

CORPORATE GOVERNANCE FACT SHEET

OUR BOARD IS ACCOUNTABLE TO SHAREHOLDERS		
1.	Majority of Directors independent	Yes
	10 of our 11 Directors are independent.	
2.	Directors elected annually	Yes
	Annual Director elections are held at our April annual shareholder meeting.	
3.	Directors elected by majority vote	Yes
	Illinois law requires that our Directors be elected by majority vote in all elections.	
4.	Majority voting Director resignation policy	Yes
	<ul style="list-style-type: none"> • If a Director standing for re-election fails to receive the required majority vote, he/she must tender a resignation. • The Board will publicly disclose its decision within 90 days after the annual meeting. 	
5.	Shareholder cumulative voting rights in Director elections	Yes
	As required under Illinois law, cumulative voting applies to all Director elections.	
6.	Proxy access by-laws	Yes
	Shareholders who beneficially own 3% of our outstanding shares with 3 years of continuous ownership may nominate up to the greater of 2 directors or 20% of the directors then serving on the Board (rounded down).	
7.	Shareholders may call special meetings	Yes
	Holders of at least 20% of the outstanding shares may call special meeting under our by-laws.	
8.	No “poison pill” or shareholders’ rights plan	Yes
	The Company did not renew its shareholders’ rights plan when it expired in 2008.	
9.	No “Over-boarded” Directors under ISS policies	Yes
	<ul style="list-style-type: none"> • There are no non-CEO directors serving on more than 5 public company boards. • There are no CEO-directors serving on more than 2 public company boards. 	
10.	All Directors attended the annual shareholders’ meeting in 2018	Yes
	100% attendance in 2018.	
11.	All Directors had 100% attendance at Board and Committee meetings in 2018	Yes
	100% attendance in 2018.	
12.	Board orientation/education program	Yes
	<ul style="list-style-type: none"> • New Directors participate in the Company’s orientation process. • Directors participate routinely in continuing education programs and training. 	
13.	Directors must tender resignation upon a substantive change in career	Yes
	<ul style="list-style-type: none"> • Directors must tender a resignation from the Board upon a substantive change in career or vocation. • The Board Affairs and Nominating Committee, within 30 days, will submit a recommendation to the Board. 	

OUR BOARD IS ENGAGED IN COMPANY STRATEGY & OVERSIGHT

1.	Board plays active role in formulating, planning and overseeing the implementation of corporate strategy	Yes
	<ul style="list-style-type: none"> • Our Board is involved in a robust annual strategic planning process, with key elements of our business and financial plans, strategies, and near- and long-term initiatives developed and reviewed with the Board throughout the year. • Our Board also reviews short-term and long-term financial plans, which serve as the basis for the Company's annual operating and capital plans for the upcoming year. 	
2.	Board plays active role in Company oversight	Yes
	<p>Our Board actively oversees the Company to, among other things:</p> <ul style="list-style-type: none"> • encourage management communication with our shareholders; • ensure effective succession planning to help maximize long-term corporate performance; • evaluate management's performance against its goals; • help management assess long-term strategies for, and oversee risk management processes and policies of, the Company; and • evaluate the Company's commitment to corporate social responsibility. 	
3.	Board plays active role in shareholder engagement	Yes
	<ul style="list-style-type: none"> • Our Board believes it is important that the Company's strategy is effectively communicated, and that shareholders' perspectives are understood and considered. • During 2018, the Lead Director met with a variety of institutional investors as part of a corporate governance roadshow. 	
4.	Board plays active role in succession planning and management development	Yes
	<ul style="list-style-type: none"> • Our Board recognizes the importance of senior leadership continuity. • At least once a year, the Board conducts an in-depth review of senior leader development and succession planning, including emergency succession scenarios. 	
5.	Board plays active role in risk oversight	Yes
	<ul style="list-style-type: none"> • Our Board oversees risk assessment/risk management processes and policies used by the Company to identify, assess, monitor and address potential financial, compensation, operational, strategic, cybersecurity and legal risks on an enterprise wide basis. • The Audit Committee regularly reviews the Company's risk assessment and risk management processes and policies, including receiving reports from management on the effectiveness of our Enterprise Risk Management (ERM) initiatives, including as to cybersecurity. • The Compensation Committee assesses the relationship between potential risk created by the Company's compensation programs and its impact on long term shareholder value. 	
6.	Board is committed to Corporate Social Responsibility (CSR)	Yes
	<ul style="list-style-type: none"> • The Board Affairs and Nominating Committee oversees the Company's CSR activities, which include a commitment to operating responsibly, valuing our people, serving our communities and sustaining our environment. • Grainger publishes an annual CSR report that is periodically updated and is available on our website at http://www.GraingerCSR.com. 	

