

Our role in a

shared

world



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executive message



Christopher A. O'Herlihy
Vice Chairman

At ITW, we strive each and every day to operate responsibly, based on our belief in the importance of playing a positive role in our *shared world*. Our approach to corporate social responsibility (CSR) is consistent with how we perform and behave across the company: it stems from the ITW Business Model, which is rooted in our core values of Integrity, Respect, Trust, Shared Risk and Simplicity.

The ITW Business Model is the core source of our competitive advantage as a company. It also informs our CSR strategy and initiatives. For example, our 80/20 approach ensures that we are focused on those CSR opportunities where we can have the greatest impact, and our customer-back innovation process ensures that we work hand-in-hand with our customers to develop responsible solutions that meet marketplace needs. In addition, our decentralized, entrepreneurial culture provides opportunities for our team members to shape our CSR initiatives to meet the needs of their facilities and communities, with ongoing support and guidance from ITW.

In 2016, we made solid progress on a number of our key CSR initiatives, including launching our Enterprise Safety Strategy, which builds on our strong safety commitment to provide a consistent strategic framework across our divisions. We are confident that our efforts in this area will move us forward toward our goal of zero accidents.

We are also pleased to report that we have raised our diversity & inclusion goals for 2020 to reflect both the focus we have had in this area over the last few years as well as our commitment to continued

progress. Further, ITW again provided great support to its communities in 2016. The widespread support for United Way by our colleagues as well as our ongoing engagement with the ITW David Speer Academy are two initiatives of which we are very proud.

We encourage you to read about each of these initiatives – and more – in greater detail in the pages that follow. Thank you for your interest, and thank you to ITW's dedicated team members who live our values and culture every day.

Christopher A. O'Herlihy
Vice Chairman



our company

ABOUT ITW: BUSINESS MODEL & VALUES
GOVERNANCE & ETHICS

OUR COMPANY

about ITW: business model & values

ITW is a global industrial company centered on a differentiated and proprietary business model. The company is organized into seven diverse and industry-leading segments that have strong and sustainable differentiation attributes, compelling competitive advantages with relevance to key market trends, and plenty of room to grow. These global businesses hold unique positions in markets where highly innovative, customer-focused solutions are required.

A *Fortune* 200 company, ITW employs more than 50,000 dedicated colleagues in 57 countries who thrive in our decentralized, entrepreneurial culture and adhere to the highest ethical standards. These talented individuals, many of whom have specialized engineering or scientific expertise, contribute to our global leadership in innovation. We are proud of our broad portfolio of over 17,000 granted and pending patents. Our 2016 revenues were \$13.6 billion.

ITW BY THE NUMBERS

50,000+
employees

57
countries

Revenue By Geography

North America

52%

Europe,
Middle East
& Africa

28%

Asia Pacific
& Other

20%

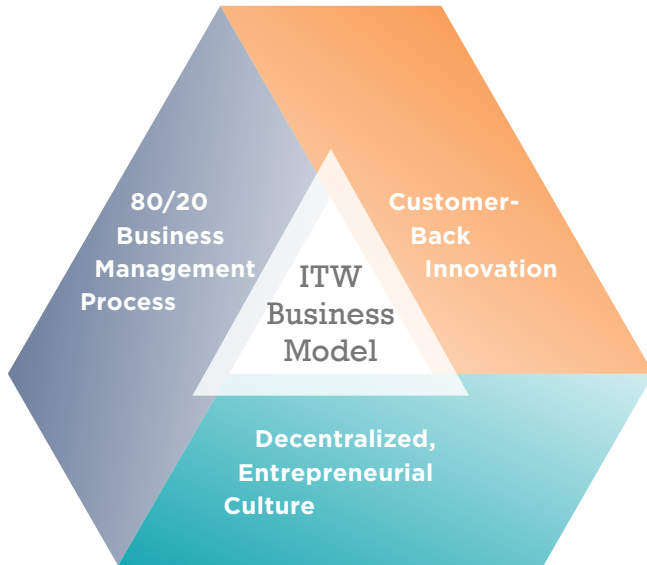
2016 Total Revenue

\$13.6 billion

business model & values

LEVERAGING OUR BUSINESS MODEL TO DRIVE SUCCESS

The ITW Business Model guides us in everything we do and is rooted in ITW's values. It enables our businesses to focus, innovate and stay close to our customers, gaining deep market insight and creating value-added solutions for a broad array of customers and end markets.



