

2020 SUSTAINABILITY REPORT

Unlocking Sustainable Value



DISTRIBUTION
NOW

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Message from our President & CEO



David Cherechinsky
President & CEO

Considerable attention has been given to the rise of corporate stewardship and our roles as global citizens in the evolving landscape of sustainability. At DistributionNOW, we acknowledge and embrace this evolving theme, as we demonstrated with our inaugural 2019 Environmental, Social and Governance (“ESG”) Report, **Unlocking Sustainable Value**. This year, for our 2020 report, we continue this important journey by updating and expanding our commentary in our **Unlocking Sustainable Value** ESG report.

Last year was an unprecedented time, not only for our company, but for our industry and the world. Impacts of the COVID-19 pandemic on our global society, public health, economies, our industry and company unraveled throughout the year, and DNOW responded where we could make a difference. Designated as an essential provider, we acted by rolling out guidelines from the Center for Disease Control and Prevention and the World Health Organization to protect our employees and customers. We leveraged technology where possible and implemented social distancing in our operating locations, made mask wearing mandatory, encouraged employee vaccinations, rolled out touchless ordering, expanded our online ordering capabilities and encouraged remote working where possible. We acquired, stocked and distributed millions of line items of personal protective equipment and sanitation products to our

customers and to those in need of help in the battle to contain the spread of COVID-19. Many of our locations around the globe remained open, servicing the energy and industrial economy to ensure continuity of life and to support our economies.

I am equally proud of our employees, who in the face of this global pandemic, helped to minimize the adverse impacts on our business, while taking care of their families and our customers as we pull through this challenge together.

Turning to this year’s report, we continue to strengthen and align our business strategy with our ESG strategy. Our disclosure strategy is built on the Task Force on Climate-Related Financial Disclosures (“TCFD”) framework and continues to leverage the Sustainability Accounting Standards Board’s (“SASB”) business-relevant standards and metrics. Leveraging the TCFD framework allows us to incorporate information on how we identify, manage and mitigate climate-related risks and opportunities that are accelerating and driving the energy transition. Lastly, we reviewed the 17 United Nations Sustainable Development Goals (“UN SDGs”) to identify the goals that could be advanced by DNOW’s ESG commitment.

Our 2020 report reaffirms our commitment toward 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. We acknowledge that we have more work to do, and we embrace the challenge to continue to improve along our journey in the years ahead.

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

David Cherechinsky
President & CEO



We aim for supplier options to support the ESG goals of our customers.

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 and solutions, DNO provides thousands of products to the energy and industrial markets worldwide.

Through our evolving DigitalNOW® platform, customers can leverage world-class technologies across a suite of digital channels and solutions, eCommerce, materials management and cloud-based mobile applications to solve complex operational and supply chain challenges to maximize their returns on assets. We are transforming distribution through reliable, comprehensive solutions that mitigate risk and create unmatched convenience for our customers.

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 beyond North America include Latin America, the North Sea, the Middle East, Asia Pacific and the Former Soviet Union. Products sold through our locations support both greenfield and expansion capital projects, including upstream and midstream infrastructure, as well the maintenance, repair and operating (MRO)

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.

requirements used to run and maintain existing 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.

Industry Ratings

July 2021
#4 DistributionNOW
 The Wholesaler Top
 PVF Distributors (#9 overall rank)



June 2021
#15 NOW Inc.
 MDM Top 40
 Industrial Distributors



June 2021
#49 NOW Inc.
 Houston Chronicle 100:
 Largest Companies



May 2021
#5 DistributionNOW
 Supply House Times
 Premier 150



September 2020
#10 NOW Inc.
 Industrial Distribution
 Big 50



November 2020
#10 DistributionNOW
 SourceToday Top 50 Industrial
 Distributors



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.

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

DigitalNOW Ecosystem

 eCommerce	 eSpec Product Configurator
 eTrack Asset Management	 Mercury Valve Management

Point of Sale Convenience

 AccessNOW Vending	 Mobile Consignment App
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Solutions

 Digital Solutions & Technology	 Supply Chain & Material Management
 Engineering Design & Fabrication	 Valve Actuation & Automation
 Safety Services, Turnarounds & Shutdown Support	 Construction Services

Our Guiding Principles

Integrity

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

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.

Safety

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

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

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 innovate, develop and uncover 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 understand that these factors must be monitored, and solutions must be integrated as our customers may put an increased priority on purchasing products that are sourced from companies which value transparency, due diligence and reporting on ESG factors and are taking strides to help reduce climate change risk. We have created a strategy to unlock value by combining our geographical footprint, highly skilled employees, strategic inventory positioning, relationships with key domestic and international 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 Strategy to Unlock Sustainable Value



Deliver Margin



Optimize Operations



Drive Growth Through Acquisitions



Maximize Working Capital Velocity

Environment

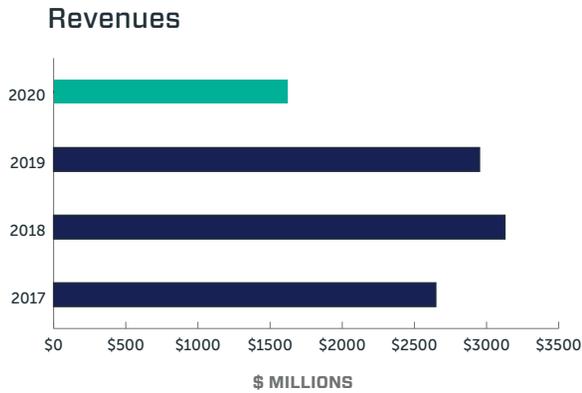
We are committed to working to minimize our impact on the environment through energy management, conservation initiatives, responsible water conservation and recycling, where applicable.

Social

We strive to invest in our employees, our communities and the industries in which we operate. We engage and support many organizations and groups in the communities where we operate globally.

Governance

We are committed to and recognize the importance of good corporate governance and high ethical standards. Our Code of Business and Ethical Standards enhances our relationships with key stakeholders, including our people, customers, suppliers, other partners, shareholders and local communities across the world.



Our strategy aims to drive profitable growth across our end markets that we serve in a sustainable way. 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 toward a more centralized fulfillment model, combined with our disruptive digital solutions and streamlined supplier options, we innovate and partner with suppliers to support the ESG goals of our customers. Throughout these efforts, we have aligned our fundamental business strategy and ESG building blocks as shown to the right.

