Compensation due hereunder, any such Incentive Compensation shall be forfeited as determined by the Company in its sole discretion.

3.06 Recoupment Policy. Notwithstanding anything to the contrary, the Company may cancel, recoup, rescind, or otherwise recover any award or compensation made under this Award Agreement if such recovery is pursuant to a claw-back or recoupment policy adopted by the Company from time to time or as otherwise permitted or required by applicable law or listing standard adopted by the New York Stock Exchange.

ARTICLE IV
Tax

4.01 Tax-Related Items. Regardless of any action the Company or the Employer takes with respect to any or all income tax (including U.S. federal, state and local taxes or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("**Tax-Related Items**"), the Participant acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due by the Participant is and remains the Participant's responsibility and that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the PSU, including the grant of the PSU, the vesting of the PSU, the subsequent sale of any Shares acquired pursuant to the PSU and the receipt of any dividends and (ii) do not commit to structure the terms of the grant or any aspect of the PSU to reduce or eliminate the Participant's liability for Tax-Related Items.

4.02 Tax Withholding Obligations. Prior to the delivery of Shares (or cash) upon the vesting of the PSU, if the Participant's country of residence (and country of employment, if different) requires withholding of Tax-Related Items, the Company shall withhold a sufficient number of whole Shares otherwise issuable upon the vesting of the PSU that have an aggregate Fair Market Value sufficient to pay the Tax-Related Items required to be withheld with respect to the Shares or the cash equivalent. The Company may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case the Company shall make a cash payment to the Participant equal to the over-withheld amount, if applicable, as soon as administratively practicable. The cash equivalent of the Shares withheld will be used to settle the obligation to withhold the Tax-Related Items. In the event that the withholding of Shares is prohibited under applicable Law or otherwise may trigger adverse consequences to the Company or the Employer, the Company and the Employer may withhold the Tax-Related Items required to be withheld with respect to the Shares in cash from the Participant's regular salary and/or wages or any other amounts payable to the Participant, or may require the Participant to personally make payment of the Tax-Related Items required to be withheld. In the event the withholding requirements are not satisfied through the withholding of Shares by the Company or through the withholding of cash from the Participant's regular salary and/or wages or other amounts payable to the Participant, no Shares will be issued to the Participant (or the Participant's estate) upon vesting of the PSU unless and until satisfactory arrangements (as determined by the Committee) have been made by the Participant with respect to the payment of any Tax-Related Items that the Company or the Employer determines, in its sole discretion, must be withheld or collected with respect to such PSUs. If the obligation for the Participant's Tax-Related Items is satisfied by withholding a number of Shares as described herein, the Participant shall be deemed to have been issued the full number of Shares issuable upon vesting, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items due as a result of the vesting or any other aspect of the PSU.

The Participant will pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of the Participant's participation in the 2022 Plan or the Participant's acquisition of Shares that cannot be satisfied by the means described in this Article IV. The Company may refuse to deliver any Shares due upon vesting of the PSU if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items as described herein. If the Participant is subject to taxation in more than one jurisdiction, the Participant acknowledges that the Company, the Employer or one or more of their respective Subsidiaries may be required to withhold or account for Tax-Related Items in more than one jurisdiction. The Participant hereby consents to any action reasonably taken by the Company and the Employer to meet the Participant's obligation for Tax-Related Items. By accepting this grant of the PSU, the Participant expressly consents to the withholding of Shares and/or withholding from the Participant's regular salary and/or wages or other amounts payable to the Participant as provided for hereunder. All other Tax-Related Items related to the PSU and any Shares delivered in payment thereof are the Participant's sole responsibility.

ARTICLE V
International Arrangements

5.01 Exchange Controls. As a condition to this PSU award, the Participant agrees to comply with any applicable foreign exchange Laws and hereby consents to any necessary, appropriate or advisable actions taken by the Company, the Employer or any of their respective Subsidiaries as may be required to comply with any applicable Laws of the Participant's country of residence (and country of employment, if different).

5.02 Foreign Asset and Account Reporting Requirements. The Participant acknowledges that there may be certain foreign asset and/or account reporting requirements, which may affect the Participant's ability to acquire or hold Shares acquired under the 2022 Plan or cash received from participating in the 2022 Plan (including from any dividends or dividend equivalent payments) in a brokerage or bank account outside the Participant's country of residence (and country of employment, if different). The Participant may be required to report such accounts, assets or transactions to the tax or other authorities in the Participant's country of residence (and country of employment, if different). The Participant acknowledges and agrees that it is the Participant's personal responsibility to be compliant with such Laws.

5.03 Country Specific Addendum. Notwithstanding any provisions of this Award Agreement to the contrary, the PSUs shall be subject to any special terms and conditions for the Participant's country of residence (and country of employment, if different) set forth in the addendum to this Award Agreement ("**Country Addendum**"). If the Participant transfers residence and/or employment to another country reflected in the Country Addendum at the time of transfer, the special terms and conditions for such country will apply to the Participant to the extent the Company determines, in its sole discretion, that the application of such special terms and conditions is necessary or advisable in order to comply with local Laws or to facilitate the operation and administration of the PSUs and the 2022 Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). In all circumstances, the Country Addendum shall constitute part of this Award Agreement.

5.04 Controlling Language. If the Participant is in a country where English is not an official language, the Participant acknowledges that the Participant is sufficiently proficient in English to understand the terms and conditions of this Award Agreement or has had the ability to consult with an advisor who is sufficiently proficient in the English language. The Participant acknowledges and agrees that it is the Participant's express intent that this Award Agreement, the 2022 Plan, the Unfair Competition Agreement and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the PSUs be drawn up in English. If the Participant has received this Award Agreement, the 2022 Plan, the Unfair Competition Agreement or any other documents related to the PSUs translated into a language other than English and the meaning of any translated version is different than the English version, the English version will control.

