At ITW, we are on a responsible journey for the betterment of our people, communities and the environment.
Since publishing our first corporate social responsibility (CSR) report in 2010, ITW has been making steady progress on our CSR journey. Our 2018 report represents another significant milestone as we announce our overall CSR strategy and share the notable details. Our management team and Board believe this strategy is a further demonstration of ITW’s strong and ongoing commitment to CSR.

This strategy reflects a holistic CSR vision and strategic framework, which is reflective of our decentralized and diversified business profile. Furthermore, our CSR strategy is consistent with our core values of Integrity, Respect, Trust, Shared Risk and Simplicity, and our goal to be one of the world’s best-performing, highest-quality and most-respected industrial companies.

Our CSR strategy includes four key elements:
- Our Governance & Ethics
- Our People
- Our Communities
- Our Environment

We have developed goal statements for each of these elements, which can be viewed in detail here.

Our strategy also includes continued emphasis on some existing key initiatives. In 2018, we made further progress toward our company goals for female representation and U.S. ethnic diversity in our leadership. To further support our diversity & inclusion (D&I) initiative, we trained over 1,000 leaders to understand and address unconscious bias. Additionally, our focus on the safety of our employees is paramount. Through implementation of our Enterprise Safety Strategy, we reduced our lost time accidents by 23 percent in 2018 compared with 2017, as we progress toward our goal of zero accidents.

In the community, we continue to support the ITW David Speer Academy, and we are pleased to share that after four years, the founding class completed their high school careers in 2018, with a 98 percent graduation rate and with 97 percent of students being the first in their families to attend college. We also continue to support employee and corporate giving to our communities.

As part of our strategic commitment to environmental responsibility, we remain focused on improving our environmental performance on an ongoing basis. We achieved a 6.5 percent greenhouse gas emissions intensity reduction in 2018 compared to 2017. In addition, later this year we will announce a greenhouse gas emissions intensity reduction target for the Company. The framework to achieve our emissions intensity reduction target will be operationalized at the division level, similar to how we have successfully implemented our safety and D&I frameworks.

Thank you for your interest in ITW, and thank you to ITW’s dedicated colleagues around the world who are an integral part of our successful CSR journey.

Christopher A. O’Herlihy
Vice Chairman
ITW has been on a socially responsible journey for some time, making encouraging progress in a number of areas since publishing our first corporate social responsibility (CSR) report in 2010. We are now focused on a more holistic CSR vision and strategic framework, which is consistent with our core values and decentralized, entrepreneurial culture and will be operationalized at the division level.

Our CSR strategy is built around four key elements: **Our Governance & Ethics, Our People, Our Communities and Our Environment**. To support each of these elements, we have developed the following goal statements:

### Our Governance & Ethics

- Supported by unwavering management commitment and engaged Board oversight, we will operate our business with a demonstrated commitment to the highest level of ethical conduct, everywhere in the company and every day.
- This commitment is reinforced by strong policies and practices related to fair, ethical and honest business dealings, robust governance, and compliance with applicable laws, while demonstrating respect for human rights at ITW and throughout our supply chain.

**READ MORE:**
- Governance & Ethics

### Our People

- We strive every day to foster a proactive safety culture through the execution of our Enterprise Safety Strategy, which is based on a philosophy that every accident is preventable and with a shared goal of zero accidents.
- As a global employer, we commit to providing market competitive compensation and benefits, maintaining fair labor practices, and ensuring a work environment that reflects our core values and culture everywhere we operate.
- We believe that we are at our best when we bring together unique perspectives, experiences and ideas. We strive to create diverse and inclusive workplaces where all of our ITW colleagues can perform to their full potential.
- We support our colleagues’ professional development and long-term career growth and invest in these activities. We recognize and reward colleagues who perform well, have a strong preference for promoting our internal talent, and celebrate the entrepreneurial spirit of our ITW colleagues.

**READ MORE:**
- Employee Safety
- Workplace Culture, Compensation & Benefits
- Diversity & Inclusion
- Talent Development
Our Corporate Social Responsibility Strategy

Our Communities

- Recognizing the importance of our responsibility beyond our business operations, we encourage and support our colleagues globally in their efforts to make positive contributions, through financial gifts and volunteerism, to the communities where they work and live.

- In addition, as a company we are committed to supporting programs and initiatives to improve access to a high-quality education and workforce/career preparation for youth in under-served communities, both in our headquarters region of greater Chicago and around the world.

READ MORE:
Corporate Philanthropy
Community Involvement & Support for Education

Our Environment

We are committed to operating our business in a way that demonstrates our dedication to global environmental sustainability. This commitment is reflected in the following priorities:

- Improving our environmental performance on an ongoing basis;
- Working with suppliers who operate with similar dedication to global environmental sustainability; and
- Partnering with our customers in innovating solutions that address their needs for environmentally responsible products.

READ MORE:
Environmental Responsibility
Supply Chain Responsibility
Innovating Product Solutions Responsibly
Founded in 1912, ITW (NYSE: ITW) is a global industrial company centered on a differentiated and proprietary business model. The company’s seven industry-leading segments leverage the ITW Business Model to generate solid growth with best-in-class margins and returns in markets where highly innovative, customer-focused solutions are required. ITW’s approximately 48,000 dedicated colleagues around the world thrive in our decentralized, entrepreneurial culture. In 2018, the company achieved revenues of $14.8 billion, with roughly half coming from outside North America.

ITW By the Numbers

Revenue by Geography

- **$14.8 billion** Total Revenue
- **51%** North America
- **29%** Europe, Middle East & Africa
- **20%** Asia Pacific & Other
- **55** Countries
- **~48,000** Employees
A Differentiated Business Model

The ITW Business Model is a powerful and proprietary set of strategic, operational and cultural practices that have been in a state of continual development and evolution inside the company for over 30 years. It is ITW’s defining competitive advantage and it is the value we add to all of our divisions.

When properly applied, the ITW Business Model delivers superior performance and value for our customers, high quality growth with best-in-class margins and returns for the company, and consistent top-tier financial performance in returns over the long term for our shareholders.

The ITW Business Model is comprised of three elements: 80/20 Front-to-Back defines how we operate. It is a unique set of proprietary tools and methodologies that our divisions use to structure and operate their businesses to maximize the performance, execution, and value-add they provide to their largest and most profitable customers, and minimize the costs, complexity and distractions associated with serving small customers. Through the application of ITW’s 80/20 Front-to-Back process, our divisions deliver best-in-class customer-facing execution, high-quality organic growth, and superior profitability and return on capital performance.

Customer-Back Innovation drives how we innovate. At ITW, we innovate from the customer back, not from the research and development center out. Our divisions partner with their key customers to create unique solutions that solve difficult technical challenges and improve business performance. Often, these innovations help our customers achieve their own eco-efficient product or performance goals. The deep capabilities and creativity of our people in this regard are evidenced by our portfolio of approximately 18,000 granted and pending patents, including more than 1,700 new patent applications filed in 2018.