DNOW Business Strategy		
Distribute products to both the full energy value chain and industrial sectors		
Become a preferred supplier to customers through increased efficiency of supply chain and materials management solutions		
Diversify customer base through more balanced energy end-markets, including renewable energy, carbon capture, utilization and storage (“CCUS”), mining, and municipal water		
Invest in digitalization, such as DigitalNOW®, to disrupt the market by transitioning products through an evolving digital and more efficient infrastructure		
Increase efficiency and productivity through structural transformation		
Continue to drive growth through acquisitions		
Our ESG Focus Areas Advance the Achievement of Our Business Strategy		
Environmental	Social	Governance
Emissions Reduction Services & Fuels Management	Workforce Diversity & Inclusion	Business Ethics & Payments Transparency
Energy Management in Retail & Distribution		
Opportunities for Enabling Customer Sustainability	Workforce Health & Safety	Management of the Legal & Regulatory Environment
Opportunities for Serving Renewable Energy Markets	Data Security	

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, including CCUS;
- Serving Renewable Energy and Hydrogen Markets; and
- Focusing on DNOW Supply Chain Sustainability.

Details about these opportunities can be found in our Environmental section beginning on [page 32](#).

Unlocking Value in the Energy Transition

DNOW continues to serve the traditional energy market and as industries transition to a lower carbon ecosystem they present new opportunities in evolving markets.



Carbon capture, utilization, and storage



Renewable energy



Hydrogen

Our Sustainability Reporting Framework

In support of our ESG efforts, we align and engage with leading sustainability organizations and industry peers, which enable us to remain actively involved in discussions aimed at advancing our sustainability impact. Our engagement with these organizations enables us to increase our ESG awareness and enhance our reporting and protocols in line with evolving best practices:

Task Force on Climate-Related Financial Disclosures

In 2019, we began to align with the general approach and guidance laid out by the Task Force on Climate-Related Financial Disclosures (“TCFD”). The purpose of the TCFD is to provide better information to support informed decision-making regarding capital allocation. Beginning with governance and followed by strategy, risk management and specific metrics, the framework and disclosures recommended by the TCFD align with our existing business processes. As a part of our ESG journey, we have begun incorporating climate-related risks and opportunities as they are identified and categorized into Transitional, Physical and Regulatory risks.

Sustainability Accounting Standards Board

This report follows the guidance of the Sustainability Accounting Standards Board (“SASB”) and the recommended disclosure topics for the Multiline Specialty Retailers & Distributors and the Oil and Gas Services standards. The SASB standards provide a standardized, common reporting approach that yields decision-useful metrics, helps us track progress and enables comparability for our investors and other stakeholders.

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

When evaluating our disclosures in relation to the SASB standards, users in some cases will need to normalize the data to make meaningful comparisons. As such, we have included certain activity metrics to aid users in their evaluation. We refer readers to our SASB Index on [page 41](#), which highlights our responses to the suggested SASB Accounting Metrics and includes the appropriate activity metrics to assess our disclosed data in a meaningful context.

United Nations Sustainable Development Goals

DNOW is a global company that strives to set strong environmental and social standards where we live and operate. In addition to identifying the SASB metrics relevant to our business operations, we considered our alignment with the 17 United Nations Sustainable Development Goals (“UN SDGs”) when assessing our overall sustainability risks and opportunities. The UN SDGs are a global set of goals, targets and indicators developed by the United Nations to guide countries, communities and organizations in their work to create a more sustainable future. These goals are intended to address all aspects of sustainable development spanning a wide range of environmental and social initiatives. DNOW is committed to investing in a sustainable future, and we know our actions and initiatives implemented throughout the year will contribute to a better tomorrow. We have aligned the UN SDGs most relevant to our priority issues in our 2020 SASB index, and we are identifying opportunities where our improvement can contribute to the advancement of the UN SDGs.

The UN SDGs relevant to DNOW include the following:



The ESG disclosures throughout this report are for the years ended 2020 and 2019, unless otherwise noted, and include our three reportable segments: United States (“U.S.”), Canada and International, unless otherwise noted.

SUSTAINABLE DEVELOPMENT GOALS



We hold ourselves accountable to play a transparent role in sustainable development.



Proper and effective
management of ESG matters
is important to our success.

Governance



We instill robust risk management systems to protect our employees, community and planet.



Integrity and ethics are integrated and transparent throughout our business operations.

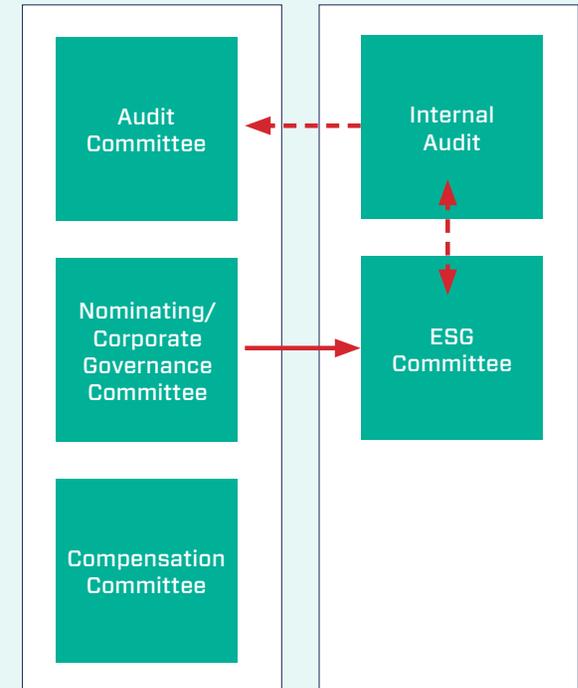
Corporate Governance Oversight

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, including risks related to climate change and other ESG related matters.

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, social, legal and compliance related factors and implications. During this process, we continue 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. DNOW recognizes that ESG objectives have a significant impact to DNOW’s core business strategy, and we drive for innovative ways to increase engagement while contributing to the environmental and safety objectives of our customers.

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.