ARTICLE VI
Miscellaneous

6.01 Restriction on Transferability. Except to the extent expressly provided in the 2022 Plan or this Award Agreement, the PSUs may not be sold, transferred, pledged, assigned, or otherwise alienated at any time other than by will or by the laws of descent and distribution. Any attempt to do so contrary to the provisions hereof shall be null and void. Notwithstanding the foregoing, the Committee may permit, in its sole discretion, the Participant to transfer the PSUs to a member of the Participant's immediate family or trust, a partnership or other entity for the benefit of the Participant or the members of the Participant's immediate family; provided, however, that the Participant retains beneficial ownership of any such PSUs. For purposes hereof, "immediate family" has the meaning ascribed thereto in Rule 16(a)-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and "beneficial owner" has the meaning ascribed thereto in Rule 13d-3 of the Exchange Act.

6.02 Rights as Shareholder. The Participant shall not have voting or any other rights as a shareholder of the Company with respect to the Shares issuable upon the vesting of PSUs until the date of issuance of such Shares. Upon settlement of the PSU, the Participant will obtain, with respect to the Shares received in such settlement, full voting and other rights as a shareholder of the Company.

6.03 Administration. The Committee shall have the power to interpret the 2022 Plan and this Award Agreement and to adopt such rules for the administration, interpretation, and application of the 2022 Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participant, the Company, and all other Persons. No member of the Committee shall be personally liable for any action, determination, or interpretation made in good faith with respect to the 2022 Plan or this Award Agreement.

6.04 No Employment Rights. This Award Agreement and the Participant's participation in the 2022 Plan are not and shall not be interpreted to: (i) form an employment contract or relationship with the Company, the Employer or any of their respective Subsidiaries; (ii) confer upon the Participant any right to continue in the employ of the Company, the Employer or any of their respective Subsidiaries; or (iii) interfere with the ability of the Company, the Employer or any of their respective Subsidiaries to terminate the Participant's employment at any time.

6.05 Nature of Grant. In accepting the grant hereunder, the Participant acknowledges and agrees that: (i) the 2022 Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time; (ii) the Participant has read the 2022 Plan and any PSUs granted under it shall be subject to all of the terms and conditions of the 2022 Plan, including but not limited to the power of the Committee to interpret and determine the terms and provisions of the 2022 Plan and this Award Agreement and to make all determinations necessary or advisable for the administration of the 2022 Plan, all of which interpretations and determinations shall be final and binding; (iii) the PSU does not create any contractual or other right to receive future grants of PSUs, benefits in lieu of PSUs, or any other Plan benefits in the future; (iv) nothing contained in this Award Agreement is intended to create or enlarge any other contractual obligations between the Company or the Employer and the Participant; (v) any grant under the 2022 Plan, including any grant of PSUs, is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long service option, pension, or retirement benefits or similar payments; (vi) the Participant is voluntarily participating in the 2022 Plan; (vii) the future value of the Shares underlying the PSUs granted hereunder is unknown and cannot be predicted with certainty; (viii) neither the Company, the Employer nor any of their respective Subsidiaries shall be liable for any change in value of the PSUs, the amount realized upon settlement of the PSUs or the amount realized upon a subsequent sale of any Shares acquired upon settlement of the PSUs, resulting from any fluctuation of the United States Dollar/local currency foreign exchange rate, and (ix) the PSUs and the underlying Shares are not granted to the Participant for prior services rendered to the Company, the Employer or any Subsidiaries. Without limiting the generality of the foregoing, the Committee shall have the discretion to adjust the terms and conditions of any award of PSUs to correct for any windfalls or shortfalls in such PSUs which, in the Committee's determination, arise from factors beyond the Participant's control; provided, however, that the Committee's authority with respect to any Award to a "covered employee, " as defined in Section 162(m)(3) of the Code, shall be limited to decreasing, and not increasing, such PSU.

6.06 Compliance with Law. The Company shall not be required to issue or deliver any Shares pursuant to this Award Agreement pending compliance with all applicable Laws (including any registration requirements or tax withholding requirements) and compliance with the Laws and practices of any stock exchange or quotation system upon which the Shares are listed or quoted. If the Participant resides or is employed outside of the United States, the Participant agrees, as a condition of the grant of the PSUs, to repatriate all payments attributable to the Shares and/or cash acquired under the 2022 Plan (including, but not limited to, dividends and any proceeds derived from the sale of Shares acquired pursuant to the PSUs) if required by and in accordance with local Laws in the Participant's country of residence (and country of employment, if different). In addition, the Participant also agrees to take any and all actions, and consent to any and all actions taken by the Company, its Subsidiaries and the Employer, as may be required to allow the Company, its Subsidiaries and the Employer to comply with local Laws in the Participant's country of residence (and country of employment, if different). Finally, the Participant agrees to take any and all actions as may be required to comply with the Participant's personal legal and tax obligations under local Laws in the Participant's country of residence (and country of employment, if different).

6.07 Amendment. This Award Agreement may be amended by a writing which specifically states that it is amending this Award Agreement executed by (i) the Company and the Participant, (ii) the Company (at the discretion of the Committee), so long as a copy of such amendment is delivered to the Participant, and provided that no such amendment having a material adverse effect on the rights of the Participant hereunder may be made without the Participant's written consent or (iii) the Company (at the discretion of the Committee) in any way it may deem necessary or advisable to carry out the purpose of the grant as a result of any change in applicable Laws or any future Laws or judicial decisions.

