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21 CORPORATE MEETS GRASS ROOTS: ITW’S WOMEN’S LEADERSHIP DEVELOPMENT COUNCIL
A strong spirit of volunteerism and generous community support have been ITW core values since our founding over 100 years ago. In fact, we believe our bold Enterprise Strategy, guided by 80/20 principles and focusing on portfolio management, business structure simplification and strategic sourcing, will bring even more attention and resources to the social and environmental programs already in place.

BUILDING A DIVERSE WORKFORCE
ITW’s Enterprise Strategy comes at a time when we are seeing a company-wide increase in commitment to our social responsibility efforts. For example, we know that developing a highly talented, diverse workforce is not just the right thing to do—it is critical to the future of our business. Increasing the number of women in leadership has a proven, positive effect on financial performance, and employees of diverse backgrounds bring fresh perspectives essential for innovation. In 2012, we established a new, measurable goal for increasing the number of women in executive positions (see Corporate Meets Grass Roots: Women’s Leadership Development Council, page 21). We are also increasing our efforts to make diversity part of our recruitment program. Our focus will always be to hire the most qualified person and we believe that a workforce comprised of people with diverse backgrounds and experience will allow us to maintain our competitive edge through differentiation and innovation.

PROACTIVE EMPLOYEE WELLNESS
In 2012, we had strong participation in the free, incentive-based biometric screenings and personal health assessments that we offer to our U.S. employees. We discovered that obesity is a common risk factor among our employees, and many were not making changes based on the screening results they received. Therefore, we have acted to make the wellness initiative even more proactive and created a simple education program called “Living Well at ITW.” We have created a network of wellness champions and hosted healthy eating and exercise events across our U.S. businesses. We believe these efforts will help make healthy choices and actions a part of our employees’ lifestyles. This practice is good for our employees and good for ITW.

GROWING ENVIRONMENTAL AWARENESS
We remain absolutely committed to improving our environmental record, and in 2012 we were pleased to see increased awareness and participation across our company. This isn’t just about meeting required regulations—ITW has a strong compliance record—but encouraging and supporting our businesses’ efforts to implement voluntary conservation programs in ways that benefit local communities and ecosystems. One hundred and sixty new conservation projects were launched at ITW businesses, while existing programs were continued and enhanced. ITW business leaders from all over the world also came together to share best practices and success stories at ITW’s Sustainability Conference, and participated in ITW World Environment Week, ITW’s first company-wide environmental awareness campaign.

“WE ARE INCREASING OUR EFFORTS TO ENSURE THAT MORE WOMEN AND DIVERSE CANDIDATES HAVE A CHANCE TO ACHIEVE MEANINGFUL CAREER GROWTH.”
ENTERPRISE STRATEGY AND ENVIRONMENTAL PERFORMANCE

On an enterprise level, 2012 marked the third year that we tracked environmental data. We collected data from 90 percent of ITW-owned manufacturing facilities, all over the world. This is an important step in measuring the progress of our goal to reduce energy intensity and the resulting harmful emissions at our top-ten energy-consuming businesses within five years by 20 percent. Our 2012 results show an improvement in energy and emissions intensity, after adjusting the baseline to account for recent changes in our business structure. This holds true for both the targeted businesses and ITW overall. We attribute the outcome to increased awareness and commitment to becoming more efficient from our business divisions. The sale of the Decorative Surfaces businesses in late 2012 has affected four of the original list of top-ten energy-consuming businesses in ITW’s portfolio. Of the six remaining businesses, our energy intensity improved by 11 percent versus 2011. In the upcoming year we will review our division list with an eye toward selecting more businesses to include in this endeavor. As we move from an organization of hundreds of business units to 110 to 120 global scaled-up divisions, the divisions included in our energy reduction plan may change, but our commitment to meeting the energy intensity reduction goal remains firm.

Despite these adjustments, ITW’s Enterprise Strategy will bring a sharper focus and even more resources to our environmental goals and programs. For example, the strategic sourcing initiative, which will create a formal materials procurement function within ITW, will further reduce materials waste and connect us with responsible suppliers who use innovative, sustainable methods. And our 80/20 business process will be invaluable over the next five years as we more closely analyze which of our environmental initiatives and businesses can bring us the greatest and most meaningful outcomes.

PHILANTHROPY AND LEADERSHIP AT ITW

We would like to express our sadness at the passing of Chairman and Chief Executive Officer David Speer in 2012. David was well known for his local philanthropic efforts, as both a hands-on volunteer and as the chairman of many local charity boards. He was also a tireless champion for the ITW Foundation and its many community programs. During David’s highly successful leadership of the company, he expanded the Foundation’s programs and contributions. In 2012, the ITW Foundation earned the United Way’s prestigious Summit Award and created a cash-for-volunteer program. The Foundation also initiated a strategic program with a generous grant to the St. Patrick Soup Kitchen in Troy, Ohio, home of ITW’s Hobart business and an area struggling with poverty. This kind of social impact illustrates the good that can happen when great business leaders like David are deeply engaged with their local community.

Giving back is a value we hope to encourage within all current and future ITW managers and leaders as we enter a new chapter of best-in-class business performance and continued, strong commitment to the communities where we work and live.

