

Annual General Meeting

Notice of the ninety-ninth Annual General Meeting of the Company to be held at the registered office of Grainger plc, Citygate, St. James' Boulevard, Newcastle upon Tyne NE1 4JE on 8 February 2012 at 12.30 p.m. is set out in this document.

Registered in England and Wales with registered number 125575

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000 immediately.

If you have sold or transferred all your ordinary shares in Grainger plc, please forward this document, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

'Act'	the Companies Act 2006 as amended;
'Annual General Meeting'	the Annual General Meeting of the Company to be held on 8 February 2012 at 12.30 p.m. at the registered office of the Company;
'board' or 'directors'	the board of directors of the Company including a duly appointed committee thereof at which a quorum is present;
'Company'	Grainger plc;
'CSOP'	The Grainger plc Company Share Option Plan 2012;
'Dealing Day'	a day on which the London Stock Exchange is open for the transaction of business;
'FSMA'	the Financial Services and Markets Act 2000;
'Group'	the Company and its subsidiary undertakings from time to time;
'HMRC'	Her Majesty's Revenue & Customs;
'ITEPA'	Income Tax (Earnings and Pensions) Act 2003;
'London Stock Exchange'	London Stock Exchange plc;
'Model Code'	the model code on directors' dealings in securities as set out in the appendix to rule 9 of the Listing Rules issued by the UK Listing Authority (as amended from time to time);
'Official List'	the list maintained by the UKLA pursuant to Part VI of FSMA;
'Ordinary Shares'	ordinary shares in the capital of the Company;
'Remuneration Committee'	the remuneration committee of the board;
'UK Corporate Governance Code'	the UK Corporate Governance Code (June 2010 edition) published by the Financial Reporting Council;
'UKLA or UK Listing Authority'	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA.

DIRECTORS

Robin Broadhurst Chairman*

Andrew Cunningham Chief Executive

Peter Couch

Mark Greenwood

Nick Jopling

Robert Hiscox*

John Barnsley*

Henry Pitman*

Baroness Margaret Ford*

Belinda Richards*

Tony Wray*

* Non-executive

Registered and Head Office

Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JE

Letter from the Chairman

16 December 2011

DEAR SHAREHOLDER

The next Annual General Meeting of the Company is to be held at the registered office of Grainger plc, Citygate, St. James' Boulevard, Newcastle upon Tyne NE1 4JE, on 8 February 2012. You will see from the Notice of Annual General Meeting, which is set out on page 7 of this document, that there are twenty one resolutions which are proposed for approval, fifteen of which relate to the ordinary business of the Annual General Meeting and six of which relate to special business.

Details of these resolutions are set out below and in the Notice of Annual General Meeting. Resolutions 1 to 16, 20 and 21 will be proposed as ordinary resolutions. Resolutions 17 to 19 will be proposed as special resolutions.

ORDINARY BUSINESS

Resolutions 1 and 2 seek the approval of the Company's annual report and accounts for the year ended 30 September 2011 which have been circulated to shareholders at the same time as this letter, and the directors' remuneration report for the same period which is set out in pages 50 to 56 of the Company's annual report and accounts. Resolution 3 relates to the proposed payment of a dividend of 1.3p per share to be paid on 10 February 2012 to all holders of 5p ordinary shares on the register of members of the Company at the close of business on 9 December 2011 in respect of all ordinary shares then registered in their names.

Resolutions 4 to 13 relate to the re-election of the directors of the Company. Belinda Richards and Tony Wray have been appointed since the last annual general meeting and so offer themselves for re-election by shareholders at this Annual General Meeting in accordance with the articles of association of the Company. Robert Hiscox is retiring at the Annual General Meeting and is not offering himself for re-election. In accordance with the UK Corporate Governance Code, all other directors are offering themselves for re-election at this Annual General Meeting. It is considered by the board that all of the directors bring valuable skills and experience to the board. Formal, externally facilitated, performance evaluations have taken place (except in respect of Tony Wray who was appointed after the performance evaluations had taken place) and, following those evaluations, the board considers that the performance of each director continues to be effective and that each demonstrates commitment to his role. Biographical details of all the directors are set out on pages 42 and 43 of the Company's annual report and accounts.

Resolutions 14 and 15 are to reappoint PricewaterhouseCoopers LLP as auditors and authorise the directors to agree their remuneration.

SPECIAL BUSINESS

Resolution 16

This resolution, which will be proposed as an ordinary resolution, seeks shareholder approval for the directors to be authorised to allot ordinary shares.