6.08 Notices. Any notice to be given under the terms of this Award Agreement to the Company shall be addressed to the Company in care of its Corporate Secretary. Any notice to be given to the Participant shall be addressed to the Participant at the address listed in the Employer’s records or to the Participant's electronic investment account held at the Stock Plan Administrator. By a notice given pursuant to this Section 6.08, either party may designate a different address for notices. Any notice shall have been deemed given when actually delivered.

6.09 Severability. If all or any part of this Award Agreement or the 2022 Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Award Agreement or the 2022 Plan not declared to be unlawful or invalid. Any provision of this Award Agreement (or part of such provision) so declared to be unlawful or invalid shall, if possible, be construed in a

manner which will give effect to the terms of such provision (or part of such provision) to the fullest extent possible while remaining lawful and valid.

6.10 Construction. The PSUs are being issued pursuant to Article 9 (Performance Shares/Performance Units) of the 2022 Plan. PSUs are subject to the terms of the 2022 Plan. The Participant acknowledges receipt of the 2022 Plan booklet which contains the entire Plan, and the Participant represents and warrants that the Participant has read the 2022 Plan. Additional copies of the 2022 Plan are available upon request during normal business hours at the principal executive offices of the Company. To the extent that any provision of this Award Agreement violates or is inconsistent with an express provision of the 2022 Plan, the 2022 Plan provision shall govern and any inconsistent provision in this Award Agreement shall be of no force or effect. The words "including," "includes," or "include" are to be read as listing non-exclusive examples of the matters referred to, whether or not words such as "without limitation" or "but not limited to" are used in each instance.

6.11 Waiver of Right to Jury Trial. **EACH OF THE PARTIES KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING**

OUT OF OR RELATING TO THE PSUs, THE PLAN OR THIS AWARD AGREEMENT.

6.12 Waiver; No Third Party Beneficiaries. A waiver by the Company of a breach of any provision of this Award Agreement by the Participant shall not operate or be construed as a waiver of any other provision of this Award Agreement, or of any subsequent breach by the Participant. This Award Agreement shall not be construed to create any third party beneficiary rights.

6.13 Data Privacy. The Company is located at 100 Grainger Parkway, Lake Forest, Illinois 60045, United States of America, and grants PSUs under the 2022 Plan to employees of the Company and its Subsidiaries in its sole discretion. In conjunction with the Company's grant of the PSUs under the 2022 Plan and its ongoing administration of such awards, the Company is providing the following information about its data collection, processing and transfer practices. In accepting the grant of the PSU, the Participant expressly and explicitly consents to the personal data activities as described herein.

i. Data Collection, Processing and Usage. The Company and the Employer will collect, process and use certain personal information about the Participant, specifically, the Participant's name, home address, email address and telephone number, date of birth, social security or insurance number, passport number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all PSUs or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor ("**Data**"), for the purpose of implementing, administering and managing the 2022 Plan. The Company's legal basis for the collection, processing and use of the Participant's Data is the Participant's consent. The Participant's Data also may be disclosed to certain securities or other regulatory authorities where the Company's securities are listed or traded, or regulatory filings are made. The Company's legal basis for such disclosure of the Participant's Data is to comply with applicable laws, rules and regulations.

ii. Stock Plan Administration Service Providers. The Company and the Employer transfer the Participant's Data to the Stock Plan Administrator based in the United States of America, which assists the Company with the implementation, administration and management of the 2022 Plan. In the future, the Company may select a different Stock Plan Administrator and share the Participant's Data with another company that serves in a similar manner. The Stock Plan Administrator will open an account for the Participant to receive and trade Shares acquired under the 2022 Plan. The Participant will be asked to agree to separate terms and data processing practices with the Stock Plan Administrator, which is a condition of the Participant's ability to participate in the 2022 Plan.

iii. International Data Transfers. The Company and the Stock Plan Administrator are based in the United States of America. The Participant should note that the Participant's country of residence may have enacted data privacy laws that are different from the United States of America. The Company's legal basis for the transfer of the Participant's Data to the United States of America is the Participant consent.

iv. Voluntariness and Consequences of Consent, Denial or Withdrawal. The Participant's participation in the 2022 Plan and the Participant's grant of consent hereunder is purely voluntary. The Participant may deny or withdraw the Participant's consent at any time. If the Participant does not consent, or if the Participant later withdraws the Participant's consent, the Participant may be unable to participate in the 2022 Plan. This would not affect the Participant's existing employment or salary; instead, the Participant merely may forfeit the opportunities associated with participation in the 2022 Plan.

v. Data Retention. The Participant understands that the Participant's Data will be held only as long as is necessary to implement, administer and manage the Participant's PSU and participation in the 2022 Plan; provided that the Company may hold the Participant's Data for longer periods of time consistent with its retention policies and practices with respect to employee data.

vi. Data Subject Rights. The Participant understands that the Participant may have the right under applicable law to (i) access or copy the Participant's Data that the Company possesses, (ii) rectify incorrect Data concerning the Participant, (iii) delete the Participant's Data, (iv) restrict processing of the Participant's Data, (vi) lodge complaints with the competent supervisory authorities in the Participant's country of residence. To receive clarification regarding these rights or to exercise these rights, the Participant understands that the Participant can contact the Participant's local human resources representative.

6.14 Private Placement. The grant of the PSUs is not intended to be a public offering of securities in the Participant's country of residence (and country of employment, if

different). The Company has not submitted any registration statement, prospectus or other filing with the local securities authorities (unless otherwise required under local Laws).

