

our role in a
shared
world



2017 ITW CSR REPORT

At ITW, we recognize that we exist in a shared world – with employees, communities and other stakeholders.

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ITW and CSR

executive message

ITW has a strong track record of “do what we say” execution. This is particularly relevant in how we manage corporate social responsibility (CSR). Working collaboratively with our divisions, we set clear priorities and expectations, and our colleagues work hard to ensure that we deliver on our commitments.

The ITW Business Model, which is the core source of our competitive advantage as a company, guides and informs our CSR strategy and initiatives. The business model – combined with our commitment to our core values of Integrity, Respect, Trust, Shared Risk and Simplicity – is foundational to “Our Role in a Shared World.”

We introduced several new or improved CSR initiatives and targets in 2016, and, in 2017, we made significant progress across all of these initiatives. In safety, for example, we worked to implement our Enterprise Safety Strategy, which builds on our strong safety commitment to provide a consistent strategic framework across all 85 of our divisions. I am very proud of our progress in 2017, which helps to move us forward toward our safety goal of Zero Accidents.

In addition, we continued to make progress toward our 2020 employee diversity goals, as we increased the percentage of our global leaders who are women, as well as the percentage of ethnically diverse leaders in the U.S. Also in 2017, our Chairman and CEO Scott Santi joined the leaders of over 300 companies in support of the CEO Action for Diversity & Inclusion™.

ITW again provided great support to our local communities in 2017. The widespread support for United Way by our colleagues as well as our ongoing engagement with the ITW David Speer Academy, a STEM high school which serves low income families in Chicago, are two initiatives of which we are very proud. 2018 will be a milestone year for the Speer Academy, as it graduates its first senior class since the school opened in the 2014-15 school year.



Our CSR efforts are helping us make progress toward our goal to be one of the world's highest-performing and responsible global industrial companies. We are honored to have received independent recognition for our efforts: being named to “The Just 100” America's Best Corporate Citizens list by *Forbes* and being recognized as one of *Barron's* 100 Most Sustainable Companies.

Thank you for your interest in ITW, and thank you to ITW's dedicated colleagues around the world who live our culture and values every day.

A handwritten signature in black ink that reads "Chris O'Herlihy". The signature is written in a cursive, flowing style.

Christopher A. O'Herlihy
Vice Chairman

ITW and CSR

our commitments



ITW is committed to our colleagues around the globe, to the communities where our colleagues live and our businesses operate, and to the shared world around us.



Our People

Our people are at the heart of our business. We strive to provide a safe work environment for our colleagues and create a culture of safety that is carried out every day. ITW firmly believes in developing our people to achieve their fullest potential and in ensuring meaningful work. We also recognize we are at our best when we bring together unique perspectives, experiences and ideas.

Read more:

- [employee safety](#)
- [diversity & inclusion](#)



Our Communities

Community involvement is deeply rooted in our history and corporate values. Our colleagues are empowered to support the organizations and causes that matter most to them, in addition to our focus on education, arts and culture and civic organizations.

Read more:

- [community involvement](#)



Our World

We recognize our responsibility as a company to reduce the environmental footprint of our operations and products, while seeking opportunities to have a more positive impact. ITW's product portfolio includes many applications that are helping our customers improve the overall environmental impact of their products. Working with our customers, suppliers and partners, we are on a path toward making our shared world a better place.

Read more:

- [environmental responsibility](#)
- [product & supply chain responsibility](#)

ITW and CSR

our business model & values



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 50,000 dedicated colleagues around the world thrive in our decentralized, entrepreneurial culture. In 2017, the Company achieved revenues of \$14.3 billion, with roughly half coming from outside North America.

Revenue by Geography

\$14.3 billion
2017 Total Revenue

51%

North America

28%

Europe, Middle East & Africa

21%

Asia Pacific & Other

56 countries
~50,000 employees

our business model & values

Our Differentiated Business Model Is Our Competitive Advantage

ITW's key differentiator – our secret sauce – is the ITW Business Model. It is the powerful combination of a set of strategic, operational and cultural practices that we apply to every ITW business, and that has been in existence inside the Company for over 30 years.

Starting with the right “raw material” (industries that have a great fit with our Business Model) and driving excellence in the practice of the Business Model everywhere in the Company, every day, is how we maximize ITW's ability to deliver differentiated performance over the long term.

Our Business Model is comprised of three elements:

1. Our 80/20 Front to Back Process – HOW WE OPERATE

ITW's 80/20 Front to Back Process is a proprietary set of unique business practices that we utilize as the core operating system in every ITW business. We structure and focus our businesses to uniquely serve and grow relationships with our key customers, and minimize the cost, complexity and distractions associated with serving small customers.

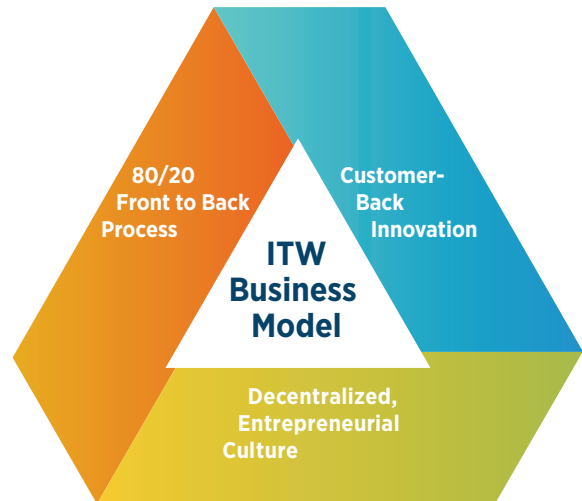
2. Our Customer-Back Innovation Approach – HOW WE INNOVATE

Customer-Back Innovation enables our divisions to deliver a steady flow of differentiated new products and solutions to their “80” customers. In every market in which we operate, our businesses work hard to position themselves as the go-to problem solver for our customers. Customer-Back Innovation is a key contributor to ITW's ability to deliver consistent above-market organic growth.