DAVID C. PARRY
VICE CHAIRMAN

“THE DIVISIONS INCLUDED IN OUR ENERGY INTENSITY REDUCTION PLAN MAY CHANGE, BUT OUR COMMITMENT TO MEETING THE ENERGY INTENSITY REDUCTION GOAL REMAINS FIRM.”
CORPORATE PROFILE

EMPLOYEES
Approximately 60,000

COUNTRIES
58

2012 TOTAL REVENUES
$17.9 BILLION

2012 PERCENTAGE OF TOTAL COMPANY REVENUE
50% North America
30% Europe, Middle East and Africa
20% Asia Pacific and Other

ITW is a publicly traded diversified industrial manufacturing company headquartered in Glenview, Illinois, United States. Our company is comprised of many highly differentiated decentralized businesses. ITW has 40 operating segments which are aggregated into eight reporting segments: Industrial Packaging, Test & Measurement and Electronics, Automotive OEM, Polymers & Fluids, Food Equipment, Construction Products, Welding and Specialty Products.

ECONOMIC AND FINANCIAL INFORMATION
Additional, detailed information on ITW’s 2012 financial performance, markets, risk factors, and other information is published in our 2012 Annual Report, which includes Form10-K filed with the United States Securities and Exchange Commission.

REPORT PARAMETERS
Given the decentralized structure of ITW and the diverse markets it serves, we use ITW’s proprietary 80/20 business process to determine what types of corporate social responsibility information we can reasonably collect from our businesses, and have the greatest relevance to our stakeholders. We report on an annual cycle, with each report covering the calendar year. The reporting boundary includes companies over which ITW has operational control, with the exception of leased non-manufacturing facilities and joint ventures. Ninety percent of ITW’s required facilities have provided information for the 2012 reporting year.

SELECTED BUSINESSES AND BRANDS
Acme
Angleboard
Avery Berkel
Avery Weigh-Tronix
Axap Power
Bernard
Bonnet
Brooks Instrument
Buehler
Buildex
Chemtronics
DaeLim
Deltar
Densit
Despatch
Devcon
Diagraph
Drawform
Dymon
Elga
Fastex
Filtertek
Fleetwood
Foster
Futura
Gaylord
Hartness
Hi-Cone
Hobart
Instron
ITW Brands
Kairak
Kester
Kraft
LPS
MBM
Magnafux
Miller
Multiwall
Novadan
Orgapack
Paslode
Permatex
Plexus
Prolim
Proline
Pryda
Rain-X
Ramset
Red Head
Reid
Rocol
Schnee-Morehead
Shakeproof
Signode
Slime
Speedline
SPIT
Stokvis Tapes
Strapex
Texwipe
Thirode
Tien Tai
Tregaskiss
Traulsen
Trimark
Truswal
Vertique
Vitronics
Soltec
Vulcan
Weldcraft
Wolf
Wynn’s
Zip-Pak

Effective January 1, 2013, the company changed its reportable segments. Any reporting segment information in this report is based on the 2013 segment structure. The 2012 Annual Report on Form 10-K has not been restated for the 2013 changes in segment reporting. See the Segment Information note to the financial statements in the 2012 Annual Report on Form 10-K for further information regarding the 2013 segment changes.

If you have questions about the content of the ITW Corporate Social Responsibility Report, contact us at ehs@itw.com.
Go to the website for more information.
SOCIAL: LABOR

ITW considers one of its core capabilities to be its decentralized, entrepreneurial culture. The talented and creative people of ITW help to make this a reality. Despite our widely-dispersed and decentralized operations, we are one ITW: employees at ITW businesses all over the world will tell you they feel like part of a close-knit family within a small business environment. That is why we give high priority to ensuring the health and safety of our employees and to creating opportunities for them to succeed.

In 2012, we enhanced our wellness programs, supported safety programs at many of our local businesses and launched new leadership and development programs that aim to increase the ethnic and gender diversity at our company. One of these efforts, the ITW Women’s Leadership Development Council, led to a new goal that we proudly announced in 2012: within five years, ITW is planning to double the percentage of women in vice president and above leadership positions. (See Corporate Meets Grass Roots: Women’s Leadership Development Council, page 21.)
In 2012, ITW launched Living Well at ITW, an initiative to boost the efficacy of ITW’s U.S. health and wellness program. ITW found that even though many employees participate in the program’s free biometric health screenings and personal health assessments, most are not using the information to take action that would reduce their risk factors for disease.

Living Well at ITW simplifies the keys to good health and creates an umbrella for division level programs. The initiative promotes three principles: Know Your Numbers, Eat Well and Be Active. In 2012, over 60 percent of employees at 200 businesses participated in the biometric screenings and assessments, fulfilling the “Know Your Numbers” principle. ITW also offered a national, six-week walking challenge with over 8,000 employees participating—an effective model for the Be Active principle. Also business divisions across the U.S. are developing creative ways to follow the program’s Eat Well principle by sponsoring healthy eating challenges, fruit days, onsite gardens and more.

Other 2012 wellness enhancements:

- A network of Wellness Champions was established, with a designated employee at each business, to promote programs specific to employee needs at their particular business. Over 250 wellness champions helped host over 190 wellness events attended by 5700 employees.
- ITW added a Magellan Health Employee Assistance Plan, which provides confidential, one-on-one counseling and referrals to helpful resources. The plan was added to assist with stress reduction.

**Worker Safety Efforts and Third-Party Audits Continue**

In 2012, the number of injuries resulting in days away from work increased slightly from the previous year. However, worker safety remains integral to how ITW conducts business. In fact, where we measure the Days Away, Restricted or Transferred (DART) rate, our record is lower than other businesses in our peer group, based on the Bureau of Labor Statistics’ average for manufacturing. We are committed to achieving a best-in-class safety record.

