

2019 SUSTAINABILITY REPORT

# Unlocking Sustainable Value

DISTRIBUTION  
**NOW**



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# Message from our President & CEO



**David Cherechinsky**  
President & CEO

The energy and industrial sectors have recently gone through significant change. I would like to thank our employees for their hard work, dedication and agility during these truly unprecedented times. I am proud our company has risen to the occasion to continue providing uninterrupted support for our customers. We are building a resilient model to drive long-term growth and fortify our upstream energy position while diversifying, expanding and investing in the midstream, downstream and industrial end markets. We are taking decisive measures by focusing on structural transformation and efficiencies and investing in digital disruption marketed under our digital tools platform DigitalNOW® to enrich the customer experience.

We have taken additional steps to identify the risks and opportunities of the sustainability issues most relevant to our business and the expectations of our key stakeholders. This work has guided us to define a clear and focused

role in how we can reduce our environmental impact and how our products can better serve the sustainability goals of our customers. We undertook a detailed materiality analysis, assessed our strategy, set goals and developed a detailed road map to keep us moving forward, driving long-term value for our shareholders, our customers and our employees.

Our focus is on those environmental, social and governance (“ESG”) metrics that have a significant impact to our core business strategy and drive for innovative ways for us to increase engagement of our products and services, while also contributing to the environmental and safety objectives of our customers. As we bring world-class supply chain management and other solutions to our customers, we will continue to identify products and services that help them achieve their sustainability targets.

This inaugural report, *Unlocking Sustainable Value*, represents our commitment towards increased transparency and a wider focus on sustainability to create a positive impact and a more sustainable future. It allows us to share our key performance data with our stakeholders as an integral part of our business strategy and is an important step in DistributionNOW’s sustainability reporting journey. We are excited about the road ahead and we embrace with enthusiasm and optimism the opportunity to unlock the change needed for a better future. We are proud to present our 2019 Sustainability Report and look forward to sharing our progress in the coming year.

A handwritten signature in black ink, appearing to read 'David Cherechinsky', written in a cursive style.

**David Cherechinsky**  
President & CEO



About DistributionNOW

# Our Company

DistributionNOW (“DNO”) is a leading global supplier of energy and industrial solutions, products and engineered equipment packages. From a network of locations spanning more than 20 countries and a complementary suite of online digital channels, DNO provides thousands of products to the energy and industrial markets worldwide.

Through our evolving DigitalNOW® platform, customers can leverage world-class technologies across eCommerce, supply chain services and cloud based mobile applications to solve the most complex operational challenges and maximize returns on assets.

DNO has a legacy of over 150 years and is headquartered in Houston, Texas. We support land and offshore operations for the major oil and gas producing regions around the world through our network of locations. Our key markets

**Transforming distribution through reliable, comprehensive solutions that mitigate risk and create unmatched convenience for our customers.**

beyond North America include Latin America, the North Sea, the Middle East, Asia Pacific and the Former Soviet Union (“FSU”). Products sold through our locations support greenfield expansion upstream capital projects, midstream infrastructure and transmission and maintenance, repair and operating (“MRO”) consumables used in day-to-day production. We provide downstream energy and industrial products for petroleum refining, chemical processing, LNG terminals, power generation utilities, industrial manufacturing operations and customer on-site locations.

## Our Vision

DNO will be recognized as the market leader in supply chain management through superior customer service, by leveraging the strengths of our employees, processes, suppliers and information.

We stock or sell more than 300,000 stock keeping units (“SKUs”) through our branch network. Our supplier network consists of thousands of vendors in approximately 40 countries. From our operations in over 20 countries, we sell to customers operating in approximately 80 countries. The supplies and equipment stocked by each of our branches are customized to meet varied and changing local customer demands. The breadth and scale of our offering enhances our value proposition to our customers, suppliers and shareholders.

Our global product offering includes consumable MRO supplies, pipe, valves, fittings, flanges, gaskets, fasteners, electrical, instrumentation, artificial lift, pumping solutions, valve actuation and modular process, production, measurement and control equipment. Included within our product offerings are products that help our customers’ sustainability goals of reduced carbon and green-house gas (“GHG”) emissions, water management solutions for the responsible use and disposal of produced water and products geared toward the alternative and renewable energy sector. Our products are often bundled with additional supply chain services in the form of procurement, warehouse and inventory management solutions as part of our supply chain and materials management offering. We have developed expertise in providing application systems, work processes, parts integration, optimization solutions and after-sales and field service support.

## Industry Ratings

06.19.20  
**#40 NOW Inc.**  
 Houston Business Journal's Largest  
 Houston-Based Public Companies



05.20.20  
**#6 NOW Inc.**  
 Supply House  
 Times Premier 150



11.15.19  
**#9 NOW Inc.**  
 Industrial Distribution's Big 50



06.17.19  
**#13 NOW Inc.**  
 Houston Chronicle 100



## Products & Services

 Artificial Lift	 Drilling & Completions	 Electrical	 Fittings & Flanges	 Industrial & Facilities Supplies
 Industrial Vending	 Instrumentation & Measurement	 Paint & Coatings	 Pipe & Tube	 Power Generation & Transmission
 Process & Production Equipment	 Pumps, Compressors & Packages	 Safety & PPE	 Tools & Welding Equipment	 Valves & Actuation

## Solutions

 powered by <b>DigitalNOW</b> Digital Solutions & Technology	 Supply Chain & Material Management
 Engineering, Design & Fabrication	 Total Valve Solutions (Valve Actuation & Automation)
 Safety Services, Turnarounds & Shutdown Support	



## Our Guiding Principles

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### Integrity

We hold ourselves to the highest ethical standards in all that we do.

### Safety

We act with the highest priority on health and safety in our workplace and communities.

### Teamwork

We collaborate with our suppliers, our customers and one another to optimize the sum of all individual efforts, while being active participants in the communities where we live and work.

### Excellence

We are passionate about being the best in the industry, making our customers priority one and creating long-term value for our stakeholders.

## Our Core Values

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### We care.

We act with compassion and honesty in all that we do. We respect one another, our customers and our communities.

### We do what it takes.

We approach every task with energy and passion to make sure the job is done right. We continuously challenge ourselves to provide the highest level of service to our stakeholders.