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 senior management and other DNOW leaders. The Audit department advises our Board and management on both the corporate-wide identification of both non-operational 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, management and mitigation of these top risks. This commitment extends directly to our Chief Executive Officer in his annual goals and objectives set and approved annually by the Compensation Committee of the Board. Beginning in 2021, these goals and objectives are linked to ESG topics such as expansion of end-market diversification and implementation of a platform for increased diversity, equity and inclusion, among other goals. 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. On at least a quarterly basis, the Board of Directors also receives specific environmental and human capital data for review, analysis and discussion with management. The Board of Directors not only provides oversight in these areas, but also provides input and assists with business strategies to improve our operations.

ESG Committee

We formed an ESG Committee in 2019 to oversee the identification, measurement and disclosure of sustainability performance data most relevant to our operations. 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 - Digital Strategy and Investor Relations, Chief Administrative and Information Officer, Senior Vice President - Energy Centers, and General Counsel. Meeting at least quarterly, this group facilitates collaboration across divisions and departments to increase understanding of consistent issues.

With the oversight of the Nominating/Corporate Governance Committee of the Board of Directors, the ESG Committee ensures that the relevant sustainability metrics and disclosures align with our strategic plan and that the results are communicated to stakeholders. The ESG Committee coordinates with Internal Audit through the Audit Committee of the Board of Directors to ensure that the disclosure of matters in financial statements and reports related to ESG are truthful and accurate. 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 shift has the potential to impact our business from many directions, including the demand to diversify the energy supply with renewable energy and the increased expectation of cleaner burning energy sources. 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 capture and 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. Change in political controls, both domestic and internationally, have the potential to impact our business with the potential for reduced emission targets and global climate change regulations on the oil and gas industry. Should environmental laws and

regulations (or their interpretation or enforcement) become more stringent our associated costs or the costs of our customers, could increase.

Our Board and senior 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, climate, regulatory, 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 emissions. In light of expected future changes to the geopolitical climate, as well as external stakeholder positions, we are evolving as a business taking into account certain business decisions which will help limit the environmental impact in the way we do business. 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 2020 Form 10-K, which is available as a public filing.

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, as well as direction and input from our stakeholders. 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.

Our Anti-Corruption & Anti-Bribery Policy includes measures, controls and guidance to identify and assess risks, applicable 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 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 the years ended 2020 and 2019 approximately 0.07% and 0.19% of our revenue, respectively, was derived from products sold directly to countries that have the 20 lowest rankings according to the TICPI for the applicable years.

We established a Third Party Representative Committee in 2020 consisting of internal senior management from finance, internal audit, legal, compliance, operations and sales personnel to consistently review agent relationships and limited scope opportunities to ensure that we have a balanced review approach in reviewing and authorizing future business opportunities.

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 program:

- 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
- Corporate Compliance Statements
 - UK Modern Slavery Act Transparency Statement
 - UK Tax Strategy Statement
 - Human Rights Policy
 - Forced Labor Statement

Training

- Annual DNOW Code of Conduct and Ethical Standards training course which provides interactive scenario-based case studies that allow the employee to better understand acceptable actions to be taken in response to these challenges.
- Anti-Bribery and Anti-Corruption training and certification featuring case studies and scenarios that provide employees with opportunities to experience what the environment may look like including the need to make an ethical decision to eliminate risk to DNOW and comply with ACAB laws in all countries where DNOW conducts business.
 - Acknowledgment and acceptance of our Anti-Bribery & Anti-Corruption policy annually by agents and logistics services providers.
- Trade Compliance Due Diligence Course includes guidance that allows DNOW employees, managers and officers to identify red flags, boycott language and sanctioned or embargoed end users or destinations and emphasizes the importance to report such due diligence risks to the proper Compliance representatives internally.

Each year DNOW employees are required to complete training on current industry topics, social issues, and compliance on harassment and discrimination in the workplace.



Board Composition

The Nominating/Corporate Governance Committee has the responsibility of identifying candidates for election as directors, reviewing background information relating to candidates for director and recommending to the Board of Directors nominees for directors to be submitted to stockholders for election. It is the policy of the Committee to consider director candidates recommended by stockholders. Nominees to be evaluated by the Nominating/Corporate Governance Committee are selected by the Committee from candidates recommended by multiple sources, including other directors, management, stockholders and candidates identified by independent search firms (which may be paid for their services), all of whom will be evaluated based on the same criteria.

The Board of Directors believes that nominees should reflect the following characteristics:

- have a reputation for integrity, honesty, candor, fairness and discretion;
- be knowledgeable, or willing to become so quickly, in the critical aspects of our business and operations;
- be experienced and skillful in serving as a competent overseer of, and trusted advisor to, the senior management of at least one substantial enterprise; and
- have a range of talent, skill and expertise sufficient to provide sound and prudent guidance with respect to the full scope of our operations and interests.

The Nominating/Corporate Governance Committee reviews Board composition annually to ensure that the Board reflects the knowledge, experience, skills, expertise and diversity required for the Board to fulfill its duties.

Board Diversity

The Board considers diversity in identifying nominees for director. The Board seeks to achieve a mix of directors that represent a diversity of background and experience, including with respect to gender and race. The Board considers diversity in a variety of different ways and in a fairly expansive manner. The Board not only considers diversity concepts such as race and gender, but also diversity in the sense of differences in viewpoint, professional experience, education, skill and other qualities and attributes that contribute to heterogeneity. Also considered as part of the diversity analysis is whether the individual has work experience in our industry or in the broader energy or industrial markets. We believe the Board can benefit from different viewpoints and experiences by having a mix of members of the Board who have experience in our industry and those who may not have such experience.

Although we do not have a formal diversity policy in place for the director nomination process, the 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 DNOW to add an additional new director to the Board, the Nominating/Corporate Governance Committee will 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 by searching in traditional corporate environments, as well as government, academia and non-profit organizations. Accordingly, the Nominating/Corporate Governance Committee will include candidates reflecting ethnic and gender diversity as part of the candidate search criteria.

Furthermore, DNOW acknowledges that the current policies of several of its key stakeholders require a minimum number of female Board members. 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, dnow.com.