As our businesses are decentralized and diversified, ITW implements safety programs at the local, business-division level. ITW conducts third-party audits of these safety programs using several external firms. These audits include a review of investigation procedures, emergency response plans and more.

**Supporting Next-Generation Leadership Development**

In 2012, ITW selected its first cohort of employees to participate in its Emerging Leaders Development program, which prepares high-potential, diverse, entry-level employees for leadership opportunities. The program provides 18-month work assignments among three ITW segments—Welding, Specialty Products and Food Equipment—over a three-year period. These rotational assignments, as well as other professional development opportunities and exposure to technical expertise, support participants’ personal career goals while helping ITW develop a new generation of diverse, technically adept and globally oriented leaders.

We also support our businesses’ safety efforts with training tools, videos and other resources in multiple languages via our intranet.

We are proud to report that we currently have three businesses that have earned the U.S. Occupational Safety and Health Administration’s (OSHA) Voluntary Protection Program Star worksites and one OSHA VPP Merit worksite.

**ITW 2012 Safety Data**

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<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>INJURIES RESULTING IN DAYS AWAY*</td>
<td>634</td>
<td>801</td>
<td>820</td>
</tr>
<tr>
<td>FATALITIES*</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>GOVERNMENT SAFETY INSPECTIONS</td>
<td>214</td>
<td>230</td>
<td>181</td>
</tr>
</tbody>
</table>

**Resulting Fines (in U.S. Dollars)**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>63,868</td>
<td>69,932</td>
<td>160,554</td>
</tr>
</tbody>
</table>

* Note that data applies to ITW employees, not contracted or temporary workers.

**Employees Covered by Collective Bargaining Agreements**

While most of ITW’s U.S.-based employees work without a trade union, ITW respects employees’ right to freedom of association and the right to bargain collectively, or to refrain from such. Some of our U.S. facilities have collective bargaining agreements with organizations such as Machinists, Steelworkers and other trade unions. Outside of the U.S., we have local agreements in place or we follow national or industry collective bargaining at businesses in Austria, Belgium, Brazil, Bulgaria, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Mexico, Norway, Slovenia, South Korea, Spain, Sweden, Switzerland and United Kingdom.
ITW Industry Completes Safety Initiative

ITW Industry, a construction product and service business based in Glenrothes, Scotland, recently invested £20,000 (about $39,000) in an overhaul of its Cullen distribution platform in Thetford, England.

The new distribution area was redesigned according to guidelines developed by the Storage Equipment Manufacturers’ Association. The guidelines are intended to promote the safe design, installation and use of storage equipment, promote the health and safety of employees and improve business operations.

For example, the floor plan was redesigned with widened, re-spaced bays, resulting in 100 extra pallet spaces. The new racking has been strategically re-stocked with high volume products close to the dispatch area to accelerate picking and shipment of more orders. All orders are now fed to Thetford dispatch from ITW Industry headquarters in Glenrothes via a state-of-the-art live dashboard. The safety retrofit had such a positive impact on operations that ITW Industry has hired a new employee at Thetford to keep up with the increased volume of orders.

ITW Rocol Achieves Zero Accident Record

The health and safety of staff have long been a top concern at ITW Rocol, a high-performance lubricant and floor coatings manufacturer in Leeds, England.

Efforts in recent years have led to reduced risk within ITW Rocol’s working environment, but 2012 was a turning point: company leadership decided to embark on a new, behavior-oriented approach to worker safety.

The program moves beyond safety rules and policy to improve employee attitudes and actions that can jeopardize safety. A wide range of activities have been instituted, from staff training and awareness programs, to reward initiatives, new approaches to feedback and swift resolution of safety issues as they arise. Key to the success of ITW Rocol’s new behavior-based safety program is a self-audit system developed and operated by manufacturing teams.

The results have been impressive: ITW ROCOL experienced zero accidents within its factory site in 2012. The program provides strong testimony to the value of teamwork and ITW’s commitment to employee safety and well-being.
Kester Takes Employee Wellness To A Higher Level

Kester, a global electronics assembly supplier based in the U.S. city of Itasca, Illinois, is one of the many businesses helping ITW create a company-wide culture of wellness.

Kester has been an active participant in ITW’s U.S.-based wellness initiative, which includes free biometric health screenings and customized plans. Kester also formed its own wellness committee to facilitate additional activities for employees. In 2012, Kester participated in the Kenneth Young Center’s annual “Walk for the Mental Health of It!” The walk raises money for the Kenneth Young Center, a non-profit provider of mental health and senior citizen services supported by the United Way. Employees brought their friends, families and even pets to participate in the three-mile walk.

The Kester wellness committee also arranged for weekly volleyball tournaments throughout the summer. Employees are encouraged to take a break and spend an hour outside with their co-workers for some fun and exercise. Kester also began a new team weight loss challenge. Employees are assigned to teams at random and participate in weekly weigh-ins on the plant shipping scale. In just a few weeks, the teams lost a combined total of over 100 lbs. Motivated by the challenge, many teams now coordinate lunchtime or after-work walks. The wellness committee has more fitness related activities planned for 2013.

IN 2012, KESTER PARTICIPATED IN THE KENNETH YOUNG CENTER’S ANNUAL “WALK FOR THE MENTAL HEALTH OF IT” EVENT, WHICH RAISES MONEY FOR MENTAL HEALTH AND SENIOR CITIZEN SERVICES.
2012 marks another year that ITW and its employees have shown a strong commitment to acting on ITW’s core value of giving back to the local communities where we live and work. The men and women of ITW gave over $20 million to U.S. and Canadian nonprofit organizations.

