Revised 10/28/26
Replaces 12/13/23

W.W. GRAINGER, INC.
OPERATING PRINCIPLES FOR
THE BOARD OF DIRECTORS

The Board of Directors of the Company (the "Board") has established these Operating Principles as a general framework to assist the Board in fulfilling its duties and responsibilities to the Company and its shareholders. These Operating Principles should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's restated articles of incorporation and by-laws and other corporate governance documents.

I. ROLE OF BOARD OF DIRECTORS

The Board of Directors of the Company (the "Board") acts as the steward of the Company for the benefit of the shareholders. The Board has the following minimum responsibilities:

A. Fiduciary Responsibilities

Directors are expected to exercise their business judgment to act in good faith, on an informed basis and in what they reasonably believe to be in the best interests of the Company consistent with their fiduciary duties.

B. Supervisory Responsibilities

1. To ensure the Company has an effective succession planning process that will help maximize long-term corporate performance, including policies and principles for CEO selection and performance review, as well as policies regarding succession.

2. To select, and to elect, the Chairman of the Board and Chief Executive Officer (the "Chairman").

3. To review the selection of, and to elect, other officers proposed by management.

4. To review the performance, compensation and succession of management and, if appropriate, to remove and replace management that is not performing.

5. To oversee risk assessment and enterprise risk management processes and policies of the Company used to identify, assess, monitor and address potential financial, compensation, operational, strategic, legal and cybersecurity risks on an enterprise-wide basis.

6. The role of the Board is not to manage the Company but to oversee its management. The effective board understands and observes this fundamental difference between its role and that of those who are responsible for the day-to-day management of the Company.

C. Implementation

In order to perform its fiduciary and supervisory responsibilities, the Board needs substantial information flow on relevant, material matters. While the Board may rely upon information furnished by management, the Board should be diligent in defining and requesting the information required, from its perspective, to meet its responsibilities. (In this regard the effective Board should probe, however, for quality, not quantity.)

The outside Directors, as a group, should bring to the Board a wealth of business experience and a track record of good business judgment in a variety of situations relevant to the Company's operations. The totality of the experience of the Board should be designed, structured, and monitored so that the Board is fully equipped to meet its fiduciary and oversight responsibilities.

II. BOARD ORGANIZATION AND COMPOSITION

A. Independence. The Board will have a majority of Directors who meet the criteria for independence required by the New York Stock Exchange ("NYSE").

B. Leadership. Management of the Company is presently directed by the Chairman, who is a member of the Board.

A Lead Director shall be annually elected by and from the independent Directors. Among the duties to be assigned the Lead Director is the responsibility for:

1. Presiding at meetings of the Board at which the Chairman is not present, including executive sessions of the independent Directors;

2. Serving as the primary liaison between the Chairman and the independent Directors;

3. Communicating with the Chairman between meetings and acting as a "sounding board" and advisor;

4. Soliciting non-management Directors for advice on agenda items for meetings of the Board;

5. Collaborating with the Chairman in developing the agenda for meetings of the Board and approving Board meeting agendas and

the schedule of Board meetings to ensure that there is sufficient time for discussion of all agenda items;

6. Reviewing and approving the types of information sent to the Board;

7. Calling meetings of the independent directors, if appropriate, to review and approve the types of information sent to the Board;

8. Coordinating with the Board Affairs and Nominating Committee of the Board (the "BANC") and the applicable Board Committee Chairs on the annual evaluation of the performance and effectiveness of the Board, its committees and individual Directors;

9. Leading the Board in its annual review of the Board and management's performance, including the Chairman, to the extent necessary to supplement the Compensation Committee's review of the CEO's performance relative to applicable compensation goals and objective;

10. Being available, as necessary, for consultation and direct communication with major shareholders;

11. Coordinating with the BANC the Director recruitment and interview process;

12. Calling meetings of non-management Directors, if appropriate; and

13. Coordinating with the Chairman and the applicable Board Committee Chairs on key risks to the Company and facilitating discussion as appropriate at Board meetings.

C. Size and Composition of Board.

Subject to the provisions of the Company's by-laws, the BANC periodically reviews and recommends to the full Board the optimum Board size to accommodate the following objectives:

1. To provide a Board sufficiently large to allow only independent Directors to serve on Board committees to the extent required by law or the NYSE.

2. To ensure that there is a majority of Directors who meet the criteria for independence required by the NYSE.

3. To permit key members of management to serve on the Board.

4. To enable the Board to function effectively in terms of discussion and decision-making.

D. Board Member Qualifications and Tenure.

The BANC establishes written Criteria for Membership on the Board, incorporating the criteria for independence required by the NYSE.