Under the provisions of section 551 of the Act, the directors are not permitted to allot shares unless authorised to do so by the shareholders. The Act provides for such authority to be granted either by the Company in general meeting or by the articles of association and, in both cases, such authority can only last for five years. Notwithstanding the statutory provisions, institutional best practice indicates that this authority be renewed annually. Accordingly, all unexercised previous authorities (including that obtained at the Company's previous annual general meeting) are revoked by this new authority and this authority will expire at the conclusion of the next annual general meeting of the Company or, if earlier, 15 months after the passing of the resolution except insofar as commitments to allot shares have been entered into before that date.

In accordance with institutional guidelines, the board considers it appropriate that the directors be granted authority to allot shares in the capital of the Company up to a maximum nominal amount of £13,800,000 representing the guideline limit of approximately two-thirds of the Company's issued ordinary share capital (excluding treasury shares) as at 9 December 2011 (being the latest practicable date prior to publication of this circular). Of this amount, £6,900,000 (representing approximately one-third of the Company's issued ordinary share capital (excluding treasury shares)) can only be allotted pursuant to a fully pre-emptive rights issue. The board has no present intention of exercising this authority.

The Company holds 1,506,300 treasury shares, being approximately 0.36% of the issued share capital of the Company (excluding treasury shares) as at 9 December 2011.

Letter from the Chairman continued

In line with institutional investor guidelines, where the aggregate usage by the Company of the authority granted by this resolution exceeds one third of the nominal value of the Company's issued ordinary shares (excluding treasury shares) as at 9 December 2011 and also, in the case of issuance being in whole or part by way of a fully pre-emptive rights issue, monetary proceeds exceed one third (or such lesser relevant proportion) of the pre-issue market capitalisation, if this would not otherwise already be the case, all Directors wishing to remain in office will stand for re-election at the next annual general meeting of the Company following the decision to make the issue in question.

Resolution 17

This resolution, which will be proposed as a special resolution, supplements the directors' authority to allot shares in the Company proposed by resolution 16, and will disapply statutory pre-emption rights in relation to allotment of a limited number of shares in the Company.

Section 561 of the Act requires a company proposing to allot equity securities to offer them first to existing shareholders in proportion to their existing shareholdings. The allotment of equity securities includes ordinary shares (the only class of share capital the Company has at present) and selling shares held in treasury but the requirement does not apply to shares issued under employee share schemes. If this resolution is passed, the requirement imposed by section 561 will not apply to allotments by the directors in two cases:

1. in connection with a rights (or similar) issue, where strict application of the principle in section 561 could (for example) either result in fractional entitlements to shares arising or require the issue of shares where this would be impractical because of legal or regulatory requirements in any given overseas jurisdiction; and
2. allotments of shares for cash up to a total nominal value of £1,030,000 (representing 5% approximately of the Company's issued share capital (excluding treasury shares) at 9 December 2011 being the latest practicable date prior to publication of this circular). This gives the directors flexibility to take advantage of business opportunities as they arise, whilst the 5% limit ensures that existing shareholders' interests are protected in accordance with guidelines issued by institutional investors' bodies.

The board also confirms its intention that equity securities equivalent to no more than 7.5% of the issued share capital of the Company will be allotted for cash on a non pre-emptive basis during any rolling three-year period, again in line with institutional investor guidelines.

In the five years since the 2007 annual general meeting, the Company has not issued any shares on a non-pre-emptive basis (excluding shares issued under employee share schemes).

As in recent years, this authority will expire at the conclusion of the next annual general meeting or, if earlier, 15 months after the passing of the resolution except in so far as commitments to allot shares have been entered into before that date and a resolution to renew the authority will be produced at each future annual general meeting.

Resolution 18

This resolution, which will be proposed as a special resolution, seeks to renew the authority for the Company to purchase its own shares in the market up to a maximum of 41,400,000 ordinary shares (being approximately 10% of the Company's issued ordinary share capital as at 9 December 2011 (excluding treasury shares), being the last practicable date prior to the publication of this circular).

The proposed resolution sets out the maximum and minimum prices which the Company may pay for its shares. This authority will expire at the conclusion of next year's annual general meeting or, if earlier, 15 months after the passing of the resolution.

This authority gives the Company greater flexibility in managing its capital resources. The board does not currently intend to exercise this authority during the year ahead. However, should it do so, it will only be following careful consideration, taking into account market conditions prevailing at the time, other investment opportunities, appropriate gearing levels, the overall position of the Company, the effects on earnings per share and the benefits for shareholders. Any purchase of ordinary shares would be by means of market purchases. Any shares purchased under the authority may be cancelled (and the number of the Company's shares in issue will be reduced accordingly) or may be held in treasury so as to be available to be sold at a later date, subject to the restrictions set out in resolution 17 or its equivalent in force at the time.

