
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, 2022

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 ☐Accelerated filer ☐Non-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. ☐

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

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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, 2022, was \$457,116,660. Pursuant to a Voting Trust Agreement, dated as of March 3, 2017, approximately 82.9% of the outstanding shares of Common Stock was held of record by four 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, 2023 was 26,894,493.

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 2022 Annual Meeting of Shareholders – Part III, Items 10-14

Graybar Electric Company, Inc. and Subsidiaries
Annual Report on Form 10-K
For the Fiscal Year Ended December 31, 2022

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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, 2022, 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; 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; a pandemic, epidemic, or other public health emergency similar to the recent COVID-19 pandemic; 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 over 325 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. In our primary role as third-party wholesale distributor, we neither manufacture nor contract to manufacture the products that we sell; however, one of our subsidiaries may contract to manufacture some of its private label lighting fixtures.

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. 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.

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 2022. 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 100,000 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 65% of customer orders from this on-hand inventory in 2022, compared to 60% in 2021.

Approximately 50% of the products we sold during 2022 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
- Lighting Fixtures
- Distribution Equipment
- Conduit and Tray
- Telecommunications Materials
- Communication Wire and Cable
- Data Cables and Data Cords
- Data Connectivity
- Automation and Controls
- Fittings
- Fasteners
- Wiring Devices
- 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 geographic district, each of which carries an inventory of products and operates as a wholesale distributor for the territory in which it is located. Some geographic districts have sales offices that do not carry inventory. In addition, we have twenty-one 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

Employees

As of December 31, 2022, Graybar had approximately 9,400 employees across the U.S., Canada, and Puerto Rico. Approximately 5,100 employees were employed in sales and service positions, 2,500 in supply chain positions, and the remainder in operations and other business functions. Approximately 1% of our employees are covered by collective bargaining agreements.

Culture and Values

Graybar's culture is defined by the core values of integrity, a long-term view, employee ownership, and customer focus. With these values as the foundation, Graybar strives to achieve profitable long-term growth, deliver an exceptional customer experience, and create a positive work environment that brings out the best in our employees.

Inclusion, Diversity, Equity, and Belonging

Consistent with Graybar's core values, we welcome people from all backgrounds, cultures, and experiences into our company. We want each of our employees to know that they matter and to feel a sense of belonging, ownership, and inclusion at Graybar. We believe that everyone should be treated with dignity and respect, and we work to build a collaborative environment where our employees can grow, learn, and make a difference, both as individuals and as part of the team.

We hold regular reviews of employee pay with a focus on equity and conduct quarterly employee surveys asking for feedback on the Company. Our women's networking program is open to everyone and is designed to foster deeper connections and encourage professional development. We also encourage our employees to give back to their communities by providing community time off and matching employee donations to select charities. Additional information can be found in our Corporate Social Responsibility Report at <https://graybar.widen.net/s/raae2vrc1c>.

Safety

The safety of our employees is a top priority, and our locations follow consistent safety protocols to prevent injuries and accidents. Our safety program includes ongoing training, hazard communications, and supplying personal protective equipment to employees. We also use technology in our fleet of vehicles to improve safety on the road.

Compensation and Benefits

Graybar's comprehensive compensation and benefits programs are designed to attract, retain, and reward employees. We offer multiple benefit plan options for medical, prescription, and dental insurance. We also provide short and long-term disability benefits at no cost. The Company offers other benefits such as life insurance, well-being programs and resources, paid vacation and holidays, profit sharing and 401(k) plans, and employee discounts.

Talent Acquisition, Learning, and Development

Graybar has a long track record of hiring talented employees, investing in employee development, and providing opportunities for employees to advance within the company. All employees are assigned core training requirements based on their role and have access to a large library of online courses from which they can expand their knowledge. In addition to online learning, when public health concerns and related considerations allow, we host training conferences for employees and offer development programs for interns, early-career employees, sales employees, managers, and leaders. We also offer tuition reimbursement and student loan repayment programs.

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.

Our daily activities are highly dependent on the uninterrupted operation of 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. We also rely on the information systems of third parties to achieve some of our business objectives. Nonetheless, our information systems and those of third parties, including cloud service providers, 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 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 and other prices. Many of the products we sell are subject to wide and frequent price fluctuations. For example, some of the products we sell are composed primarily of copper, steel, or petroleum-based resins, including poly-vinyl chlorides ("PVC"), or other 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, if the cost of these products to us declined, pricing to our customers may decrease. Alternatively, if the cost of these products to us increased, demand from 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 cyber-attacks against our information systems, breaches of sensitive data or changes in 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 and/or compromise mission-critical systems of large organizations are constantly evolving. High profile cyber-security incidents leading to unauthorized release of confidential

information or ransoming of information systems have occurred at a number of major U.S. companies, despite widespread recognition of the cyber-attack threat and generally improved cyber-security protections. While we have invested in the protection of our information technology and maintain what we believe are adequate security procedures and controls over information systems and financial and other sensitive data, the risks to our information systems and data are evolving rapidly. 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 system compromise or the unauthorized release of sensitive data, including without limitation, personally identifiable information, could have a material adverse effect on our reputation and lead to financial losses from remedial actions, loss of business, or potential liability. A cyber-security incident resulting in the unauthorized release of sensitive data or compromise of our information systems or those of third parties 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 sensitive 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 information systems and sensitive data becomes more strict, a material failure on our part to comply with applicable regulations could subject us to fines, regulatory sanctions and 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.

A pandemic, epidemic or other public health emergency similar to the recent COVID-19 pandemic could have a material adverse effect on our business, results of operations, financial condition and cash flows. The impacts relating to the potential effect of a pandemic, epidemic, or other public health emergency similar to the recent COVID-19 pandemic on our business and the costs that we may incur as a result cannot be reasonably estimated but could be material. These events can put pressure on our supply chain due to several factors, including, but not limited to, global logistics and raw material and labor availability. Depending on the scope and duration of supply chain disruptions, we may experience further increases in product and related costs which we may not be able to pass on to our customers. This could result in a reduction in gross margin dollars and loss of net sales due to product unavailability or delay. In addition, if our customers are directly impacted by business curtailments or weak market conditions, this may result in lower net sales and 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 could also be reduced, which could negatively impact our results of operations.

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, as well as securitizations, factoring transactions, and transactions with sanctioned parties or parties in violation of certain U.S. or Canadian anti-corruption and anti-money laundering laws. 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, 2022, 3,383 individual cases and 56 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. Moreover, any predictions with respect to these variables are subject to even greater uncertainty as the projection period lengthens. In light of these uncertainties, we believe that our asbestos reserves represent the best estimate within a range of possible outcomes, over an extended period of time, less than or equal to recorded corresponding anticipated recoverable insurance proceeds. As part of the process to develop these off-setting estimates of future asbestos costs and insurance proceeds, a range of long-term cost and recovery models of future asbestos costs was developed. These models are based on national studies that predict the number of people likely to develop asbestos related diseases and are influenced by assumptions regarding long-term inflation rates for indemnity payments and defense costs, as well as other variables previously mentioned. 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. Facilities range in size from 800 to 211,000 square feet, with the average being approximately 33,000 square feet. We also have regional distribution centers ranging in size from 130,000 to 324,000 square feet. Our subsidiaries have sales and distribution facilities ranging in size from 1,500 to 95,000 square feet.

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, 2023, 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
D. E. DeSousa	64	Senior Vice President, General Manager, August 2020 to present; Vice President, Western Region, May 2017 to July 2020.
M. W. Geekie	61	Senior Vice President, Secretary and General Counsel, August 2008 to present.
W. P. Mansfield	60	Senior Vice President - Strategy and Business Development, January 2022 to present; Senior Vice President - Marketing, May 2017 to December 2021.
D. G. Maxwell	64	Senior Vice President - Sales, May 2017 to present.
K. M. Mazarella	62	Chairman of the Board, January 2013 to present; President and Chief Executive Officer, June 2012 to present.
D. M. Meyer	51	Senior Vice President and Chief Financial Officer, April 2022 to present; Vice President - North American Subsidiaries, January 2022 to March 2022; Vice President and Chief Information Officer, March 2015 to December 2021.
B. L. Propst	53	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. A new Voting Trust Agreement was established effective March 3, 2017, which expires by its terms on March 1, 2027 because under applicable New York law, a voting trust may not have a term greater than ten years. At December 31, 2022, 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, 2022, 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, 2022	53,513	\$20.00	N/A
November 1 to November 30, 2022	37,466	\$20.00	N/A
December 1 to December 31, 2022	63,563	\$20.00	N/A
Total	154,542	\$20.00	N/A

Capital Stock at December 31, 2022

Title of Class	Number of Security Holders	Number of Shares
Voting Trust Interests issued with respect to Common Stock	5,606	22,025,295
Common Stock	1,527	4,564,911
Total	7,133	26,590,206

Dividend Data (in dollars per share)

Period	Year Ended December 31,			
	2022		2021	
First Quarter	\$	0.30	\$	0.30
Second Quarter		0.30		0.30
Third Quarter		0.30		0.30
Fourth Quarter		3.10		5.10
Total	\$	4.00	\$	6.00

On December 7, 2022, our Board of Directors declared a 15% stock dividend to shareholders of record on December 12, 2022. Shares representing this dividend were issued on February 3, 2023.

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, 2022 and 2021. 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, 2021 and 2020, refer to our Annual Report on Form 10-K for the year ended December 31, 2021, Part II., Item 7., filed with the SEC on March 10, 2022.

Business Overview

For the fiscal year ended December 31, 2022, Graybar surpassed \$10.0 billion in net sales for the first time in company history. In addition to achieving record net sales, we also set new records for income from operations and net income attributable to the Company. Our sustained focus on profitable growth led to the increase in net sales and gross margin. Several other factors also contributed to our results, including price inflation, a favorable sales mix, and favorable vendor allowances.

Net sales for the year ended December 31, 2022 totaled \$10,534.4 million, an increase of \$1,767.1 million, or 20.2%, from net sales of \$8,767.3 million for the year ended December 31, 2021. Gross margin for the year ended December 31, 2022 increased \$457.9 million, or 27.1%, to \$2,147.1 million, compared to gross margin of \$1,689.2 million for last year. Our gross margin rate was 20.4% for the year ended December 31, 2022, compared to 19.3% for the year ended December 31, 2021.

Selling, general and administrative ("SG&A") expenses increased \$202.3 million, or 16.3%, to \$1,442.8 million for the twelve months ended December 31, 2022, from \$1,240.5 million for the twelve months ended December 31, 2021, primarily due to higher compensation and benefit-related expenses and higher outgoing freight expenses. SG&A as a percentage of net sales decreased to 13.7% for the year ended 2022, compared to 14.1% for 2021.

Income from operations increased \$243.4 million, or 59.3%, to \$653.8 million for the twelve months ended December 31, 2022, from \$410.4 million for the same twelve-month period last year. Our increase in gross margin, partially offset by the increase in SG&A expenses, contributed to this improvement. As a result, the total provision for income taxes increased \$67.9 million, or 77.2%, to \$155.8 million for the twelve months ended December 31, 2022, from \$87.9 million for the same twelve-month period last year.

Our non-operating expenses for the years ended December 31, 2022 and 2021 contained non-cash pension settlement charges of \$27.0 million and \$30.4 million, respectively. These charges were recognized because the cost of all pension settlements during the respective year were greater than the sum of the service and interest cost components of the annual net periodic pension cost.

Net income attributable to Graybar for the year ended December 31, 2022 was \$452.9 million, an increase of \$190.5 million, or 72.6%, compared to \$262.4 million for the same twelve-month period last year.

We continue to see steady demand for our products and services, but rising interest rates, inflation, and employment issues are having an impact on the markets we serve. While supply chain conditions are showing signs of improvement, ongoing challenges remain for certain product categories. As we monitor and adapt to changing economic conditions, we remain focused on providing exceptional service to our customers, minimizing potential risks, and managing our business wisely. We also continue to invest in people, process improvement, and technology to support profitable growth, while we pursue new opportunities to broaden our reach and strengthen our long-term position as a leader in supply chain innovation.

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, 2022, 2021, and 2020:

	2022		2021		2020	
	Dollars	Percent of Net Sales	Dollars	Percent of Net Sales	Dollars	Percent of Net Sales
Net Sales	\$ 10,534.4	100.0 %	\$ 8,767.3	100.0 %	\$ 7,265.7	100.0 %
Cost of merchandise sold	(8,387.3)	(79.6)	(7,078.1)	(80.7)	(5,896.2)	(81.2)
Gross Margin	2,147.1	20.4	1,689.2	19.3	1,369.5	18.8
Selling, general and administrative expenses	(1,442.8)	(13.7)	(1,240.5)	(14.1)	(1,098.9)	(15.1)
Depreciation and amortization	(53.4)	(0.5)	(49.8)	(0.6)	(52.8)	(0.7)
Other income, net	2.9	—	11.5	0.1	7.0	0.1
Income from Operations	653.8	6.2	410.4	4.7	224.8	3.1
Non-operating expenses	(44.3)	(0.4)	(59.5)	(0.7)	(58.5)	(0.8)
Income before Provision for Income Taxes	609.5	5.8	350.9	4.0	166.3	2.3
Provision for income taxes	(155.8)	(1.5)	(87.9)	(1.0)	(44.2)	(0.6)
Net Income	453.7	4.3	263.0	3.0	122.1	1.7
Net income attributable to noncontrolling interests	(0.8)	—	(0.6)	—	(0.3)	—
Net Income attributable to Graybar Electric Company, Inc.	\$ 452.9	4.3 %	\$ 262.4	3.0 %	\$ 121.8	1.7 %

2022 Compared to 2021

Net sales totaled \$10,534.4 million for the year ended December 31, 2022, compared to \$8,767.3 million for the year ended December 31, 2021, an increase of \$1,767.1 million, or 20.2%. For the year ended December 31, 2022, net sales in our construction, CIG, and industrial & utility verticals increased by 16.6%, 21.8%, and 30.5%, respectively, compared to the year ended December 31, 2021.