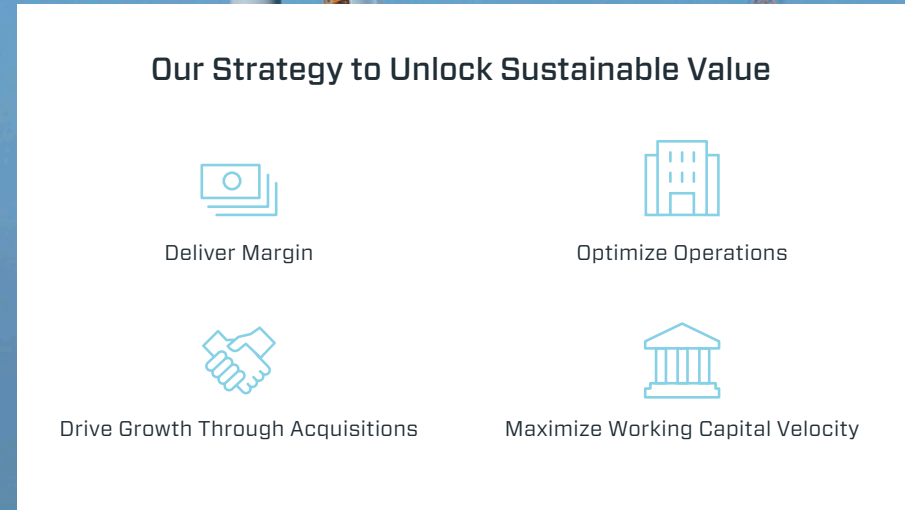
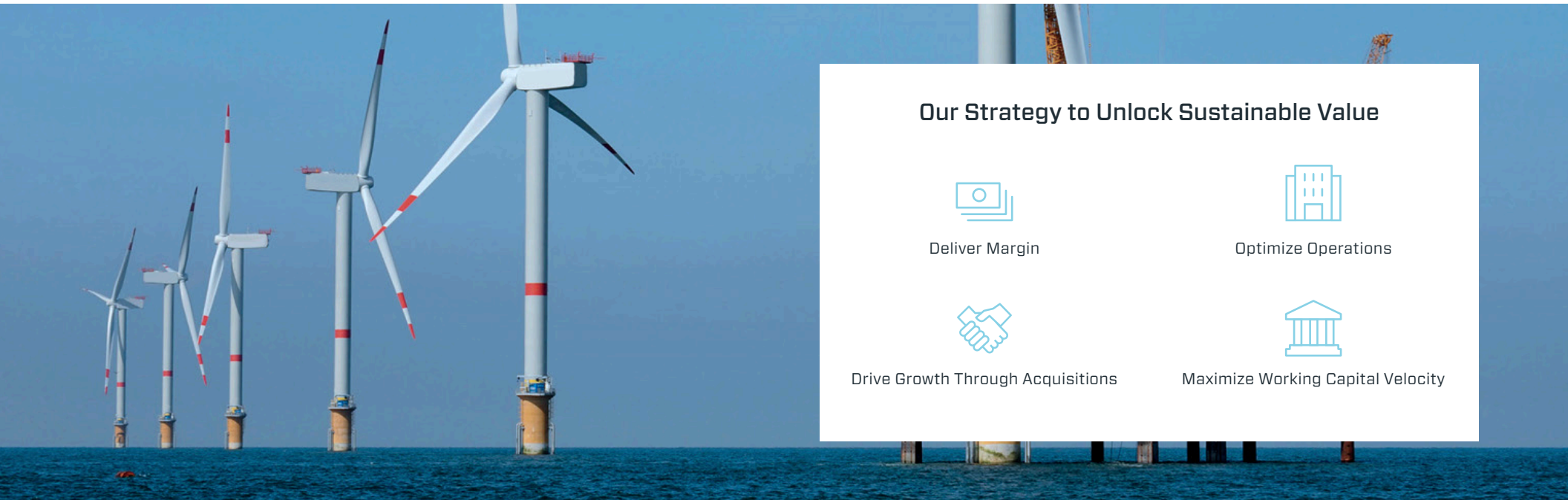
### We are accountable.

We take pride in our work and are responsible for our actions and the outcomes produced.

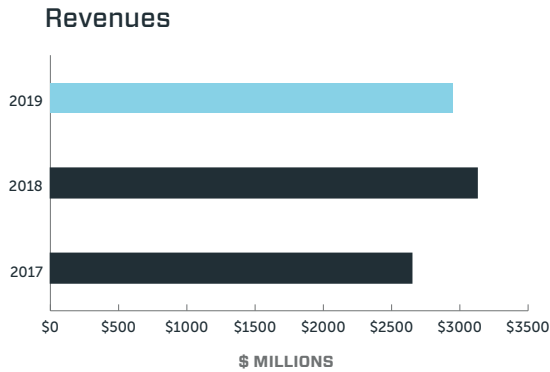
# Our Sustainability Strategy

At DNOW, we seek to drive sustainability throughout our business to deliver long-term, profitable growth to our shareholders while helping to fulfill the needs of our customers as we develop innovative and more sustainable ways to operate. We endeavor to create positive change globally and in our local communities by minimizing waste and pollution, supporting organizations that possess aligned sustainability goals and maintaining fair and honest business policies. We are committed to working to minimize our impact on the environment through energy management conservation initiatives, air quality improvements, responsible water conservation and recycling, where applicable. We also strive to invest in our employees, our communities and the industries in which we operate.

At DNOW, we know the management of environmental, social and governance factors contributes to long-term financial stability, as they have the potential to affect our markets, profits, assets, liabilities and cost of capital. We have created a strategy to unlock value by marrying our geographical footprint, highly skilled people, strategic inventory positioning, relationships with key domestic and import manufacturers and product expertise with disruptive digital innovation. This powerful combination can drive performance, growth and sustainable margins. We believe this strategy is a solid foundation for long-term financial and operational results.







Our success in creating a stable and resilient business has provided for a foundation of economic growth. We have remained debt free as of the date of this report and will continue our focus on delivering margins and ESG performance relative to our sales volume. To navigate the current challenging environment while maintaining our focus on long-term results, we have taken decisive actions to accelerate structural changes and have deployed various technologies throughout our processes to enable higher efficiency and productivity.

As we transition towards a more centralized model, combined with our disruptive digital solutions and streamlined supplier options, we aim for supplier options to support the ESG goals of our customers. Throughout these efforts, we have aligned our fundamental business strategy and ESG building blocks as follows:

DNOW Business Strategy	ESG	
Distribute products to both the full energy value chain and industrial sectors	E	Emissions Reduction Services & Fuels Management
	E	Opportunities for Enabling Customer Sustainability
Become a preferred supplier to customers through increased efficiency of supply chain services and materials management solutions	S	Data Security
	G	Business Ethics & Payments Transparency
Diversify customer base through more balanced energy end-markets and alternative energy, mining and municipal water	E	Opportunities for Serving Renewable Energy Markets
Invest in digitalization, such as DigitalNOW®, to disrupt the market by transitioning products through an evolving digital and more efficient infrastructure	S	Data Security
	S	Workforce Diversity & Inclusion
Increase efficiency and productivity through structural transformation	E	Emissions Reduction Services & Fuels Management
	E	Energy Management in Retail & Distribution
Continue to drive growth through acquisitions	S	Workforce Health & Safety
	G	Management of the Legal & Regulatory Environment

Our aim in creating an effective sustainability strategy includes providing the highest quality products and services for our customers. Throughout the process of linking our business strategy to our ESG goals, the goals of our customers and addressing risks related to climate change, we have identified certain opportunities and strategies, including:

- Enabling Customer Sustainability
- Serving Renewable Energy Markets
- Focusing on DNOW Supply Chain Sustainability

Details about these opportunities can be found in our Environmental section beginning on **page 28**.

## Opportunities & Strategies

Enabling Customer Sustainability

Serving Renewable Energy Markets

Focusing on DNOW Supply Chain Sustainability

# Our Sustainability Reporting Framework

In line with our sustainability strategy, we have identified a set of focus areas that are relevant to our business that guide our ESG initiatives and decision-making throughout our global operations. These focus areas are aligned with the general approach and guidance laid out by the Task Force on Financial Climate-related Disclosures (“TCFD”) and the topics recommended by the Sustainability Accounting Standards Board (“SASB”) Sustainable Industry Classification System® (“SICS”) for the Multiline Specialty Retailers & Distributors and the Oil & Gas Services industries.

To fulfill our commitment to transparency, we determined a combination of the relevant disclosures in these two industry standards most accurately reflect the topics deemed material to our business operations. We also chose to enhance our disclosures with additional topics that may be considered important to our stakeholders.

As part of our ESG reporting journey, we are also researching issues on climate change to better understand risks and opportunities and to develop a thorough process to identify material topics for disclosure in the coming years and continue to evolve with the global ESG reporting standards.

The ESG disclosures throughout this report are for the year ended 2019, unless otherwise noted, and include our three reportable segments: United States (“U.S.”), Canada and International, unless otherwise noted.