Customer-Back Innovation at ITW has fueled more than 17,000 granted and pending patents, including more than 1,900 new patent applications in 2017. We estimate that over half of our revenues are covered either by patents or trade secrets.

3. Our Decentralized, Entrepreneurial Culture – HOW WE EXECUTE

Our commitment to execution is deeply embedded in our decentralized entrepreneurial culture – we do what we say. Our leaders are clear on what is expected of them with regard to our Business Model, our values and our strategy. 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 Values

Integrity

Customers and suppliers 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 trusts 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.



ITW and CSR

governance & ethics

ITW's high standards for conducting business are driven by our strong corporate culture and our core values of Integrity, Respect and Trust. Ethical conduct is a non-negotiable element of our culture that helps us deliver best-in-class performance. We regularly review and update our policies governing ethical conduct and responsible behavior in order to ensure continued success.

Board Composition and Oversight

ITW has a single-tier board of 11 directors, one of whom is our Chief Executive Officer. The Board of Directors includes two women and two African-American men, and all 10 non-executive directors are considered independent according to the NYSE definition.

ITW's management, subject to oversight by our Board of Directors, structures, monitors and adjusts ITW's sustainability efforts in the manner that best serves the interests of the Company and all of ITW's stakeholders. The Board is responsible for overall risk oversight of the Company, which includes ITW's strategic priorities as well as policies and goals related to environmental, social and governance matters. ITW's Board receives periodic updates regarding the Company's Corporate Social Responsibility (CSR) activities and initiatives and will periodically review the Company's CSR strategy.

Each year, senior management reviews the long-range plans of our segments/divisions. These plans consider, as appropriate, long-term sustainability implications and the ability to meet customer needs related to sustainability and clean technology.

In addition, ITW has a Director of Environmental Health, Safety & Sustainability (EHSS Director) with day-to-day environmental-related responsibilities, including overseeing the execution of ongoing environmental and regulatory compliance initiatives. Furthermore, management and the Board are dedicated to continuing to advance ITW's commitment to global environmental sustainability and recognize the value in emissions disclosures and related environmental programs.

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. 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. This is one of the means used by ITW to track compliance with all environmental and safety regulations, and it supports our culture of safety.

governance & ethics

ITW's Policies

ITW has policies in place that reinforce our commitment to the high standards of ethical conduct and human rights across our decentralized, global business operations. These policies and our strong culture have enabled ITW to operate with integrity for more than 100 years.

- **Corporate Governance Guidelines** ensure the Company is governed in a manner that serves the interests of its 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.
- **Global Anti-Corruption Policy** emphasizes the importance of complying with anti-corruption laws of all countries in which ITW and its divisions, subsidiaries, agents, consultants and affiliates operate.
- **Conflict Minerals Policy** seeks to assure that our products are conflict free.
- **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.
- **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 its vice president, chief audit executive.

ITW has partnered with EthicsPoint, an external third-party provider, 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.



our people

- > Employee Safety
- > Diversity & Inclusion



Our people are at the heart of our business, and everything we do starts with them.

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 addition to providing a safe environment, ITW strives to ensure a diverse and inclusive workplace. We are at our best when we bring together unique perspectives, experiences and ideas.

We provide a comprehensive and extremely competitive benefits package that supports our employees' wellness and financial security. While specific benefits vary worldwide and are based on regional practices, listed are some common features offered to our U.S.-based employees:

- Medical and dental benefits for employee, spouse 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 employee and spouse
- Life insurance benefits
- Education and tuition assistance
- Employee assistance program
- Adoption benefits

our people employee safety



Our commitment to the safety and well-being of our approximately 50,000 colleagues is a key component of living our core values.

A Strategic Approach to Safety

We introduced a comprehensive Enterprise Safety Strategy in late 2016 to build around our Safety Vision: **“Every Accident Is Preventable.”** Our vision for safety excellence is 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 2017 Safety Performance

In 2017, we expanded implementation of the Enterprise Safety Strategy throughout all ITW divisions and saw clear evidence that we are creating an even stronger culture of safety in order to reduce the number of injuries in our facilities as we strive to reach our goal of Zero Accidents. Using the safety framework as a guide, our businesses are able to address their specific needs.

2017 Safety Data

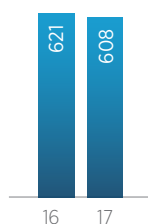
We continue to evaluate our safety metrics to ensure we are tracking data that will drive safety performance improvements.

Our Framework for an Effective Divisional Safety Program

- 1. Safety Vision:** Every accident is preventable, and our shared goal is zero accidents.
- 2. Leadership & Employee Engagement:** A strong focus on continuous improvement, communicating progress and celebrating success.
- 3. Safety Committees:** Each division will have at least one safety committee consisting of both employees and management.
- 4. Communication:** Clear safety messaging in the workplace and the sharing of best practices within and among divisions.
- 5. Training:** Continuously acquire and reinforce the skills necessary to improve safe work practices.
- 6. Audits/Hazard Identification:** Prevent accidents by identifying and reporting hazards.
- 7. Risk Prevention:** Implement a process to identify and eliminate hazards, including risk analysis, near-miss reporting, sharing best practices and implementing corrective action.
- 8. Accident Investigation:** Ensure root cause identification and corrective action with a sense of urgency.
- 9. Performance Measurement:** Use data to track and drive safety performance improvements.
- 10. Compliance:** Every ITW division will strive to meet or exceed all applicable regulatory obligations.