OUR BOARD ENGAGES IN ONGOING REFRESHMENT EFFORTS, A RIGOROUS EVALUATION PROCESS, & A WELL-EXECUTED DIRECTOR SEARCH PROCESS		
1.	Director Skills/Background Matrix regularly reviewed and annually disclosed	Yes
	Our Board regularly reviews the experience, qualifications, attributes, skills, and backgrounds that are relevant to service on Grainger's Board and annually discloses a skills/background matrix.	
2.	Board periodically refreshes itself	Yes
	<ul style="list-style-type: none"> • Our Board seeks new Directors with fresh viewpoints, while valuing Directors who have a deeper understanding of the Company, both of which provide significant shareholder value. • Over the last 4 years, 4 new Directors (3 independent) have been appointed to the Board. 	
3.	Board has well-defined Director recruitment strategy and process	Yes
	<ul style="list-style-type: none"> • The Board periodically evaluates whether it has the right mix of skills, experience, attributes and diverse viewpoints necessary to be good stewards for the Company's shareholders and recommends nominees to the Board. • A nationally recognized third party search firm assists in recruitment efforts and helps identify candidates that satisfy the Board's criteria. 	
4.	Board has appropriate mix of Director tenures	Yes
	<ul style="list-style-type: none"> • The Board believes that it has the appropriate mix of relatively new directors and those with longer service to the Company. • As a group, average Board tenure is 11.5 years, with 30% of independent Directors having tenure of less than 5 years. 	
5.	Retirement Age Guideline (72)	Yes
	<ul style="list-style-type: none"> • Grainger's Criteria for Membership on the Board provide that an outside director generally will not be nominated after the age of 72. • In the last 2 years, two Directors did not stand for re-election based on retirement age, and the Company's former Chairman retired in 2017 before age 72. 	
6.	Board Diversity / "Rooney Rule"	Yes
	<ul style="list-style-type: none"> • Our Board seeks qualified nominees from a variety of backgrounds, including candidates of gender and racial diversity. • In any retained search, the Board is seeking candidates with gender and racial diversity and will only consider and interview slates that include gender and racially diverse candidates. • 4 of 11 current Directors are diverse: <ul style="list-style-type: none"> ○ 2 female; 9 male ○ 2 African American males; 1 Hispanic female; 8 Caucasian males 	
7.	Board, Committee and Director Self-Evaluations	Yes
	<ul style="list-style-type: none"> • Our Board undertakes an annual evaluation process to promote strong corporate governance and ongoing Board effectiveness. Each year, the Board conducts a full Board evaluation, a Committee evaluation, and a director self-assessment. • These evaluations, which are annually reviewed by an external corporate governance expert, ask directors to rate how the Board performs and seek feedback on more open-ended topics, including Board and Committee processes and effectiveness. 	

OUR STRONG INDEPENDENT LEAD DIRECTOR COUPLED WITH A COMBINED CHAIRMAN/CEO PROVIDES AN OPTIMAL LEADERSHIP STRUCTURE TO GRAINGER

1.	Company has strong independent Lead Director	Yes
	<ul style="list-style-type: none"> • Lead Director elected annually by and from the Board's independent directors. • Responsibilities include: <ul style="list-style-type: none"> ○ presiding at meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors; ○ serving as the primary liaison between the Chairman and the independent directors; ○ reviewing and approving meeting agendas for the Board to ensure that critical issues are included; ○ conducting the Board's annual self-evaluation, including coordinating Board committee evaluations; ○ leading the Board in its annual review of the Board and management's performance, including the CEO, to the extent necessary to supplement the Compensation Committee's review of the CEO's performance relative to applicable compensation goals and objectives; ○ being available, as necessary, for consultation and communication with major shareholders; and ○ coordinating the director recruitment process with the Board Affairs and Nominating Committee. 	
2.	Combined Chairman and CEO	Yes
	A combined Chairman/CEO position in conjunction with an independent Lead Director provides effective oversight of management and result in a high level of management accountability to shareholders.	