Governance



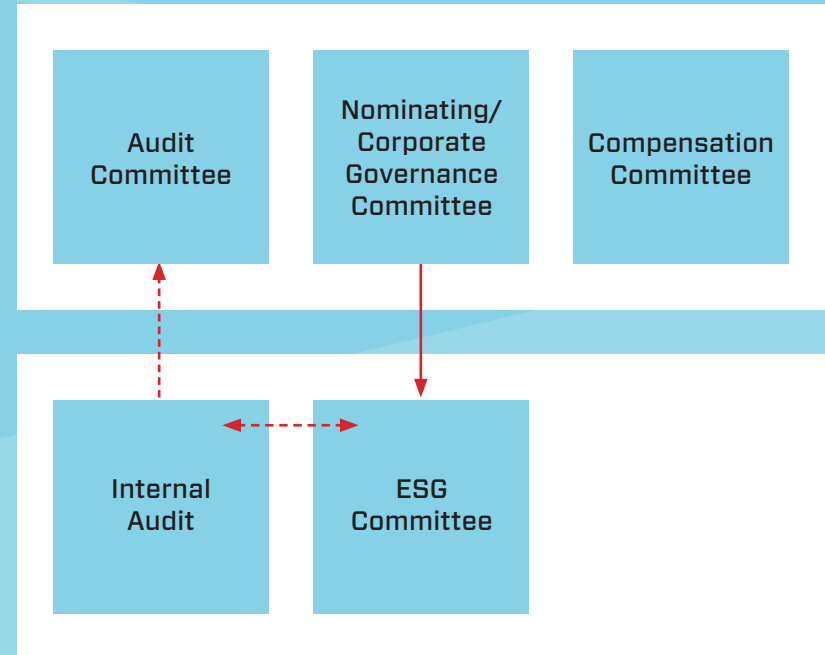
# Corporate Governance Oversight

Strong corporate governance includes being responsive to the shareholders and other stakeholders of our company. We are accessible and willing to engage with our shareholders to discuss operational, financial, governance, environmental, safety and social issues. Maintaining shareholder trust and goodwill through our policies and performance and adhering to our values remain the primary objectives of our company.

DNOW's Board of Directors and management recognize their responsibility and are committed to high standards of ethical conduct and corporate governance. Our Board's core responsibilities are to foster our company's long-term success, to oversee the business, supervise management and to act honestly, in good faith and in the best interests of our shareholders. In addition, our Board has oversight of certain categories of risk management.

In carrying out this mandate, our Board of Directors has appointed the following committees to assist in fulfilling its oversight responsibilities: the Audit Committee, the Nominating/Corporate Governance Committee and the Compensation Committee. The Nominating/Corporate Governance Committee assists our Board in fulfilling its oversight responsibilities of our efforts on ESG matters. All these committees play significant roles in carrying out the oversight functions in their areas of expertise and report back to our Board on a regular basis.

## DNOW Organization



The above diagram illustrates the relationship between the various committees and departments playing a role in corporate governance oversight

# Board Oversight of Risk Management

With the oversight of our Board of Directors, management has a system in place designed to help monitor and assess various types of business risks and opportunities. We identify and evaluate risks and opportunities based on both actual and potential likelihood and significance. Depending on the nature of the risk or opportunity being considered, we evaluate financial, operational, environmental and social factors and implications. During this process, we are continuing to develop our understanding of the physical, transitional and regulatory risks of climate change. We continuously improve and adjust our risk management system to address actual and potential risks and opportunities in the short-, medium- and long-term, and various levels of severity and frequency.



The process is implemented using a “top-down, risk-based” approach, starting with our strategy and continuing with the support for its implementation through periodic risk assessment and monitoring.

Our oversight function includes activities performed by our Internal Audit department. The Internal Audit department assesses various risk management activities throughout our company, with input and assistance from members of management and other DNOW leaders, and advises our Board and management on both the corporate-wide identification of both nonoperational and operational risks as well as the effectiveness of the controls surrounding our risk management processes. The level of risk is prioritized on the basis of multi-dimensional matrices that measure the probability of occurrence and impact in both quantitative and qualitative terms.

One of our Board’s primary responsibilities is overseeing and working with management on risk assessment and managing and mitigating these top risks. The Board of Directors meets with our management at regular Board meetings and, as needed, at other times to discuss the strategy in addressing these key risks, along with any other risks we may face.

**We continuously improve and adjust our risk management system to address actual and potential risks and opportunities in the short-, medium- and long-term, and various levels of severity and frequency.**

# ESG Committee

Proper and effective management of ESG matters is important to our success. Our Board of Directors understands the importance of proper management of ESG and has tasked our Nominating/Corporate Governance Committee with assisting our Board in its oversight of our company's efforts on ESG matters.

As mentioned above, DNOW's risk management function includes focus on health, safety, environmental and security risks. Management formed an ESG Committee in 2019 to oversee the identification, measurement and disclosure of sustainability performance data most relevant to our operations. With the oversight of the Nominating/Corporate Governance Committee of our Board of Directors, the committee ensures that our relevant sustainability metrics and disclosures align with our strategic plan and that the results are communicated to stakeholders.

This committee is comprised of representatives from various departments across our company and is overseen by the following members of the Executive management team: Chief Executive Officer, Chief Financial Officer, Vice President - Investor Relations, Chief Administrative and Information Officer, Senior Vice President - Operations and General Counsel. Meeting at least quarterly, this group facilitates collaboration across divisions and departments to increase understanding of consistent issues. Once issues are identified, the ESG Committee leads the effort in ensuring opportunities can be exploited or risks can be minimized and in determining how performance will be monitored.





# Management of the Legal & Regulatory Environment

Our customers are being impacted by the shift towards a low carbon energy transition economy. This has the potential to impact our business from many directions, including the demand to diversify the energy supply to renewable energy and increased reliance on natural gas. Our business is also affected by changes in public policy and by the environmental, health and safety laws of the federal, state, local and foreign jurisdictions in which we and our customers operate. These laws, together with regulations and permitting requirements, influence the products and solutions our customers demand.

Changes in the legal and regulatory environment also yield opportunity for DNOW to seek new markets emerging from regulation or legislation applicable to our current customers around topics such as emissions reduction, air quality, fuels management, water management, chemicals management, ecological impact management, biodiversity and safety. In addition, rules and regulations to accelerate a low carbon energy transition may represent opportunities to serve new and existing customers.

The legal and regulatory landscape is ever changing; there is increased focus on greenhouse gases and regulations around emissions standards. While it is impossible to accurately predict the effect that changes in laws and regulations, or their interpretation or enforcement, may have on us, we approach business opportunities and risks in a highly disciplined manner. Our Board and management, in tandem with our Internal Audit department, Legal department, Compliance department, Finance/Accounting department

and Information Technology department, stay abreast of the evolving legal and regulatory landscape. Risks (including financial, market, political, compliance, operational, cybersecurity and reputational, among others) that inherently may affect our business are evaluated and addressed through strategic planning by various stakeholders within the organization with the chief aim of avoiding adverse impacts to our strategic objectives and remaining competitive in our industry and markets.

We acknowledge that environmental and social factors present market and reputational risks, including those related to climate change. The increasing attention to climate change has negatively impacted the reputation of the oil and gas industry because the industry is seen as a contributor to GHG. However, the industry is a significant provider of affordable energy to communities and individuals. As a distributor to the energy industry, we provide products that safeguard the environment from unintended leaks and spills of hydrocarbons. We are also capable of distributing a diverse product supply to our customers and other industries as the oil and gas industry evolves. Please refer to the risk factors included in our 2019 Form 10-K.