E. Committees and Assignments.

The BANC considers and recommends to the Board the types and functions of Board committees and their respective initial charters. The BANC considers the qualifications for membership on each Board committee and, following the Annual Meeting of Shareholders, recommends committee assignments, including committee chairs, to the Board for the ensuing year. Periodic rotation of committee assignments is an objective, with committee chairs generally being rotated at 3-year intervals. Committee membership assignments take into account various factors such as continuity and expertise.

Each committee also reviews its charter annually and recommends changes to the Board.

The Board currently has the 3 committees described below.

1. Board Affairs and Nominating Committee. This Committee is comprised solely of at least 3 Directors who meet the criteria for independence required by the NYSE. Among the responsibilities of the BANC are senior management organization, including CEO and senior management succession; establishment of criteria for Board membership; identifying individuals qualified to be Board members; recommending candidates for election as Directors; and recommending policies applicable to Directors. The BANC oversees the evaluation of the Board and management. An annual review is made of incumbent Board members' attendance and performance as concerns their suitability for reelection.

   Pursuant to its charter, the BANC recommends to the Board a set of corporate governance principles applicable to the Company. The BANC also is required to make an annual assessment and subsequent report to the Board as appropriate relative to the performance of the Board in the area of corporate governance, including the adequacy of information supplied to the Board, and the Board's performance of its oversight responsibilities relevant to the management of the Company.

   The BANC also has oversight responsibility for the Company's corporate responsibility programs and reporting, including

environmental sustainability, community impact, governance, the Company's culture, talent strategy, and workplace practices, and any related enterprise risk management ("ERM") reviews (other than human capital management ERM reviews, which are overseen by the Compensation Committee of the Board).

2. Audit Committee. This Committee is comprised solely of at least 3 Directors who meet the independence criteria for audit committee membership required by the NYSE and the Sarbanes-Oxley Act of 2002, as amended. Each member of the Audit Committee shall be financially literate, and at least one member shall be an "audit committee financial expert" as defined by U.S. Securities and Exchange Commission ("SEC") rules and regulations.

   The Audit Committee shall assist the Board in its oversight responsibilities with respect to the Company's financial reporting process, the systems of internal accounting and financial controls, the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the Company's ERM systems and processes, including as to business continuity, cybersecurity, privacy, and legal and other risks as determined by the Board, the independent auditor's qualifications and independence, and the performance of the Company's internal audit function and independent auditor.

   The Audit Committee also has oversight responsibility for the activities of the Company relative to the W.W. Grainger, Inc. Retirement Savings Plan and other plans/trusts covered by the Employee Retirement Income Security Act of 1974, as amended, and sponsored by the Company that involve the investment of funds by fiduciaries for the benefit of employees, subject to coordination with the Compensation Committee of the Board where appropriate, and compliance with the Company's Business Conduct Guidelines.

3. Compensation Committee (the "CCOB"). This Committee is comprised solely of at least 3 Directors who meet the criteria for independence required by the NYSE. The general responsibilities of the CCOB include the review and approval of compensation and benefit policies and programs relating to the Company's executives and others, and recommendations to the Board on related compensation matters as may be required. Specific responsibilities include the review and approval of corporate goals and objectives relevant to CEO compensation, the evaluation of the CEO's performance in light of those goals and objectives, and, either as a committee or together with the other independent Directors, the determination and approval of the CEO's compensation level based

on this evaluation. Specific responsibilities additionally include making recommendations to the Board on the annual base salary and bonus for other members of management and non-retirement compensation and benefits for independent Directors, oversight of the Company's programs and policies for human capital management and assisting the BANC in its oversight of the Company's programs and policies with respect to employee engagement and leadership effectiveness, and any related ERM reviews. The CCOB also has oversight responsibility of administrative activities under various incentive and benefit plans.

III. OPERATION OF THE BOARD

A. Independence Review.

The Board will review annually the relationships that each Director has with the Company. Following such annual review, only those Directors who the Board affirmatively determines have no material relationship with the Company will be considered independent Directors, subject to additional qualifications prescribed under the listing standards of the NYSE or under applicable law. The Board may also adopt and disclose categorical standards to assist it in determining Director independence. In the event that a Director becomes aware of any change in circumstances that may result in the Director no longer being considered independent under the listing standards of the NYSE, any applicable categorical standards adopted by the Board, or applicable law, the Directors will promptly inform the Chair of the BANC.

B. Board Meeting Agendas and Practices.

The Chairman consults with appropriate members of management regarding possible agenda items for Board meetings and collaborates with the Lead Director to develop and approve the agenda for each Board meeting. In addition, Board members may suggest topics for the agenda and may raise subjects at Board meetings and Executive Sessions that are outside the agenda.