Gross margin increased \$457.9 million, or 27.1%, to \$2,147.1 million for the year ended December 31, 2022, from \$1,689.2 million for the year ended December 31, 2021. Our gross margin rate was 20.4% for the year ended December 31, 2022, compared to 19.3% for the year ended December 31, 2021. The increases in gross margin and gross margin rate were primarily due to a favorable sales mix and gross margin initiatives.

SG&A expenses increased \$202.3 million, or 16.3%, to \$1,442.8 million for the year ended December 31, 2022, compared to \$1,240.5 million for the year ended December 31, 2021, mainly due to higher compensation and benefit-related expenses and higher outgoing freight expenses. SG&A expenses as a percentage of net sales were 13.7% for the year ended December 31, 2022, compared to 14.1% for the year ended December 31, 2021.

Depreciation and amortization for the year ended December 31, 2022 increased \$3.6 million, or 7.2%, to \$53.4 million from \$49.8 million for the year ended December 31, 2021, primarily due to higher amortization expense of intangible assets and an increase in property, at cost. Total property, at cost, at December 31, 2022 was \$1,103.1 million, an increase of \$44.3 million, or 4.2%, when compared to total property, at cost, at December 31, 2021 of \$1,058.8 million. Depreciation as a percentage of net sales totaled 0.5% for the year ended December 31, 2022, down from 0.6% for the year ended December 31, 2021.

Other income, net totaled \$2.9 million for the year ended December 31, 2022, compared to \$11.5 million for the year ended December 31, 2021. 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 decrease in other income, net was primarily due to gains on sales of property classified as assets held for sale in 2021, compared to no sales of property classified as assets held for sale in 2022.

Non-operating expenses decreased \$15.2 million, or 25.5%, to \$44.3 million for the year ended December 31, 2022, from \$59.5 million for the year ended December 31, 2021. This was due to decreases in the non-service cost components of the pension net periodic benefit costs of \$16.3 million, partially offset by an increase in interest expense, net of \$1.0 million. We recognized a non-

cash pension settlement charge of \$27.0 million during the year ended December 31, 2022, compared to a non-cash pension settlement charge of \$30.4 million during the year ended December 31, 2021. The increase in interest expense, net was primarily due to higher levels of average outstanding short-term borrowings and higher interest rates for the year ended December 31, 2022, compared to the year ended December 31, 2021.

Income before provision for income taxes increased \$258.6 million, or 73.7%, to \$609.5 million for the year ended December 31, 2022, compared to \$350.9 million for the year ended December 31, 2021. The increase was primarily due to our increase in gross margin partially offset by an increase in SG&A expenses.

Our provision for income taxes increased \$67.9 million, or 77.2%, to \$155.8 million for the year ended December 31, 2022 from \$87.9 million for the year ended December 31, 2021. Our effective tax rate was 25.6% for the year ended December 31, 2022, up from 25.0% for the year ended December 31, 2021. The increase in the effective tax rate is largely due to reductions in federal tax credits and increased state expense.

Net income attributable to Graybar Electric Company, Inc. for the year ended December 31, 2022 increased \$190.5 million, or 72.6%, to \$452.9 million from \$262.4 million for the year ended December 31, 2021.

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 company financial condition enables us to competitively access multiple financing channels and 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, if necessary. Capital expenditures have been financed primarily with 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:

Total cash provided by (used by):	2022	2021	2020
Operating Activities	\$ 352.9	\$ 127.5	\$ 301.7
Investing Activities	(150.8)	(149.7)	(50.4)
Financing Activities	(181.2)	(60.5)	(180.9)
Net Increase (Decrease) in Cash	\$ 20.9	\$ (82.7)	\$ 70.4

Our cash and cash equivalents were \$69.4 million at December 31, 2022, an increase of \$20.9 million, or 43.1%, from \$48.5 million at December 31, 2021. The increase in cash on hand at December 31, 2022 from December 31, 2021 is reflective of strong cash flows from operating activities as a result of increased net income and effective working capital management. As a result, short-term borrowings decreased by \$92.6 million, or 74.6%, to \$31.6 million at December 31, 2022 from \$124.2 million at December 31, 2021. Current assets exceeded current liabilities by \$1,031.5 million at December 31, 2022, an increase of \$301.2 million, or 41.2%, from \$730.3 million at December 31, 2021.

Operating Activities

Net cash flows provided by operating activities for the year ended December 31, 2022 was \$352.9 million, compared to cash flows provided by operating activities of \$127.5 million for the year ended December 31, 2021. Cash provided by operating activities for the year ended December 31, 2022 was attributable to net income of \$453.7 million, adjusted for non-cash depreciation and amortization expenses of \$53.4 million, non-cash operating lease expense of \$39.5 million, non-cash pension settlement charge of \$27.0 million, and an increase in trade accounts payable of \$213.6 million, partially offset by an increase in trade receivables of \$235.7 million and an increase in merchandise inventory levels of \$201.0 million.

The average number of days of sales in trade receivables for the year ended December 31, 2022 increased modestly compared to the same twelve-month period in 2021. The days in inventory increased significantly for the year ended December 31, 2022 compared to the year ended December 31, 2021.

Investing Activities

Net cash used by investing activities was \$150.8 million for the year ended December 31, 2022, compared to \$149.7 million for the year ended December 31, 2021, an increase of \$1.1 million. Cash used by investing activities for the year ended December 31, 2022 was primarily a result of the 2022 acquisitions for a combined preliminary purchase price, net of cash acquired of \$83.7 million and capital expenditures of \$67.7 million, compared to the 2021 acquisitions for a preliminary purchase price, net of cash acquired of \$88.7 million, capital expenditures of \$70.9 million, and proceeds from disposal of property of \$9.9 million for the year ended December 31, 2021. For further discussion of our acquisitions, refer to Note 17, "Acquisitions", 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 \$181.2 million for the year ended December 31, 2022, compared to net cash used by financing activities of \$60.5 million for the year ended December 31, 2021, an increase in cash used of \$120.7 million. The increase in cash used was primarily due to net payments on short-term borrowings of \$92.6 million during the year ended December 31, 2022, compared to an increase in short-term borrowings of \$74.2 million during the year ended December 31, 2021, partially offset by a decrease in dividends paid during the year ended December 31, 2022, compared to the same period in 2021. Cash dividends paid totaled \$92.8 million, or \$4.00 per share, for the year ended December 31, 2022, compared to \$137.2 million, or \$6.00 per share, for the year ended December 31, 2021.

Liquidity

Our cash and cash equivalents were \$69.4 million at December 31, 2022, compared to \$48.5 million at December 31, 2021. We also had a \$750.0 million amended, unsecured, committed revolving credit facility ("Amended Credit Agreement") with \$718.1 million in available capacity at December 31, 2022, compared to available capacity of \$625.4 million at December 31, 2021. We had short-term borrowings of \$31.6 million at December 31, 2022, of which \$30.0 million were under the Amended Credit Agreement. We had short-term borrowings of \$124.2 million at December 31, 2021, all of which were under the Amended Credit Agreement.

At December 31, 2022 and 2021, we also had two uncommitted, unsecured private placement shelf agreements ("Shelf Agreements"). One of the Shelf Agreements is expected to allow us to issue senior promissory notes up to \$100.0 million 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 2023. Our other Shelf Agreement is expected to allow us to issue senior promissory notes up to \$150.0 million to MetLife Investment Management, LLC (formerly known as MetLife Investment Advisors, LLC), and MetLife Investment Management Limited (collectively, "MetLife") and each other MetLife affiliate that becomes party to the agreement at fixed or floating rate economic terms to be agreed upon at the time of any issuance during a three-year issuance period ending in June 2024.

We have not issued any notes under the Shelf Agreements as of December 31, 2022 and 2021. For further discussion related to our Amended Credit Agreement 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 total letters of credit of \$7.8 million outstanding at December 31, 2022, of which \$1.9 million were issued under the Amended Credit Agreement. We had total letters of credit of \$6.1 million outstanding at December 31, 2021, of which \$0.4 million were issued under the Amended Credit Agreement. The letters of credit are issued primarily to support certain workers' compensation insurance policies and support performance under certain customer contracts.

Inflation

The industry experienced rising product costs in 2022 and 2021. In addition, given supply chain constraints, freight and shipping costs were elevated as well. Inflation impacted many of the products we purchase and transport. We were able to mitigate the adverse effects of higher costs on our gross margin rate in both 2022 and 2021 by increasing prices and consolidating shipments for the products and services that we offer.

Contractual Obligations and Commitments

As of December 31, 2022, we had contractual obligations consisting of \$209.4 million in operating lease obligations and \$2,804.8 million in purchase obligations. Operating lease obligations consist of both principal and interest payments. 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.

Additionally at December 31, 2022, we had \$144.8 million of accrued, unfunded pension obligations, and \$71.2 million of accrued, unfunded employment-related benefit obligations, of which \$62.3 million is related to our postretirement benefit plan.

We expect to make contributions totaling \$40.0 million to our defined benefit pension plan during 2023; however, additional contributions may be made at our discretion. In addition, we expect to fund \$3.9 million for nonqualified pension benefits during 2023. We contributed \$42.8 million to our defined benefit pension plan and funded \$2.0 million for nonqualified benefits in 2022.

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, or more frequently when warranted, 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:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Discount rate	5.55%	2.86%	5.70%	2.71%
Expected return on plan assets	5.00%	5.00%	—	—

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, 2022, was approximately 50% fixed income investments, 12% equity securities and

38% 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 2022 pension expense by approximately \$6.1 million. Our expected long-term rate of return on plan assets assumption will increase to 5.25% for fiscal year 2023.

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 2022 and the pension liability as of December 31, 2022 would have increased pension expense by \$14.7 million in 2022 and the pension liability by \$59.5 million at December 31, 2022. Similarly, a one percentage point decrease in the discount rate would have increased postretirement benefits expense by \$0.1 million in 2022 and the postretirement benefits liability by \$3.7 million at December 31, 2022.

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, 2022, 2021, and 2020, 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 \$31.6 million in variable-rate debt outstanding at December 31, 2022, a one percentage point increase in interest rates would increase our interest expense by \$0.3 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, 2022</u>	
	2023	2024	2025	2026	2027	After 2027	Total	Fair Value
Long-term, fixed-rate debt	\$ 1.6	\$ 1.6	\$ 1.2	\$ 0.5	\$ 0.3	\$ 0.3	\$ 5.5	\$ 5.2
Weighted-average interest rate	5.72 %	6.10 %	6.21 %	7.87 %	12.58 %	12.88 %		
Short-term, variable-rate borrowings	\$ 31.6	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 31.6	\$ 31.6
Weighted-average interest rate	5.39 %							

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, 2022.

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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, 2022 and 2021, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, 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, 2022, the Company's aggregate defined benefit pension obligation was \$577.9 million and exceeded the fair value of pension plan assets of \$433.1 million, resulting in an unfunded defined benefit pension obligation of \$144.8 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 certain actuarial assumptions (e.g., discount rate and expected return on plan assets) used in the Company's measurement process. The discount rate and expected return on plan assets 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 evaluated the actuarial assumptions used by management and the change in the defined benefit pension obligation from the prior year. In addition, we involved an actuarial specialist to assist in evaluating management's methodology for determining the projected benefit obligation, including the actuarial assumptions utilized. For example, we evaluated management's methodology for determining the discount rate that reflects the maturity and duration of the benefit payments 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, Missouri

March 9, 2023

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

	For the Years Ended December 31,		
<i>(Stated in millions, except per share data)</i>	2022	2021	2020
Net Sales	\$ 10,534.4	\$ 8,767.3	\$ 7,265.7
Cost of merchandise sold	(8,387.3)	(7,078.1)	(5,896.2)
Gross Margin	2,147.1	1,689.2	1,369.5
Selling, general and administrative expenses	(1,442.8)	(1,240.5)	(1,098.9)
Depreciation and amortization	(53.4)	(49.8)	(52.8)
Other income, net	2.9	11.5	7.0
Income from Operations	653.8	410.4	224.8
Non-operating expenses	(44.3)	(59.5)	(58.5)
Income before Provision for Income Taxes	609.5	350.9	166.3
Provision for income taxes	(155.8)	(87.9)	(44.2)
Net Income	453.7	263.0	122.1
Net income attributable to noncontrolling interests	(0.8)	(0.6)	(0.3)
Net Income attributable to Graybar Electric Company, Inc.	\$ 452.9	\$ 262.4	\$ 121.8
Net Income attributable to Graybar Electric Company, Inc.			
per share of Common Stock^(A)	\$ 17.05	\$ 10.01	\$ 4.68

^(A) Adjusted for the declaration of a 15% stock dividend in December 2022, shares related to which were issued in February 2023. Prior to the adjustment, the average common shares outstanding were 22.8 million shares and 22.6 million shares for the years ended December 31, 2021 and 2020, respectively.

