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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION****Washington, D.C. 20549****FORM 10-K**☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-00255

**GRAYBAR ELECTRIC COMPANY, INC.***(Exact name of registrant as specified in its charter)***New York***(State or other jurisdiction of incorporation or organization)***13-0794380***(I.R.S. Employer Identification No.)***34 North Meramec Avenue, St. Louis, Missouri***(Address of principal executive offices)***63105***(Zip Code)***(314) 573 - 9200***(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

**None**

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

N/A

N/A

N/A

Securities registered pursuant to Section 12(g) of the Act:

**Common Stock - Par Value \$1.00 Per Share with a  
Stated Value of \$20.00**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES ☐NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES ☐NO ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES ☒NO ☐

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

Large accelerated filer ☐Non-accelerated filer ☒Accelerated filer ☐Smaller reporting company ☐Emerging growth company ☐If an emerging company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

The aggregate stated value of the Common Stock beneficially owned with respect to rights of disposition by persons who are not affiliates (as defined in Rule 405 under the Securities Act of 1933) of the registrant on June 30, 2020, was \$448,073,240. Pursuant to a Voting Trust Agreement, dated as of March 3, 2017, approximately 83.2% of the outstanding shares of Common Stock was held of record by five Trustees who were each directors or officers of the registrant and who collectively exercised the voting rights with respect to such shares at such date. The registrant is 100% owned by its active and retired employees, and there is no public trading market for the registrant's Common Stock. See Item 5 of this Annual Report on Form 10-K.

The number of shares of Common Stock outstanding at March 1, 2021 was 22,909,022.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the documents listed below have been incorporated by reference into the indicated Part of this Annual Report on Form 10-K: Information Statement relating to the 2020 Annual Meeting of Shareholders – Part III, Items 10-14

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**Graybar Electric Company, Inc. and Subsidiaries**  
**Annual Report on Form 10-K**  
**For the Fiscal Year Ended December 31, 2020**

**Table of Contents**

|                                                                                                                                      | <b>Page</b> |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b><u>PART I</u></b>                                                                                                                 |             |
| Item 1. <a href="#">Business</a>                                                                                                     | 3           |
| Item 1A. <a href="#">Risk Factors</a>                                                                                                | 5           |
| Item 1B. <a href="#">Unresolved Staff Comments</a>                                                                                   | 7           |
| Item 2. <a href="#">Properties</a>                                                                                                   | 8           |
| Item 3. <a href="#">Legal Proceedings</a>                                                                                            | 8           |
| Item 4. <a href="#">Mine Safety Disclosures</a>                                                                                      | 8           |
| Supplemental Item <a href="#">Executive Officers of the Registrant</a>                                                               | 8           |
| <b><u>PART II</u></b>                                                                                                                |             |
| Item 5. <a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a> | 9           |
| Item 6. <a href="#">(Reserved)</a>                                                                                                   | 9           |
| Item 7. <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>                        | 10          |
| Item 7A. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>                                                  | 15          |
| Item 8. <a href="#">Financial Statements and Supplementary Data</a>                                                                  | 17          |
| Item 9. <a href="#">Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</a>                         | 48          |
| Item 9A. <a href="#">Controls and Procedures</a>                                                                                     | 48          |
| Item 9B. <a href="#">Other Information</a>                                                                                           | 48          |
| <b><u>PART III</u></b>                                                                                                               |             |
| Item 10. <a href="#">Directors, Executive Officers and Corporate Governance</a>                                                      | 50          |
| Item 11. <a href="#">Executive Compensation</a>                                                                                      | 50          |
| Item 12. <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>              | 50          |
| Item 13. <a href="#">Certain Relationships and Related Transactions, and Director Independence</a>                                   | 50          |
| Item 14. <a href="#">Principal Accounting Fees and Services</a>                                                                      | 50          |
| <b><u>PART IV</u></b>                                                                                                                |             |
| Item 15. <a href="#">Exhibits and Financial Statement Schedules</a>                                                                  | 51          |
| <a href="#">Signatures</a>                                                                                                           | 53          |

## PART I

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements of Graybar Electric Company, Inc. and its subsidiaries (collectively referred to as “Graybar” or the “Company” and sometimes referred to as “we”, “our”, or “us”), the notes thereto, and Management’s Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2020, included in this Annual Report on Form 10-K. The results shown herein are not necessarily indicative of the results to be expected in any future periods.

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “PSLRA”), Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words “believes”, “projects”, “expects”, “anticipates”, “estimates”, “intends”, “strategy”, “plan”, “may”, “will”, “would”, “will be”, “will continue”, “will likely result”, and other similar expressions. We intend such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the PSLRA. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse impact on our operations and future prospects on a consolidated basis include, but are not limited to: general economic conditions, particularly in the residential, commercial, and industrial building construction industries; the ongoing impact of the coronavirus (COVID-19) pandemic; a sustained interruption in the operation of our information systems; volatility in the prices of industrial commodities; cyber-attacks; increased funding requirements and expenses related to our pension plan; disruptions in our sources of supply; the inability, or limitations on our ability to borrow under our existing credit facilities or any replacements thereof; adverse legal proceedings or other claims; compliance with changing governmental regulations; and the inability, or limitations on our ability to raise debt or equity capital. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless otherwise required by applicable securities law. Further information concerning our business, including additional factors that could materially impact our financial results, is included herein and in our other filings with the United States Securities and Exchange Commission (the “SEC” or “Commission”). Actual results and the timing of events could differ materially from the forward-looking statements as a result of certain factors, a number of which are outlined in Item 1A., “Risk Factors”, of this Annual Report on Form 10-K.

All dollar amounts in this Annual Report on Form 10-K are stated in millions except for share and per share data.

#### Item 1. Business

##### The Company

Graybar is a leading North American distributor of electrical and communications and data networking products and is a provider of related supply chain management and logistics services. We primarily serve customers in the construction, commercial, institutional and government (“CIG”), and industrial & utility vertical markets (“vertical” or “verticals”), with products and services that support new construction, infrastructure updates, building renovation, facility maintenance, repair and operations (“MRO”), and original equipment manufacturers (“OEM”).

Through a network of 292 locations across the United States and Canada, we serve approximately 146,000 customers. Our business is primarily based in the United States (“U.S.”). We also have subsidiary operations with distribution facilities in Canada and Puerto Rico.

We distribute over one million products purchased from approximately 4,200 manufacturers and suppliers. We purchase all of the products we sell from others, and we neither manufacture nor contract to manufacture any products we sell.

We generally finance our inventory through the collection of trade receivables and trade accounts payable terms with our suppliers. We use short-term borrowing facilities to finance inventory purchases and other operating expenses when necessary, and we have not historically used long-term borrowings for this purpose.

In addition to our extensive product offering, we provide a wide range of supply chain management services that when combined with our network of locations are designed to deliver convenience, cost savings and improved efficiency for our customers.

We were incorporated in 1925 under the laws of the State of New York. Our active and retired employees own 100% of our common stock. There is no public trading market for our common stock.

Our internet address is [www.graybar.com](http://www.graybar.com). Information on our website does not constitute a part of this Annual Report on Form 10-K.

## **Competition**

Our industry is comprised of thousands of local and regional distributors, along with several large national and global distributors. Graybar is among the largest distributors of electrical and communications and data networking products to the construction, CIG, and industrial & utility verticals in North America. Our industry is highly competitive, and we estimate that the top five distributors account for approximately 35% of the total U.S. market. Some of our largest competitors have greater global geographic scope, which may provide them an advantage, particularly with certain multi-national customers.

Our industry is influenced by economic and regulatory factors that impact rates of new construction, as well as customers' or end users' decisions to invest in renovation and expansion of facilities and infrastructure. The industry is also affected by changes in technology, both in the products that are typically sold through distribution and in the ways customers choose to transact business with distributors. Driven by customers' omnichannel buying preferences and their desire to increase efficiency and productivity, digitalization is becoming increasingly important to both manufacturers and distributors in our industry.

Our pricing reflects the value associated with the products and services that we provide. We consider our prices to be generally competitive. We believe that, while price is an important customer consideration, the services we provide distinguish us from many of our competitors, whether they are distributors or manufacturers selling directly to our customer base. We view our ability to quickly supply our customers with a broad range of products through conveniently located distribution facilities as a competitive advantage that customers value. However, if a customer is not looking for one distributor to provide a wide range of products and does not require prompt delivery or other services, a competitor that does not provide this level of service may be in a position to offer lower prices.

## **Markets Served**

Graybar serves a wide range of customers within certain primary verticals. The largest of these verticals is construction, which accounted for more than half of our sales in 2020. Customers within this vertical include various types of contractors and installers that perform new construction and renovation of commercial and industrial facilities and utility infrastructure.

The other verticals we serve are CIG and industrial & utility. The CIG vertical includes a broad range of commercial office, warehouse, and retail facilities, federal, state, and local governmental agencies, and the education and health care sectors. The industrial & utility vertical includes customers and products for MRO, OEM, broadband utility and electrical transmission and distribution infrastructure.

## **Products and Suppliers**

We distribute over one million products purchased from approximately 4,200 manufacturers and suppliers. Approximately 110,000 of these products are stocked in our warehouses, allowing us in most cases to provide customers with convenient, local access to the items they need every day. When the specialized nature or size of a particular shipment warrants, we arrange to ship products directly from our suppliers; otherwise, orders are filled from our own on-hand inventory. On a dollar volume basis, we filled approximately 60% of customer orders from this on-hand inventory in 2020 and 2019.

Approximately 50% of the products we sold during 2020 were purchased from our top 25 suppliers. However, we generally have the ability to purchase from more than one supplier for any product type, which allows us to offer alternative sources of comparable products for nearly all products. The products we distribute can be generally identified as follows:

- Building and Industrial Wire and Cable
- LED Fixtures
- Distribution Equipment
- Telecommunications Material
- Communication Wire and Cable
- Conduit and Tray
- Data Connectivity
- Automation and Controls
- Data Cables and Data Cords
- Fittings
- Fluorescent Lighting
- Wiring Devices
- Fasteners
- Enclosures
- LED, Incandescent and Fluorescent Lamps
- Electronic Equipment
- Miscellaneous MRO Products

These products may be sold into any of the verticals we target, depending on a customer's or end user's needs. Our salesforce is empowered to sell any of these products or related services to any customer, in some cases with the support of specialists who are trained in specific industries and/or new technologies.

Maintaining strong relationships with our suppliers is important to our business, and we enjoy longstanding relationships with several of our suppliers (or their predecessors). However, most of our supplier agreements are nonexclusive national or regional distributorships, terminable upon 30 to 90 days' notice by either party.

## Sales and Distribution

We sell products and services manufactured or provided by others primarily through a network of sales offices and distribution facilities located throughout the U.S. We operate multiple distribution facilities in each district, each of which carries an inventory of products and operates as a wholesale distributor for the territory in which it is located. Some districts have sales offices that do not carry inventory. In addition, we have twenty regional distribution centers containing inventories of both standard and specialized products. The regional distribution centers replenish inventories carried at our other U.S. distribution facilities and make shipments directly to customers. We also have subsidiary operations with distribution facilities located in the U.S. and Canada and a single distribution facility in Puerto Rico.

## Human Capital

At December 31, 2020, we employed approximately 8,200 people on a full-time basis, of which approximately 4,100 people were in sales capacities. Approximately 1% of our employees were covered by union contracts. We have not had a material work stoppage and consider our relations with our employees to be good.

## Item 1A. Risk Factors

Our liquidity, financial condition, and results of operations are subject to various risks, including, but not limited to, those discussed below. The risks outlined below are those that we believe are currently the most significant, although additional risks not presently known to us or that we currently deem less significant may also impact our liquidity, financial condition, and results of operations.

**Our sales fluctuate with general economic conditions, particularly in the residential, commercial, and industrial building construction industries.** Our operating locations are widely distributed geographically across the U.S. and, to a lesser extent, Canada. Customers for our products and services are similarly diverse – we have approximately 146,000 customers, and our largest customer accounts for approximately 1% of our total sales. While our geographic and customer concentrations are relatively low, our results of operations are nonetheless dependent on favorable conditions in both the general economy and the construction industry. In addition, conditions in the construction industry are greatly influenced by the availability of project financing and the cost of borrowing.

**A pandemic, epidemic or other public health emergency, such as the current outbreak of coronavirus disease 2019 (COVID-19), could continue to have a material adverse effect on our business, results of operations, financial condition and cash flows.** Although we are a company operating as an essential business supporting critical infrastructure, as defined by the U.S. Department of Homeland Security, and continue to operate across our footprint consistent with federal guidelines and with state and local orders to date, COVID-19 has negatively impacted on our net sales, operations, supply chain, transportation networks and

customers and is expected to have further negative impacts on these aspects of our business. Preventative and precautionary measures that governments take or reinstate, including quarantines, “shelter in place” and “stay at home” orders, travel restrictions, business curtailments, school closures, and other measures that we and our customers are taking may reduce our gross margin. The ongoing pandemic, and a meaningful expansion in its duration or scope, including the continued emergence of new strains of COVID-19, will increase the risk of further slowdowns in construction activities, resulting in reduced demand for the products and services we provide our customers.

A continued economic downturn resulting from the COVID-19 epidemic and related response would adversely affect demand for the products and services we provide to our customers. If our customers are directly impacted by business curtailments or weak market conditions, this may result in higher than expected bad debt losses, which could impact our results of operations and our cash flows from operating activities. In the event that our operating performance or that of our suppliers were to decline, our vendor allowances would also be reduced, which would negatively impact our results of operation and our financial condition.

**Our daily activities are highly dependent on the uninterrupted operation of our information systems.** We are a recognized industry leader for our use of information technology in all areas of our business – sales, customer service, inventory management, finance, accounting, and human resources. We maintain redundant information systems as part of our disaster recovery program and, if necessary, are able to operate in many respects using a paper-based system to help mitigate a complete interruption in our information processing capabilities. Nonetheless, our information systems remain vulnerable to natural disasters, wide-area telecommunications or power utility outages, terrorist or cyber-attacks, or other major disruptions. A sustained interruption in the functioning of our information systems, however unlikely, could lower operating income by negatively impacting sales, expenses, or both.

**Our results of operations are impacted by changes in industrial commodity prices.** Many of the products we sell are subject to wide and frequent price fluctuations because they are composed primarily of copper, steel, or petroleum-based resins, including poly-vinyl chlorides ("PVC"), industrial commodities that have been subject to price volatility during the past several years. Examples of such products include wire and cable, conduit, enclosures, and fittings. Our gross margin rate on these products is relatively constant over time, though not necessarily in the short term. Therefore, as the cost of these products to us declines, pricing to our customers may decrease. This impacts our results of operations by lowering both overall sales and gross margin.

**Our business and our reputation could be adversely affected by the failure to protect sensitive customer, employee or vendor data or to comply with evolving regulations relating to obligations to protect systems, assets and data from the threat of cyber-attacks.** Cyber-attacks designed to gain access to sensitive information by breaching mission-critical systems of large organizations are constantly evolving, and high profile electronic security breaches leading to unauthorized release of confidential information have occurred recently at a number of major U.S. companies, despite widespread recognition of the cyber-attack threat and improved data protection methods. While we have invested in the protection of our information technology and maintain what we believe are adequate security procedures and controls over financial and other individually identifiable customer, employee and vendor data provided to us, our business model is evolving rapidly and increasingly requires us to receive, retain and transmit certain information, including individually identifiable information, that our customers provide to purchase products or services, register on our websites, or otherwise communicate and interact with us. All of these risks are also applicable where we rely on outside vendors to provide services, which may operate in a cloud environment. We are dependent on these third party vendors to operate secure and reliable systems. A breach in our systems or those of our third party providers that results in the unauthorized release of individually identifiable customer or other sensitive data could have a material adverse effect on our reputation and lead to financial losses from remedial actions, loss of business or potential liability. An electronic security breach resulting in the unauthorized release of sensitive data from our information systems could also materially increase the costs we already incur to protect against such risks. While we also seek to obtain assurances that third parties we interact with will protect individually identifiable information, there is a risk that such data may be compromised. In addition, as the regulatory environment relating to a company's obligation to protect such sensitive data becomes more strict, a material failure on our part to comply with applicable regulations could subject us to fines or other regulatory sanctions and potentially to lawsuits.

**We may experience losses or be subject to increased funding and expenses related to our pension plan.** A decline in the market value of plan assets or a change in the interest rates used to measure the required minimum funding levels and the pension obligation may increase the funding requirements of our defined benefit pension plan, the pension obligation itself, and pension expenses. Government regulations may accelerate the timing and amounts required to fund the plan. Demographic changes in our workforce, including longer life expectancies, increased numbers of retirements, and age at retirement may also cause funding requirements, pension expenses, and the pension obligation to be higher than expected. Any or all of these factors could have a negative impact on our liquidity, financial position, and/or our results of operations.

**We purchase all of the products we sell to our customers from other parties.** As a wholesale distributor, our business and financial results are dependent on our ability to purchase products from manufacturers not controlled by us that we, in turn, sell to our

customers. Approximately 50% of our purchases are made from only 25 manufacturers. A sustained disruption in our ability to source products from one or more of the largest of these vendors might have a material impact on our ability to fulfill customer orders, resulting in lost sales and, in rare cases, damages for late or non-delivery.

**Our borrowing agreements contain financial covenants and certain other restrictions on our activities and those of our subsidiaries.** Our amended revolving credit facility and private placement shelf agreements impose contractual limits on, among other things, indebtedness, liens, changes in the nature of business, investments, mergers and acquisitions, the issuance of equity securities, the disposition of assets and the dissolution of certain subsidiaries, transactions with affiliates, restricted payments (subject to incurrence tests, with certain exceptions), as well as securitizations and factoring transactions. In addition, we are required to maintain acceptable financial ratios relating to debt leverage and interest coverage. Our failure to comply with these obligations may cause an event of default and may trigger an acceleration of the debt owed to our creditors or limit our ability to obtain additional credit under these facilities. While we expect to remain in compliance with the terms of our amended revolving credit facility and private placement shelf agreements, our failure to do so could have a negative impact on our ability to borrow funds and maintain acceptable levels of cash flow from financing activities.

**We are subject to legal proceedings and other claims arising out of the conduct of our business.** These proceedings and claims relate to public and private sector transactions, product liability, contract performance, and employment matters. On the basis of information currently available to us, we do not believe that existing proceedings and claims will have a material impact on our financial position or results of operations. However, litigation is unpredictable, and we could incur judgments or enter into settlements for current or future claims that could adversely affect our financial position or our results of operations in a particular period.

More specifically, with respect to asbestos litigation, as of December 31, 2020, 3,424 individual cases and 67 multiple-plaintiff cases are pending that allege actual or potential asbestos-related injuries resulting from the use of or exposure to products allegedly sold by us. Additional claims will likely be filed against us in the future. Our insurance carriers have historically borne virtually all costs and liability with respect to this litigation and are continuing to do so. Accordingly, our future liability with respect to pending and unasserted claims is dependent on the continued solvency of our insurance carriers. Other factors that could impact this liability are: the number of future claims filed against us; the defense and settlement costs associated with these claims; changes in the litigation environment, including changes in federal or state law governing the compensation of asbestos claimants; adverse jury verdicts in excess of historic settlement amounts; and bankruptcies of other asbestos defendants. Because any of these factors may change, our future exposure is unpredictable, and it is possible that we may incur costs that would have a material adverse impact on our liquidity, financial position, or results of operations in future periods.

**Compliance with changing government regulations may result in increased costs and risks to the company.** Our public company and multi-national customers are increasingly subject to governmental regulation globally. Existing and future laws and regulations may impede our growth. These regulations and laws may cover, among other things, public health, taxation, privacy, data protection, pricing, content, copyrights, distribution, energy consumption, environmental regulation, electronic contracts, communications and marketing, consumer protection, the design and operation of websites, and the characteristics and quality of products and services. Unfavorable regulations and laws could diminish the demand for our products and services and increase our cost of doing business. If we are not able to obtain for certain customers the information that they require in part as a result of these regulations, they may limit their business with us. These regulatory and customer-driven requirements may increase our operating costs, and, due to competitive pressures, we may not be able to increase our prices sufficiently to avoid a reduction in our income from operations.

**The value to our shareholders of our common stock depends on the regular payment of dividends, which are paid at the discretion of our Board of Directors.** The purchase price for our common stock under our purchase option is the same as the issue price. Accordingly, as long as we exercise our option to purchase, appreciation in the value of an investment in our common stock is dependent primarily on our ability and our Board of Directors' willingness to declare dividends. Although cash dividends have been paid on the common stock each year since 1929, as with any corporation's common stock, payment of dividends is subject to the discretion of our Board of Directors.

**There is no public trading market for our common stock.** Our common stock is 100% owned by active and retired employees. Common stock may not be sold by the holder thereof, except after first offering it to us. We have always exercised this purchase option in the past and expect to continue to do so. As a result, no public trading market for our common stock exists, nor is one expected to develop. This lack of a public trading market for our common stock may limit our ability to raise large amounts of equity capital, which could constrain our long-term business growth.

#### **Item 1B. Unresolved Staff Comments**

Not applicable.

## Item 2. Properties

We operate in thirteen geographical districts in the U.S., each of which maintains multiple distribution facilities that consist primarily of warehouse space. A small portion of each distribution facility is used for offices. Some districts have sales offices that do not carry an inventory of products. The number of facilities, excluding the twenty regional distribution centers, in a district varies from ten to twenty-two and totals 218 for all districts. The facilities range in size from 800 to 136,000 square feet, with the average being approximately 30,000 square feet. We own 115 of these facilities and lease 103 of them for varying terms, with the majority having a remaining lease term of less than five years.

We also have twenty regional distribution centers ranging in size from 130,000 to 324,000 square feet. Eleven of the twenty regional distribution centers are owned and the other nine are leased. The remaining lease terms on the leased regional distribution centers are between one and eight years.

We also have three U.S. subsidiaries with seven owned facilities and fifteen leased distribution facilities. The leased facilities have remaining lease terms between one and seven years. The facilities range in size from 1,000 to 42,000 square feet.

We maintain thirty-one distribution facilities in Canada, of which nineteen are owned and twelve are leased. The majority of the leased facilities have a remaining lease term of less than five years. The facilities range in size from 5,000 to 89,000 square feet. We have a 33,000 square foot facility in Puerto Rico, the lease on which expires in 2023.

Our headquarters are located in St. Louis, Missouri in an 83,000 square foot building owned by us. We also own a 200,000 square foot operations and administration center in St. Louis.

## Item 3. Legal Proceedings

There are presently no pending legal proceedings that are expected to have a material impact on the Company or its subsidiaries.

## Item 4. Mine Safety Disclosures

Not applicable.

## Supplemental Item. Executive Officers of the Registrant

The following table lists the name, age as of March 1, 2021, position, offices and certain other information with respect to our executive officers. The term of office of each executive officer will expire upon the appointment of his or her successor by the Board of Directors.

| Name             | Age | Business experience last five years                                                                                                                                                       |
|------------------|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| S. S. Clifford   | 50  | Senior Vice President and Chief Financial Officer, June 2019 to present; Senior Vice President - Supply Chain Management, February 2015 to May 2019.                                      |
| D. E. DeSousa    | 62  | Senior Vice President, General Manager, August 2020 to present, Vice President, Western Region, May 2017 to July 2020, Vice President - Corporate Development, August 2014 to April 2017. |
| M. W. Geekie     | 59  | Senior Vice President, Secretary and General Counsel, August 2008 to present.                                                                                                             |
| R. R. Harwood    | 64  | Senior Vice President and Chief Strategy Officer, June 2019 to present; Senior Vice President and Chief Financial Officer, January 2013 to May 2019.                                      |
| W. P. Mansfield  | 58  | Senior Vice President - Marketing, May 2017 to present; Senior Vice President - Sales and Marketing, April 2014 to April 2017.                                                            |
| D. G. Maxwell    | 62  | Senior Vice President - Sales, May 2017 to present; Regional Vice President, January 2015 to April 2017.                                                                                  |
| K. M. Mazzarella | 60  | Chairman of the Board, January 2013 to present; President and Chief Executive Officer, June 2012 to present.                                                                              |
| B. L. Propst     | 51  | Senior Vice President - Human Resources, June 2009 to present.                                                                                                                            |

## PART II

### Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is 100% owned by active and retired employees, and there is no public trading market for our common stock. Since 1928, substantially all of the issued and outstanding shares of common stock have been held of record by voting trustees under successive voting trust agreements. Under applicable New York law, a voting trust may not have a term greater than ten years. A new Voting Trust Agreement was established effective March 3, 2017, which expires by its terms on March 1, 2027. At December 31, 2020, approximately 83% of our outstanding common stock was held in the voting trust. The participation of shareholders in the voting trust is voluntary at the time the voting trust is created, but is irrevocable during its term. Shareholders who elect not to participate in the voting trust hold their common stock as shareholders of record. Shareholders may elect to participate in the voting trust at any time during the term of the voting trust.