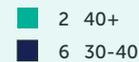
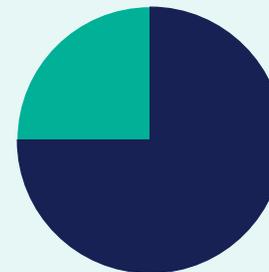
Governance Highlights

- Majority voting to elect board members
- Annual say on pay voting
- 1 of 8 Directors female¹
- Independent Chairman of the Board
- Independent committee chairs and members
- Stock Ownership Guidelines for Executive Officers and Directors
- Clawback policy to recover executive compensation
- Annual Board and committee self-evaluations and assessments
- Board engagement with Chief Executive Officer over management succession planning
- Declassified Board resolution passed in 2020 with one-year director terms beginning with directors whose terms expire in 2021
- Directors meet in executive sessions without management present

¹As of 8/11/2021, 2 of the 8 directors are female and 1 member is of an ethnically diverse background.

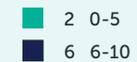
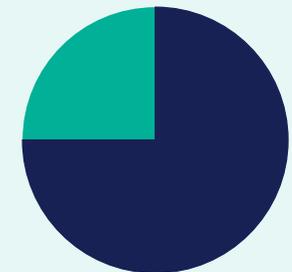
Core Industry Experience

(in years)

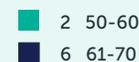
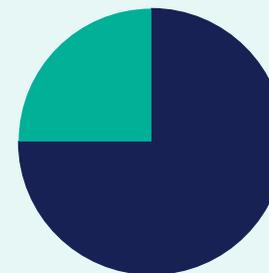


Director Tenure

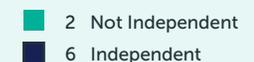
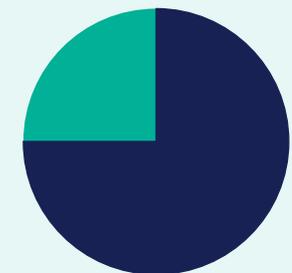
(in years)



Age



Independent Directors



*Numbers shown above are as of the year ended December 31, 2020.



Safety is the center
of our actions.

Social

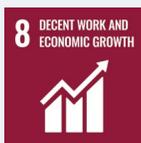
SUSTAINABLE DEVELOPMENT GOALS



We are responsible for the health and safety of our employees across the world.



We track our progress in advancing gender in all positions throughout our organization.



We invest in our employees and support their professional fulfillment.

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.

120,000 Hand Sanitizers*

During 2020, we helped Phillips 66 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.



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 where possible to minimize the number of employees at locations during working hours. We have also been able to leverage existing technology to increase reliance on video and teleconferencing for connecting co-workers, customers and vendors.

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 U.S. Process Solutions division was part of the group supplying 3D printed face masks and shields to medical facilities around the state.

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.

Workforce Health & Safety

At DNOW, safety is at the center of our actions. Simply put, we act with a high 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, which consists of our HSE Policy Statement, HSE guiding principles, corporate policies and procedures and our business level HSE policies and procedures.

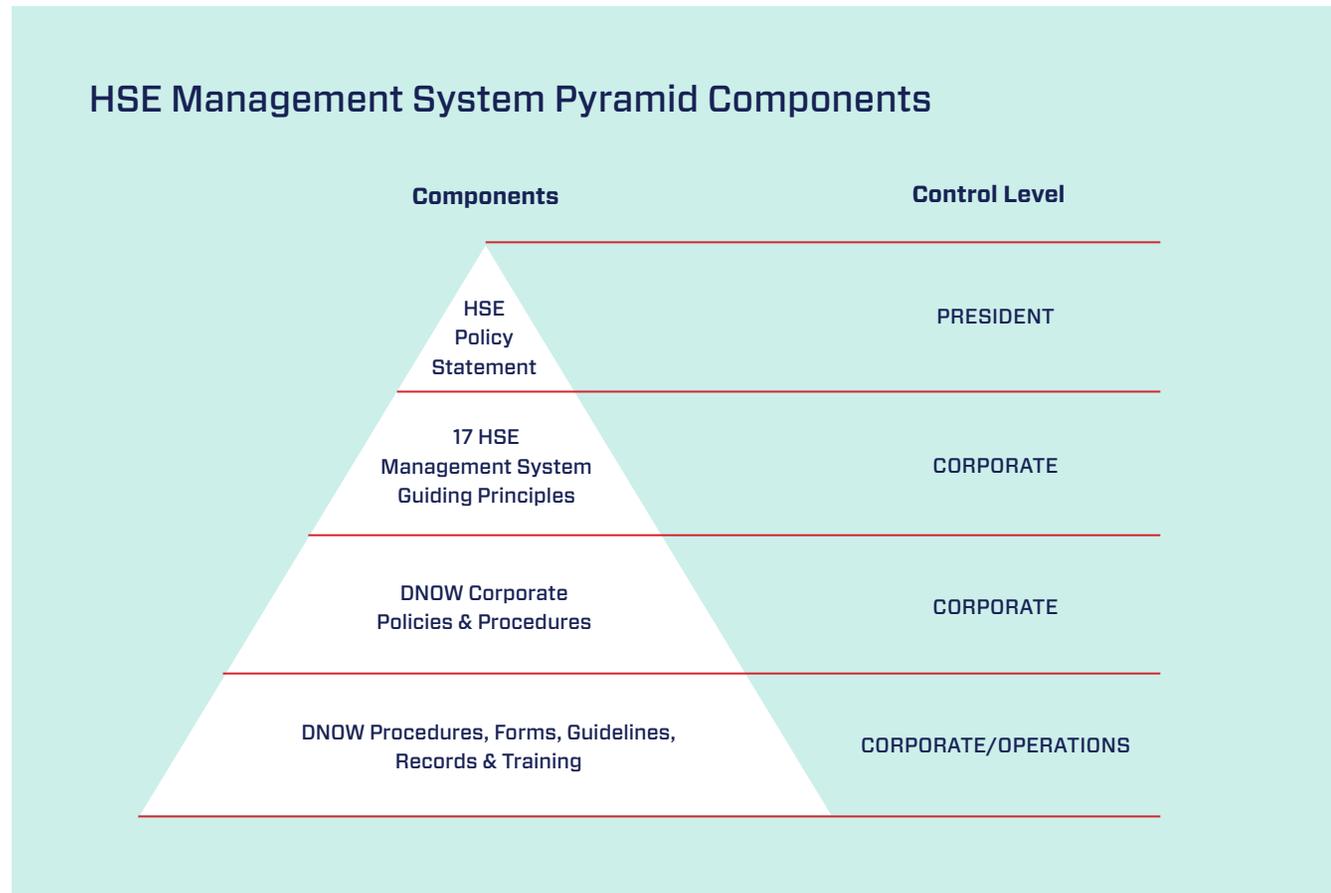
Our HSE Policy Statement sets the tone. A one-page, top-level document, expressly approved by our senior operations management team, the HSE Policy Statement outlines our corporate HSE expectations for all employees, vendors, customers, contractors, subcontractors and third parties and establishes the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

Our 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 also applied globally to all of our business units.