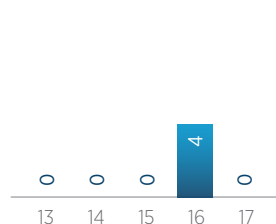
Lost Time Accidents

(Number of accidents)



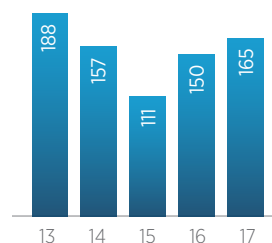
Fatalities

(Number of fatalities)



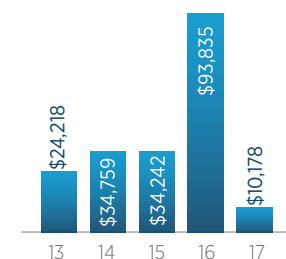
Government Safety Inspections

(Number of inspections)



Government Safety Inspections' Resulting Fines

(Fines in U.S. dollars)



our people

diversity & inclusion



ITW recognizes the value in people who bring unique perspectives, experiences and ideas to the team, enabling us to perform at our full potential and deliver differentiated solutions to our customers. Developing our people is key to our success, and we put particular emphasis on diversity and inclusion (D&I) to ensure a diverse talent pipeline and inclusive workplace.

ITW's Diversity & Inclusion Strategy

Progress in this area 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 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.



diversity & inclusion

Reporting Our Progress on D&I

We continue to make solid progress against the achievement of our 2020 goals to enhance the diversity of our global leadership team. In 2017, we again increased the percentage of our global leaders who are women, as well as the percentage of ethnically diverse leaders in the United States.

DIVERSITY & INCLUSION 2020 GOALS

Global Women Leaders

30%

U.S. Ethnically Diverse Leaders

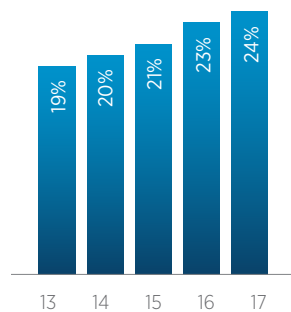
20%

* Top 1,000 senior leaders across ITW

DIVERSITY & INCLUSION 2017 DATA

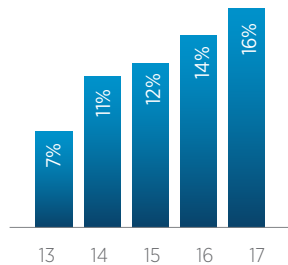
Global Women Leaders

(Percent)



U.S. Ethnically Diverse Leaders

(Percent)



ITW Commits to the CEO Action for Diversity & Inclusion™

In 2017, ITW Chairman and Chief Executive Officer Scott Santi joined the leaders of over 300 companies in support of the CEO Action for Diversity & Inclusion™ – the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. Through this commitment, these leaders agree to work collaboratively to take concrete actions, including conducting unconscious bias training with company leadership, to cultivate work environments where diverse experiences and perspectives are welcomed and where employees feel comfortable and empowered. This important diversity-related training will be provided to a broad group of ITW’s leaders in 2018.

“This was an easy commitment for me to make given our focused efforts to build a global, diverse workforce and to ensure an inclusive workplace for all of our ITW colleagues. This is foundational to ITW’s culture and values – respecting all of our colleagues and their contributions – and are essential tenets for how we conduct our business, how we treat each other and how we lead our teams.”

– Scott Santi, Chairman and CEO

our people

diversity & inclusion

Growing Our Talent

We are a leadership-centric company and our success requires sufficient quality and depth of what we define as *Great ITW Leaders*. Specifically, 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

These talented individuals are able to leverage the ITW Business Model to its full potential, which in turn drives our differentiated performance in a way that is consistent with 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.

Building Our Pipeline

In 2017, ITW launched its first formal enterprise internship program within the U.S., facilitating the placement of 92 interns across core ITW locations. All interns were challenged with key projects and assignments in their field of study and had the opportunity to develop skills and knowledge to prepare them for entry-level positions. Internships, and the conversion of interns into entry-level hires, represent an important element of ITW's talent strategy and play a critical role in building a deep and diverse talent pipeline. Notably, our program includes diversity goals related to this key talent pipeline. The internship program will continue to expand in future years, reaching students and recent graduates in key geographies across the globe.

ITW'S TALENT PIPELINE



African American Network Launches

In 2017, ITW continued to strengthen its existing Employee Resource Groups (ERGs). The African American Network (AAN) was launched to support the recruitment, development and retention of its African American workforce. Because of ITW's decentralized structure, many members of this group were already meeting informally. The AAN was formed to build on this momentum and to offer more development opportunities for African Americans throughout ITW.

In 2018, the AAN will continue to raise awareness of this newly formed group through regular events, a mentorship program and involvement in key recruitment programs.





our communities

> Community Involvement



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 financial support has totaled \$129 million.

Through the ITW Foundation, 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 ITW Hearts Giving Hope volunteer effort, our collective impact extends far beyond the walls of our operations and into our valued communities.

our communities

community involvement



The work ITW and our colleagues do in the community is deeply rooted in our company's history and core values. For over 100 years, we have strived to make a lasting, positive impact on the communities where our colleagues live and work, and where we do business. We do that through trusted national partnerships such as United Way, Boys and Girls Clubs of America and Junior Achievement, and with our commitment to support the communities our colleagues call home.