OUR BUSINESS MODEL

80/20 Business Management Process

The ITW 80/20 business management process is a proprietary operating system that we apply in every ITW division. We structure and focus our businesses to address our largest and most profitable opportunities, while eliminating costs, complexity and distractions that don't align with our strengths.

Customer-Back Innovation

Customer-back innovation has fueled decades of profitable growth at ITW. Inventing inspired solutions for our customers to help them address difficult technical challenges or improve their business performance has been the central focus of ITW's approach to innovation all the way back to the founding of our company over 100 years ago.

Decentralized, Entrepreneurial Culture

Our decentralized, entrepreneurial culture allows us to be fast, focused and responsive. Our people are clear about what is expected of them with regard to our business model, our strategy and our values. They 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 the same 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.

governance & ethics

At ITW, our unique culture helps drive our best-in-class performance as well as provides a foundation for the way we do business. Deeply rooted in our core values of Integrity and Trust is our non-negotiable approach to conducting business with the highest ethical standards. ITW colleagues around the world know that it is never acceptable to compromise our core values in order to improve business or individual performance. In addition, ITW leaders must understand and actively manage their top compliance risks and address issues promptly.

BOARD COMPOSITION AND OVERSIGHT

ITW has a single-tier board of 12 directors, one of whom is an executive. The Board of Directors includes two women and two African-American men, and all 11 non-executive directors are considered independent according to NYSE requirements.

The Board is responsible for overall risk oversight of the company as well as for ITW's strategic priorities, values, policies and goals related to economic, environmental, social and governance topics. ITW's Board of Directors receives periodic updates on the company's ongoing CSR activities and initiatives, including community investments, diversity & inclusion initiatives, employee safety objectives and the status of ITW's environmental compliance activities. These areas of focus and ITW's reporting efforts are officially guided by the ITW management team.

ITW'S POLICIES

ITW has policies in place to reinforce our commitment to the highest standards of ethical conduct across our decentralized, global business operations. The policies and our strong company 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.

The full policies are available at www.itw.com.

REPORTING ETHICS CONCERNS

ITW colleagues around the world are encouraged to share any ethics concerns with their local management teams. If they are uncomfortable reporting locally or are not satisfied with the local response, they may submit reports directly to ITW's deputy general counsel, ethics & compliance or its vice president, chief audit executive.

In addition, 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

employee safety

ITW's success is driven by our team of more than 50,000 dedicated colleagues around the world. Ensuring their well-being, and providing them with tools and support to keep themselves safe in the workplace, is of utmost importance to ITW. With a strong foundation of safety, ITW can continue to focus on growing responsibly.

MANAGING OUR SAFETY PERFORMANCE

In 2016, we introduced a comprehensive Enterprise Safety Strategy that includes a strategic framework to help organize the safety-related activities within our divisional operations around the globe. The bedrock principle of our strategy is **"Every Accident Is Preventable"** and our shared goal is **Zero Accidents**. As an enterprise, we are excited to engage with our colleagues around the world to drive continuous improvement in this critical area of our operations. More details about the new Enterprise Safety Strategy can be found on the next page.

SAFETY REPORTING UPDATE

ITW is dedicated to our goal of zero accidents. As part of our Enterprise Strategy, ITW has a "scaled-up" divisional structure, which allows us to collect more complete and robust safety data. As a result, we have updated the way we report on key safety metrics. Specifically, we have expanded the scope of operations included in the collection of injuries resulting in days away, which we refer to as **lost-time accidents (LTAs)**, to ensure that all members of our divisional teams are included. Because we began collecting LTA data from all of our businesses in 2016, we have one year of comprehensive information to include in this report. We will continue to track and report this information going forward, with 2016 as a benchmark year.