6.15 No Advice Regarding Grant. The Company and the Employer are not providing any tax, legal or financial advice, nor is the Company or the Employer making any recommendations regarding the PSU, the Participant's participation in the 2022 Plan or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding participation in the 2022 Plan before taking any action related to the 2022 Plan or this Award Agreement.

6.16 Securities Law Restrictions. The Participant acknowledges that, depending on the Participant's country of residence (and country of employment, if different) or where the Company Shares are listed, the Participant shall be subject to insider trading restrictions and/or market abuse Laws, which may affect the Participant's ability to acquire, sell or otherwise dispose of Shares, rights to Shares (e.g., PSUs) or rights linked to the value of Shares during such times as the Participant is considered to have "inside information" regarding the Company or its business (as defined by the local Laws in the Participant's country of residence and/or employment). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant placed before the Participant possessed inside information. Furthermore, the Participant could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties (including other employees of the Company and its Subsidiaries) or causing them otherwise to buy or sell securities. Any restrictions under these Laws are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading or other policy. The Participant solely is responsible for ensuring compliance with any applicable restrictions and should consult with the Participant's personal legal advisor on this matter.

6.17 EU Age Discrimination Rules. If the Participant is a local national of and employed in the United Kingdom or a country that is a member of the European Union, the grant of the PSUs and the terms and conditions governing the PSUs are intended to comply with the age discrimination provisions of the EU Equal Treatment Framework Directive, as implemented into local law (the "**Age Discrimination Rules**"). To the extent that a court or tribunal of competent jurisdiction determines that any provision of this Award Agreement is invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, the Company, in its sole discretion, shall have the power and authority to revise or strike such provision to the minimum extent necessary to make it valid and enforceable to the full extent permitted under local Laws.

6.18 Electronic Delivery. The Company may, in its sole discretion, deliver any documents related to the PSUs granted to the Participant under the 2022 Plan by electronic means. The Participant hereby expressly consents to receive such documents by electronic delivery and agrees to participate in the 2022 Plan through an online or electronic system established and maintained by the Company or a third party designated by the Company.

6.19 Governing Law; Jurisdiction. This Award Agreement shall be exclusively governed by, and construed in accordance with, the Laws of the State of Illinois without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Illinois or of any other jurisdiction) that would cause the application of the laws

of a jurisdiction other than the State of Illinois. All disputes and controversies arising between the parties are to be submitted for determination exclusively to the federal or state courts of the State of Illinois and by accepting the grant of PSUs, the Participant expressly consents to the jurisdiction of such courts. Notwithstanding the foregoing, the Company may at its option seek interim and permanent injunctive relief before any competent court, tribunal or judicial forum, which in the absence of the foregoing provision, would have jurisdiction to grant the relief sought.

6.20 Entire Agreement. The Plan, this Award Agreement (including any applicable addendum) and the Unfair Competition Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede, in their entirety, all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Company has caused this Award Agreement to be executed by a duly authorized officer and the Participant acknowledges and agrees that by clicking on the "Accept" box below this Award Agreement in the section "Your New Grant" on the screen titled "View Grant," the Participant expressly agrees to be bound by the terms and conditions of the PSU, including Participant's electronic signature constituting the sole and exclusive means of executing this Award Agreement.

W.W. GRAINGER, INC.

By:_________________________
Name:
Title:

EXHIBIT I

Performance Metrics for ____________ Grant Date
Measurement Period: ______________ to _______________

The actual number of the Target PSUs that vest and which shall be settled pursuant to Section 2.06 of this Award Agreement shall be determined based upon the achievement of the following three (3) Performance Metrics, each of which shall be ___ weighted and which shall be determined and certified by the Committee in its sole discretion.

For purposes of the foregoing, the aggregate payout percentage shall be computed as the aggregate of (A) the U.S. Share Gain Payout Percentage multiplied by _____, (B) the Endless Assortment Business Daily Sales Growth Payout Percentage multiplied by ______, and (C) the Total Company Adjusted Operating Margin Payout Percentage multiplied by ______.

A. Performance Metric - Share Gain

Targets for Performance Metric	
Target	U.S. Share Gain Payout Percentage
0 basis points or less	0%
___ basis points to ___ basis points	___ % to ___ %
___ basis points to ___ basis points	___ % to ___ %
___ basis points to ___ basis points	___ %
___ basis points to ___ basis points	___ % to ___ %
___ basis points to ___ basis points	___ % to ___ %
___ basis points or greater	___ % (maximum)

B. Performance Metric - Endless Assortment Daily Sales Growth

Targets for Performance Metric	
Target	Endless Assortment Daily Sales Growth Payout Percentage
0% or less	0%
___ % to ___ %	___ % to ___ %
___ % to ___ %	___ % to ___ %
___ % to ___ %	___ %
___ % to ___ %	___ % to ___ %
___ % to ___ %	___ % to ___ %
___ % or greater	___ % (maximum)

C. Performance Metric - Operating Margin

Targets for Performance Metric	
Target	Total Company Adjusted Operating Margin Payout Percentage
___ basis points or less	0%
___ basis points to ___ basis points	___ % to ___ %
___ basis points to ___ basis points	___ % to ___ %
___ basis points to ___ basis points	___ %
___ basis points to ___ basis points	___ % to ___ %
___ basis points to ___ basis points	___ % to ___ %
___ basis points or greater	___ % (maximum)

Exhibit 10.43

SHAREHOLDER AGREEMENT

This Shareholder Agreement (this "**Agreement**"), effective as of February 17, 2023 (the "**Effective Date**"), is entered into by and between W.W. Grainger, Inc., a corporation incorporated under the laws of Illinois ("**Grainger**"), and MonotaRO Co., Ltd., a *kabushiki kaisha* incorporated under the laws of Japan ("**MonotaRO**"). Grainger and MonotaRO are referred to individually as a "**Party**" and, collectively, as the "**Parties**".