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>	For the Years Ended December 31,		
	2022	2021	2020
Net Income	\$ 453.7	\$ 263.0	\$ 122.1
Other Comprehensive Income			
Foreign currency translation	(9.8)	0.1	2.8
Pension and postretirement benefits liability adjustments (net of tax of \$(13.0), \$(22.9), and \$(0.5), respectively)	37.3	66.1	1.3
Total Other Comprehensive Income	27.5	66.2	4.1
Comprehensive Income	\$ 481.2	\$ 329.2	\$ 126.2
Less: comprehensive income attributable to noncontrolling interests, net of tax	0.6	0.6	0.5
Comprehensive Income attributable to Graybar Electric Company, Inc.	\$ 480.6	\$ 328.6	\$ 125.7

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

	December 31,	
	2022	2021
<i>(Stated in millions, except share and per share data)</i>		
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 69.4	\$ 48.5
Trade receivables (less allowances of \$13.4 and \$9.1, respectively)	1,673.0	1,407.6
Merchandise inventory	1,026.3	808.4
Other current assets	83.7	54.8
Total Current Assets	2,852.4	2,319.3
Property, at cost		
Land	97.3	97.6
Buildings	562.1	534.1
Furniture and fixtures	282.9	261.7
Software	148.0	151.4
Finance leases	12.8	14.0
Total Property, at cost	1,103.1	1,058.8
Accumulated depreciation and amortization	(641.9)	(622.1)
Net Property	461.2	436.7
Operating Lease Right-of-use Assets	175.3	133.1
Other Non-current Assets	260.2	179.9
Total Assets	\$ 3,749.1	\$ 3,069.0
LIABILITIES		
Current Liabilities		
Short-term borrowings	\$ 31.6	\$ 124.2
Current portion of long-term debt	1.6	1.9
Trade accounts payable	1,276.8	1,055.4
Accrued payroll and benefit costs	219.2	187.8
Other accrued taxes	34.3	42.8
Current operating lease liabilities	43.9	34.0
Other current liabilities	213.5	142.9
Total Current Liabilities	1,820.9	1,589.0
Postretirement Benefits Liability	55.5	68.5
Pension Liability	140.8	159.1
Long-term Debt	3.9	4.2
Non-current Operating Lease Liabilities	147.1	107.5
Other Non-current Liabilities	55.3	8.8
Total Liabilities	2,223.5	1,937.1
SHAREHOLDERS' EQUITY		
	Shares at December 31,	
	2022	2021
Capital Stock		
Common, stated value \$20.00 per share		
Authorized	50,000,000	50,000,000
Issued to voting trustees	22,085,481	18,956,496
Issued to shareholders	4,568,288	3,929,845
In treasury, at cost	(63,563)	(53,108)
Outstanding Common Stock	26,590,206	22,833,233
Common shares subscribed	1,185,564	1,056,109
Less subscriptions receivable	(1,185,564)	(1,056,109)
Retained Earnings	1,141.0	850.3
Accumulated Other Comprehensive Loss	(152.8)	(180.5)
Total Graybar Electric Company, Inc. Shareholders' Equity	1,520.0	1,126.5
Noncontrolling Interests	5.6	5.4
Total Shareholders' Equity	1,525.6	1,131.9
Total Liabilities and Shareholders' Equity	\$ 3,749.1	\$ 3,069.0

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>	For the Years Ended December 31,		
	2022	2021	2020
Cash Flows from Operating Activities			
Net Income	\$ 453.7	\$ 263.0	\$ 122.1
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	53.4	49.8	52.8
Non-cash operating lease expense	39.5	34.9	33.8
Deferred income taxes	(3.0)	(14.1)	(10.2)
Net losses (gains) on disposal of assets	0.4	(9.4)	(3.0)
Losses on impairment of assets	—	—	0.3
Non-cash pension settlement charge	27.0	30.4	27.7
Net income attributable to noncontrolling interests	(0.8)	(0.6)	(0.3)
Changes in assets and liabilities:			
Trade receivables	(235.7)	(274.5)	(5.2)
Merchandise inventory	(201.0)	(187.6)	68.0
Other current assets	(28.6)	2.5	(4.9)
Other non-current assets	(43.3)	(2.0)	(1.1)
Trade accounts payable	213.6	157.9	48.1
Accrued payroll and benefit costs	30.5	64.8	(30.2)
Other current liabilities	50.8	32.6	25.1
Other non-current liabilities	(3.6)	(20.2)	(21.3)
Total adjustments to net income	(100.8)	(135.5)	179.6
Net cash provided by operating activities	352.9	127.5	301.7
Cash Flows from Investing Activities			
Proceeds from disposal of property	0.6	9.9	7.9
Capital expenditures for property	(67.7)	(70.9)	(31.1)
Acquisitions, net of cash acquired	(83.7)	(88.7)	(27.2)
Net cash used by investing activities	(150.8)	(149.7)	(50.4)
Cash Flows from Financing Activities			
Net (decrease) increase in short-term borrowings	(92.6)	74.2	(88.0)
Principal payments under finance arrangements	(2.1)	(2.3)	(3.9)
Payment of deferred financing fees	—	(2.2)	—
Proceeds from advance payments on common stock prior to issuance	1.0	2.1	—
Sales of common stock	20.4	20.5	19.1
Purchases of common stock	(14.7)	(15.9)	(16.5)
Sales of noncontrolling interests' common stock	—	1.1	—
Purchases of noncontrolling interests' common stock	(0.4)	(0.8)	(0.9)
Dividends paid	(92.8)	(137.2)	(90.7)
Net cash used by financing activities	(181.2)	(60.5)	(180.9)
Net Increase (Decrease) in Cash	20.9	(82.7)	70.4
Cash, Beginning of Year	48.5	131.2	60.8
Cash, End of Year	\$ 69.4	\$ 48.5	\$ 131.2
Supplemental Cash Flow Information:			
Non-cash Investing and Financing Activities:			
Acquisitions of equipment under finance leases	\$ 1.5	\$ 0.4	\$ 0.3
Acquisitions of assets under operating leases	\$ 82.1	\$ 54.7	\$ 35.3
Cash Paid During the Year for:			
Interest, net of amounts capitalized	\$ 1.6	\$ 1.0	\$ 3.8
Income taxes, net of refunds	\$ 164.9	\$ 96.7	\$ 55.3

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

	Graybar Electric Company, Inc.				
	Shareholders' Equity				
	Common	Retained	Accumulated Other Comprehensive	Noncontrolling	Total
<i>(Stated in millions)</i>	Stock	Earnings	Loss	Interests	Shareholders' Equity
Balance, December 31, 2019	\$ 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)
Balance, December 31, 2020	\$ 452.1	\$ 725.1	\$ (246.7)	\$ 4.5	\$ 935.0
Net income		262.4		0.6	263.0
Other comprehensive income			66.2		66.2
Stock issued	20.5			1.1	21.6
Stock purchased	(15.9)			(0.8)	(16.7)
Dividends declared		(137.2)			(137.2)
Balance, December 31, 2021	\$ 456.7	\$ 850.3	\$ (180.5)	\$ 5.4	\$ 1,131.9
Net income		452.9		0.8	453.7
Other comprehensive income (loss)			27.7	(0.2)	27.5
Stock issued	20.4				20.4
Stock purchased	(14.7)			(0.4)	(15.1)
Dividends declared	69.4	(162.2)			(92.8)
Balance, December 31, 2022	\$ 531.8	\$ 1,141.0	\$ (152.8)	\$ 5.6	\$ 1,525.6

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, 2022 and 2021 and
for the Years Ended December 31, 2022, 2021, and 2020
(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"). In our primary role as third-party wholesale distributor, we neither manufacture nor contract to manufacture the products that we sell; however, one of our subsidiaries may contract to manufacture some of its private label lighting fixtures. 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 our 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.

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. 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 approximately 95% of outgoing freight expenses as a component of selling, general and administrative expenses. Total outgoing freight expenses were \$101.0 million, \$78.9 million, and \$68.8 million for the years ended December 31, 2022, 2021, and 2020, 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 income from operations 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 is 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, 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

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 would then be quantitatively tested for impairment. If a quantitative assessment would be required, the fair value would be determined using a variety of assumptions including estimated future cash flows of the reporting unit and 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 on a straight-line 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 1.5 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 the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10, "Accounting for Uncertainty in Income Taxes".

Other Postretirement Benefits

We account for postretirement benefits other than pensions 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, 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. 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 September 2022, the FASB issued Accounting Standard Update (“ASU “ or “Update”) 2022-04, “Liabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations”, which requires entities to disclose the key terms of supplier finance programs used in connection with the purchase of goods and services along with information about their obligations under these programs, including a rollforward of those obligations. This Update does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. The Update is effective for all entities for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years, except for the rollforward requirement, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted, and guidance shall be applied retrospectively, other than the rollforward requirement, which shall be applied prospectively. While we do not have a supplier finance program currently in place, we are considering introducing a supplier finance program in 2023 and, therefore, are simultaneously evaluating the potential impact of adopting the Update on our consolidated financial statements.

In December 2022, the FASB issued ASU 2022-06, “Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848” which provides final guidance that defers the sunset date for applying the reference rate reform relief in ASC 848 to December 31, 2024, from December 31, 2022. The guidance is effective upon issuance. Although we have the option under our Amended Credit Agreement, as defined in Note 12, “Debt”, to continue to use LIBOR until June 30, 2023, we expect to transition to the Secured Overnight Financing Rate (“SOFR”) as our reference rate upon positive consent by all lenders in our Amended Credit Agreement prior to June 30, 2023. The adoption of this Update did not have a material impact on our consolidated financial statements.

3. REVENUE

The following table summarizes the percentages of our net sales attributable to each of our vertical markets for the years ended December 31, 2022, 2021 and 2020:

	For the Years Ended December 31,		
	2022	2021	2020
Construction	56.8 %	58.5 %	58.2 %
CIG	25.8	25.5	26.7
Industrial & Utility	17.4	16.0	15.1
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, 2022 presentation.

We had no material contract assets, contract liabilities, or deferred contract costs recorded on the consolidated balance sheet as of December 31, 2022 and 2021. In addition, for the years ended December 31, 2022, 2021, and 2020, revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period is not material.

4. ALLOWANCES FOR CASH DISCOUNTS AND CREDIT LOSSES

The following table summarizes the activity in the allowances for cash discounts and credit losses:

	Beginning Balance	Provision (Charged to Expense)	Deductions	Ending Balance
<u>For the Year Ended December 31, 2022</u>				
Allowance for cash discounts	\$ 3.8	\$ 47.4	\$ (47.6)	\$ 3.6
Allowance for credit losses	5.3	8.9	(4.4)	9.8
Total	\$ 9.1	\$ 56.3	\$ (52.0)	\$ 13.4
<u>For the Year Ended December 31, 2021</u>				
Allowance for cash discounts	\$ 2.9	\$ 44.3	\$ (43.4)	\$ 3.8
Allowance for credit losses	4.0	1.9	(0.6)	5.3
Total	\$ 6.9	\$ 46.2	\$ (44.0)	\$ 9.1
<u>For the Year Ended December 31, 2020</u>				
Allowance for cash discounts	\$ 2.2	\$ 35.1	\$ (34.4)	\$ 2.9
Allowance for credit losses	4.0	2.6	(2.6)	4.0
Total	\$ 6.2	\$ 37.7	\$ (37.0)	\$ 6.9

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 85% and 87% of the total inventories at December 31, 2022 and 2021, respectively. Had the first-in, first-out ("FIFO") method been used, merchandise inventory would have been \$492.8 million and \$427.9 million greater than reported under the LIFO method at December 31, 2022 and 2021, respectively. We did not liquidate any portion of previously-created LIFO layers in 2022 and 2021. In 2020, we liquidated portions of previously created LIFO layers, resulting in decreases in cost of merchandise sold of \$4.1 million.

Reserves for excess and obsolete inventories were \$17.9 million and \$14.0 million at December 31, 2022 and 2021, respectively. The change in the reserve for excess and obsolete inventories, included in cost of merchandise sold, was \$3.9 million, \$5.4 million, and \$(0.6) million for the years ended December 31, 2022, 2021, and 2020, 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 \$37.6 million, \$36.2 million, and \$36.7 million in 2022, 2021, and 2020, respectively.

At the time property is retired or otherwise disposed, 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 had \$6.7 million of assets held for sale at December 31, 2022 compared to no assets held for sale at December 31, 2021. We did not sell any assets classified as held for sale in 2022. During the year ended December 31, 2021, we sold assets classified as held for sale with a net book value of \$0.4 million, and recorded a net gain of \$9.1 million in other income, net. 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 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, 2022, 2021, and 2020 were as follows:

		For the Years Ended December 31,		
		2022	2021	2020
Operating lease cost	\$	43.8	\$ 38.4	\$ 37.9
Finance lease cost:				
Amortization of right-of-use assets		1.9	2.0	2.1
Interest on lease liabilities		0.4	0.5	0.6
Total finance lease cost		2.3	2.5	2.7
Variable lease cost		12.4	10.5	10.6
Total lease cost	\$	58.5	\$ 51.4	\$ 51.2

Supplemental balance sheet information at December 31, 2022 and 2021 related to leases was as follows:

	December 31,	
	2022	2021
Operating leases:		
Operating lease right-of-use assets	\$ 175.3	\$ 133.1
Current operating lease liabilities	\$ 43.9	\$ 34.0
Non-current operating lease liabilities	147.1	107.5
Total operating lease liabilities	\$ 191.0	\$ 141.5
Finance leases:		
Property, at cost	\$ 12.8	\$ 14.0
Accumulated depreciation and amortization	(8.6)	(9.2)
Net property	\$ 4.2	\$ 4.8
Current obligations of finance leases	\$ 1.6	\$ 1.9
Finance leases, net of current obligations	3.9	4.2
Total finance lease liabilities	\$ 5.5	\$ 6.1
Weighted average remaining lease term:		
Operating leases	5.5 years	5.0 years
Finance leases	3.6 years	4.0 years
Weighted average discount rate:		
Operating leases	3.2%	2.5%
Finance leases	7.3%	7.8%

Supplemental cash flow and other information for the years ended December 31, 2022, 2021, and 2020 related to leases was as follows:

	For the Years Ended December 31,		
	2022	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 42.6	\$ 39.0	\$ 37.3
Operating cash flows from finance leases	0.4	0.5	0.6
Financing cash flows from finance leases	2.1	2.3	2.2
Right-of-use assets obtained in exchange for lease liabilities:			
Operating leases ^(A)	\$ 82.1	\$ 54.7	\$ 35.3
Finance leases	1.5	0.4	0.3

^(A) Includes \$2.9 million, \$15.8 million, and \$1.6 million of operating leases established as a result of our acquisitions during 2022, 2021 and 2020, respectively. See Note 17, "Acquisitions", for further information.