The extent of the authority sought is calculated in accordance with current governance practice.

In the 12 months prior to 9 December 2011, being the last practicable date prior to the publication of this circular, the Company had not exercised its right under its existing authority. The Company did purchase 1,484,890 ordinary shares pursuant to a tender offer approved by shareholders at a general meeting of the Company held on 13 June 2011.

The total number of ordinary shares covered by options or warrants as at 9 December 2011, the latest practicable date prior to publication of this circular, is 2,655,915, representing 0.64% of the issued ordinary share capital of the Company excluding treasury shares (0.8% of the issued share capital of the Company if the Company's full authority to purchase shares, both existing and being sought, is used).

Resolution 19

With effect from August 2009, The Companies (Shareholders' Rights) Regulations 2009 have increased the notice period for all general meetings (including annual general meetings) of the Company, subject to any restrictions in its articles of association, to 21 days' notice. For general meetings other than annual general meetings, a company quoted on the Official List of the UK Listing Authority is allowed to hold such general meetings (but not annual general meetings) on 14 days' notice provided that two conditions are met. The first condition is that the company offers facilities for shareholders to vote by electronic means. This condition is met if there is a facility offered by the company and accessible to all members to appoint a proxy by means of a website. The second condition is that there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days. The board is therefore proposing this resolution as a special resolution to approve 14 days as the minimum notice period for all general meetings of the Company other than annual general meetings. The approval will be effective until the Company's next annual general meeting, when it is intended that permission for the approval to be renewed will be sought.

Resolution 20

The Company has a policy that it does not make donations or incur expenditure on behalf of political parties. However, the Act contains restrictions on companies making political donations or incurring political expenditure and it defines these terms very widely, such that activities that form part of the normal relationship between the Company and bodies concerned with policy review may be included.

Such activities are not designed to support a particular political party.

The Company believes that the authority proposed under this resolution, which will be proposed as an ordinary resolution, is necessary to ensure that it does not commit any technical or inadvertent breach of the Act when carrying out activities in furtherance of its legitimate business interests.

The authority will lapse on the conclusion of the Company's next annual general meeting or, if earlier, 15 months after the passing of the resolution and will be limited to an aggregate amount of £50,000.

The Company neither made political donations nor incurred political expenditure in the financial year ended 30 September 2011.

Resolution 21

This resolution, which will be proposed as an ordinary resolution, seeks shareholder approval for the directors to be authorised to adopt The Grainger plc Company Share Option Plan 2012, the principal terms of which are summarised in the Appendix to the Notice of Annual General Meeting.

The Company has previously operated the Grainger Trust plc (1997) Executive Share Option Scheme ('Old Scheme'). The Old Scheme was approved by shareholders on 26 February 1997 and constituted an HMRC approved company share option plan which permitted the Company to grant options that qualified for statutory tax relief. The relief allows an option granted under the Old Scheme to be exercised without incurring any income tax or employee's national insurance for the option holder or any employer's national insurance for the Company, provided that the relevant statutory requirements are satisfied. The Old Scheme therefore afforded the Company a tax efficient method of incentivising and retaining employees.

The Old Scheme will expire on 5 March 2012 and following this date, it will no longer be possible to grant options under it which can benefit from the tax reliefs referred to above.

Letter from the Chairman continued

Accordingly, the Company proposes to adopt The Grainger plc Company Share Option Plan 2012 to replace the Old Scheme, so that it may continue to incentivise employees in a tax efficient manner.

The Grainger plc Company Share Option Plan 2012 will be subject to the same statutory constraints as the Old Scheme. Consequently, each individual's participation will be limited so that the aggregate market value of Ordinary Shares subject to all options (calculated at the date of grant of each option) held by that individual and granted under The Grainger plc Company Share Option Plan 2012 and any other HMRC approved company share option plan operated by the Company or any associated company shall not exceed £30,000 (or such other amount as may be permitted by HMRC from time to time).

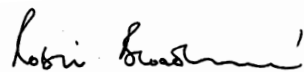
Subject to resolution 21 being passed by the shareholders of the Company, the Company will seek HMRC approval for The Grainger plc Company Share Option Plan 2012, so that options granted under it can benefit from the statutory tax relief available.

In this regard, HMRC has already indicated that The Grainger plc Company Share Option Plan 2012 will meet the statutory requirements necessary to obtain such approval.

RECOMMENDATION

The directors believe that all the proposals referred to above are in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company for the benefit of its shareholders as a whole. The directors unanimously recommend that you vote in favour of all the proposed resolutions, as they intend to do in respect of their own beneficial shareholdings.