No holder of our common stock or voting trust interests representing our common stock ("common stock", "common shares", or "shares") may sell, transfer or otherwise dispose of any shares without first offering us the option to purchase those shares at the price at which they were issued. We also have the option to purchase at the issue price the common shares of any shareholder who ceases to be an employee for any reason other than death or "retirement" (as defined in our amended restated certificate of incorporation), and on the first anniversary of any holder's death. In the past, we have always exercised these purchase options, and we expect to continue to do so in the foreseeable future. However, we can make no assurance that we will continue to exercise our purchase option in the future. All outstanding shares have been issued at \$20.00 per share.

The following table sets forth information regarding purchases of common stock by the Company for the three months ended December 31, 2020, all of which were made pursuant to the foregoing provisions:

#### Issuer Purchases of Equity Securities

| Period                          | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs |
|---------------------------------|----------------------------------|------------------------------|----------------------------------------------------------------------------------|
| October 1 to October 31, 2020   | 65,447                           | \$20.00                      | N/A                                                                              |
| November 1 to November 30, 2020 | 39,874                           | \$20.00                      | N/A                                                                              |
| December 1 to December 31, 2020 | 57,047                           | \$20.00                      | N/A                                                                              |
| Total                           | 162,368                          | \$20.00                      | N/A                                                                              |

#### Capital Stock at December 31, 2020

| Title of Class                                             | Number of Security Holders | Number of Shares |
|------------------------------------------------------------|----------------------------|------------------|
| Voting Trust Interests issued with respect to Common Stock | 5,409                      | 18,699,421       |
| Common Stock                                               | 1,689                      | 3,904,998        |
| Total                                                      | 7,098                      | 22,604,419       |

| Dividend Data (in dollars per share) | Year Ended December 31, |         |
|--------------------------------------|-------------------------|---------|
| Period                               | 2020                    | 2019    |
| First Quarter                        | \$ 0.30                 | \$ 0.30 |
| Second Quarter                       | 0.30                    | 0.30    |
| Third Quarter                        | 0.30                    | 0.30    |
| Fourth Quarter                       | 3.10                    | 4.10    |
| Total                                | \$ 4.00                 | \$ 5.00 |

On December 12, 2019, our Board of Directors declared a 5% stock dividend to shareholders of record on December 16, 2019. Shares representing this dividend were issued on February 7, 2020.

### Item 6. Reserved

## **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

Management’s Discussion and Analysis provides a narrative description of the Company’s results of operations, financial condition, liquidity, and cash flows for the years ended December 31, 2020 and 2019. This discussion should be read in conjunction with the accompanying consolidated financial statements and the notes to the consolidated financial statements included in Item 8, “Financial Statements and Supplementary Data”, of this Annual Report on Form 10-K. For comparison of the results of operations relating to the years ended December 31, 2019 and 2018, refer to our Annual Report on Form 10-K for the year ended December 31, 2019, Part II., Item 7. filed with the SEC on March 12, 2020.

### **Business Overview**

Our net sales for the year ended December 31, 2020 were impacted by the COVID-19 pandemic (the “pandemic”), which has contributed to ongoing volatility and instability in the financial markets and overall economy. With effective expense and cash flow management, we were able to mitigate the impact of the pandemic on our operating results, which enabled us to continue investing in strategic priorities focused on growth and productivity.

Net sales for the year ended December 31, 2020 declined \$258.2 million, or 3.4%, to \$7,265.7 million, compared to \$7,523.9 million for the year ended December 31, 2019. Our selling, general, and administrative (“SG&A”) expenses decreased \$61.0 million, or 5.3%, to \$1,098.9 million for the year ended December 31, 2020 from \$1,159.9 million for the year ended December 31, 2019. The decrease was primarily due to lower compensation and benefit-related costs and lower travel and entertainment expenses resulting from our response to the pandemic. As a result of our actions, our income from operations increased a modest \$1.2 million, or 0.5%, to \$224.8 million for the year ended December 31, 2020, from \$223.6 million for the same twelve-month period last year.

Our non-operating expenses increased \$34.8 million to \$58.5 million for the year ended December 31, 2020 from \$23.7 million for the same period last year. The increase was primarily due to a non-cash pension settlement charge of \$27.7 million that we recognized in 2020 because the cost of all settlements during the year was greater than the sum of the service and interest cost components of the annual net periodic pension cost.

As a result, our net income attributable to Graybar Electric Company, Inc. for the year ended December 31, 2020 decreased by \$22.7 million, or 15.7%, to \$121.8 million for the year ended December 31, 2020 compared to \$144.5 million for the same twelve-month period last year.

In this uncertain business environment, we remain focused on protecting our company and those we serve from potential risks, while we identify and pursue new opportunities for growth. We expect continued economic instability over the next several months due to the ongoing disruption caused by the pandemic. Because our business operations are producing positive results and our financial condition remains strong, we believe Graybar is positioned to successfully navigate this challenging economic environment.

## Consolidated Results of Operations

The following table sets forth certain information relating to our operations stated in millions of dollars and as a percentage of net sales for the years ended December 31, 2020, 2019, and 2018:

|                                                                  | 2020            |                      | 2019            |                      | 2018            |                      |
|------------------------------------------------------------------|-----------------|----------------------|-----------------|----------------------|-----------------|----------------------|
|                                                                  | Dollars         | Percent of Net Sales | Dollars         | Percent of Net Sales | Dollars         | Percent of Net Sales |
| <b>Net Sales</b>                                                 | \$ 7,265.7      | 100.0 %              | \$ 7,523.9      | 100.0 %              | \$ 7,202.5      | 100.0 %              |
| Cost of merchandise sold                                         | (5,896.2)       | (81.2)               | (6,094.9)       | (81.0)               | (5,821.6)       | (80.8)               |
| <b>Gross Margin</b>                                              | <b>1,369.5</b>  | <b>18.8</b>          | <b>1,429.0</b>  | <b>19.0</b>          | <b>1,380.9</b>  | <b>19.2</b>          |
| Selling, general and administrative expenses                     | (1,098.9)       | (15.1)               | (1,159.9)       | (15.4)               | (1,125.0)       | (15.6)               |
| Depreciation and amortization                                    | (52.8)          | (0.7)                | (50.5)          | (0.7)                | (49.6)          | (0.7)                |
| Other income, net                                                | 7.0             | 0.1                  | 5.0             | 0.1                  | 3.4             | —                    |
| <b>Income from Operations</b>                                    | <b>224.8</b>    | <b>3.1</b>           | <b>223.6</b>    | <b>3.0</b>           | <b>209.7</b>    | <b>2.9</b>           |
| Non-operating expenses                                           | (58.5)          | (0.8)                | (23.7)          | (0.3)                | (30.6)          | (0.4)                |
| <b>Income before Provision for Income Taxes</b>                  | <b>166.3</b>    | <b>2.3</b>           | <b>199.9</b>    | <b>2.7</b>           | <b>179.1</b>    | <b>2.5</b>           |
| Provision for income taxes                                       | (44.2)          | (0.6)                | (55.0)          | (0.7)                | (35.4)          | (0.5)                |
| <b>Net Income</b>                                                | <b>122.1</b>    | <b>1.7</b>           | <b>144.9</b>    | <b>2.0</b>           | <b>143.7</b>    | <b>2.0</b>           |
| Net income attributable to noncontrolling interests              | (0.3)           | —                    | (0.4)           | —                    | (0.4)           | —                    |
| <b>Net Income attributable to Graybar Electric Company, Inc.</b> | <b>\$ 121.8</b> | <b>1.7 %</b>         | <b>\$ 144.5</b> | <b>2.0 %</b>         | <b>\$ 143.3</b> | <b>2.0 %</b>         |

### 2020 Compared to 2019

Net sales totaled \$7,265.7 million for the year ended December 31, 2020, compared to \$7,523.9 million for the year ended December 31, 2019, a decrease of \$258.2 million, or 3.4%. For the year ended December 31, 2020, net sales in our construction, CIG, and industrial & utility verticals decreased by 3.9%, 2.2%, and 4.0%, respectively, compared to the year ended December 31, 2019.

Gross margin decreased \$59.5 million, or 4.2%, to \$1,369.5 million for the year ended December 31, 2020, from \$1,429.0 million for the year ended December 31, 2019. The decrease in gross margin was primarily due to decreased net sales for the year ended December 31, 2020, compared to the year ended December 31, 2019. Our gross margin rate was 18.8% for the year ended December 31, 2020, compared to 19.0% for the year ended December 31, 2019.

SG&A expenses decreased \$61.0 million, or 5.3%, to \$1,098.9 million for the year ended December 31, 2020, compared to \$1,159.9 million for the year ended December 31, 2019, mainly due to lower compensation and benefit-related costs and lower travel and entertainment expenses as a result of our response to the pandemic. SG&A expenses as a percentage of net sales were 15.1% for the year ended December 31, 2020, compared to 15.4% for the year ended December 31, 2019.

Depreciation and amortization for the year ended December 31, 2020, increased \$2.3 million, or 4.6%, to \$52.8 million from \$50.5 million for the year ended December 31, 2019. Although depreciation and amortization increased, total property, at cost, at December 31, 2020 was \$1,007.2 million, a decrease of \$15.2 million, or 1.5%, when compared to total property, at cost, at December 31, 2019 of \$1,022.4 million. Depreciation as a percentage of net sales remained consistent at 0.7% for the years ended December 31, 2020 and 2019.

Other income, net totaled \$7.0 million for the year ended December 31, 2020, compared to \$5.0 million for the year ended December 31, 2019. Other income, net consists primarily of gains or losses on the disposal of property, trade receivable interest charges to customers, and other miscellaneous income items related to our business activities. The increase in other income, net was primarily due to a gain on sale of a property classified as an asset held for sale.

Non-operating expenses increased \$34.8 million to \$58.5 million for the year ended December 31, 2020, from \$23.7 million for the year ended December 31, 2019. The increase was due to an increase in non-service cost components of the pension net periodic benefit costs of \$36.8 million offset by decreases in interest expense, net of \$1.9 million and non-service cost components of other post-employment benefits expenses of \$0.1 million for the year ended December 31, 2020, compared to the year ended December 31,

2019. The increase in non-service cost components of net periodic benefit costs was primarily due to a non-cash pension settlement charge of \$27.7 million recognized during the year ended December 31, 2020. The decrease in interest expense, net was due to lower interest rates for the year ended December 31, 2020, compared to the year ended December 31, 2019.

Income before provision for income taxes decreased \$33.6 million, or 16.8%, to \$166.3 million for the year ended December 31, 2020, compared to \$199.9 million for the year ended December 31, 2019. The decrease was primarily due to lower net sales and the non-cash pension settlement charge of \$27.7 million offset by lower SG&A expenses.

Our provision for income taxes decreased \$10.8 million, or 19.6%, to \$44.2 million for the year ended December 31, 2020 from \$55.0 million for the year ended December 31, 2019. Our effective tax rate was 26.6% for the year ended December 31, 2020, down from 27.5% for the year ended December 31, 2019. The decrease in the effective tax rate is largely due to reduced levels of nondeductible expenses as a result of the pandemic.

Net income attributable to Graybar Electric Company, Inc. for the year ended December 31, 2020 decreased \$22.7 million, or 15.7%, to \$121.8 million from \$144.5 million for the year ended December 31, 2019.

## Financial Condition and Liquidity

### Summary

We manage our liquidity and capital levels so that we have the capability to invest in the growth of our business, meet debt service obligations, finance anticipated capital expenditures, pay dividends, make benefit payments, finance information technology needs, fund acquisitions and finance other miscellaneous cash outlays. We believe that maintaining a strong financial condition enables us to competitively access multiple financing channels, maintain an optimal cost of capital and enable our company to invest in strategic long-term growth plans.

We have historically funded our working capital requirements using cash flows generated by the collection of trade receivables and trade accounts payable terms with our suppliers, supplemented by short-term bank lines of credit. Capital expenditures have been financed primarily by cash from working capital management and short-term bank lines of credit.

### Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities for each of the past three years:

| <b>Total cash provided by (used in):</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> |
|------------------------------------------|-------------|-------------|-------------|
| Operating Activities                     | \$ 301.7    | \$ 249.4    | \$ 42.1     |
| Investing Activities                     | (50.4)      | (39.4)      | (42.3)      |
| Financing Activities                     | (180.9)     | (208.1)     | 16.3        |
| Net Increase in Cash                     | \$ 70.4     | \$ 1.9      | \$ 16.1     |

Our cash was \$131.2 million at December 31, 2020, an increase of \$70.4 million, or 115.8%, from \$60.8 million at December 31, 2019. Cash on hand at December 31, 2020, is reflective of improved cash flows from operations as a result of effective working capital management. Short-term borrowings decreased by \$88.0 million, or 63.8%, to \$50.0 million at December 31, 2020 from \$138.0 million at December 31, 2019. Current assets exceeded current liabilities by \$647.4 million at December 31, 2020, an increase of \$63.7 million, or 10.9%, from \$583.7 million at December 31, 2019.

### Operating Activities

Cash flows provided by operating activities for the year ended December 31, 2020 was \$301.7 million, compared to cash flows provided by operating activities of \$249.4 million for the year ended December 31, 2019. Cash provided by operations for the year ended December 31, 2020 was attributable to net income of \$122.1 million adjusted for non-cash depreciation and amortization expenses of \$52.8 million, non-cash operating lease expense of \$33.8 million, non-cash pension settlement charge of \$27.7 million, a decrease in merchandise inventory levels of \$68.0 million, and an increase in trade accounts payable of \$48.1 million, partially offset by a decrease in accrued payroll and benefit costs of \$30.2 million.

The average number of days of sales in trade receivables for the year ended December 31, 2020 increased moderately compared to the same twelve-month period in 2019. The days in inventory increased modestly for the year ended December 31, 2020 compared to the year ended December 31, 2019.

## Investing Activities

Net cash used by investing activities was \$50.4 million for the year ended December 31, 2020, compared to \$39.4 million for the year ended December 31, 2019, an increase of \$11.0 million, or 27.9%. The increase in cash used by investing activities was due to the acquisition of Shingle & Gibb Automation, LLC, net of cash acquired of \$27.2 million, partially offset by lower capital expenditures of \$12.0 million for the year ended December 31, 2020, compared to the year ended December 31, 2019. For further discussion of the acquisition, refer to Note 17, "Acquisition", of the notes to the consolidated financial statements included in Item 8., "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

## Financing Activities

Net cash used by financing activities totaled \$180.9 million for the year ended December 31, 2020, compared to net cash used by financing activities of \$208.1 million for the year ended December 31, 2019, a decrease in cash used of \$27.2 million, or 13.1%. This was primarily due to lower net payments on short-term borrowings and lower dividends paid during the year ended December 31, 2020, compared to the same period in 2019. Cash dividends paid totaled \$90.7 million, or \$4.00 per share, for the year ended December 31, 2020, compared to \$107.2 million, or \$5.00 per share, for the year ended December 31, 2019.

## Liquidity

We had a \$750.0 million amended revolving credit facility with \$699.6 million in available capacity at December 31, 2020, compared to available capacity of \$611.5 million at December 31, 2019. At December 31, 2020 and 2019, we also had two uncommitted, unsecured \$100.0 million private placement shelf agreements ("Shelf Agreements"). One of the Shelf Agreements was expected to allow us to issue senior promissory notes to PGIM, Inc., at fixed rate terms to be agreed upon at the time of any issuance during a three-year issuance period ending in August 2020. In July 2020, we amended our uncommitted, unsecured \$100.0 million private placement shelf agreement with PGIM, Inc. ("the Prudential Shelf Agreement") to extend the issuance period to August 2023. Our other Shelf Agreement is expected to allow us to issue senior promissory notes to Metropolitan Life Insurance Company and MetLife Investment Advisors, LLC and each other affiliate of MetLife Investment Advisors, LLC that becomes a party to the agreement at fixed or floating rate terms to be agreed upon at the time of any issuance during a three-year issuance period ending in August 2021.

We have not issued any notes under the Shelf Agreements as of December 31, 2020 and 2019. For further discussion related to our revolving credit facility and our Shelf Agreements, refer to Note 12, "Debt", of the notes to the consolidated financial statements located in Item 8., "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K.

We had short-term borrowings of \$50.0 million and \$138.0 million outstanding at December 31, 2020 and 2019, respectively. We had total letters of credit of \$6.3 million outstanding at December 31, 2020, of which \$0.4 million were issued under our amended revolving credit facility. We had total letters of credit of \$5.6 million outstanding at December 31, 2019, of which \$0.5 million were issued under our amended revolving credit facility. The letters of credit are issued primarily to support certain workers' compensation insurance policies.

## Contractual Obligations and Commitments

We had the following contractual obligations as of December 31, 2020:

| Payments due by period      |            |            |                     |                     |               |  |
|-----------------------------|------------|------------|---------------------|---------------------|---------------|--|
| Contractual obligations     | Total      | 2021       | 2022<br>and<br>2023 | 2024<br>and<br>2025 | After<br>2025 |  |
| Finance lease obligations   | \$ 9.5     | \$ 2.8     | \$ 3.6              | \$ 2.2              | \$ 0.9        |  |
| Operating lease obligations | 136.0      | 34.3       | 55.5                | 30.5                | 15.7          |  |
| Purchase obligations        | 1,185.8    | 1,180.8    | 5.0                 | —                   | —             |  |
| Total                       | \$ 1,331.3 | \$ 1,217.9 | \$ 64.1             | \$ 32.7             | \$ 16.6       |  |

Finance and operating lease obligations consist of both principal and interest payments. There were no long-term debt obligations, other than finance lease obligations, at December 31, 2020.

Purchase obligations consist of open purchase orders issued in the normal course of business. Many of these purchase obligations may be cancelled with limited or no financial penalties.

The table above does not include \$199.8 million of accrued, unfunded pension obligations, \$89.6 million of accrued, unfunded employment-related benefit obligations, of which \$80.9 million is related to our postretirement benefit plan, and \$1.7 million in contingent payments for uncertain tax positions because it is not certain when these obligations will be settled or paid.

We expect to make contributions totaling approximately \$40.0 million to our defined benefit pension plan and fund \$1.6 million for nonqualified pension benefits during 2021 that are not included in the table. We contributed \$40.0 million to our defined benefit pension plan and funded \$1.8 million for nonqualified benefits in 2020.

### Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP"). In connection with the preparation of our financial statements we are required to make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our estimates, assumptions and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, we review the accounting policies, estimates, assumptions, and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our estimates and assumptions, and such differences could be material.

Our significant accounting policies are discussed in Note 2, "Summary of Significant Accounting Policies", of the notes to the consolidated financial statements located in Item 8., "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters inherently uncertain. We have reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board.

### Pension and Postretirement Benefits Plans

We account for our pension and postretirement benefit obligations in accordance with the accounting standards for defined benefit pension and other postretirement plans. These standards require the use of several important assumptions, including the discount rate and expected long-term rate of return on plan assets, among others, in determining our obligations and the annual cost of our pension and postretirement benefits. These assumptions are assessed annually in consultation with independent actuaries and investment advisors as of December 31 and adjustments are made as needed.

The following table presents key assumptions used to measure the pension and postretirement benefits obligations at December 31:

|                                | <b>Pension Benefits</b> |             | <b>Postretirement Benefits</b> |             |
|--------------------------------|-------------------------|-------------|--------------------------------|-------------|
|                                | <b>2020</b>             | <b>2019</b> | <b>2020</b>                    | <b>2019</b> |
| Discount rate                  | <b>2.62%</b>            | 3.38%       | <b>2.22%</b>                   | 3.19%       |
| Expected return on plan assets | <b>5.50%</b>            | 5.75%       | —                              | —           |

To determine the long-term expected rate of return, we consider macroeconomic conditions, the historical experience and expected future long-term performance of the plan assets, as well as the current and expected allocation of the plan assets. The pension plan's asset allocation as of December 31, 2020, was approximately 71% fixed income investments, 17% equity securities and 12% other investments, in line with our policy ranges. We periodically evaluate the allocation of plan assets among the different investment classes to ensure that they are within policy guidelines and ranges. Holding all other assumptions constant, we estimate that a one percentage point decrease in the expected return on plan assets would have increased our 2020 pension expense by approximately \$6.0 million. Our expected long-term rate of return on plan assets assumption will decrease to 5.00% for fiscal year 2021.

In determining the discount rate, we use yields on high-quality fixed-income investments (including among other things, Moody's Aa corporate bond yields) that match the duration and expected cash flows of the future pension obligations. To the extent the discount rate increases or decreases, our pension and postretirement obligations are decreased or increased accordingly. Holding all other assumptions constant, we estimate that a one percentage point decrease in the discount rate used to calculate both pension

expense for 2020 and the pension liability as of December 31, 2020 would have increased pension expense by \$14.4 million in 2020 and the pension liability by \$119.7 million at December 31, 2020. Similarly, a one percentage point decrease in the discount rate would have increased postretirement benefits expense by \$0.1 million in 2020 and the postretirement benefits liability by \$6.0 million at December 31, 2020.

### Merchandise Inventory

We value our inventories at the lower of cost (generally determined using the last-in, first-out (“LIFO”) cost method) or market. LIFO accounting is a method of accounting that, compared with other inventory accounting methods, generally provides better matching of current costs with current sales. In assessing the ultimate realization of inventories, we make judgments as to our return rights to suppliers and future demand requirements and record an inventory reserve for obsolete inventory. If actual future demand, market conditions, or supplier return provisions are less favorable than those projected by management, additional inventory write-downs may be required. For the years ended December 31, 2020, 2019 and 2018, there were no material differences between our estimated reserve levels and actual write-offs.

### Income Taxes

We recognize deferred tax assets and liabilities to reflect the future tax consequences of events that have been recognized in the financial statements or tax returns. A deferred tax asset or liability results from the temporary difference between an item’s carrying value as reflected in the financial statements and its tax basis, and is calculated using enacted applicable tax rates. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, a valuation allowance is established. Changes in the valuation allowance, when recorded, are included in the provision for income taxes in the consolidated financial statements. We classify interest expense and penalties as part of our provision for income taxes based upon applicable federal and state interest/underpayment percentages. We assess uncertainty regarding tax positions taken in previously filed returns and record reserves in accordance with the guidance under Accounting Standards Codification 740-10, “Accounting for Uncertainty in Income Taxes”.

### **New Accounting Standards**

New accounting standards are discussed in Note 2, “Summary of Significant Accounting Policies”, of the notes to the consolidated financial statements located in Item 8., “Financial Statements and Supplementary Data”, of this Annual Report on Form 10-K.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Market risk is the risk of loss arising from adverse changes in market rates and prices, including commodity prices, foreign currency exchange rates, interest rates, and equity prices. Our primary exposures to market risk are commodity price risk, foreign currency exchange rate risk, and interest rate risk associated with debt obligations.

#### **Commodity Price Risk**

We have exposure to commodity price risk on products we purchase for resale. Examples of such products include wire and cable, conduit, enclosures, and fittings.