We believe comprehensive tracking of LTAs will give us a good indication of overall safety at our facilities and help us efficiently allocate our enterprise-level resources and attention to improve overall safety performance. We will also continue publishing other safety metrics we shared in prior years.

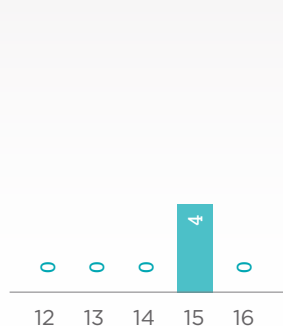
2016 Safety Data

Lost-Time Accidents

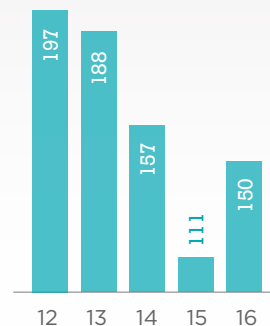
621

Lost-Time Accidents in 2016

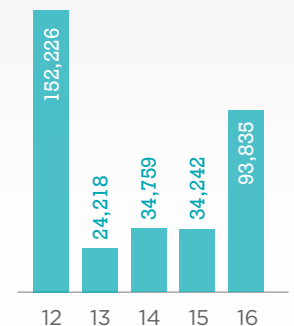
Fatalities (Number of fatalities)



Government Safety Inspections (Number of inspections)



Government Safety Inspections' Resulting Fines (Fines in U.S. dollars)



employee safety

feature story



REINFORCING OUR SAFETY VISION: “EVERY ACCIDENT IS PREVENTABLE”

At ITW, the safety of our people is an essential component of living our core values. Our Safety Vision is “**Every Accident Is Preventable.**” We expect that all of our colleagues around the world will strive every day to build a proactive safety culture that embraces our Safety Vision. 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

The introduction of our Enterprise Safety Strategy includes a consistent strategic framework (at right) for organizing safety activities and driving continuous improvement across our divisions.

“Our Safety Vision sets a clear tone that we believe every accident is preventable, and our shared goal is zero accidents,” said Robert A. Hank, Director of Environment, Health, Safety and Sustainability. “Our Safety Vision and Leadership & Employee Engagement lead the framework because they are crucial elements that enhance our safety culture and enable the success of the remaining elements.”

“To achieve our vision for Safety Excellence, we created the appropriate framework at the enterprise level. However, consistent with our decentralized philosophy, each division will implement a ‘fit for purpose’ safety program relative to its specific characteristics and safety needs, which will enable the journey to zero accidents.”

Christopher A. O’Herlihy, Vice Chairman

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:** 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 meet or exceed all applicable regulatory obligations.

OUR PEOPLE

diversity & inclusion

Becoming a best-in-class company requires best-in-class talent. Developing that talent is an integral part of ITW's Enterprise Strategy, and the company focuses especially on diversity & inclusion (D&I) to ensure our talent pool is as broad and deep as possible. We firmly believe our ability to realize our full potential as an enterprise requires high-performing global talent that brings unique perspectives, experiences and ideas to deliver differentiated products and service levels to our customers.

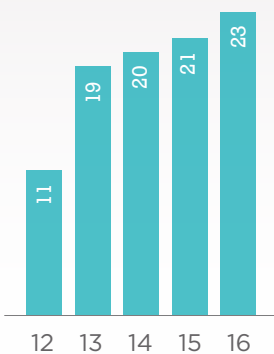
ITW has made solid progress in the area of D&I over the last several years. While we have more work to do, we are excited about our strategy and initiatives, which we believe will enable us to continue expanding the breadth and depth of our leadership team and talent pipeline.