Most contributions were facilitated by the ITW Foundation, the nonprofit charitable arm of the corporation. However, ITW’s community efforts are not limited to North America. All over the world, employees at ITW businesses are deeply engaged with their communities, providing in-kind donations, volunteer time and other generous support where it is most needed. Giving back is an enterprise-wide value that every one of our businesses supports.

The bold enterprise-wide business strategies launched by ITW in 2012 will help bring more efficiency to our philanthropic efforts. For example, we have already begun developing a new plan to shape the future of the ITW Foundation. Our commitment is by no means decreasing, but we will bring more strategic focus to how and where we place our financial support.

We will also continue to encourage senior leadership to support our philanthropic efforts at elite giving levels; we consider it a key attribute of effective leadership at ITW.

### 2012 TOTAL GIVING: $23,802,198

- **Employee Matching Gifts**: $7,536,189
- **United Way**: $6,341,768
- **Corporate Contributions**: $3,494,427
- **Grants / Pledges**: $3,407,500
- **Business Unit Charitable Cash Contributions**: $1,286,655
- **Scholarships**: $842,083
- **Business Unit In-Kind Donations**: $701,126
- **Volunteer Program**: $92,450

* Represents a variety of nonprofit qualifying organizations.
On November 17, 2012, the ITW family sadly bid farewell to Chairman and Chief Executive Officer, David B. Speer, a highly respected CEO who used his business acumen to successfully orchestrate ITW’s continued growth and expansion throughout the world. In addition to his strong management skills, David was equally respected and admired throughout the company and the greater Chicagoland business community as a champion of philanthropy and helping those in need.

Devoted to social service initiatives, David was a tireless volunteer. An enthusiastic participant at the annual Junior Achievement Bowl-a-THON events, David was as comfortable attending casual fundraisers as he was chairing black-tie events. With a deep-seated commitment to helping civic and cultural organizations succeed, David lent his expertise to local charitable boards such as the Lyric Opera of Chicago, Chicago Symphony Orchestra, the Museum of Science and Industry, United Way, Junior Achievement and local universities and hospitals. The diversity of these organizations highlight the high value he placed on vibrant cultural activities as well as the need to nurture health, education and economic opportunity for all. Within ITW, David was a strong proponent of volunteerism and giving, encouraging employees to support their favorite causes. David also expanded many of the ITW Foundation’s programs and partnerships.

David’s enthusiasm and enjoyment of life were inspiring to all who were fortunate enough to know him. His commitment to making life better for those in need and supporting institutions and organizations that enrich our lives will continue to drive our future philanthropic and volunteer efforts as a company.

(Left photo: David with his wife Barbara, during his chairmanship of the American Cancer Society Discovery Ball. Right photo: David chaired the United Way Campaign for the city of Chicago, Illinois.)
For many years, ITW has offered one of the most generous matching gift programs in corporate America; the company matches an employee’s contribution to a qualified organization three-to-one. In 2012, to honor ITW’s 100-year anniversary, the ITW Foundation launched a new program that gives $10 for every hour of volunteer time, up to 100 hours, to a qualifying organization. For example, it will allow the kitchen to serve dinner five days a week instead of the current three days. This expanded service is critical for Troy, a rural community 22 miles north of Dayton. Troy has experienced a significant increase in poverty and the number of poor children has jumped from approximately 1,900 to 6,000 in just the last few years.

ITW Hearts Giving Hope, the umbrella name for ITW’s giving programs, helps employees support the causes they are most passionate about. In 2012, the volunteer program generated $92,450 for qualifying nonprofit organizations, based on 9,245 hours of employee volunteer time. Under the volunteer program, qualifying organizations receive the employee’s time and effort as well as ITW’s financial contribution.

Major Support for St. Patrick Soup Kitchen
The ITW Foundation approved support in excess of $300,000 for the St. Patrick Soup Kitchen in Troy, Ohio. The funds will enable construction of a new 150-guest facility, which will ensure that the organization can meet current and future needs.
Hartness International, Boy Scouts Team Up For Wildlife

ITW’s Hartness International, located in Greenville, South Carolina, has long been a haven for wildlife in heavily industrialized Greenville County. In 2012, Hartness partnered with the W.A.I.T.™ program (Wildlife and Industry Together) to further promote habitat preservation on the property.

W.A.I.T. was developed by the South Carolina Wildlife Federation to provide guidance and official certification for participating corporations. A team of interested Hartness employee volunteers worked with W.A.I.T. to plan potential projects such as tree identification, birdhouses, duck houses, meadow areas and butterfly gardens. Many of the projects are well under way and will be maintained and enhanced over the next two years.

Hartness took an additional step to benefit the community by enlisting a local Boy Scout troop to help with the W.A.I.T. projects—an approach that reduces costs and provides valuable, hands-on educational opportunities for the scouts. Hartness expects their W.A.I.T. participation to increase native wildlife on their property, support employee environmental education and inspire other local businesses.

Engineered Fastener’s “Red Shirt Fridays” Help Veterans And Families

Over 1.4 million Americans are active military service members who leave home to protect and serve the nation. Their absence can be hard on their families, and sadly, some return only to struggle with high unemployment and other challenges. In fact, nearly one million veterans and their families live below the poverty line. In 2012, employees at ITW Engineered Fasteners in Chippewa Falls, Wisconsin, decided to take action.

The company chose the veterans’ support organization, Operation Home Front, as part of their Employee Matching Gift program. When employees contribute $25.00 or more to the organization, the ITW Foundation matches three-to-one. The funds help Operation Home Front provide direct, emergency financial assistance to the families of service members.