WHEREAS, Grainger and MonotaRO have enjoyed a mutually beneficial relationship whereby MonotaRO has utilized Grainger's global network, assets, experiences and management resources in its development and Grainger has derived technology and significant know-how from MonotaRO to grow the rest of the Endless Assortment segment through the Zoro business;

WHEREAS, Grainger was a founding shareholder of MonotaRO and, as of the date hereof, owns a majority of the shares of the common stock of MonotaRO ("**Common Shares**"); and

WHEREAS, both of the Parties recognize the mutual benefits of their relationship and desire to memorialize certain facets of that relationship.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Anti-Dilution. On or after the Effective Date, without Grainger's prior written consent, MonotaRO shall not issue any Common Shares or other voting securities of MonotaRO, or rights or options to acquire, or other securities that by their terms settle or convert into, Common Shares or other voting securities of MonotaRO, including Common Shares to be issued from any form of equity-based compensation or upon the exercise of stock options (collectively, "**Common Share Equivalents**"), if such issuance would result in the Grainger Holding Ratio (as defined below) being 50% or less; provided, however, that Grainger's prior written consent is not required if and to the extent that, simultaneously with such issuance, MonotaRO takes any countermeasure, including but not limited to the repurchase of Common Shares, that preserves the Grainger Holding Ratio at more than 50%. Notwithstanding the foregoing, subject to reasonable advance notice to MonotaRO, Grainger is not prohibited at any time from taking any actions that would result in the Grainger Holding Ratio falling to 50% or less in its sole discretion, through sale, assignment or other disposal of Common Shares indirectly held by it, or otherwise.

   For purposes of this Agreement, (i) the "**Fully-Diluted Shares**" of MonotaRO at any particular time means the total number of Common Shares outstanding at such time (which number, for the avoidance of doubt, includes the number of Common Shares held by MonotaRO as treasury shares) less the number of any Common Shares held by MonotaRO as treasury shares plus the number of Common Shares underlying Common Share Equivalents issued and outstanding at such time and (ii) the "**Grainger Holding Ratio**" at any particular time means the number of Common Shares owned directly or indirectly by Grainger divided by the Fully Diluted Shares. For the avoidance of doubt, no Common Shares owned by (i) a director or employee of Grainger or any of its affiliates, or (ii) MonotaRO and any of its subsidiaries, or any of their directors or employees, shall be deemed to be owned by Grainger.
2. Board Representation. During the period from the Effective Date to the date of termination of this Agreement, Grainger shall have the right to designate one director of MonotaRO, or such greater number of directors as may be mutually agreed in writing between Grainger and MonotaRO.

3. Termination.

   1) The Parties may terminate this Agreement by the written agreement of both Parties.

   2) Prior to Grainger taking any action that would result in the Grainger Holding Ratio be reduced to 50% or less, Grainger will provide reasonable advance written notice to MonotaRO. This Agreement shall then terminate ninety (90) days following the completion of any action by Grainger that would result in reducing the Grainger Holding Ratio to 50% or less.

4. Governing law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of Japan. Any legal suit, action or proceeding arising out of or based upon this Agreement shall be submitted to the exclusive first instance jurisdiction of the Tokyo District Court.

5. Specific Performance. The Parties hereby acknowledge and agree that the failure of either Party to perform its agreements and covenants hereunder, including its failure to take all actions as are necessary on its part in accordance with the terms and conditions of this Agreement, will cause irreparable injury to the other Party, for which damages, even if available, will not be an adequate remedy. Accordingly, each Party

hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of such Party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder, in addition to any other remedy.

6. Severability. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, this Agreement is executed by the Parties as of the Effective Date.

W.W. GRAINGER, INC.

By: /s/ D.G. Macpherson
Name: D.G. Macpherson
Title: Chairman and Chief Executive Officer

[*Signature Page to MonotaRO Shareholder Agreement*]

MONOTARO CO., LTD.

By: /s/ Masaya Suzuki
Name: Masaya Suzuki
Title: President & Chief Executive Officer

[*Signature Page to MonotaRO Shareholder Agreement*]

Exhibit 21

W.W. GRAINGER, INC.
Subsidiaries and Affiliated Companies
(as of February 16, 2023 February 16, 2024)

Subsidiary	**Jurisdiction**
Acklands - Grainger Inc.	Canada
Apex Industrial Limited	Scotland
Bogle and Timms Limited	England & Wales
C.J. Bent & Son Limited	England & Wales
Cromwell Czech Republic s.r.o.	Czech Republic
Cromwell Group (Holdings) Limited	England & Wales
Cromwell Group (International) Limited	England & Wales
Cromwell Industrial Supplies Private Limited	India
Cromwell SAS	France
Cromwell sp. z.o.o. Sp. z. o. o	Poland
Cromwell Tools (Thailand) Co. Ltd.	Thailand
Cromwell Tools Limited	England & Wales
Cromwell Tools Sdn. Bhd.	Malaysia
Dayton Electric Manufacturing Co.	Illinois
E & R Industrial Sales, Inc.	Michigan
E&R Tooling and Solutions de Mexico, S. de R.L. de C.V.	Mexico
East Midlands Property Developments Limited	England & Wales
Gamut Supply LLC	Delaware
GHC Specialty Brands, LLC	Wisconsin
GMMI LLC	Delaware
Grainger Brasil Participações Ltda.	Brazil
Grainger Canada Holdings ULC	Alberta
Grainger Caribe, Inc.	Illinois
Grainger Colombia Holding Company, LLC	Delaware
Grainger Corporate Services LLC	Illinois
Grainger Global Holdings, Inc.	Delaware
Grainger Global Online Business Ltd	England and Wales
Grainger Global Trading (Shanghai) Company Limited Co., Ltd.	People's Republic of China
Grainger Guam L.L.C.	Guam
Grainger Industrial Supply India Private Limited	India
Grainger International Holdings B.V.	Netherlands
Grainger International, Inc.	Illinois
Grainger Management LLC	Illinois
Grainger Mexico LLC	Delaware
Grainger Panama Services S. de R.L.	Panama
Grainger Procurement Company LLC	Illinois
Grainger Registry Services, LLC	Delaware
Grainger Service Holding Company, Inc.	Delaware
Grainger Services International Inc.	Illinois
Grainger Singapore Pte. Ltd.	Singapore