Our Decentralized, Entrepreneurial Culture is the key to how we execute. Our people are clear about what is expected of them with regard to our business model, our strategy and our values. Within this framework, we empower our business teams to make decisions and customize their approach in order to maximize the relevance and impact of the ITW Business Model for their specific customers and end-markets. Our people thrive in ITW’s “flexibility within the framework” culture; they think and act like entrepreneurs, they are accountable, and they deliver.

Our Values

Integrity
Suppliers and customers who work with ITW know they can expect fair treatment no matter where they are: honesty, transparency and a company that always aims to do what’s right.

Respect
ITW respects insights at all levels and expects our diverse workforce to be embraced with respect and dignity and all views to be recognized.

Trust
The company insists that all ITW colleagues operate with the highest professional standards and in the best interests of the company at all times.

Shared Risk
ITW encourages well-reasoned, prudent risk-taking in an environment where challenges are discussed openly. At ITW, everyone works as part of a team, sharing responsibility for the outcomes of individual risks and decisions.

Simplicity
ITW keeps things simple by focusing on the essential core of any business opportunity, challenge, issue or problem.
Supported by unwavering management commitment and engaged Board oversight, we will operate our business with a demonstrated commitment to the highest level of ethical conduct, everywhere in the company and every day. This commitment is reinforced by strong policies and practices related to fair, ethical and honest business dealings, robust governance, and compliance with applicable laws, while demonstrating respect for human rights at ITW and throughout our supply chain.

**Board and Management Oversight of CSR**

Our single-tier Board is composed of 11 directors: our Chief Executive Officer and 10 independent directors as defined by the NYSE. We have a strong independent lead director. Our directors are highly qualified, with a diversity of skills, backgrounds and perspectives, and they regularly express their independent views. Of the 11 directors, two are female and two are African-American men. The Board believes that its structure and composition of highly experienced and engaged independent directors provide effective oversight of the Company’s management.

The Board has an active role in the Company’s overall strategies. The Board also conducts an annual review of the Company’s corporate governance practices and periodically reviews the Company’s CSR strategy. Furthermore, the Board is responsible for overall risk oversight of the Company, which includes certain environmental, social, supply chain and governance matters. To this end, ITW’s Board receives periodic updates regarding the Company’s CSR-related initiatives and progress.

ITW’s management team, subject to oversight by our Board, structures, monitors and adjusts ITW’s CSR efforts in a manner that is consistent with our core values, and in a manner that best serves the interests of the Company and all of ITW’s stakeholders. Each year, senior management reviews the long-range plans of our segments and divisions. These plans consider, as appropriate, long-term CSR implications and the ability to meet customer needs related to sustainability and clean technology.

In addition, ITW’s Director of Environmental Health, Safety & Sustainability has day-to-day environmental-related responsibilities, including overseeing the execution of ongoing environmental, safety and regulatory compliance initiatives. Within our decentralized culture, and within our CSR framework, each division selects the most appropriate environmental management methodology and safety program that best suit its business needs.

Read more about our Board composition and oversight as well as our strong governance profile in our 2019 Proxy Statement.
Our Governance & Ethics

Our Policies

Rooted in our values of Integrity, Respect and Trust, we set high ethical standards for our Company and partners that help us deliver best-in-class performance. We regularly review and update, as appropriate, our policies governing ethical conduct and responsible behavior in order to support our sustainable and continued success.

- **Corporate Governance Guidelines** ensure the Company is governed in a manner that serves the interests of our shareholders, colleagues and other stakeholders.

- **Code of Ethics** outlines ITW's principles regarding fair, ethical and honest business dealings, full and fair disclosure, and compliance with applicable laws.

- **Statement of Principles of Conduct** describes the expected standard of behavior governing all ITW colleagues, businesses and subsidiaries around the world. It also outlines our commitment to compliance with human rights laws, including those against slavery, human trafficking and child labor. These standards are also applied to our suppliers through our Supplier Code of Conduct and in our standard purchase order terms and conditions found on www.itw.com.

- **Safety Policy** stipulates that we strive every day to foster a proactive safety culture through the execution of our Enterprise Safety Strategy, which is based on a philosophy that every accident is preventable and with a shared goal of zero accidents.

- **Environmental & Sustainability Policy** reinforces ITW's commitment to global environmental sustainability reflected in the following priorities: improving our environmental performance on an ongoing basis; working with suppliers who operate with similar dedication to global environmental sustainability; and partnering with our customers in innovating solutions that address their needs for environmentally responsible products.

- **Global Anti-Corruption Policy** emphasizes the importance of complying with anti-corruption laws of all countries in which ITW and our divisions, subsidiaries, agents, consultants and affiliates operate.

- **Human Rights Policy** reinforces our commitment to demonstrating respect for human rights at ITW and throughout our supply chain, and it applies to all ITW colleagues and locations worldwide and to others who may act on ITW's behalf.

- **Conflict Minerals Policy** seeks to assure that our products remain conflict free.

- **Supplier Code of Conduct** requires our suppliers, vendors and contractors to operate consistently with our high ethical standards and respect for human rights. This Code applies all relevant aspects of ITW's Statement of Principles of Conduct to our suppliers. Among their requirements, our suppliers are required to adhere to applicable laws, including those concerning child or forced labor, wage and working hours, discrimination, environmental, health and safety, and fair dealing. Furthermore, our suppliers are required not to engage in corruption, and they commit to fully comply with all applicable anti-corruption laws and regulations of the countries in which they operate.

- **Supplier Expectations** inform our suppliers that they are expected to focus on reducing their environmental impact, give back to their communities and support sourcing to diverse business sub-suppliers.

Reporting Ethics Concerns

ITW colleagues around the world are encouraged to share any ethics or compliance concerns with their local management teams. They may also submit reports directly to ITW's ethics & compliance legal group or our vice president, chief audit executive.

ITW partners with EthicsPoint, an external third-party supplier, to provide a web- and telephone-based confidential reporting system in 20 countries. Web-based reporting is offered in 12 languages, and telephone-based reporting is offered in more than 200 languages. The EthicsPoint reporting system is also available to external stakeholders through a public domain website.

All reports are addressed promptly and thoroughly. The vice president, chief audit executive provides periodic updates to the Audit Committee of the Board of Directors.
ITW’s goal to be one of the world’s best-performing, highest-quality and most-respected industrial companies is enabled by the hard work and enthusiasm of all our colleagues around the globe. As such, we remain committed to our people and maintaining ITW as a best-in-class employer through our commitment to employee safety, workplace culture, compensation and benefits, diversity and inclusion and talent development.

We put the safety and well-being of our colleagues before anything else. True to our decentralized culture, our approach to safety is driven at the division level and is built around our shared goal of zero accidents. In 2018, 38 percent of our divisions had zero lost time accidents for the full year, and 78 percent of our divisions had zero lost time accidents in at least one quarter. While we are pleased with our progress in this area, we remain vigilant to ensure that we continue to make improvements in our safety performance as we strive toward our goal of zero accidents.

We are at our best when we bring together unique perspectives, experience and ideas, and actively build diverse teams and inclusive work environments across our global divisions. This environment reinforces ITW’s core values and allows our colleagues to thrive by providing them with significant responsibility and autonomy to get things done.

