

CHARTER

The Audit Committee of the Board of Directors W.W. Grainger, Inc.

The Audit Committee (the “Committee”) shall be comprised solely of at least three independent Directors who shall meet the criteria for independence required by the New York Stock Exchange (the “NYSE”) and the Sarbanes-Oxley Act of 2002, as amended.

Directors shall be elected to the Committee annually at the April meeting of the Board of Directors of the Company (the “Board”). The members of the Committee shall serve at the Board’s discretion until their successors are elected and qualified or until their earlier resignation or removal. Except as consented to by the Board, no member of the Committee may simultaneously serve on the audit committee of more than two other public companies. The Board shall have the power at any time to change the membership of the Committee and to fill vacancies.

All members of the Committee shall be financially literate, and at least one member shall be an “audit committee financial expert,” as defined by the rules and regulations of the Securities and Exchange Commission (the “SEC”).

I. General Responsibilities of the Committee

- A. Oversight. The 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 enterprise risk management systems and processes, including as to business continuity, cybersecurity, privacy, and legal and other risks, the independent auditor’s qualifications and independence, and the performance of the Company’s internal audit function and independent auditor.

While the primary responsibility of the Committee is to oversee the Company’s financial reporting process on behalf of the Board, the Company’s management is responsible for the preparation, presentation, and integrity of the Company’s financial statements and for the appropriateness of the accounting principles and reporting policies used by the Company. The independent auditor is responsible for auditing the Company’s annual financial statements and for reviewing the Company’s unaudited interim financial statements filed with the SEC.

- B. Audit Committee Report. The Committee shall prepare a report to shareholders as required by the SEC to be included in the Company's annual proxy statement.
- C. ERISA Plans. The Committee shall provide general oversight over the administration and investment activities of any Company-sponsored plans and trusts covered by the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (collectively, the "Company Plans"). The Committee shall have the authority to appoint and remove the members of any management committee, including the Profit Sharing Investment Committee, as well as the trustees of any Company group benefit trust, in each case, as it deems appropriate to serve as named fiduciaries of the Company Plans. The Committee shall review from time to time the qualifications of the designated named fiduciaries, and make any changes to their composition as it deems necessary, appropriate, or advisable, and shall monitor their performance, which shall include reviewing at least annually reports concerning (1) the investment performance of Company Plan assets, and (2) the administration of Company Plans. The Committee shall not be designated a fiduciary of any of the Company Plans for the purposes of ERISA nor shall it be responsible for managing the Company Plans or directing the investment of any Company Plan assets.
- D. Resources and Authority. The Committee shall be given the appropriate resources and assistance necessary to discharge its responsibilities. The Committee shall also have the authority to engage outside legal, accounting, and other advisors as it determines necessary to carry out its duties.

II. Specific Responsibilities of the Committee

- A. Independent Auditor. The Committee shall be directly responsible for the appointment, compensation, retention, evaluation, termination, and oversight of the work of the Company's independent auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest services or related work for the Company, including the resolution of disagreements between management and the independent auditor. The Company's independent auditor must report directly to the Committee, and the Committee shall have the sole authority to retain and replace the Company's independent auditor, to select the independent auditor's lead audit partner, and to pre-approve all audit and permissible non-audit services and fees of the independent auditor, subject to the *de minimis* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, as amended, that are approved by the Committee prior to the completion of the audit. The

Committee may delegate pre-approval authority to one or more members of the Committee as long as any such decisions by any member to whom authority is delegated are presented to the full Committee at its next scheduled meeting.

- B. Complaint Procedures. The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The Committee shall also receive periodic reports prepared by management summarizing any other significant complaints, including violations or potential violations of the Company's Business Conduct Guidelines communicated through the Company's confidential reporting channels.
- C. Independent Auditor Evaluation. The Committee shall, before the engagement of an independent auditor and, at least annually thereafter, review and discuss a report by the independent auditor describing:
 - 1. The firm's internal quality control procedures;
 - 2. Any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;
 - 3. All relationships between the independent auditor and the Company; and
 - 4. The independent auditor's tenure with the Company.

Based on such review and the independent auditor's work throughout the year, the Committee shall evaluate the qualifications, performance, independence, and tenure of the independent auditor, including the lead audit partner, and consider, to ensure continuing auditor independence, whether there should be a regular rotation of the independent auditor. In making these assessments, the Committee shall take into account the opinions of management and the Company's internal auditors. The Committee shall present its conclusions with respect to the independent auditor to the Board.

- D. Lead Audit Partner. The Committee shall review and approve the selection of the lead audit partner of the independent auditor.

- E. Audit Partner Rotation. The Committee shall ensure the rotation of the audit partners as required by law.
- F. Independent Auditor Plans and Activities. The Committee shall review the independent auditor's plan and scope of activities, including any areas to which the Committee, the internal auditors, or the independent auditor believe special attention should be directed. In addition, the Committee shall regularly review with the independent auditor any audit problems or difficulties and management's response.
- G. Annual Financial Information. The Committee shall review with management and the independent auditor the audited financial statements and related notes to be included in the Company's Annual Report on Form 10-K, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Committee shall review and consider with the independent auditor the matters required to be discussed by Public Company Accounting Oversight Board ("PCAOB") Auditing Standard 1301, in addition to critical audit matters under PCAOB Auditing Standard 3101, if any. Also, the Committee shall discuss the results of the annual audit, giving special attention to the following:
 - 1. Adequacy of internal controls;
 - 2. Unusual, improper, or illegal transactions;
 - 3. Change in accounting, legal, or other regulatory requirements, which will or could significantly affect the Company;
 - 4. All proposed adjustments of the independent auditor not recorded by the Company;
 - 5. Any significant differences in the interpretation of U.S. Generally Accepted Accounting Principles ("GAAP") between the Company and the independent auditor, as well as any areas where alternative applications of GAAP could have a material effect on the financial statements; and
 - 6. Any significant financial risks facing the Company, including, but not limited to, any off-balance sheet arrangements and any unusual or significant commitments or contingent liabilities, together with the underlying assumptions and estimates of management.

