

Risk Factors Comparison 2025-02-20 to 2024-02-22 Form: 10-K

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The following represents a discussion of risk factors relevant to Grainger's business that could adversely affect its financial condition, results of operations and cash 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 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 negatively impact Grainger's ability to effectively manage its operating and administrative expenses. For example, geopolitical conflicts and related international responses have and may continue to exacerbate inflationary pressures, including increases in fuel and other energy costs. **Additionally, climate- related policies, carbon pricing mechanisms, and regulations aimed at reducing emissions may increase energy and raw material costs, which could put additional pressure on Grainger's margins. Inflation may also reduce demand for products, resulting in lower sales volumes.** 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 **more rapidly than net sales**, 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~~ **weather- related** disasters, including earthquakes, tsunamis, storms, hurricanes, floods, fires, droughts, tornados and other extreme weather events or conditions **; longer- term climate shifts that affect transportation infrastructure or material availability**; pandemic diseases or viral 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 to transportation infrastructure and networks, including from transport providers or third- party work stoppages related to labor strikes or lockouts; and the imposition of measures that create barriers to or 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 Grainger to incur higher transportation costs, which could adversely impact Grainger's profitability and financial condition **. For example, disruptions to global transportation networks, such as rising sea levels impacting ports or extreme weather damaging logistics hubs, could increase delays and costs**. 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. Further escalation of geopolitical tensions across the world and potential actions taken in response to them could have a broad impact on markets where Grainger does business, adversely affect its suppliers and disrupt the sourcing, manufacturing and transportation of products. It is not possible to predict whether 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 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, 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 pricing and terms of sale. Accordingly, a significant or prolonged slowdown in economic activity in Canada, 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 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 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, natural or human induced disasters, cybersecurity attacks, extreme weather, geopolitical unrest, new **, threatened** or 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 arrangements which could, in turn, adversely affect results of operations. 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 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 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. 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. Certain policies, including carbon pricing, emissions trading systems, and trade environment has resulted in regulations limiting industrial emissions, may further contribute to cost fluctuations for fuel, energy, and raw material materials 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. **For example, climate-related regulations on transportation emissions could increase fuel costs, thereby impacting the cost of product distribution.** Fluctuations in the price of fuel or increased demand for freight services, ~~including as a result of 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 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, **and** British pound sterling, ~~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 over which Grainger has no 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 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 **increase our costs,** impact demand for Grainger's products and services **or impact the profitability of our business.** 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, **as well as** ~~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 **customers** certain segments of the market, wholesale distributors, catalog houses, retail enterprises and online businesses. To remain competitive, 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, **practical applications of artificial intelligence (AI)** and other similar strategies. If Grainger is unable to sustain or grow sales, reduce costs, and prevent loss and fraud, among other actions, 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, including AI, business applications, strategies and innovations may require significant investment of resources by Grainger, may result in unexpected costs and disruptions to operations, may take longer than expected, may increase 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 condition and operating results. The successful execution of Grainger's eCommerce growth strategy depends on a number of factors, including 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 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 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 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 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, 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 repurchases or dividends, economic decline, political unrest or geopolitical conflict, outbreak of pandemic disease, 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 **The growth** Interruptions in the proper functioning of **Grainger's eCommerce platforms exposes Grainger to**

additional risks which could adversely affect Grainger's reputation, financial condition and operating results. The successful execution of Grainger's eCommerce strategy depends on a number of factors, including 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, could disrupt operations and cause unanticipated increases in costs and / or decreases in revenues. The functioning of Grainger's information systems is critical to the operation of its business. Grainger continues to invest in software development, hardware and network infrastructures other capabilities to provide simplified customer interactions effectively manage its information systems. However, Grainger may not be able to maintain or update its information systems to capture and to provide high- quality, use user data- friendly service to its customers and streamline customer interactions. Grainger has also made significant investments in ways that result in operational efficiency digital advertising and customer acquisition and retention efforts for its eCommerce channels, including through paid and non- paid advertising such as display advertising a result of ineffective software, search engine optimization difficulties obtaining the right talent and ability to manage the increasing volume of data available to, email and managed by Grainger mobile " push " notifications. If Furthermore, although Grainger's information customer- facing technology systems are protected with backup and security systems perceived as more difficult or less compelling for customers to use than those of Grainger's