Yours sincerely



Robin Broadhurst
Chairman

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of the Company will be held at the registered office of Grainger plc, Citygate, St. James' Boulevard, Newcastle upon Tyne NE1 4JE on 8 February 2012 at 12.30 p.m. for the following purposes:

As ordinary business, to consider and, if thought fit, pass the following resolutions 1 to 15, as ordinary resolutions of the Company:

1. That the directors' report and the audited financial statements for the year ended 30 September 2011 be approved and adopted.
2. That the remuneration committee report for the year ended 30 September 2011 be approved.
3. That a dividend of 1.3p per share be paid on 10 February 2012 to all holders of 5p ordinary shares on the register of members of the Company at the close of business on 9 December 2011 in respect of all ordinary shares then registered in their names.
4. That Belinda Richards be re-elected as a director.
5. That Tony Wray be re-elected as a director.
6. That Robin Broadhurst be re-elected as a director.
7. That Andrew Cunningham be re-elected as a director.
8. That Peter Couch be re-elected as a director.
9. That Mark Greenwood be re-elected as a director.
10. That Nick Jopling be re-elected as a director.
11. That John Barnsley be re-elected as a director.
12. That Henry Pitman be re-elected as a director.
13. That Baroness Margaret Ford be re-elected as a director.
14. That PricewaterhouseCoopers LLP be reappointed as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
15. That the remuneration of PricewaterhouseCoopers LLP be fixed by the directors.

To transact any other ordinary business of the Company.

As special business, to consider and, if thought fit, pass the following resolutions which in the case of resolutions 16, 20 and 21 shall be proposed as ordinary resolutions of the Company, and in the case of resolutions 17 to 19 shall be proposed as special resolutions of the Company:

16. That the directors be generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 ('Act') to exercise all the powers of the Company to:
 - 16.1 allot or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £6,900,000; and
 - 16.2 allot equity securities (within the meaning of section 560 of the Act) up to a further aggregate nominal amount of £6,900,000 provided that they are offered by way of a rights issue to holders of ordinary shares on the register of members at such record date(s) as the directors may determine, where the shares or equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective number of ordinary shares held or deemed to be held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter,

provided that in both cases:

 - (a) (except as provided in paragraph (b) below) this authority shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, 15 months after the passing of this resolution; and
 - (b) the Company may before such expiry make an offer or agreement which would or might require shares or equity securities, as the case may be, to be allotted or such rights granted after such expiry and the directors may allot shares or equity securities or grant such rights, as the case may be, in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Notice of Annual General Meeting continued

All unexercised authorities previously granted to the directors to allot shares or equity securities or to grant rights to subscribe for or to convert any security into shares be and are hereby revoked.

17. That, subject to the passing of resolution 16 above, the directors, be empowered pursuant to section 570 of the Companies Act 2006 ('Act') to allot equity securities (within the meaning of section 560 of the Act) for cash, either pursuant to the authority conferred by resolution 16 or by way of a sale of treasury shares (within the meaning of section 724(5) of the Act), as if section 561 of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

- (a) made in connection with an offer of securities, open for acceptance for a fixed period, by the directors to ordinary shareholders of the Company on the register on a fixed record date in proportion (as nearly as may be) to their then holdings of such shares (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares or any legal or practical problems under the laws or requirements of any recognised regulatory body or any stock exchange in any overseas territory or in connection with fractional entitlements) or by virtue of shares being represented by depositary receipts or any other matter whatsoever;

and

- (b) (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal value of £1,030,000.

Provided in both cases that the powers granted by this resolution shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, 15 months after the passing of this resolution but the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to such an offer or agreement notwithstanding that the power conferred by this resolution has expired.

All unexercised authorities previously granted to the directors to allot equity securities as if section 561 of the Act did not apply be and are hereby revoked.

18. That in accordance with the Companies Act 2006 ('Act') the Company be generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 5p each in the capital of the Company provided that:
- 18.1 the maximum aggregate number of shares hereby authorised to be purchased is 41,400,000;
- 18.2 the minimum price which may be paid for such shares is 5p per ordinary share (exclusive of expenses);
- 18.3 the maximum price (exclusive of expenses) which may be paid for such shares shall not be more than 5% above the average of the market values for a share as derived from the London Stock Exchange's Daily Official List for the five business days immediately preceding the date on which the shares are purchased;
- 18.4 unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next annual general meeting or 15 months from the date of this resolution (whichever is earlier); and
- 18.5 the Company may make a contract or contracts to purchase shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.
19. That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.
20. That the Company and all companies that are its subsidiaries at any time during the period for which this resolution is effective are hereby authorised to:
- 20.1 make political donations to political parties and/or to independent election candidates;

20.2 make political donations to political organisations other than political parties; and

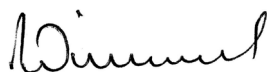
20.3 incur political expenditure,

not exceeding £50,000 in aggregate during the period ending on the date of the Company's next annual general meeting.