#### **Foreign Currency Exchange Rate Risk**

The functional currency for our Canadian subsidiary is the Canadian dollar. Accordingly, its balance sheet amounts are translated at the exchange rates in effect at year-end and its income and expenses are translated using average exchange rates prevailing during the year. Currency translation adjustments are included in accumulated other comprehensive loss. Exposure to foreign currency exchange rate fluctuations is not material.

#### **Interest Rate Risk**

Our interest expense is sensitive to changes in the general level of market interest rates. Changes in interest rates have different impacts on the fixed-rate and variable-rate portions of our debt portfolio. A change in market interest rates on the fixed-rate portion of our debt portfolio impacts the fair value of the financial instrument, but has no impact on interest incurred or cash flows. A change in market interest rates on the variable-rate portion of our debt portfolio impacts the interest incurred and cash flows, but does not impact the fair value of the financial instrument.

Based on \$50.0 million in variable-rate debt outstanding at December 31, 2020, a one percentage point increase in interest rates would increase our interest expense by \$0.5 million per year.

The following table provides information about financial instruments that are sensitive to changes in interest rates. The table presents principal payments on debt and related weighted-average interest rates by expected maturity dates:

| Debt Instruments                     |         |        |        |        |        |               | <u>December 31, 2020</u> |               |
|--------------------------------------|---------|--------|--------|--------|--------|---------------|--------------------------|---------------|
|                                      | 2021    | 2022   | 2023   | 2024   | 2025   | After<br>2026 | Total                    | Fair<br>Value |
| Long-term, fixed-rate debt           | \$ 2.3  | \$ 1.8 | \$ 1.2 | \$ 1.2 | \$ 0.8 | \$ 0.7        | \$ 8.0                   | \$ 6.7        |
| Weighted-average interest rate       | 5.03 %  | 5.54 % | 6.63 % | 7.26 % | 8.04 % | 12.95 %       |                          |               |
| Short-term, variable-rate borrowings | \$ 50.0 | \$ —   | \$ —   | \$ —   | \$ —   | \$ —          | \$ 50.0                  | \$ 50.0       |
| Weighted-average interest rate       | 1.15 %  |        |        |        |        |               |                          |               |

The fair value of long-term debt is estimated by calculating future cash flows at interpolated Treasury yields with similar maturities, plus an estimate of our credit risk spread as of December 31, 2020.

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**CAUTION REGARDING FORWARD-LOOKING STATEMENTS:**

For additional information related to risks associated with our future performance, see Part I, "Caution Regarding Forward-looking Statements" above and Item 1A. Risk Factors of this Form 10-K.

**Item 8. Financial Statements and Supplementary Data**

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## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of Graybar Electric Company, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Graybar Electric Company, Inc. and Subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

### **Basis for Opinion**

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

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

### ***Defined Benefit Pension Obligation***

*Description of the Matter*

At December 31, 2020, the Company's aggregate defined benefit pension obligation was \$921.8 million and exceeded the fair value of pension plan assets of \$722.0 million, resulting in an unfunded defined benefit pension obligation of \$199.8 million. As discussed in Note 13 to the consolidated financial statements, the Company updates the estimates used to measure the defined benefit pension obligation and plan assets at December 31 or upon a remeasurement event.

Auditing the defined benefit pension obligation was complex and required the involvement of actuarial specialists due to the judgmental nature of the actuarial assumptions (e.g., discount rate and expected return on plan assets) used in the Company's measurement process. These assumptions have a significant effect on the projected benefit obligation.

*How We Addressed the Matter in Our Audit*

To test the defined benefit pension obligation, we performed audit procedures that included, among others, evaluating the methodology used, the significant actuarial assumptions described above, and the underlying data used by the Company. We compared the actuarial assumptions used by management to historical trends and evaluated the change in the defined benefit pension obligation from the prior year, due to the change in service costs, interest costs, actuarial gains and losses, benefit payments, contributions and other activities. In addition, we involved a specialist to assist in evaluating management's methodology for determining the actuarial assumptions used to measure the defined benefit pension obligation, including evaluating management's methodology for determining the discount rate that reflects the maturity and duration of the benefit payments and is used to measure the defined benefit pension obligation. To evaluate the expected return on plan assets, we assessed whether management's assumptions were consistent with a range of returns for a portfolio of comparative investments. We also tested the completeness and accuracy of the underlying data, including the participant data used in the actuarial calculations.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1996.

St. Louis, MO

March 10, 2021

**Graybar Electric Company, Inc. and Subsidiaries**  
**Consolidated Statements of Income**

|                                                                                                | <b>For the Years Ended December 31,</b> |                   |                   |
|------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------|-------------------|
| <i>(Stated in millions, except per share data)</i>                                             | <b>2020</b>                             | <b>2019</b>       | <b>2018</b>       |
| <b>Net Sales</b>                                                                               | <b>\$ 7,265.7</b>                       | <b>\$ 7,523.9</b> | <b>\$ 7,202.5</b> |
| Cost of merchandise sold                                                                       | <b>(5,896.2)</b>                        | <b>(6,094.9)</b>  | <b>(5,821.6)</b>  |
| <b>Gross Margin</b>                                                                            | <b>1,369.5</b>                          | <b>1,429.0</b>    | <b>1,380.9</b>    |
| Selling, general and administrative expenses                                                   | <b>(1,098.9)</b>                        | <b>(1,159.9)</b>  | <b>(1,125.0)</b>  |
| Depreciation and amortization                                                                  | <b>(52.8)</b>                           | <b>(50.5)</b>     | <b>(49.6)</b>     |
| Other income, net                                                                              | <b>7.0</b>                              | <b>5.0</b>        | <b>3.4</b>        |
| <b>Income from Operations</b>                                                                  | <b>224.8</b>                            | <b>223.6</b>      | <b>209.7</b>      |
| Non-operating expenses                                                                         | <b>(58.5)</b>                           | <b>(23.7)</b>     | <b>(30.6)</b>     |
| <b>Income before Provision for Income Taxes</b>                                                | <b>166.3</b>                            | <b>199.9</b>      | <b>179.1</b>      |
| Provision for income taxes                                                                     | <b>(44.2)</b>                           | <b>(55.0)</b>     | <b>(35.4)</b>     |
| <b>Net Income</b>                                                                              | <b>122.1</b>                            | <b>144.9</b>      | <b>143.7</b>      |
| Net income attributable to noncontrolling interests                                            | <b>(0.3)</b>                            | <b>(0.4)</b>      | <b>(0.4)</b>      |
| <b>Net Income attributable to Graybar Electric Company, Inc.</b>                               | <b>\$ 121.8</b>                         | <b>\$ 144.5</b>   | <b>\$ 143.3</b>   |
| <b>Net Income attributable to Graybar Electric Company, Inc.<br/>per share of Common Stock</b> | <b>\$ 5.38</b>                          | <b>\$ 6.41</b>    | <b>\$ 6.37</b>    |

*The accompanying Notes to Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.*

**Graybar Electric Company, Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**

| <i>(Stated in millions)</i>                                                                                            | <b>For the Years Ended December 31,</b> |                 |                 |
|------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------|-----------------|
|                                                                                                                        | <b>2020</b>                             | <b>2019</b>     | <b>2018</b>     |
| <b>Net Income</b>                                                                                                      | <b>\$ 122.1</b>                         | <b>\$ 144.9</b> | <b>\$ 143.7</b> |
| <b>Other Comprehensive Income (Loss)</b>                                                                               |                                         |                 |                 |
| Foreign currency translation                                                                                           | <b>2.8</b>                              | <b>4.8</b>      | <b>(8.1)</b>    |
| Pension and postretirement benefits liability adjustments<br>(net of tax of \$(0.5), \$5.2, and \$(6.1), respectively) | <b>1.3</b>                              | <b>(15.0)</b>   | <b>17.6</b>     |
| <b>Total Other Comprehensive Income (Loss)</b>                                                                         | <b>4.1</b>                              | <b>(10.2)</b>   | <b>9.5</b>      |
| <b>Comprehensive Income</b>                                                                                            | <b>\$ 126.2</b>                         | <b>\$ 134.7</b> | <b>\$ 153.2</b> |
| Less: comprehensive income attributable to noncontrolling<br>interests, net of tax                                     | <b>0.5</b>                              | <b>0.5</b>      | <b>0.1</b>      |
| <b>Comprehensive Income attributable to<br/>    Graybar Electric Company, Inc.</b>                                     | <b>\$ 125.7</b>                         | <b>\$ 134.2</b> | <b>\$ 153.1</b> |

*The accompanying Notes to Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.*

**Graybar Electric Company, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**

|                                                                      | <b>December 31,</b>           |             |
|----------------------------------------------------------------------|-------------------------------|-------------|
|                                                                      | <b>2020</b>                   | <b>2019</b> |
| <i>(Stated in millions, except share and per share data)</i>         |                               |             |
| <b>ASSETS</b>                                                        |                               |             |
| <b>Current Assets</b>                                                |                               |             |
| Cash and cash equivalents                                            | \$ 131.2                      | \$ 60.8     |
| Trade receivables (less allowances of \$6.9 and \$6.2, respectively) | 1,109.0                       | 1,096.6     |
| Merchandise inventory                                                | 588.5                         | 654.2       |
| Other current assets                                                 | 56.6                          | 51.7        |
| Total Current Assets                                                 | 1,885.3                       | 1,863.3     |
| <b>Property, at cost</b>                                             |                               |             |
| Land                                                                 | 78.9                          | 79.6        |
| Buildings                                                            | 504.5                         | 505.5       |
| Furniture and fixtures                                               | 255.7                         | 250.4       |
| Software                                                             | 153.5                         | 168.6       |
| Finance leases                                                       | 14.6                          | 18.3        |
| Total Property, at cost                                              | 1,007.2                       | 1,022.4     |
| Accumulated depreciation and amortization                            | (600.6)                       | (597.2)     |
| Net Property                                                         | 406.6                         | 425.2       |
| <b>Operating Lease Right-of-use Assets</b>                           | 118.8                         | 117.5       |
| <b>Other Non-current Assets</b>                                      | 140.5                         | 111.7       |
| <b>Total Assets</b>                                                  | \$ 2,551.2                    | \$ 2,517.7  |
| <b>LIABILITIES</b>                                                   |                               |             |
| <b>Current Liabilities</b>                                           |                               |             |
| Short-term borrowings                                                | \$ 50.0                       | \$ 138.0    |
| Current portion of long-term debt                                    | 2.3                           | 3.8         |
| Trade accounts payable                                               | 884.1                         | 832.3       |
| Accrued payroll and benefit costs                                    | 121.7                         | 151.1       |
| Other accrued taxes                                                  | 44.2                          | 24.7        |
| Current operating lease liabilities                                  | 31.2                          | 28.6        |
| Other current liabilities                                            | 104.4                         | 101.1       |
| Total Current Liabilities                                            | 1,237.9                       | 1,279.6     |
| <b>Postretirement Benefits Liability</b>                             | 74.1                          | 69.4        |
| <b>Pension Liability</b>                                             | 197.9                         | 164.6       |
| <b>Long-term Debt</b>                                                | 5.7                           | 7.8         |
| <b>Non-current Operating Lease Liabilities</b>                       | 95.9                          | 96.2        |
| <b>Other Non-current Liabilities</b>                                 | 4.7                           | 2.3         |
| <b>Total Liabilities</b>                                             | 1,616.2                       | 1,619.9     |
| <b>SHAREHOLDERS' EQUITY</b>                                          |                               |             |
|                                                                      | <b>Shares at December 31,</b> |             |
|                                                                      | <b>2020</b>                   | <b>2019</b> |
| <b>Capital Stock</b>                                                 |                               |             |
| Common, stated value \$20.00 per share                               |                               |             |
| Authorized                                                           | 50,000,000                    | 50,000,000  |
| Issued to voting trustees                                            | 18,755,472                    | 18,665,064  |
| Issued to shareholders                                               | 3,905,994                     | 3,872,159   |
| In treasury, at cost                                                 | (57,047)                      | (62,700)    |
| Outstanding Common Stock                                             | 22,604,419                    | 22,474,523  |
| Common shares subscribed                                             | 1,052,817                     | 997,275     |
| Less subscriptions receivable                                        | (1,052,817)                   | (997,275)   |
| Retained Earnings                                                    | 725.1                         | 694.0       |
| Accumulated Other Comprehensive Loss                                 | (246.7)                       | (250.6)     |
| <b>Total Graybar Electric Company, Inc. Shareholders' Equity</b>     | 930.5                         | 892.9       |
| <b>Noncontrolling Interests</b>                                      | 4.5                           | 4.9         |
| <b>Total Shareholders' Equity</b>                                    | 935.0                         | 897.8       |
| <b>Total Liabilities and Shareholders' Equity</b>                    | \$ 2,551.2                    | \$ 2,517.7  |

*The accompanying Notes to Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.*

**Graybar Electric Company, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**

| <i>(Stated in millions)</i>                                                   | <b>For the Years Ended December 31,</b> |                |                |
|-------------------------------------------------------------------------------|-----------------------------------------|----------------|----------------|
|                                                                               | <b>2020</b>                             | <b>2019</b>    | <b>2018</b>    |
| <b>Cash Flows from Operating Activities</b>                                   |                                         |                |                |
| Net Income                                                                    | \$ 122.1                                | \$ 144.9       | \$ 143.7       |
| Adjustments to reconcile net income to cash provided by operating activities: |                                         |                |                |
| Depreciation and amortization                                                 | 52.8                                    | 50.5           | 49.6           |
| Non-cash operating lease expense                                              | 33.8                                    | 30.1           | —              |
| Deferred income taxes                                                         | (10.2)                                  | (3.7)          | 3.4            |
| Net gains on disposal of assets                                               | (3.0)                                   | (1.5)          | —              |
| Losses on impairment of assets                                                | 0.3                                     | 0.3            | 0.3            |
| Non-cash pension settlement charge                                            | 27.7                                    | —              | —              |
| Net income attributable to noncontrolling interests                           | (0.3)                                   | (0.4)          | (0.4)          |
| Changes in assets and liabilities:                                            |                                         |                |                |
| Trade receivables                                                             | (5.2)                                   | 92.2           | (125.4)        |
| Merchandise inventory                                                         | 68.0                                    | 4.5            | (101.9)        |
| Other current assets                                                          | (4.9)                                   | 2.4            | 2.1            |
| Other non-current assets                                                      | (1.1)                                   | (1.7)          | (9.0)          |
| Trade accounts payable                                                        | 48.1                                    | (62.8)         | 59.7           |
| Accrued payroll and benefit costs                                             | (30.2)                                  | (7.1)          | 38.8           |
| Other current liabilities                                                     | 25.1                                    | 5.8            | 5.6            |
| Other non-current liabilities                                                 | (21.3)                                  | (4.1)          | (24.4)         |
| Total adjustments to net income                                               | 179.6                                   | 104.5          | (101.6)        |
| Net cash provided by operating activities                                     | 301.7                                   | 249.4          | 42.1           |
| <b>Cash Flows from Investing Activities</b>                                   |                                         |                |                |
| Proceeds from disposal of property                                            | 7.9                                     | 3.7            | 0.7            |
| Capital expenditures for property                                             | (31.1)                                  | (43.1)         | (43.0)         |
| Acquisition of business, net of cash acquired                                 | (27.2)                                  | —              | —              |
| Net cash used by investing activities                                         | (50.4)                                  | (39.4)         | (42.3)         |
| <b>Cash Flows from Financing Activities</b>                                   |                                         |                |                |
| Net (decrease) increase in short-term borrowings                              | (88.0)                                  | (97.0)         | 65.4           |
| Principal payments under finance arrangements                                 | (3.9)                                   | (3.7)          | (4.0)          |
| Sales of common stock                                                         | 19.1                                    | 18.5           | 17.8           |
| Purchases of common stock                                                     | (16.5)                                  | (19.2)         | (15.7)         |
| Sales of noncontrolling interests' common stock                               | —                                       | 0.8            | —              |
| Purchases of noncontrolling interests' common stock                           | (0.9)                                   | (0.3)          | (0.3)          |
| Dividends paid                                                                | (90.7)                                  | (107.2)        | (46.9)         |
| Net cash (used) provided by financing activities                              | (180.9)                                 | (208.1)        | 16.3           |
| <b>Net Increase in Cash</b>                                                   | <b>70.4</b>                             | <b>1.9</b>     | <b>16.1</b>    |
| <b>Cash, Beginning of Year</b>                                                | <b>60.8</b>                             | <b>58.9</b>    | <b>42.8</b>    |
| <b>Cash, End of Year</b>                                                      | <b>\$ 131.2</b>                         | <b>\$ 60.8</b> | <b>\$ 58.9</b> |
| <b>Supplemental Cash Flow Information:</b>                                    |                                         |                |                |
| <b>Non-cash Investing and Financing Activities:</b>                           |                                         |                |                |
| Acquisitions of equipment under finance leases                                | \$ 0.3                                  | \$ 2.0         | \$ 3.1         |
| Acquisitions of assets under operating leases                                 | \$ 35.3                                 | \$ 55.9        | \$ —           |
| Acquisition of software and maintenance under financing arrangement           | \$ —                                    | \$ —           | \$ 5.0         |
| <b>Cash Paid During the Year for:</b>                                         |                                         |                |                |
| Interest, net of amounts capitalized                                          | \$ 3.8                                  | \$ 6.1         | \$ 6.3         |
| Income taxes, net of refunds                                                  | \$ 55.3                                 | \$ 60.7        | \$ 38.3        |

*The accompanying Notes to Consolidated Financial Statements are an integral part of the Consolidated Financial Statements*

**Graybar Electric Company, Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Shareholders' Equity**

| <hr/> <b>Graybar Electric Company, Inc.</b><br><b>Shareholders' Equity</b> <hr/> |                         |                              |                                                         |                                     |                                           |
|----------------------------------------------------------------------------------|-------------------------|------------------------------|---------------------------------------------------------|-------------------------------------|-------------------------------------------|
| <i>(Stated in millions)</i>                                                      | <b>Common<br/>Stock</b> | <b>Retained<br/>Earnings</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Loss</b> | <b>Noncontrolling<br/>Interests</b> | <b>Total<br/>Shareholders'<br/>Equity</b> |
| <b>Balance, December 31, 2017</b>                                                | \$ 387.7                | \$ 619.9                     | \$ (250.1)                                              | \$ 4.1                              | \$ 761.6                                  |
| Net income                                                                       |                         | 143.3                        |                                                         | 0.4                                 | 143.7                                     |
| Other comprehensive income (loss)                                                |                         |                              | 9.8                                                     | (0.3)                               | 9.5                                       |
| Adoption of ASC 606, net of tax                                                  |                         | 0.8                          |                                                         |                                     | 0.8                                       |
| Stock issued                                                                     | 17.8                    |                              |                                                         |                                     | 17.8                                      |
| Stock purchased                                                                  | (15.7)                  |                              |                                                         | (0.3)                               | (16.0)                                    |
| Dividends declared                                                               | 39.0                    | (85.9)                       |                                                         |                                     | (46.9)                                    |
| <b>Balance, December 31, 2018</b>                                                | \$ 428.8                | \$ 678.1                     | \$ (240.3)                                              | \$ 3.9                              | \$ 870.5                                  |
| Net income                                                                       |                         | 144.5                        |                                                         | 0.4                                 | 144.9                                     |
| Other comprehensive (loss) income                                                |                         |                              | (10.3)                                                  | 0.1                                 | (10.2)                                    |
| Stock issued                                                                     | 18.5                    |                              |                                                         | 0.8                                 | 19.3                                      |
| Stock purchased                                                                  | (19.2)                  |                              |                                                         | (0.3)                               | (19.5)                                    |
| Dividends declared                                                               | 21.4                    | (128.6)                      |                                                         |                                     | (107.2)                                   |
| <b>Balance, December 31, 2019</b>                                                | \$ 449.5                | \$ 694.0                     | \$ (250.6)                                              | \$ 4.9                              | \$ 897.8                                  |
| Net income                                                                       |                         | 121.8                        |                                                         | 0.3                                 | 122.1                                     |
| Other comprehensive income                                                       |                         |                              | 3.9                                                     | 0.2                                 | 4.1                                       |
| Stock issued                                                                     | 19.1                    |                              |                                                         |                                     | 19.1                                      |
| Stock purchased                                                                  | (16.5)                  |                              |                                                         | (0.9)                               | (17.4)                                    |
| Dividends declared                                                               |                         | (90.7)                       |                                                         |                                     | (90.7)                                    |
| <b>Balance, December 31, 2020</b>                                                | \$ 452.1                | \$ 725.1                     | \$ (246.7)                                              | \$ 4.5                              | \$ 935.0                                  |

*The accompanying Notes to Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.*

**Graybar Electric Company, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**as of December 31, 2020 and 2019 and**  
**for the Years Ended December 31, 2020, 2019, and 2018**  
*(Stated in millions, except share and per share data)*

## **1. DESCRIPTION OF THE BUSINESS**

Graybar Electric Company, Inc. (“Graybar”, “Company”, “we”, “our”, or “us”) is a New York corporation, incorporated in 1925. We are engaged in the distribution of electrical and communications and data networking products and are a provider of related supply chain management and logistics services. We primarily serve customers in the construction, commercial, institutional and government (“CIG”), and industrial & utility vertical markets, with products and services that support new construction, infrastructure updates, building renovation, facility maintenance, repair and operations (“MRO”), and original equipment manufacturers (“OEM”). We purchase all of the products we sell from others, and we neither manufacture nor contract to manufacture any products we sell. Our business activity is primarily based in the United States (“U.S.”). We also have subsidiary operations with distribution facilities in Canada and Puerto Rico.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Our accounting policies conform to generally accepted accounting principles in the U.S. (“GAAP”) and are applied on a consistent basis among all years presented. Significant accounting policies are described below.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of Graybar and its subsidiary companies. All material intercompany balances and transactions have been eliminated. The ownership interests that are held by owners other than the Company are in subsidiaries owned by the Company and are accounted for and reported as noncontrolling interests.

### **Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

### **Subsequent Events**

We have evaluated subsequent events through the time of the filing of this Annual Report on Form 10-K with the Commission. No material subsequent events have occurred since December 31, 2020 that require recognition or disclosure in our financial statements.

### **Revenue Recognition**

Sales revenue is recognized when performance obligations are satisfied, which is typically upon delivery of the product to the customer. Sometimes product is purchased from the manufacturer and drop-shipped to the customer. We generally take control of the goods when shipped by the manufacturer and then recognize revenue when control of the product transfers to the customer. Revenues recognized are primarily for product sales, but may also include freight and handling charges. Our standard warehouse shipping terms are FOB shipping point, under which control passes to the customer at the time of shipment. We also earn revenue for professional services, general contracting services, and storage services. Such service revenue represented less than 1% of gross sales for the years ended December 31, 2020, 2019, and 2018. Revenue is reported net of all taxes, primarily sales tax, assessed by governmental authorities as a result of revenue-producing transactions.

### **Outgoing Freight Expenses**

We record 95% of outgoing freight expenses as a component of selling, general and administrative expenses. Total outgoing freight expenses were \$68.8 million, \$68.5 million, and \$65.7 million for the years ended December 31, 2020, 2019, and 2018, respectively.

## **Cash and Cash Equivalents**

We account for cash on hand, deposits in banks, and other short-term, highly liquid investments with an original maturity of three months or less as cash and cash equivalents.

## **Allowance for Credit Losses**

We perform ongoing credit evaluations of our customers, and a significant portion of our trade receivables is secured by mechanic's lien or payment bond rights. We maintain allowances to reflect the expected uncollectability of trade receivables based on past collection history pooled on the aging of the receivables, specific risks identified in the receivables portfolio based on current conditions, and expected future economic conditions when necessary. Although actual credit losses have historically been within management's expectations, additional allowances may be required if the financial condition of our customers were to deteriorate.

## **Merchandise Inventory**

Our inventory, comprised entirely of finished goods, is stated at the lower of cost (generally determined using the last-in, first-out ("LIFO") cost method) or market. LIFO accounting is a method of accounting that, compared with other inventory accounting methods, generally provides better matching of current costs with current sales.

We make provisions for obsolete or excess inventories as necessary to reflect reductions in inventory value.