ITW Engineered Fasteners also implemented “Red Shirt Fridays,” a concept developed by the nonprofit group Red Shirt Fridays to promote veteran appreciation and awareness of their unique needs. When employees contribute to Operation Home Front through the Matching Gift program, they receive a red polo shirt to wear on Fridays and show their support for veterans.

The funds help Operation Home Front provide direct, emergency financial assistance to the families of service members.
Early in Career is an ITW enterprise-wide program in which ITW executives nominate and select a small group of promising young leaders from ITW businesses all over the world for an eight-month, immersion leadership experience. Through the program, the participants learn more about ITW’s enterprise and strategy and the skills needed for leading complex, global organizations in the future.

ITW’s Early in Career program includes an important component: a half day spent volunteering at a local nonprofit organization. “The purpose of the service event is for program participants to see how ITW supports its local community, understand the impact leaders have on the lives of others, and get to know their fellow participants in the process,” says Program Executive Sponsor and ITW Executive Vice President Roland Martel. “Following the service projects in 2012, the group had the opportunity to talk about the company’s values with ITW President and CEO Scott Santi.”

The first of the program’s three residential sessions takes place close to ITW’s corporate headquarters, which enables participation in Chicago-area nonprofit service projects. The first of two 2012 Early in Career groups spent their time at the Children’s Home + Aid, an organization that helps over 40,000 families overcome poverty, abuse and neglect. The ITW volunteers toured the center, learned about its mission and helped with gardening, making blankets and baking.

The second Early in Career group volunteered at the Daniel A. Cotter Club, a local Boys & Girls Club that provides a range of after school programs and services for children and teens. After learning more about the club and its mission, the volunteers set up and staffed a carnival that included games, face painting, bounce houses and snacks.

Because Early in Career includes ITW employees from all over the world, the cross-cultural exchange also provides a learning experience for both the employee volunteers and the children they serve.
At ITW, we recognize that protecting the environment is not just the right thing to do: our business performance depends on a healthy planet and sustainable practices. Our global, decentralized operations create challenges on how we collect environmental data and manage each of our business’ practices. However, in recent years, we have made a number of far-reaching, important changes: 2012 marked the third year that we collected and analyzed energy, emissions, waste and water data from ITW-owned facilities and leased manufacturing facilities, and we made progress toward reaching our five-year emissions reduction goal (see next page).

Robust corporate policies and tools are having an impact, and we are seeing a significant increase in the number of voluntary environmental projects launched at the local business-division level. In 2012, we also established new events like ITW World Environment Week, modeled closely on the United Nations World Environment Day, and the ITW Sustainability Conference. The events brought together many of our global businesses to share information, best practices and success stories.

These events reflect a growing, enterprise-wide passion for improving our environmental practices and aligning these efforts with ITW’s financial performance. In fact, we are confident that the enterprise-wide strategies launched in 2012 (see our Annual Report), will bring even sharper focus to our environmental commitment and create new opportunities for environmentally-sensitive innovation, sustainable sourcing and more.
ITW maintains a dedicated, formal structure to address environmental management throughout our decentralized operations. The ITW Director of Environmental Health and Safety and Sustainability (EHSS) has the highest level of dedicated environmental-related responsibility within the company, reporting directly to the Deputy General Counsel with a line of accountability leading to the CEO. The EHSS director oversees environmental functions and regulatory compliance initiatives covering all ITW operations.

In 2012, ITW maintained 60 sites with ISO 14001 certification for environmental management. The well-respected International Organization for Standardization (ISO) develops standards and criteria for effective environmental management systems. Our environmental management system includes these features:

- An accessible team of assigned EHSS experts and outside consultants with distinct roles and responsibilities
- Identification of facilities, products and services with significant environmental impact
- Identification of business division responsibility for EHSS
- Compliance oversight
- Monitoring of energy, waste, emissions and resource consumption
- Training and awareness programs for employees
- Environmental performance records, including external, random third-party audits and corrective action processes

In 2012, ITW businesses launched 160 new energy conservation and waste management projects.

ITW Energy Reduction Goal on Track

In 2011, ITW began a plan to reduce energy intensity and the resulting greenhouse gas emissions by 20 percent at our top-ten energy-consuming businesses. In 2012, ITW launched its Enterprise Strategy that includes some changes to our business structure. (See the 2012 Annual Report for full details.) Because of these changes, the data we collected for the second year of this plan currently represents six of the original businesses.

We are working to develop a more formalized approach to selecting ITW businesses to include as our reduction plan continues; our selection criteria will be aligned with the ongoing execution of ITW’s enterprise strategy. Despite changes in the group of businesses we are monitoring, our energy and emissions decreased for the second consecutive year, and we are on track to meet our goal by 2017.

Top ITW Energy-Consuming Businesses

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>PERCENT CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total energy (MWh)</td>
<td>394,745</td>
<td>370,322</td>
<td>-6</td>
</tr>
<tr>
<td>Total emissions (MWh)</td>
<td>155,885</td>
<td>152,045</td>
<td>-2</td>
</tr>
<tr>
<td>Energy intensity</td>
<td>.50</td>
<td>.44</td>
<td>-11</td>
</tr>
<tr>
<td>(MWh/thousands in</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>operating revenue)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emissions Intensity</td>
<td>.20</td>
<td>.18</td>
<td>-8</td>
</tr>
<tr>
<td>(metric tons CO₂e/thousands in operating revenue)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The businesses included in our reduction program represent 19 percent of the total energy usage reported by ITW businesses. (See page 16 for full data.) Note that this data has been recalculated to reflect recent changes in ITW’s business structure.
The reporting period for ITW’s environmental health and safety data is January 1 – December 31, 2012. The reporting boundary includes companies over which ITW has operational control, with the exception of leased non-manufacturing facilities. The reporting boundary does not include joint ventures. Due to the size and complexity of ITW and the business structure changes launched in late 2012, we were unable to collect all of the necessary data, in spite of good faith efforts. This report includes data from approximately 90% of the included companies.