For the purposes of this resolution, the terms 'political donations', 'political parties', 'independent election candidates', 'political organisation' and 'political expenditure' have the meanings set out in sections 363 to 365 of the Companies Act 2006.

21. That The Grainger plc Company Share Option Plan 2012, the principal terms of which are summarised in the Appendix to this Notice of Annual General Meeting and a copy of which has been produced to the meeting and for the purposes of identification signed by the Chairman, be and is hereby approved and the directors be and are hereby authorised to make such amendments to the rules of The Grainger plc Company Share Option Plan 2012 as may be necessary to obtain HMRC approval of the same and to do all such acts or things as may be necessary or desirable to obtain such HMRC approval and to implement The Grainger plc Company Share Option Plan 2012.

By order of the board



Michael Windle
Company Secretary
16 December 2011
CRN: 125575

Citygate
St. James' Boulevard
Newcastle upon Tyne
NE1 4JE

General notes

Entitlement to attend and vote

The Company specifies that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 6 February 2012 (or, if the meeting is adjourned, 6.00 p.m. on the day two days prior to the adjourned meeting) shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. A member can appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attaching to different shares held by him. In order to be valid, an appointment of proxy (together with any authority under which it is executed or a duly certified copy of the authority) must be returned by one of the following methods and in each case must be received by the Company not less than 48 hours before the time of the meeting:

- (a) in hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
- (b) via www.capitashareportal.com. If you have not previously registered for electronic communications you will first be asked to register as a new user for which you will require your investor code (which can be found on your share certificate or dividend tax voucher), family name and postcode to log in. Once registered, a proxy voting link will be provided. You do not need to wait for an activation code; or
- (c) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

Completion and return of the form of proxy, or completion of the online voting process, will not preclude shareholders from attending and voting at the meeting. The form of proxy includes a vote withheld option. Please note that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against any particular resolution.

Each shareholder entitled to attend the Annual General Meeting as above, and each proxy appointed in accordance with the above, has one vote for each resolution voted on by a show of hands. If a proxy has been appointed by more than one member entitled to vote, and one of those members has instructed the proxy to vote for the resolution and one or more other of those members has instructed the proxy to vote against it, the proxy has one vote for and one vote against the resolution on a show hands. In the event of a poll the proxy can exercise the voting rights of each member who has appointed them.

Under section 324A of the Companies Act 2006, a proxy must vote in accordance with any instructions given by the member by whom they are appointed.

A copy of this Notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 ('Nominated Persons'). The rights to appoint a proxy cannot be exercised by a Nominated Person; they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Shareholders entitled to attend and vote as above, have a right to ask questions related to the business put to the meeting as set out in this document. The directors will endeavour to answer all such questions as fully as possible, however, they are not required to answer if:

- (i) to do so would interfere unduly with the preparation for the meeting; or
- (ii) to answer would involve the disclosure of confidential information; or
- (iii) the answer has already been given on a website in the form of an answer to a question; or
- (iv) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Corporate representatives

A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

CREST members

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message ('a CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Documents available for inspection

Copies of the contracts of service of the directors employed by the Company and the letters of appointment of the non-executive directors are available for inspection by members of the Company at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Notice until the close of the Annual General Meeting.

A copy of the draft form of the rules of The Grainger plc Company Share Option Plan 2012 will also be available for inspection at the registered office of the Company and at the offices of Eversheds LLP, One Wood Street, London EC2V 7WS during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Notice until the close of the Annual General Meeting.

You can also inspect all of the documents mentioned above at the place of the Annual General Meeting where they will be made available from at least 15 minutes prior to the Annual General Meeting until the close of the Annual General Meeting.

Share capital

At 5.00 p.m. on 9 December 2011, the Company's issued share capital comprised 416,381,206 ordinary shares of 5p each. Each ordinary share carries the right to one vote at a general meeting of the Company. The Company holds 1,506,300 ordinary shares in treasury and is not permitted to exercise voting rights in respect of these shares. Therefore the total number of voting rights in the Company as at 5.00 p.m. on 9 December 2011 is 414,874,906.