## **Vendor Allowances**

Our agreements with many of our suppliers provide for us to earn volume incentives based on purchases during the agreement period. Based on the provisions of our vendor agreements, we develop vendor accrual rates by estimating our performance under the agreements and the amounts that will be earned. We perform analyses and review historical trends to ensure the deferred amounts earned are appropriately recorded. Certain vendor agreements contain purchase volume incentives that provide for increased funding when graduated purchase volumes are met. Amounts accrued throughout the year are based on estimates of future activity levels, and could be materially impacted if actual purchase volumes differ. Changes in the estimated amount of incentives are treated as changes in estimate and are recognized in earnings in the period in which the change in estimate occurs. In the event that the operating performance of our suppliers were to decline, however, there can be no assurance that amounts earned would be paid or that the volume incentives would continue to be included in future agreements.

## **Property and Depreciation**

Property, plant and equipment are recorded at cost. Depreciation is expensed on a straight-line basis over the estimated useful lives of the related assets. Interest costs incurred to finance expenditures for major long-term construction projects are capitalized as part of the asset's historical cost and included in property, plant and equipment, then depreciated over the useful life of the asset. Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Expenditures for maintenance and repairs are charged to expense when incurred, while the costs of significant improvements, which extend the useful life of the underlying asset, are capitalized.

## **Fair Value**

We endeavor to utilize the best available information in measuring fair value. GAAP has established a fair value hierarchy, which prioritizes the inputs used in measuring fair value. The tiers in the hierarchy include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own data inputs and assumptions. We have used fair value measurements to value our pension plan assets.

## **Foreign Currency Exchange Rate**

The functional currency for our Canadian subsidiary is the Canadian dollar. Accordingly, its balance sheet amounts are translated at the exchange rates in effect at the end of each reporting period and its statements of income amounts are translated at the average rates of exchange prevailing during the current period. Currency translation adjustments are included in accumulated other comprehensive loss.

## **Goodwill**

Our goodwill is not amortized, but rather tested annually for impairment. Goodwill is reviewed annually in the fourth quarter and when circumstances or other events might indicate that impairment may have occurred. We first perform a qualitative assessment of goodwill impairment. The qualitative assessment considers several factors including the excess fair value over carrying value as of the last quantitative impairment test, the length of time since the last fair value measurement, the current carrying value, market conditions, actual performance compared to forecasted performance, and the current business outlook. If the qualitative assessment indicates that it is more likely than not that goodwill is impaired, the reporting unit is then quantitatively tested for impairment. If a quantitative assessment is required, the fair value is determined using a variety of assumptions including estimated future cash flows of the reporting unit using applicable discount rates.

## **Definite Lived Intangible Assets**

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed, either on a straight-line or accelerated basis over the estimated periods benefited. Customer relationships, trade names and other non-contractual intangible assets with determinable lives are amortized over periods generally ranging from 3 to 20 years. Intangible assets are tested for impairment if events or circumstances occur indicating that the respective asset might be impaired.

## **Income Taxes**

We recognize deferred tax assets and liabilities to reflect the future tax consequences of events that have been recognized in the financial statements or tax returns. A deferred tax asset or liability results from the temporary difference between an item's carrying value as reflected in the financial statements and its tax basis, and is calculated using enacted applicable tax rates. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, a valuation allowance is established. Changes in the valuation allowance, when recorded, are included in the provision for income taxes in the consolidated financial statements. We classify interest expense and penalties as part of our provision for income taxes based upon applicable federal and state interest/underpayment percentages. We assess uncertainty regarding tax positions taken in previously filed returns and record reserves in accordance with the guidance under Accounting Standards Codification ("ASC") 740-10, "Accounting for Uncertainty in Income Taxes".

## **Other Postretirement Benefits**

We account for postretirement benefits other than pension benefits by accruing the costs of benefits to be provided over the eligible employees' periods of active service. These costs are determined on an actuarial basis. Our consolidated balance sheets reflect the funded status of postretirement benefits.

## **Pension Plan**

We sponsor a noncontributory defined benefit pension plan accounted for by accruing the cost to provide the benefits over the eligible employees' periods of active service. These costs are determined on an actuarial basis. Our consolidated balance sheets reflect the funded status of the defined benefit pension plan.

## **Leases**

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities, and non-current operating lease liabilities on our consolidated balance sheets. Amounts related to finance leases are included in property and equipment, current portion of long-term debt, and long-term debt on our consolidated balance sheets. ROU assets and lease liabilities are recognized and measured on the date the underlying asset is made available to us.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. We use our incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

For certain leases, such as real estate and information technology (IT) equipment, we account for the lease and non-lease components as a single lease component. For all other leases, we account for the lease and non-lease components separately. We

have elected as an accounting policy not to apply the recognition requirements for short-term leases. Therefore, leases with a term of twelve months or less are not recorded on the consolidated balance sheets. Lease expenses associated with short-term leases are immaterial and are recorded in the consolidated statements of income in selling, general and administrative expenses. Additionally, for certain vehicle leases, we apply a portfolio approach to account for the operating lease ROU assets and liabilities.

## **Non-Operating Expenses**

Non-operating expenses are comprised of interest expense, net and non-service cost components of the net periodic benefit cost for the pension and other postretirement benefit plans. The non-service cost components include interest cost, expected return on plan assets, amortization of net actuarial gains/losses, amortization of prior service costs/gains, and charges due to settlement of certain plan liabilities.

## **New Accounting Standards**

In June 2016, the FASB issued Accounting Standards Update (“ASU” or “Update”) 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”, which introduced new guidance for the accounting for credit losses on certain financial instruments. The amendments in this ASU were effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years and required a cumulative-effect adjustment to the balance sheet as of the beginning of the first reporting period in which the guidance is effective. Periods presented prior to the adoption date are not adjusted.

We adopted this Update as of January 1, 2020. We determined that our trade receivables are financial instruments subject to this Update. We have evaluated the accounting policies applicable to our allowance for doubtful accounts and have developed new methods to include three components into our allowance to comply with requirements of the ASU: 1) a reserve derived from historical loss rates based upon the aging of our trade receivables, 2) a reserve based upon specifically-identified trade receivables in our portfolio that are considered higher risk based on current conditions, and 3) an additional reserve, as necessary, to consider the impact of future economic conditions. The adoption of this Update did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”) that makes minor changes to the disclosure requirements on fair value measurements in Topic 820. The guidance eliminates requirements for certain disclosures that are no longer considered cost beneficial and adds new disclosure requirements that the FASB considers pertinent. We adopted this Update as of January 1, 2020. The adoption did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, “Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract” (“ASU 2018-15”) requiring a customer in a cloud computing arrangement that is a service contract to follow the internal use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. We adopted this Update as of January 1, 2020. The adoption did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, “Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans” (“ASU 2018-14”) that makes minor changes to the disclosure requirements for employers that sponsor defined benefit pension and/or other postretirement benefit plans. The guidance eliminates requirements for certain disclosures that are no longer considered cost beneficial and adds new disclosure requirements that the FASB considers pertinent. ASU 2018-14 is effective for fiscal years ending after December 15, 2020 for public entities. Early adoption is permitted. We adopted this Update as of December 31, 2020. The adoption did not have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting” (“ASU 2020-04”) that provides temporary relief to the GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative rates. This Update is effective for all entities as of March 12, 2020 through December 31, 2022. The guidance on contract modifications, which is applicable to Graybar, can be applied prospectively from any date beginning March 12, 2020 and may also be applied to modifications of existing contracts made earlier in the interim period that includes March 12, 2020. We have evaluated the impact of the adoption of the Update on our contracts and our consolidated financial statements. We do not engage in hedging transactions and we anticipate that our few impacted contracts will continue to use LIBOR until December 31, 2021. As such, we currently believe this Update will not have a material impact on our contracts and our consolidated financial statements.

### 3. REVENUE

On January 1, 2018, we adopted ASC Topic 606, "Revenue from Contracts with Customers" ("ASC Topic 606") using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC Topic 605, "Revenue Recognition" ("ASC Topic 605").

We recorded an increase to opening retained earnings of \$0.8 million (net of tax of \$0.3 million) as of January 1, 2018 due to the cumulative impact of adopting ASC Topic 606, with the impact primarily related to the recognition of bill and hold transactions that were deferred under ASC Topic 605. The impact to net sales as a result of applying ASC Topic 606 for the year ended December 31, 2018 was an increase of \$0.2 million.

In accordance with the new revenue standard requirement, the disclosure impact of adoption on our consolidated statement of income for the year ended December 31, 2018 and the consolidated balance sheet as of December 31, 2018 was as follows:

#### Consolidated Statements of Income

|                          | For the Year Ended December 31, 2018 |                          |                  |
|--------------------------|--------------------------------------|--------------------------|------------------|
|                          | As Reported                          | Balance without Adoption | Effect of Change |
| Net sales                | \$ 7,202.5                           | \$ 7,202.3               | \$ 0.2           |
| Cost of merchandise sold | 5,821.6                              | 5,821.6                  | —                |

#### Consolidated Balance Sheet

|                               | As of December 31, 2018 |                          |                  |
|-------------------------------|-------------------------|--------------------------|------------------|
|                               | As Reported             | Balance without Adoption | Effect of Change |
| Merchandise inventory         | \$ 658.7                | \$ 668.2                 | \$ (9.5)         |
| Other current assets          | 54.1                    | 54.4                     | (0.3)            |
| Other non-current liabilities | 8.7                     | 19.4                     | (10.7)           |
| Retained earnings             | 678.1                   | 677.2                    | 0.9              |

The following table summarizes the percentages of our net sales attributable to each of our vertical markets for the years ended December 31, 2020, 2019 and 2018:

|                      | For the Years Ended December 31, |         |         |
|----------------------|----------------------------------|---------|---------|
|                      | 2020                             | 2019    | 2018    |
| Construction         | 58.1 %                           | 58.4 %  | 58.2 %  |
| CIG                  | 26.8                             | 26.5    | 26.2    |
| Industrial & Utility | 15.1                             | 15.1    | 15.6    |
| Total net sales      | 100.0 %                          | 100.0 % | 100.0 % |

Certain reclassifications have been made to the vertical market assigned to customers in the prior years' information to conform to the December 31, 2020 presentation.

We had no material contract assets, contract liabilities, or deferred contract costs recorded on the consolidated balance sheet as of December 31, 2020 and 2019. In addition, for the years ended December 31, 2020, 2019 and 2018, revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period is not material.

Revenue expected to be recognized in any future year related to remaining performance obligations is not material. As permitted in ASC Topic 606, we have elected to omit disclosure related to performance obligations for revenue pertaining to contracts that have an original expected duration of one year or less, to contracts where revenue is recognized as invoiced and to contracts with variable consideration related to wholly unsatisfied performance obligations.

#### 4. CASH DISCOUNTS AND DOUBTFUL ACCOUNTS

The following table summarizes the activity in the allowances for cash discounts and doubtful accounts:

|                                             | Beginning<br>Balance | Provision<br>(Charged to<br>Expense) | Deductions       | Ending<br>Balance |
|---------------------------------------------|----------------------|--------------------------------------|------------------|-------------------|
| <b>For the Year Ended December 31, 2020</b> |                      |                                      |                  |                   |
| Allowance for cash discounts                | \$ 2.2               | \$ 35.1                              | \$ (34.4)        | \$ 2.9            |
| Allowance for doubtful accounts             | 4.0                  | 2.6                                  | (2.6)            | 4.0               |
| <b>Total</b>                                | <b>\$ 6.2</b>        | <b>\$ 37.7</b>                       | <b>\$ (37.0)</b> | <b>\$ 6.9</b>     |
| <b>For the Year Ended December 31, 2019</b> |                      |                                      |                  |                   |
| Allowance for cash discounts                | \$ 2.2               | \$ 35.8                              | \$ (35.8)        | \$ 2.2            |
| Allowance for doubtful accounts             | 3.7                  | 7.0                                  | (6.7)            | 4.0               |
| <b>Total</b>                                | <b>\$ 5.9</b>        | <b>\$ 42.8</b>                       | <b>\$ (42.5)</b> | <b>\$ 6.2</b>     |
| <b>For the Year Ended December 31, 2018</b> |                      |                                      |                  |                   |
| Allowance for cash discounts                | \$ 2.0               | \$ 33.2                              | \$ (33.0)        | \$ 2.2            |
| Allowance for doubtful accounts             | 4.0                  | 2.9                                  | (3.2)            | 3.7               |
| <b>Total</b>                                | <b>\$ 6.0</b>        | <b>\$ 36.1</b>                       | <b>\$ (36.2)</b> | <b>\$ 5.9</b>     |

#### 5. INVENTORY

Our inventory, comprised entirely of finished goods, is stated at the lower of cost (generally determined using the LIFO cost method) or market. Inventories valued using the LIFO method comprised 89% and 90% of the total inventories at December 31, 2020 and 2019, respectively. Had the first-in, first-out ("FIFO") method been used, merchandise inventory would have been \$227.2 million and \$186.5 million greater than reported under the LIFO method at December 31, 2020 and 2019, respectively. In 2020, we liquidated portions of previously created LIFO layers, resulting in decreases in cost of merchandise sold of \$4.1 million. We did not liquidate any portion of previously-created LIFO layers in 2019 and 2018.

Reserves for excess and obsolete inventories were \$8.6 million and \$9.2 million at December 31, 2020 and 2019, respectively. The change in the reserve for excess and obsolete inventories, included in cost of merchandise sold, was \$(0.6) million, \$1.4 million, and \$(1.4) million for the years ended December 31, 2020, 2019, and 2018, respectively.

#### 6. PROPERTY AND DEPRECIATION

We provide for depreciation and amortization using the straight-line method over the following estimated useful asset lives:

| Classification                              | Estimated Useful Asset Life                            |
|---------------------------------------------|--------------------------------------------------------|
| Buildings                                   | 42 years                                               |
| Leasehold improvements                      | Over the shorter of the asset's life or the lease term |
| Furniture, fixtures, equipment and software | 3 to 14 years                                          |
| Assets held under finance leases            | Over the shorter of the asset's life or the lease term |

Depreciation expense was \$36.7 million, \$36.1 million, and \$37.3 million in 2020, 2019, and 2018, respectively.

At the time property is retired or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged to other income, net.

We consider properties to be assets held for sale when all of the following criteria are met: (i) a formal commitment to a plan to sell a property has been made and exercised; (ii) the property is available for sale in its present condition; (iii) actions required to complete the sale of the property have been initiated; (iv) sale of the property is probable and we expect the sale will occur within one year; and (v) the property is being actively marketed for sale at a price that is reasonable given its current market value.

Upon designation as an asset held for sale, we record the carrying value of each property at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and depreciation of the property ceases. We did not have assets classified as held for sale at December 31, 2020, compared to assets held for sale of \$0.1 million at December 31, 2019. During the year ended December 31, 2020, we sold assets classified as held for sale with a net book value of \$4.4 million, and recorded a net gain of \$3.4 million in other income, net. We did not sell any assets classified as held for sale in 2019 or 2018.

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. For assets classified as held and used, impairment may occur if projected undiscounted cash flows are not adequate to cover the carrying value of the assets. In such cases, additional analysis is conducted to determine the amount of the loss to be recognized. The impairment loss is calculated as the difference between the carrying amount of the asset and its estimated fair value. The analysis requires estimates of the amount and timing of projected cash flows and, where applicable, selection of an appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed necessary.

## 7. LEASES

We have operating and finance leases for corporate offices, warehouse buildings, sales offices, branch locations, vehicles, and certain equipment. Our leases have remaining lease terms of one to ten years, some of which may include options to extend the leases for up to five years, and some of which may include options to terminate the leases within one year. In addition to fixed lease payments, we incur variable lease charges that are recognized as incurred. These charges are primarily for maintenance and real estate taxes on leased facilities.

The components of the lease expense for the years ended December 31, 2020 and 2019, were as follows:

|                                     | <b>For the Years Ended December 31,</b> |             |
|-------------------------------------|-----------------------------------------|-------------|
|                                     | <b>2020</b>                             | <b>2019</b> |
| Operating lease cost                | \$ 37.9                                 | \$ 33.9     |
| Finance lease cost:                 |                                         |             |
| Amortization of right-of-use assets | 2.1                                     | 2.2         |
| Interest on lease liabilities       | 0.6                                     | 0.7         |
| Total finance lease cost            | 2.7                                     | 2.9         |
| Variable lease cost                 | 10.6                                    | 9.5         |
| Total lease cost                    | \$ 51.2                                 | \$ 46.3     |

Supplemental balance sheet information at December 31, 2020 and 2019, related to leases was as follows:

|                                            | <b>December 31,</b> |             |
|--------------------------------------------|---------------------|-------------|
|                                            | <b>2020</b>         | <b>2019</b> |
| Operating leases:                          |                     |             |
| Operating lease right-of-use assets        | \$ 118.8            | \$ 117.5    |
| Current operating lease liabilities        | \$ 31.2             | \$ 28.6     |
| Non-current operating lease liabilities    | 95.9                | 96.2        |
| Total operating lease liabilities          | \$ 127.1            | \$ 124.8    |
| Finance leases:                            |                     |             |
| Property, at cost                          | \$ 14.6             | \$ 18.3     |
| Accumulated depreciation and amortization  | (8.1)               | (9.9)       |
| Net property                               | \$ 6.5              | \$ 8.4      |
| Current obligations of finance leases      | \$ 2.3              | \$ 2.1      |
| Finance leases, net of current obligations | 5.7                 | 7.8         |
| Total finance lease liabilities            | \$ 8.0              | \$ 9.9      |
| Weighted average remaining lease term:     |                     |             |
| Operating leases                           | 4.7 years           | 5.0 years   |
| Finance leases                             | 4.4 years           | 5.1 years   |
| Weighted average discount rate:            |                     |             |
| Operating leases                           | 2.9%                | 3.3%        |
| Finance leases                             | 7.3%                | 7.0%        |

Supplemental cash flow and other information for the years ended December 31, 2020 and 2019, related to leases was as follows:

|                                                                         | <b>For the Years Ended December 31,</b> |             |
|-------------------------------------------------------------------------|-----------------------------------------|-------------|
|                                                                         | <b>2020</b>                             | <b>2019</b> |
| Cash paid for amounts included in the measurement of lease liabilities: |                                         |             |
| Operating cash flows from operating leases                              | \$ 37.3                                 | \$ 33.5     |
| Operating cash flows from finance leases                                | 0.6                                     | 0.7         |
| Financing cash flows from finance leases                                | 2.2                                     | 2.1         |
| Right-of-use assets obtained in exchange for lease liabilities:         |                                         |             |
| Operating leases <sup>(A)</sup>                                         | \$ 35.3                                 | \$ 55.9     |
| Finance leases                                                          | 0.3                                     | 2.0         |

<sup>(A)</sup> Includes \$1.6 million of operating leases established on December 1, 2020 as a result of the acquisition of Shingle & Gibb Automation, LLC. See Note 17, "Acquisition", for further information.

Future minimum lease payments under non-cancellable leases as of December 31, 2020, were as follows:

|                                     | <b>December 31, 2020</b>    |                           |
|-------------------------------------|-----------------------------|---------------------------|
|                                     | <b>Operating<br/>Leases</b> | <b>Finance<br/>Leases</b> |
| Future minimum lease payments       |                             |                           |
| 2021                                | \$ 34.3                     | \$ 2.8                    |
| 2022                                | 30.8                        | 2.1                       |
| 2023                                | 24.7                        | 1.5                       |
| 2024                                | 18.6                        | 1.3                       |
| 2025                                | 11.9                        | 0.9                       |
| Thereafter                          | 15.7                        | 0.9                       |
| Total future minimum lease payments | \$ 136.0                    | \$ 9.5                    |
| Less: imputed interest              | (8.9)                       | (1.5)                     |
| Total lease obligation              | \$ 127.1                    | \$ 8.0                    |
| Less: current obligations           | (31.2)                      | (2.3)                     |
| Long-term lease obligation          | \$ 95.9                     | \$ 5.7                    |

## 8. GOODWILL AND OTHER INTANGIBLE ASSETS

In 2020, goodwill and other intangible assets increased due to the acquisition of Shingle & Gibb Automation, LLC. See Note 17, “Acquisition”, for further information.

### Goodwill

The changes in the carrying amount of goodwill, included in other non-current assets in our consolidated balance sheets, for the years ended December 31 were as follows:

|                   | <b>2020</b> | <b>2019</b> |
|-------------------|-------------|-------------|
| Beginning balance | \$ 30.1     | \$ 30.1     |
| Goodwill acquired | 7.0         | —           |
| Ending balance    | \$ 37.1     | \$ 30.1     |

As of December 31, 2020, we have completed our annual impairment test and concluded that there is no impairment of our goodwill.