The Committee shall make a determination whether to recommend to the Board that the audited financial statements and related notes be included in the Company's Form 10-K.

- H. Critical Accounting Policies. The Committee shall review and discuss a report from the independent auditor, prior to the Company's filing of its periodic reports with the SEC, on all critical accounting policies and practices used by the Company, all material alternative accounting treatments of financial information within GAAP that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent auditor, and other material written communications between the independent auditor and management.
- I. Officer Certifications. The Committee shall review with the Company's Chief Executive Officer and Chief Financial Officer disclosures relating to their certification obligations in connection with the Company's annual reports on Form 10-K and quarterly reports on Form 10-Q prior to the filing thereof.
- J. Internal Controls and Disclosure Controls. The Committee shall review with management and the independent auditor any major issues as to the adequacy of the Company's internal controls, any special audit steps adopted in response to any significant deficiencies or material weaknesses, and the adequacy of disclosures about changes in internal controls.
- K. Earnings Releases and Guidance. The Committee shall discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Discussions may be held generally, covering areas such as the types of information to be disclosed and the type of presentation to be made.
- L. Interim Financial Information. The Committee shall review with management and the independent auditor the Company's interim financial statements and related notes to be included in the Company's Quarterly Reports on Form 10-Q, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." This review shall occur prior to the Company's filing of Form 10-Q with the SEC. Also, the Committee shall discuss with the independent auditor the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards.
- M. Enterprise Risk Management Policies. To assist the Board in its oversight responsibilities, the Committee shall periodically report to the Board on the status of the Company's enterprise risk management programs and the

Company's cybersecurity systems and processes. To discharge this advisory role, the Committee shall discuss the Company's major risk exposures with management, the independent auditors and the internal auditors, and shall review the steps management has taken to monitor and control such exposures, including the Company's risk assessment and enterprise risk management processes and policies used to identify, assess, monitor and address potential strategic, financial, operational, business continuity, compliance, cybersecurity, privacy, and legal and other risks as determined by the Board, including the effectiveness of the Company's enterprise risk management initiatives.

- N. **Separate Meetings.** The Committee shall meet separately and periodically, but no less than four times each year, with management, the Company's internal auditors, and the independent auditor with regard to the adequacy of internal accounting controls and any other matters they believe should be discussed privately.
- O. **Internal Auditor Resources and Activities.** The Committee shall review the performance and assure the objectivity of the Company's internal audit function including by reviewing its charter, budget, staffing, audit plan, a summary of the examinations performed together with responses by management and a progress report on the proposed internal audit plan, with explanations for any material deviations from the original plan, and any responsibilities or areas to which either the Committee or the internal auditors believe additional or special attention should be directed. The Committee shall also include as part of this review, discussions of the Company's internal control environment. The Committee shall review the appointment and replacement of the Company's senior internal audit executive.
- P. **Independent Auditor Employees.** The Committee shall approve and periodically review the Company's hiring policies for employees or former employees of the independent auditor. The Company's current policy prohibits the hiring of any current or previous employees of its independent auditor who have worked on the Company's account within the past two years.
- Q. **Legal Issues.** The Committee shall review, at least annually, significant legal and regulatory issues with the Company's counsel.
- R. **Business Conduct Guidelines.** The Committee shall review and monitor the Company's compliance with its Business Conduct Guidelines.
- S. **Compliance Oversight.** The Committee shall review, at least annually, the implementation and efficacy of the Company's compliance program with the Company's Compliance Officer. In addition, the Committee shall

receive reports directly from the Company's Compliance Officer on an as needed basis.

- T. Investigations and Other Matters. The Committee may consider other matters related to the Company's financial affairs and may conduct or authorize investigations into any matter within the Committee's scope of responsibilities.
- U. Amendments to Company Plans. The Committee shall review and make recommendations to the Board concerning any material amendments to Company Plans.
- V. Tax. The Committee shall review, at least annually, the Company's tax position and compliance, status of any material tax audits and proceedings, and other material tax matters.
- W. Correspondence with Authorities. Management will promptly furnish to the Committee copies of any correspondence received from or sent to regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies. The Committee will promptly discuss the correspondence with management and/or the independent auditor, when appropriate.

III. Committee Operations

- A. Committee Meetings. The Committee shall meet at least four times a year and on call of the Committee Chair as needed to discharge the general and specific responsibilities enumerated above. The Committee shall meet in Executive Session without management as it deems appropriate.
- B. Subcommittees. The Committee may delegate authority to one or more subcommittees.
- C. Committee Reporting. The Committee shall maintain minutes of its meetings and shall make regular reports to the Board on its activities.
- D. Committee Evaluation. The Committee shall annually review its own performance.
- E. Charter Review. The Committee shall annually review its charter and recommend any proposed amendments to the Board.