In our decentralized, entrepreneurial culture, our colleagues are encouraged to succeed in an environment that empowers them to think and act like entrepreneurs. Our talented colleagues are compensated competitively and receive substantial personal learning and career development opportunities.
The safety and well-being of our approximately 48,000 colleagues comes before anything else and is an essential component of our responsible journey. We strive every day to foster a proactive safety culture through the execution of our Enterprise Safety Strategy, which is based on a philosophy that every accident is preventable and with a shared goal of zero accidents.

A Strategic Approach to Safety
Our Enterprise Safety Strategy and safety excellence vision are based on the following core principles:

- Goal is Zero Accidents
- Shared Ownership for Safety (Business & Individual)
- Take a Proactive Approach Focused on Accident Prevention
- Apply the Continuous Improvement Philosophy

Our Framework for an Effective Divisional Safety Program

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Every accident is preventable, and our shared goal is zero accidents.</td>
<td>Prevent accidents by identifying and reporting hazards.</td>
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<tr>
<th>2. Leadership &amp; Employee Engagement</th>
<th>7. Risk Prevention</th>
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<tbody>
<tr>
<td>Leadership engagement coupled with individual employee responsibility drive our safety journey. A strong focus on continuous improvement, communicating progress and celebrating success.</td>
<td>Implement a process to identify and eliminate hazards, including risk analysis, near-miss reporting, sharing best practices and implementing corrective action.</td>
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<tr>
<th>3. Safety Committees</th>
<th>8. Accident Investigation</th>
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<tbody>
<tr>
<td>Each division will have at least one safety committee consisting of both employees and management.</td>
<td>Ensure root cause identification and corrective action with a sense of urgency.</td>
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<tbody>
<tr>
<td>Clear safety messaging in the workplace and the sharing of best practices within and among divisions.</td>
<td>Use data to track and drive safety performance improvements.</td>
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<table>
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<tr>
<th>5. Training</th>
<th>10. Compliance</th>
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</thead>
<tbody>
<tr>
<td>Continuously acquire and reinforce the skills necessary to improve safe work practices.</td>
<td>Every ITW division will strive to meet or exceed all applicable regulatory obligations.</td>
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</table>
As an enterprise, we placed particular emphasis on Audits/Hazard Identification and Risk Prevention in 2018. This proactive approach resulted in identification and implementation of well over 100 specific health and safety improvement projects – clear evidence of the impact of our Enterprise Safety Strategy. These projects ranged from relatively simple hazard recognition initiatives to web-based safety training programs.

Our 2018 Global Safety Performance and Data

Through the ongoing implementation of the Enterprise Safety Strategy throughout all ITW divisions, we are pleased to report that we saw a 23 percent reduction in lost time accidents in our facilities from 2017 to 2018. This improvement demonstrates clear progress as we enhance our culture of safety and continue our journey to our goal of zero accidents. Also supporting our culture of safety is a review of safety performance and related safety topics at our annual global leadership meeting. This topic is a priority for ITW leaders, and details regarding our progress and continuous improvement actions are discussed.

Using the safety framework as a guide, our businesses can address their specific needs and unique risk profiles. In addition, we continue to evaluate our safety metrics to ensure we are tracking data that will assist in driving safety performance improvements.

<table>
<thead>
<tr>
<th>Year</th>
<th>Lost Time Accidents (Number of accidents)</th>
<th>Fatalities (Number of fatalities)</th>
</tr>
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<tbody>
<tr>
<td>14</td>
<td>621</td>
<td>0</td>
</tr>
<tr>
<td>15</td>
<td>612</td>
<td>0</td>
</tr>
<tr>
<td>16</td>
<td>472</td>
<td>0</td>
</tr>
<tr>
<td>17</td>
<td>612</td>
<td>0</td>
</tr>
<tr>
<td>18</td>
<td>472</td>
<td>0</td>
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<table>
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<tr>
<th>Year</th>
<th>Government Safety Inspections (Number of inspections)</th>
<th>Government Safety Inspections’ Resulting Fines (Fines in U.S. dollars)</th>
</tr>
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<tbody>
<tr>
<td>14</td>
<td>157</td>
<td>$34759</td>
</tr>
<tr>
<td>15</td>
<td>151</td>
<td>$4142</td>
</tr>
<tr>
<td>16</td>
<td>192</td>
<td>$533</td>
</tr>
<tr>
<td>17</td>
<td>213</td>
<td>$88432</td>
</tr>
<tr>
<td>18</td>
<td>157</td>
<td>$847776</td>
</tr>
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</table>

1 2017 government safety inspections and 2017 government safety inspections’ resulting fines, as reported in our 2017 CSR report, have been updated in this report.
As a global employer, we are committed to providing market competitive compensation and benefits, maintaining fair labor practices, and ensuring a work environment that reflects our core values and culture everywhere we operate.

Our Workplace Culture
ITW’s nearly 48,000 colleagues around the world thrive in the company’s decentralized, entrepreneurial culture. Our people are well-positioned for success in an environment that empowers them to think and act like entrepreneurs. They experience significant autonomy, a compelling sense of ownership, and a work atmosphere deeply rooted in our core values of Integrity, Respect, Trust, Shared Risk and Simplicity. In our high trust environment, people are accountable and can have a real impact in terms of solving our customers’ most challenging problems and driving business performance.

Our Commitment to Competitive Compensation and Benefits
While specific compensation and benefits vary worldwide and are based on regional practices, we know we must offer market competitive compensation and benefits in order to attract and retain great talent across our global divisions and, in turn, to ensure ITW achieves its full potential. In the U.S., where we employ approximately 16,000 colleagues, we have been particularly focused on providing a comprehensive, competitive benefits package that supports our colleagues’ health and wellness, educational endeavors and financial security. Below are some common features offered to our U.S.-based colleagues:

- Medical and dental benefits for employees, spouses and dependents
- Flexible spending accounts for both healthcare and dependent care
- 401(k) retirement savings program with company matching contributions
- Paid vacation and holidays
- Paid parental leave, for both men and women
- Short-term and long-term disability benefits
- Wellness programs for employees and spouses
- Life insurance benefits
- Education and tuition assistance
- Employee assistance program
- $3 for $1 corporate match for qualified charitable giving by our employees
- Adoption benefits
- Scholarships to support the academic achievement of employees’ children and dependents pursuing college or skilled trades education

Additionally, we fully support our colleagues’ volunteerism and charitable efforts. We strongly encourage community involvement and offer programs that help our colleagues support the charities they care about most. Read more about these initiatives in the Community Involvement & Support for Education section.
Reaching full potential starts with our core values of Respect and Integrity. We believe that we are at our best when we bring together unique perspectives, experiences and ideas. We strive to create diverse and inclusive workplaces where all of our ITW colleagues can perform to their full potential. We place particular emphasis on developing our people and building a deep and diverse talent pool to ensure ITW’s sustained success over the long term.