Our Approach to Community Impact

True to our decentralized culture, more than 80 percent of our giving is intentionally driven by the passion of our colleagues in North America who invest in their local communities with gifts of talent, time and money. Last year, the ITW Foundation provided \$20.1 million through the ITW Hearts Giving Hope programs, which gives ITW the opportunity to directly amplify our colleagues' giving and volunteer efforts.

Beyond the support driven by employee giving, the ITW Foundation has a portfolio focused on education and community investments that include arts and culture, and civic partnerships in the Chicago region, where we are headquartered, in an effort to build and sustain a vibrant community. In 2017, the ITW Foundation directed \$7.1 million toward these organizations.

Our Partnership with United Way

United Way has been a core part of ITW's community involvement strategy for more than 60 years. Each year, we engage thousands of ITW colleagues across our U.S. and Canadian businesses, with 75 percent of North American-based colleagues contributing to United Way in 2017, and nearly \$9 million invested into the communities where ITW has a presence and our colleagues call home.

Around the globe, our businesses also demonstrate support for their communities through United Way. In India, our colleagues partnered with United Way Mumbai to support the educational needs of 70 girls ages 6 to 20 from SOS Children's Village India. Through this unique project, the children not only get access to quality education while living in a family care environment, but their holistic development is also given due emphasis. Key components of the project include formal schooling, IT skills training, extra-curricular activities, career counseling, resilience building and social development.

community involvement

Giving at ITW

Each year, ITW targets 1 percent of earnings into community outreach efforts. We do it through a variety of ways, including sponsorships, grants and product donations. ITW has invested \$25.8 million on average per year into the community over the last five years. In 2017, total community investment spending reflected approximately 1 percent of our company's pre-tax profits.



\$256,000

The ITW Foundation gave \$10 for every service hour in 2017, for a total of \$256,000.



\$11 Million

In 2017, ITW colleagues and the ITW Foundation together raised over \$11 million for nearly 3,000 charities.



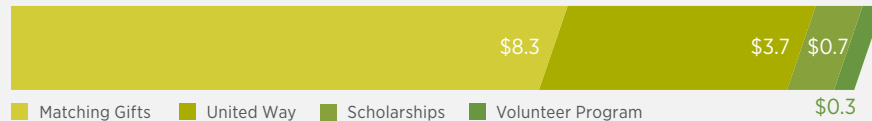
12,600

In 2017, more than 12,600 North American-based ITW colleagues donated to United Way.

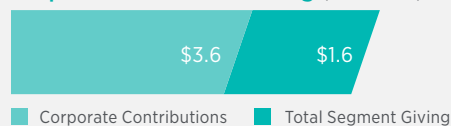
Multi-year Pledges/Annual Grants (in millions)



Employee-Driven Giving (in millions)



Corporate & Business Giving (in millions)



Foundation Giving
\$20.1 million

Corporate & Business Giving
\$5.2 million

Total Giving
\$25.3 million

community involvement

ITW's Support for Education

Education is a core focus area where ITW strategically directs support. We are committed to investing in the future of our colleagues and their families, as well as supporting STEM-related (science, technology, engineering and mathematics) education programs in schools and organizations.

Scholarships

In 2017, the ITW Foundation gave approximately \$1 million in scholarships to support the educational pursuits of over 285 students attending a trade school or college. These deserving students are the dependents of our colleagues across ITW divisions in the U.S. and Canada.

In addition, for the first time, ITW has partnered with Northwestern University (NU), a nationally top-ranked school in the Chicago area, to provide a full scholarship to a Chicago Public Schools (CPS) high school student pursuing an engineering degree. This annual scholarship will be awarded to a graduating CPS student who is admitted to NU, beginning with the graduating class of 2018.

Reaching New Milestones at the ITW David Speer Academy

Located in Chicago's Belmont-Cragin neighborhood, the ITW David Speer Academy offers a world-class STEM education to more than 1,100 students in grades 9 through 12. In addition to excellent in-classroom academics, students also have the opportunity to gain hands-on experience through internships, many of which take place at ITW businesses, and with non-profit partners supported by ITW. In fact, 44 percent of internship placement opportunities made in 2017 were within ITW and its partner charities in the community.

Throughout the year, ITW colleagues also spend time with ITW David Speer Academy students serving as mentors, running the robotics club, participating in Career Day, as part of a one-week video project internship, and hosting a major annual volunteer Day of Service on the school's campus. In 2017, we announced a partnership between Miller Electric, an ITW Welding company, and the ITW David Speer Academy, which will enable the school to offer a welding program in the 2018-19 school year. With support from Miller Electric, the curriculum will not only educate students to be skilled in the techniques and safety related to welding, it will also provide exposure to the wide variety of careers across many industries that utilize welding.

Now in its fourth full year of operation, the ITW David Speer Academy will graduate its first class in the spring of 2018. Many of these students have already been accepted to top STEM programs at universities across the country, including Marquette University, University of Illinois at Urbana-Champaign, Iowa State University and Indiana University.

ITW is pleased to congratulate the ITW David Speer Academy Founding Class of 2018!

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

ITW Responds to Disasters Close to Home

2017 was a significant year for natural disasters, and ITW stepped up to support response and recovery efforts, contributing over \$850,000. ITW provided local responses such as temporary housing, transportation and other immediate support to employees who were significantly impacted by these events. Many of our colleagues made personal gifts, volunteered their time and donated supplies, clothing and food to aid both fellow colleagues and local residents impacted by these events. Through the matching gift program as well as special designations set up through

the annual United Way workplace giving campaign, ITW employees and the ITW Foundation donated approximately \$250,000 to help human service agencies like the American Red Cross in support of disaster relief initiatives in the areas hit hardest by hurricanes, flooding and other natural disasters.