### Other Intangible Assets

Other intangible assets, included in other non-current assets in our consolidated balance sheets, consist of the following:

|                         |                                  | <b>As of December 31, 2020</b>   |                                     |                                |
|-------------------------|----------------------------------|----------------------------------|-------------------------------------|--------------------------------|
|                         | <b>Weighted<br/>Average Life</b> | <b>Gross Carrying<br/>Amount</b> | <b>Accumulated<br/>Amortization</b> | <b>Net Carrying<br/>Amount</b> |
| Customer relationships  | 8.5 to 14 years                  | \$ 30.5                          | \$ (8.4)                            | \$ 22.1                        |
| Trade name              | 15 to 20 years                   | 18.2                             | (3.6)                               | 14.6                           |
| Non-compete agreements  | 3 to 7 years                     | 0.7                              | (0.3)                               | 0.4                            |
| Other intangible assets | 10 years                         | 0.1                              | (0.1)                               | —                              |
| Total                   |                                  | \$ 49.5                          | \$ (12.4)                           | \$ 37.1                        |

|                         | Weighted<br>Average Life | As of December 31, 2019  |                             |                        |
|-------------------------|--------------------------|--------------------------|-----------------------------|------------------------|
|                         |                          | Gross Carrying<br>Amount | Accumulated<br>Amortization | Net Carrying<br>Amount |
| Customer relationships  | 8.5 to 10.8 years        | \$ 16.7                  | \$ (6.7)                    | \$ 10.0                |
| Trade name              | 15 to 20 years           | 14.3                     | (2.8)                       | 11.5                   |
| Non-compete agreements  | 3 to 5 years             | 0.3                      | (0.3)                       | —                      |
| Other intangible assets | 10 years                 | 0.1                      | (0.1)                       | —                      |
| Total                   |                          | \$ 31.4                  | \$ (9.9)                    | \$ 21.5                |

We did not incur losses related to our other intangible assets during the year ended December 31, 2020. We incurred losses of \$0.5 million related to our customer relationships during the year ended December 31, 2019. Amortization expense for other intangible assets was \$2.5 million, \$2.5 million, and \$2.6 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Estimated future amortization expense related to our intangible assets for the years ending December 31 are as follows:

|            |         |
|------------|---------|
| 2021       | \$ 3.7  |
| 2022       | 3.7     |
| 2023       | 3.7     |
| 2024       | 3.6     |
| 2025       | 3.5     |
| After 2025 | 18.9    |
|            | \$ 37.1 |

## 9. INCOME TAXES

The components of income before taxes and the provision for income taxes recorded in the consolidated statements of income are as follows:

| Components of Income before Taxes | For the Years Ended December 31, |                 |                 |
|-----------------------------------|----------------------------------|-----------------|-----------------|
|                                   | 2020                             | 2019            | 2018            |
| Domestic                          | \$ 151.1                         | \$ 185.1        | \$ 163.3        |
| Foreign                           | 15.2                             | 14.8            | 15.8            |
| <b>Income before taxes</b>        | <b>\$ 166.3</b>                  | <b>\$ 199.9</b> | <b>\$ 179.1</b> |

  

| Components of Income Tax Provision | For the Years Ended December 31, |                |                |
|------------------------------------|----------------------------------|----------------|----------------|
|                                    | 2020                             | 2019           | 2018           |
| Current expense                    |                                  |                |                |
| U.S. Federal                       | \$ 38.5                          | \$ 41.9        | \$ 20.5        |
| State                              | 11.4                             | 12.4           | 6.9            |
| Foreign                            | 4.5                              | 4.4            | 4.6            |
| Total current expense              | \$ 54.4                          | \$ 58.7        | \$ 32.0        |
| Deferred (benefit) expense         |                                  |                |                |
| U.S. Federal                       | \$ (7.8)                         | \$ (3.0)       | \$ 2.5         |
| State                              | (2.3)                            | (0.8)          | 0.8            |
| Foreign                            | (0.1)                            | 0.1            | 0.1            |
| Total deferred (benefit) expense   | \$ (10.2)                        | \$ (3.7)       | \$ 3.4         |
| <b>Total income tax provision</b>  | <b>\$ 44.2</b>                   | <b>\$ 55.0</b> | <b>\$ 35.4</b> |

A reconciliation between the statutory U.S. federal income tax rate and the effective tax rate in the consolidated statements of income is as follows:

|                                                      | For the Years Ended December 31, |               |               |
|------------------------------------------------------|----------------------------------|---------------|---------------|
|                                                      | 2020                             | 2019          | 2018          |
| Statutory U.S. federal income tax rate               | 21.0 %                           | 21.0 %        | 21.0 %        |
| State and local income taxes, net of federal benefit | 4.3                              | 4.5           | 3.1           |
| Deemed repatriation of foreign earnings              | —                                | —             | (1.0)         |
| Effect of tax rate changes                           | —                                | —             | (5.1)         |
| Nondeductible meals and entertainment                | 0.5                              | 1.4           | 1.4           |
| Other, net                                           | 0.8                              | 0.6           | 0.4           |
| <b>Effective tax rate</b>                            | <b>26.6 %</b>                    | <b>27.5 %</b> | <b>19.8 %</b> |

We determine our deferred tax assets and liabilities based upon the difference between the financial statement and tax bases of our assets and liabilities calculated using enacted applicable tax rates. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, we establish a valuation allowance. Changes in the valuation allowance, when recorded, are included in the provision for income taxes in the consolidated financial statements. The following deferred tax assets (liabilities) were recorded at December 31:

| <b>Assets (Liabilities)</b>         | <b>2020</b>    | <b>2019</b>    |
|-------------------------------------|----------------|----------------|
| Pension                             | \$ 47.2        | \$ 38.7        |
| Operating lease liabilities         | 31.3           | 30.6           |
| Postretirement benefits             | 20.8           | 19.6           |
| Inventory                           | 12.3           | 14.9           |
| Other deferred tax assets           | 5.2            | 5.0            |
| Payroll accruals                    | 7.6            | 2.9            |
| Bad debt reserves                   | 0.8            | 1.0            |
| Subtotal                            | 125.2          | 112.7          |
| Less: valuation allowances          | (0.6)          | (0.4)          |
| <b>Deferred tax assets</b>          | <b>124.6</b>   | <b>112.3</b>   |
| Fixed assets                        | (34.5)         | (32.2)         |
| Operating lease right-of-use assets | (29.1)         | (28.7)         |
| Other deferred tax liabilities      | (4.9)          | (4.5)          |
| Computer software                   | (2.4)          | (2.9)          |
| <b>Deferred tax liabilities</b>     | <b>(70.9)</b>  | <b>(68.3)</b>  |
| <b>Net deferred tax assets</b>      | <b>\$ 53.7</b> | <b>\$ 44.0</b> |

Deferred income taxes included in non-current assets (liabilities) at December 31 were:

|                                                                    | <b>2020</b>    | <b>2019</b>    |
|--------------------------------------------------------------------|----------------|----------------|
| Deferred tax assets included in other non-current assets           | \$ 54.1        | \$ 44.5        |
| Deferred tax liabilities included in other non-current liabilities | (0.4)          | (0.5)          |
| <b>Total</b>                                                       | <b>\$ 53.7</b> | <b>\$ 44.0</b> |

Operating loss and tax credit carryforwards included in net deferred tax assets at December 31 were:

|                             | <b>2020</b> | <b>2019</b> |
|-----------------------------|-------------|-------------|
| U.S. Federal <sup>(A)</sup> | \$ 0.5      | \$ 0.4      |
| State <sup>(A)</sup>        | 0.3         | 0.3         |
| Foreign <sup>(B)</sup>      | —           | 0.1         |

<sup>(A)</sup>Expires between 2023 and 2030

<sup>(B)</sup>Indefinite life

We have placed a partial valuation allowance on certain state net operating losses of less than \$0.1 million and a full valuation allowance on U.S. federal tax credits of \$0.5 million that are not expected to be utilized prior to expiration.

We have no material undistributed earnings of non-U.S. subsidiaries as of December 31, 2020, due to the one-time transition tax and global intangible low-taxed income ("GILTI") provisions enacted under the Tax Cuts and Jobs Act ("TCJA"). No additional income taxes have been provided for any outside basis differences inherent in these foreign entities, as these amounts continue to be indefinitely reinvested in foreign operations. We have made an accounting policy election to treat GILTI as a period cost rather than accounting for it as part of deferred taxes. Due to the high-tax exception election made in 2019 and 2020, our GILTI period cost was immaterial in each year.

Our federal income tax returns for the tax years 2017 and forward are available for examination by the United States Internal Revenue Service ("IRS"). The statute of limitation for the 2017 federal return will expire on October 15, 2021, unless extended by consent. Our state income tax returns for 2016 through 2020 remain subject to examination by various state authorities with the latest period closing on December 31, 2025. We have not extended the statutes of limitations in any state jurisdictions with respect to years prior to 2016.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law on March 27, 2020. The CARES Act, among other things, includes tax provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss utilization and carryback periods, modifications to net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property (QIP). The CARES Act did not have a material impact on our income tax provision for 2020.

Our unrecognized tax benefits of \$1.7 million, \$1.9 million, and \$2.6 million as of December 31, 2020, 2019, and 2018, respectively, are uncertain tax positions that would impact our effective tax rate if recognized. We are periodically engaged in tax return examinations, reviews of statute of limitations periods, and settlements surrounding income taxes. We do not anticipate a material change in unrecognized tax benefits during the next twelve months.

Our uncertain tax benefits, and changes thereto, during 2020, 2019, and 2018 were as follows:

|                                                          | 2020          | 2019   | 2018   |
|----------------------------------------------------------|---------------|--------|--------|
| <b>Balance at January 1,</b>                             | \$ <b>1.9</b> | \$ 2.6 | \$ 2.3 |
| Additions based on tax positions related to current year | <b>0.2</b>    | 0.2    | 1.1    |
| Reductions for tax positions of prior years              | <b>(0.1)</b>  | (0.1)  | (0.8)  |
| Settlements                                              | <b>(0.3)</b>  | (0.8)  | —      |
| <b>Balance at December 31,</b>                           | \$ <b>1.7</b> | \$ 1.9 | \$ 2.6 |

We classify interest expense and penalties as part of our provision for income taxes based upon applicable federal and state interest/underpayment percentages. We have accrued \$0.3 million and \$0.4 million in interest and penalties at December 31, 2020 and 2019, respectively. Interest was computed on the difference between the provision for income taxes recognized in accordance with GAAP and the amount of benefit previously taken or expected to be taken in our federal, state, and local income tax returns.

## 10. CAPITAL STOCK

Our common stock is 100% owned by active and retired employees, and there is no public trading market for our common stock. Since 1928, substantially all of the issued and outstanding shares of common stock have been held of record by voting trustees under successive voting trust agreements. Under applicable New York law, a voting trust may not have a term greater than ten years. A new Voting Trust Agreement was established effective March 3, 2017, which expires by its terms on March 1, 2027. At December 31, 2020, approximately 83% of our outstanding common stock was held in the voting trust. The participation of shareholders in the voting trust is voluntary at the time the voting trust is created, but is irrevocable during its term. Shareholders who elect not to participate in the voting trust hold their common stock as shareholders of record. Shareholders may elect to participate in the voting trust at any time during the term of the voting trust.

No holder of our common stock or voting trust interests representing our common stock ("common stock", "common shares", or "shares") may sell, transfer or otherwise dispose of any shares without first offering us the option to purchase those shares at the price at which they were issued. We also have the option to purchase at the issue price the common shares of any shareholder who ceases to be an employee for any reason other than death or "retirement" (as defined in our amended restated certificate of incorporation), and on the first anniversary of any holder's death. In the past, we have always exercised these purchase options and we expect to continue

to do so in the foreseeable future. However, we can make no assurance that we will continue to exercise our purchase option in the future. All outstanding shares have been issued at \$20.00 per share.

During 2020, eligible employees and qualified retirees subscribed for 1,052,817 shares totaling \$21.1 million. Subscribers elected to make payments under one of the following options: (i) all shares subscribed for on or before January 15, 2021; or (ii) all shares subscribed for in installments paid through payroll deductions (or in certain cases where a subscriber is no longer on our payroll, through direct monthly payments) over an eleven-month period.

Common shares were delivered to subscribers as of January 15, 2021, in the case of shares paid for prior to January 15, 2021. Shares will be issued and delivered to subscribers on a quarterly basis, as of the tenth day of March, June, September, and December, to the extent full payments for shares are made in the case of subscriptions under the installment method.

Shown below is a summary of shares purchased and retired by the Company during the three years ended December 31:

|             | <u>Shares of Common Stock</u> |                |
|-------------|-------------------------------|----------------|
|             | <u>Purchased</u>              | <u>Retired</u> |
| <b>2020</b> | <b>824,685</b>                | <b>830,338</b> |
| 2019        | 962,023                       | 957,495        |
| 2018        | 786,754                       | 752,825        |

We also have authorized 10,000,000 shares of Delegated Authority Preferred Stock (“preferred stock”), par value one cent (\$0.01). The preferred stock may be issued in one or more series, with the designations, relative rights, preferences, and limitations of shares of each such series being fixed by a resolution of our Board of Directors. There were no shares of preferred stock outstanding at December 31, 2020 and 2019.

On December 12, 2019, our Board of Directors declared a 5% common stock dividend. Each shareholder was entitled to one share of common stock for every twenty shares held as of December 16, 2019. The stock was issued on February 7, 2020. On December 13, 2018, our Board of Directors declared a 10% common stock dividend. Each shareholder was entitled to one share of common stock for every ten shares held as of December 17, 2018. The stock was issued on February 1, 2019.

## 11. NET INCOME PER SHARE OF COMMON STOCK

The computation of net income per share of common stock is based on the average number of common shares outstanding during each year, adjusted in all periods presented for the declaration of a 5% stock dividend declared in 2019, and a 10% stock dividend declared in 2018. The average number of shares used in computing net income per share of common stock at December 31, 2020, 2019, and 2018 was 22,642,057 shares, 22,555,240 shares, and 22,507,701 shares, respectively.

## 12. DEBT

|                                                                                          | <u>December 31,</u> |               |
|------------------------------------------------------------------------------------------|---------------------|---------------|
|                                                                                          | <u>2020</u>         | <u>2019</u>   |
| <b>Long-term Debt</b>                                                                    |                     |               |
| Finance arrangements, various maturities, with a weighted average interest rate of 7.23% | \$ 8.0              | \$ 11.6       |
| Less current portion                                                                     | (2.3)               | (3.8)         |
| <b>Long-term Debt</b>                                                                    | <b>\$ 5.7</b>       | <b>\$ 7.8</b> |

### Long-term Debt matures as follows:

|            |               |
|------------|---------------|
| 2021       | \$ 2.3        |
| 2022       | 1.8           |
| 2023       | 1.2           |
| 2024       | 1.2           |
| 2025       | 0.8           |
| After 2025 | 0.7           |
|            | <u>\$ 8.0</u> |

The carrying amount of our outstanding long-term, fixed-rate debt exceeded its fair value by \$1.3 million and \$1.4 million at December 31, 2020 and 2019, respectively. The fair value of the long-term, fixed-rate debt is estimated by calculating future cash

flows at interpolated Treasury yields with similar maturities, plus an estimate of our credit risk spread. The fair value of our variable-rate short- and long-term debt approximates its carrying value at December 31, 2020 and 2019, respectively.

## **Revolving Credit Facility**

At December 31, 2020 and 2019, we, along with Graybar Canada Limited, our Canadian operating subsidiary ("Graybar Canada"), had an unsecured, five-year, \$750.0 million committed revolving credit agreement maturing in August 2023 with Bank of America, N.A. and the other lenders named therein (the "Amended Credit Agreement"), which includes a combined letter of credit sub-facility of up to \$25.0 million, a U.S. swing-line loan facility of up to \$75.0 million, and a Canadian swing-line loan facility of up to \$20.0 million. The Amended Credit Agreement includes a \$100.0 million sublimit (in U.S. or Canadian dollars) for borrowings by Graybar Canada. The Amended Credit Agreement contains an accordion feature, which allows us to request increases in the aggregate borrowing commitments of up to \$375.0 million.

Interest on our borrowings under the Amended Credit Agreement will be based on, at the borrower's election, either (A) in the case of Graybar as borrower (i) the base rate (as defined in the agreement) plus a margin ranging from 0.00% to 0.60%, or (ii) LIBOR plus a margin ranging from 1.00% to 1.60% or (B) in the case of Graybar Canada as borrower (i) the base rate (as defined in the agreement) plus a margin ranging from 0.00% to 0.60% or (ii) CDOR plus a margin ranging from 1.00% to 1.60%, in either case, as determined by the pricing grid set forth in the Amended Credit Agreement, subject to adjustment based upon the consolidated leverage ratio. In connection with such a borrowing, the applicable borrower will also select the term of the loan, up to six months, or automatically renew with the consent of the lenders. Swing line loans, which are daily loans, will bear interest at a rate based on, at the borrower's election, either (i) the base rate or (ii) the daily floating Eurodollar rate (or CDOR, in the case of Graybar Canada). In addition to interest payments, there are certain fees and obligations associated with borrowings, swing-line loans, letters of credit and other administrative matters.

Borrowings of Graybar Canada may be in U.S. dollars or Canadian dollars. The obligations of Graybar Canada are secured by the guaranty of Graybar and any material domestic subsidiaries of Graybar (as defined). Under no circumstances will Graybar Canada use its borrowings to benefit Graybar or its operations, including without limitation to repay any of Graybar's obligations under the facility.

The Amended Credit Agreement provides for a quarterly commitment fee ranging from 0.25% to 0.40% per annum, subject to adjustment based upon the consolidated leverage ratio for a fiscal quarter, and letter of credit fees ranging from 1.00% to 1.60% per annum payable quarterly, subject to such adjustment. Availability under the Amended Credit Agreement is subject to the accuracy of representations and warranties and absence of a default and, in the case of Canadian borrowings denominated in Canadian dollars, the absence of a material adverse change in the national or international financial markets that would make it impracticable to lend Canadian dollars.

The Amended Credit Agreement also provides for customary events of default, including a failure to pay principal, interest or fees when due, failure to comply with covenants, the fact that any representation or warranty made by any of the credit parties is materially incorrect, the occurrence of an event of default under certain other indebtedness by us and our subsidiaries, the commencement of certain insolvency or receivership events affecting any of the credit parties, certain actions under the Employee Retirement Income Security Act of 1974 ("ERISA") and the occurrence of a change in control of any of the credit parties (subject to certain permitted transactions as described in the Amended Credit Agreement). Upon the occurrence of an event of default, the commitments of the lenders may be terminated and all outstanding obligations of the credit parties under the Amended Credit Agreement may be declared immediately due and payable.

The Amended Credit Agreement contains affirmative and negative covenants customary for credit facilities of this type, including limitations on us and our subsidiaries with respect to indebtedness (with specified, limited exceptions), liens, changes in the nature of our business, investments, mergers and acquisitions, issuance of equity securities, dispositions of assets and dissolution of certain subsidiaries, transactions with affiliates, restricted payments (subject to incurrence tests, with certain exceptions, including payments under senior notes), as well as securitizations, factoring transactions, and transactions with sanctioned parties or in violation of certain U.S. or Canadian anti-corruption laws. There are also maximum leverage ratio and minimum interest coverage ratio financial covenants to which we will be subject to during the term of the Amended Credit Agreement. We were in compliance with all covenants under the Amended Credit Agreement as of December 31, 2020 and 2019.

Short-term borrowings of \$50.0 million and \$138.0 million outstanding at December 31, 2020 and 2019, respectively, were drawn under the Amended Credit Agreement.

Short-term borrowings outstanding during the years ended December 31, 2020 and 2019 ranged from a minimum of \$50.0 million and \$10.0 million to a maximum of \$370.0 million and \$257.0 million, respectively. The average daily amount of borrowings

outstanding under the Amended Credit Agreement during 2020 and 2019 amounted to approximately \$191.6 million and \$151.0 million at weighted-average interest rates 1.55% and 3.42%, respectively. The weighted-average interest rate for amounts outstanding at December 31, 2020 was 1.15%.

At December 31, 2020, we had available unused committed lines of credit under the Amended Credit Agreement amounting to \$699.6 million, compared to \$611.5 million at December 31, 2019.

Interest expense, net was \$3.6 million, \$5.5 million, and \$6.9 million for the years ended December 31, 2020, 2019, and 2018, respectively.

### **Private Placement Shelf Agreements**

We had an uncommitted, unsecured \$100.0 million private placement shelf agreement with PGIM, Inc. (the "Prudential Shelf Agreement"), which was expected to allow us to issue senior promissory notes to affiliates of PGIM, Inc. at fixed rate terms to be agreed upon at the time of any issuance during a three-year issuance period ending in August 2020. In July 2020, we amended the Prudential Shelf Agreement to extend the issuance period to August 2023. Other terms of the Prudential Shelf Agreement remained unchanged. We also have an uncommitted, unsecured \$100.0 million private placement shelf agreement (the "MetLife Shelf Agreement") with Metropolitan Life Insurance Company and MetLife Investment Advisors, LLC and each other affiliate of MetLife that becomes a party to the agreement (collectively, "MetLife"). The MetLife Shelf Agreement is expected to allow us to issue senior promissory notes to MetLife at fixed or floating rate economic terms to be agreed upon at the time of issuance during a three-year period ending August 2021.

We remain obligated under a most favored lender clause which is designed to ensure that any notes in the future under the Prudential Shelf Agreement and MetLife Shelf Agreement will continue to be of equal ranking with indebtedness under our Amended Credit Agreement.

No notes have been issued under either the Prudential Shelf Agreement or the MetLife Shelf Agreement as of December 31, 2020 and 2019.

Each shelf agreement contains representations and warranties of the Company and the applicable lender, customary events of default and affirmative and negative covenants, customary for agreements of this type. These covenants are substantially similar to those contained in the Amended Credit Agreement, subject to a number of exceptions and qualifications set forth in the applicable shelf agreement. All outstanding obligations of Graybar under one or both of these agreements may be declared immediately due and payable upon the occurrence of an event of default.

We were in compliance with all covenants under the Prudential Shelf Agreement and the Metlife Shelf Agreements as of December 31, 2020 and 2019.

### **Letters of Credit**

We had total letters of credit of \$6.3 million outstanding at December 31, 2020, of which \$0.4 million were issued under the Amended Credit Agreement. We had total letters of credit of \$5.6 million outstanding at December 31, 2019, of which \$0.5 million were issued under the Amended Credit Agreement. The letters of credit are issued primarily to support certain workers' compensation insurance policies.

## **13. PENSION AND OTHER POSTRETIREMENT BENEFITS**

We have a noncontributory defined benefit pension plan (the "Pension Plan") covering substantially all employees first hired prior to July 1, 2015 after the completion of one year of service and 1,000 hours of service. The Pension Plan provides retirement benefits based on an employee's final average earnings and years of service. These employees become 100% vested after three years of service, regardless of age. A supplemental benefit plan provides nonqualified pension benefits for compensation in excess of the IRS compensation limits applicable to the Pension Plan and eligible compensation deferred by a participant.

Our funding policy is to make contributions to the Pension Plan, provided that the total annual contributions will not be less than ERISA and the Pension Protection Act of 2006 minimums or greater than the maximum tax-deductible amount, to review the contribution and funding strategy on a regular basis, and to allow discretionary contributions to be made by us from time to time. The assets of the Pension Plan are invested primarily in fixed income investments and equity securities. We pay nonqualified pension benefits when they are due according to the terms of the supplemental benefit plan.

We provide certain postretirement healthcare and life insurance benefits to retired employees. Substantially all of our employees hired or rehired prior to 2014 may become eligible for postretirement medical benefits if they reach the age and service requirements of the retiree medical plan and retire on a pension (except a deferred pension) under the Pension Plan. Medical benefits are self-insured and claims are administered through a third party administrator. The cost of coverage is determined based on the annual projected plan costs. The participant's premium or cost is determined based on Company guidelines. Postretirement life insurance benefits are insured through an insurance company. We fund postretirement benefits as incurred, and accordingly, there were no assets held in the postretirement benefits plan at December 31, 2020 and 2019.

The following table sets forth information regarding the funded status of our pension and other postretirement benefits as of December 31, 2020 and 2019:

|                                                  | <u>Pension Benefits</u> |          | <u>Postretirement Benefits</u> |         |
|--------------------------------------------------|-------------------------|----------|--------------------------------|---------|
|                                                  | 2020                    | 2019     | 2020                           | 2019    |
| Change in Benefit Obligation:                    |                         |          |                                |         |
| Benefit obligation at beginning of period        | \$ 825.1                | \$ 708.8 | \$ 76.2                        | \$ 72.5 |
| Service cost                                     | 29.2                    | 25.6     | 2.1                            | 2.0     |
| Interest cost                                    | 26.7                    | 30.0     | 2.4                            | 2.9     |
| Actuarial loss                                   | 134.7                   | 117.0    | 4.9                            | 3.0     |
| Benefits paid from plan assets                   | (2.1)                   | (52.3)   | —                              | —       |
| Benefits paid from Company assets                | (1.8)                   | (1.7)    | (5.8)                          | (5.8)   |
| Plan participants' contributions                 | —                       | —        | 1.1                            | 1.4     |
| Administrative expenses paid                     | (3.2)                   | (2.3)    | —                              | —       |
| Plan amendments                                  | —                       | —        | —                              | 0.2     |
| Settlements                                      | (86.8)                  | —        | —                              | —       |
| Benefit Obligation at End of Period              | 921.8                   | 825.1    | 80.9                           | 76.2    |
| Change in Plan Assets:                           |                         |          |                                |         |
| Fair value of plan assets at beginning of period | 658.4                   | 588.3    | —                              | —       |
| Actual return on plan assets                     | 115.7                   | 114.7    | —                              | —       |
| Employer contributions <sup>(A)</sup>            | 41.8                    | 11.7     | 4.7                            | 4.4     |
| Plan participants' contributions                 | —                       | —        | 1.1                            | 1.4     |
| Benefits paid <sup>(A)</sup>                     | (3.9)                   | (54.0)   | (5.8)                          | (5.8)   |
| Administrative expenses paid                     | (3.2)                   | (2.3)    | —                              | —       |
| Settlements                                      | (86.8)                  | —        | —                              | —       |
| Fair Value of Plan Assets at End of Period       | 722.0                   | 658.4    | —                              | —       |
| Unfunded Status                                  | \$ 199.8                | \$ 166.7 | \$ 80.9                        | \$ 76.2 |

<sup>(A)</sup> Includes \$1.8 million and \$1.7 million paid from our assets for unfunded nonqualified pension benefits in fiscal years 2020 and 2019, respectively.

The accumulated benefit obligation for our Pension Plan was \$844.0 million and \$746.8 million at December 31, 2020 and 2019, respectively.

Amounts recognized in the consolidated balance sheet for the years ended December 31 consist of the following:

|                                  | <u>Pension Benefits</u> |          | <u>Postretirement Benefits</u> |         |
|----------------------------------|-------------------------|----------|--------------------------------|---------|
|                                  | 2020                    | 2019     | 2020                           | 2019    |
| Current accrued benefit cost     | \$ 1.9                  | \$ 2.1   | \$ 6.8                         | \$ 6.8  |
| Non-current accrued benefit cost | 197.9                   | 164.6    | 74.1                           | 69.4    |
| Net amount recognized            | \$ 199.8                | \$ 166.7 | \$ 80.9                        | \$ 76.2 |

Current accrued benefit cost for both pension benefits and postretirement benefits is included in other current liabilities in the consolidated balance sheets. Non-current accrued benefit cost for pension benefits and postretirement benefits are included in pension liability and postretirement benefits liability, respectively, in the consolidated balance sheets.