1 All data has been restated due to portfolio management changes.
2 Included energy sources are electricity, natural gas, heating/fuel oil, wood, diesel, gasoline and propane (fork truck). ITW no longer reports energy and emissions from coal combustion due to portfolio management changes.
3 Includes CO2, N2O, CH4.
4 Only operating revenue from participating divisions was included in the calculation of intensity metrics.

The reporting period for ITW’s environmental health and safety data is January 1 – December 31, 2012. The reporting boundary includes companies over which ITW has operational control, with the exception of leased non-manufacturing facilities. The reporting boundary does not include joint ventures. Due to the size and complexity of ITW and the business structure changes launched in late 2012, we were unable to collect all of the necessary data, in spite of good faith efforts. This report includes data from approximately 90% of the included companies.

1 All data has been restated due to portfolio management changes.
2 Included energy sources are electricity, natural gas, heating/fuel oil, wood, diesel, gasoline and propane (fork truck). ITW no longer reports energy and emissions from coal combustion due to portfolio management changes.
3 Includes CO2, N2O, CH4.
4 Only operating revenue from participating divisions was included in the calculation of intensity metrics.
Deltar Spain Reduces Energy Usage By 60 Percent

In 2012, the ITW Deltar components production facility in Les Franqueses, Spain, instituted a plan to reduce energy consumption in its 3,700 square meter space.

The company began by replacing its old halogen projector lights with high efficiency fluorescent lights. These new fluorescents are equipped with electronic ballasts that reduce energy consumption and prolong the life of the fluorescent lights. The company also installed presence detectors in its 1,700 square-meter warehouse. The presence detectors switch off the lighting system when there is no one nearby and the system’s photoelectric lighting controllers switch it off when adequate sunlight is detected.

ITW Deltar’s lighting investments have reduced energy consumption at the facility by 60 percent.

LYS Fusion Poland Puts Environment And Workers First

LYS Fusion, located in Isteba, Poland, is part of the ITW Deltar transportation division. The company uses thermoplastic injection technology to manufacture an array of automotive parts and engine components. In 2012, LYS Fusion expanded several environmental and worker safety initiatives that began in 2011.

In 2012, LYS Fusion switched from wooden pallets and cardboard packaging to reusable plastic pallets and packaging. The change lowers the impact on costly finite resources and reduces waste. The company also implemented a rag recovery system that enables rags to be re-used by LYS and reduces the amount of hazardous waste. In addition, the company invested in energy-efficient lighting systems and new, electric injection molding machines. The electric machines, in contrast to the older, standard hydraulic machines, use 30 percent less energy and water. A plan to audit compressed air in the production area is also being considered as a way to find more opportunities to reduce energy consumption.

The LYS Poland operations aren’t just becoming more energy efficient—they are also becoming safer for workers. Additional safety equipment was installed (smoke detectors, fire extinguishers), and evacuation drills were organized over the summer to ensure quick, safe passage out of the building in the event of a fire.
Employee Engagement Key To Waste Reduction At ITW CIP

ITW CIP, a global automotive fasteners business in Gallatin, Tennessee, has dramatically stepped up its recycling efforts. They began with an ISO 14001 surveillance audit which revealed that the company consistently generated an average of nine dumpster loads of waste per month. (ISO is an international set of standards for designing environmental management systems). ITW CIP then began closely evaluating and documenting its manufacturing waste. Tapping into the power of employee insights and suggestions, it identified multiple items such as plastic wrapping, label backing, toner cartridges and other materials that were candidates for recycling.

ITW CIP implemented an Environmental Management System (EMS) work instruction and flow chart for waste streams, which provided a valuable visual tool for clarifying waste flow to employees. They also evaluated processes to redirect the waste away from landfills. Ultimately, ITW CIP was able to arrange for a vendor-supplied cardboard compactor, waste containers for cartridges and trailers to load waste targeted for recycling.

ITW CIP took its solid waste from an average of nine 40-yard dumpsters per month to an average of two 40-yard dumpsters per month. The effort also protects the environment by reducing the number of large-vehicle trips required for waste removal. The EMS employee training, flow chart for waste streams and information board is keeping environmental impact front and center at ITW CIP’s operations.
ITW offers a highly differentiated and diversified group of products and services, maintaining high ethical standards and a strong commitment to the health and safety of its customers.

Our product responsibility standards inform how we manufacture, test, package and market our products. Our corporate environmental health, safety and sustainability team includes dedicated experts who support our businesses, when requested, to ensure that their manufacturing processes comply with regulations regarding health and safety, product and service labeling, customer privacy and other requirements. But many ITW businesses go a step beyond.
Zip-Pak Goes The Extra Mile For Customer Health And Safety

ITW Zip-Pak’s innovative zipper-closure food pouches—think of packaged meats and shredded cheeses—are indispensable to the food industry. Packaging is an important part of the food quality chain that extends from the field and farm to the customer’s plate. The millions of customers that consume these products need to know their food is safe from allergens (such as potentially deadly peanut dust), bacteria and other harmful substances.