Our Procedures, Forms, Guidelines, Records and Training include any HSE management system controls, documents and procedures created intentionally for or by a business group or location. These are very specific in scope and are controlled and updated by the business group.





Total Incident Rates	2020	2019	2018	2017
Total Recordable Incident Rate ("TRIR") ¹	0.91	1.51	1.34	1.57
Fatality rate	0	0	0	0
Total Vehicle Incident Rate ("TVIR") ²	0.59	1.08	0.80	0.76

¹TRIR, per 200,000 hours worked

²TVIR, per 1,000,000 miles driven

Our TRIR rates for the years 2017 through 2020 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 2.2, 2.5 and 2.3 for 2019, 2018 and 2017, respectively (rates for 2020 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 required by the employee's job title and responsibilities and site-specific HSE training provided by their location. All DNOW branch-level 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 2020, we launched a new HSE training catalog for all employees globally. We expect this set of tools to standardize training opportunities.

In order to ensure our employees are receiving the right training regularly and remaining current on safety procedures, Corporate HSE utilizes an employee management system to provide our employees access to an extensive library of training topics and track training hours completed. These computer-based trainings are also utilized as corrective actions and assigned by managers, HSE and Human Resources 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 our 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. Due to the impacts of the COVID-19 pandemic, our employee survey was postponed to February 2021, with approximately 81% of our employees providing responses to the survey.

Training

The skills, knowledge and capabilities of our employees 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. Our Learning Management System contains our internal library of e-learning training content, courses, resources, webinars and instructor-led training, 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 training designed to meet the 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 SCMDP 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.

Despite the effects of the COVID-19 pandemic, we were able to continue to offer training and development opportunities to our employees remotely by leveraging our learning management system to offer training virtually. During 2020, we also added a number of training programs, such as our Inside Sales Training Program and Accelerated Sales Training Program, to help employees to further develop targeted skill sets. These multi-week webinar-based training

programs enable our sales team members to increase their virtual selling skills and learn how to apply cutting edge sales techniques to help win sales and build stronger customer relationships.

Recognizing Employees

The 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 by awarding employees a CP1 Brick to showcase their commitment to building stellar customer service “one brick at a time.” During 2020 and 2019, 213 and 237 bricks, respectively, were awarded to employees who

exhibit acts and efforts which exemplify the CP1 culture and mentality.

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 2020 and 2019, 401 and 577 employees were honored with a Milestone Service Award, respectively.



Customer Priority 1

DNOW’s Customer Priority 1 is a global initiative having 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

401

employees were honored with a Milestone Service Award

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 an approved manufacturer and supplier of quality products and services to DNOW.

We have shared the diversity data for our U.S. workforce on the [next 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.



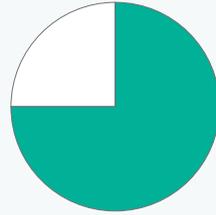
2020 Gender Representation

Members of Management
(As of the year ended December 31, 2020)



31% Female
69% Male

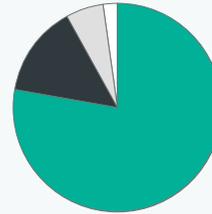
All Other Employees
(As of the year ended December 31, 2020)



25% Female
75% Male

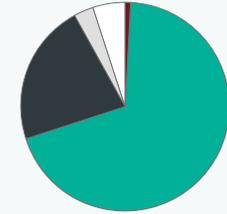
2020 Racial/Ethnic Group Representation

Members of Management
(As of the year ended December 31, 2020)



2% Black or African American
6% Asian or Pacific Islander
14% Hispanic
78% White
0% Two or More Races/Other
0% Race Not Disclosed

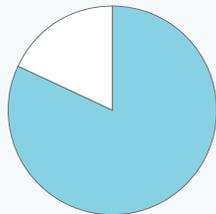
All Other Employees
(As of the year ended December 31, 2020)



5% Black or African American
3% Asian or Pacific Islander
22% Hispanic
69% White
1% Two or More Races/Other
0% Race Not Disclosed

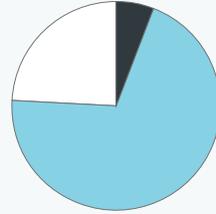
2019 Gender Representation

Members of Management
(As of the year ended December 31, 2019)



18% Female
82% Male
0% Gender Not Disclosed

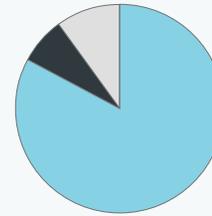
All Other Employees
(As of the year ended December 31, 2019)



24% Female
70% Male
6% Gender Not Disclosed

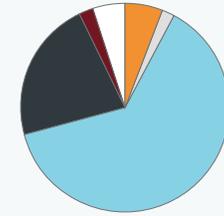
2019 Racial/Ethnic Group Representation

Members of Management
(As of the year ended December 31, 2019)



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

All Other Employees
(As of the year ended December 31, 2019)



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

Gender Representation and Racial/Ethnic Group Representation data is for U.S. 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 the communities we serve while also strengthening coworker relationships.

During 2020, the global pandemic shut down many businesses, schools and community centers. Many charity events, such as our annual DNOW and Odessa Pumps Golf Tournaments, were canceled in order to keep volunteers and participants safe. Similarly, opportunities to volunteer with nonprofits were restricted. We encouraged our employees to take care of themselves and their families and look for opportunities to help as they were able.



Rolling Out Global DNOW Lights Program

In 2017, our 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. Recognizing the success of Calgary's DNOW Lights program and the growing need for assistance in our communities, we have begun efforts to roll out a global DNOW Lights program designed to support and represent the consolidated and strategic philanthropic efforts of DNOW and our employees around the world. The purpose and intent of DNOW Lights is to give back to our communities, to help those less fortunate and to leverage our organizational influence to make our world a better one. We expect to expand the DNOW Lights program to other geographies during the third quarter of 2021.