**ITW’s Diversity & Inclusion Strategy**

Our Diversity & Inclusion (D&I) Council, which has been in place since 2012 and consists of ITW senior leaders, helps drive positive change in this area. Our progress is rooted in our comprehensive enterprise D&I framework, which outlines our focus in four key areas:

**Leadership Commitment & Accountability:** We expect our leaders to embody ITW’s values with global cultural awareness. A core responsibility of our leaders is to build and develop a diverse pipeline of talent, contribute to achieving our enterprise diversity goals and be stewards of our D&I initiatives.

**Global, Diverse Talent:** Diverse backgrounds bring unique perspectives, helping to drive innovation and organic growth – key objectives of ITW’s business strategy. In order to compete successfully in a global market, we must continue to focus on attracting and retaining the best talent that is reflective of our global communities.

**Inclusive Workplace:** Creating an environment where all team members feel valued is critical. This includes promoting employee development, actively seeking different perspectives and supporting ITW’s Employee Resource Groups.

**Best-in-Class Employer:** We strive to be a best-in-class employer and commit to working diligently to strengthen and sustain ITW’s unique and differentiated enterprise brand. Our efforts include sharing our progress and success and being an active member of our communities through key professional associations, universities and community partnerships that align with our D&I goals.
Supporting Our Commitment to Diversity & Inclusion

In 2017, ITW Chairman and Chief Executive Officer Scott Santi joined the leaders of what is now over 500 companies in support of the CEO Action for Diversity & Inclusion – the largest CEO-driven business commitment to advance D&I in the workplace. Through this commitment, we agree to work collaboratively across our organizations to advance D&I and take concrete actions to cultivate work environments where diverse experiences and perspectives are welcomed and where employees feel comfortable and empowered.

To further our efforts to foster greater depth and diversity of talent and enhance our focus on inclusion, we implemented an inclusive leader initiative for over 1,000 global leaders in 2018. This initiative included training to provide our global leaders with an understanding of unconscious bias, guidance on actions we can take to minimize its effects in our workplaces and tools to lead an inclusive workplace.

Read more about our inclusive leader initiative.

Engaging Diverse Talent

Another way we encourage D&I is through our Employee Resource Groups (ERGs). ERGs are voluntary, employee-led groups that bring diverse groups of people together to share experiences and innovative ideas to help accelerate our path to full potential. At ITW, our ERGs directly support the enterprise talent strategy with specific focus on attracting, retaining and developing talent and promoting cultural diversity and community.

ITW Women’s Network

The ITW Women’s Network (IWN) supports the attraction, development and retention of ITW’s professional women and reinforces ITW’s inclusive workplace across our global divisions. Through its 12 chapters in North America and eight chapters around the globe, IWN actively engages our female colleagues in networking and professional development, including training programs in leadership development, ITW’s 80/20 business process and financial training for non-financial professionals. In 2018, IWN had over 1,500 members actively engaged in IWN chapter activities around the world. Our male leaders are also an integral part of IWN’s success as they sponsor and participate in support of ITW’s female talent.

Young Professionals Network

ITW’s Young Professionals Network (YPN) focuses on empowering early-in-career professionals across ITW by building a community for the next generation of ITW leadership through social platforms, networking activities and development opportunities. In its fifth year, YPN continues to grow, with now over 1,000 members in 11 chapters around the world. The group hosted 28 events in 2018, which focused on service to the community and professional development.

African American Network

The ITW African-American Network (AAN) is committed to the specific needs of people of African ancestry by building a community of leaders through informative workshops, networking activities and development opportunities. In its first full year as an established group, AAN chapters across ITW’s U.S. businesses focused on growing participation and engaging members through a variety of social and educational activities.

Reporting Our Progress on Diversity & Inclusion

We remain fully committed to achieving our D&I goals and enhancing the diversity of our global leadership teams. We continue to make good progress in our D&I journey and have achieved significant improvement since its beginning in 2013. We look forward to continued progress in this area.

DIVERSITY & INCLUSION GOALS

Global Women Leaders | U.S. Ethnically Diverse Leaders

| 30% | 20% |

* Top 1,000 senior leaders across ITW

DIVERSITY & INCLUSION DATA

| Global Women Leaders | U.S. Ethnically Diverse Leaders |

| (Percent) | (Percent) |

| 13 14 15 16 17 18 |

| 7 11 12 14 16 18 | 13 14 15 16 17 18 |
We support our colleagues’ professional development and long-term career growth. We recognize and reward colleagues who perform well, have a strong preference for promoting our internal talent and celebrate the entrepreneurial spirit of our ITW colleagues.

**Developing Talent to be Great ITW Leaders**

We are a leadership-centric company and our success requires sufficient quality and depth of what we define as Great ITW Leaders. We expect our leaders to:

- Be experts in the practice of the ITW Business Model
- Make great strategic choices
- Deliver great results
- Be great talent managers
- Provide strong leadership

By leveraging the ITW Business Model to its full potential, Great ITW Leaders focus on improving their capabilities to build a diverse talent pipeline and promote a culture that encourages collaboration and reflects our values. In addition, having strong depth and diversity of talent ensures ITW’s success over the long term through a consistent flow of internal talent into senior leadership positions.

**Growing Our Internship Program**

We are focused on the next generation of Great ITW Leaders. ITW’s internship program is centered on students exploring a future with ITW and the company attracting a deep and diverse talent pool that will grow with us from intern to entry-level hire. Internships are a critical element in our talent pipeline in terms of our ability to recruit professionals early in their career who will develop expertise in the ITW Business Model and thrive in our entrepreneurial culture.

Now in its second year, ITW’s internship program continues to grow, with the placement of 105 interns across core U.S. ITW locations. Interns are challenged with key projects and assignments in their field of study and have the opportunity to develop skills and knowledge to prepare them for future entry-level positions. In 2018, we continued our strategy of recruiting from national diversity partnerships, including the Society of Women Engineers and National Society of Black Engineers.
Talent Development

Leadership and Development Opportunities

Our talented colleagues thrive in an environment that provides them significant responsibility and autonomy to get things done. We provide our people with substantial personal learning and career development opportunities to help them reach full potential in their careers with ITW.

Our development philosophy is rooted in the 70-20-10 model, which highlights and supports how our colleagues learn and develop best – 70 percent from challenging, on-the-job experiences, 20 percent from coaching and feedback, and 10 percent from formalized training and coursework.

True to our decentralized, entrepreneurial culture, professional development is customized and facilitated within our 87 divisions and provides a significant focus on helping our colleagues build expertise in the practice of the ITW Business Model. We encourage our colleagues to “own” their careers and leverage the performance management and development planning resources ITW offers to continue building critical skills and capabilities in their role each and every day.

Welding – Power Systems Division

The Power Systems Division of ITW’s Welding Segment is focused on supporting its colleagues’ career development by facilitating training workshops targeted at improving their skills and expertise in the practice of the ITW Business Model. A total of 111 front-line production colleagues participated in training workshops in 2018 and immediately applied their learning through on-the-job project assignments to drive continuous improvements within the business.