Audit concerns

Pursuant to Chapter 5 of Part 16 of the Companies Act 2006, where requested by either a member or members having a right to vote at the Annual General Meeting and holding at least 5% of total voting rights of the Company or at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital, the Company must publish on its website a statement setting out any matter that such members propose to raise at the meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting. Where the Company is required to publish such a statement on its website, it may not require the members making the request to pay any expenses incurred by the Company in complying with the request, it must forward the statement to the Company's auditors and the statement may be dealt with as part of the business of the meeting. A member wishing to request publication of such a statement on the Company's website must

General notes continued

send the request to the Company either in hard copy form to the Company's registered office marked for the attention of the Company Secretary (and sign the request), by email to mwindle@graingerplc.co.uk or by fax to 0191 2611819 marked for the attention of the Company Secretary. Whichever form of communication is chosen, the request must either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported, be received by the Company at least one week before the Annual General Meeting and be appropriately authenticated in accordance with section 527(4)(c) Companies Act 2006.

Members' further rights

Members of the Company have the right, under section 338 of the Companies Act 2006, to require the Company to give its members notice of a resolution which the shareholders wish to be moved at the Annual General Meeting of the Company. Additionally, members of the Company have the right under section 338A of the Companies Act 2006 to require, subject to certain conditions (including that the matter is not defamatory of any person, frivolous or vexatious) the Company to include a matter (other than a proposed resolution) in the business to be dealt with at the Annual General Meeting. The Company is required to give such notice of a resolution or include such matter once it has received requests from members representing at least 5% of the total voting rights of all the members who have a right to vote at the Annual General Meeting or from at least 100 members with the same right to vote who hold shares in the Company on which there has been paid up an average sum, per member of at least £100. This request must (1) be received by the Company not later than six weeks before the Annual General Meeting or, if later, the time at which notice is given of the Annual General Meeting, (2) identify the resolution of which notice is to be given or the matter of business by either setting it out in full or, if supporting a resolution or statement sent by another member,

clearly identify the resolution or matter of business which is being supported, and (3) sent either in hard copy form to the Company's registered office marked for the attention of the Company Secretary (and signed), by email to mwindle@graingerplc.co.uk or by fax to 0191 2611819 marked for the attention of the Company Secretary. In the case of a request relating to section 338A of the Companies Act 2006, the request must be accompanied by a statement setting out the grounds for the request.

Website

A copy of this Notice and other information required by section 311A of the Companies Acts 2006 can be found at www.graingerplc.co.uk

Communication

Except as provided above, members who have general queries about the Annual General Meeting should contact the Company Secretary at Grainger plc, Citygate, St. James' Boulevard, Newcastle Upon Tyne, NE1 4JE or on 0191 269 5959 (no other methods of communication will be accepted).

You may not use any electronic address provided either in this notice of Annual General Meeting or any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

Appendix

SUMMARY OF THE GRAINGER PLC COMPANY SHARE OPTION PLAN 2012 ('CSOP')

Status of the CSOP

The CSOP is designed to be capable of approval by HMRC under Schedule 4 of ITEPA.

Eligibility

All employees (including full time executive directors) of the Company and any of its subsidiaries may be granted options over Ordinary Shares under the CSOP provided that they are not prohibited under the relevant legislation relating to HMRC approved company share option plans from being granted an option by virtue of having, or having had, a material interest in the Company.

Grant

The Remuneration Committee has absolute discretion to select the persons to whom options are to be granted and, subject to the limits set out below, in determining the number of Ordinary Shares subject to each option.

No options may be granted unless and until the CSOP has been formally approved by HMRC under Schedule 4 to ITEPA.

Options may be granted during the period of 42 days commencing on: (a) the date the CSOP is adopted by the Company; (b) the Dealing Day immediately following the date of the preliminary announcement of the Company's annual results or the announcement of its half-yearly results in any year; or (c) any other time fixed by the Remuneration Committee where, in its discretion, circumstances are considered to be exceptional so as to justify the grant of options.

If the grant of an option on any of the above days would be prohibited by virtue of the Model Code or any statute or regulation or any order made pursuant to such statute, then such option may be granted during the period of 42 days commencing on the Dealing Day immediately following the time that such prohibition shall cease to have effect.

No consideration is payable for the grant of an option.

Scheme Limits

On any date, no option may be granted under the CSOP if, as a result, the aggregate nominal value of Ordinary Shares issued or issuable pursuant to options granted during the previous ten years under the CSOP or any other discretionary employees' share scheme (which excludes any Save As You Earn Scheme approved by HMRC, a share incentive plan approved by HMRC under

Schedule 2 to ITEPA or any other share option scheme of the Company which is linked to a contractual savings scheme) adopted by the Company would exceed five per cent of the nominal value of the share capital of the Company in issue on that date.