REPORTING OUR PROGRESS ON D&I

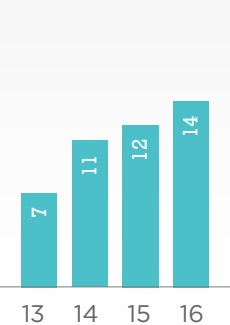
In 2016, we again increased the percentage of our global leaders who are women, as well as the percentage of ethnically diverse leaders in the United States. In support of our enterprise D&I strategy, we track the diversity of ITW's approximately 1,000 senior leaders across the company.

2016 D&I Data

Global Women Leaders
(Percent)



U.S. Ethnically Diverse Leaders
(Percent)



D&I 2020 Goals

Due to the progress we've made thus far, we are pleased to share that we recently increased our goals:

Global Women Leaders



U.S. Ethnically Diverse Leaders



diversity & inclusion

ITW'S D&I STRATEGY AND KEY INITIATIVES

Our 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 a steward 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 successfully compete 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 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.



Yvette Henry, ITW's Group Director, Strategic Sourcing, receives recognition at *Black Enterprise's* reception for the companies on its Top 50 list.

BLACK ENTERPRISE RECOGNIZES ITW FOR ITS COMMITMENT TO DIVERSITY

In 2016, ITW was named as one of *Black Enterprise's* 50 Best Companies for Diversity. We are proud of this recognition of our progress and ongoing commitment to enhancing the diversity and inclusiveness of our workforce.

diversity & inclusion

ITW'S TALENT PIPELINE



CONTINUING OUR PROGRESS: OVERVIEW OF KEY INITIATIVES

Our ability to reach our full potential as a company requires sufficient quality and depth of 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 will truly be able to leverage the ITW Business Model, 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 high-potential talent into company leadership positions - the more individuals who have access to the pipeline, the better that pipeline will be. Our employee resource groups are critical to our ability to attract, retain and develop the talent of the future.

EMPLOYEE RESOURCE GROUPS

Over the last several years, ITW has been working to strengthen its Employee Resource Group (ERG) structure. Our objective is to build on the early success the groups delivered, expand globally and create more opportunities for engagement. Additionally, we have found the most successful groups have been initiated by passionate and engaged employees in our local businesses who seek to expand their professional networks and support their collective professional development. Examples of these efforts include two ERGs that have expanded company-wide:

- **ITW Women's Network**

The mission of the ITW Women's Network (IWN) is to maintain an inclusive workplace environment for female talent and leaders, in accordance with ITW's Enterprise Strategy. In fact, one of the priorities of this group is to fill the ITW talent pipeline with women through hiring and talent development efforts. Building on the success of existing ERGs, IWN is overseen by our Women's Leadership Development Council and is open to women across all ITW functions and levels.

In 2016, ITW focused on establishing the network's regional model by forming chapters across our various locations to host networking events, offer leadership development and skill-building seminars, and create local communities for our female talent.

- **Young Professionals Network**

ITW's Young Professionals Network (YPN) is dedicated to building a community of early-in-career professionals across ITW through social platforms, networking activities and development opportunities. YPN was formed by a group of like-minded individuals. Despite working in different functional and geographic areas, the founders saw the need to come together and facilitate knowledge sharing and sense of community. Since YPN launched in 2014, membership has doubled, and in 2016 YPN established regional chapters in Europe, Boston, Philadelphia and Ohio.



Its 2016 annual conference focused on the importance of personal development, and YPN members received guidance from current Great ITW Leaders. In addition, YPN continued its strong participation in ITW's community involvement initiatives, particularly the ITW David Speer Academy (you can read more about the school on page 16).



our communities

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COMMUNITY INVOLVEMENT

OUR COMMUNITIES

community involvement

As a global company with community involvement deeply rooted in our history and corporate values, ITW strives to have a lasting positive impact on the communities where our colleagues live and work, and where we do business. Last year, our total community support reached over \$22 million.