Polymers & Fluids – ITW Automotive Aftermarket Platform

In 2018, the ITW Automotive Aftermarket Platform within the Polymers & Fluids Segment facilitated an intensive leadership development program, called Leadership Essentials, for 60 people managers and high potential professionals. The program focused on supporting participants’ long-term career growth and helping them build Great ITW Leader attributes, including developing expertise in the ITW Business Model and becoming Great Talent Managers. All participants created individual development plans that helped them apply their learnings and reach full potential in their career with ITW.
Guided by our decentralized culture and core values, ITW is committed to investing in the communities where our colleagues live and work, and where we do business. Over the past five years, our support has totaled $127 million.

Our colleagues are empowered to support the organizations and causes that matter most to them. With initiatives such as United Way, the ITW David Speer Academy and the ITW matching gift program, our collective impact extends far beyond the walls of our operations and into our valued communities.
Recognizing the importance of our responsibility beyond our business operations, we encourage and support our colleagues globally in their efforts to make positive contributions, through financial gifts and volunteerism, to the communities where they work and live. We amplify these efforts through matching programs, as well as through our own corporate giving.

Giving at ITW

Aligned with our decentralized culture, a significant portion of our giving is intentionally driven by the passion of our colleagues in the U.S. and Canada who give their talent, time and money back to their local communities where they live and work. Last year, ITW provided nearly $13.3 million through programs such as matching gift, volunteer and workplace giving campaigns, which give colleagues in the U.S. and Canada the opportunity to directly amplify their giving. ITW also supports communities through multi-year pledges, annual grants, scholarships and in-kind donations.

Over the last five years, ITW and its employees have invested $127 million into the community in focus areas such as health and human services, education and cultural institutions.

24,000 hours

ITW colleagues volunteered over 24,000 hours in their communities in 2018 to non-profits in the U.S. and Canada.

$8 million

Last year, ITW raised over $8 million for charities through our matching gift and employee volunteer programs.

$7.2 million

ITW raised $7.2 million for United Way and its partner agencies in the 2018-2019 annual workplace giving campaign.
## OUR COMMUNITIES

### Corporate Philanthropy

<table>
<thead>
<tr>
<th>Multi-Year Pledges/Annual Grants</th>
<th>$5.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee-Driven Giving</td>
<td>$7.8 $5.3 $0.6</td>
</tr>
<tr>
<td>Total Giving</td>
<td>$24.7 million</td>
</tr>
<tr>
<td>Corporate &amp; Business Giving</td>
<td>$3.4 $1.6</td>
</tr>
</tbody>
</table>

**Our Partnership with United Way**

For over 60 years, United Way has continued to be a key aspect of ITW’s community involvement strategy. Each year, we engage thousands of ITW colleagues across our U.S. and Canadian businesses, with 73 percent of colleagues contributing to United Way in 2018, and nearly $5.3 million invested into the communities where ITW has a presence and our colleagues call home.

ITW colleagues also dedicate their time in support of United Way. In 2018, more than 200 of our Chicago-based colleagues, interns, retirees and community partners participated in ITW’s Annual Day of Service. Over 700 hours were logged in a single day with meaningful volunteer efforts.
As a company, we are committed to supporting programs and initiatives to improve access to a high-quality education and workforce/career preparation for youth in under-served communities, both in our headquarters region of greater Chicago and around the world.

Our Approach to Community Involvement
At ITW, we apply our 80/20 philosophy to community involvement, focusing on the areas where we can have the most positive impact on building and sustaining a vibrant community. In addition to our financial gifts, our colleagues volunteered over 24,000 hours to organizations aligned with these focus areas, as well as to organizations where they have a personal passion. In recognition of all of these efforts and the longstanding culture of taking care of our communities, ITW was awarded the 2018 Addams-Palmer Award for Exemplary Civic Involvement by the Civic Federation, a Chicago-based institution.

ITW’s Support for Education
Our commitment to education is demonstrated through the support we provide for STEM-related (science, technology, engineering and mathematics) programming in schools and organizations, as well as our investment in the future through scholarships.

ITW David Speer Academy
The ITW David Speer Academy offers a world-class STEM education to more than 1,000 high school students in Chicago’s Belmont-Cragin neighborhood. Not only do students have access to rigorous, top-rated academics, but they also have the opportunity to gain hands-on experience through field trips, college tours, electives offered in partnership with museums or trade schools, and internships. Many of these opportunities are offered through ITW businesses and non-profit partners supported by ITW. Last year, ITW hosted the senior intern showcase, the culmination event where seniors presented on their internship experience in an effort to best prepare these students for life beyond high school.
**Community Involvement & Support for Education**

**Summer of a Lifetime**
One of the ways students attending ITW David Speer Academy gain real world experience is through the Summer of a Lifetime program, underwritten by ITW. This enrichment program offers rising juniors with a life-changing, summer academic experience on college campuses across the country. For many ITW Speer students, this experience is the first time they set foot on a college campus. Students also return from Summer of a Lifetime feeling more prepared to attend college and even select electives as juniors and seniors that reflect a STEM-learning track. To date, over 700 students from ITW David Speer Academy have participated in this program.

**Founding Class Graduates**
In June 2018, the ITW David Speer Academy graduated its founding class, the first of many remarkable classes to come. Notable Class of 2018 statistics include:

- 98 percent graduation rate
- 97 percent first-generation college-attenders
- 80 percent directly matriculating to four-year colleges
- 100 percent of students who attended Summer of a Lifetime were admitted to four-year colleges
- Graduates received over $7 million in scholarships, with more than 63 percent not requiring student loans

Read more about this important milestone [here](#).

**Partnership to Foster Exposure to the Skilled Welding Trade**
In 2017, ITW announced a partnership between Miller Electric Mfg. LLC (an ITW Welding company), Ferris State University and the ITW David Speer Academy, enabling a welding program to be established in the 2018-19 academic year at ITW David Speer Academy. Miller®, a leading worldwide manufacturer of arc welding equipment, partnered with Ferris State to develop a core curriculum utilizing Miller’s latest welding and safety equipment through an augmented reality (AR) course track. This collaborative partnership offers students a hands-on experience that deepens their understanding of the welding industry, learning from Ferris State’s nationally recognized welding program. There is also an opportunity for students to pursue post-secondary opportunities at the university.

**Scholarships**
In 2018, the ITW Foundation continued to invest in the future through its focus on scholarship-based opportunities for students, believing that students should have access to quality education without cost as the determining factor to attend. Last year, ITW awarded $640,000 in scholarships to students attending a post-secondary school. These deserving students are the dependents of our colleagues across ITW divisions in the U.S. and Canada.

Additionally, ITW awarded its first full scholarship to a top Chicago Public Schools (CPS) high school senior pursuing engineering at Northwestern University (NU). This scholarship will continue to be awarded annually to a graduating CPS student who is admitted to NU and includes a paid-internship with ITW.

**ITW David Speer Academy Video**

The ITW David Speer Academy is sponsored by ITW in memory of former CEO David Speer, who passed away in 2012.