DNOW's Board and management remain committed to actively monitoring developments within the legal and regulatory environment and stand ready to respond to risks and opportunities resulting from enacted changes to laws and regulations. Our social and environmental initiatives and results are discussed in subsequent sections of this report.

# Business Ethics & Payments Transparency

DNOW is committed to and recognizes the importance of high ethical standards. Our Code of Business Conduct and Ethical Standards enhances our relationships with key stakeholders, including our people, customers, suppliers, other business partners, shareholders and local communities around the world.

**We have incorporated the following Codes of Conduct and Ethics on our website to provide ways for investors to understand the foundation of our corporate governance:**

- Governance Hotline
- The U.S. Export & Economic Sanctions Policy
- Policy on Insider Trading
- Code of Conduct
- Code of Conduct for Directors and Officers
- Anti-Corruption Anti-Bribery Policy
- Code of Ethics for Senior Financial Officers

Our Anti-Corruption Anti-Bribery Policy includes measures, controls and guidance to identify and assess risks, relevant laws and reported concerns. DNOW strictly prohibits bribery, including offering, promising, giving or accepting any financial or other advantage to any person, intending that person to improperly perform a function or activity. We have implemented internal controls to monitor and track any issues related to corruption and bribery. The Transparency International's 2019 Corruption Perception Index ("TICPI") scores and ranks countries and territories based on how corrupt a country's public sector is perceived to be by experts and business executives. During 2019, approximately 0.19% of our revenue was derived from countries that have the 20 lowest rankings according to the TICPI.



# Board Composition

Although we do not have a formal diversity policy in place for the director nomination process, our Board recognizes that diverse candidates with appropriate and relevant skills and experience contribute to the depth and diversity of perspective in the boardroom. An important factor in our Nominating/Corporate Governance Committee’s consideration and assessment of a director candidate is the diversity of background, viewpoints, professional experience, education, gender, age and culture – including nationality, race or ethnic background.

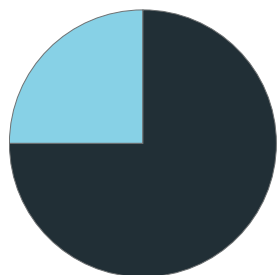
If and when the need arises for us to add an additional new director to our Board, the Nominating/Corporate Governance Committee will take every reasonable step to ensure that diverse candidates (including, without limitation, women and minority candidates) are in the pool from which nominees are chosen and strive to obtain diverse candidates. Accordingly, the Nominating/Corporate Governance Committee will include candidates reflecting ethnic and gender diversity as part of the candidate search criteria. Furthermore, we acknowledge that the current policies of several of our key stakeholders require a minimum number of female board members on a board. We will take such policies into strong consideration when considering any additional director appointments.

For more information relating to our Corporate Governance including our **Committee Charters**, please visit our website, [www.dnow.com](http://www.dnow.com).

## Governance Highlights

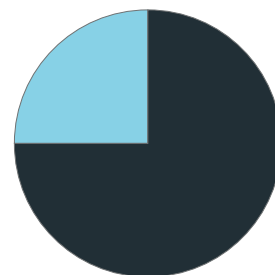
- Majority voting to elect board members
- Annual say on pay voting
- 1 of 8 Directors female
- Independent Chair of the Board
- Independent committee chairs
- Clawback policy to recover executive compensation

**Core Industry Experience**  
(in years)



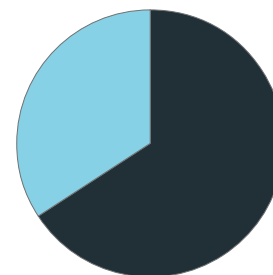
■ 40+  
■ 30-40

**Director Tenure**  
(in years)



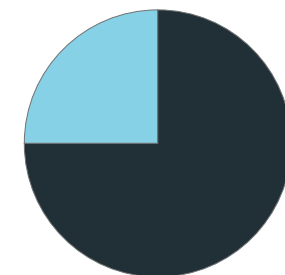
■ 0-5  
■ 6-10

**Age**



■ 61-70  
■ 50-60

**Independent Directors**



■ 2 Not Independent  
■ 6 Independent

Data depicted as of June 2020





**Social**

# Response to COVID

The COVID-19 pandemic has adversely affected the global economy, disrupted the global supply chain and created significant volatility in the financial markets. In addition, the pandemic has resulted in travel restrictions, business closures and other restrictions on movement in many communities. As an essential distributor, we are committed to serving our customers without interruption during these unprecedented times. The safety of our employees, their families, our customers and our communities is our paramount concern. Our COVID-19 response team monitors updates and guidance issued by the Centers for Disease Control and the World Health Organization and maintains regular communication with DNOW location managers in order to understand local COVID-19 directives and mandates. Together with location managers, the COVID-19 response team works to coordinate, implement and continuously communicate best practice safety policies and guidelines to employees worldwide. We have implemented remote work solutions (for those employees

who are able) to minimize the number of employees at locations during work hours, leveraging existing technology to increase reliance on video and teleconferencing for connecting co-workers, customers and vendors. At DNOW locations, we reduce exposure to COVID-19 by taking measures to limit third-party access and by providing masks, signage and disinfecting cleaners as well as education to our employees and any vendors or customers that may have cause to come on site.



## 3D-Printed Essential PPE

Recognizing we had the capability to utilize our in-house 3D printers to help fill vital requests for personal protective equipment (“PPE”), DNOW joined the Wyoming Technology Corona Virus Coalition (“WTCC”) in April 2020. Our Power Service division was part of the group supplying 3D-printed face masks and shields to medical facilities around the state.

## 120,000 Hand Sanitizers

We helped Phillips66 protect their employees working at refineries and plants by supplying approximately 115,000 250 milliliter (“mL”) units and 5,000 1.5 mL units of hand sanitizer with pumps.

# Workforce Health & Safety

At DNOW, safety is the center of our actions. Simply put, we act with the highest priority on health and safety in our workplace and in our communities. Our safety culture is driven through our health, safety and environment (“HSE”) management system (“MS”) which consists of our HSE Policy Statement, HSE guiding principles, corporate policies and procedures and our business level HSE policies and procedures.