Most of our giving is driven by the passion of our colleagues in North America who support their local communities with time and donations. The ITW Foundation provided \$8.2 million last year through the ITW Hearts Giving Hope initiative, which gives ITW the opportunity to amplify our employees' giving and volunteer efforts while encouraging them to be passionately involved in their local communities.

In addition to our primary focus on employee-driven giving, the ITW Foundation directed \$4.3 million in 2016 to education initiatives, as well as arts and culture and civic organizations.

A GROWING PARTNERSHIP WITH UNITED WAY

United Way has been a major part of ITW's community involvement strategy for more than 60 years, with solid employee participation across its U.S. businesses. Despite this already strong track record, ITW continues to look for ways to provide additional support for the organization. In 2016, ITW's United Way campaign raised over \$8.1 million, including employee giving and the corporate match.

SPOTLIGHT ON THE ITW FOUNDATION

The ITW Foundation directs most of its funding into **education**, as well as **community investments** that include arts and culture, and civic and key partnerships with university-level hospitals in Chicago and surrounding communities, all of which seek to build and sustain healthy and vibrant communities.



73%

Share of North American-based ITW colleagues who donated to United Way



\$8.1 million

ITW's total 2016 donation to the United Way network



60+ years

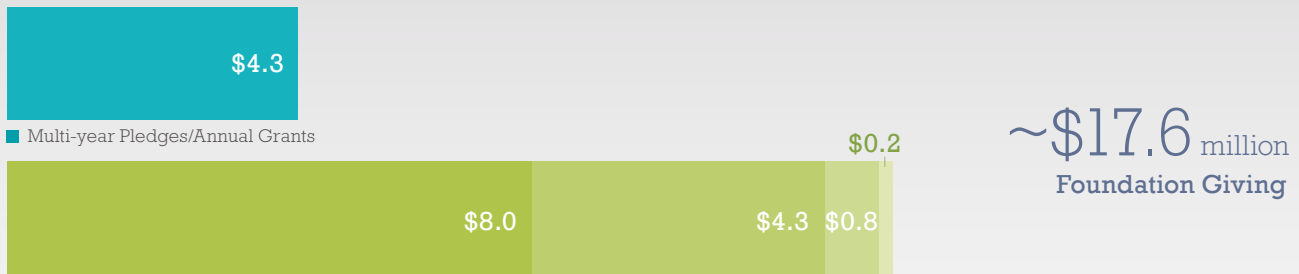
Span of ITW's involvement with United Way

community involvement

GIVING AT ITW

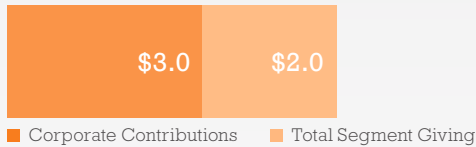
Each year, ITW seeks to reinvest a portion of its earnings back into our communities. We do it through a variety of ways, including sponsorships, grants and product donations. Many of our commitments support our employees' families and communities, such as scholarships for educational pursuits of the children of ITW colleagues and matches to their local United Way organizations.

2016 Community Giving Data



Employee-Driven Giving

■ Matching Gifts ■ United Way ■ Scholarships ■ Volunteer Program



~\$5.0 million
Corporate & Business Giving

\$22.6 million
2016 Total ITW Community Investment

As a way of supporting our colleagues' personal commitments, the ITW Foundation offers a matching gift program and gifts for service hours.



In 2016, ITW colleagues and the ITW Foundation together raised over \$11 million, benefiting more than 3,000 organizations.

MATCHING GIFT PROGRAM

The ITW Foundation offers a 3 to 1 match for employees' financial gifts. In 2016, ITW team members' donations plus matching gift funds raised over \$11 million for more than 3,000 organizations, including approximately \$3 million from individual contributions and \$8 million provided by the ITW Foundation.