Future minimum lease payments under non-cancellable leases as of December 31, 2022, were as follows:

	December 31, 2022	
	Operating Leases	Finance Leases
Future minimum lease payments		
2023	\$ 49.2	\$ 2.0
2024	44.4	1.8
2025	32.9	1.4
2026	26.5	0.5
2027	20.2	0.3
Thereafter	36.2	0.3
Total future minimum lease payments	\$ 209.4	\$ 6.3
Less: imputed interest	(18.4)	(0.8)
Total lease obligation	\$ 191.0	\$ 5.5
Less: current obligations	(43.9)	(1.6)
Long-term lease obligation	\$ 147.1	\$ 3.9

8. GOODWILL AND OTHER INTANGIBLE ASSETS

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:

	2022	2021
Beginning balance	\$ 57.1	\$ 37.1
Acquisitions and purchase accounting adjustments	26.5	20.0
Foreign currency translation impact	(0.5)	—
Ending balance	\$ 83.1	\$ 57.1

As of December 31, 2022, we have completed our annual impairment test and concluded that there is no impairment of our goodwill. We did not recognize any goodwill impairment in 2021 and 2020.

Other Intangible Assets

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

As of December 31, 2022					
	Asset Life	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	6 to 20 years	12.9 years	\$ 78.4	\$ (16.4)	\$ 62.0
Trade name	5 to 20 years	18.9 years	33.2	(5.9)	27.3
Non-compete agreements	3 to 7 years	5.3 years	1.3	(0.5)	0.8
Other intangible assets	1.5 to 10 years	2.7 years	1.4	(0.2)	1.2
Total		14.4 years	\$ 114.3	\$ (23.0)	\$ 91.3

As of December 31, 2021					
	Asset Life	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	6 to 20 years	13.4 years	\$ 57.4	\$ (11.6)	\$ 45.8
Trade name	5 to 20 years	18.9 years	23.2	(4.6)	18.6
Non-compete agreements	3 to 7 years	5.5 years	0.9	(0.4)	0.5
Other intangible assets	10 years	10 years	0.1	(0.1)	—
Total		14.9 years	\$ 81.6	\$ (16.7)	\$ 64.9

We did not incur impairment losses related to our other intangible assets during the years ended December 31, 2022, 2021, and 2020. Amortization expense for other intangible assets was \$6.3 million, \$4.3 million, and \$2.5 million for the years ended December 31, 2022, 2021, and 2020, respectively.

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

2023	\$ 9.3
2024	9.0
2025	8.4
2026	7.0
2027	6.8
After 2027	50.8
	\$ 91.3

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:

For the Years Ended December 31,				
Components of Income before Taxes	2022	2021	2020	
Domestic	\$ 573.6	\$ 327.6	\$ 151.1	
Foreign	35.9	23.3	15.2	
Income before taxes	\$ 609.5	\$ 350.9	\$ 166.3	

For the Years Ended December 31,				
Components of Income Tax Provision	2022	2021	2020	
Current expense:				
U.S. Federal	\$ 119.5	\$ 77.3	\$ 38.5	
State	28.8	18.2	11.4	
Foreign	10.5	6.5	4.5	
Total current expense	\$ 158.8	\$ 102.0	\$ 54.4	
Deferred benefit:				
U.S. Federal	\$ (2.1)	\$ (10.9)	\$ (7.8)	
State	(0.6)	(3.2)	(2.3)	
Foreign	(0.3)	—	(0.1)	
Total deferred benefit	\$ (3.0)	\$ (14.1)	\$ (10.2)	
Total income tax provision	\$ 155.8	\$ 87.9	\$ 44.2	

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,		
	2022	2021	2020
Statutory U.S. federal income tax rate	21.0 %	21.0 %	21.0 %
State and local income taxes, net of federal benefit	3.7	3.3	4.3
Other, net	0.9	0.7	1.3
Effective tax rate	25.6 %	25.0 %	26.6 %

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:

Assets (Liabilities)	2022	2021
Pension	\$ 28.9	\$ 32.8
Operating lease liabilities	47.2	34.4
Postretirement benefits	16.0	19.3
Inventory	20.1	25.0
Other deferred tax assets	19.6	5.8
Payroll accruals	5.4	7.2
Bad debt reserves	2.2	0.7
Subtotal	139.4	125.2
Less: valuation allowances	(0.8)	(0.5)
Deferred tax assets	138.6	124.7
Fixed assets	(41.4)	(38.8)
Operating lease right-of-use assets	(43.2)	(32.3)
Other deferred tax liabilities	(22.3)	(9.1)
Computer software	(0.8)	(2.4)
Deferred tax liabilities	(107.7)	(82.6)
Net deferred tax assets	\$ 30.9	\$ 42.1

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

	2022	2021
Deferred tax assets included in other non-current assets	\$ 33.6	\$ 45.2
Deferred tax liabilities included in other non-current liabilities	(2.7)	(3.1)
Total	\$ 30.9	\$ 42.1

Operating loss and tax credit carryforwards included in net deferred tax assets, all of which expire between 2025 and 2032, at December 31 were:

	2022	2021
U.S. Federal	\$ 0.8	\$ 0.5
State	0.2	0.2

We have placed valuation allowances of \$0.8 million and \$0.5 million for 2022 and 2021, respectively, relating to federal foreign tax credits that are not expected to be utilized prior to expiration.

As of December 31, 2022, we have no material undistributed earnings of non-U.S. subsidiaries 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 2021 and 2022, our GILTI period cost was immaterial in each year.

Our federal income tax returns for the tax years 2019 and forward are available for examination by the United States Internal Revenue Service ("IRS"). The statute of limitation for the 2019 federal return will expire on October 15, 2023, unless extended by consent. Our state income tax returns for 2018 through 2022 remain subject to examination by various state authorities with the latest period closing on December 31, 2027. We have not extended the statutes of limitations in any state jurisdictions with respect to years prior to 2018.

On August 16, 2022, President Biden signed H.R. 5376, the Inflation Reduction Act of 2022 ("IRA"). This legislation includes a 15% corporate alternative minimum tax among its key tax provisions effective for years beginning after December 31, 2022. We do not anticipate a material impact to the Company as historical earnings do not exceed applicable thresholds. We continue to monitor other IRA provisions as authoritative guidance becomes available.

Our unrecognized tax benefits of \$0.5 million, \$1.0 million, and \$1.7 million as of December 31, 2022, 2021, and 2020, 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 2022, 2021, and 2020 were as follows:

	2022	2021	2020
Balance at January 1,	\$ 1.0	\$ 1.7	\$ 1.9
Additions based on tax positions related to current year	—	—	0.2
Reductions for tax positions of prior years	(0.5)	(0.7)	(0.1)
Settlements	—	—	(0.3)
Balance at December 31,	\$ 0.5	\$ 1.0	\$ 1.7

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 \$0.1 million and \$0.2 million in interest and penalties at December 31, 2022 and 2021, 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. A new Voting Trust Agreement was established effective March 3, 2017, which expires by its terms on March 1, 2027 because under applicable New York law, a voting trust may not have a term greater than ten years. At December 31, 2022, 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 2022, eligible employees and qualified retirees subscribed for 1,185,564 shares totaling \$23.7 million. Subscribers elected to make payments under one of the following options: (i) all shares subscribed for on or before January 6, 2023; 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 13, 2023, in the case of shares paid for on or before January 6, 2023. 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>	
	Purchased	Retired
2022	735,641	725,186
2021	794,227	798,166
2020	824,685	830,338

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, 2022 and 2021.

On December 7, 2022, our Board of Directors declared a 15% common stock dividend. Each shareholder was entitled to three shares of common stock for every twenty shares held as of December 12, 2022. The stock was issued on February 3, 2023.

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 15% stock dividend declared in 2022. The average number of shares used in computing net income per share of common stock at December 31, 2022, 2021, and 2020 was 26,558,393 shares, 26,213,024 shares, and 26,038,366 shares, respectively.

12. DEBT

	<u>December 31,</u>	
	2022	2021
Long-term Debt		
Finance arrangements, various maturities, with a weighted average interest rate of 7.3%	\$ 5.5	\$ 6.1
Less current portion	(1.6)	(1.9)
Long-term Debt	\$ 3.9	\$ 4.2

Long-term Debt matures as follows:

2023	\$ 1.6
2024	1.6
2025	1.2
2026	0.5
2027	0.3
After 2027	0.3
	\$ 5.5

The carrying amount of our outstanding long-term, fixed-rate debt exceeded its fair value by \$0.3 million and \$0.9 million at December 31, 2022 and 2021, 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, 2022 and 2021, respectively.

Revolving Credit Facility

At December 31, 2022 and 2021, 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 2026 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. Our borrowing availability under the facility is reduced by the amount of borrowings by Graybar Canada, but we may use the sublimit amount to increase our borrowings, to the extent available. If we were to use available borrowings under the Amended Credit Agreement that included the sublimit amount, then Graybar Canada’s available capacity would be reduced by our use of such amount. The Amended Credit Agreement contains an accordion feature, which allowed 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) (i) the base rate (as defined in the agreement) or (ii) LIBOR (in the case U.S. dollar-denominated borrowings) or (B) (i) the base rate (as defined in the agreement) or (ii) CDOR (in the case of Graybar Canada as borrower with respect to Canadian dollar-denominated borrowings), in each case plus an applicable margin, as determined by the pricing grid set forth in the Amended Credit Agreement. The Amended Credit Agreement added LIBOR fallback language to address the announced future cessation of specified dollar LIBOR tenor settings. In connection with such a borrowing, the applicable borrower will also select the term of the loan from available tenors, 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 with respect to Canadian dollar-denominated borrowings). 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. Borrowings can be either base rate loans plus a margin ranging from 0.00% to 0.60%, or LIBOR loans plus a margin ranging from 1.00% to 1.60%, both subject to adjustment based upon the consolidated leverage ratio, or an alternative benchmark rate. 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, which would make it impracticable to lend Canadian dollars.

The Amended Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type, including limitations on us and all but certain of 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, as well as securitizations, factoring transactions, and transactions with sanctioned parties or in violation of certain US or Canadian anti-corruption and anti-money laundering laws. There are also maximum leverage ratio and minimum interest coverage ratio financial covenants to which we will be subject during the term of the Amended Credit Agreement.

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.

We were in compliance with all covenants under the Amended Credit Agreement as of December 31, 2022 and 2021, respectively.

There were \$31.6 million in short-term borrowings at December 31, 2022, of which \$30.0 million were under the Amended Credit Agreement. There were \$124.2 million in short-term borrowings at December 31, 2021, all of which were under the Amended Credit Agreement.

Short-term borrowings outstanding during the year ended December 31, 2022 ranged from a minimum of no short-term borrowings to a maximum of \$173.1 million. Short-term borrowings outstanding during the year ended December 31, 2021 ranged from a minimum of no short-term borrowings to a maximum of \$124.2 million. The average daily amount of borrowings outstanding under the Amended Credit Agreement during 2022 and 2021 amounted to approximately \$65.7 million and \$10.6 million at weighted-average interest rates of 1.98% and 1.15%, respectively. The weighted-average interest rate for amounts outstanding at December 31, 2022 was 5.39%.

At December 31, 2022, we had available unused committed lines of credit under the Amended Credit Agreement amounting to \$718.1 million, compared to \$625.4 million at December 31, 2021.

Interest expense, net was \$2.0 million, \$1.0 million, and \$3.6 million for the years ended December 31, 2022, 2021, and 2020, respectively.

Private Placement Shelf Agreements

We have an uncommitted, unsecured \$100.0 million private placement shelf agreement (the "Prudential Shelf Agreement") with PGIM, Inc., which is 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 2023. We also have an uncommitted, unsecured \$150.0 million private placement shelf agreement (the "MetLife Shelf Agreement") with MetLife Investment Management, LLC (formerly known as MetLife Investment Advisors, LLC), and MetLife Investment Management Limited (collectively, "MetLife") and each other MetLife affiliate that becomes a party to the agreement. 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 in June 2024.

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, 2022 and 2021.

Each shelf agreement contains representations and warranties of the Company and the applicable lender, 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 Agreement as of December 31, 2022 and 2021.

Letters of Credit

We had total letters of credit of \$7.8 million outstanding at December 31, 2022, of which \$1.9 million were issued under the Amended Credit Agreement. We had total letters of credit of \$6.1 million outstanding at December 31, 2021, of which \$0.4 million were issued under the Amended Credit Agreement. The letters of credit are issued primarily to support certain workers' compensation insurance policies and support performance under certain customer contracts.

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. 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. 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, 2022 and 2021.

The following table sets forth information regarding the funded status of our pension and other postretirement benefits as of December 31, 2022 and 2021:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2022	2021	2022	2021
Change in Benefit Obligation:				
Benefit obligation at beginning of period	\$ 841.9	\$ 921.8	\$ 75.1	\$ 80.9
Service cost	26.4	30.2	2.0	2.2
Interest cost	25.5	23.9	2.0	1.7
Actuarial gain	(221.0)	(11.6)	(12.0)	(5.0)
Benefits paid from plan assets	(0.4)	(2.5)	—	—
Benefits paid from Company assets	(2.0)	(1.6)	(5.3)	(5.6)
Plan participants' contributions	—	—	0.5	0.9
Administrative expenses paid	(1.5)	(1.5)	—	—
Settlements	(91.0)	(116.8)	—	—
Benefit Obligation at End of Period	577.9	841.9	62.3	75.1
Change in Plan Assets:				
Fair value of plan assets at beginning of period	680.7	722.0	—	—
Actual return on plan assets	(197.5)	39.5	—	—
Employer contributions ^(A)	44.8	41.6	4.8	4.7
Plan participants' contributions	—	—	0.5	0.9
Benefits paid ^(A)	(2.4)	(4.1)	(5.3)	(5.6)
Administrative expenses paid	(1.5)	(1.5)	—	—
Settlements	(91.0)	(116.8)	—	—
Fair Value of Plan Assets at End of Period	433.1	680.7	—	—
Unfunded Status	\$ 144.8	\$ 161.2	\$ 62.3	\$ 75.1

^(A) Includes \$2.0 million and \$1.6 million paid from our assets for unfunded nonqualified pension benefits in fiscal years 2022 and 2021, respectively.