**ITW Scholarship program**
In 2018, the ITW Foundation scholarship program awarded 70 scholarships and $640,000 to deserving children of ITW employees.
ITW is committed to operating responsibly in every aspect of our business, from the sourcing of raw materials to how we operate our business.

Across all our businesses, we strive to measure, manage and reduce the environmental footprint of our operations and products. We also partner with key suppliers to ensure that, together, we have a positive impact on our world and use our resources responsibly.
We are committed to operating our business in a way that demonstrates our dedication to global environmental sustainability. This commitment is reflected in the following priorities:

- Improving our environmental performance on an ongoing basis;
- Working with suppliers who operate with similar dedication to global environmental sustainability; and
- Partnering with our customers in innovating solutions that address their needs for environmentally responsible products.

**Improving our Environmental Performance on an Ongoing Basis**

ITW partners with ERM-Environmental Resources Management Limited, a highly recognized international environmental and safety consulting firm, to systematically audit environmental and safety risk at its facilities. An audit schedule is established annually and the schedule considers the risk profile of the unit, any recent incidents, as well as time since last audit. Our goal is to audit the “80” of our facilities annually based on these criteria. Once the audits have been completed, any identified issues are addressed and tracked using a defined process. Summary reports of the audits are provided to executive management reinforcing our overall commitment to environmental improvement and safety.

True to our decentralized culture, we follow a division-led approach for managing and improving environmental performance. With support from ITW’s senior management, each division is directly responsible for implementing the most impactful environmental performance improvement opportunities for their unique operations. As we evaluate and strive to improve our environmental performance, we take a three-pronged approach:

1. **Auditing our facilities to drive continuous improvement.** ITW’s annual environmental, health and safety compliance audits help ensure that the company’s facilities meet regulatory requirements and reinforce ITW’s commitment to safeguarding the environment. The audits also highlight the ways ITW businesses go above and beyond baseline compliance to reduce the company’s impact on the environment and preserve natural resources.

2. **Reporting voluntarily to organizations such as CDP.** We voluntarily participate in a number of surveys related to our environmental performance. For example, ITW continued its voluntary participation in CDP’s climate change and water questionnaires in 2018, and in 2018 we made these submissions public to increase our transparency in reporting. As a result, we have continued to increase our understanding of the effects of carbon emissions and water withdrawals, which are being used to inform ITW’s strategy for reducing environmental impact.

3. **Implementing policies that guide our activity.** Each ITW division is responsible for complying with the ITW Environmental & Sustainability Policy. Everyone in the organization has a responsibility to preserve and protect the environment, conduct operations in a safe manner and recognize the potential impacts of our operations.

In addition, many of our businesses pursue third-party certifications as part of ITW’s ongoing drive for overall operational excellence. The well-respected International Organization for Standardization (ISO) develops standards and criteria for effective environmental management systems, and many of our facilities have taken the step to become certified. At the end of 2018, 87 sites, accounting for approximately 20 percent of ITW’s manufacturing sites globally, had ISO 14001 certification for environmental management.

Read more about our environmental management in Governance & Ethics.
OUR ENVIRONMENT

Environmental Responsibility

Reducing Our Environmental Impact
Across ITW businesses, we continuously examine ways to improve our environmental performance. For example:

• At our Magnaflux China facility, isopropyl alcohol (IPA) is used to clean equipment, which generates roughly three metric tons of waste per year. To address this issue, the business developed a process to recycle the IPA, eliminating the waste of the operation.

• Headquartered in Enkenbach, Germany, ITW’s Automotive Engineered Fasteners & Components team implemented a series of enhancements to improve the energy efficiency of their operation, resulting in a reduction of energy costs for this operation by up to 85 percent, as well as reduced CO2 emissions. Learn more here.

In addition to these activities, ITW is investing in solar installations in Frankfort, Illinois, which will help ITW reduce its greenhouse gas emissions as these are put into service, expected in 2019. We look forward to sharing more about this project in our next CSR report.

Our 2018 Environmental Impact
We track our impact on the environment in a number of areas, and we use this data to work toward continuous improvement. Our data is reviewed and verified by a third party to ensure transparency in our disclosures. As shown on the next page, we are pleased to have achieved a 6.5 percent greenhouse gas emissions intensity reduction in 2018 versus our 2017 baseline year, based on our third-party verified data. Additionally, as part of our commitment to improving our environmental performance, we will set a greenhouse gas emissions intensity reduction target for the Company in 2019. View our greenhouse gas emissions verification statement here.

Disclosing Our Responsible Journey
ITW is a responsible emitter and operates below any permitted levels of toxic chemical emissions. In compliance with SARA Title III Section 313 regulations in the U.S., a total of 59 affected ITW facilities annually file either Form A or R reports as required. ITW also evaluates its reported emissions to identify reduction opportunities.

Environmental Footprint

North America
61% GHG Emissions
60% Energy Use

Europe, Middle East & Africa
19% GHG Emissions
26% Energy Use

Asia Pacific & Other
21% GHG Emissions
14% Energy Use

6% Water Use

24% Water Use
OUR ENVIRONMENT

Environmental Responsibility

2018 ENVIRONMENTAL DATA

Total Energy\(^{1,4}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct energy in MWh</th>
<th>Indirect energy in MWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>560,547</td>
<td>1,096,166</td>
</tr>
<tr>
<td>17</td>
<td>545,328</td>
<td>1,059,994</td>
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<tr>
<td>16</td>
<td>518,166</td>
<td>1,021,665</td>
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<tr>
<td>15</td>
<td>537,075</td>
<td>903,614</td>
</tr>
<tr>
<td>14</td>
<td>613,938</td>
<td>978,526</td>
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</table>

Energy Intensity\(^{3,4,5}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Energy intensity (MWh/$MM operating revenue)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>108</td>
</tr>
<tr>
<td>17</td>
<td>116</td>
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<tr>
<td>16</td>
<td>116</td>
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<tr>
<td>15</td>
<td>110</td>
</tr>
<tr>
<td>14</td>
<td>119</td>
</tr>
</tbody>
</table>

Total Emissions\(^{2,4}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct emissions in metric tons CO(_2)e</th>
<th>Indirect emissions in metric tons CO(_2)e</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>134,118</td>
<td>540,715</td>
</tr>
<tr>
<td>17</td>
<td>128,824</td>
<td>549,840</td>
</tr>
<tr>
<td>16</td>
<td>106,524</td>
<td>539,767</td>
</tr>
<tr>
<td>15</td>
<td>110,384</td>
<td>475,141</td>
</tr>
<tr>
<td>14</td>
<td>125,935</td>
<td>525,023</td>
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</table>

Emissions Intensity\(^{3,4,5}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Emissions intensity (metric tons CO(_2)e/$MM operating revenue)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>46</td>
</tr>
<tr>
<td>17</td>
<td>49</td>
</tr>
<tr>
<td>16</td>
<td>49</td>
</tr>
<tr>
<td>15</td>
<td>45</td>
</tr>
<tr>
<td>14</td>
<td>49</td>
</tr>
</tbody>
</table>