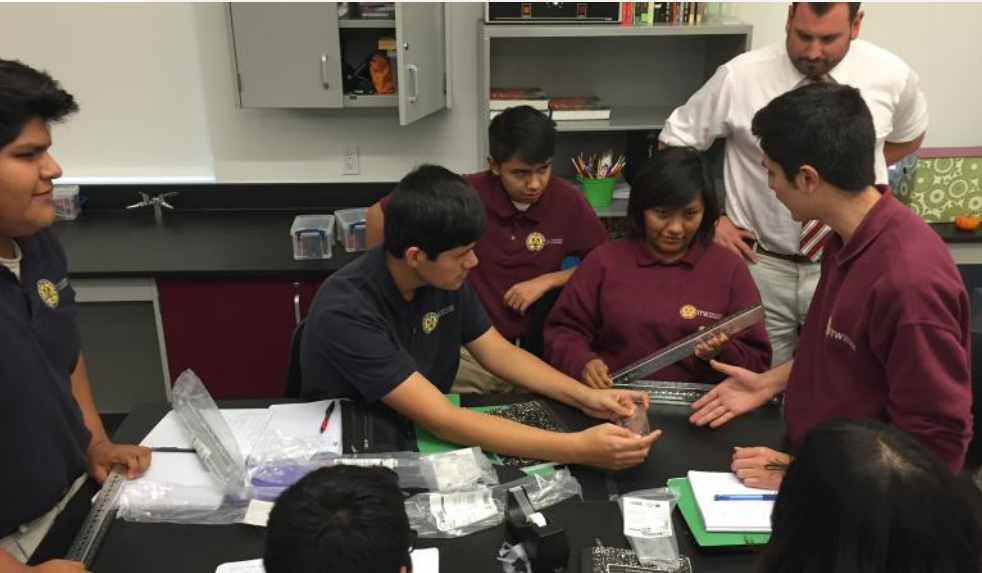
The ITW Foundation gave \$10 for every employee service hour in 2016, for a total of \$236,000.

VOLUNTEER PROGRAM

Our colleagues are also generous with their time and talents. In 2016, the program generated over \$236,000 for more than 300 qualifying nonprofits, based on 23,600 service hours performed by ITW colleagues.

community involvement

feature story



◀ ITW David Speer Academy students gain hands-on experience with STEM subjects.

students for tours at several divisions in the Chicago area, and conducts an annual Day of Action on the school's campus. ITW team members also participate in Career Day at the school and are in the process of developing a girls club that will be sponsored and led by the ITW Women's Network group.

As upperclassmen continue their learning and are exposed to classes outside of the core STEM curriculum, they have become particularly fond of some of the elective options that are offered at the school. Extracurricular programs, such as the robotics club and the Reserve Officers' Training Corps (ROTC), are highlights for many students and have helped develop a culture of curiosity and self-discipline at ITW David Speer Academy. Also, having students choose a career trajectory in their sophomore year is something Principal Mulder established, explaining that it is integral to preparing the students for some of the most competitive and rigorous STEM college and technical programs around the country. All of this exposure and these experiences have helped the staff and the school focus students on their education and thinking about their future careers. For Principal Mulder and his staff, it has helped them focus efforts around their goal of having 50 percent of students enter a STEM field. Next year, they will be one step closer when ITW David Speer Academy graduates its founding class from the school.

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

A GROWING ROLE IN STEM EDUCATION

In its third full year of operation in 2016, the ITW David Speer Academy continued to make significant progress in providing students with a world-class STEM (Science, Technology, Engineering and Math) education, as evidenced by its growing enrollment, outstanding test scores and overall student satisfaction. Located in Chicago's Belmont-Cragin neighborhood, the school currently serves more than 800 students in grades 9 through 11 who hail from all over Chicago. As part of our companywide support for education, ITW continues to partner very closely with the school to make ongoing investments that support the hardworking students.

Most notably, the school has received approval for a proposed campus expansion, which would enhance students' learning experiences and provide them with greater STEM-based learning opportunities. The plans include more space dedicated to two innovation labs with specific equipment tailored to STEM courses. The proposed expansion would also enable the school to serve an additional 550 students as its inaugural class moves into its senior year in the fall of 2017.