Grainger, S.A. de C.V.	Mexico
GWW UK Holdings Ltd.	England and Wales
IB MonotaRO Private Limited	India
Imperial Supplies Holdings, Inc.	Delaware

Imperial Supplies LLC	Delaware
India Pacific Brands	Mauritius
MonotaRO Co., Ltd.	Japan
Motor Book Insurance LLC	Vermont
Mountain Ventures WWG IV, LLC	Delaware
Mountain Ventures WWG V, LLC	Delaware
Mountain Ventures WWG, LLC	Delaware
MRO Soluciones, S.A. de C.V.	Mexico
NAVIMRO Co., Ltd.	Republic of Korea (South Korea)
Norwell Engineering Limited	England & Wales
PT Cromwell Tools	Indonesia
PT MonotaRO Indonesia Red Agate LLC	Indonesia Oregon
Red Mercury LLC	Delaware
Safety Registry Services, LLC	Delaware
Safety Solutions, Inc.	Ohio
Tooling & Engineering Distributors (TED) Limited	Ireland
Tooling & Engineering Distributors (TED) NI Limited	Northern Ireland
WFS (USA) Ltd.	South Carolina
WFS Holding Company, Inc.	Michigan
WFS Ltd.	Ontario
Windsor Factory Supply Inc.	Michigan
WWG de Mexico, S.A. de C.V.	Mexico
WWG Servicios, S.A. de C.V.	Mexico
WWGH LLC	Delaware
Zoro IP Holdings, LLC	Illinois
Zoro Tools, Inc.	Delaware
Zoro UK Limited	England & Wales

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-236530) 333-271476) of W.W. Grainger, Inc.

(2) Registration Statement (Form S-3 No. 333-236530) of W.W. Grainger, Inc.

(3) Registration Statement (Form S-3 No. 333-203444) of W.W. Grainger, Inc.

(3) (4) Registration Statement (Form S-4 No. 33-32091 and Post-Effective Amendment No.1) of W.W. Grainger, Inc.

(4) (5) Registration Statement (Form S-8 No. 33-43902) pertaining to the 1990 Long Term Stock Incentive Plan of W.W. Grainger, Inc.

(5) (6) Registration Statement (Form S-8 No. 333-166345) pertaining to the 2010 Incentive Plan of W.W. Grainger, Inc.

(6) (7) Registration Statement (Form S-8 No. 333-203715) pertaining to the 2015 Incentive Plan of W.W. Grainger, Inc.

(7) (8) Registration Statement (Form S-8 No. 333-264519) pertaining to the 2022 Incentive Plan of W.W. Grainger, Inc.

of our reports dated February 21, 2023 February 22, 2024, with respect to the consolidated financial statements of W.W. Grainger, Inc. and Subsidiaries and the effectiveness of internal control over financial reporting of W.W. Grainger, Inc. and Subsidiaries included in this Annual Report on Form 10-K of W. W. Grainger, Inc. for the year ended December 31, 2022 December 31, 2023.

/s/ Ernst & Young LLP

Chicago, Illinois
February 21, 2023 22, 2024

CERTIFICATION

Exhibit 31.1

I, D.G. Macpherson, certify that:

1. I have reviewed this Annual Report on Form 10-K of W.W. Grainger, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2023 February 22, 2024

By:	/s/ D.G. Macpherson
Name:	D.G. Macpherson
Title:	Chairman of the Board and Chief Executive Officer

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CERTIFICATION

Exhibit 31.2

I, Deidra C. Merriwether certify that:

1. I have reviewed this Annual Report on Form 10-K of W.W. Grainger, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2023 February 22, 2024

By:	/s/ Deidra C. Merriwether
Name:	Deidra C. Merriwether
Title:	Senior Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of W.W. Grainger, Inc. (“Grainger”) for the annual period ended December 31, 2022 December 31, 2023, (the “Report”), D.G. Macpherson, as Chairman of the Board and Chief Executive Officer of Grainger, and Deidra C. Merriwether, as Senior Vice President and Chief Financial Officer of Grainger, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Grainger.

/s/ D.G. Macpherson
D.G. Macpherson
Chairman of the Board and Chief Executive Officer
February 21, 2023 22, 2024

/s/ Deidra C. Merriwether
Deidra C. Merriwether
Senior Vice President and Chief Financial Officer
February 21, 2023 22, 2024

Exhibit 97

W.W. GRAINGER, INC.
FINANCIAL STATEMENT
EXECUTIVE COMPENSATION RECOUPMENT POLICY

I. PURPOSE

This W.W. Grainger, Inc. Financial Statement Executive Compensation Recoupment Policy ("Policy") has been adopted by the Board of Directors (the "Board") of W.W. Grainger, Inc. (the "Company") on October 25, 2023. This Policy provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under U.S. federal securities laws. This Policy is intended to comply with the requirements of Section 10D of the Exchange Act (as defined below) and Section 303A.14 of the NYSE Listed Company Manual.