On any date, no option may be granted under the CSOP if, as a result, the aggregate nominal value of Ordinary Shares issued or issuable pursuant to options granted during the previous ten years under the CSOP or any other employees' share scheme, profit sharing scheme or employee share ownership plan adopted by the Company would exceed ten per cent of the nominal value of the share capital of the Company in issue on that date.

For the avoidance of doubt, any Ordinary Shares already in issue when placed under option (unless such Ordinary Shares were issued by the Company for the purpose of the CSOP or other employees' share scheme concerned) or subject to an option which has lapsed or been surrendered shall be disregarded for the purpose of the above limits.

Individual Limit

Each individual's participation is limited so that the aggregate market value of Ordinary Shares subject to all options (calculated as at the date of grant of each option) held by that individual and granted under the CSOP or any other HMRC approved company share option plan operated by the Company or any associated company, shall not exceed £30,000 (or such other amount as may be permitted by HMRC from time to time).

Exercise Price

The exercise price per Ordinary Share under an option is determined by the Remuneration Committee at the time of grant but may not be less than the greater of (i) the market value of an Ordinary Share as at the date of grant and (ii) in the case of an option to subscribe for Ordinary Shares, the nominal value of an Ordinary Share.

The exercise price (as well as the number of Ordinary Shares under option and their nominal value) may be adjusted by the Remuneration Committee in the event of any capitalisation issue or rights issue (other than an issue of Ordinary Shares pursuant to the exercise of an option given to the shareholders of the Company to receive shares in lieu of a dividend) or rights offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital. Any such adjustment will require the prior approval of HMRC.

Appendix continued

Performance Conditions

The exercise of options granted under the CSOP will, in normal circumstances, be conditional upon the achievement of an objective performance target set at the time of grant. Such performance target shall be measured over a performance period (determined by the Remuneration Committee at the time of grant but which shall not be less than three years) ('Performance Period'). The option will become capable of exercise following a date ('Vesting Date') specified at the time of grant which occurs after the expiry of the relevant Performance Period. The Vesting Date for an option may not occur before the third anniversary of the date of grant.

The Remuneration Committee has yet to determine the performance target that will apply to the initial grant of options under the CSOP as the timing of the grant of such options and the identity of the proposed recipients has not been finalised. However, the Remuneration Committee presently anticipates, that in the absence of compelling reasons not to do so, in relation to the initial grant of options under the CSOP the Performance Period will be the three year period commencing from the first day in the financial year of the Company in which the option is granted and that:

- half of the Ordinary Shares subject to an option will be subject to the total shareholder return target ('TSR Target') summarised below; and
- half of the Ordinary Shares subject to an option will be subject to the triple net asset value target ('NNNAV Target') as described below.

TSR Target

If the growth in total shareholder return for the Company measured over the Performance Period is less than 5% compounded per annum, then the option shall lapse in respect of all the Ordinary Shares subject to the TSR Target.

If the growth in total shareholder return for the Company measured over the Performance Period is equal to 15% compounded per annum or more, then the option shall be capable of exercise in respect of all of the Ordinary Shares subject to the TSR Target.

Where the growth in total shareholder return for the Company measured over the Performance Period falls between 5% (compounded per annum) and 15% (compounded per annum), the number of Ordinary Shares over which the option may be exercised shall be determined on a straight line basis between 0% and 100% of the Ordinary Shares subject to the TSR Target.

NNNAV Target

If the growth in the triple net asset value of the Company (per Ordinary Share) measured over the Performance Period exceeds the average of the growth in the Halifax index and the growth in the Nationwide index over the same period by a factor of less than 1.5, then the option shall lapse in respect of all the Ordinary Shares subject to the NNNAV Target.

If the growth in the triple net asset value of the Company (per Ordinary Share) measured over the Performance Period exceeds the average of the growth in the Halifax index and the growth in the Nationwide index over the same period by a factor of 3 or more, then the option shall be capable of exercise in respect of all the Ordinary Shares subject to the NNNAV Target.

Where the growth in the triple net asset value of the Company (per Ordinary Share) measured over the Performance Period exceeds the average of the growth in the Halifax index and the growth in the Nationwide index over the same period by a factor which is between 1.5 and 3, the number of Ordinary Shares over which the option may be exercised shall be determined on a straight line basis between 0% and 100% of the Ordinary Shares subject to the NNNAV Target.

If events occur which cause the Remuneration Committee reasonably to consider that the performance target should be waived or that a different or amended target would be a fairer measure of performance, the Remuneration Committee may waive or amend the original performance target in such manner as it deems fit, provided that any such amended target is not materially more difficult to achieve than the original performance target.