While the U.S. Food and Drug Administration establishes requirements regarding materials used in packages that come into direct contact with food; most aspects of product responsibility are at the discretion of the manufacturer.

RIGOROUS FOOD SAFETY GUIDELINES

Zip-Pak’s plants—in Atlanta, New York and Illinois—take several additional, voluntary steps to ensure that the packaging is manufactured safely and responsibly. The facilities maintain certification by the Safe Quality Food Institute (SQFI), an independent organization that provides guidelines for establishing a rigorous, credible food safety management system to ensure traceability and cleanliness. The SQFI is recognized by the Global Food Safety Initiative, a highly respected, independent global collaboration of consumer goods experts.

TRACKING EVERY PRODUCT TOUCHPOINT

Based on the SQFI guidelines, Zip-Pak maintains both a manual and computerized recordkeeping system that captures every touchpoint of the raw materials, from processing and packaging to storing and shipping. In fact, certification requires that each zipper can be traced to a particular machine, date and employee; the process is an ongoing, daily function within Zip-Pak operations. Zip-Pak employees receive intensive training on the food management safety system, and the facilities are audited annually by an independent third party. The auditor conducts a plant inspection, examines the food management system and training program and observes the manufacturing process.

SQFI certification is part of a larger culture of responsible sustainable manufacturing at Zip-Pak.
It was a question that kept coming up throughout ITW’s global operations: with so many successful, talented women at ITW—why aren’t there more women in leadership positions? Would more women in these roles affect ITW’s competitive advantage? A group of leaders at ITW believed the company could improve the gender diversity of its executive team. They formed a Women’s Leadership Development Council, which has served as a starting point for meaningful, long-term change.

ITW began by recognizing that while it has many women in its ranks, there should be more in corporate executive roles and business-level managerial positions that serve as a pipeline to greater leadership. This employment dynamic is typical of most Fortune 500 companies: while women make up 47 percent of the overall U.S. business workforce, only 14 percent are executive officers, 16 percent retain board seats and only a handful are considered the “top earners” and CEOs.²

²Photo above: Front row (left to right): Lei Zhang Schlitz, Cheri Chappelle, Sharon Brady, Jane Warner, Maria Green, Sue Stark
Back row (left to right): Meenal Sethna, Leann Ono, Mary Beth Siddons, Maryann McNally, Carmelle Giblin, Michele Arnison, Shavonyn Scalzitti, Ann Manikas, Karen Tulloch
CONTRIBUTING TO ITW’S HIGHER PERFORMANCE

ITW, led by our CEO and President, Jon Keys, is committed to not only creating a productive and diverse workplace, but using diversity and inclusive leadership to help us stand out in the marketplace.

Incorporating diversity and inclusion into ITW’s leadership development is also a matter of business sense. Research shows companies with a sustained high representation of women in leadership are more profitable and attain better results, on average, than other companies.

A recent study by Forbes noted that “It is no longer simply a matter of creating a heterogeneous workforce, but using that workforce…to set a company apart and give it a competitive advantage in the marketplace.”

Many large corporations have a diversity policy or mission statement. However, some have become workplace boilerplate, leaving real change and opportunity behind.

While ITW has long been committed to promoting women and people of color, our initial research showed there was room for improvement relative to our peers,” says Cheri Chappelle, Director of Diversity and Inclusion at ITW and part of the team that helped form the Women’s Leadership Development Council. “We needed to find new ways to attract, develop and promote top talent among businesswomen globally, with an eye toward our future and without excluding men.”

EARLY EFFORTS AND CHALLENGES

ITW officially established the Women’s Leadership Development Council in 2010 and invited a select group of women leaders to take on the challenge of increasing women in leadership. The council includes 15 women holding positions at the executive vice president, senior vice president, vice president, group president, vice president-general manager and director levels. The council’s goal was to leverage their expertise to support networking, resources and other means for elevating ITW’s top female talent. The council, in aggregate, had extensive knowledge and passion around women’s leadership development, but there was no vehicle for integrating their insights and expertise within ITW. The challenge of moving more women into leadership is compounded by ITW’s decentralized operations.

“Our challenge extended beyond recruiting for centralized corporate functions,” says Chappelle. “We needed to create a better pipeline for women working in ITW businesses that are the core of what we do. A purchasing leader at one business, a top engineer at another — how can we be more successful in promoting this talent and growing general management?”

The answer? Change conversations into professional development and executive exposure, and ideas into action plans.

PLANNING KEY TO EXECUTIVE BUY-IN

ITW’s first Women’s Leadership Conference, held in November of 2012 in Northbrook, Illinois, brought together women in leadership positions from ITW businesses all over the world to focus on increasing ITW’s competitive advantage through gender diversity.

But the planning work prior to the conference was as critical to the success of the leadership initiative as the event itself. Council members developed a business case for the conference and for the larger goal of actively increasing women in leadership roles. They leveraged information from an ITW Diversity and Inclusion benchmarking project with seven peer companies that have made good progress in similar initiatives. Members captured best and notable practices, including those from two companies with leaders who serve as ITW board members.

Council members conducted interviews and gathered a wide array of internal perspectives on women and leadership at ITW to uncover core issues and determine an effective agenda. Planning was an interactive process.
“We have established a goal of doubling the percentage of women in ITW's vice president and above leadership positions by the end of 2017.”