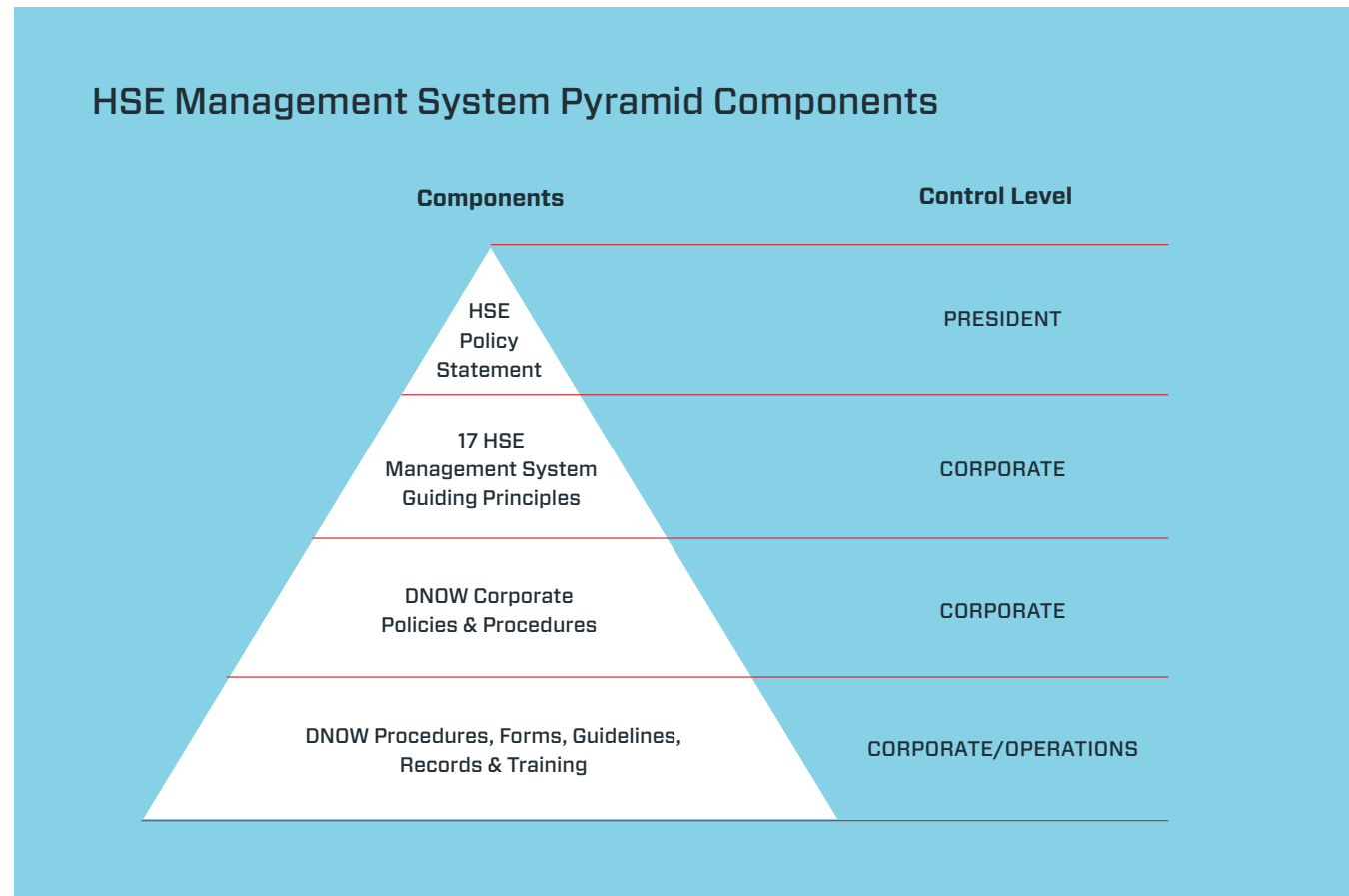
The HSE Policy Statement sets the tone. A one-page, top-level document, expressly approved by our senior operations management team, the HSE Policy Statement outlines our corporate HSE expectations for all employees, vendors, customers, contractors, subcontractors and third parties and establishes the heart of the HSE MS.

The 17 HSE Guiding Principles provide a framework for our HSE management system and contribute to a culture of safety. They describe the minimum corporate requirements, as well as how we intend to comply with client and regulatory expectations. Some examples of these HSE Guiding Principles include “Industrial Hygiene & Health Monitoring” and “Emergency Response.”

Our Corporate Policies and Procedures are broad-based procedures, instructions and

restrictions that help to reduce and eliminate potential incidents and risks. They allow for flexibility to address regional and/or customer concerns but are otherwise applied globally to all business units.

Our Procedures, Forms, Guidelines, Records and Training include any HSE MS controls, documents and procedures provided by the business group. These are very specific in scope and are controlled and updated by the business group.







## Relevant Workforce Health & Safety Metrics

Workforce Health & Safety	2019	2018	2017
<sup>1</sup> Total Recordable Incident Rate ("TRIR")	<b>1.51</b>	<b>1.34</b>	<b>1.57</b>
Fatality rate	<b>0</b>	<b>0</b>	<b>0</b>
<sup>2</sup> Total Vehicle Incident Rate ("TVIR")	<b>1.08</b>	<b>0.80</b>	<b>0.76</b>

<sup>1</sup>TRIR, per 200,000 hours worked      <sup>2</sup>TVIR, per 1,000,000 miles driven

Our TRIR rates for the years 2017 through 2019 compare favorably to the U.S. Bureau of Labor Statistics ("BLS") for Industrial Machinery and Equipment Merchant Wholesalers (NAICS 423830). The industry average rate was 2.3 for 2017 and 2.5 for 2018 (rates for 2019 have not been published as of the date of this report).

At the time of hire, all employees receive general HSE training covering our HSE management system. Our employees also receive specific HSE training as dictated by the employee's job title and responsibilities and site-specific HSE training provided at the branch. All DNOW locations are required to complete a monthly safety meeting that covers specific topics to fulfill customer training requirements and address current safety topics. Many facilities conduct more frequent safety meetings on a daily, weekly or otherwise necessary basis.

In order to ensure our employees are receiving the right training regularly and remaining current on safety procedures, Corporate HSE is currently implementing an external training system that will give our employees access to an extensive library of training topics. This training system will be available through our employee management system (Workday) where training hours are tracked and will provide managers, HSE and HR the ability to assign corrective action trainings to help us reinforce the tenets of safety when needed.

# Employee Engagement & Development

At DNOW, we place a strong emphasis on employee growth and development and provide opportunities for valued contribution and innovation. We know that every person on the DNOW team plays a part in delivering excellence to our customers and in helping us execute on our commitment to be the industry's preferred supplier. In order to deliver on our commitment, we provide our employees with opportunities for growth through a variety of training and development programs designed to help them grow professionally and advance in their careers.

As part of their career development and advancement, employees are encouraged to participate in annual performance reviews to seek feedback and opportunities for growth.

Each year, we survey all our employees to assess employee engagement. This survey, conducted by a third party, is a way for our leadership to measure, understand and improve employee engagement. In 2019, we had an 84% response rate to the survey and our resulting areas of focus for 2020 include:

- Communication
- Trust in Leadership
- Career Growth and Development

## Training

The skills, knowledge and capabilities of our people are central to our success. We have developed solid training programs throughout various levels of our organization to ensure our employees grow personally and professionally. Workday Learning, our online learning platform, contains all our e-learning trainings and resources as well as training transcripts for all employees.

Training begins with our onboarding program, which provides the welcome and foundation for our new employees to acquire the skills and knowledge to become effective contributors to our organization. For existing employees, we offer a variety of professional development tools to further enhance their skills through in-person training, webinars and on-demand trainings designed to meet specific needs of a group.

We also focus on building efficient and effective teams by developing successful managers through our manager training courses. We offer Operational Leadership Training to equip current and future Operations and Branch Managers with the operational information and resources needed to be successful and advance in their roles.

## Development Programs

DNOW recognizes that the advancement and empowerment of our workforce drives a better quality of work and life for our employees, ultimately resulting in the delivery of exceptional service to our customers. As such, we have designed a range of development programs focused on helping our employees reach their career goals.

Employees participating in our year-long Supply Chain Management Development Program ("SCMDP") rotate through our organization and gain valuable knowledge about the DNOW business model from the ground up. The benefits of this approach to employee development are far-reaching.



Not only does the program enable our employees to deliver the highest quality service, but it also allows our company to identify each participating employee’s strengths and interests in order to match the needs of our company with the aptitude of the employee. Through SCMDP, we give our employees the tools to achieve success and advance within our organization.

Other career development opportunities include our High Potential Development Program (“HiPo”) and our Leadership Program. HiPo provides employees targeted training to develop and strengthen specific skills and competencies needed for continued career growth and advancement. Our Leadership Program is comprised of three unique custom designed

leadership experiences that allow employees to enhance their leadership capabilities and talents at different points within their careers.