In addition, the ITW Foundation committed a \$500,000 grant to the United Way Harvey Recovery Fund, which is focused on the long-term recovery of the Texas Gulf Coast region.



our world

- > Environmental Responsibility
- > Product & Supply Chain Responsibility



ITW is committed to operating responsibly in every aspect of our business, from the sourcing of raw materials to the recycling of our products.

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 more positive impact on our world.

our world

environmental responsibility



Part of ITW's commitment to operating responsibly in a shared world is recognizing that our operations and footprint have global impact. Across our organization, we are focused on measuring, managing and reducing our environmental footprint.

Managing Environmental Performance

In keeping with our decentralized culture, ITW divisions are directly responsible for managing their own performance and implementing the most impactful improvement opportunities for their unique operations. As we evaluate and continuously improve our environmental performance, we take a three-pronged approach:

- **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.
- **Reporting voluntarily to organizations such as CDP.** CDP (formerly the Carbon Disclosure Project) is an independent, nonprofit organization working to encourage the disclosure of global emissions and water usage by businesses and cities. In 2017, ITW continued its voluntary participation in CDP's investor and water questionnaires. 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. Going forward, we will also make public the data disclosed to CDP.
- **Implementing policies that guide our activity.** Each ITW division is responsible for complying with the ITW Environmental and Safety Policy and the ITW 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 we are proud of our facilities that have taken the step to become certified. For example, at the end of 2017, 68 sites, accounting for approximately 18 percent of ITW's sites globally, had ISO 14001 certification for environmental management.

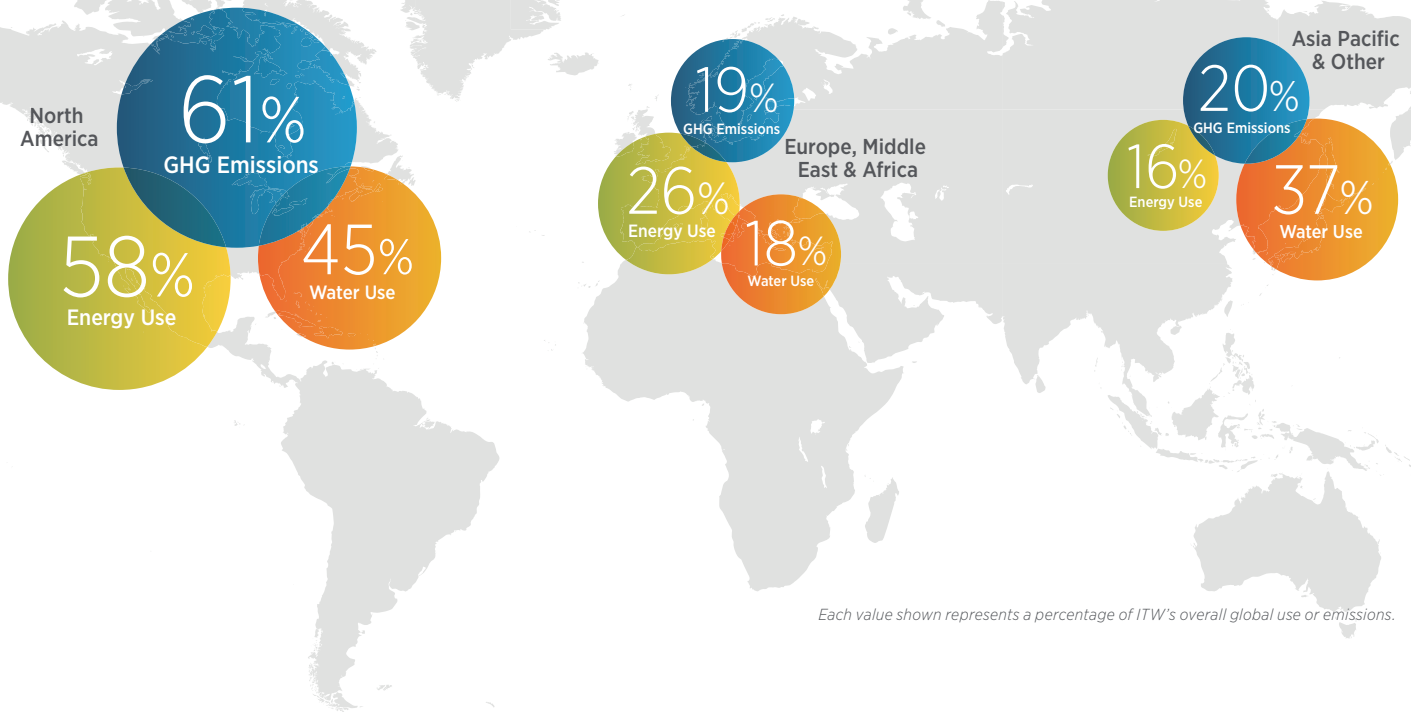
Read more about our environmental and safety management in [Governance & Ethics](#).

Reducing Our Environmental Impact

At the division level, we continuously examine ways we can lessen our negative impacts on the environment. For example, the ITW Engineered Fasteners & Components division that serves the automotive industry installed variable frequency drives on its injection molding equipment to reduce overall energy use. From this single improvement, the business estimates an annual savings of 446,021 kilowatt hours, or the equivalent annual energy usage of 41 U.S. homes.

In our ITW Ground Support Equipment division, the business developed a battery-powered ground power unit to replace its diesel-based unit, which is estimated to reduce CO₂ emissions by 90 percent and NO_x emissions by 95 percent, compared with a T3 engine.

Environmental Footprint



Each value shown represents a percentage of ITW's overall global use or emissions.