"ITW's ongoing commitment to the school plays a large role in our ability to expand and serve more students," says ITW David Speer Academy Principal Tom Mulder. "ITW is a great partner, and its leaders are very inspiring to our students. We are so grateful to have this relationship." As part of its support, ITW provides mentors for the robotics club and the Curiosity Machine program at the school, hosts



our world

ENVIRONMENTAL RESPONSIBILITY

PRODUCT & SUPPLY CHAIN RESPONSIBILITY

environmental responsibility

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

MANAGING ENVIRONMENTAL PERFORMANCE

ITW addresses environmental management with a dedicated structure throughout its decentralized operations. ITW's Director of Environmental Health, Safety & Sustainability (EHSS Director) has the highest level of specific environmental-related responsibility within the company and oversees environmental and regulatory compliance initiatives in cooperation with ITW's operating leadership.

As we evaluate and strive to 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 the Carbon Disclosure Project (CDP)

CDP is an independent, nonprofit organization working to encourage the disclosure of global emissions and water usage by businesses and cities. In 2016, ITW continued its voluntary participation in the CDP investor and water questionnaires. As a

result of the company's CDP participation, ITW has continued to increase its understanding of the effects of carbon emissions and water withdrawals, which are being used to inform ITW's strategy for reducing environmental impact.

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 ITW's operations.

In addition, many of our businesses pursue third-party certifications as part of ITW's ongoing drive for overall operational excellence. At the end of 2016, for example, ITW had more than 72 sites with ISO 14001 certification for environmental management. The well-respected International Organization for Standardization (ISO) develops standards and criteria for effective environmental management systems, and we are proud of our facilities that have taken the step to become certified.

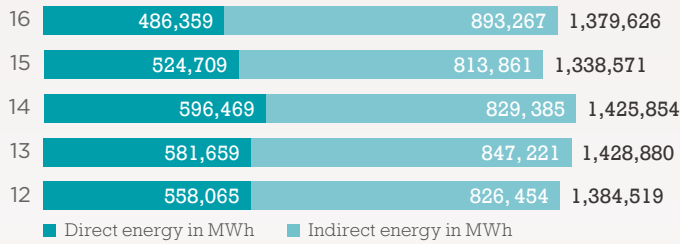
environmental responsibility

REPORTING 2016 ENVIRONMENTAL IMPACT

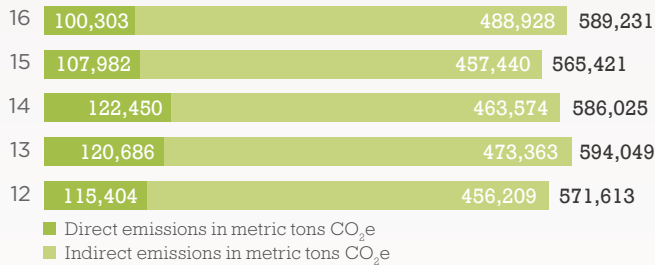
ITW continues to track our impact on the environment in a number of areas. On an ongoing basis, we work toward improving the quality of the data we gather from our diverse businesses. In 2016, ITW acquired the Engineered Fasteners and Components business (EF&C) from ZF TRW. The addition of the EF&C business is the primary driver of the increases in the total energy, total emissions, and energy and emissions intensity metrics we publish in this report. The increase in our water usage is due in part to improvements in reporting quality as well as a leak at one of our facilities that has since been repaired.