## Recognizing Employees

Celebration of individual achievements and contributions is an important part of our culture. Our Customer Priority 1 (“CP1”) program encourages customers, peers and leaders to recognize DNOW employees, customers or vendors who exemplify DNOW’s commitment to customer service. Nominees are awarded a CP1 Brick to showcase their commitment to building a stellar customer service culture “one brick at a time.” In 2019, 237 bricks were awarded to employees who exemplify CP1.

We also deeply value legacy and honor employees who have dedicated significant time to our company. As part of our Milestone Service Awards, we recognize employees at each five-year service anniversary. During 2019, 577 employees were honored with a Milestone Service Award.

# 577

## Employees were honored with a Milestone Service Award

## Customer Priority 1

DNOW’s Customer Priority 1 (“CP1”) is a global initiative with the sole purpose of strengthening and supporting our culture of superior customer service.

### We are committed to:

- Understanding our customers’ needs and exceeding their expectations
- Creating a business where our customers choose us because of our service
- Being rewarded for our services through lasting customer relationships



# Workforce Diversity & Inclusion

DNOW is committed to advancing an inclusive environment where diversity is appreciated and encouraged, and everyone has a sense of belonging throughout our organization. We recognize the opportunity to drive diversity in our workforce through talent acquisition and retention because we know that one of our greatest strengths is the diversity of our team. We recognize that having a team with a broad range of experience, cultural characteristics and varying perspectives is what fortifies our brand. We believe in advocating for diversity within our workforce by employing men and women of varying cultures, nationalities and backgrounds to work together to achieve a common goal.

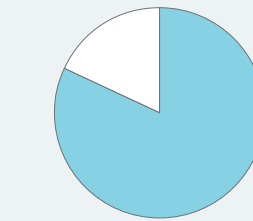
To find the best employees, we must have a diverse talent pipeline. We have expanded recruiting efforts at colleges with diverse student bodies so we can reach a broader pool of candidates. We create a culture where all employees can strive to be their best, to achieve company goals and deliver superior service to our customers.

It is our company-wide policy to support diversity outside our organization and within our supplier network. The strengthening of minority- and women-owned businesses contributes to the overall economic growth of DNOW and the expansion of our markets. We seek to assist in the development of minority- and women-owned businesses to enable them to qualify as a supplier of quality products and services to DNOW.

We have shared the diversity data for our U.S. workforce on this page, including race, ethnicity and gender. We continue to focus our efforts on developing programs and commitments to help us foster a diverse and inclusive workforce and culture. We will also continue our commitment to research the best ways to drive change and create an environment for the success of all employees around the globe.

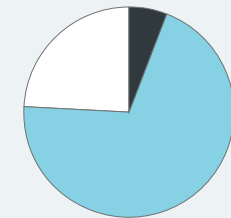
## Gender Representation

Members of Management



18% Female  
82% Male  
0% Gender Not Disclosed

All Other Employees

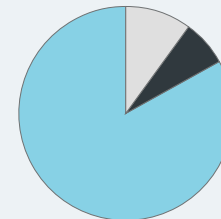


24% Female  
70% Male  
6% Gender Not Disclosed

Data represent U.S. population only

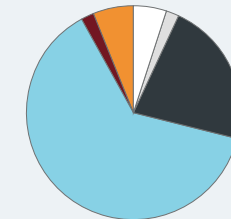
## Racial/Ethnic Group Representation

Members of Management



0% Race Not Disclosed  
0% Two or More Races/Other  
83% White  
7% Hispanic  
10% Asian or Pacific Islander  
0% Black or African American

All Other Employees



6% Race Not Disclosed  
2% Two or More Races/Other  
63% White  
22% Hispanic  
2% Asian or Pacific Islander  
5% Black or African American

Data represent U.S. population only



# Community Involvement

DNOW seeks to build strong relationships with our neighbors and to make positive and tangible contributions to the communities where we operate. Our company and our employees regularly support a variety of organizations through the donation of time and talent, as well as through financial contributions, to cultivate strong connections to our communities while also strengthening coworker relationships.

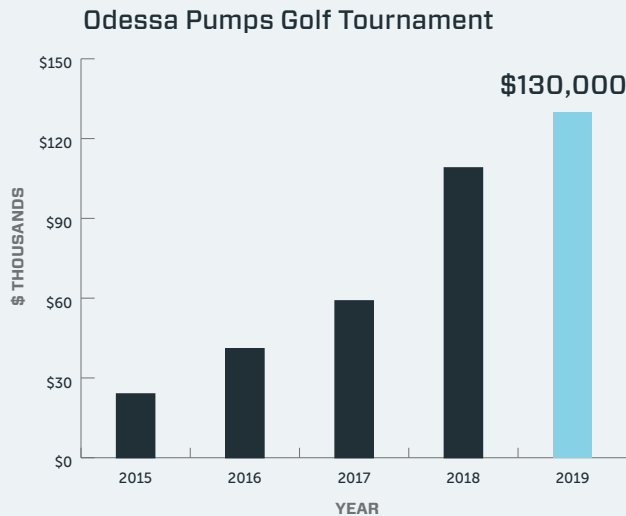
Houston area employees donated over 650 hours of their time and talent through participation in the annual charity golf tournament, as well as a variety of other programs supporting the local Houston community.

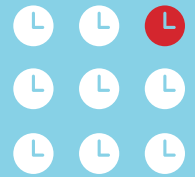


In addition to the charitable efforts of the corporate office, DNOW's Calgary head office formalized its volunteer efforts through the DNOW Lights program that aims to focus on meaningful contributions to charitable organizations that support the basic needs of food, shelter and wellness throughout the Calgary operating area. Calgary area employees donated nearly 930 hours of their time and talent during 2019 to the following organizations:

- Teepee Creek Stampede
- Airdrie Alberta Winter Games Golf Tournament
- Edson Charity Ball Tournament (supporting Edson Food Bank, Edson Animal Rescue Society, Edson & District Victim Services)

In partnership with one of our subsidiaries, Odessa Pumps, our U.S. corporate office sponsors an annual charity golf tournament, which equally benefits The United Way of Greater Houston and The American Cancer Society. During 2019, the golf tournament raised over \$130,000 in support of these charities.





# 1580+

hours

Houston and Calgary employees donated their time and talent through participation in our annual charity golf tournament and other programs.

# Data Security

At DNOW, we recognize the performance of information systems is critical to the successful operation of our business. We depend on our information management systems to process orders, track credit risk, manage inventory and monitor accounts receivable collections. Our information systems also allow us to efficiently purchase products from our vendors and ship products to our customers on a timely basis, maintain cost effective operations and provide superior service to our customers.

In order to reduce information system vulnerability and protect critical data, we continuously evaluate security risks utilizing knowledge assembled from a variety of sources, including in-house experience, data security law enforcement task force notifications and information technology consultants. Our team of information technology specialists collaborate on risk assessment and mitigation, policies and controls implementation and data incident response preparedness.

We employ a defense-in-depth strategy that provides layers of safeguards, and we have made significant investments in our overall information technology network. In addition, we maintain controls designed to protect against, among other things, unauthorized program changes and unauthorized access to data on our

information systems. As part of our overall approach, we provide regular training to employees at all levels of the organization to ensure our employees know how to recognize and report potential threats to our information systems.

We monitor the effectiveness of our controls and report, on a quarterly basis, the results of our risk assessments, the status of our mitigation efforts and our evaluation of control effectiveness to DNOW's management team and Board of Directors.

In 2019, DNOW did not experience a reportable data breach. We have defined incident management and event-monitoring procedures to continuously address threats to our information systems. We follow a structured plan for reporting issues of concern based on incident severity levels, which are defined with applicable reporting steps and workflows in the event of a security incident.