Calgary Supply Drives

We are proud of the grassroots efforts of our employees to identify and respond to the needs of their local communities in 2020. Despite the challenges imposed by the COVID-19 pandemic, employees at our Calgary head office coordinated various supply drives to benefit organizations such as the following:

- Basically Babies
- Inn from the Cold
- Wood Buffalo Food Bank
- Ronald McDonald House
- Edmonton Food Bank
- Hockey Day
- Calgary Humane Society
- Christmas Bureau of Edmonton

DNOW: A History of Involvement

Over the years, the employees of DNOW have contributed time, talent and resources to a variety of local charities and organizations including the following:



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.

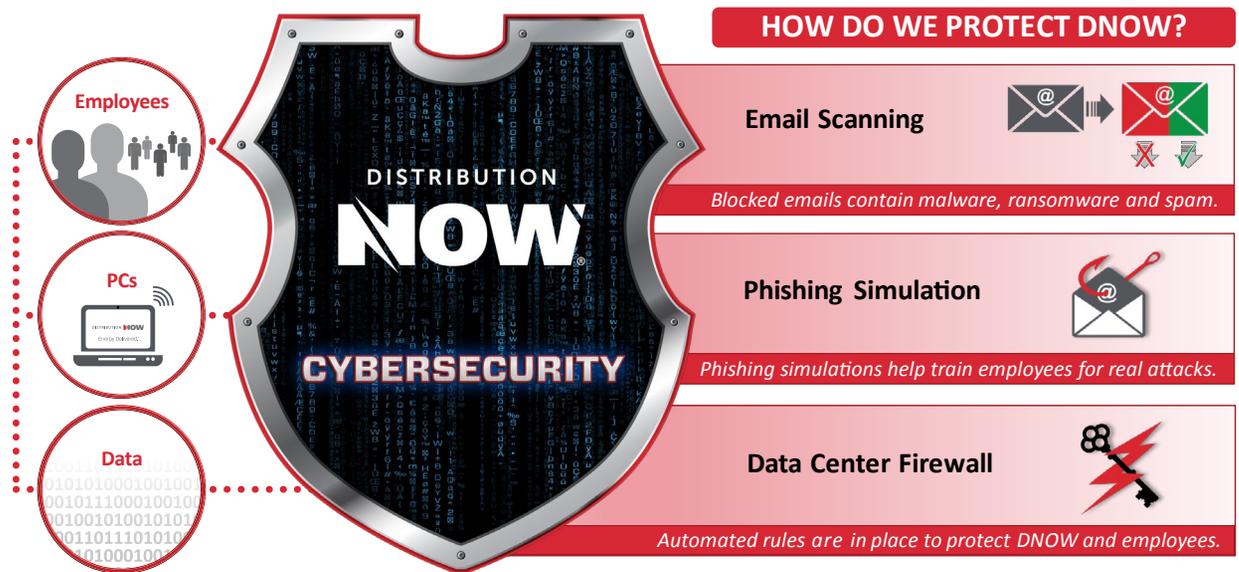
In order to reduce information system vulnerability and protect critical data, we continuously evaluate security risks utilizing knowledge assembled from a variety of sources, including in-house experience, data security law enforcement task force notifications and information technology consultants. 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 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.

DNOW did not experience a reportable data breach in either 2020 or 2019. We have defined incident management and event monitoring procedures to continuously address threats to our information systems and we follow a structured plan for reporting issues of concern based on incident severity levels defined with applicable reporting steps and workflows in the event of a security incident.





We help companies minimize their environmental impact through the efficient and sustainable distribution of products.

Environmental



We supply products, services and solutions that help deliver affordable and clean energy, in a safe, responsible manner worldwide.



As a global distribution company, we believe in the importance of measuring the impact of the energy we consume.

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 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.

Three categories of climate risk:

1 Transition to a low-carbon resilient economy (“Transitional”)

Risks and opportunities that relate to changing market forces and consumer preferences. Transitional risks reside in how the industry must adapt or exploit business activities and investments to mitigate carbon emissions.

2 Physical effects

Risks that impact the physical environment include acute (or event-related) and chronic (or progressive) risks caused by the effects of carbon emissions into the atmosphere. Examples of physical risks include extreme weather events such as droughts, floods and destructive storms, as well as changes in weather patterns.

3 Regulatory

Risks resulting from legal, regulatory, policy and liability action associated with climate change.

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 and services that contain and control the movement of gases and fluids. We sell products that are designed by manufacturers, and we assemble and fabricate process, production and measurement equipment to measure, detect, prevent and minimize leaks and emissions of hydrocarbons. We also offer product lines that further aid in the mitigation of environmental impact, such as sourced 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 that environmentally dispose of produced water; and pipe produced in sustainable ways through the use of wind power, recycled water and wood pellet inputs.

During 2020, we worked with a major international oil and gas operator on a project in the U.S. to increase the life cycle of downhole tubing, extending the well string life by reducing the frequency of tubing failures. Through enhanced wear and corrosion resistance, the solution reduces workovers that can be performed less frequently and reduces waste for the operator.

DNOW Products to Mitigate GHG Emissions

Product or Service	Environmental Benefit
Pump and Compressor Energy Audits	Increases energy efficiency and reduces emissions
Vapor Recovery Units	Captures 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 and spills
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 VOCs
Low-E Rated Valves	Fugitive emissions mitigation
API 5L Steel Pipe	Produced from a high percentage of recycled steel scrap, utilizing efficient EAF (Electric Arc Furnace) technology

Helping Companies Address Greenhouse Gases

Our customers are investing in technology and projects that seek to reduce the emission of greenhouse gases to the atmosphere. This includes, but is not limited to, capturing and reducing methane emissions, reducing or eliminating the flaring of natural gas and VOCs and capturing CO₂ emitted from a variety of industrial processes.

Investment in the carbon capture, utilization and storage (“CCUS”) market is growing. Many current and target DNOW customers are engaged in conceptual and funded CCUS projects. These projects are advancing the phases of carbon capture, separation, compression and liquefaction, transportation, storage and utilization. It is clear that CCUS will continue to play an enormous role in the transition to a low-carbon economy and because of this, we expect the end market will grow to include “pure play” CCUS companies, organized with the sole purpose of developing and deploying innovative CCUS technologies.