Total Water Withdrawn

<table>
<thead>
<tr>
<th>Year</th>
<th>Purchased water withdrawal in thousands of U.S. gallons</th>
<th>Non-purchased water withdrawal in thousands of U.S. gallons</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>677,969</td>
<td>138,179</td>
</tr>
<tr>
<td>17</td>
<td>669,547</td>
<td>130,248</td>
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<tr>
<td>16</td>
<td>663,267</td>
<td>148,962</td>
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<td>15</td>
<td>575,425</td>
<td>129,369</td>
</tr>
<tr>
<td>14</td>
<td>542,372</td>
<td>83,515</td>
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</table>

Water Intensity\(^{1,5}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Water intensity (U.S. gallons/$thousand operating revenue)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>55</td>
</tr>
<tr>
<td>17</td>
<td>58</td>
</tr>
<tr>
<td>16</td>
<td>61</td>
</tr>
<tr>
<td>15</td>
<td>54</td>
</tr>
<tr>
<td>14</td>
<td>47</td>
</tr>
</tbody>
</table>

Total Solid Waste

<table>
<thead>
<tr>
<th>Year</th>
<th>Hazardous &amp; special industrial waste in U.S. tons</th>
<th>Non-hazardous waste in U.S. tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>7,086</td>
<td>29,027</td>
</tr>
<tr>
<td>17</td>
<td>7,198</td>
<td>27,465</td>
</tr>
<tr>
<td>16</td>
<td>6,784</td>
<td>25,830</td>
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<tr>
<td>15</td>
<td>6,832</td>
<td>25,908</td>
</tr>
<tr>
<td>14</td>
<td>6,839</td>
<td>30,692</td>
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</table>

Government Environmental Inspections\(^6\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of inspections</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>167</td>
</tr>
<tr>
<td>17</td>
<td>165</td>
</tr>
<tr>
<td>16</td>
<td>92</td>
</tr>
<tr>
<td>15</td>
<td>109</td>
</tr>
<tr>
<td>14</td>
<td>164</td>
</tr>
</tbody>
</table>

Total Recycled Material

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of recycled materials in U.S. tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>60,965</td>
</tr>
<tr>
<td>17</td>
<td>61,791</td>
</tr>
<tr>
<td>16</td>
<td>56,688</td>
</tr>
<tr>
<td>15</td>
<td>50,063</td>
</tr>
<tr>
<td>14</td>
<td>54,916</td>
</tr>
</tbody>
</table>

Government Environmental Inspections’ Resulting Fines\(^6\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Fines in U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>$33,965</td>
</tr>
<tr>
<td>17</td>
<td>$10,178</td>
</tr>
<tr>
<td>16</td>
<td>$8,853</td>
</tr>
<tr>
<td>15</td>
<td>$5,894</td>
</tr>
<tr>
<td>14</td>
<td>$128,072</td>
</tr>
</tbody>
</table>

\(^1\) Includes electricity, natural gas, heating/fuel oil, diesel, gasoline and propane.

\(^2\) Emissions from the combustion of natural gas, H/F Oil, LPG, diesel, gasoline and foam blowing agents.

\(^3\) Only operating revenue from participating divisions was included in the calculation of intensity indicators.

\(^4\) As part of the 2018 third-party verification process, 2017 baseline data has been adjusted to include energy and emissions from additional business locations and emissions from foam filling operations. Adjustments were not made to 2016 data, since that data is not third-party audited baseline year data. Our previous year-over-year comparison between 2016 and 2017 data, as reported in our 2017 CSR report, which showed a reduction in energy and emissions intensity, is still relevant for the comparison of the same population of facilities for both years.

\(^5\) 2017 revenue adjusted to include additional businesses.

\(^6\) 2017 government environmental inspections and 2017 government environmental inspections’ resulting fines, as reported in our 2017 CSR report, have been updated in this report. The reporting period for ITW’s environmental, health and safety data is January 1 – December 31, 2018. The reporting boundary includes companies over which ITW has operational control. The reporting boundary does not include joint ventures. The environmental data excludes leased non-manufacturing facilities.
ITW is committed to working with suppliers who operate with similar dedication to global environmental sustainability. We strive to foster responsibility across our value chain, including partnering with our global supplier network to ensure we are all committed to the highest level of integrity and ethical standards.

Partnering with Our Suppliers on Accountability

Our Supplier Code of Conduct and Supplier Expectations serve as the foundation for ensuring our supplier partners operate according to our high ethical standards. Our purchase order standard terms and conditions further reinforce our expectations. Importantly, our Supplier Code of Conduct applies all relevant aspects of ITW’s Statement of Principles of Conduct to our suppliers.

More specifically, our Supplier Code of Conduct requires our suppliers to adhere to laws against child or forced labor and laws governing wage and working hours, discrimination, environmental, health & safety, and fair dealing. Furthermore, the Code requires that suppliers not engage in corruption and that they commit to fully complying with all applicable anti-corruption laws and regulations of the countries in which they operate.

Our Supplier Expectations inform our suppliers that they are expected to focus on reducing their environmental impact, give back to their communities and support sourcing to diverse business sub-suppliers. This policy also outlines our expectation that suppliers conduct their business in a manner consistent with all applicable laws and regulations pertaining to human rights.

Read more about our supplier policies in Governance & Ethics.

Managing Our Supply Chain Efficiently and Responsibly

As part of our strategic sourcing effort, ITW takes several steps to ensure our supply chain is managed efficiently and responsibly.

- We review our supply network to identify the most efficient logistics routes, methods and warehousing strategies that also allow ITW to meet or exceed customers’ expectations. The data-supported approach enables ITW and its businesses to recommend changes to distribution and storage patterns to drive efficiency and reduce the impact on the environment by eliminating unnecessary miles in freight routes.

- We focus our efforts on sourcing more environmentally-friendly and sustainable packaging materials for our products.

- Given our decentralized culture and global footprint, local suppliers are often the most efficient way to meet our supply chain needs. The longstanding relationships ITW businesses have with local suppliers help us source more responsibly while supporting the communities in which our businesses operate around the world. In our overall supply chain, approximately $3.2 billion of our third-party spend is with suppliers who are located in close proximity to the plants they serve. Additionally, ITW purchases over $113 million of products and services from diverse suppliers, including racially/ethnically diverse, women-owned and veteran-owned companies.

- We systematically review and rate our suppliers to evaluate their long-term viability, and therefore their ability to support our businesses sustainably going forward. This supplier index measures ITW’s suppliers on a variety of factors, including safety and environmental measures, financial data, leadership stability and operational metrics.
OUR ENVIRONMENT

Supply Chain Responsibility

Sourcing our Minerals Responsibly

ITW is committed to taking necessary actions to ensure our supply chain utilizes tin, tantalum, tungsten and gold (commonly referred to as 3TG) only from certified conflict-free sources. These actions are consistent with §1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and follow the international framework provided by the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. We work closely with our businesses to ensure a robust process to create transparency on the origin of 3TG in our products, including obtaining supplier declarations from affected suppliers whose products contain (or may contain) 3TG. ITW is also engaged in several industry consortiums to help improve disclosures. More information is available in our Conflict Minerals Policy and our SEC filings.