The accumulated benefit obligation for our Pension Plan was \$536.7 million and \$774.7 million at December 31, 2022 and 2021, 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>	
	2022	2021	2022	2021
Current accrued benefit cost	\$ 4.0	\$ 2.1	\$ 6.8	\$ 6.6
Non-current accrued benefit cost	140.8	159.1	55.5	68.5
Net amount recognized	\$ 144.8	\$ 161.2	\$ 62.3	\$ 75.1

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>	
	2022	2021	2022	2021
Net actuarial loss	\$ 138.1	\$ 166.1	\$ —	\$ 9.3
Prior service cost	—	—	0.1	0.1
Accumulated other comprehensive loss	\$ 138.1	\$ 166.1	\$ 0.1	\$ 9.4

The actuarial gain for the Pension Plan in 2022 was primarily related to increases in the discount rate and increases in the lump sum interest rate assumption compared to 2021. The actuarial gain for the Pension Plan in 2021 was primarily related to increases in the discount rate compared to 2020.

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>	
	2022	2021	2022	2021
Discount rate	5.55 %	2.86 %	5.70 %	2.71 %
Rate of compensation increase	4.28 %	4.38 %	—	—
Healthcare cost trend on covered charges	—	—	5.00 %	5.00 %

The net periodic benefit cost for the years ended December 31, 2022, 2021, and 2020 included the following components:

Components of Net Periodic Benefit Cost	<u>Pension Benefits</u>			<u>Postretirement Benefits</u>		
	2022	2021	2020	2022	2021	2020
Selling, general and administrative expenses:						
Service cost	\$ 26.4	\$ 30.2	\$ 29.2	\$ 2.0	\$ 2.2	\$ 2.1
Total selling, general and administrative expenses	\$ 26.4	\$ 30.2	\$ 29.2	\$ 2.0	\$ 2.2	\$ 2.1
Non-operating expenses:						
Interest cost	25.5	23.9	26.7	2.0	1.7	2.4
Expected return on plan assets	(30.2)	(30.6)	(32.8)	—	—	—
Amortization of:						
Net actuarial loss	17.4	32.3	30.2	0.6	0.8	0.7
Settlement charge	27.0	30.4	27.7	—	—	—
Total non-operating expenses	\$ 39.7	\$ 56.0	\$ 51.8	\$ 2.6	\$ 2.5	\$ 3.1
Net periodic benefit cost	\$ 66.1	\$ 86.2	\$ 81.0	\$ 4.6	\$ 4.7	\$ 5.2

During 2022 and 2020, we made lump-sum pension benefit distributions exceeding the cumulative amount of service and interest cost components of the net periodic pension cost for the year, which is the settlement accounting threshold. During 2021, we made lump-sum pension benefit distributions and purchased nonparticipating annuity contracts exceeding the settlement accounting threshold. Accordingly, we recorded a non-cash pension settlement charge of \$27.0 million, \$30.4 million, and \$27.7 million in non-operating expenses on our consolidated statements of income for the year ended December 31, 2022, 2021 and 2020, respectively. These settlement charges 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 and purchases of the nonparticipating annuity contracts.

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

	Pension Benefits			Postretirement Benefits		
	2022	2021	2020	2022	2021	2020
Discount rate	2.86% / 4.83%	2.62% / 2.72%	3.38% / 2.72%	2.71 %	2.22 %	3.19 %
Expected return on plan assets	5.00 %	5.00 %	5.50 %	—	—	—
Rate of compensation increase	4.21 %	4.32 %	4.24 %	—	—	—
Healthcare cost trend on covered charges	—	—	—	5.00 %	5.00 %	5.00 %

A discount rate of 2.86% was used as of January 1, 2022 to determine the net periodic benefit cost for the Pension Plan, which was increased to 4.83% effective September 30, 2022 for the remeasurement of the plan liability upon triggering settlement accounting. A discount rate of 2.62% was used as of January 1, 2021 to determine the net periodic benefit cost for the Pension Plan, which was increased to 2.72% effective September 30, 2021 for the remeasurement of the plan liability upon triggering settlement accounting. 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 2022. The rate was assumed to remain at 5.00% in 2023 and to remain at that level thereafter.

We expect to fund \$3.9 million for nonqualified pension benefits during 2023. Pension contributions are expected to be \$40.0 million in 2023; 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:

Year	Pension Benefits	Postretirement Benefits
2023	\$ 47.1	\$ 7.0
2024	43.5	7.3
2025	46.9	7.6
2026	49.6	7.6
2027	50.6	7.4
2028-2032	266.7	30.9

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. Derivatives may also be

used on fixed-income investments to manage interest rate exposure, volatility, duration, credit exposures, and asset class allocation. Derivatives are not allowed if the position creates economic portfolio leverage beyond the portfolio's investment objectives or if used for speculative purposes. 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, 2022 and 2021 is as follows:

Investment	2022 Actual Allocation	2022 Target Allocation Range	2021 Actual Allocation	2021 Target Allocation Range
Equity securities - U.S.	7 %	3-10 %	6 %	3-10 %
Equity securities - International	5 %	2-10 %	6 %	2-10 %
Fixed income investments	46 %	40-80 %	55 %	40-80 %
Hedge funds	6 %	2-8 %	6 %	2-8 %
Real assets	5 %	2-10 %	5 %	2-10 %
Private equity	8 %	2-8 %	5 %	2-8 %
Other investments	4 %	0-8 %	5 %	0-8 %
Short-term investments	19 %	1-10 %	12 %	1-10 %
Total	100 %	100 %	100 %	100 %

Actual asset allocation may occasionally fall outside of the target allocation range until rebalancing occurs.

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, derivatives, as well as a collective trust that invests in U.S. government debt securities. U.S. and international corporate bonds and government and government agency bonds are valued by independent pricing services using market-based cash flow generators and pricing spread models on both primary and secondary market transactions. As the significant inputs used are observable market inputs, these investments are classified as Level 2. Derivatives could include, but are not limited to, instruments such as U.S. Treasury futures, total returns swaps, and credit default swaps. Derivatives are valued by independent pricing services using direct and observable market inputs and are thus classified as Level 2. The collective 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.

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.

Real assets

Real assets consist of a diversified mutual fund, and limited partnerships ("LP") that invest in real estate. The diversified mutual fund is valued using quoted prices in an active market, and is therefore classified as Level 1. The LP investments are 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 LP investments.

Private equity

Private equity is an asset class that is generally characterized as requiring long-term commitments and where liquidity is typically limited. Private equity investments do not have an actively traded market with readily observable prices. The investments are limited partnerships and are diversified across typical private equity strategies including: buyouts, co-investments, secondary offerings, venture capital, 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 equity investments are classified as Level 3, other than limited partnerships 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 private equity investments.

Other investments

Other investments consist of investments in a private debt fund and a high-yield bond fund. 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 includes 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, 2022 or 2021.

The following tables set forth, by level within the fair value hierarchy, the Pension Plan assets measured at fair value as of December 31, 2022 and 2021:

December 31, 2022						
Investment	Investments Measured at NAV	Level 1	Level 2	Level 3	Total	
Equity securities - U.S.	\$ —	\$ 28.3	\$ —	\$ —	\$	28.3
Equity securities - International	9.1	13.4	—	—		22.5
Fixed income investments	12.7	—	185.5	—		198.2
Hedge funds	27.4	—	—	—		27.4
Real assets	20.2	1.3	—	—		21.5
Private equity	10.9	—	—	23.6		34.5
Other investments	5.4	—	—	11.4		16.8
Short-term investments	83.9	—	—	—		83.9
Total	\$ 169.6	\$ 43.0	\$ 185.5	\$ 35.0	\$	433.1

December 31, 2021						
Investment	Investments Measured at NAV	Level 1	Level 2	Level 3	Total	
Equity securities - U.S.	\$ 13.6	\$ 27.3	\$ —	\$ —	\$	40.9
Equity securities - International	13.9	28.4	—	—		42.3
Fixed income investments	96.1	—	279.7	—		375.8
Hedge funds	41.8	—	—	—		41.8
Real assets	16.4	20.3	—	—		36.7
Private equity	8.2	—	—	21.7		29.9
Other investments	20.1	—	—	11.4		31.5
Short-term investments	81.8	—	—	—		81.8
Total	\$ 291.9	\$ 76.0	\$ 279.7	\$ 33.1	\$	680.7

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, 2022 and 2021:

December 31, 2022				
	Private Equity	Other Investments	Total	
Balance, beginning of year	\$ 21.7	\$ 11.4	\$	33.1
Realized gains	0.8	0.2		1.0
Unrealized gains	2.3	0.7		3.0
Purchases	0.3	—		0.3
Sales	(1.5)	(0.9)		(2.4)
Balance, end of year	\$ 23.6	\$ 11.4	\$	35.0

December 31, 2021				
	Private Equity	Other Investments	Total	
Balance, beginning of year	\$ 13.8	\$ 11.4	\$	25.2
Realized gains	0.8	0.2		1.0
Unrealized gains	9.2	1.1		10.3
Purchases	0.1	—		0.1
Sales	(2.2)	(1.3)		(3.5)
Balance, end of year	\$ 21.7	\$ 11.4	\$	33.1

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. During 2020, eligible employees receive Company matching contributions beginning the first month after the completion of six months of service and 500 hours of service. Effective January 1, 2021, eligible employees receive Company matching contributions beginning the first pay period 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 \$5.9 million, \$4.5 million, and \$3.8 million for the years ended December 31, 2022, 2021 and 2020, 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 \$78.7 million, \$71.3 million, and \$46.8 million for the years ended December 31, 2022, 2021, and 2020, respectively.

15. COMMITMENTS AND CONTINGENCIES

Rental expense was \$52.2 million, \$42.9 million, and \$40.3 million in 2022, 2021, and 2020, 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, 2022, 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.

We have in place insurance coverage for litigation defense and claim settlement costs incurred in connection with our asbestos claims. We estimate the value of probable insurance recoveries associated with our asbestos reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage. We estimate the future payments for litigation defense and claim settlement costs based on our historical liabilities and current and projected caseloads. At December 31, 2022, Graybar had \$2.5 million and \$41.5 million of insurance receivables recorded in other current assets and other non-current assets, respectively, and \$2.5 million and \$41.5 million recorded in other current liabilities and other non-current liabilities, respectively, related to our asbestos litigation defense and claims settlement reserve.

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:

	2022	2021
Currency translation	\$ (14.6)	\$ (5.0)
Pension liability	(138.1)	(166.1)
Postretirement benefits liability	(0.1)	(9.4)
Accumulated other comprehensive loss	\$ (152.8)	\$ (180.5)

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, 2022 and 2021:

	2022		2021	
	Amortization of Pension and Other Postretirement Benefits Items		Amortization of Pension and Other Postretirement Benefits Items	
	Actuarial Losses Recognized		Actuarial Losses Recognized	
Affected Line in Consolidated Statement of Income:				
Non-operating expenses ^(A)	\$	45.0	\$	63.5
Tax benefit		(11.6)		(16.3)
Total reclassifications for the period, net of tax	\$	33.4	\$	47.2

^(A) Includes a pension settlement charge of \$27.0 million and \$30.4 million in 2022 and 2021, respectively.

The following table represents the activity included in accumulated other comprehensive loss for the years ended December 31, 2022 and 2021:

	2022			2021		
	Foreign Currency	Pension and Other Postretirement Benefits	Total	Foreign Currency	Pension and Other Postretirement Benefits	Total
Beginning balance January 1,	\$ (5.0)	\$ (175.5)	\$ (180.5)	\$ (5.1)	\$ (241.6)	\$ (246.7)
Other comprehensive (loss) income before reclassifications	(9.6)	—	(9.6)	0.1	—	0.1
Amounts reclassified from accumulated other comprehensive loss (net of tax \$(11.6) and \$(16.3))	—	33.4	33.4	—	47.2	47.2
Actuarial gain, (net of tax \$(1.4) and \$(6.6))	—	3.9	3.9	—	18.9	18.9
Net current-period other comprehensive (loss) income	(9.6)	37.3	27.7	0.1	66.1	66.2
Ending balance December 31,	\$ (14.6)	\$ (138.2)	\$ (152.8)	\$ (5.0)	\$ (175.5)	\$ (180.5)

17. ACQUISITIONS

In 2022, we completed acquisitions for a combined preliminary purchase price of \$83.7 million in cash, net of cash acquired. The preliminary purchase price allocation resulted in \$12.5 million and \$28.1 million of tax-deductible goodwill and other intangible assets, respectively, and \$12.6 million and \$5.3 million of nondeductible goodwill and other intangible assets, respectively.

In 2021, we completed acquisitions for a combined final purchase price of \$89.7 million in cash, net of cash acquired. The final purchase price allocation resulted in \$20.9 million and \$32.1 million of tax-deductible goodwill and other intangible assets, respectively.

In 2020, we completed an acquisition for a final purchase price of \$27.7 million in cash, net of cash acquired. The final purchase price allocation resulted in \$7.6 million and \$18.1 million of tax-deductible goodwill and other intangible assets, respectively.

These acquisitions will help Graybar accelerate growth, diversify our business, extend our reach, and enhance our profitability. Since the dates of acquisition, the acquired subsidiaries' results are reflected in our consolidated financial statements. Pro forma results of the acquisitions 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, 2022 and 2021:

For the Quarter Ended	2022			
	March 31,	June 30,	September 30,	December 31,
Net sales	\$ 2,381.8	\$ 2,672.6	\$ 2,789.7	\$ 2,690.3
Gross margin	479.3	539.8	574.2	553.8
Net income attributable to the Company	102.2	127.6	126.1	97.0
Net income attributable to the Company per share of common stock ^(A)	\$ 3.84	\$ 4.80	\$ 4.75	\$ 3.66

^(A)All periods adjusted for a 15% stock dividend declared in December 2022. Prior to these adjustments, the average common shares outstanding for the first, second, third, and fourth quarters of 2022 were 23,113,523 shares, 23,101,970 shares, 23,091,318 shares, and 23,075,526 shares, respectively.