Reporting Our 2017 Environmental Impact

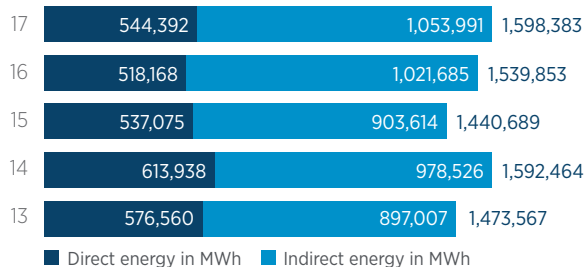
We track our impact on the environment in a number of areas, and we use this data to drive continuous improvement. In addition, this data will be reviewed and certified by a reputable third party as part of ITW's ongoing commitment to transparency in its disclosures.

It is worth noting that in the prior year's emissions reports, our total GHG emissions and GHG emissions intensity were meaningfully below the average of our peer group of

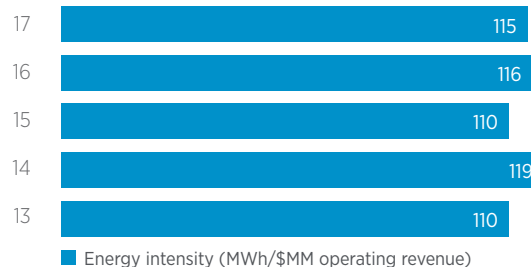
companies identified in our proxy statement. ITW is committed to continuing to reduce our environmental impact and one area where we do this is in our purchase of renewable energy, which accounts for approximately 3 percent of ITW's energy consumption. While ITW manufactures a wide variety of products, our energy intensity is modest, and we continue to look for ways to be increasingly more efficient.

2017 ENVIRONMENTAL DATA

Total Energy^{1,4}



Energy Intensity^{2,4}



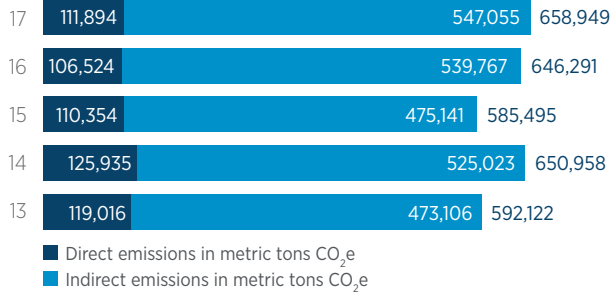
¹Included energy sources are electricity, natural gas, heating/fuel oil, diesel, gasoline and propane (fork truck).

²Only operating revenue from participating divisions was included in the calculation of intensity indicators.

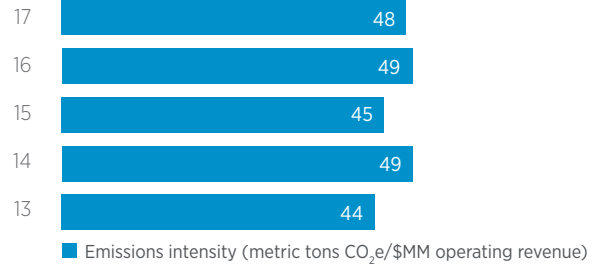
⁴Energy and emissions data from prior years have been adjusted based on additional data and adjusted emissions factors for certain energy sources.