Modern Slavery

ITW is committed to taking proactive measures to ensure that our supply chain is free of any kind of modern slavery. We manage this commitment in a few ways:

- **Training.** We require all global employees who work with suppliers and customers on conflict minerals requests and our Responsible Sourcing Committee members, to undergo specific training on modern slavery and human trafficking in the supply chain. We provide guidance to enable these professionals to recognize the signs of slavery and human trafficking and to act to remove any suppliers found to be engaging in these activities. We also host an internal website that contains this training and additional materials on this topic. To date, no issues of concern have been raised by our sourcing personnel regarding any potential modern slavery anywhere in our supply chain.

- **Evaluation.** We evaluate our purchased products against the U.S. Department of Labor’s List of Goods Produced by Child Labor or Forced Labor for likely countries and industries prone to modern slavery to help identify any high-risk suppliers ITW may utilize.

- **Education.** Based on this evaluation, we provide education on our Supplier Code of Conduct explicitly with identified possible high-risk suppliers (based on the U.S. Department of Labor’s List of Goods Produced by Child Labor or Forced Labor in likely countries) and ask them to certify their compliance. We have obtained certification of compliance to our Supplier Code of Conduct from 100 percent of these identified possible high-risk suppliers.

- **Review.** With select suppliers, we conduct onsite visits to review operations and management practices.

Further information can be found on the ITW.com website, including our ITW Modern Slavery and Human Trafficking Statement.
As a global company, our commitment to global environmental sustainability includes partnering with our customers in innovating solutions that address their needs for environmentally responsible products. Increasingly we find our customers asking for solutions that are more eco-efficient and which help them achieve their own responsible development goals. We thrive in this environment of partnering with our customers to deliver innovative solutions to their challenges.

Developing Responsible Solutions through Customer-Back Innovation

The ITW Business Model guides our approach to innovation, which starts with our customers and their pain points. Our customers are often challenged with environmental issues, such as how to reduce energy use or emissions. We have continuous engagement with our customers and partner with them on the design and development of our solutions to ensure we are enhancing the positive impact while solving their pain points.

While every division is different, they all focus on long-term sustainability as appropriate to meet customer needs relative to clean technology (clean-tech), including water conservation, renewable energy use and emissions reduction. Regarding ITW’s clean-tech products, which in turn help our customers reduce the environmental impact of their own products, ITW is proud to provide more than $3.4 billion of products that support overall eco-efficiency. Clean-tech products represent approximately 23 percent of ITW’s overall revenue, an increase of one percent from last year’s CSR report.

A Focus on Product Safety as We Innovate Solutions Responsibly

In line with our strong focus on the safety of our people, ITW’s four-step customer-back innovation process also incorporates product safety. The process steps include:

**STEP 1:** This key step includes identifying the key customer problem and determining the business value of solving it. This is the heart of our customer-back innovation process. It also considers safety impacts related to the customer issue and possible solutions.

**STEP 2:** This step includes exploring differentiated alternatives and selecting the best product/service approach. This step also includes the start of our Design Failure Mode Effects Analysis (DFMEA) process, which considers safety implications, and mitigation strategies for identified risks, of our proposed offerings.

**STEP 3:** In this step, our colleagues and partners engineer the product/service. Completion of the DFMEA identification of possible product safety issues and their mitigation is typically concluded by the end of this step. Appropriate design changes to enhance product safety as identified in the DFMEA are incorporated in the final design.

**STEP 4:** Building the capability to manufacture, support and sell the product/service to our customers. Also included in this step is the consideration of effective control plans to ensure manufactured products are high-quality and safe.

Improved Product Testing with Less Environmental Impact

To reduce the environmental impact of conventional hydraulic testing equipment, Instron, a Test & Measurement and Electronics business, developed ElectroPuls™ Dynamic Test Instruments. This line of products uses a single phase, plug-in electrical source, is cooled by air rather than water and requires no oil. In addition to a quieter, cleaner testing environment, use of these test instruments saves over 40,000 kilowatt hours, 210 gallons of oil, and nearly 400,000 gallons of cooling water per machine, over a typical five-year period. Disposable parts, such as filters and hoses, are also reduced by over 70 percent.
We believe that we are at our best when we bring together unique perspectives, experiences and ideas, and we strive to create diverse and inclusive workplaces where all our global colleagues can perform to their full potential. This belief is reinforced by our leaders who set the tone by demonstrating inclusive behaviors and promoting inclusion across their teams.

To enhance our commitment to diversity and inclusion, in 2018 we launched an inclusive leader initiative focused on further developing our global leaders to better understand unconscious bias, take actions to minimize its effects in our workplaces, and lead in a way that reflects ITW’s culture and values. Through this initiative, over 1,000 ITW leaders participated in interactive training sessions hosted globally, and received tools and resources to help them increase inclusion within their organizations.

As part of this initiative, our leaders have also made a collective commitment to:

- Be an intentional role model for inclusion;
- Empower people with knowledge, tools and opportunities to succeed; and
- Invite different perspectives and create an environment that respects the contributions of all our ITW colleagues.

This initiative has strengthened our belief that an inclusive workplace helps drive our business success – from improved financial performance, to better customer service and innovative solutions – and further advances us on our path to be one of the world’s best-performing, highest-quality and most-respected industrial companies.
In the fall of 2014, ITW was proud to partner with the Noble Network of Charter Schools to establish a STEM high school in an academically underserved area in the Belmont-Cragin community of Chicago. The leadership and staff of the ITW David Speer Academy have worked tirelessly to create success, and the June 9, 2018 graduation ceremony was an opportunity to celebrate that success!

A total of 191 students graduated, a 98 percent graduation rate. Of the graduates, 100 percent have moved on to advanced education, with 80 percent directly matriculating into four-year colleges and the rest pursuing two-year colleges, the trades or military. For the graduates, 97 percent are first-generation college students. Graduates were accepted to many top colleges and universities. Students received over $7 million in scholarships and approximately 63 percent will not require student loans to continue their education.

We wish to congratulate the staff of the ITW David Speer Academy on a job well done and we wish all graduating seniors the very best as they continue into adulthood. ITW is so proud of this partnership!
ITW’s Automotive Engineered Fasteners & Components team is committed to driving efficiencies in its operations. At its plant in Enkenbach, Germany, ITW cools manufactured plastic parts and tools using a cooling and chilling equipment system. After years of use, the cooling system was no longer energy efficient enough, and the business was in search of a new solution.

In October 2018, the ITW team identified a more environmentally-friendly cooling system, which involved replacing three chillers with one chiller that is more energy-efficient and uses less water. In addition, the system is now able to use cool outdoor air in the winter, late fall and early spring. As a result, when combined with new pumps, hydraulic systems and proprietary software for system optimization, the new chiller is able to reduce energy costs for this operation by up to 85 percent. As an added benefit, the waste heat from the operation is used to heat the facility’s warehouse.

The project was completed in February 2019. As a result, the new cooling system has reduced CO2 emissions, maintenance costs and energy costs for the ITW facility.