For the Quarter Ended	2021			
	March 31,	June 30,	September 30,	December 31,
Net sales	\$ 1,900.5	\$ 2,232.4	\$ 2,313.4	\$ 2,321.0
Gross margin	360.9	422.8	436.4	469.1
Net income attributable to the Company	47.2	80.1	74.3	60.8
Net income attributable to the Company per share of common stock ^(A)	\$ 1.80	\$ 3.05	\$ 2.84	\$ 2.32

^(A)All periods adjusted for a 15% stock dividend declared in December 2022. Prior to these adjustments, the average common shares outstanding for the first, second, third, and fourth quarters of 2021 were 22,829,894 shares, 22,819,914 shares, 22,768,745 shares, and 22,784,473 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, 2022 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, 2022 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, 2022.

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 8, 2023, the Board of Directors of the Company amended its by-laws to change the mandatory retirement age for directors and officers from the social security full retirement age to age 70.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

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 2023 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 2023 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 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 Accountant Fees and Services

The information with respect to principal accountant 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.

Our independent registered public accounting firm is Ernst & Young LLP (PCAOB ID: 42).

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 of Graybar Electric Company, Inc., as amended as of March 8, 2023.](#)
 - 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 dated January 5, 2023 and effective January 1, 2022*](#)
 - 10.2 [Graybar Electric Company, Inc. Supplemental Benefit Plan, amended and restated, entered into between the Company and certain employees effective January 1, 2021, filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2020 \(Commission File No. 000-00255\) and incorporated herein by reference.*](#)
 - 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, 2021 \(Commission File No. 000-00255\) and incorporated herein by reference.*](#)
 - 10.4 [Graybar Long Term Incentive Plan filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 \(Commission File No. 000-00255\) and incorporated herein by reference.*](#)
 - 10.5 [Form of Award Agreement under Graybar Long Term Incentive Plan filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 \(Commission File No. 000-00255\) and incorporated herein by reference.*](#)
 - 10.6 [Fourth Amendment to Credit Agreement, dated as of August 13, 2021, 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 Current Report on Form 8-K dated August 13, 2021 \(Commission File No. 000-00255\) and incorporated herein by reference.](#)
 - 10.7 [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 \(Commission File No. 000-00255\) and incorporated herein by reference.](#)

10.8	<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. 000-00255) and incorporated herein by reference.</u>
10.9	<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. 000-00255) and incorporated herein by reference.</u>
10.10	<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. 000-00255) and incorporated herein by reference.</u>
10.11	<u>Amendment No. 4 to Private Shelf Agreement, dated August 13, 2021, between the Company and PGIM, Inc. filed as Exhibit 10.3 on the Company's Current Report on Form 8-K dated August 13, 2021 (Commission File No. 000-00255) and incorporated herein by reference.</u>
10.12	<u>Amendment No. 3 to Private Shelf Agreement, dated August 13, 2021 among the Company and MetLife Investment Management, LLC (formerly known as MetLife Investment Advisors, LLC), MetLife Investment Management Limited and any MetLife affiliates filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated August 13, 2021 (Commission File No. 000-00255) and incorporated by reference.</u>
21	<u>List of subsidiaries of the Company</u>
31.1	<u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Principal Executive Officer.</u>
31.2	<u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Principal Financial Officer.</u>
32.1	<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>
32.2	<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>
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 9th day of March 2023.

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 9, 2023.

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

GRAYBAR ELECTRIC COMPANY, INC.

(A New York Corporation)

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By-Laws

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Adopted June 12, 1970

[with amendments through March 8, 2023]

BY-LAWS
OF
GRAYBAR ELECTRIC COMPANY, INC.

ARTICLE I

Meetings of Shareholders

SECTION 1. *Annual Meetings.* The annual meeting of shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at 9:30 o'clock A.M. on the second Thursday in June in each year, or on such other date and at such other time as the Board of Directors shall fix by resolution, commencing with the year 1971, if not a legal holiday, and if a legal holiday, then on the next succeeding business day at such time as shall be designated in the notice thereof.

SECTION 2. *Special Meetings.* Special meetings of the shareholders may be called at any time by the President, a Senior Vice-President or a majority of the members of the Board of Directors, and it shall be the duty of any of the foregoing officers and that of the Board of Directors to call forthwith such a meeting upon demand as prescribed by law and whenever the holders of record of one-third of the outstanding shares of the stock of the corporation entitled to vote shall so request in writing.

SECTION 3. *Place of Meetings.* Annual meetings of the shareholders shall be held at such place, within or without the State of New York, as may be fixed by the Board of Directors by resolution, or, if not so fixed, at the principal office of the corporation in the County of New York. Except as otherwise provided by statute, special meetings of the shareholders shall be held at such place, within or without the State of New York, as shall be specified in the respective notices or waivers of notice thereof.

SECTION 4. *Notice of Meetings.* Except as otherwise provided by statute, notice of each meeting of the shareholders, whether annual or special, shall be in writing and signed by the President or a Senior Vice-President or the Secretary or an Assistant Secretary and shall state the place, date and hour thereof. Such notice in the case of a special meeting shall also state the purpose or purposes for which the meeting is called and shall indicate that it is being issued by or at the direction of the person or persons calling the meeting. A copy of the notice of every annual and special meeting of shareholders shall be served, either personally or by mail, upon each shareholder of record entitled to vote thereat and upon any shareholder who, by reason of any action proposed at such meeting, would be entitled to have his stock appraised if such action were taken, not less than ten (10) nor more than sixty (60) days before the meeting. If mailed, such notice shall be deposited in the United States Mail, with postage thereon prepaid,

directed to the shareholder at his address as it appears on the record of shareholders, or, if he shall have filed with the Secretary of the corporation a written request that notices to him be mailed to some other address, then directed to him at such other address. If at any meeting, annual or special, action is proposed to be taken which would, if taken, entitle shareholders fulfilling the requirements of law to receive payment for their shares, the notice of the meeting shall include a statement of that purpose and to that effect. Nevertheless, notice of any meeting need not be given to any shareholder who in person or by attorney thereunto duly authorized, shall waive notice of such meeting, in writing or by telegraph, either before or after such meeting. The attendance of any shareholder at a meeting, in person, or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him. Notice of any adjourned meeting of shareholders need not be given if the time and place of such adjourned meeting are announced at the meeting at which the adjournment is taken, unless the Board of Directors fixes a new record date for the adjourned meeting.

SECTION 5. *Quorum.* Except as otherwise provided by law, at all meetings of shareholders there shall be present, in person or by proxy, shareholders of record of a majority of the shares entitled to vote at such meetings in order to constitute a quorum, but less than a quorum shall have the power to adjourn any meeting. If no shareholder entitled to vote is present in person or by proxy, any officer entitled to preside or act as secretary of such meeting may adjourn the meeting from time to time for a period not exceeding twenty (20) days in any one case. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called if a quorum had been there present. When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.

SECTION 6. *Inspectors of Voting.* The Board of Directors, in advance of any shareholders' meeting, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a shareholders' meeting may, and on the request of any shareholder entitled to vote thereat shall, appoint one or more inspectors. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the Board of Directors in advance of the meeting or at the meeting by the person presiding thereat. Inspectors, none of whom shall be an officer, director or a candidate for the office of director, shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall determine and report to the meeting as to the results of all voting (by ballot or otherwise) on all matters submitted to a vote at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability.

SECTION 7. *Voting.* At each meeting of shareholders every shareholder of record of stock entitled to vote shall be entitled to one vote for every share of such stock outstanding in his name on the record of shareholders and all questions, except as otherwise provided by statute, or by the Certificate of Incorporation of this corporation, or by these By-Laws, shall be determined by a majority of the votes so cast. Persons holding stock in a fiduciary capacity

shall be entitled to vote the shares so held. Any shareholder entitled to vote may vote by proxy, provided that the instrument authorizing such proxy to act shall have been executed in writing by the shareholder or by his duly authorized attorney. No proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless otherwise provided in the proxy. Such instrument shall be exhibited to the Secretary and the Inspectors of Voting at the meeting and shall be filed with the records of the corporation.

SECTION 8. *List of Shareholders.* A list of shareholders as of the record date, certified by the corporate officer responsible for its preparation or by a transfer agent, shall be produced at any meeting of shareholders upon the request thereat or prior thereto of any shareholder. If the right to vote at any meeting is challenged, the inspectors of voting, or person presiding thereat, shall require such list of shareholders to be produced as evidence of the right of the persons challenged to vote at such meeting, and all persons who appear from such list to be shareholders entitled to vote thereat may vote at such meeting.

ARTICLE II

Board of Directors

SECTION 1. *General Power and Qualifications.* Except as otherwise provided by law or by the Certificate of Incorporation or any amendment thereto, the business of the corporation shall be managed by the Board of Directors, which may adopt such rules and regulations for that purpose and for the conduct of its meetings as it may deem proper. The Board of Directors may have one or more offices and keep the books, records and minutes of the corporation, except such records as are required to be kept in the State of New York, at such places as it may from time to time determine. Any of such records may be in written form or in any other form capable of being converted into written form within a reasonable time. In addition to the powers and authority expressly conferred upon it by these by-laws, the Board of Directors may exercise all such powers of the corporation and do all such lawful acts and things as are allowed by the Certificate of Incorporation or by law. Each director shall be at least twenty-one years of age and shall not exceed sixty-five years of age, subject to the next sentence of this Section 1; directors may but need not be shareholders. Each employee of the corporation (or its subsidiary) serving as a director of the corporation who elects to take early retirement or who for any other reason is no longer an officer of the corporation (or such subsidiary) shall retire from the Board as of the date he or she ceases to be an officer and a regular employee (as determined under the corporation's standard personnel policies), unless the Chairman of the Board recommends and the Board approves his or her continued service as a director. Notwithstanding the foregoing, no person shall be qualified or eligible to serve, be elected or reelected, or be appointed or reappointed as a director at any time following the last day of the calendar month in which such person attains seventy years of age, and any such person shall tender his or her resignation, effective on the first day of the calendar month immediately following such birthday month; provided, however that the Board of Directors may waive such requirement by Board action (excluding the affected director, nominee or appointee), and further provided that any such waiver shall be effective only until the next annual meeting or earlier attempted appointment or reappointment of such person.

SECTION 2. *Number and Term of Office.* The number of directors shall be not less than seven nor more than twenty-one, and shall be determined annually by the shareholders at the annual meeting of shareholders. The directors shall be elected by a plurality of the votes cast at the annual meeting of shareholders in each year to hold office until the next annual meeting and until their successors shall have been elected and qualified, except in the event of death, resignation, removal or the earlier termination of their respective terms of office.

SECTION 3. *Notices, Time and Place of Meetings.* The annual meeting of the Board of Directors shall be held promptly after the annual meeting of shareholders, at the place where such annual meeting of shareholders was held, or at such other place, within or without the State of New York, as the Board of Directors may fix by resolution. Regular meetings of the Board of Directors shall be held on the second Thursday of March, September and December, or on such other date as the Board of Directors may fix by resolution, at such time and place as shall be designated in the notice or waiver of notice thereof. If the day hereinabove determined for

any such meeting falls on a legal holiday, such regular meeting shall be held on the next regular business day.

Special meetings of the Board of Directors may be called by the President, a Senior Vice-President or by any two directors. Notices of such meetings shall be given as hereinafter provided in this Section 3 of Article II and shall be held at such place, within or without the State of New York, as may be specified in the respective notices or waivers of notice thereof.

Notice of the time, place and purpose of each meeting of the Board of Directors shall be mailed to each director, addressed to him at his residence or usual place of business at least two (2) days before the day on which the meeting is to be held, or shall be given to him at such place by telephone or electronic means (as defined below), or delivered personally not later than the day before the day on which the meeting is to be held. Notice of any meeting need not be given to any director if waived by him in writing (which may be by electronic means), either before or after such meeting. At any meeting at which every member of the Board of Directors shall be present, though held without notice, any business may be transacted which might have been transacted if the meeting had been duly called.

SECTION 4. *Quorum and Manner of Acting.* One-third of the entire Board of Directors shall constitute a quorum for the transaction of business and, except as otherwise provided by law, by the Certificate of Incorporation or these By-Laws, the act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum, a majority of the directors present at the time and place of any meeting may adjourn the meeting from time to time until a quorum be present, and notice of any adjourned meeting need not be given.

SECTION 5. *Removal of Directors.* Any director may be removed from office, either with or without cause, at any time by vote of the holders of a majority of the outstanding shares of stock, given at any special meeting of the shareholders called for the purpose. Any vacancy so created may be filled by a plurality of the votes of the shareholders given at such meeting. In case any vacancy so created shall not be so filled by the shareholders at such meeting, such vacancy may be filled by the directors as provided in Section 6 of this Article II.

SECTION 6. *Vacancies.* Vacancies in the Board of Directors resulting from an increase in the number of directors and vacancies occurring in the Board of Directors for any reason may be filled by vote of a majority of the directors then in office, although less than a quorum exists, at any special meeting called for that purpose or at any regular meeting of the Board of Directors. A director elected to fill a vacancy shall be elected to hold office for the unexpired term of his predecessor.

SECTION 7. *Executive Committee.* The Board of Directors, by resolution passed by a majority of the entire Board of Directors, may designate from among its members an executive committee consisting of not less than three directors nor more than eight directors, of whom the President shall be one, which shall have the power to exercise, during the interval between meetings of the Board of Directors, all the authority of the Board of Directors except that such committee shall not have authority as to (a) the submission to shareholders of any action that

needs shareholders' authorization or approval under law, (b) the filling of vacancies in the Board of Directors or in such committee, (c) the fixing of compensation of the directors for serving on the Board of Directors or on such committee, (d) the amendment or repeal of the By-Laws, or the adoption of new by-laws or (e) the amendment or repeal of any resolution of the Board of Directors which by its terms shall not be so amendable or repealable or the taking of any action as may be proscribed by such resolution of the Board of Directors. The Board of Directors may designate one or more directors as alternate members of such committee. Such committee and the members thereof shall serve at the pleasure of the Board of Directors. At all meetings of the executive committee the presence of members constituting a majority of the membership of the entire executive committee shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the members present at any meeting at which a quorum is present shall be the act of such committee. Such committee may adopt its own rules of procedure, may meet at stated times or on such notice as such committee may determine, and shall keep regular minutes of its proceedings and report the same to the Board of Directors when required.