Environmental



## DNOW is committed to being a responsible steward of the environment.

We recognize that climate change is an important issue and part of the management of our risks and opportunities. As discussed in our governance section, we categorize our climate change risks into three categories: (1) transitional risks, (2) physical risks and (3) regulatory risks.

To mitigate our transitional risks, we bring products to the market that ultimately produce efficiencies for our customers and reduce total environmental impact. We are proud that our products and services help customers meet their sustainability objectives.

Our Environmental Performance discussion on **page 34** addresses the physical risks. Our strategies for addressing the regulatory risks related to climate change are addressed in the Management of the Legal & Regulatory Environment section on **page 15**.

**1**  
Transitional Risks

**2**  
Physical Risks

**3**  
Regulatory Risks

# Opportunities for Enabling Customer Sustainability

## Helping Companies Minimize Environmental Impact

We help companies minimize their environmental impact through the efficient and sustainable distribution of products that contain and control the movement of gases and fluids. We sell products that are designed by manufacturers to prevent and minimize leaks of hydrocarbons. We also offer product lines that further aid in the mitigation of environmental impact, such as domestically produced goods; low emission rated valves (meeting API 622/624 standards); steel piping products produced from recycled scrap; glass reinforced epoxy (“GRE”) piping systems; vapor recovery units that capture volatile organic compounds (“VOCs”) in an effort to limit and reduce emissions to the atmosphere; produced water transfer and water injection packages; and pipe produced in sustainable ways through the use of wind power, recycled water and wood pellet inputs.

**In the UK, one of our customers who has targeted reducing single-use plastic (“SUP”) had a client that required no SUP. In 2019, we worked with the customer to ensure the supply chain met all specifications and designed protective soft cases for the protective eyewear manufactured with no SUP included in the packaging. In 2019, 2,700 pairs were manufactured and distributed, and we continue to manufacture to this specification, contributing to the reduction of SUP.**

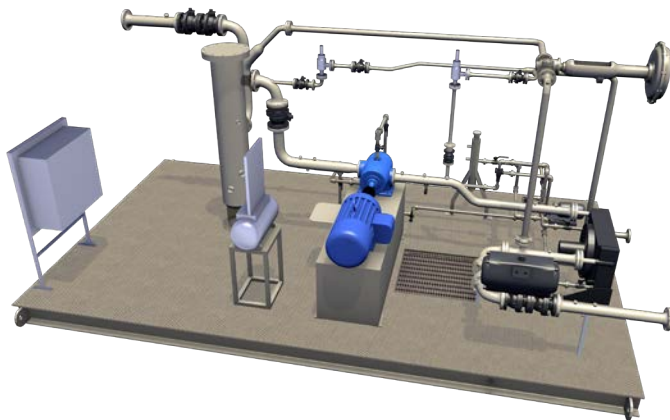
## DNOW Environmental Management Products

Product or Service	Environmental Benefit
Pump and Compressor Energy Audits	Increases energy efficiency and reduces emissions
Vapor Recovery Unit	Captures volatile organic compounds (“VOCs”) and reduces GHG emissions
Microturbines	Uses wellhead gas for electricity
Instrument Air Skids	Uses instrument air instead of wellhead gas to reduce VOCs
Sealless charge pumps on lease automatic custody transfer (“LACT”) units	Reduces possible leak points, spills, etc.
Containment Systems	Reduces possible leaks and captures contaminants
Solar chemical and glycol pumps	Uses solar power instead of electricity or wellhead gas
Gas recovery pumps	Recaptures wellhead gas and eliminates VOCs

## Helping Companies Address Greenhouse Gases

Our energy customers are investing in technology and projects that seek to reduce greenhouse gases. This includes reducing methane emissions, reducing flaring of natural gas and investing in development projects that seek to capture CO<sub>2</sub> from the atmosphere, store it and potentially consume it as a feedstock for synthetic fuels.

Products we offer to this growing end-market include pipe, valves, fittings, flanges, electrical, personal protective equipment, pump packages and rotating equipment and fabricated process and production equipment. We are proud to supply products that will enable our customers to solve environmental challenges.



## Helping Companies Manage Water Use

We also provide products that customers need for sustainable water management processes. We help exploration, production and midstream customers use fresh and produced water efficiently, including maximizing water that can be responsibly reused in operations. Our product lines can help clean, transfer, dispose of or reuse water brought to or produced in the field.

## DNOW Water Management Products

Product or Service	Environmental Benefit
Separators	Efficiently separates produced water from oil and gas streams for future use or disposal in an environmentally responsible manner
Water Transfer	Transfers stored produced water for processing, reuse or disposal in an environmentally responsible manner
Salt Water Disposal	Disposes of produced water underground where it originated or via connected reservoir
Rental Pumps	Provides rental pumps that move surface water for a variety of needs
Filtration Vessels	Cleans fresh or produced water for disposal or reuse
Process Pumps	Used in a variety of services to clean, reuse, transfer or inject
Leak Detection	Provided in many ways to keep from loss of containment of produced water or fresh water for proper use or treatment
Sealing Technologies	Used on a variety of rotating equipment to keep produced or fresh water from losing containment

# Opportunities Serving Renewable Energy Markets

We have a strong record serving customers throughout the energy value chain. In addressing our climate change transition risks, we are developing a strategy to expand our preferred supplier status to companies within the rapidly growing renewable energy industry. Our strength in sourcing the highest quality products from thousands of suppliers and maintaining a global network of locations provides a significant base from which we can expand to serve the renewable energy market.

We currently provide products into global renewable end markets such as biofuels, biomass, wind, geothermal and hydrogen. Products sold into this end-market include electrical, PPE, lubricants, pipe, valves, fittings, flanges, pump packages and rotating equipment.

For instance, in our Canada segment, we provide vendor managed inventory (“VMI”) services to a customer that manufactures biofuels and renewable chemical products from non-recyclable waste.

Our International segment supports offshore wind farm development supplying key product lines during the fabrication phase as follows:

## Electrical:

- Lighting (standard and emergency luminaires and floodlights)
- Cable management (cable ladder, tray and cable support accessories)
- Cable glands and wiring accessories
- Junction boxes and control stations (GRP and stainless steel)
- Cables
- Transit systems

Once an offshore wind farm field has been installed, we continue our support with key product offerings for the technicians to carry out their work safely and efficiently and to make sure they have the correct tools for the correct job.

## PPE and MRO for a 50-man team

The Humber Estuary Wind Farm, off the Yorkshire coast, will have 73 wind turbines when fully operational. DNOW supplied personal protective equipment (“PPE”) and maintenance, repairs and operations (“MRO”) supplies for the 50-man team at Ecosse Subsea Systems conducting the installation of the offshore cables. This included essential tools and industrial consumables, workwear, life jackets, marine survival suits and other PPE.

## Supplying PPE to meet offshore conditions

Statkraft operates the 88 turbine Sheringham Shoal Offshore Wind Farm (jointly owned with Statoil). Statkraft required a selection of PPE to meet the offshore conditions. Working from these requirements and prior knowledge of safety standards for offshore wind farms, DNOW supplied Statkraft with offshore workwear, safety footwear, Working at Height PPE and equipment and other safety consumables.



# DNOW Supply Chain Sustainability

DNOW is committed to reducing the environmental impact of the shipping and packaging originating from our distribution and fulfillment centers. Our four distribution centers receive wooden pallets of product packed in wooden crates or cardboard boxes every day. While strategies employed to reduce packaging waste at our distribution centers are unique to each location and depend on recycling and waste hauling services available locally, we all share the same goal of actively minimizing packaging waste through programs to recycle and/or reuse cardboard, plastic, metal and wood used in packaging. Our efforts also focus on compacting waste through use of machinery such as a “pre-crusher” in order to reduce the environmental impact and cost of hauling away waste for recycling or disposal.