II. SCOPE

This procedure applies to Covered Executives.

III. POLICY

A. Recoupment of Erroneously Awarded Compensation.

1. In the event of a Financial Restatement, if the amount of any Covered Compensation received by a Covered Executive (the "**Awarded Compensation**") exceeds the amount of such Covered Compensation that would have otherwise been received by such Covered Executive if calculated based on the Financial Restatement (the "**Adjusted Compensation**"), the Company shall reasonably promptly recover from such Covered Executive an amount equal to the excess of the Received Compensation over the Adjusted Compensation (such excess amount, the "**Erroneously Awarded Compensation**"), subject to Section III.A.2 hereof.

2. If the Financial Reporting Measure applicable to the relevant Covered Compensation is a stock price or total shareholder return measure, and the amount of such Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the Financial Restatement, then the amount of the Erroneously Awarded Compensation shall be determined based on the Company's reasonable estimate of the effect of the Financial Restatement on the Company's stock price or total shareholder return upon which such Covered Compensation was received.

3. The amount of Erroneously Awarded Compensation shall be calculated on a pre-tax basis.

4. For the avoidance of doubt, the Company's obligation to recover Erroneously Awarded Compensation is not dependent on (i) if or when the restated financial statements are filed; or(ii) any fault of the Covered Executive for the accounting errors leading to a restatement.

5. Notwithstanding anything to the contrary in Sections III.A.1 through III.A.4, the Company is not required to recover any Erroneously Awarded Compensation in the event that the conditions set forth in either of clause (i),(ii), or (iii) are satisfied and the Committee (or a majority of the independent directors serving on the

Board) has made a determination that recovery of the Erroneously Awarded Compensation would be impracticable:

i. the direct expense paid to a third party to assist in enforcing the recovery of the Erroneously Awarded Compensation under this Policy would exceed the amount of such Erroneously Awarded Compensation to be recovered; *provided* that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section III.A.5, the Company shall have first made a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to make such recovery, and provide that documentation to the NYSE; or

ii. recovery of the Erroneously Awarded Compensation would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**").

iii. recovery is otherwise precluded under applicable law.

6. The Company shall not indemnify any Covered Executive, directly or indirectly, for any losses that such Covered Executive may incur in connection with the recovery of Erroneously Awarded Compensation pursuant to this Policy, including through the payment of insurance premiums or gross-up payments.

7. The Committee shall determine, in its discretion, the manner and timing in which any Erroneously Awarded Compensation shall be recovered from a Covered Executive in accordance with applicable law, including, without limitation, by (i) requiring reimbursement of Covered Compensation previously paid in cash; (ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity or equity-based awards; (iii) offsetting the Erroneously Awarded Compensation amount from any compensation otherwise owed by the Company or any of its affiliates to the Covered Executive; and/or (iv) taking any other remedial and recovery action permitted by applicable law. For the avoidance of doubt, except as set forth in Section III.A.5, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation; *provided* that, to the extent necessary to avoid any adverse tax consequences to the Covered Executive pursuant to Section 409A of the Code, any offsets against amounts under any nonqualified deferred compensation plans (as defined under Section 409A of Code) shall be made in compliance with Section 409A of the Code.

B. Other Compensation Clawback/Recoupment Rights. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies, rights, or requirements with respect to the clawback or recoupment of any compensation that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, offer letter, equity award agreement or similar agreement and any other legal remedies available to the Company, as well as applicable law, stock market or exchange rules, listing standards or regulations; *provided*, *however*, that any amounts recouped or clawed back under any other policy shall count toward any required clawback or recoupment under this Policy and vice versa.

C. Exempt Compensation. Notwithstanding anything to the contrary herein, the Company has no obligation to seek recoupment of amounts paid to a Covered Executive which are granted, vested or earned based solely upon the occurrence or non-occurrence of nonfinancial events. Such exempt compensation includes, without limitation, base salary, time-vesting awards, compensation awarded on the basis of the achievement of metrics that are not Financial Reporting Measures or compensation awarded solely at the discretion of the Committee or the Board, *provided*,thatsuch amounts are in no way contingent on the achievement of any Financial Reporting Measure.

D. Miscellaneous.

1. Any applicable award agreement or other document setting forth the terms and conditions of any compensation covered by this Policy shall be deemed to include the restrictions imposed herein and incorporate this Policy by reference and, in the event of any inconsistency, the terms of this Policy will govern. For the avoidance of doubt, this Policy applies to all compensation that is received on or after the Effective Date, regardless of the date on which the award agreement or other document setting forth the terms and conditions of the Covered Executive's compensation became effective.

2. This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

3. All issues concerning the construction, validity, enforcement and interpretation of this Policy and all related documents, including, without limitation, any employment agreement, offer letter, equity award agreement or similar agreement, shall be governed by, and construed in accordance with, the laws of the State of Illinois, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Illinois or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Illinois.

4. If any provision of this Policy is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

IV. DEFINITIONS

For the purposes of this Policy, the following terms shall have the meanings set forth below.

A. "**Committee**" means the Compensation Committee of the Board.

B. "**Covered Compensation**" means any Incentive-based Compensation "received" by a Covered Executive during the applicable Recoupment Period; provided that:

1. such Covered Compensation was received by such Covered Executive (a) after the Effective Date, (b) after he or she commenced service as an Executive Officer and (c) while the Company had a class of securities publicly listed on a U.S. national securities exchange; and

2. such Covered Executive served as an Executive Officer at any time during the performance period in respect of such Incentive-based Compensation.