SECTION 8. *Other Committees of Directors.* The Board of Directors, by resolution or resolutions passed by a majority of the entire Board of Directors, may designate one or more committees, in addition to the Executive Committee, each committee to consist of two or more of the directors of the Company.

Vacancies in membership of any such committee shall be filled by the vote of a majority of the entire Board of Directors. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Members of any such committee shall hold office for such period as may be fixed by a resolution adopted by a majority of the entire Board of Directors, subject, however, to removal at any time by the vote of the Board of Directors.

Except as otherwise provided by law, any such committee, to the extent provided in the resolution or resolutions creating such committee, shall have all the authority of the Board of Directors except that no such committee shall have authority as to the following matters: (a) the submission to shareholders of any action that needs shareholders' approval; (b) the filling of vacancies on the Board of Directors or on any committee; (c) the fixing of compensation of the directors for serving on the Board of Directors or on any committee; (d) the amendment or repeal of these By-Laws, or the adoption of new By-Laws; and (e) the amendment or repeal of any resolution of the Board of Directors that by its terms shall not be so amendable or repealable.

Each such committee may adopt its own rules of procedure and may meet at stated times or on such notice as such committee may determine. Except as otherwise permitted by these By-Laws, each committee shall keep regular minutes of its proceedings and report the same to the Board of Directors when required.

SECTION 9. *Action Without a Meeting.* Unless otherwise provided by the Certificate of Incorporation, any action required or permitted to be taken by the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board of Directors or the committee consent in writing (which may be by electronic means) to the adoption of a

resolution authorizing the action. The resolution and written consents thereto by the members of the Board of Directors or committee shall be filed with the minutes of the proceedings of the Board of Directors or the committee.

SECTION 10. *Telephonic Meetings.* Any one or more members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at such meeting.

Section 11. ***Electronic Means.*** As used in these By-Laws, “electronic means” shall include email, telecopier, or any other form of electronic transmission that identifies the director and clearly identifies his or her intent with respect to a given action.

ARTICLE III

Officers

SECTION 1. *Number.* The principal officers of the corporation shall be elected by the Board of Directors and shall include a President, one or more Senior Vice-Presidents, one or more Vice-Presidents, a Secretary, a Treasurer and a Controller, and, at the discretion of the Board of Directors, may include a Chairman of the Board. Any two or more offices may be held by the same person except the offices of President and Secretary. The Executive Committee shall not have the right to elect a Chairman of the Board.

SECTION 2. *Election, Term of Office and Qualifications.* Each officer, except such officers as may be appointed in accordance with the provisions of Section 3 of this Article III, shall be elected or appointed by the Board of Directors at its annual meeting, but in the event of the failure of the Board of Directors so to elect any officer, such officer may be elected at any subsequent meeting of the Board. The Chairman of the Board may be elected at any meeting of the Board if the office is vacant or being created. Each officer shall hold office until the annual meeting of the Board of Directors next after his or her election and until his or her successor has been duly elected or appointed and qualified or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided. The Chairman of the Board and the President shall be and remain a director, but no other officer need be a director. No person shall be qualified or eligible to serve, be elected or reelected, or be appointed or reappointed as such an officer at any time such person is not a regular employee of the corporation (as determined under the corporation's standard personnel policies) following the last day of the calendar month in which such person attains seventy years of age, and any such person shall tender his or her resignation, effective on the first day of the calendar month immediately following such birthday month; provided, however that the Board of Directors may waive such requirement by Board action (excluding the affected individual, in the event that the officer is also a director), and further provided that any such waiver shall be effective only until the next election, reelection, appointment, reappointment or qualification of such person.

SECTION 3. *Subordinate Officers and Agents.* The Board of Directors from time to time may appoint other officers or agents, including one or more additional Senior Vice-Presidents, one or more additional Vice-Presidents, one or more Assistant Vice-Presidents, one or more Assistant Treasurers, one or more Assistant Secretaries, and one or more Assistant Controllers, each of whom shall hold office for such period, have such authority and perform such duties as the Board of Directors from time to time may determine; provided that the qualification and eligibility requirements of the elected officers set forth in the last sentence of Section 2 of this Article III also shall apply to officers appointed in accordance with this Section 3. The Board of Directors may delegate to any officer or agent the power to appoint any subordinate officer or agent and to prescribe his respective authority and duties.

SECTION 4. *Removal.* The officers specifically designated in Section 1 of this Article III may be removed, either with or without cause, by the vote of a majority of the entire Board of Directors at a special meeting of the Board of Directors called for the purpose. The officers

appointed in accordance with the provisions of Section 3 of this Article III may be removed, either with or without cause, by the Board of Directors, by a majority vote of the directors present at any meeting, or by any officer or agent upon whom such power of removal may be conferred by the Board of Directors.

SECTION 5. *Vacancies.* A vacancy in any office because of death, resignation, removal or disqualification, or any other cause, may be filled for the unexpired portion of the term in the manner prescribed by these By-Laws for regular appointments or elections to such offices.

SECTION 6. *Chairman of the Board.* The Chairman of the Board shall preside at all meetings of Shareholders and of the Board of Directors at which he or she is present and shall perform such other duties and have such other authority as from time to time may be assigned to him or her by the Board of Directors.

SECTION 7. *President.* The President shall be the chief executive officer of the corporation and, subject to the instructions of the Board of Directors, shall have general charge of the business, affairs and property of the corporation and control over its other officers, agents and employees. In the absence of the Chairman of the Board, the President shall preside at all meetings of the shareholders and of the Board of Directors at which he or she may be present. The President shall do and perform such other duties and have such other authority as from time to time may be assigned by the Board of Directors.

SECTION 8. *Senior Vice-Presidents and Vice-Presidents.* The Senior Vice-Presidents and Vice-Presidents shall perform such duties, including those of the President, as may be assigned them by the President or Board of Directors from time to time, and, during absence or disability of the President, his full powers shall devolve upon such Senior Vice-President or Vice-President as the President may designate (or in the absence of such designation, as the Board of Directors may designate).

SECTION 9. *Secretary.* The Secretary shall keep the minutes of the meetings of shareholders and the Board of Directors and shall see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law. He shall be custodian of the records, books, reports, statements, certificates and other documents of the corporation and of the seal of the corporation, and see that the seal is affixed to all stock certificates prior to their issuance and to all documents requiring such seal. In general, he shall perform all duties and possess all authority incident to the office of Secretary, and he shall perform such other duties and have such other authority as from time to time may be assigned to him by the Board of Directors.

SECTION 10. *Assistant Secretary.* The Assistant Secretary, or if there be more than one, the Assistant Secretaries, shall, in the absence of the Secretary, perform all the duties of that officer and at all times shall perform such duties as may be assigned to him or to them by the President or Secretary.

SECTION 11. *Treasurer.* The Treasurer shall have supervision over the funds, securities, receipts and disbursements of the corporation. He shall in general perform all duties

and have authority incident to the office of Treasurer and shall perform such other duties and have such other authority as from time to time may be assigned or granted to him by the Board of Directors. He may be required to give a bond for the faithful performance of his duties in such form and amount as the Board of Directors may determine.

SECTION 12. *Assistant Treasurer.* The Assistant Treasurer, or if there be more than one, the Assistant Treasurers, shall, in the absence of the Treasurer, perform all the duties of that officer and at all times shall perform such duties as may be assigned to him or to them by the President or Treasurer. Each Assistant Treasurer may be required to give a bond for the faithful performance of his duties in such form and amount as the Board of Directors may determine.

SECTION 13. *Controller.* The Controller shall have custody and charge of all books of account, except those required by the Secretary or the Treasurer in keeping record of the work of their offices, and shall have supervision over such subsidiary accounting records as may be kept in departmental offices. He shall have access to all books of account, including the Treasurer's records and the stock books, for purposes of audit and for obtaining information necessary to verify or complete the records of his office. The Controller shall perform such other duties as may be required by the Board of Directors or the President.

SECTION 14. *Assistant Controller.* The Assistant Controller, or if there be more than one, the Assistant Controllers, shall, in the absence of the Controller, perform all the duties of that officer and at all times shall perform such duties as may be assigned to him or to them by the President or Controller.

ARTICLE IV

Contracts, Loans, Deposits, Checks, Drafts, Etc.

SECTION 1. *Contracts.* Except as otherwise provided in these By-Laws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or to execute or deliver any instrument on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 2. *Loans.* No loans shall be contracted on behalf of the corporation and no negotiable papers shall be issued in its name, unless and except as authorized by the Board of Directors. Any officer or agent of the corporation thereunto so authorized may effect loans or advances for the corporation and for such loans and advances may make, execute and deliver promissory notes, bonds or other evidences of indebtedness of the corporation. When authorized as aforesaid, such officer may pledge, hypothecate or transfer as security for the payment of any and all loans, advances, indebtedness and liabilities of the corporation any and all stocks, bonds, other securities and other personal property at any time held by the corporation, and to that end may endorse, assign and deliver the same, and do every act and thing necessary or proper in connection therewith. Such authority may be general or confined to specific instances.

SECTION 3. *Deposits.* All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks or trust companies or with such bankers or other depositaries as the Board of Directors may select, or as may be selected by any officer or officers, agent or agents of the corporation to whom such power may from time to time be delegated by the Board of Directors.

SECTION 4. *Checks.* Checks drawn on the funds of the corporation shall be paid out only when signed by one of the following: viz:-Chief Financial Officer, Treasurer or Assistant Treasurer.

The Chief Financial Officer, Treasurer or Assistant Treasurer shall have power to endorse checks, drafts, warrants and notes for deposit to the credit of the corporation and to give receipts on behalf of the corporation.

All notes or other evidences of indebtedness shall be signed by the President, a Senior Vice President or a Vice-President, and by any one of the following: Secretary, Assistant Secretary, Treasurer or Assistant Treasurer, or in such other manner as the Board of Directors from time to time may determine.

SECTION 5. *Proxies.* Any shares of stock in any other corporation which may from time to time be held by this corporation may be represented and voted at any meeting of shareholders of such corporation by any person or persons thereunto authorized by the Board of Directors or, if no one be so authorized, by the President, a Senior Vice-President or a Vice-President or by any proxy appointed in writing by the President, a Senior Vice-President or any Vice-President.

ARTICLE V

Shares of Stock and Their Transfer

SECTION 1. *Stock Issuance.* The shares of the corporation shall be represented by certificates or shall be uncertificated; provided however, that after March 12, 2015, all shares of the corporation shall be uncertificated upon issuance. The issuance of shares in uncertificated form shall not affect outstanding shares already represented by a certificate until the certificate is surrendered to the corporation. Except as otherwise expressly provided by law, the rights and obligations of holders of uncertificated shares and the rights and obligations of the holders of certificates representing shares of the same class and series shall be identical.

Certificates for shares of stock of the corporation shall be in such form as shall be approved by the Board of Directors. They shall be signed by the President, a Senior Vice-President or a Vice-President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer and sealed with the seal of the corporation. Such seal may be facsimile, engraved or printed. If any such certificate is signed by a transfer agent or a transfer clerk and by a registrar, the signature of any such President, Senior Vice-President, Vice-President, Secretary, Assistant Secretary, Treasurer or Assistant Treasurer and the seal of the corporation upon certificate may be facsimile, engraved or printed.

Within a reasonable time after the issuance or transfer of uncertificated shares, as long as the same is required by the laws of the State of New York, the corporation shall send to the registered owner thereof a written notice stating that a full statement of the designation, relative rights, preferences and limitations of the shares of each class authorized to be issued and of certain other information required to be set forth in or stated on certificates for stock by the laws of the State of New York will be furnished to such registered owner upon request and without charge.

SECTION 2. *Transfers of Stock.* A stock record shall be kept containing the names, alphabetically arranged, of all persons who are shareholders of the corporation, showing their places of residence, the number of shares of stock held by them, respectively, the time when they respectively became the owners thereof, whether such shares are certificated or uncertificated and the amount paid thereon. Subject to the provisions of the Certificate of Incorporation, transfers of the shares of stock of the corporation shall be made on the books of the corporation (a) if the shares are certificated, upon presentation and surrender of the certificate or certificates at the executive offices of the corporation duly endorsed by the registered holder or his or her attorney-in-fact duly authorized by a power of attorney duly executed and filed with the Secretary of the corporation or accompanied by a written instrument of transfer, in form satisfactory to the corporation, duly executed by the registered owner or his or her attorney-in-fact or (b) in the case of uncertificated shares, upon receipt of a written instrument of transfer, in form satisfactory to the corporation, duly executed by the registered owner or his or her attorney-in-fact duly authorized by a power of attorney duly executed and filed with the Secretary of the corporation. The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder and owner thereof and shall not be bound to recognize any legal, equitable or other claim to or interest in such share or shares on the part

of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by the laws of the State of New York.

SECTION 3. *Lost or Destroyed Certificates.* The holder of any stock of the corporation represented by certificates shall immediately notify the corporation of any loss, destruction, theft or mutilation of the certificate representing such stock and the corporation may, upon request to the Secretary of the corporation, issue uncertificated shares in the place of such certificate theretofore issued by it alleged to have been lost, destroyed, stolen or mutilated. The Board of Directors in its discretion may require the owner of the certificate alleged to have been lost, destroyed, stolen or mutilated, or his legal representatives, to give the corporation and its transfer agent and its registrar of transfers if any, before the issuance of such uncertificated shares, a bond of indemnity in such sum and in such form and with such surety or sureties as the Board of Directors may direct.

SECTION 4. *Regulations.* The Board of Directors may make such rules and regulations as it may deem expedient concerning the issuance and transfer of shares of stock of the corporation and may appoint transfer agents or registrars, or both, and may require all certificates of stock to bear the signature of either or both.