Board meetings focus on strategic, operational, and reporting matters. Management strives to provide the Board with timely and comprehensive information as well as making themselves appropriately available for discussion regarding strategic and other significant issues.

There are at least 5 scheduled Board meetings each year. Special Board meetings are called as needed.

C. Committee Meetings.

Frequency of meetings and agendas for meetings are established by the Chair of each committee. Prior to each Annual Meeting of Shareholders, all Directors receive a schedule of committee and Board meetings planned for the following 2 years. In order to enhance communication, all Directors are often invited to committee meetings that deal with non-routine matters.

D. Executive Sessions of the Board.

The non-management Directors shall meet in regularly scheduled Executive Sessions. At least two Executive Sessions each year shall be attended solely by Directors who meet the criteria for independence required by the NYSE. Employee Directors or other Company employees may be invited to attend part of the Executive Sessions. These sessions permit candid discussion of management performance, the adequacy of information provided to the Directors, succession planning, and other sensitive matters. The Lead Director acts as the Chair and presides at the Executive Sessions without management participation. The Company will disclose a method for interested parties to be able to make their views known to the non-management Directors.

E. Board Information, Presentations and Attendance.

All Directors are expected to attend the Annual Meeting of Shareholders, Board meetings and meetings of committees on which they serve, and to spend the time needed to properly discharge their duties. At least 5 days prior to each Board meeting, Directors are provided with a “Board Book” that includes the agenda for the meeting and additional information relevant to the items to be discussed. At a typical meeting, the Board Book will include summaries of Board presentations, proposed resolutions, operating results, reports on major projects, and summaries of materials being considered by committees which are scheduled to report at the Board meeting. Directors are expected to review these materials in advance of the meeting.

The Senior Vice President and Chief Financial Officer, the Senior Vice President and General Counsel, and the Secretary are invited to attend all Board meetings. Additional members of management frequently attend Board meetings and make presentations, thereby affording the Board the opportunity for direct access, acquaintance, and evaluation of management.

F. Director Compensation.

The form and amount of Director compensation will be designed to enable the attraction and retention of qualified Directors and to provide customary appropriate incentives, including equity-based awards, for their services. Upon recommendation of the CCOB, the Board shall periodically evaluate

the form and amount of Director compensation to confirm that compensation and perquisites are in line with market levels and that the Company does not make substantial charitable contributions to organizations with which a Director is affiliated. The establishment of reasonable Director compensation by the Board shall not be deemed a Director conflict of interest.

G. Board Evaluations.

Coordinating with the BANC, the Board shall conduct an annual evaluation to determine whether it and its committees are functioning effectively. The annual evaluation shall also include a review of the performance evaluations of the Board's committees.

H. Enterprise Risk Management and Cybersecurity.

The Board shall review, at least annually, the status of the Company's ERM programs and the Company's cybersecurity systems and processes. To assist the Board in these oversight responsibilities, the Board may request one or more committees (whether current or new) to serve in an advisory capacity.

IV. GENERAL

A. Board Access to Senior Management.

The Board has access to Company management and recognizes that judgment and discretion are to be observed in such contacts. It is expected that the Chairman of the Board will be informed of such contacts in virtually all cases.

B. Board Access to Independent Advisors.

The Board shall have the authority to obtain advice and assistance from independent advisors including legal, accounting, and other professionals.

C. Board Confidentiality.

The proceedings and deliberations of the Board and its committees, and any non-public information received in connection with service as a Director of the Company, are confidential. Confidential information may only be used by a Director for the benefit of the Company, and not for personal benefit or the benefit of any other person or entity. Consistent with their fiduciary and other legal duties to the Company, Directors must protect and not use or disclose confidential information for any non-Company purpose.

D. Conflicts of Interest.

Directors must avoid conflicts of interest and must follow the Company's Business Conduct Guidelines and Policy Concerning Transactions with Related Persons.

E. Director Orientation and Continuing Education.

All new Directors must participate in the Company's orientation process, which will include briefings and presentations by senior management. The orientation shall include information on the Company's management, strategy, competition, financial reporting systems and risk-management processes. The orientation shall also cover the Company's Business Conduct Guidelines, Stock Ownership Guidelines and Policy Concerning Transactions with Related Persons, and the Board's Operating Principles and applicable Board committee charters.

Directors are expected to participate in continuing education programs on a routine basis.

F. Director Stock Ownership.

Coordinating with the CCOB, the Board shall establish stock ownership guidelines for Directors.

G. Evolving Principles.

The Board recognizes its operations and these operating principles to be an evolving process and, therefore, they are subject to review and revision, at least annually to address emerging needs and practices. These principles are not intended to cover all issues which may arise, but rather to provide a general framework of reference to assist the Board in the performance of its duties.

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