As our customers’ projects advance through the funding cycle and new CCUS innovators emerge, DNOW is positioned to provide value with many of our current product lines to this growing end-market, including pipe, valves, fittings, flanges, electrical, PPE, pump packages and rotating equipment, and fabricated process and production equipment. We are proud to supply products that will enable our customers and emerging industry leaders to solve the environmental challenges of today and tomorrow.

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	Allows the movement of 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 liquids
Leak Detection	Helps prevent loss of containment of produced water or fresh water for proper use or treatment
Sealing Technologies	Used on a variety of rotating equipment to prevent loss of containment of produced or fresh water

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 energy transition and 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.

As our customers begin to invest in projects to drive the energy transition, we are positioned to have conversations about how DNOW can support them. Many of these companies are current customers that acquire a broad range of products or utilize our supply chain services, and as they invest in energy transition projects, we will seek to capitalize on that opportunity and assist them in improving their sustainability goals.

PVF for Red Rock Biofuels Plant

In Lakeview, Oregon, the Red Rock Biofuels plant will annually convert approximately 166,000 dry tons of waste woody biomass into 16.1 million gallons of low carbon, renewable jet and diesel fuels. DNOW provided pipe, valves and fittings to the company contracted to construct the plant.

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 management inventory (“VMI”) services to a customer that manufactures biofuels and renewable chemical products from non-recyclable waste.

Power Service at Blundell Geothermal Plant

The Blundell Geothermal Plant creates steam from water that is heated by magma at depths reaching as far as 20,000 feet below the Earth’s surface. The plant is located on Roosevelt Hot Springs, a known geothermal resource area near Milford, Utah. DNOW Power Service’s team based in Salt Lake City, partners with this plant in servicing their rotating equipment and recently aided in the troubleshooting and process improvement of their condensate pumping systems to make the plant operate at a higher capacity and more efficiently.

Our International operations support offshore wind farm development, supplying key product lines during the fabrication phase as follows:

Electrical:

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

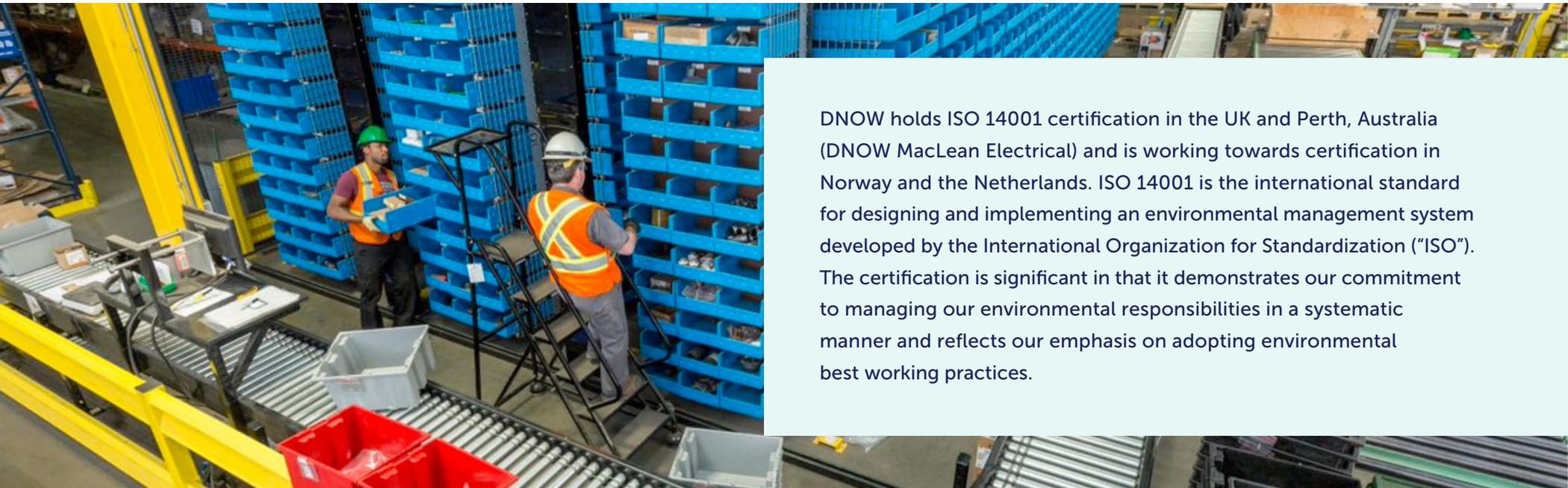
Once an offshore wind farm field has been installed, we continue our support with key product offerings for the technicians to carry out their work safely and efficiently, with the correct tools to complete the required job.

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 domestic 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 holds ISO 14001 certification in the UK and 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, office and warehouse equipment, natural gas for heating and fuels 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. In 2020, we are reporting our energy consumption data and our Scope 1 and Scope 2 emissions per the Greenhouse Gas Protocol.

"Scope 1" emissions are defined as direct GHG emissions from sources that are owned or controlled by a company. Indirect emissions from consumption of purchased electricity, heat, or steam are referred to as "Scope 2" and all other indirect emissions constitute "Scope 3." Indirect GHG emissions are a *consequence* of the operations of a company but occur at sources owned or controlled by another company. Both Scope 1 and Scope 2 emissions are reported in metric tons of carbon dioxide equivalent ("MT CO₂e").

Global GHG Emissions in MT CO ₂ e	2020	2019
Scope 1 Emissions (Equipment & Vehicle Fuel + Natural Gas)	24,600	37,602
Scope 2 Emissions (Electricity consumed)	10,219	12,969
Total GHG Emissions	34,819	50,571

Emissions Reduction Services & Fuels Management

DNOW’s fuel consumption is mostly comprised of 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. Both gigajoules (“GJ”) and CO₂e are calculated from emissions factors based on fuel type and country.¹

Fuel Consumption	2020	2019
Total fuel consumed by equipment and vehicles (GJ)	286,931	441,477
Total GHG emissions from equipment and vehicles (MT CO ₂ e)	20,444	29,253
Percentage of fuel used in on-road equipment and vehicles	99.7%	100%
Percentage renewable fuel	0%	0%

¹CO₂e emission factors based on country and fuel type source; The Climate Registry and the U.S. Environmental Protection Agency’s Emissions & Generation Resource Integrated Database (eGRID) publication.