2017 ENVIRONMENTAL DATA (CONTINUED)

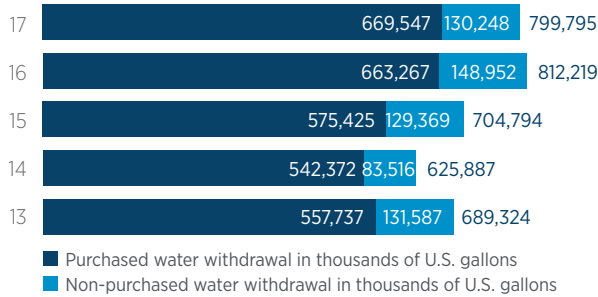
Total Emissions^{3,4}



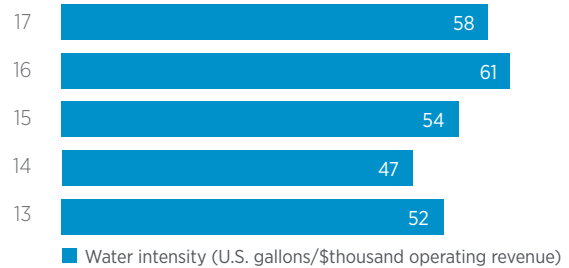
Emissions Intensity^{2,4}



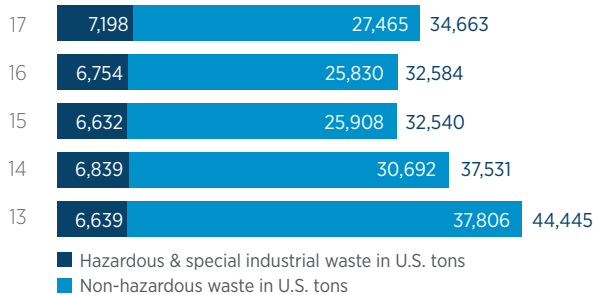
Total Water Withdrawn



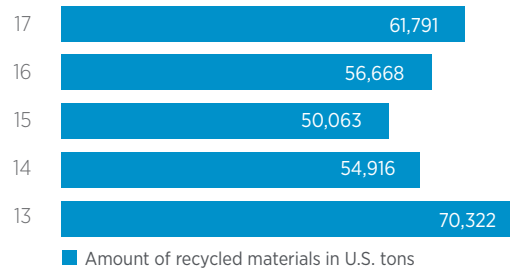
Water Intensity²



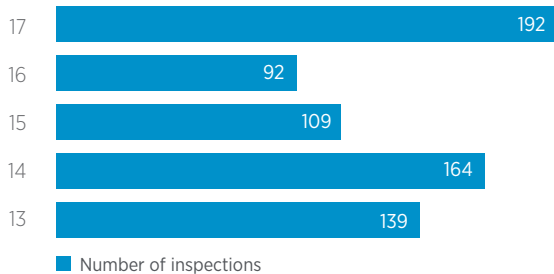
Total Solid Waste



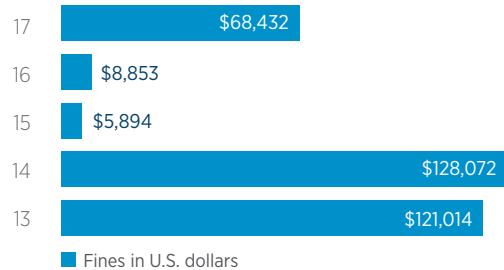
Total Recycled Material



Government Environmental Inspections



Government Environmental Inspections' Resulting Fines



³ Includes CO₂, N₂O, CH₄

The reporting period for ITW's environmental, health and safety data is January 1 - December 31, 2017. 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.

our world

product & supply chain responsibility



As a global company, ITW aims to maximize the positive impact we have on our shared world. We are committed to fostering responsibility across our value chain – from our global supplier network to the impact of our products.

Innovating Responsible Solutions

The ITW Business Model guides our approach to innovation, which starts with our customers and their pain points. Quite often, our customers are challenged with environmental issues such as how to reduce energy use or emissions. Working collaboratively with our customers and suppliers, we focus on enhancing the positive impact of solving customer pain points. As part of their long-range plans, our businesses 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. Our focus on eco-efficiency is exemplified by ITW's Food Equipment Group, which has earned its 10th consecutive EPA ENERGY STAR® Partner of the Year Award for its commitment to energy efficiency. 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 \$3.1 billion of products that support overall eco-efficiency. Clean-tech products represent approximately 22 percent of ITW's overall revenue.

Partnering with Suppliers to Drive Sustainable Solutions

Guided by our Strategic Sourcing framework, ITW's sourcing team works with our businesses around the world to build an effective supplier network. Our supplier engagements are guided by ITW's Supplier Code of Conduct, which defines our commitment to operate with the highest levels of integrity and makes clear that we hold our suppliers to these same high standards. Our code includes the following principles:

1. Zero tolerance for child labor or forced labor
2. Right to freedom of association

3. Anti-discrimination measures
4. Rules to prevent improper gifts or payments
5. Protection of intellectual property rights
6. Confidentiality

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 \$3.1 billion of our third-party spend is with suppliers who are located in close proximity to the plants they serve. Additionally, ITW purchases over \$96 million of products and services from diverse suppliers, including racially diverse, woman-owned and veteran-owned companies.

product & supply chain responsibility

- 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.

Sourcing our Minerals Responsibly

Consistent with §1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and following the international framework provided by the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, 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. 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 [SEC filings](#).

Modern Slavery

ITW is committed to using our best efforts to ensure our supply chain is free of any kind of modern slavery. Actions we have taken include:

- Training our sourcing personnel on the risks associated with modern slavery in the supply chain and providing guidance on risk factors to consider and possible actions to take if they encounter situations that may cause concern. To date, no issues of concern have been raised by our sourcing personnel regarding any potential modern slavery anywhere in our supply chain.
- Evaluating our purchased products and considering them 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.
- Reviewing 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 asking them to certify their compliance. We have obtained certifications from 100 percent of these identified possible high-risk suppliers that they comply with ITW's Supplier Code of Conduct.
- Onsite visits to selected suppliers to review operations and management practices.

Further information can be found on the [ITW.com](#) website, including our [California Transparency in Supply Chains Act](#) and [UK Modern Slavery Act Disclosure](#).

feature story

ITW Welding Group's Responsible Redevelopment

When the ITW Welding Group moved its Troy, Ohio, Hobart Brothers manufacturing plant to a new site, the business was tasked with what to do with the property. Rather than simply transferring the property directly to the local economic development organization, ITW took responsibility for preparing the site for redevelopment.



Before demolishing the outdated facility, ITW conducted an environmental assessment of the site to ensure that no significant contamination existed. In partnership with the City of Troy, ITW agreed to work with the Troy Development Council (TDC) to redevelop the site, saving the city substantial transaction costs.

After a considerable amount of work to prepare the site, ITW and the TDC negotiated the sale of the property to the Kettering Health Network, which plans to build a three-story, nearly 100,000-square-foot hospital. With the help of ITW and its partners, Kettering is addressing the needs of the local community by expanding its health care service offerings. In 2017, this project was recognized by the Ohio Economic Development Association as one of the top three redevelopment projects in Ohio.

Acquired by ITW in 1996, the Hobart Brothers company has been a part of the Troy community for over 100 years, which made the decision to partner with the city and development

council an easy one. In fact, the public/private partnership involved in this project was unprecedented in the State of Ohio, and it not only brought new jobs to the Troy community but also generated renewed interest and many new projects in downtown Troy.