competitors, or if digital marketing efforts including physical and software safeguards and remote processing capabilities, information systems are unsuccessful still vulnerable to damage or if interruption from natural or human induced disasters, extreme weather, power losses, telecommunication failures, user error, third- party actions such as malicious computer programs, denial- of- service attacks and cybersecurity breaches, and other problems. In addition, Grainger relies on the information technology (IT) systems of third parties to assist in conducting its- is business. The implementation otherwise unsuccessful at realizing the benefits of new systems- these investments, its reputation, financial condition and upgrades to existing systems could impact Grainger's operations- operating results 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..... data, among other functions, could be adversely affected. Additionally, Any such interruption of Grainger ' faces many risks and uncertainties beyond the Company' s information systems could have a material adverse effect on its business control, including theft, credit card fraud, and other fraudulent behavior. Further, if these investments in Grainger's eCommerce platforms are less successful at attracting and retaining customers than similar investments by or our competitors, or if Grainger is otherwise unsuccessful at realizing the benefits of these technological investments generally, its reputation, financial condition and operating 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 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 incidents in the future. There can be no assurance that any future incidents will not be material 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. Cybersecurity incidents, including breaches of information systems security, could damage Grainger also relies on email ' s reputation, disrupt operations, increase costs and / other messaging services to promote its websites and product offerings, and changes in Grainger's current or prospective customers' use of email or other messaging services or actions by third parties to block, restrict or charge or for decrease revenues. Through Grainger's- the delivery of such messages could adversely affect sales and through Grainger's eCommerce channels, 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 results of websites or otherwise communicate or interact with Grainger. Moreover, Grainger's operations routinely involve receiving, storing, processing..... 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. 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 and profitability. 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 and adversely affect results of operations. Grainger's 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, train, motivate, develop and retain key 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, train, motivate, develop, and retain executives and other key team members, including those in managerial, technical, sales, supply chain, technology development and information technology positions. Grainger competes to hire 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 Grainger's labor costs. Competition for qualified team members could require Grainger to pay higher wages to attract a sufficient number of team members. **In addition to intense competition for talent, workforce dynamics are constantly evolving. If Grainger does not manage changing workforce dynamics effectively, it could materially adversely affect Grainger's culture, reputation, and operational flexibility.** 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 team members. The success of Grainger's team member hiring and retention also depends on Grainger's ability to build and maintain a **diverse and inclusive** workplace culture that enables **its all** team members to **thrive have the opportunity for a fulfilling and meaningful career**. Generally, higher wages and benefit costs, competition for **diverse** talent, and the risk of an increase in team member turnover, could adversely affect Grainger's results of operations. **Moreover, changes in immigration policies may impair our ability to recruit and hire technical and professional talent globally.** Further, failure to successfully hire executives and key 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 team members, could adversely affect Grainger's business results and 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 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 **initiatives environmental, social and governance (ESG) efforts that align 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.** These efforts **include maintaining high standards of product quality and safety, ethical business practices, strong customer relationships, operational reliability, and a commitment to providing a positive workplace environment.** These programs could be **difficult-challenging to achieve-implement** and costly to **implement-maintain**, and Grainger's actual or perceived failure to **execute-achieve** its ESG programs as planned **goals or uphold its commitments** could adversely affect **its** 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. **An Even an** isolated incident, or the aggregate effect of individually insignificant incidents, **negative or inaccurate postings, articles, or comments on social media or the internet** 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 **routinely involve receiving, storing, processing and transmitting sensitive information pertaining to its business, customers, suppliers and team member, and other sensitive matters. Cyber threats are** rapidly evolving and **some of** the means for obtaining access to information in digital and other storage media are becoming increasingly sophisticated. Each year, **cybersecurity threat actors cyber- attackers** make numerous attempts to access the information stored in Grainger's information systems **or Grainger's third-party business partners.** Loss of customer, supplier, and team member information, intellectual property or other business information, or failure to comply with data privacy and security laws, **or failure to maintain systems or software,** 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 **business strategy,** 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 **may 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 risk of loss or misuse of proprietary or confidential information or disruptions of business operations other actions from customers, suppliers, financial institutions, regulators, payment card associations, team members and others.** Grainger's IT infrastructure also includes products and services provided by suppliers, vendors and other third **-party business partners-parties**, and these **providers third parties** can experience **cybersecurity threats, breaches of their systems, attacks, disruptions, and products cybersecurity incidents** that impact the security of systems and proprietary or confidential information. Moreover, Grainger shares information with these third parties in connection with the products and services they provide to the business. Although Grainger performs risk assessments on third parties where **Grainger deems** appropriate to learn about their security program, there is a risk that the confidentiality of data held or accessed by them may be compromised **or their systems may be disrupted or interrupted by threat actors.** Moreover, Grainger **and may face threats to its information systems third-party business partners, for example,** may face cybersecurity threats and cybersecurity incidents which can include unauthorized access to information systems, business email compromise, viruses, malicious code, ransomware, **phishing**