SECTION 5. *Fixing of Record Date.* The Board of Directors may at any time fix a record date not more than sixty (60) nor less than ten (10) days prior to (a) the date of any meeting of shareholders or (b) the last day on which shareholders are entitled to express consent to or dissent from any proposal without a meeting, as the date as of which shareholders entitled to notice of or to vote at such a meeting, or whose consent or dissent is required or may be expressed, for any purpose, as the case may be, shall be determined, and, except as otherwise provided by law, all persons who were the holders of record of voting shares at such date and no others shall be entitled to notice of and to vote at such meeting or to express their *consent or dissent*, as the case may be. The Board of Directors may at any time fix a record date not exceeding sixty (60) days prior to the date fixed for the payment of any dividend or the making of any distribution or for the delivery or allotment of evidences of rights or evidences of interest arising out of any change, conversion, or exchange of capital shares, as the date for the determination of the shareholders entitled to receive any such dividend, distribution, rights or interest, and in any such case only shareholders of record at the date so fixed shall be entitled to receive such dividend, distribution, rights or interest.

ARTICLE VI

Miscellaneous

SECTION 1. *Corporate Seal.* The corporate seal shall be in such form as shall be approved from time to time by the Board of Directors.

SECTION 2. *Fiscal Year.* The fiscal year of the corporation shall end on the 31st day of December in each year.

ARTICLE VII

Amendments

SECTION 1. *By the Shareholders.* These By-Laws may be amended, added to, altered or repealed, or new by-laws may be adopted, at any meeting of shareholders of the corporation by the affirmative vote of the holders of a majority of the shares entitled to vote in the election of directors present and voting at such meeting, provided, in the case of a special meeting, notice that an amendment is to be considered and acted upon is inserted in the notice or waiver of notice of said meeting.

SECTION 2. *By the Directors.* Except as otherwise provided by law or these By-Laws, these By-Laws may be amended, added to, altered or repealed, or new by-laws may be adopted, at any meeting of the Board of Directors at which a quorum is present, by the affirmative vote of a majority of the directors then in office, but any by-law adopted by the Board of Directors may be amended or repealed by the shareholders entitled to vote thereon. If any by-law regulating an impending election of directors is adopted, amended or repealed by the Board of Directors, there shall be set forth in the notice of the next meeting of shareholders for the election of directors the by-law so adopted, amended or repealed, together with a concise statement of the changes made.

ARTICLE VIII

Indemnification

To the full extent authorized by law, the corporation shall and hereby does indemnify any person who shall at any time be made, or threatened to be made, a party in any civil or criminal action or proceeding by reason of the fact that he, his testator or his intestate (a) is or was (i) a director or officer of the corporation or (ii) corporate personnel other than a director or officer who served on a subcommittee of the Board of Directors of the corporation or (b) a director or officer of the corporation or corporate personnel other than a director or officer who served another corporation (including any subsidiaries of the corporation) in any capacity at the request of the corporation.

ARTICLE IX

Exclusive Forum

Unless the corporation consents in writing to the selection of an alternative forum, the federal courts in the Southern District of New York, or if those courts are unavailable, the courts of the State of New York sitting in New York County, New York, shall be the sole and exclusive forum for (i) any derivative action or derivative proceeding brought on behalf of the corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director or officer of the corporation to the corporation or the corporation's shareholders, (iii) any action asserting a claim against the corporation arising pursuant to any provision of the laws of the State of New York or the corporation's certificate of incorporation or by-laws (in each case, as they may be amended from time to time), or (iv) any action asserting a claim against the corporation or any director, officer or other employee of the corporation governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the corporation shall be deemed to have notice of and consented to the provisions of this Article IX.

G. I. 16.3

January 05, 2023

(Effective January 1, 2022)

MANAGEMENT INCENTIVE PLAN

1. GENERAL

- 1.1** The purpose of the Management Incentive Plan (MIP) is to focus management attention on the planning and execution of activities that are critical to Graybar's success and to reward individuals and units that contribute to improved Corporate performance.
- 1.2** The manner in which MIP is determined and distributed to participants is set forth in this Instruction.
- 1.3** This plan shall be referred to as the Management Incentive Plan or MIP; however, since it covers Corporate, district and branch participants, it may be helpful to refer to the Corporate, district or branch incentive portion of the plan when discussing specific units or report measurements.

2. PARTICIPATION IN THE PLAN

- 2.1** Employees who are in positions that have MIP Guideline Incentives (as defined in the Company compensation structure) are eligible to participate in the plan and to receive an annual Incentive Award payment, with the following exceptions and limitations:
 - 2.1.1** To qualify for an Incentive Award for any calendar year, the employee must remain in the service of the Company through the last business day of December of that calendar year. If an employee terminates before the last business day of December, that employee will forfeit his/her MIP payment for that year. Payment of the employee's salary through the last day of employment with the Company fully discharges the Company's obligation with respect to compensation. Exceptions will be made in the event of death or Retirement (as defined in the amended Restated Certificate of Incorporation of the Company).
 - 2.1.2** An employee on an unpaid leave of absence will cease to be a participant during the leave. An employee who returns from the leave to an eligible position outlined in paragraph 2.1 above will continue participation upon their return. Applicable legal regulations and requirements will be followed.
 - 2.1.3** An employee who ceases to be a participant because of demotion or leaves of absence during the calendar year will have no claim to an Incentive Award, except for the period of active participation during the incentive year, or as granted in accordance with paragraph 2.1.2 above.

2.1.4 Participants in MIP are eligible to earn an Incentive Award beginning with the first day of assignment.

2.1.4.1 Employees who participate in MIP and whose job/position assignment changes will continue participation in their former position through the last day of assignment and begin MIP participation in the new position on the first day of reassignment.

2.1.5 In cases of death or Retirement, MIP will be based on eligible compensation earned prior to the effective date of the applicable event.

3. DETERMINATION OF INCENTIVE AWARDS

3.1 Each member's Guideline Incentive will be expressed in dollars computed by multiplying the member's guideline percentage (indicated in the Company compensation structure) by the member's eligible annual base salary earnings for the incentive year. MIP employees receiving overtime will have MIP based on eligible base pay and overtime earnings. Actual incentives paid may vary from Guideline Incentive amounts based on the performance of the branch, district, or corporation.

3.2 Incentive Awards described in [Section 5](#) will be based on individual guideline incentives and the performance of the employee's organizational unit. For branch participants, the organizational unit will be the branch including its sub-branch(es) or branch group. Branch, district and Corporate participants will be compensated under the Management Incentive Plan as outlined in the following paragraphs.

3.3 Participants having responsibility in more than one district or branch will have their Guideline Incentive allocated to districts or branches based on either budgeted sales or as directed by the District Vice President or appropriate Senior Vice President. (See [paragraph 5.5.](#))

3.4 Upon the recommendation of the District Vice President and approval by the Senior Vice President and General Manager and the President, certain expenses related to specific customer market expansion may be adjusted from a location's actual net profit when making incentive award calculations.

3.4.1 Such expenses shall be submitted in writing by the District Vice President to the Senior Vice President and General Manager along with the market expansion plan for the applicable location.

3.4.2 No expenditure to be considered for adjustment shall be made by the district until the plan has been approved by the Senior Vice President and General Manager and the President.

3.4.3 Expenses eligible for adjustment shall be limited to the current year. Expenses associated with multi-year initiatives are reviewed and approved annually by the Senior Vice President and General Manager for the current year.

- 3.4.4** The Manager Accounting & Financial Analysis shall keep complete details of eligible expenses and submit them to the Controller with a copy to the Senior Vice President and General Manager as part of the year-end closing work. The Company reserves the right to reject any or all expenses submitted by the district, if it is determined by the Senior Vice President and General Manager that the district has failed to adequately implement the approved market expansion plan(s).
- 3.4.5** The amount of the MIP adjustment shall be limited to the total amount approved.
- 3.4.6** After review by the Controller, details outlining the adjustment shall be forwarded to the Employee Resources Center for adjustment to the applicable location's actual net profit for MIP calculation purposes. Approved adjustments may be included in branch, district and Corporate MIP calculations.
- 3.5** Upon the recommendation of the District Vice President and approval by the Senior Vice President and General Manager and the President, net profits for Districts opening a new branch(es) may be adjusted to exclude the net profits of the new branch house(s) if they have an adverse effect on MIP awards.
- 4. FINAL PERFORMANCE INDEX FOR NET PROFIT, GROSS MARGIN, AND SALES PERFORMANCE**
- 4.1** For all participants, the Final Performance Index shall be calculated as determined from time to time by the Board of Directors (see G. I. [16.3 Supplement 1](#)), provided that such calculations are communicated in accordance with [Section 8](#) when applicable.
- 5. DETERMINATION OF INDIVIDUAL INCENTIVE AWARDS**
- 5.1 Corporate**
- 5.1.1** Awards to Corporate participants will be based on their Guideline Incentive (eligible salary multiplied by the applicable guideline percentage) multiplied by the Corporate Final Performance Index. The Corporate Final Performance Index shall be based on the consolidated financial performance of the Company including Graybar Corporate, districts, zones and all subsidiaries as determined from time to time in accordance with guidelines adopted by the Board.
- 5.2 District**
- 5.2.1** Awards to district participants will be based on their Guideline Incentive (eligible salary multiplied by guideline percentage) multiplied by the Final Performance Index for their respective district(s).
- 5.3 Branch**
- 5.3.1** Awards to branch participants will be based on their Guideline Incentive (eligible salary multiplied by guideline percentage) multiplied by the Branch Final Performance Index for their respective branch(es). MIP

eligible earnings include overtime for MIP participants who receive overtime.

- 5.4** Participants who transfer between branches or districts will be paid the greater of the actual MIP earned or the MIP that would have been earned had they remained in the old unit for the entire year.
 - 5.5** In exceptional circumstances a participant may receive a guaranteed MIP for the year, upon recommendation to and pre-approval by the Senior Vice President HR. Such participant will receive the greater of their MIP guarantee or their incentive earned under the terms of the plan. In all cases, participants must meet eligibility requirements of the MIP for payment.
 - 5.6** A district or branch participant who has responsibility in more than one district or branch will have his/her Guideline Incentive allocated to the district or branch on the basis of either budgeted sales or as directed by the District Vice President or Senior Vice President and General Manager. (See [paragraph 3.3.](#))
 - 5.7** No participant will receive an award in excess of the maximum of applicable total points multiplied by his/her Guideline Incentive.
 - 5.8** Awards for each year, subject to the provisions of this Plan, will be paid no later than March 15 of the following year.
 - 5.9** A District Vice President and the Senior Vice President and General Manager or appropriate Senior Vice President will approve all individual awards. The President will also approve all awards and may make any adjustments deemed appropriate.
- 6. PRESIDENT'S DISCRETIONARY FUNDS**
- 6.1** The President will have an MIP Discretionary Fund equivalent to a set percentage of the total Guideline Incentives for all participants.
 - 6.2** The President shall annually request of the Senior Vice President and General Manager and the Senior Vice Presidents recommendations for discretionary payments to any MIP participant or group of MIP participants.
 - 6.3** The Senior Vice President and General Manager or appropriate Senior Vice President may recommend discretionary payments to any participant or group of participants. Such awards shall not cause any individual to exceed the maximum of applicable total points multiplied by his/her Guideline Incentive.
 - 6.4** The Senior Vice President and General Manager may recommend that a discretionary award, subject to limitations, be awarded to a Branch to cover unusual situations or exceptional performance.
 - 6.5** It is not required that any or all Discretionary Funds be awarded. The total amount disbursed by the President will be reported to the Board of Directors.
- 7. MODIFICATION OF THE PLAN**

- 7.1** The Company reserves the right to withdraw from this Plan, at any time, any line of merchandise that it sees fit for any reason. In case of the withdrawal of any line as provided for above, sales and profits will be adjusted to eliminate the line or lines of merchandise withdrawn and the adjusted sales and profits as approved by the Controller will be the sales and profits on which compensation will be based.
- 7.2** The Company reserves the right to establish different incentive targets for districts and branches that budget to produce negative or marginal net profit. Such special arrangements will be recommended by the Compensation Committee for approval by the President. Affected personnel will be notified in writing of the revised plan by January 31 of the incentive year.
- 7.3** The awards as computed under this Plan will be reviewed by the appropriate District Vice President, Senior Vice President and General Manager and Senior Vice Presidents, who may recommend adjustments to the President. The President is authorized to make any adjustments necessary to correct distortions in unit or individual awards.
- 7.4** Notwithstanding any of the provisions of this Plan, the Company reserves the right to withdraw or to modify in whole or in part this Management Incentive Plan at any time. Notice of such modification or withdrawal would be given in writing to the employees covered by the Plan.

8. COMMUNICATION OF THE PLAN

- 8.1** District Vice Presidents will communicate this Plan to all employees who come under its provisions. As soon as the Plan has been read to or by an employee, the employee will sign a statement acknowledging that he/she fully understands the Management Incentive Plan and agrees to its provisions. Such statements will be signed on [G. I. 16.3 Attachment A](#) and will be retained in the District Vice President's files for review by Internal Auditors.
- 8.2** It is important that all participants fully understand both how their incentive pay is determined and how their performance can affect the performance of the unit. Whether understanding is achieved through group or individual meetings is at the discretion of the District Vice President.

9. TERM OF PLAN

- 9.1** This Plan supersedes and replaces all Management Incentive Plans previously issued. It will remain effective for each succeeding year until terminated. The procedure outlined in Section 8 above will be followed with the issuance of this Instruction and whenever a new member comes under its provisions.
- 9.2** Questions regarding interpretation or application of these instructions should be referred to the Senior Vice President-Human Resources.

K. M. MAZZARELLA
President

Approved by the Board of Directors December 7, 2022

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

Électro-Mag Inc., a Quebec corporation

Les Contrôles J.A.D. Inc., a Quebec 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

Lab Development, LLC (d/b/a Connexion), an Illinois limited liability company

St. Louis-Metro Electrical Supply, Inc., a Missouri corporation

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

Walker Industrial Products, Inc., a Connecticut corporation

Steven Engineering, Incorporated, a California corporation

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 9, 2023

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

CERTIFICATION

I, David M. Meyer, 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 9, 2023

/s/ David M. Meyer

David M. Meyer

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, 2022 (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

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

March 9, 2023

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

I, David M. Meyer, 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, 2022 (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/ David M. Meyer

David M. Meyer

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

March 9, 2023