It should also be noted that a performance target, applying to an option, may be measured over an abbreviated period less than the Performance Period in circumstances where an employee ceases to be a Group employee before the end of the relevant Performance Period or certain corporate events occur (such as a change of control of the Company) before the end of the relevant Performance Period. In these circumstances such performance target may be modified in such manner as the Remuneration Committee reasonably thinks fit so as to be applied over such abbreviated period.

Exercise of options

Normally, an option may only be exercised following the occurrence of the Vesting Date to the extent that the performance target has been satisfied and the participant is still an employee within the Group.

No option is capable of exercise more than ten years after its date of grant and will lapse on the tenth anniversary of its date of grant.

Options may not be exercised during any prohibited period specified by the Model Code.

In certain circumstances, options may be exercised earlier than the Vesting Date if the option holder ceases to be an employee of the Group. In particular, options may be exercised for a period of six months after the option holder ceases to be employed within the Group by reason of injury, ill health or disability (evidenced to the satisfaction of the Remuneration Committee), redundancy or retirement on or after reaching the age of 60 or upon the sale or transfer out of the Group of the company or undertaking employing him. In the event of cessation of employment of the option holder by reason of his death, his personal representatives will be entitled to exercise the option within twelve months following the date of his death. Where an option holder ceases to be employed within the Group for any other reason, options may also become exercisable for a limited period at the discretion of the Remuneration Committee.

Exercise of options is also possible earlier than the Vesting Date in the event of a takeover, a scheme of arrangement under Part 26 of the Companies Act 2006 being sanctioned by the court or the voluntary winding up of the Company. In the case of a takeover of the Company or the transfer out of the Group of the undertaking employing the option holder concerned, the Remuneration Committee may allow the option to be exercised immediately before, but with effect from, the takeover or the transfer of the undertaking concerned.

In all of these circumstances allowing for early exercise of an option prior to the Vesting Date, the option may not be exercised unless (subject to any modification of the performance target in accordance with the rules of the CSOP) the performance condition, if any, to which it is subject has been satisfied. Where an option is exercised before the occurrence of the Vesting Date, the maximum number of Ordinary Shares over which any option is capable of exercise shall, subject to the discretion of the

Remuneration Committee, be pro-rated down on a time apportioned basis by reference to the time that has elapsed from the relevant date of grant to the relevant event giving rise to the early exercise of the option.

In relation to the pro-rating mechanism outlined above, the Remuneration Committee has a discretion, having full regard to all the circumstances surrounding the early exercise of an option, to ignore the prescribed pro-rating of the Ordinary Shares over which such option may be exercised.

In the event of a takeover of the Company, an option holder may be allowed to exchange his option for a new option over shares in the acquiring company, provided that the acquiring company agrees to such exchange and the rights under the new option are equivalent to those under the old option.

Other option terms & issues of Ordinary Shares

The CSOP provides the facility for the exercise of an option to be satisfied by either the issue of Ordinary Shares, the transfer of Ordinary Shares held by an existing shareholder who has agreed to satisfy the exercise of the option or by the transfer of Ordinary Shares held in treasury.

Options are not capable of transfer or assignment.

Until options are exercised, option holders have no voting or other rights in relation to the Ordinary Shares subject to those options.

Ordinary Shares allotted pursuant to the exercise of an option will rank *pari passu* in all respects with the Ordinary Shares already in issue but shall not rank for any dividends or other distribution payable by reference to a record date preceding the date of such allotment. Ordinary Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of that exercise. For so long as the Company's Ordinary Shares are listed on the Official List, the Company will use its best endeavours to procure that the Ordinary Shares issued following exercise of any options are admitted to the Official List as soon as practicable after allotment.

Benefits obtained under the CSOP are not pensionable.

Appendix continued

Administration & amendment

The CSOP is administered by the Remuneration Committee. The Remuneration Committee may amend the provisions of the CSOP. However, no amendment to a key feature of the CSOP shall have effect until HMRC has approved such amendment. Furthermore, the rules of the CSOP which relate to:

- the persons to whom Ordinary Shares are provided under the CSOP;
- the limits on the number of Ordinary Shares which may be issued under the CSOP;
- the maximum entitlement of any option holder;
- the basis for determining an option holders entitlement to Ordinary Shares or options; and
- the basis for determining the adjustment of any option granted under the CSOP following any capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation in the share capital of the Company

cannot be amended to the advantage of any option holder or potential option holder without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the CSOP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders or any Group company.

Termination

The CSOP may be terminated at any time by resolution of the board and shall in any event terminate on the tenth anniversary of its adoption so that no further options can be granted under the CSOP after such termination. Termination shall not affect the outstanding rights of existing option holders.