Amounts recognized in accumulated other comprehensive loss for the years ended December 31, net of tax, consist of the following:

|                                      | <u>Pension Benefits</u> |          | <u>Postretirement Benefits</u> |         |
|--------------------------------------|-------------------------|----------|--------------------------------|---------|
|                                      | 2020                    | 2019     | 2020                           | 2019    |
| Net actuarial loss                   | \$ 227.9                | \$ 232.4 | \$ 13.6                        | \$ 10.4 |
| Prior service cost                   | —                       | —        | 0.1                            | 0.1     |
| Accumulated other comprehensive loss | \$ 227.9                | \$ 232.4 | \$ 13.7                        | \$ 10.5 |

The actuarial losses for the Pension Plan in 2020 and 2019 were primarily related to decreases in the discount rate and changes to the lump-sum interest rates used to measure the benefit obligations compared to the previous year.

Weighted-average assumptions used to determine the actuarial present value of the pension and postretirement benefit obligations as of December 31 are:

|                                          | <u>Pension Benefits</u> |        | <u>Postretirement Benefits</u> |        |
|------------------------------------------|-------------------------|--------|--------------------------------|--------|
|                                          | 2020                    | 2019   | 2020                           | 2019   |
| Discount rate                            | 2.62 %                  | 3.38 % | 2.22 %                         | 3.19 % |
| Rate of compensation increase            | 4.49 %                  | 4.36 % | —                              | —      |
| Healthcare cost trend on covered charges | —                       | —      | 5.00 %                         | 5.00 % |

The net periodic benefit cost for the years ended December 31, 2020, 2019, and 2018 included the following components:

| Components of Net Periodic Benefit Cost             | <u>Pension Benefits</u> |         |         | <u>Postretirement Benefits</u> |        |        |
|-----------------------------------------------------|-------------------------|---------|---------|--------------------------------|--------|--------|
|                                                     | 2020                    | 2019    | 2018    | 2020                           | 2019   | 2018   |
| Selling, general, and administrative expenses:      |                         |         |         |                                |        |        |
| Service cost                                        | \$ 29.2                 | \$ 25.6 | \$ 28.6 | \$ 2.1                         | \$ 2.0 | \$ 2.3 |
| Total selling, general, and administrative expenses | \$ 29.2                 | \$ 25.6 | \$ 28.6 | \$ 2.1                         | \$ 2.0 | \$ 2.3 |
| Non-operating expenses:                             |                         |         |         |                                |        |        |
| Interest cost                                       | 26.7                    | 30.0    | 27.3    | 2.4                            | 2.9    | 2.6    |
| Expected return on plan assets                      | (32.8)                  | (34.1)  | (31.9)  | —                              | —      | —      |
| Amortization of:                                    |                         |         |         |                                |        |        |
| Net actuarial loss                                  | 30.2                    | 19.1    | 26.5    | —                              | 0.3    | 0.9    |
| Prior service cost (gain)                           | —                       | —       | 0.3     | 0.7                            | —      | (2.0)  |
| Settlement charge                                   | 27.7                    | —       | —       | —                              | —      | —      |
| Total non-operating expenses                        | \$ 51.8                 | \$ 15.0 | \$ 22.2 | \$ 3.1                         | \$ 3.2 | \$ 1.5 |
| Net periodic benefit cost                           | \$ 81.0                 | \$ 40.6 | \$ 50.8 | \$ 5.2                         | \$ 5.2 | \$ 3.8 |

During 2020, we made lump-sum pension benefit distributions exceeding the settlement accounting threshold. A pension settlement charge is required when the cost of all settlements during the year is greater than the sum of the service and interest cost components of the annual net periodic pension cost. Accordingly, we recorded a non-cash pension settlement charge of \$27.7 million in non-operating expenses on our consolidated statements of income. This settlement charge represented the immediate recognition into expense of a portion of the unrecognized loss within accumulated other comprehensive loss in proportion to the share of the projected benefit obligation that was settled by the lump-sum pension benefit distributions.

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31 were:

|                                          | <u>Pension Benefits</u> |        |        | <u>Postretirement Benefits</u> |        |                 |
|------------------------------------------|-------------------------|--------|--------|--------------------------------|--------|-----------------|
|                                          | 2020                    | 2019   | 2018   | 2020                           | 2019   | 2018            |
| Discount rate                            | 3.38 % / 2.72 %         | 4.31 % | 3.67 % | 3.19 %                         | 4.16 % | 3.44 %          |
| Expected return on plan assets           | 5.50 %                  | 5.75 % | 5.75 % | —                              | —      | —               |
| Rate of compensation increase            | 4.24 %                  | 4.36 % | 4.49 % | —                              | —      | —               |
| Healthcare cost trend on covered charges | —                       | —      | —      | 5.00 %                         | 5.00 % | 5.50 % / 5.00 % |

A discount rate of 3.38% was used as of January 1, 2020 to determine the net periodic benefit cost for the Pension Plan, which was lowered to 2.72% effective September 30, 2020 for the remeasurement of the plan liability upon triggering settlement accounting. The expected return on plan assets assumption for the Pension Plan is a long-term assumption and was determined after evaluating input from both the plan's actuary and pension fund investment advisors, consideration of macroeconomic conditions, historical rates of return on plan assets, and anticipated current and long-term rates of return on the various classes of assets in which the plan invests.

For measurement of the postretirement benefits net periodic cost, a 5.00% annual rate of increase in per capita cost of covered healthcare benefits was assumed for 2020. The rate was assumed to remain at 5.00% in 2021 and to remain at that level thereafter.

We expect to fund \$1.6 million for nonqualified pension benefits during 2021. Required pension contributions under ERISA regulations are expected to be \$40.0 million in 2021; however, additional contributions may be made at our discretion.

Estimated future defined benefit pension and other postretirement benefit plan payments to plan participants for the years ending December 31 are as follows:

| <b>Year</b>  | <b>Pension Benefits</b> | <b>Postretirement Benefits</b> |
|--------------|-------------------------|--------------------------------|
| 2021         | \$ 64.0                 | \$ 6.9                         |
| 2022         | 61.5                    | 7.2                            |
| 2023         | 63.7                    | 7.4                            |
| 2024         | 61.7                    | 7.5                            |
| 2025         | 62.1                    | 7.4                            |
| 2026 to 2030 | 301.8                   | 32.8                           |

The investment objective of our Pension Plan is to ensure that there are sufficient assets to fund regular pension benefits payable to employees over the long-term life of the plan. Our Pension Plan seeks to allocate plan assets in a manner that is closely duration-matched with the actuarial projected cash flow liabilities, consistent with prudent standards for preservation of capital, tolerance of investment risk, and maintenance of liquidity. Assets of the qualified pension plan are held by Comerica Bank (the "Trustee").

Our Pension Plan utilizes a liability-driven investment ("LDI") approach to help meet these objectives. The LDI strategy employs a structured fixed-income portfolio designed to reduce volatility in the plan's future funding requirements and funding status. This is accomplished by using a blend of long duration government, quasi-governmental and corporate fixed-income securities, as well as appropriate levels of equity and alternative investments designed to optimize the plan's liability hedge ratio. In practice, the value of an asset portfolio constructed primarily of fixed income securities is inversely correlated to changes in market interest rates, primarily offsetting changes in the value of the pension benefit obligation caused by changes in the interest rate used to discount plan liabilities.

Asset allocation information for the Pension Plan at December 31, 2020 and 2019 is as follows:

| <b>Investment</b>               | <b>2020 Actual Allocation</b> | <b>2020 Target Allocation Range</b> | <b>2019 Actual Allocation</b> | <b>2019 Target Allocation Range</b> |
|---------------------------------|-------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| Equity securities-U.S.          | 7 %                           | 3-10 %                              | 6 %                           | 3-10 %                              |
| Equity securities-International | 10 %                          | 2-10 %                              | 9 %                           | 2-10 %                              |
| Fixed income investments        | 66 %                          | 40-80 %                             | 68 %                          | 40-80 %                             |
| Hedge funds                     | 5 %                           | 2-8 %                               | 5 %                           | 2-8 %                               |
| Private markets                 | 4 %                           | 0-15 %                              | 4 %                           | 0-15 %                              |
| Other investments               | 7 %                           | 0-14 %                              | 8 %                           | 0-14 %                              |
| Short-term investments          | 1 %                           | 1-10 %                              | — %                           | 1-10 %                              |
| Total                           | 100 %                         | 100 %                               | 100 %                         | 100 %                               |

The following is a description of the valuation methodologies used for assets held by the Pension Plan measured at fair value:

#### **Equity securities - U.S.**

Equity securities - U.S. consist of investments in U.S. corporate stocks and U.S. equity mutual funds. U.S. equity mutual funds include publicly traded mutual funds and a bank collective fund for ERISA plans. U.S. corporate stocks and U.S. equity mutual funds

are primarily large-capitalization stocks (defined as companies with market capitalization of more than \$10 billion). U.S. corporate stocks and publicly traded mutual funds are valued at the closing price reported on the active public market in which the individual securities are traded and are classified as Level 1. The bank collective fund for ERISA plans is valued at the net asset value ("NAV") of units of the fund. The NAV, as provided by the Trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund.

### **Equity securities – International**

Equity securities - International consist of investments in international corporate stocks, publicly traded mutual funds, and a collective investment trust, and are primarily investments within developed and emerging markets. Investments other than the collective investment trust are valued at the closing price reported on the active public market in which the individual securities are traded and are classified as Level 1. The collective investment trust is valued at the NAV of units of the fund. The NAV, as provided by the Trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund. Audited financial statements are produced on an annual basis for the collective investment trust.

### **Fixed income investments**

Fixed income investments consist of U.S. and international corporate bonds, government and government agency bonds, as well as a publicly traded mutual fund and commingled funds, both of which invest in corporate and government debt securities within the U.S. U.S. and international corporate bonds, government and government agency bonds, and the publicly traded mutual fund are valued at the closing price reported on the active market in which they are traded and thus are classified as Level 1. The commingled funds are valued at the NAV of units of the fund. The NAV, as provided by the Trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund.

### **Hedge funds**

Hedge funds consist of investments in various hedge funds structured as fund-of-funds (defined as a single fund that invests in multiple funds). The hedge funds use various investment strategies in an attempt to generate non-correlated returns. A fund-of-funds is designed to help diversify and reduce the risk of the overall portfolio. The hedge funds are valued at the NAV of units of the fund. The NAV, as provided by the Trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund. Audited financial statements are produced on an annual basis for the hedge funds.

### **Private markets**

Private markets consist of private equity investments. Private markets is an asset class that is generally characterized as requiring long-term commitments and where liquidity is typically limited. Private markets do not have an actively traded market with readily observable prices. The investments are limited partnerships ("LP") and are diversified across typical private equity strategies including: buyouts, co-investments, secondary offerings, venture capital, real estate, and special situations. Valuations are developed using a variety of proprietary model methodologies. Valuations may be derived from publicly available sources as well as information obtained from each fund's general partner based upon public market conditions and returns. All private markets investments are classified as Level 3, other than two limited partnerships valued at the NAV of units of the funds and a real estate investment trust ("REIT"). The REIT is a commingled trust valued at the NAV of units of the trust. The NAV, as provided by the Trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund. Audited financial statements are produced on an annual basis for the private markets investments.

### **Other investments**

Other investments consist of investments in a diversified mutual fund, a private debt fund, and a high-yield bond fund. The diversified mutual fund is valued using quoted prices in an active market, and is therefore classified as Level 1. The private debt fund is valued using unobservable inputs with limited trading activity, and is therefore classified as Level 3. The high-yield bond fund is valued using the NAV based on the fair value of the underlying investments held by the fund. The NAV, as provided by the Trustee, is used as a practical expedient to estimate fair value. Audited financial statements are produced on an annual basis for the private debt fund and the high-yield bond fund.

### **Short-term investments**

Short-term investments consist of cash and cash equivalents in a short-term fund which is valued at the NAV of units of the fund. The NAV, as provided by the Trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund.

The methods described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while we believe our Pension Plan valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There have been no changes in the methodologies for determining fair value at December 31, 2020 or 2019.

The following tables set forth, by level within the fair value hierarchy, the Pension Plan assets measured at fair value as of December 31, 2020 and 2019:

| December 31, 2020                 |                                   |          |         |         |          |  |
|-----------------------------------|-----------------------------------|----------|---------|---------|----------|--|
| Investment                        | Investments<br>Measured at<br>NAV | Level 1  | Level 2 | Level 3 | Total    |  |
| Equity securities - U.S.          | \$ 17.3                           | \$ 30.6  | \$ —    | \$ —    | \$ 47.9  |  |
| Equity securities - International | 24.9                              | 45.4     | —       | —       | 70.3     |  |
| Fixed income investments          | 317.4                             | 162.5    | —       | —       | 479.9    |  |
| Hedge funds                       | 36.0                              | —        | —       | —       | 36.0     |  |
| Private markets                   | 15.6                              | —        | —       | 13.8    | 29.4     |  |
| Other investments                 | 22.1                              | 21.2     | —       | 11.4    | 54.7     |  |
| Short-term investments            | 3.8                               | —        | —       | —       | 3.8      |  |
| Total                             | \$ 437.1                          | \$ 259.7 | \$ —    | \$ 25.2 | \$ 722.0 |  |

| December 31, 2019                 |                                   |          |         |         |          |  |
|-----------------------------------|-----------------------------------|----------|---------|---------|----------|--|
| Investment                        | Investments<br>Measured at<br>NAV | Level 1  | Level 2 | Level 3 | Total    |  |
| Equity securities - U.S.          | \$ 14.0                           | \$ 26.0  | \$ —    | \$ —    | \$ 40.0  |  |
| Equity securities - International | 20.7                              | 37.9     | —       | —       | 58.6     |  |
| Fixed income investments          | 312.7                             | 135.2    | —       | —       | 447.9    |  |
| Hedge funds                       | 32.0                              | —        | —       | —       | 32.0     |  |
| Private markets                   | 17.0                              | —        | —       | 11.0    | 28.0     |  |
| Other investments                 | 17.7                              | 20.4     | —       | 11.4    | 49.5     |  |
| Short-term investments            | 2.4                               | —        | —       | —       | 2.4      |  |
| Total                             | \$ 416.5                          | \$ 219.5 | \$ —    | \$ 22.4 | \$ 658.4 |  |

The tables below set forth a summary of changes in the fair value of the Pension Plan's Level 3 assets for the years ended December 31, 2020 and 2019:

| December 31, 2020          |                    |                      |         |  |
|----------------------------|--------------------|----------------------|---------|--|
|                            | Private<br>Markets | Other<br>Investments | Total   |  |
| Balance, beginning of year | \$ 11.0            | \$ 11.4              | \$ 22.4 |  |
| Unrealized gains           | 1.0                | 0.6                  | 1.6     |  |
| Purchases                  | 2.5                | —                    | 2.5     |  |
| Sales                      | (0.7)              | (0.6)                | (1.3)   |  |
| Balance, end of year       | \$ 13.8            | \$ 11.4              | \$ 25.2 |  |

| December 31, 2019          |                    |                      |         |  |
|----------------------------|--------------------|----------------------|---------|--|
|                            | Private<br>Markets | Other<br>Investments | Total   |  |
| Balance, beginning of year | \$ 6.0             | \$ 4.4               | \$ 10.4 |  |
| Realized gains             | 0.1                | —                    | 0.1     |  |
| Unrealized gains           | 0.7                | 0.8                  | 1.5     |  |
| Purchases                  | 4.4                | 6.8                  | 11.2    |  |
| Sales                      | (0.2)              | (0.6)                | (0.8)   |  |
| Balance, end of year       | \$ 11.0            | \$ 11.4              | \$ 22.4 |  |

## 14. PROFIT SHARING AND SAVINGS PLAN

We provide a defined contribution profit sharing and savings plan (the "Plan") covering substantially all of our eligible employees with an individual account for each participant. Employees may make voluntary before-tax and/or after-tax contributions to the saving portion of the Plan, ranging from 2% to 50% of pay, subject to limitations imposed by federal tax law, ERISA, and the Pension Protection Act of 2006. Substantially all employees hired or rehired after July 1, 2015 are eligible to receive a Company matching contribution beginning the first month after the completion of one year of service and 1,000 hours of service. Effective July 1, 2019, eligible employees receive Company matching contributions beginning the first month after the completion of six months of service and 500 hours of service. The Company match is equal to 50% of an eligible employee's before-tax or Roth payroll contribution, up to 6% of pay per payroll period, with a maximum match per payroll period of 3%. The matching contribution expense recognized by us was \$3.8 million, \$2.7 million, and \$1.8 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Annual contributions made by us to the profit-sharing portion of the Plan are determined by the Board of Directors at its discretion, and are generally based on the profitability of the Company. Expense recognized by us under the profit-sharing portion of the Plan was \$46.8 million, \$56.8 million, and \$67.4 million for the years ended December 31, 2020, 2019 and 2018, respectively.

## 15. COMMITMENTS AND CONTINGENCIES

Rental expense was \$40.3 million, \$36.4 million, and \$29.4 million in 2020, 2019, and 2018, respectively. For future minimum rental payments required under operating leases that have either initial or remaining noncancelable lease terms in excess of one year as of December 31, 2020, refer to Note 7, "Leases".

We are subject to various claims, disputes, and administrative and legal matters incidental to our past and current business activities. As a result, contingencies can arise resulting from an existing condition, situation, or set of circumstances involving an uncertainty as to the realization of a possible loss.

Estimated loss contingencies are accrued only if the loss is probable and the amount of the loss can be reasonably estimated. With respect to a particular loss contingency, it may be probable that a loss has occurred but the estimate of the loss is a wide range. If we deem an amount within the range to be a better estimate than any other amount within the range, that amount will be accrued. However, if no amount within the range is a better estimate than any other amount, the minimum amount of the range is accrued. While we believe that none of these claims, disputes or administrative and legal matters will have a material adverse effect on our financial position, these matters are uncertain and we cannot at this time determine whether the financial impact, if any, of these matters will be material to our results of operations in the period in which such matters are resolved or a better estimate becomes available.

## 16. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss as of December 31 are as follows:

|                                      | 2020       | 2019       |
|--------------------------------------|------------|------------|
| Currency translation                 | \$ (5.1)   | \$ (7.7)   |
| Pension liability                    | (227.9)    | (232.4)    |
| Postretirement benefits liability    | (13.7)     | (10.5)     |
| Accumulated other comprehensive loss | \$ (246.7) | \$ (250.6) |

The following table represents the total amounts of actuarial losses recognized that were reclassified from accumulated other comprehensive loss for the years ended December 31, 2020 and 2019:

|                                                       | 2020                                                                  |        | 2019                                                                  |       |
|-------------------------------------------------------|-----------------------------------------------------------------------|--------|-----------------------------------------------------------------------|-------|
|                                                       | Amortization of Pension<br>and Other<br>Postretirement Benefits Items |        | Amortization of Pension<br>and Other<br>Postretirement Benefits Items |       |
|                                                       | Actuarial Losses<br>Recognized                                        |        | Actuarial Losses<br>Recognized                                        |       |
| Affected Line in Consolidated<br>Statement of Income: |                                                                       |        |                                                                       |       |
| Non-operating expenses <sup>(A)</sup>                 | \$                                                                    | 58.6   | \$                                                                    | 19.4  |
| Tax benefit                                           |                                                                       | (15.1) |                                                                       | (5.0) |
| Total reclassifications for the period, net of tax    | \$                                                                    | 43.5   | \$                                                                    | 14.4  |

<sup>(A)</sup> A settlement charge of \$27.7 million is included in 2020 non-operating expenses.

The following table represents the activity included in accumulated other comprehensive loss for the years ended December 31, 2020 and 2019:

|                                                                                                  | <b>2020</b>             |                                                  |              | <b>2019</b>             |                                                  |              |
|--------------------------------------------------------------------------------------------------|-------------------------|--------------------------------------------------|--------------|-------------------------|--------------------------------------------------|--------------|
|                                                                                                  | <b>Foreign Currency</b> | <b>Pension and Other Postretirement Benefits</b> | <b>Total</b> | <b>Foreign Currency</b> | <b>Pension and Other Postretirement Benefits</b> | <b>Total</b> |
| Beginning balance January 1,                                                                     | \$ (7.7)                | \$ (242.9)                                       | \$ (250.6)   | \$ (12.4)               | \$ (227.9)                                       | \$ (240.3)   |
| Other comprehensive income before reclassifications                                              | 2.6                     | —                                                | 2.6          | 4.7                     | —                                                | 4.7          |
| Amounts reclassified from accumulated other comprehensive loss (net of tax \$(15.1) and \$(5.0)) | —                       | 43.5                                             | 43.5         | —                       | 14.4                                             | 14.4         |
| Actuarial loss, (net of tax \$14.6 and \$10.2)                                                   | —                       | (42.2)                                           | (42.2)       | —                       | (29.4)                                           | (29.4)       |
| Net current-period other comprehensive income (loss)                                             | 2.6                     | 1.3                                              | 3.9          | 4.7                     | (15.0)                                           | (10.3)       |
| Ending balance December 31,                                                                      | \$ (5.1)                | \$ (241.6)                                       | \$ (246.7)   | \$ (7.7)                | \$ (242.9)                                       | \$ (250.6)   |

## 17. ACQUISITION

On December 1, 2020, we purchased Shingle & Gibb Automation, LLC, a leading control and automation solutions provider with a successful track record of distributing, developing, and implementing advanced industrial automation systems, for a preliminary purchase price of \$27.2 million in cash, net of cash acquired. The acquisition will help Graybar accelerate growth, diversify our business, extend our reach, and enhance our profitability. The preliminary purchase price allocation resulted in \$7.0 million and \$18.1 million of tax deductible goodwill and other intangible assets, respectively.

Since the date of acquisition, Shingle & Gibb Automation, LLC. results are reflected in our consolidated financial statements. Pro forma results of the acquisition were not material; therefore, they are not presented.

## 18. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following tables set forth selected quarterly financial data for the years ended December 31, 2020 and 2019:

| For the Quarter Ended                                               | 2020       |            |               |              |
|---------------------------------------------------------------------|------------|------------|---------------|--------------|
|                                                                     | March 31,  | June 30,   | September 30, | December 31, |
| Net sales                                                           | \$ 1,773.2 | \$ 1,763.0 | \$ 1,877.9    | \$ 1,851.6   |
| Gross margin                                                        | \$ 340.4   | \$ 333.3   | \$ 355.2      | \$ 340.6     |
| Net income attributable to the Company                              | \$ 21.4    | \$ 37.1    | \$ 34.5       | \$ 28.8      |
| Net income attributable to the Company<br>per share of common stock | \$ 0.94    | \$ 1.64    | \$ 1.52       | \$ 1.28      |

  

| For the Quarter Ended                                                              | 2019       |            |               |              |
|------------------------------------------------------------------------------------|------------|------------|---------------|--------------|
|                                                                                    | March 31,  | June 30,   | September 30, | December 31, |
| Net sales                                                                          | \$ 1,777.8 | \$ 1,948.0 | \$ 1,981.4    | \$ 1,816.7   |
| Gross margin                                                                       | \$ 338.7   | \$ 367.7   | \$ 377.8      | \$ 344.8     |
| Net income attributable to the Company                                             | \$ 34.3    | \$ 47.0    | \$ 48.8       | \$ 14.4      |
| Net income attributable to the Company<br>per share of common stock <sup>(A)</sup> | \$ 1.51    | \$ 2.08    | \$ 2.17       | \$ 0.65      |

<sup>(A)</sup>All periods adjusted for a 5% stock dividend declared in December 2019. Prior to these adjustments, the average common shares outstanding for the first, second, third, and fourth quarters of 2019 were 21,616,141 shares, 21,513,493 shares, 21,449,751 shares, and 21,390,053 shares, respectively.