Energy Management in Retail & Distribution

DNOW’s energy consumption data is derived from electric and gas utility bills from each location. Most locations source their own electric providers, which have their own generation sources. The majority of DNOW U.S., Canada and International facilities, including warehouses and distribution centers, track their consumption of electricity and natural gas. Because the natural gas consumed by our operations is combusted onsite to heat the buildings, we are including the calculated emissions as Scope 1.

Energy Consumption	2020		2019	
	GJ	MT CO ₂ e	GJ	MT CO ₂ e
Electricity consumed	71,026	10,219	87,130	12,969
Natural gas consumed	82,081	4,156	165,070	8,349
Total energy consumed	153,107	—	252,200	—
Percent grid electricity (%)	46%		35%	

About This Report

The information included in this report is subject to DNOW's policies and requirements surrounding the disclosure of financial and non-financial data. The financial information included in this report was sourced from our Form 10-K filed with the SEC on February 17, 2021. 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 Form 10-K for the year-ended December 31, 2020 (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, and on our website at 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.

2020 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.

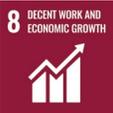
- MULTILINE AND SPECIALTY RETAILERS & DISTRIBUTORS (CODE CG-MR)
- OIL & GAS SERVICES (CODE EM-SV)

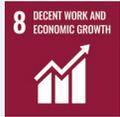
SUSTAINABLE DEVELOPMENT GOALS



We hold ourselves accountable to play a transparent role in sustainable development.

Code	Accounting Metric	Unit of Measure	2020 Response	2019 Response	SDG ¹
Greenhouse Gas Emissions					
EM-SV-110a.1	Total fuel consumed	Gigajoules (GJ)	286,931	441,477	
		Metric tons carbon dioxide equivalent (MT CO ₂ e)	20,444	29,253	
	Percentage renewable	Percentage (%)	0%	0%	
	Percentage used in on-road equipment and vehicles	Percentage (%)	99.7%	100%	
	Percentage used in off-road equipment	Percentage (%)	0.3%	0%	
EM-SV-110a.2	Discussion of strategy or plans to address air emissions-related risks, opportunities and impacts	n/a	Pages 33-39	See 2019 report	

Code	Accounting Metric	Unit of Measure	2020 Response	2019 Response	SDG ¹
Energy Management					
CG-MR-130a.1	Total electricity consumed	Gigajoules (GJ)	71,026	87,130	 
	Total electricity consumed	Metric tons carbon dioxide equivalent (MT CO ₂ e)	10,219	12,969	
	Total natural gas consumed	Gigajoules (GJ)	82,081	165,070	
	Total natural gas consumed	Metric tons carbon dioxide equivalent (MT CO ₂ e)	4,156	8,349	
	Total energy consumed	Gigajoules (GJ)	153,107	252,200	
	Percentage energy consumed that is grid electricity	Percentage (%)	46%	35%	
Employee Health & Safety					
EM-SV-320a.1	Total recordable incident rate (TRIR)	Rate	0.91	1.51	 
	Fatality rate	Rate	0.00	0.00	
	Total vehicle incident rate (TVIR)	Rate	0.59	1.08	
	Average hours of health, safety and emergency response training for (a) full-time employees, (b) contract employees and (c) short-service employees	Hours	Not available	Not available	
EM-SV-320a.2	Description of management systems used to integrate a culture of safety throughout the value chain and project lifecycle	n/a	Pages 23-24	See 2019 report	

Code	Accounting Metric	Unit of Measure	2020 Response	2019 Response	SDG ¹
Data Security					
CG-MR-230a.1	Description of approach to identifying and addressing data security risks	n/a	Page 31	See 2019 report	
	Number of data breaches	Number	0	0	
	Percentage involving personally identifiable information	Percentage (%)	0%	0%	
CG-MR-230a.2	Number of customers affected	Number	0	0	
Labor Practices					
CG-MR-310a.3	Total amount of monetary losses as a result of legal proceedings associated with labor law violations	Dollars (\$)	See Footnote 2	See Footnote 2	
Employee Engagement, Diversity & Inclusion					
CG-MR-330a.1	Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees	Percentage (%)	Page 28	See 2019 report	
CG-MR-330a.2	Total amount of monetary losses as a result of legal proceedings associated with employment discrimination	Dollars (\$)	See Footnote 2	See Footnote 2	

Code	Accounting Metric	Unit of Measure	2020 Response	2019 Response	SDG ¹
Business Ethics					
EM-SV-510a.1	Amount of net revenue in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Percentage (%) of Total Revenues	0.07%	0.19%	
EM-SV-510a.2	Description of the management system for prevention of corruption and bribery throughout the value chain	n/a	Pages 17-18	See 2019 report	
Critical Incident Risk Management					
EM-SV-540a.1	Description of management systems used to identify and mitigate catastrophic and tail-end risks	n/a	Pages 13-14	See 2019 report	
Product Design & Lifecycle Management					
CG-MR-410a.1	Revenue from products third-party certified to environmental and/or social sustainability standards	Dollars (\$)	Not available	Not available	
CG-MR-410a.3	Discussion of strategies to reduce the environmental impact of packaging	n/a	Page 37	See 2019 report	
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	n/a	Pages 15-16	See 2019 report	

¹DNOW has aligned the following UN SDGs to our priority sustainability issues, including 3 – Good Health and Well-Being, 5 – Gender Equality, 7 – Affordable and Clean Energy, 8 – Decent Work & Economic Growth, 13 – Climate Action, 16 – Peace, Justice and Strong Institutions and 17 – Partnerships for the Goals.

²Total monetary losses resulting from legal proceedings related to claims which contained allegations of employment discrimination or labor law violations for the year ending December 31, 2020 were less than \$287k, or 0.07% of total warehousing, selling and administrative expenses.

Code	Accounting Metric	Unit of Measure	2020 Response	2019 Response
CG-MR-000.A	Number of retail locations	Number	188	238
	Number of distribution centers	Number	6	7
CG-MR-000.B	Total area of retail space	Square meters (m ²)	3,288,389	Not available
	Total area of distribution center	Square meters (m ²)	613,700	693,062