E. SCOTT SANTI, ITW PRESIDENT AND CEO

that helped steadily build acceptance and support. “Senior leadership supported us early on, but the momentum came from the women in this group and their upfront work,” says Sharon Brady, Senior Vice President of ITW Human Resources, and a founding member of the council. “They’re passionate about it—and the company believes in its promise.”

CONFERENCE LEADS TO ACCESS, ACTION

The conference developed into a two-day event with the theme *Inspiring Leadership: It’s About You, It’s About Me, It’s About ITW*. Specific conference goals included raising awareness and generating ideas about how each leader can use her own sphere of influence to enhance the diversity of ITW’s talent pool. The conference hosted outside experts on women’s development and presented a framework for how to mentor, coach and develop others. ITW President and CEO E. Scott Santi, and all eight of the company’s executive vice presidents attended the conference, giving participants direct access to top ITW leadership.

“I gained insights about the perceptions of women in business and male-dominated working environments, and I learned how to increase my network of ITW women within the company,” says conference attendee Elisabeth Finkbeiner, vice president and general manager of ITW Global Motion and Assist Grip in Germany.

On day two of the conference, a sub-group of participants worked together to create an action plan to increase access to leadership roles for women in general management and other operational roles. This plan will link directly with ITW’s long-range business goals, with accountability and measurement shared by both the Women’s Leadership Development Council and executive vice presidents who oversee ITW’s business segments.

“The business case for increasing the number of women in leadership positions is clear and well understood at ITW,” says Chris O’Herlihy, Executive Vice President of ITW’s global Food Equipment Group. “The Women’s Leadership Conference helped establish enterprise-wide goals in female leadership representation and reinforced a high degree of conviction and urgency among ITW senior leadership to achieve these goals.”

ACHIEVING A CLEAR AND MEASURABLE COMMITMENT

The Women’s Leadership Conference experienced an unprecedented response. Eighty of the top senior women from ITW businesses around the world attended the conference. During the conference, ITW President and CEO E. Scott Santi made an important announcement for the future of women at ITW: “At ITW, we know that gender diversity plays an important role in our continued success,” says Santi. “The unique perspectives that result from a diverse workforce help us innovate, drive results and deliver best-in-class operating performance. For that reason, we have established a goal of doubling the percentage of women in ITW’s vice president and above leadership positions by the end of 2017.”

But as Brady points out, the way to that goal is just as important. “It’s not just about increasing a number,” she

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**STEPS TO INCREASING WOMEN IN LEADERSHIP AT ITW**

- Bring together current leaders to leverage expertise, insights and mentorship
- Create a solid business case
- Conduct inclusive, research-driven planning
- Connect action plans with long-term business goals
- Establish executive commitment and accountability
- Leverage local resource groups

**The outcome: A clear, measurable target by 2017**

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Michele Arnison, Shawntyn Scalzitti, Carmelle Giblin
“It’s also the steps we’re taking to get there, such as enhancing our talent recruitment process to attract more potential leaders—women as well as men. The council is a catalyst to broaden our base of leaders for the future.”

Santi’s goal signals that the Women’s Leadership Development Council is on the right path. Research shows that linking diversity initiatives to business goals and having the support of top leadership is essential to improving gender diversity. In a recent survey of over 300 C-level executives at global companies, seven out of ten companies indicated that “the buck stops at the C-level…but overall implementation can lie elsewhere.”

LEVERAGING ITW GROUPS AND RESOURCES
New leadership councils and groups are supporting the council in its implementation efforts. A new Women’s Leadership Development Council based in Europe held its first conference in Paris in October 2012. ITW’s Women in Technology group, the ITW Women’s Finance Network, and several groups growing out of specific businesses—such as Instron’s Women’s Business Network and Miller Electric’s Inspiring Women in Leadership (IWIL)—comprise an informal structure open to all employees that brings ITW’s women leaders together with the shared goals of professional development, networking and executive exposure and access. At the same time, ITW continues to reach out to potential women leaders by supporting professional associations like the Society of Women Engineers and interacting with students at college recruitment events.

“There’s always the question of hiring the best person versus hiring more women and people of color,” says Chappelle. “But we believe that these aren’t mutually exclusive categories. You can have both, and it is what we need to do to help ITW stay competitive and innovative. One realization that came out of the conference planning: ‘What’s good for women is good for ITW.’”

1, 2 Catalyst.org
ITW WOMEN’S LEADERSHIP DEVELOPMENT COUNCIL

SHARON BRADY
Senior Vice President,
Human Resources

MICHIELE ARNISON
General Manager, ITW Buehler

CHERI CHAPPELLE
Director, Diversity & Inclusion

CARMELLE GIBLIN
Vice President, General Manager, ITW Kester

MARIA GREEN
Senior Vice President, General Counsel

ANN MANIKAS
Vice President, Leadership & Organizational Development

MARYANN MCNALLY
Vice President, Research & Development

LEANNE ONO
Vice President, Tax and Treasury

LEI SCHLITZ
Group President, Worldwide Refrigeration, Weigh/Wrap Businesses & Food Equipment Group Greater China

MEENAL SETHNA
Vice President and Corporate Controller

MARY BETH SIDDONS
Group President, ITW Hobart Service

SUSAN STARK
Group President, North America, Warewash/Food Machines & Latin America Food Equipment Group

KAREN TULLOCH
Vice President, Corporate Human Resources

JANE WARNER
Executive Vice President (Retired)

SHAWNLYN SCALZITTI
Business Unit Manager, ITW Hi-Cone

2012 WOMEN’S LEADERSHIP CONFERENCE IN NORTHBROOK, ILLINOIS