

CHARTER

The Compensation Committee of the Board W.W. Grainger, Inc.

The Compensation 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 rules and regulations of the Securities and Exchange Commission (the “SEC”) and the Internal Revenue Service.

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. The Board shall have the power at any time to change the membership of the Committee and to fill vacancies.

I. General Responsibilities of the Committee

- A. Oversight. Oversee the activities of the Company in the area of compensation and benefits in order to ensure that:
1. The Board appropriately discharges its responsibilities relating to senior management compensation.
 2. A competitive compensation and benefit structure is in place that will attract, develop, motivate, and retain key talent.
 3. Compensation and benefit policies and practices reflect the highest level of transparency and integrity.
 4. Compensation, especially senior management compensation, is linked to performance, and provides appropriate incentives to increase shareholder value.
 5. Compensation policies and practices for all employees are aligned with Company policy and strategy, are designed with appropriate incentives that do not encourage unnecessary or excessive risk-taking, and are administered in a transparent manner.
 6. The interests of shareholders are protected.
- B. Compensation Discussion & Analysis; Committee Report. Review and discuss the Company’s Compensation Discussion and Analysis, along with related tables, prepared by management and recommend its inclusion in the Company’s proxy statement or annual report on

Form 10-K. The Committee shall also produce the annual Compensation Committee Report as required by SEC rules and regulations for inclusion in the Company's proxy statement or annual report on Form 10-K.

- C. Equity Plan Oversight. Provide independent oversight of the administration of the Company's shareholder approved equity plans.
- D. Compensation Review. Review and recommend compensation matters that require Board and/or shareholder approval.
- E. Risk Assessment Review. Review general plan design of compensation programs and reports prepared by management and/or the Committee's outside advisors to evaluate whether incentive and other forms of pay in these compensation programs encourage unnecessary or excessive risk-taking, and review and discuss, at least annually, the results of that review and any such reports and the relationship between risk management policies and practices, corporate strategy and the Company's compensation arrangements.
- F. Shareholder Proposals. Review shareholder proposals relating to compensation and benefits matters duly and properly submitted to the Company and recommend appropriate action to the Board.
- G. Engagement of Outside Advisors. The Committee shall have the authority, in its sole discretion, to obtain advice and assistance from outside advisors, including compensation consultants, independent legal counsel or other advisors (each, an "advisor"), to assist in the evaluation of director, CEO or senior management compensation. The Committee shall have the sole authority to retain, oversee and terminate any such advisor, including sole authority to approve the advisor's fees and other retention terms, the expense of which shall be borne by the Company. No advisor engaged by the Committee shall provide any other compensation-related services to the Company. The Committee shall be informed of any non-compensation-related services provided by the advisor and any of the advisor's affiliates.

In deciding whether or not to engage an external advisor, the Committee shall consider all factors relevant to the advisor's independence from management, including the following:

1. The provision of other services to the Company by the advisor's employer;
2. The fees received from the Company by the advisor's employer, as a percentage of the total revenue of the employer;
3. The policies and procedures of the advisor's employer that are designed to prevent conflicts of interest;

4. Any business or personal relationship of the advisor with a member of the Committee;
5. Any stock of the Company owned by the advisor;
6. Any business or personal relationship of the advisor or the advisor's employer with an executive officer of the Company; and
7. Any other factors the Committee considers relevant in evaluating the independence of its advisors.

II. Specific Duties and Responsibilities of the Committee

- A. Board Reporting. Review and report to the Board, as appropriate, relative to:
1. The cost, competitiveness, and appropriateness of the Company's compensation and benefits structure, policies, and practices.
 2. Incentive/bonus payouts to Company employees, other than the CEO and the CEO's direct reports, under the Company's short-term incentive plan and similar programs and other significant incentive or bonus payouts that do not require Board approval.
 3. Compensation philosophy and annual salary review budget.
 4. Any specific actions with regard to the compensation and benefits of senior management, including the CEO's direct reports, which would fall outside established policies and guidelines.
 5. Other significant compensation and benefit matters, as determined by the Board, the Committee, or management.
 6. Annual review of perquisites provided to senior management, including the CEO's direct reports.
- B. Approval Authority. Review and approve:
1. Performance measures applicable to the Company's short-term and long-term incentive plans.
 2. The issuance (other than to the CEO) of stock options, restricted stock, performance shares and other awards, including stock-based and/or cash awards, under the Company's equity-based incentive plans and agreements, to (a) Company employees other than the CEO and the CEO's direct reports, and (b) the CEO's direct reports to the extent any such awards are granted off-cycle in connection with any new hire arrangement.

C. Compensation Recommendations. Review and recommend for approval:

1. The corporate goals and objectives relevant to CEO compensation, evaluate annually CEO performance in light of those goals and objectives, and, either as a Committee or together with the other independent directors (as directed by the Board), determine and approve annually the CEO's compensation level based on this evaluation. In determining the CEO's total compensation, including the long-term incentives, the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, the ratio of compensation for the Company's CEO as compared to other Company employees, and the awards given to the Company's CEO in past years shall be considered. In evaluating CEO performance in light of the applicable CEO compensation corporate goals and objectives, the Committee may, as appropriate, obtain input and assistance from the Lead Director and other Committees.
2. The annual salaries of the CEO's direct reports.
3. The annual payouts under the Company's short-term and long-term incentive plans to the CEO's direct reports.
4. The annual issuance to the CEO and its direct reports of stock options, restricted stock, performance shares and other awards, including stock-based and/or cash awards, under the Company's equity-based incentive plans and agreements, other than as provided in Section II.B.2 with respect to specified off-cycle awards.
5. The proposed election or appointment of the Company's officers.
6. The proposed creation, or modification thereto, of any incentive/bonus compensation, employee benefit plan or other similar program that requires Board and/or shareholder approval.
7. Periodically and as and when appropriate, entry into any change in control agreement or indemnification agreement with senior management.
8. Changes in the amount or form of compensation and benefits for non-employee directors.
9. The frequency and content of the Say-on-Pay and any golden parachute proposals.
10. Proposed revisions of the Committee Charter.

- D. Compliance. Oversee the Company's compliance with SEC rules and regulations regarding shareholder approval of certain executive compensation matters and the requirement under NYSE rules that, with limited exceptions, shareholders approve equity compensation plans.
- E. Compensation Comparator Group. The Committee shall:
 - 1. Review and annually determine the composition of any compensation comparator groups used for market comparison of senior management compensation.
 - 2. Approve the establishment of the competitive positioning of pay levels versus the relevant compensation comparator groups for senior management.
- F. Stock Ownership Guidelines. Establish, periodically review, and approve the Company's guidelines requiring the ownership of Company shares by directors and senior management, and annually review compliance with such guidelines.
- G. Recoupment. Establish, review, and approve any changes to the Company's policy on recoupment of incentive compensation in the event of a financial restatement or other events that could require the recoupment or forfeiture of incentive compensation.

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 and duties to one or more subcommittees, or to management, as appropriate.
- 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.