## **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

Our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) are designed to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act is accumulated and communicated to Company management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2020 was performed under the supervision and with the participation of management. Based on that evaluation, our management, including the Principal Executive Officer and Principal Financial Officer, concluded that our disclosure controls and procedures were effective as of December 31, 2020 to ensure that information required to be disclosed in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management of the Company, including its Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls will prevent or detect all errors. A control system, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the control system's objective will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, have been detected. These inherent limitations include the realities that disclosure requirements may be misinterpreted and judgments in decision-making may be inexact.

#### *Management's Report on Internal Control Over Financial Reporting*

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management of the Company conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") issued in May 2013. Based on that evaluation, management of the Company concluded that our internal control over financial reporting was effective as of December 31, 2020.

#### *Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting that have occurred during our last fiscal quarter that have materially affected, or are likely to materially affect, our internal control over financial reporting.

### **Item 9B. Other Information**

On March 9, 2021, our board of directors adopted the Graybar Long Term Incentive Plan, referred to below as the LTIP. The LTIP provides for cash-based bonus awards to those management or highly-compensated employees selected by our board of directors to participate in the LTIP. The purpose of the LTIP is to attract, retain and reward key employees of Graybar and our affiliates and to promote long-term growth and value creation.

On March 9, 2021, the board granted certain officers, including our named executive officers, each an award under and subject to the terms and conditions of the LTIP described below. The awards establish a three-year performance period ending on December 31, 2023 using net sales and EBITDA (as defined) growth targets. Subject to the terms and conditions of each named executive officer's award agreement, and assuming satisfaction for calendar year 2021 of the time-based component of the awards, such officers may receive a bonus ranging from approximately twenty-three percent of, to up to four times, 2020 salary.

The following is a brief summary of the LTIP. A copy of the LTIP and form of LTIP award will be included as exhibits to our quarterly report on Form 10-Q for the quarter ending March 31, 2021. The following summary is qualified in its entirety by reference to the LTIP and form of LTIP award.

The LTIP provides for the grant of cash-based awards. Subject to the provisions of the LTIP, the board, or its designated committee, may determine the award recipients, sometimes referred to as “participants”, the payment amounts or range of payment amounts, and other terms of any such award, including, without limitation, the length of the performance period, any time-based or performance-based criteria, targets to be achieved during any performance period and the extent to which an award may be subject to forfeiture, in whole or in part. The performance-based criteria may include net sales or EBITDA growth targets and such other performance targets as the board or committee may determine.

Bonuses under the LTIP will be paid in cash in accordance with the terms of the award, which will require the participants to enter into customary restrictive covenants as a condition for eligibility. Unless otherwise provided in an award agreement, awards will be comprised of two weighted components: time-based targets and performance-based targets. The time-based bonus will be paid annually if a participant remains actively employed without demotion (as defined in the LTIP) with Graybar or its affiliates during an applicable calendar year. The performance-based targets will provide for the potential for bonus compensation based on the achievement of certain corporate performance metrics during the performance period specified under each award. Bonus payments of performance-based awards will be earned following the completion of the performance period specified in if and to the extent that corporate performance meets or exceeds the threshold for payment. A participant’s failure to comply with the restrictive covenants during a performance period will result in forfeiture of any performance-based bonus.

Participants who retire, become disabled or pass away during a performance period will receive payment of their performance bonus and the current year time-based bonus, each on a pro-rata basis based upon the number of days that they were actively employed during the performance period.

Participants who are terminated following a change of control or who terminate their services for “good reason” within 60 days following a change of control will receive payment of their bonus, assuming 100% achievement of the performance targets, on a pro-rata basis within 90 days of the termination date.

All other bonus payments will be made on or before March 15 of the year following the year the payment is earned. Performance measures will be calculated as determined by the board, which retains discretion to interpret the LTIP. All bonus payments under the LTIP will be designed to comply with Section 409A of the Internal Revenue Code of 1986, as amended.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance**

The information with respect to the directors of the Company who are nominees for election at the 2021 annual meeting of shareholders that is required to be included pursuant to this Item 10 will be included under the caption “Proposal 1: Nominees for Election as Directors” and “Information About the Board of Directors and Corporate Governance Matters” in the Company’s Definitive Information Statement relating to the 2021 Annual Meeting (the “Information Statement”) to be filed with the SEC pursuant to Rule 14c-5 under the Exchange Act, and is incorporated herein by reference.

The information with respect to our audit committee and audit committee financial expert, and nominating committee required to be included pursuant to this Item 10 will be included under the caption “Information About the Board of Directors and Corporate Governance Matters” in our Information Statement and is incorporated herein by reference.

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer and principal accounting officer (collectively “Covered Officers”). This code of ethics is appended to our business conduct guidelines for all employees. The business conduct guidelines and specific code for Covered Officers may be accessed at: [www.graybar.com/store/en/gb/cm/company/legal](http://www.graybar.com/store/en/gb/cm/company/legal) and is also available in print without charge upon written request addressed to the Secretary of the Company at our principal executive offices.

### **Item 11. Executive Compensation**

The information with respect to executive compensation, our advisory compensation committee, and the compensation committee interlocks and insider participation required to be included pursuant to this Item 11 will be included under the captions “Information About the Board of Directors and Corporate Governance Matters” and “Compensation Discussion and Analysis” in the Information Statement and is incorporated herein by reference.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information with respect to the security ownership of beneficial owners of more than 5% of the Common Stock and of directors and executive officers of the Company required to be included pursuant to this Item 12, will be included under the captions “Beneficial Ownership of More Than 5% of the Outstanding Common Stock” and “Beneficial Ownership of Management” in the Information Statement and is incorporated herein by reference.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

At the date of this report, there are no reportable transactions, business relationships or indebtedness of the type required to be included pursuant to this Item 13 between the Company and any beneficial owner of more than 5% of the Common Stock, the directors or nominees for director of the Company, the executive officers of the Company or the members of the immediate families of such individuals. If there is any change in that regard prior to the filing of the Information Statement, such information will be included under the caption “Transactions with Related Persons” in the Information Statement and shall be incorporated herein by reference.

The information with respect to director independence and to corporate governance required to be included pursuant to this Item 13 will be included under the captions “Proposal 1: Nominees for Election as Directors” and “Information about the Board of Directors and Corporate Governance Matters” in the Information Statement and is incorporated herein by reference.

### **Item 14. Principal Accounting Fees and Services**

The information with respect to principal accounting fees and services required to be included pursuant to this Item 14 will be included under the caption “Relationship with Independent Registered Public Accounting Firm” in our Information Statement and is incorporated herein by reference.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

(a) List of documents filed as part of this report:

1. **Financial Statements**  
All Consolidated Financial Statements of the Company as set forth under Item 8 of this Annual Report on Form 10-K.
2. **Financial Statement Schedule**  
None.
3. **Exhibits**
  - 3.1 [Restated Certificate of Incorporation, as amended, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated June 8, 2017 \(Commission File No. 000-00255\) and incorporated herein by reference.](#)
  - 3.2 [By-laws as amended through March 9, 2017, filed as Exhibit 3\(ii\) to the Company's Current Report on Form 8-K dated March 9, 2017 \(Commission File No. 000-00255\) and incorporated herein by reference.](#)
  - 4 [Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, filed as Exhibit 4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019 \(Commission File No. 000-00255\) and incorporated herein by reference.](#)
  - 4.2 [Voting Trust Agreement, dated as of March 3, 2017, a form of which is attached as Exhibit A to the Prospectus dated January 6, 2017, constituting a part of the Company's Registration Statement on Form S-1/A \(Registration No. 333-214560\), and incorporated herein by reference.](#)
  - 9 Voting Trust Agreement dated as of March 3, 2017, included at Exhibit 4.2 above.
  - 10.1 [Management Incentive Plan, filed as Exhibit 10\(i\) to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 \(Commission File No. 000-00255\) and incorporated herein by reference.\\*](#)
  - 10.2 [Graybar Electric Company, Inc. Supplemental Benefit Plan, amended and restated, entered into between the Company and certain employees effective January 1, 2021.\\*](#)
  - 10.3 [Form of Deferral Agreement under Graybar Electric Company, Inc. Supplemental Benefit Plan, filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 \(Commission File No. 000-00255\) and incorporated herein by reference.\\*](#)
  - 10.5 [Third Amendment to Credit Agreement, dated as of August 10, 2018, among the Company, as parent borrower, Graybar Canada Limited, as a borrower, the lenders party thereto, Bank of America, N.A., as Domestic Administrative Agent, Domestic Swing Line Lender and Domestic L/C Issuer and Bank of America, N.A., acting through its Canada Branch, as Canadian Administrative Agent, Canadian Swing Line Lender and Canadian L/C Issuer, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 \(Commission File No. 000-00225\) and incorporated herein by reference.](#)
  - 10.6 [Private Shelf Agreement, dated September 22, 2014, between the Company and Prudential Investment Management, Inc., filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 \(Commission File No. 000-00225\) and incorporated herein by reference.](#)

|         |                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.7    | <a href="#"><u>Amendment No. 1 to Private Shelf Agreement, dated August 2, 2017, between the Company and PGIM, Inc. (formerly known as Prudential Investment Management, Inc.), filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 (Commission File No. 000-002255) and incorporated herein by reference.</u></a>                              |
| 10.8    | <a href="#"><u>Amendment No. 2 to Private Shelf Agreement, dated August 10, 2018, between the Company and PGIM, Inc., filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 (Commission File No. 000-00225) and incorporated herein by reference.</u></a>                                                                                       |
| 10.9    | <a href="#"><u>Amendment No. 3 to Private Shelf Agreement, dated July 29, 2020, between the Company and PGIM, Inc., filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 (Commission File No. 000-00225) and incorporated herein by reference.</u></a>                                                                                                |
| 10.10   | <a href="#"><u>Private Shelf Agreement, dated September 22, 2016, between the Company and Metropolitan Life Insurance Company, MetLife Investment Advisors, LLC, and other MetLife affiliates, filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (Commission File No. 000-00225) and incorporated herein by reference.</u></a>                |
| 10.11   | <a href="#"><u>Amendment No. 1 to Private Shelf Agreement, dated August 10, 2018, among the Company and Metropolitan Life Insurance Company, MetLife Investment Advisors, LLC and other MetLife affiliates, filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 (Commission File No. 000-00225) and incorporated herein by reference.</u></a> |
| 21      | <a href="#"><u>List of subsidiaries of the Company</u></a>                                                                                                                                                                                                                                                                                                                                              |
| 31.1    | <a href="#"><u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Principal Executive Officer.</u></a>                                                                                                                                                                                                                                                                           |
| 31.2    | <a href="#"><u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Principal Financial Officer.</u></a>                                                                                                                                                                                                                                                                           |
| 32.1    | <a href="#"><u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Principal Executive Officer.</u></a>                                                                                                                                                                                                                            |
| 32.2    | <a href="#"><u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Principal Financial Officer.</u></a>                                                                                                                                                                                                                            |
| 101.INS | XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.                                                                                                                                                                                                                                         |
| 101.SCH | XBRL Taxonomy Extension Schema Document                                                                                                                                                                                                                                                                                                                                                                 |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                                                                                                                                                                                                                                                   |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                                                                                                                                                                                                                                                    |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document                                                                                                                                                                                                                                                                                                                                                         |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                                                                                                                                                                                                                                                  |
| 104     | Cover Page Interactive Data File (formatted in Inline XBRL contained in Exhibit 101)                                                                                                                                                                                                                                                                                                                    |
|         | * Compensation arrangement                                                                                                                                                                                                                                                                                                                                                                              |

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, as of the 10th day of March 2021.

GRAYBAR ELECTRIC COMPANY, INC.

By /s/ K. M. Mazzarella  
(K. M. Mazzarella, Chairman of the Board, President and Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant in the capacities indicated, on March 10, 2021.

|                                                   |                                                                                                                               |
|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <u>/s/ K. M. Mazzarella</u><br>(K. M. Mazzarella) | Director, Chairman of the Board, President and Chief Executive Officer<br>(Principal Executive Officer)                       |
| <u>/s/ S. S. Clifford</u><br>(S. S. Clifford)     | Director, Senior Vice President and Chief Financial Officer<br>(Principal Financial Officer and Principal Accounting Officer) |
| <u>/s/ D. A. Bender</u><br>(D. A. Bender)         | Director                                                                                                                      |
| <u>/s/ D. E. DeSousa</u><br>(D. E. DeSousa)       | Director                                                                                                                      |
| <u>/s/ M. W. Geekie</u><br>(M. W. Geekie)         | Director                                                                                                                      |
| <u>/s/ R. R. Harwood</u><br>(R. R. Harwood)       | Director                                                                                                                      |
| <u>/s/ R. H. Harvey</u><br>(R. H. Harvey)         | Director                                                                                                                      |
| <u>/s/ W. P. Mansfield</u><br>(W. P. Mansfield)   | Director                                                                                                                      |
| <u>/s/ D. G. Maxwell</u><br>(D. G. Maxwell)       | Director                                                                                                                      |
| <u>/s/ B. L. Propst</u><br>(B. L. Propst)         | Director                                                                                                                      |

**GRAYBAR ELECTRIC COMPANY, INC.**

**SUPPLEMENTAL BENEFIT PLAN**

Amended and Restated as of January 1, 2021

**AMENDED AND RESTATED**  
**GRAYBAR ELECTRIC COMPANY, INC.**  
**SUPPLEMENTAL BENEFIT PLAN**

1. Purpose

Sections 401(a)(17), 402(g), and 415 of the Internal Revenue Code of 1986 (the "Code") restrict benefit payments under the Graybar Electric Company, Inc. Pension Plan (the "Pension Plan") and allocations to a Member's account under The Profit Sharing and Savings Plan of Graybar Electric Company, Inc. (the "Profit Sharing Plan"). Code §401(a) also proscribes the inclusion of certain deferred compensation in the compensation taken into account under such Plans. However, a company may pay benefits and/or make allocations without regard to such restrictions through an unfunded supplemental benefit plan. The purpose of this "Supplemental Benefit Plan" is to provide benefits to certain of those Pension Plan and Profit Sharing Plan participants whose benefits may be limited by any provision of Code §§401(a), 402(g), and 415, on a basis consistent with the Pension Plan and Profit Sharing Plan without regard to any limitations contained in such sections and to provide benefits to any such other individuals as Graybar Electric Company, Inc. ("Company") or other Adopting Affiliates may designate as eligible hereunder from time to time.

This Supplemental Benefit Plan is amended and restated effective January 1, 2021 to clarify eligibility for the supplemental match benefit and modify administrative provisions relating to distributions. The Plan Year shall mean the calendar year.

2. Eligibility

Any participant in the Pension Plan or member of the Profit Sharing Plan whose Retirement Income (as defined in the Pension Plan) or annual allocation under the Profit Sharing Plan is limited, directly or indirectly, by any requirement of Code §§401(a), 402(g) or 415), or whose Compensation, as defined in Section 4 hereof, is not used in calculating such Retirement Income or annual allocation, or such other individuals as the Company or other Adopting Affiliates may designate as eligible hereunder from time to time, shall be eligible for benefits under this Supplemental Benefit Plan.

Effective for Plan Years beginning on and after January 1, 2016, an eligible Match Participant (as defined in Section 3(d) hereof) shall be eligible for a supplemental match benefit under this Supplemental Benefit Plan.

An individual participating in this Supplemental Benefit Plan shall be referred to as a Participant.

3. Amount of Benefits

- (a) Supplemental Pension Benefit. The supplemental pension benefit payable to an eligible Participant or the Participant's spouse shall equal the excess, if any, of (1 over (2), where:

- (1) is the Retirement Income which would have been paid to such Participant or the Participant's spouse under the Pension Plan if the provisions of Code §§401(a)(17) and 415 did not apply and Compensation as defined in Section 4 hereof were used in determining such Retirement Income; and
- (2) is the Retirement Income which is payable to the Participant or the Participant's spouse under the Pension Plan.

For purposes of this Section 3(a), an eligible Participant is an employee who was hired, or was last re-hired, by the Company before July 1, 2015 and is otherwise described in Section 2 hereof.

- (b) Supplemental Profit Sharing Benefit. The supplemental profit sharing benefit credited on behalf of an eligible Participant for a Plan Year shall equal the excess, if any, of (3) over (4), where:

- (3) is the allocation which would have been made to such Participant's Account B under the Profit Sharing Plan for any Plan Year if the limitations imposed by Code §§401(a)(17) and 415 did not apply and Compensation as defined in Section 4 hereof were used in determining such allocation; and
- (4) is the allocation which is made to such Participant's Account B under the Profit Sharing Plan for such Plan Year.

- (c) Deferred Compensation Benefit. The deferred compensation benefit credited on behalf of an eligible Deferred Compensation Participant for a Plan Year shall equal the portion of the Participant's annual base salary and annual incentive payment that such Participant has elected to defer with respect to such Plan Year in accordance with this Supplemental Benefit Plan and the terms of the deferred compensation agreement between the Participant and the Company. If the Participant elects to defer a portion of the Participant's annual base salary with respect to a Plan Year, such Participant must defer at least two percent but no more than fifty percent of the Participant's annual base salary. If the Participant elects to defer a portion of the Participant's annual incentive payment, such Participant must defer at least two percent but no more than one hundred percent of the Participant's annual incentive payment. Any deferral election hereunder must be made before the beginning of the Plan Year in which the compensation to be deferred is earned.

For purposes of this Section 3(c), a Participant eligible for a Deferred Compensation Benefit ("Deferred Compensation Participant") includes (i) an employee who was a Participant in this Supplemental Benefit Plan prior to January 1, 2016 and on whose behalf a benefit is being maintained under this Plan, (ii) an employee who was hired, or was last re-hired, by the Company before July 1, 2015 and who, as of any Plan Year, is in Salary Grade 20 or higher (including the salary bands EX1 through EX5) and (iii) an employee who is hired, or is last re-hired, by the Company on or after July 1, 2015 and who is, for a Plan Year beginning on or after January 1, 2016 a Vice President or higher level executive (including the salary bands EX1 through EX5), (or their equivalent, as determined by the Company in its sole discretion) as of the first day of such Plan Year.

Effective January 1, 2021, any individual employed by an Affiliate of the Company which is not an Adopting Affiliate shall not be eligible to participate in the Deferred Compensation Benefit for the Plan Year in which the individual is employed by such Affiliate. Nonetheless, in the event a Deferred Compensation Participant is employed by the Company and timely elects to participate in the Deferred Compensation Benefit for a Plan Year, his election to participate in the Deferred Compensation Benefit shall not be revoked for such Plan Year, even if he terminates employment with the Company and is rehired by an Affiliate of the Company during such Plan Year. Notwithstanding the preceding, an individual employed by an Adopting Affiliate shall be eligible to participate in the Deferred Compensation Benefit for the Plan Year in which the individual is employed by the Company or Adopting Affiliate.

For these purposes, an Affiliate means a legal entity in the same group of related organizations which includes Graybar Electric Company, Inc. for purposes of Code §§414(b), 414(c) or 414(m). In no event shall an Affiliate include a legal entity located or operating in Puerto Rico or any other territory or possession of the United States.

Adopting Affiliate means any Affiliate which has been approved for participation in the Plan by the Committee. Approval by the Committee shall include the date for which the Adopting Affiliate's participation in the Plan is effective. Each Adopting Affiliate shall be listed on Exhibit A, which may be amended from time to time by the Committee as necessary to reflect participating Affiliates in the Plan.

- (d) Supplemental Match Benefit. The supplemental match benefit credited on behalf of an eligible Match Participant for a Plan Year shall equal the excess, if any, of (5) over (6), where:
  - (5) is the Company Match which would have been made to such Participant's Account D under the Profit Sharing Plan for any Plan Year if the limitations imposed by Code §§401(a)(17), 402(g) and

415 did not apply (but specifically recognizing any limitations imposed by the ADP or ACP tests set forth in Code §§401(k) and 401(m), respectively) and Compensation as defined in Section 4 hereof were used in determining such Company Match; and

- (6) is the Company Match which was made to such Participant's Account D under the Profit Sharing Plan for such Plan Year.

For purposes of this Section 3(d), a Participant eligible for a supplemental match (a "Match Participant") includes a Participant who (i) as of the first day of such Plan Year is designated as a Vice President or higher level executive; (ii) is hired or rehired on or after July 1, 2015; (iii) has maximized the Participant's Before-Tax Employee Savings and/or Roth Contributions under Article 3 of the Profit Sharing Plan for the Plan Year under the terms of the Profit Sharing Plan; (iv) has a Company Matching Contribution under the Profit Sharing Plan limited directly or indirectly for the Plan Year by Code §§401(a)(17), 402(g) or 415; and (v) elects to defer to this Plan at least 6% of the total of the Participant's annual base salary and his or her annual incentive payment paid for the Plan Year under paragraph 3(c) above.

As an example and for avoidance of doubt with respect to (v) above, eligibility for a 2022 supplemental match requires that the Participant elect to defer to the Plan at least 6% of his annual base salary paid in 2022 and 6% of the annual incentive payment earned in 2021, but paid in 2022.

Notwithstanding the preceding, for purposes of (v) above for a Participant's initial year of eligibility for a supplemental match, the Participant only must defer at least 6% of his annual base salary. As an example and for avoidance of doubt, if a Participant commences employment in 2020 and becomes first eligible for a supplemental match in 2021, he only must defer 6% of his annual base salary paid in 2021 to this Plan and is not required to defer his annual incentive payment for 2021 relating to his performance in 2020.

#### 4. Compensation

For purposes of making the calculations described in subsections (a), (b) and (d) of Section 3 above, Compensation means the Participant's annual base salary paid by the Company, excluding living allowances and Employer contributions to this or any other benefit plan, but including (1) any overtime, (2) payments under any annual incentive plans, (3) any compensation relating to such Plan Year which has been deferred under a deferred compensation agreement between the Company and the Participant, and (4) contributions made by salary reduction under a plan described in Code §125.

5. Funding

Benefits under the Supplemental Benefit Plan shall be payable from the general assets of the Company, and no funds are required to be set aside for the purpose of making payments under the Supplemental Benefit Plan. The Company has the discretion to set aside funds for such purpose, as it may decide in its sole discretion.

6. Payment of Benefits

(a) Supplemental Pension Benefit. A Participant who is age 55 or older (and has reached the earlier of his or her Early Retirement Date or Normal Retirement Date, each as defined in the Pension Plan) at the time of termination from employment and is entitled to a supplemental pension benefit shall be paid the Actuarial Present Value (as defined in the Pension Plan and determined below) of such benefit in ten annual installments, beginning as soon as administratively possible on or after the January 1 following the Participant's termination of employment, but in no event later than March 15 of such year. For this purpose, the Actuarial Present Value of the Participant's benefit shall be determined as of the date of the Participant's termination of employment using the generally applicable actuarial factors set forth in the Pension Plan before any application of Code §§415 or 417(e). Interest on any unpaid installments shall be credited at the rate used to calculate the Actuarial Present Value through December 31 of the year prior to the applicable January 1. Notwithstanding the foregoing, a supplemental pension benefit shall be payable in the event the Participant terminates employment before age 55 or dies or in the event of a Change in Control Event, as defined in Section 409A of the Code ("Change in Control") with respect to the Company, to the extent provided below.

- (1) In the event that the Participant's employment terminates before the Participant attains age 55, but after the earlier of his or her Early Retirement Date or Normal Retirement Date, each as defined in the Pension Plan, the Actuarial Present Value of the Participant's supplemental pension benefit, plus interest through December 31 of the year in which the termination of employment occurs, shall be payable in an immediate lump sum as soon as administratively possible on or after the January 1 following the Participant's termination of employment, but in no event later than March 15 of such year.
- (2) In the event that the Participant's employment terminates prior to the earlier of his or her Early Retirement Date or Normal Retirement Date, each as defined in the Pension Plan, the Actuarial Present Value of the Participant's supplemental pension benefit and of the Retirement Income otherwise payable to the Participant shall be determined using the applicable interest rate and applicable mortality

table prescribed by the Secretary of the Treasury pursuant to Code §417(e). For this purpose, the interest rate used for distributions made pursuant to this paragraph shall be the applicable interest rate for the month of November in the prior Plan Year. The Actuarial Present Value of the Participant's supplemental pension benefit, plus interest at the first segment rate through December 31 of the year in which the termination of employment occurs, shall be payable in an immediate lump sum as soon as administratively possible on or after the January 1 following the Participant's termination of employment, but in no event later than March 15 of such year.