When possible, we reuse original packaging to ship products to our customers or make custom-sized boxes or crates to minimize the amount of packing material needed to pack the goods being shipped.

Another way to achieve efficiency in use of packaging is aggregation of orders. Our distribution and fulfillment centers seek to aggregate orders as much as possible. For example, some centers accumulate orders and send shipments out to branches on a weekly or monthly basis, while other centers accustomed to receiving and sending out many orders a day to individual branches are exploring opportunities to perform daily aggregation. Aggregation plays an important role in sustainability, as it also helps reduce the environmental impact of transporting products to our branches and customers.



DNOW is certified to ISO 14001 in the UK and in Perth, Australia (DNOW MacLean Electrical) and is working towards certification in Norway and the Netherlands. ISO 14001 is the international standard for designing and implementing an environmental management system developed by the International Organization for Standardization (“ISO”). The certification is significant in that it demonstrates our commitment to managing our environmental responsibilities in a systematic manner and reflects our emphasis on adopting environmental best working practices.

# DNOW Environmental Performance

Our global business includes a network of strategic locations close to our customers' operations. Our distribution and fulfillment centers ensure our customers get products, service and support efficiently.

To mitigate our climate-change physical risks, DNOW can assist in reducing emissions of greenhouse gases in our operations by creating a more efficient supply chain. An efficient supply chain can help reduce the carbon footprint of deliveries to our distribution centers and branches and ultimately, to our customers. The use of our large centralized and regional distribution centers allows us to aggregate products across multiple suppliers and customers, which, in turn, prevents each customer from separately creating duplicative supply chains that require fuel for deliveries and resources to manage.



As a distributor, we perform minimal manufacturing operations. Our energy inputs are primarily electricity for lighting, heating and office and warehouse equipment, natural gas for heating and gasoline for company sales and delivery vehicles. We strive to make our operations more efficient, and in turn, try to work to reduce use of these resources and resulting emissions.





## Emissions Reduction Services & Fuels Management

Fuel Consumption	
Total fuel consumed in on-road equipment and vehicles	441,477 GJ
Percentage of fuel used in on-road equipment and vehicles	100%
Percentage renewable fuel	0%

DNOW’s fuel consumption is comprised of all fuel consumed by vehicles, trucks and other on-road equipment used in our distribution operations. We collect data based on fuel type and vehicle type. Gigajoules (“GJ”) is calculated based on fuel type.

## Energy Management in Retail & Distribution

Energy Consumption	
Total energy consumed	252,200 GJ
Percent grid electricity	35%
Percentage renewable energy	-

DNOW’s energy consumption data is derived from electric and gas utility bills from each location. All locations source their own electric providers, which have their own generation sources. Therefore, electric generation source is not available in the aggregate, and is unknown for 2019. All U.S., Canada and International facilities, including warehouses and distribution centers, track their consumption of electricity and natural gas usage for heating. The energy consumed in Gigajoules (“GJ”) is calculated based on fuel source.



# About This Report

The information included in this report has been subjected to DNOW's policies surrounding the disclosure of financial and non-financial data. The financial information included in this report was sourced from our Annual Report as of December 31, 2019. This financial information and all non-financial data included in this report was not subject to a third-party audit verification process.



## Forward-Looking Statements

Certain information contained in this Sustainability Report may constitute forward-looking statements within the meaning of applicable securities laws, including, but not limited to, statements regarding our plans to: move forward with identified climate change opportunities, foster programs regarding diversity and inclusion and plans to seek opportunities to further integrate sustainability factors into investment decisions. Readers are cautioned not to place undue reliance on forward-looking statements as they are subject to a number of assumptions and known and unknown risks and uncertainties that may cause the actual results, performance or achievements of DNOW to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements contained herein are made as of the date of this document. We also describe risks and uncertainties in our reports filed with the SEC, including our Annual Report on Form 10-K for the year-ended December 31, 2019 (under the headings "Risk Factors" and "Information Regarding Forward-Looking Statements" and elsewhere) and our subsequent reports, which are available through the SEC's EDGAR system at [www.sec.gov](http://www.sec.gov), and on our website at [www.dnow.com](http://www.dnow.com). DNOW assumes no obligation to update or otherwise revise these forward-looking statements, whether as a result of new information, future events, or otherwise.



# 2019 SASB Index

The Sustainability Accounting Standards Board (“SASB”) is an independent, private sector standards-setting organization whose mission is to help businesses around the world identify, manage and report on the sustainability topics that SASB believes matter most to investors. According to the SASB’s Sustainable Industry Classification System®, we determined the two industry standards listed below most accurately reflect our business operations. This index references only the disclosure topics within those two standards that we believe are significant and relevant to our business.

- MULTILINE AND SPECIALTY RETAILERS & DISTRIBUTORS (CODE CG-MR)
- OIL & GAS SERVICES (CODE EM-SV)

Topic	SASB Code	Accounting Metric	Reference
Emissions Reduction Services & Fuels Management	EM-SV-110a.1	Total fuel consumed, percentage renewable, percentage used in: (1) on-road equipment and vehicles and (2) off-road equipment	page 35
	EM-SV-110a.2	Discussion of strategy or plans to address air emissions-related risks, opportunities, and impacts	page 34
Energy Management in Retail & Distribution	CG-MR-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	page 35
Workforce Health & Safety	EM-SV-320a.1	(1) Total recordable incident rate (“TRIR”), (2) fatality rate, (3) near miss frequency rate (“NMFR”), (4) total vehicle incident rate (“TVIR”), and (5) average hours of health, safety, and emergency response training for (a) full-time employees, (b) contract employees, and (c) short-service employees	page 21
	EM-SV-320a.2	Discussion of management systems used to integrate a culture of safety throughout the value chain and product lifecycle	pages 20-21

Topic	SASB Code	Accounting Metric	Reference
Data Security	CG-MR-230a.1	Description of approach to identifying and addressing data security risks	<b>page 27</b>
	CG-MR-230a.2	(1) Number of data breaches, (2) percentage involving personally identifiable information ("PII"), (3) number of customers affected	<b>page 27</b>
Labor Practices	CG-MR-310a.3	Total amount of monetary losses as a result of legal proceedings associated with labor law violations <sup>1</sup>	<b>page 38</b>
Workforce Diversity & Inclusion	CG-ME-330a.1	Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees	<b>page 24</b>
	CG-MR-330a.2	Total amount of monetary losses as a result of legal proceedings associated with employment discrimination <sup>1</sup>	<b>page 38</b>
Business Ethics & Payments Transparency	EM-SV-510a.1	Amount of net revenue in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	<b>page 16</b>
	EM-SV-510a.2	Description of the management system for prevention of corruption and bribery throughout the value chain	<b>page 16</b>
Critical Incident Risk Management	EM-SV-540a.1	Description of management systems used to identify and mitigate catastrophic and tail-end risks	<b>page 13</b>
Product Sourcing, Packaging & Marketing	CG-MR-410a.3	Discussion of strategies to reduce the environmental impact of packaging	<b>page 33</b>
Management of the Legal & Regulatory Environment	EM-SV-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	<b>page 15</b>

<sup>1</sup>Total monetary losses resulting from all legal proceedings, including any which may have resulted from employment discrimination or labor law violations, for the year ending December 31, 2019 were less than \$35k, or .01% of total warehousing, selling & administrative expenses.