For purposes of this Policy, Incentive-based Compensation is "received" by a Covered Executive during the fiscal period in which the Financial Reporting Measure applicable to such Incentive-based Compensation (or portion thereof) is attained, even if the payment or grant of such Incentive-based Compensation occurs thereafter.

C. "**Covered Executive**" means any (i) current or former Executive Officer and (ii) any other employee of the Company and its subsidiaries designated by the Committee as subject to this Policy from time to time.

D. "**Effective Date**" means the date on which Section 303A.14 of the NYSE Listed Company Manual, or such other listing standards implementing Section 10D of the Exchange Act of the national securities exchange on which the Company's securities are listed become effective.

E. "**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

F. "**Executive Officer**" means, with respect to the Company, (i) its president, (ii) its principal financial officer, (iii) its principal accounting officer (or if there is no such accounting officer, its controller), (iv) any vice-president in charge of a principal business unit, division or function (such as sales, administration or finance), (v) any other officer who performs a policy-making function for the Company (including any officer of the Company's subsidiaries if they perform policy-making functions for the Company), and (vi) any other person who performs similar policy-making functions for the Company. Policy-making function is not intended to include policy-making functions that are not significant.

G. "**Financial Reporting Measure**" shall mean any (i) measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements (and any measures that are derived wholly or in part from any such measure), (ii) stock price measure or (iii) total shareholder return measure. For the avoidance of doubt, a Financial Reporting Measure does not need to be presented within the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission.

H. "**Financial Restatement**" means a restatement of the Company's financial statements due to the material noncompliance of the Company with any financial reporting requirement under U.S. federal securities laws that is required in order to correct:

1. an error in previously issued financial statements that is material to the previously issued financial statements; or

2. an error that would result in a material misstatement if (A) the error were corrected in the current period or (B) left uncorrected in the current period.

For purposes of this Policy, a Financial Restatement shall not be deemed to occur in the event of a restatement of the Company's financial statements due to an out-of-period adjustment or a retrospective (1) application of a change in accounting principles; (2) revision to reportable segment information due to a change in the structure of the Company's internal organization; (3) reclassification due to a discontinued operation; (4) application of a change in reporting entity, such as from a reorganization of entities under common control; or (5) revision for stock splits, reverse stock splits, stock dividends, or other changes in capital structure.

I. "**Financial Restatement Preparation Date**" means the earlier of (i) the date that the Board (or a committee thereof, or the officer(s) of the Company authorized to take such

action if Board action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement, and (ii) the date on which a court, regulator or other legally authorized body causes the Company to prepare a Financial Restatement.

J. "**Incentive-based Compensation**" shall mean any compensation (including, for the avoidance of doubt, any cash or equity or equity-based compensation, whether deferred or current) that is granted, earned and/or vested based wholly or in part upon the achievement of a Financial Reporting Measure. For purposes of this Policy, "Incentive-based Compensation" shall also be deemed to include any amounts which were determined based on (or were otherwise calculated by reference to) Incentive-based Compensation (including, without limitation, any amounts under any long-term disability, life insurance or supplemental retirement plan or any notional account that is based on Incentive-based Compensation, as well as any earnings accrued thereon).

K. "**NYSE**" means the New York Stock Exchange, or any successor thereof.

L. "**Recoupment Period**" means the three fiscal years completed immediately preceding the date of any applicable Financial Restatement Preparation Date. Notwithstanding the foregoing, the Recoupment Period additionally includes any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years, provided that a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that compromises a period of nine (9) to twelve (12) months would be deemed a completed fiscal year.

V. RESPONSIBILITIES

A. Administration. This Policy shall be administered by the Committee. All decisions of the Committee shall be final, conclusive and binding upon all the Company and the Covered Executives, their beneficiaries, executors, administrators and any other legal representative. The Committee shall have full power and authority to (i) administer and interpret this Policy, (ii) correct any defect, supply any omission, and reconcile any inconsistency in this Policy and (iii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of this Policy and to comply with applicable law (including Section 10D of the Exchange Act) and applicable stock market or exchange rules and regulations. Notwithstanding anything to the contrary contained herein, to the extent permitted by Section 10D of the Exchange Act and Section 303A.14 of the NYSE Listed Company Manual the Board may, in its sole discretion, at any time and from time to time, administer this Policy.

B. Amendment/Termination. Subject to Section 10D of the Exchange Act and Section 303A.14 of the NYSE Listed Company Manual, this Policy may be amended or terminated by the Committee at any time. To the extent that any applicable law, or stock market or exchange rules or regulations require recovery of Erroneously Awarded Compensation in circumstances in addition to those specified herein, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover Erroneously Awarded Compensation to the fullest extent required by such applicable law, stock market or exchange rules and regulations. Unless otherwise required by applicable law, this Policy shall no longer be effective from and after the date that the Company no longer has a class of securities publicly listed on a United States national securities exchange.

C. Interpretation. Notwithstanding anything to the contrary herein, this Policy is intended to comply with the requirements of Section 10D of the Exchange Act and Section 303A.14 of the NYSE Listed Company Manual (and any applicable regulations, administrative interpretations or stock market or exchange rules and regulations adopted in connection therewith), and the provisions of this Policy shall be interpreted in a manner that satisfies such requirements, and this Policy shall be operated accordingly. If any provision of this Policy would otherwise frustrate or conflict with this intent, the provision shall be interpreted and deemed amended so as to avoid this conflict.

VI. REFERENCES

N/A

VII. SPONSOR AND OWNER

Senior VP, Chief Legal Officer
VP, Total Rewards & People Analytics

REVISION HISTORY

Date	Summary of Changes
10/25/2023	Adopted

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.