



Illinois Tool Works Inc. Supplier Expectations

ABOUT ILLINOIS TOOL WORKS INC.

Illinois Tool Works Inc. (ITW) is a Fortune 200 global diversified industrial manufacturer of value-added consumables and specialty equipment with related service businesses. The company focuses on solid growth and strong returns across its worldwide platforms and businesses. These businesses serve local customers and markets around the globe, with a significant presence in developed as well as emerging markets. More than half of ITW's revenues are generated outside of the United States.

OUR EXPECTATIONS

ITW has been committed to innovation and to providing best in class products and services to our customers for over 100 years. Our suppliers are an important part of ITW's success in continuing to meet and exceed our customers' expectations.

ITW's focus on profitable growth, continuous improvement, our 80/20 approach to business, our high ethical standards, and other efforts demonstrate our commitment to performance and to increasing our capability to serve and delight our customers. At ITW, we expect our suppliers to adhere to our [Supplier Code of Conduct](#). We also expect our suppliers to meet rigorous performance standards, as well as to continuously improve their capability and value in their business relationship with ITW. By focusing on the following key areas and expectations, ITW intends to achieve continued business success with engaged suppliers, resulting in a mutual benefit to both ITW and its suppliers. In choosing to do business with ITW, suppliers are committing to adhere to these expectations.

Quality

- Suppliers should provide high quality products and services, which are free from defects.
- Suppliers should employ defect prevention methods and tools in their operations, including but not limited to:

- Design Failure Mode Effect Analysis (DFMEA),
- Process Failure Mode Effect Analysis (PFMEA),
- Control Plans, and
- Effective durability and reliability testing and inspection to find and eliminate defects.
- ITW expects zero warranty issues concerning the products or services. For any breach of warranty, ITW requires prompt root cause problem solving and other actions to ensure containment and correction of issues.
- Suppliers should respond promptly to and close gaps identified in any supplier assessments with proposed corrective action plans. Suppliers must demonstrate a commitment to development and continuous improvement of overall capability.

Delivery / Lead-Time / Inventory

- Suppliers should strive for 100% on-time delivery to the required date identified on our purchase order, release, statement of work, or other scheduling method such as Market Rate of Demand (MRD), or Kanban. Suppliers should ship per our routing guides where applicable.
- Suppliers should seek ways to reduce lead times, consistent with ITW's core business process of producing to an MRD. Decreasing lead times and being more nimble is important to ITW's overall success and customer satisfaction.
- Suppliers should seek out inventory reduction opportunities in their own operations, as well as in ITW's integrated supply chain, which may include the following:
 - Reduced set up times in supplier operations;
 - Vendor managed inventory at ITW locations;
 - Consigned stocking arrangements; and
 - Maintain appropriate safety or buffer stocks at all locations in the supply chain.

Service / Communication

- Suppliers are responsible for ensuring that they clearly understand ITW's expectations at all times. Suppliers should strive to exceed these expectations in our dealings.

- From time to time, unplanned or unexpected critical issues will arrive, and in this regard, ITW expects our suppliers to act with urgency to help solve issues as they occur.
- ITW expects suppliers to use appropriate e-enabled communications as required by our local units, which may include e-enabled forecasts, purchase orders, supplier confirmation of commitments to on-time delivery, Automated Shipping Notices (ASN), invoicing, payments, and other e-enabled transactions.

Safety

- Suppliers should operate in compliance with all applicable laws and regulations.
- Suppliers should use best-in-class safe operating practices to ensure the safety of their employees and others who may visit their facilities.
- Suppliers should ensure their own product designs are free from design issues which may lead to or cause injury.
- Suppliers should use best industry practices to ensure that all services are performed safely.
- Achieve ISO 45001 certification or meet the requirements of such.

Innovation and Technology

- As an industry leader, ITW has a long heritage of sustainable differentiation through innovation. Similarly, we also expect our suppliers to foster and develop innovation of their own. Suppliers should also work with and support ITW as we innovate great products and services for our customers via Customer Back Innovation, which enables ITW to provide customers with solutions to their critical needs and challenging pain points.
- We expect our suppliers to invest in innovation which will improve both their products and processes. ITW encourages collaboration with our suppliers related to new product development, which will lead to growth in our respective businesses.

Commercial Value

- Suppliers are expected to continuously improve the value proposition of goods and services provided.

- Suppliers are expected to participate in Value-Add/Value Engineering (VA/VE) activities in support of product improvement.
- Continuous improvement in year-over-year total cost is required of ITW suppliers. Targeted cost reduction expectations shall be communicated by ITW sourcing personnel.

Sustainability

- Suppliers are expected to conduct their business in a safe and sustainable manner, consistent with all applicable laws and regulations. These laws include, but are not limited to:
 - [California Transparency in Supply Chains Act](#),
 - [UK Modern Slavery Act](#),
 - REACH,
 - RoHS, and
 - [Conflict Minerals](#).
- Suppliers must focus on reducing the overall environmental impact of their activities and related carbon footprint, landfill waste, and water usage. Suppliers should aim for a 1% year-over-year reduction in absolute greenhouse gas emissions.
- Achieve ISO14001 certification or meet the requirements of such.
- Suppliers are expected to give back to the communities in which they operate and to be positive community partners.
- Suppliers are expected to support sourcing to capable, competitive, diverse “minority or women-owned business” sub-suppliers. We also recognize that sourcing locally within communities, where possible, helps create stronger communities.
- ITW expects suppliers to comply with all applicable laws and regulations around the globe, including those pertaining to human rights, as well as environmental, health and safety laws that protect the well-being of employees and laws against slavery, human trafficking and child labor.

Business Continuity

- It is incumbent on suppliers to perform their own business risk assessments to anticipate and mitigate business risk. At a minimum, suppliers should conduct a proactive review of the following risks:
 - Propensity for natural disasters at site locations,
 - Management succession,
 - Legislative impacts,
 - Labor disruptions or shortages,
 - Financial solvency,
 - Potential for disruption within supplier's supply chain,
 - Business ethics and compliance,
 - IT Systems effectiveness and cybersecurity, and
 - Power interruption potential and impact.