denial-of-service attacks, and organized cyber-attacks. Cybersecurity incidents can also include team member failures, fraud, phishing or other social engineering attempts or other methods to cause confidential information, payments, account access or access credentials, or other data to be transmitted to an unintended recipient. Cybersecurity threat actors also may attempt to exploit vulnerabilities in software that is commonly used by companies in cloud-based services and bundled software. If successful, those attempting to penetrate Grainger's or its **vendors** third-party business partners' information systems may misappropriate intellectual property or personally identifiable, credit card, confidential, proprietary or other sensitive customer, supplier, team member or business information, or cause systems disruption. Further, cybersecurity threats or cybersecurity incidents that impact Grainger's systems, or those of its third-party business partners, could have a material adverse effect on Grainger, including its business strategy, financial condition and results of operations, including major disruptions to business operations, alteration or corruption of data or systems, costs related to remediation or the payment of ransom, and litigation including individual claims or consumer class actions, commercial litigation, administrative, and civil or criminal investigations or actions, regulatory intervention and sanctions or fines, investigation and remediation costs and possible prolonged negative publicity. While many of Grainger's agreements with these third parties include indemnification provisions, Grainger may not be able to recover sufficiently, or at all, under such provisions to adequately offset any losses it may incur. In addition, a Grainger team member, contractor or other third party with whom Grainger does business may attempt to circumvent security measures or otherwise access Grainger's information. Grainger's systems are integrated with customer systems and a breach of Grainger's systems could be used as an attempt to gain illicit access to customer systems and information. **Grainger has been subject to unauthorized access 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. Techniques used to obtain unauthorized access or to sabotage systems change frequently and may not be recognized until they are launched against a target. Grainger may be unable to anticipate these techniques or implement preventative measures. Further, **Any breach of Grainger's** security measures and efforts may not be effective in each instance and may be subject to human error or failures. Any breach of Grainger's security measures or any breach, error or malfeasance by **of those of** its third-party business partners **service providers** could cause Grainger to incur significant costs to protect any customers, suppliers, team members and other parties whose information is compromised. Such a breach could also cause Grainger to make changes to its information systems and administrative processes to address security issues. Although Grainger maintains insurance coverage that may, subject to policy terms and conditions, cover certain aspects of **cyber and information** cybersecurity ----- **security** risks, depending on the nature, location and extent of any event, such insurance coverage may be insufficient to cover all losses. Grainger has experienced **certain 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 subject to any material settlement amounts with respect to such incidents in the 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 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.** Regulatory, Legal and Tax Risks Grainger is subject to a complex array of laws, regulations and 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, **reputation,** 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 **2023-2024** 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 jurisdiction where Grainger operates, include, but are not limited to, advertising, marketing and **Internet-Internet** regulations (including the use of proprietary or third-party "cookies" in connection with Grainger's eCommerce platforms), anti-bribery and corruption laws, 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) and cybersecurity requirements (including protection of information and incident responses), environmental protection laws, 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 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 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 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. 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, 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 Grainger's reputation, increased costs of compliance and / or remediation and could adversely affect 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, and the types of matters discussed in Note 14-13 to the Consolidated Financial Statements included in Part II, Item 8: Financial Statements and Supplementary Data of this Form 10-K. The defense of 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 Grainger against potential loss exposures. Grainger also may be requested or required to recall products or take other actions. 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 Grainger's tax exposures. ~~The Organization for Economic Cooperation and Development (OECD) Pillar Two guidelines address the increasing digitization of the global economy, re-allocating taxing rights among countries. The OECD continues to release additional guidance and countries are implementing legislation with widespread adoption of the Pillar Two Framework expected during 2024. Grainger continues to evaluate the Pillar Two Framework and its potential impact on 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 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 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 Grainger's suppliers and result in increased compliance-related costs, which could result in higher product costs that are passed to Grainger. New or changing environmental laws and regulations could also increase 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 Grainger's operating costs. Natural disasters as a result of climate change at locations where Grainger, its suppliers or customers operate could cause disruptions to 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 other stakeholder requirements impose significant operational restrictions or compliance requirements upon Grainger or its suppliers, products, or customers, or Grainger's operations are disrupted due to physical impacts of climate change, 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 indebtedness and may incur additional indebtedness, which could adversely affect cash flow, decrease business flexibility, or prevent Grainger from fulfilling its obligations. As of December 31, 2023-2024, Grainger's consolidated indebtedness was approximately \$ 2.3-8 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, **dividends, corporate investments, mergers and acquisitions, joint ventures**, 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. **21**