- (3) (A) Subject to Subsection (6), in the event of the death of a Participant before attaining age 55 and before supplemental pension benefit payments have commenced, as applicable, hereunder, the Actuarial Present Value of the supplemental pension benefit payable to the Participant, plus interest through December 31 of the year in which the death occurs, shall be payable to the Participant's spouse in an immediate lump sum as soon as administratively possible on or after the January 1 following the Participant's death, but in no event later than March 15 of such year. If the Participant is not married on the date of death, no supplemental pension benefit shall be payable hereunder on behalf of the Participant. In the event the Participant is married on the date of death, but his or her surviving spouse dies before the supplemental pension benefit is paid, such benefit shall be paid to the surviving spouse's named beneficiary, or to the spouse's estate if there is no beneficiary on file.
- (B) Subject to subsection (6), in the event of the death of a Participant on or after attaining age 55 and before supplemental pension benefit payments have commenced, as applicable, hereunder, any supplemental pension benefit, plus interest through December 31 of the year prior to the applicable January 1, shall be paid to the Participant's spouse in ten annual installments, beginning as soon as administratively possible on or after the January 1 following the Participant's death, but in no event later than March 15 of such year. Any installments remaining upon the death of the spouse shall continue to be made annually to the spouse's named beneficiary or to the spouse's estate if there is no beneficiary on file. Payments shall be made as soon as administratively possible beginning on or after the January 1 following the death of the spouse, but in no event later than March 15 of such year. Interest on any unpaid installments shall be determined as set forth in Section 6(a). If the Participant is not married on the date of death, no

supplemental pension benefit shall be payable hereunder on behalf of the Participant.

- (4) In the event of a Change in Control with respect to the Company, the Actuarial Present Value of any unpaid supplemental pension benefit, plus interest to the date of payment, shall be payable in an immediate lump sum as soon as administratively possible on or after the date of the Change in Control, but in no event later than March 15 following the Plan Year in which the Change in Control occurs.
- (5) Notwithstanding anything herein to the contrary, the Participant may request, and, in its sole and absolute discretion, the Company may agree to allow the Participant to change the method or time for distribution of any supplemental pension benefit payable hereunder, in accordance with such form and procedures as the Company may establish from time to time; provided that such agreement is reached and recorded at least 12 months prior to the date the benefit payment hereunder would otherwise commence, as applicable, and such agreement shall not take effect until at least 12 months following the date on which such agreement was reached and recorded, and any such agreement defers the payment for a period of at least five years from the date it would otherwise be made.
- (6) Notwithstanding anything herein to the contrary, payment of the supplemental pension benefit shall commence, as applicable, at the time and in the manner provided with respect to the first to occur of a termination of employment, death or Change in Control, to the extent provided herein, and any such subsequent event (other than a Change in Control, as provided below) shall not change the time and form of payment. Upon a Change in Control subsequent to a termination of employment or death of the Participant, payment of any unpaid supplemental pension benefit shall be payable in accordance with subsection (4) above. In the event of the death of a Participant after a termination of employment or Change in Control, distribution of any unpaid supplemental pension benefits shall commence or continue, as applicable, to the Participant's spouse at such time and in such form as provided on account of such termination of employment or Change in Control, without regard to such death. Any installments remaining upon the death of the spouse shall continue to be made annually to the spouse's named beneficiary, or to the spouse's estate if there is no beneficiary designation on file. If the Participant is not married on the date of death and supplemental pension benefit payments have commenced, any unpaid supplemental pension benefit shall be payable hereunder to the Participant's named beneficiary, or to the Participant's estate if there is no beneficiary designation on file.

(7) Notwithstanding any other provision in Section 6(a) to the contrary, in the event a Participant or a Participant's spouse is entitled to receive a supplemental pension benefit in the form of annual installment distributions and the Actuarial Present Value of such installment distributions does not exceed \$5,000 as of December 31 in the year of the Participant's termination of employment, the Actuarial Present Value shall be paid in an immediate lump sum as soon as administratively possible on or after January 1 following the year of the Participant's termination of employment. For purposes of this Section 6(a)(7), the calculation of Actuarial Present Value shall include consideration of all benefits to which the Participant is entitled to from all nonaccount balance nonqualified deferred compensation plans, within the meaning of Treasury Regulation Section 1.409A-1(c)(2)(C), sponsored by the Company and Affiliates.

(b) Supplemental Profit Sharing Benefit, Deferred Compensation Benefit and Supplemental Match Benefit. If the Participant has executed a deferred compensation agreement with the Company for the Plan Year prior to January 1 thereof, any Compensation the Participant has elected to defer in accordance with the terms hereof and the supplemental profit sharing benefit and supplemental match benefit, if any, to which the Participant is entitled hereunder for such Plan Year shall automatically be credited to the deferred compensation account established for the Participant on the Company's books pursuant to such agreement and this Supplemental Benefit Plan, shall be credited with interest at the rate determined under the Participant's deferred compensation agreement and shall be payable, at or after the termination of the Participant's employment, as provided herein, in accordance with the terms of such deferred compensation agreement. With respect to the supplemental match benefit, such amount shall be paid in accordance with the terms of such deferred compensation agreement if and only if the Participant is fully vested in the value of the Participant's interest in Account D under the Profit Sharing Plan. Any such election to defer shall remain in effect only for the given Plan Year. Any supplemental match benefits which are not fully vested at the time of termination shall be forfeited and never restored.

(1) No Deferred Compensation Election. If no deferred compensation agreement is in force with respect to the Participant for the Plan Year, any supplemental profit sharing benefit payable for such Plan Year shall be paid to the Participant on April 1 following the Plan Year with respect to which such supplemental profit sharing benefit applies.

(2) Employment Termination on or after Age 55. In the event that the Participant's employment terminates on or after the Participant attains age 55, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit credited on behalf of such Participant, plus interest through December 31 of the

Plan Year which immediately precedes the last applicable January 1 installment, as set forth below, shall be payable to the Participant beginning as soon as administratively possible on or after the January 1 following the Participant's termination of employment, but in no event shall such benefits commence later than March 15 of such Plan Year.

- (A) With respect to a Participant who was hired, or was last re-hired, by the Company before July 1, 2015, such benefits shall be payable in ten equal annual installments.
  - (B) With respect to a Participant who is hired, or is last re-hired, by the Company on or after July 1, 2015, such benefits shall be payable in five equal annual installments.
- (3) Employment Termination Before Age 55. In the event that the Participant's employment terminates before the Participant's attainment of age 55, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit credited on behalf of such Participant, plus interest through December 31 of the Plan Year in which the Participant terminates employment, shall be payable in an immediate lump sum as soon as administratively possible on or after the January 1 following the Participant's termination of employment, but in no event later than March 15 of such Plan Year.
  - (4) Death Before Age 55. Subject to subsection (10), in the event of the death of a Participant before attaining age 55 and before any supplemental profit sharing benefits, deferred compensation benefits or supplemental match benefits have commenced, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit credited on behalf of such Participant, plus interest through December 31 of the Plan Year in which the Participant dies, shall be payable to the Participant's beneficiary in an immediate lump sum as soon as administratively possible on or after the January 1 following the date of the Participant's death, but in no event later than March 15 of such Plan Year.
  - (5) Death On Or After Age 55. Subject to subsection (10), in the event of the death of a Participant, on or after attaining age 55 and before any supplemental profit sharing benefits, deferred compensation benefits or supplemental match benefits have commenced, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit credited on behalf of such Participant, plus interest through December 31 of the Plan Year which immediately precedes the last applicable January 1 installment, as set forth below, shall begin to be paid to the

Participant's beneficiary as soon as administratively possible on or after the January 1 following the Participant's death, but in no event later than March 15 of such Plan Year.

- (A) With respect to a Participant who was hired, or was last re-hired, by the Company before July 1, 2015, such benefits shall be payable to the beneficiary in ten equal annual installments.
  - (B) With respect to a Participant who is hired, or last re-hired, by the Company on or after July 1, 2015, such benefits shall be payable to the beneficiary in five equal annual installments.
- (6) Change in Control. In the event of a Change in Control of the Company, any unpaid supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit, plus interest to the date of payment, shall be payable in an immediate lump sum as soon as administratively possible on or after the date of the Change in Control, but in no event later than March 15 following the Plan Year in which the Change in Control occurs.
- (7) Disability.
- (A) Subject to subsection (10), in the event that a Participant is Disabled, as determined in accordance with Section 409A of the Code, prior to age 55 and before any supplemental profit sharing benefits, deferred compensation benefits or supplemental match benefits have commenced, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit, plus interest through the end of the calendar month in which the Disability occurred, shall be payable in an immediate lump sum as soon as possible on or after the first day of the calendar month following the date of such Disability, but in no event later than March 15 following the Plan Year in which the Disability occurs.
  - (B) In the event that a Participant is so Disabled on or after age 55 and before any such benefits have commenced, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit credited on behalf of such Participant, plus interest through December 31 of the Plan Year which immediately precedes the last applicable January 1 installment, as set forth below, shall be payable to the Participant beginning as soon as administratively possible on or after the January 1 following the Participant's Disability, but in no event shall such benefits commence later than

March 15 of such year. With respect to an eligible Participant who was hired, or last re-hired, by the Company before July 1, 2015, such benefits shall be payable in ten equal annual installments. With respect to an eligible Participant who is hired, or is last re-hired, by the Company on or after July 1, 2015, such benefits shall be payable in five equal annual installments.

- (8) **Unforeseeable Emergency.** A Participant may apply in writing to the Company for, and the Company may permit, the acceleration of a distribution of all or part of a Participant's unpaid supplemental profit sharing benefit, deferred compensation benefit and/or supplemental match benefit (to which such Participant is vested) if the Company, in its sole discretion, determines that the Participant has incurred an Unforeseeable Emergency. For purposes of this Supplemental Benefit Plan, an Unforeseeable Emergency shall be deemed to exist when the Company, in its sole and absolute discretion, determines that a Participant requires a distribution to meet an Unforeseeable Emergency, as determined in accordance with Section 409A of the Code. A distribution based upon Unforeseeable Emergency shall be limited to the amount reasonably necessary to meet the immediate financial need created by such Unforeseeable Emergency, plus the federal and state taxes due on such amount, as determined by the Company. The Company may require a Participant who requests such a distribution to submit such evidence as the Company, in its sole discretion, deems necessary or appropriate to substantiate the circumstances upon which the request is based. Any distribution due to an Unforeseeable Emergency hereunder shall be made as soon as administratively possible on or after the first day of the calendar month following the date on which the Company has determined, in its sole and absolute discretion, that an Unforeseeable Emergency exists.
- (9) **Change in Distribution Method or Timing.** Notwithstanding anything herein to the contrary, the Participant may request, and, in its sole and absolute discretion, the Company may agree to allow the Participant to change the method or time for distribution of any supplemental profit sharing benefits, deferred compensation benefits or supplemental match benefits payable hereunder, in accordance with such form and procedures as the Company may establish from time to time; provided that such agreement is reached and recorded at least 12 months prior to the date the benefit payments hereunder would commence, as applicable, such agreement shall not take effect until at least 12 months following the date on which such agreement was reached and recorded, and any such agreement defers the payment for a period of at least five years from the date it would otherwise be made.

- (10) Impact of Subsequent Distributable Events. Notwithstanding anything herein to the contrary, payment of the supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit shall commence, as applicable, at the time and in the manner provided herein with respect to the first to occur of a termination of employment, death, Disability or Change in Control, to the extent provided herein, and any such subsequent event (other than a Change in Control, as provided below) shall not change the time and form of payment. Upon a Change in Control subsequent to a termination of employment, death or Disability of the Participant, payment of any unpaid benefit shall be payable in accordance with subsection (6) above. In the event of the death of a Participant after a termination of employment, Disability or Change in Control, distribution of any unpaid supplement profit sharing benefits, deferred compensation benefits and supplemental match benefits shall commence or continue, as applicable, to the Participant's beneficiary at such time and in such form as provided on account of such termination of employment, Disability or Change in Control, without regard to such death.
- (11) Interest Crediting on Installments. For purposes of Section 6(b) interest paid on any unpaid installments shall be credited at the rate determined under the Participant's deferred compensation agreement.
- (c) To avoid administrative difficulties: (i) If and only if Section 6 otherwise provides for the payment of a benefit following the death of the Participant or beneficiary, a Participant may name a beneficiary to receive his or her interest in the Plan in the event of the Participant's death and the beneficiary of a Participant may also name a beneficiary to receive benefits in the event of the beneficiary's death; (ii) Notwithstanding the preceding, in the event a Participant or beneficiary fails to name a beneficiary to whom benefits can be paid, the benefit shall be paid to the estate of the Participant or the beneficiary as the case may be. In the event a Participant or a beneficiary dies with no beneficiary on file and no estate has been opened, the Company has the discretion, upon presentation of satisfactory documentation, to pay benefits to specific individuals in lieu of requiring that an estate be opened for the purpose of receiving said benefits; and (iii) If any beneficiary, including a spouse of a Participant, shall die simultaneously with the person whose death gives rise to the beneficiary's right to receive benefits under the Plan, or under such circumstances as to render it impossible or difficult to determine who died first, the beneficiary, including the spouse of a Participant, shall be deemed to have not survived such beneficiary; and the provisions of this Plan shall be construed and the distribution of benefits herein shall be governed accordingly.

- (d) For purposes of this Section 6, in order to constitute a termination of employment, a Participant must terminate employment with the Company, as well as any affiliate or subsidiary of the Company. If a Participant terminates employment with the Company, but becomes employed with a subsidiary or affiliate of the Company, he shall not be treated as having terminated employment for purposes of this Section 6. In order to qualify as a termination of employment under the Plan, the termination must also satisfy the definition of a separation from service under Code §409A and Treasury Regulations promulgated under Code §409A.

7. Right to Continued Employment

Nothing contained herein shall be construed as conferring upon the Participant the right to continue in the employ of the Company.

8. Assignability of Benefits

The right of the Participant or any other person to receive benefits hereunder is not assignable or transferable except by the terms of a valid beneficiary designation, pursuant to Section 15 hereunder, will or the laws of descent and distribution and may not, during the life of the Participant, be pledged or encumbered.

9. Unsecured Right to Benefits

Nothing contained in this Agreement and no action taken or not taken pursuant to the provisions hereof shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and the Participant, the Participant's beneficiary or any other person. To the extent that any person acquires a right to receive payments under this Supplemental Benefit Plan, such right shall be no greater than that of an unsecured general creditor of the Company.

10. Taxes

If the Participant or beneficiary becomes entitled to receive benefits or other taxable income pursuant to this Supplemental Benefit Plan, the Company shall have the right to withhold from the amount the Company would otherwise be required to pay to the Participant or beneficiary pursuant to this Supplemental Benefit Plan, the amount of any taxes which the Company is or will be required to withhold under the applicable federal, state and local income and employment tax laws. Furthermore, the Company may elect to deduct such taxes from any other amounts payable at any time in cash or otherwise to the Participant or beneficiary on or after the date any benefit hereunder must be taken into account for purposes of such taxes. The Company shall bear no responsibility whatsoever for the Participant's or beneficiary's taxes, including interest and penalties, or tax effects resulting from this Supplemental Benefit Plan or for the payment of benefits to a beneficiary consistent with Subsection 6(c), following the death of a Participant or a beneficiary.

## 11. Claims Procedure

- (a) Claim - The Participant or other person who believes that he or she is being denied a benefit to which he or she is entitled (hereinafter referred to as "Claimant") may file a written request for such benefit with the Company setting forth his or her claim. The Company shall advise the Claimant that a reply will be forthcoming within thirty (30) days and deliver a reply within thirty (30) days. However, the Company may extend the reply period for an additional fifteen (15) days for reasonable cause. If the claim is denied in whole or in part, the Company will adopt a written opinion using language calculated to be understood by the Claimant setting forth:
  - (i) the specific reason or reasons for denial;
  - (ii) the specific references to pertinent Plan provisions on which the denial is based;
  - (iii) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation why such material or such information is necessary;
  - (iv) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review; and
  - (v) the time limits for review under Subsection 11(b), below.
- (b) Review – Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the previous determination be reviewed by the Employees' Benefit Committee (hereinafter referred to as the "Committee"). If the Claimant does not request a review of the Company's determination within such 60- day period, he or she shall be barred and estopped from challenging the Company's decision. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Committee. Within thirty (30) days after the Committee's receipt of a request for review, it will render a written opinion setting forth the specific reasons for the decision, the specific references to the pertinent Plan provisions on which the decision is based, a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all relevant documents, records and other information, and a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following the adverse benefit determination on such review. If special circumstances require that the thirty (30) day time period be extended, the Committee will so notify the Claimant and will render the decision as soon

as possible but not later than sixty (60) days after receipt of the request for review. The Committee has discretionary authority to determine a Claimant's eligibility for benefits and to interpret the terms of the Plan.

12. Administration

The Supplemental Benefit Plan shall be administered by the Company in a manner generally consistent with the substance of Article VIII of the Pension Plan. The Company may designate such person(s) or the Committee as it deems appropriate to assume all or any portion of such administration.

13. Amendment and Termination

The Supplemental Benefit Plan may be amended or terminated by the Board of Directors of Graybar Electric Company, Inc. at any time and for any reason and shall terminate when both the Pension Plan and the Profit Sharing Plan terminate. Notwithstanding the foregoing, no amendment shall be effective to the extent it would cause an amount to become taxable or be subject to additional taxes on account of such amendment under Code § 409A or the regulations or other guidance issued thereunder. Upon termination of the Supplemental Benefit Plan, a Participant's benefits hereunder shall be paid out in accordance with the terms of the Supplemental Benefit Plan; provided, however, that in the event the Supplemental Benefit Plan is terminated, a Participant's benefit hereunder shall be payable only to the extent permissible under Code § 409A and the regulations and other guidance issued thereunder.

14. Other Distributions

Notwithstanding anything herein to the contrary, any distributions that commenced prior to January 1, 2021 shall be made or continue in the same time and manner as provided under the terms of the applicable governing documents prior to January 1, 2021, provided that such time and manner of distribution would not be subject to the adverse tax consequences under Code §409A.

15. Beneficiary

Except as otherwise provided by Section 6(a) with respect to the payment of Supplemental Pension Benefits, the Participant's beneficiary for purposes of this Plan shall be the person or entity designated by the Participant in writing on a form prescribed by and filed with the Company. If the Participant has not designated a beneficiary in writing on a form filed with the Company or if no beneficiary survives the Participant, the beneficiary shall be deemed to be the Participant's estate.

16. Section 409A

(a) General. The Company intends that the benefits and rights to which the Participant could be entitled pursuant to this Plan either comply with Code §409A, and the Treasury Regulations and other guidance promulgated or issued thereunder, or fall within one of the exceptions to Code §409A including, without limitation, the short-term deferral exception, and the provisions of this Plan and each benefit or right shall be construed in a manner consistent with that intention. If a Participant or the Company believes, at any time, that any such benefit or right that is subject to Code §409A does not so comply, it shall promptly advise the other and the parties shall negotiate reasonably and in good faith to amend the terms of such benefits and rights such that they comply with Code §409A (with the most limited possible economic effect on the Participant and on the Company).

(b) No Acceleration of Payments. Neither the Company nor any Participant, individually or in combination, may accelerate any payment or benefit that is subject to Code §409A, except in compliance with Code §409A and the provisions of this Plan, and no amount that is subject to Code §409A shall be paid prior to the earliest date on which it may be paid without violating Code §409A.

(c) Treatment of Each Installment as a Separate Payment. For purposes of applying the provisions of Code §409A to this Plan, each separately identified amount to which a Participant is entitled under this Plan or any benefit or right shall be treated as a separate payment. In addition, to the extent permissible under Code §409A, any series of installment payments under this Plan shall be treated as a right to a series of separate payments.

(d) Responsibility for Taxes. Each Participant is solely responsible and liable for the satisfaction of all taxes (including any related penalties and interest) that may arise in connection with this Plan (including any taxes arising under Code §409A), and the Company shall have no obligation to indemnify or otherwise hold any Participant harmless from any or all of such taxes.

(e) “Termination of Employment” or words of similar import, as used in this Plan means, for purposes of any payments under this Plan that are payment subject to Code §409A, the Participant’s “separation from service” as defined in Code §409A.

(f) If a payment obligation under the Plan arises on account of a Participant’s termination of employment while a “specified employee” (as defined under Code §409A and determined in good faith by the Committee), any payment of “deferred compensation” (as defined under Treasury Regulation Section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation Section 1.409A-1(b)(3) through (b)(12) shall be made within fifteen (15) days after the end of the six-month period beginning on the date of such termination of employment or, if earlier, within fifteen (15) days after appointment of the personal representative or executor of the Participant’s estate following the death of the Participant.

**IN WITNESS WHEREOF**, the Company has caused this Plan to be executed in its name and behalf this 9<sup>th</sup> day of December 2020, by its officer thereunto duly authorized.

GRAYBAR ELECTRIC COMPANY, INC.

By: /s/ Beverly L. Propst  
Senior Vice President-Human Resources

By: /s/ M. W. Geekie  
Senior Vice President -Secretary & General Counsel

**EXHIBIT A**  
**ADOPTING AFFILIATES**  
**(Effective Date: January 1, 2021)**

| Entity                              | Effective Date of Participation |
|-------------------------------------|---------------------------------|
| 1. Graybar Management Services, LLC | January 1, 2021                 |
|                                     |                                 |

As approved by the Graybar Electric Company, Inc. Employees' Benefit Committee

By: /s/ Beverly L. Propst  
Senior Vice President-Human Resources

GRAYBAR ELECTRIC COMPANY, INC.

LIST OF SUBSIDIARIES

Graybar International, Inc., a Missouri corporation

Graybar Financial Services, Inc., a Missouri corporation

Graybar Management Services, LLC, a Delaware limited liability company

Graybar Electric Limited, a Nova Scotia corporation

Graybar Canada Limited, a Nova Scotia corporation

Distribution Associates, Inc., a Missouri corporation

Graybar Business Services, Inc., a Missouri corporation

Graybar Electric Canada Limited, a Nova Scotia corporation

Graybar Newfoundland Limited, a Newfoundland and Labrador corporation

Graybar Energy Limited, an Ontario corporation

Advantage Industrial Automation, Inc., a Georgia corporation

Cape Electrical Supply Holdings LLC, a Delaware limited liability company

Cape Electrical Supply LLC, a Delaware limited liability company

Shingle & Gibb Automation, LLC, a Delaware limited liability company

**CERTIFICATION**

I, Kathleen M. Mazzarella, certify that:

- 1) I have reviewed this annual report on Form 10-K of Graybar Electric Company, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2021

/s/ Kathleen M. Mazzarella  
Kathleen M. Mazzarella  
President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION**

I, Scott S. Clifford, certify that:

- 1) I have reviewed this annual report on Form 10-K of Graybar Electric Company, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2021

/s/ Scott S. Clifford

Scott S. Clifford

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kathleen M. Mazzarella, President and Principal Executive Officer of Graybar Electric Company, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Annual Report on Form 10-K of the Company for the annual period ended December 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kathleen M. Mazzarella

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Kathleen M. Mazzarella  
President and Chief Executive Officer  
(Principal Executive Officer)

March 10, 2021

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott S. Clifford, Senior Vice President and Principal Financial Officer of Graybar Electric Company, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Annual Report on Form 10-K of the Company for the annual period ended December 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott S. Clifford

Scott S. Clifford  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

March 10, 2021