“Troy is very proud to have the ITW Welding Group and the ITW Food Equipment Group in our City. Both Divisions are very active participants in the Troy community, including providing many great employment opportunities and strong support for United Way and other local organizations,” said J.C. Wallace, president of the Troy Area Chamber of Commerce and CEO of the Troy Development Council. “This project really demonstrated ITW’s corporate and local commitment to the long-term health and welfare of their employees, their families and the citizens of the Troy area. We are extremely grateful for the years of work and the investment that ITW put into making this downtown redevelopment project a reality!”

feature story

Mentoring Future Female Leaders

In 2017, members of the Chicago North Shore Chapter of the ITW Women's Network (IWN) sought to expand their reach and empowerment of female leaders into the local community. As they considered where they could have the greatest impact, they saw a natural connection to the company-sponsored ITW David Speer Academy and its G.I.R.L.S. (Great. Independent. Responsible. Ladies of STEM) club.



A women-empowerment club, G.I.R.L.S. supports female students in both their personal and academic development. Partnering with the school's two club sponsors, the IWN team of 12 women – representing a wide range of ages, job functions and cultural backgrounds – set out to host a mentoring event once a month.

Initially, the team planned to focus on professional development and career readiness. However, after getting to know the girls and the experiences they already receive at ITW David Speer Academy, they decided they could better serve the girls by focusing on a blend of social and cultural experiences. Monthly events have included a tour of the Mexican Museum of Art, a session on creating an “elevator pitch,” a dinner on business etiquette and a trip to the opera.

“This has been a really terrific year for IWN and the G.I.R.L.S. club,” said mentor Angie Sheehan, ITW vice president & general manager. “We are excited to see the club grow, and both the girls and our mentors have enjoyed their experiences together.”

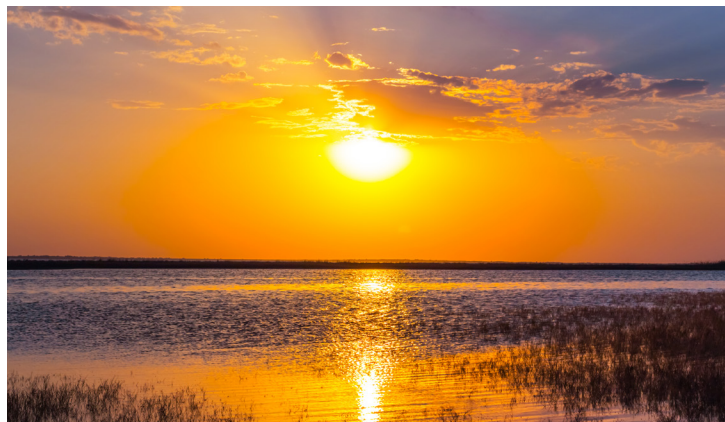
Twelve girls from the school participated in G.I.R.L.S. during the second semester of 2017. The number has jumped to 40 girls for the 2017-18 school year.

While the program is self-funded, the G.I.R.L.S. club mentoring program has benefited from the ITW Foundation's matching gift and volunteer programs to support its events.

feature story

Water Conservation in India

In recent years, ITW's Bangalore Integrated System Solutions (P) Ltd (BISS) has seen its home city of Bangalore, India, grow in population as it has become the country's capital for science and technology. As a result, the once "Garden City" has experienced a decline in this reputation due to growing pressure on its infrastructure.



Water, in particular, is a resource the city struggles to supply. So when BISS, a leading manufacturer and provider of testing systems, moved to a new location in Bangalore, the business made a conscious decision to do whatever it could not to burden the city by its presence and operations.

While constructing the new facility, BISS converted the entire basement into a water reservoir that holds up to 200,000 liters of rain water. Nearly all the rain that falls on the roof ends up in the reservoir. The water is then filtered to serve the operational

needs of the business, relieving pressure on the overburdened city water supply. In addition, all liquid waste is fed to a waste treatment facility on the BISS property. Treated water from this facility is fully utilized within the business for non-potable purposes, while the solid waste is composted on site and serves as nutrients for the nearby greenery.

BISS continues to look for ways it can reduce its impact on the environment through facility improvements.

feature story

Reducing Emissions and Power Consumption in the Aviation Industry

Each day, the aviation industry is met with increasing requirements from airports to become cleaner and greener. True to our culture, ITW GSE naturally takes responsibility to help solve our customers' needs and pain points by developing and supplying clean, reliable and cost-efficient systems.



While airborne, an aircraft's electrical systems are powered by onboard generators. After parking at the gate, the aircraft is switched to an external power supply in the form of a ground power unit (GPU) to reduce emissions and noise levels, and minimize fuel consumption.

In the past, mobile diesel GPUs were more convenient than cleaner and quieter solid-state GPUs that were dependent on the availability of an electric power supply at an airport gate. After listening to calls from our customers and the aviation industry to develop cleaner technology, GSE developed the ITW GSE 7400 ground power unit (GPU), a low-emission innovation that utilizes battery power as opposed to conventional diesel fuel.

Running on battery power offers significant environmental savings for aircraft. For example, if running 5.5 hours a day, the diesel-driven GPUs produce 63,000 kilograms of CO₂ over the course of a year. Running at the same levels, the ITW GSE 7400 produces only 6,500 kilograms of CO₂, reducing emissions by 90 percent. During the same period, a diesel

GPU will produce nearly 300 kilograms of NO_x, compared to just 13.7 kilograms from the ITW GSE 7400.

In addition to producing minimal emissions, the ITW GSE 7400 is less expensive to run than a standard diesel GPU, can be used from remote parking areas to aircraft hangars, and can conveniently be recharged at the nearest power outlet. GPU operators also benefit from the reduced exposure to NO_x, a concern shared by many airport health and safety organizations.

"Our vision is to provide solutions that will benefit our customers and the environment," points out Poul Elvstroem, ITW GSE's vice president of sales & marketing. "It's with this vision in mind that we developed the ITW GSE 7400."

The ITW GSE 7400 has been trialed at Amsterdam Airport Schiphol in the Netherlands with great success and will go into full production in 2018.

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