2016 Environmental Data

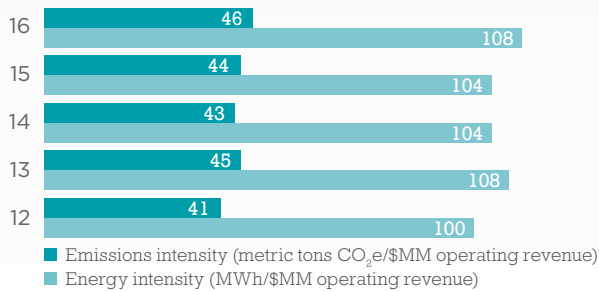
Total Energy^{1,2}



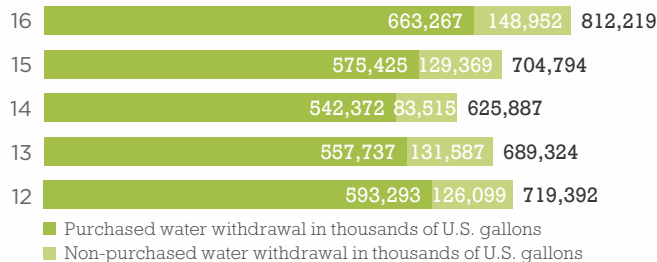
Total Emissions^{2,3}



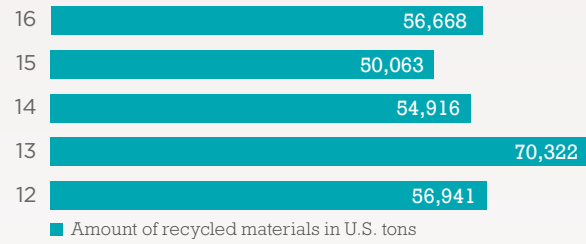
Intensity Indicators^{2,4}



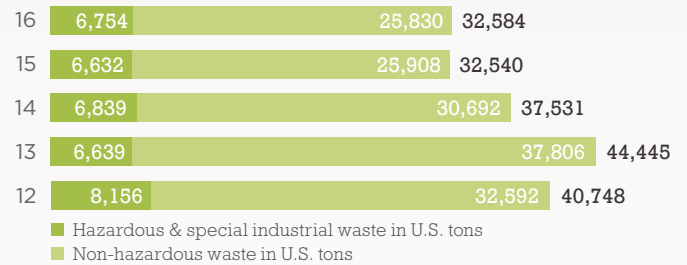
Total Water Withdrawn



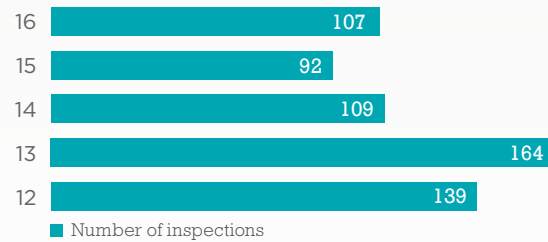
Total Recycled Material



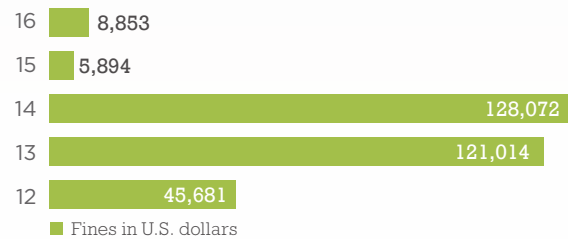
Total Solid Waste



Government Environmental Inspections



Government Environmental Inspections' Resulting Fines



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

²Effective with this report, ITW is no longer reporting energy usage and emissions from wood because of its limited usage within our operations.

³Includes CO₂, N₂O, CH₄.

⁴Only operating revenue from participating divisions was included in the calculation of intensity indicators.

product & supply chain responsibility

ITW recognizes that our impact extends far beyond our own walls. To maximize our positive effect on our shared world, we are committed to fostering responsibility across our value chain – through the impact of our products, as well as via our global supplier network. That approach is built into the ITW Business Model and our Enterprise Strategy, which are both key to guiding our growth and success as an enterprise.

PROVIDING RESPONSIBLE SOLUTIONS THAT ADDRESS CUSTOMER PAIN POINTS

ITW's approach to innovation is guided by our business model. We work from the customer back – beginning with their pain points and developing solutions that address them. In many cases, customers' challenges are related to environmental concerns, and ITW is able to work collaboratively with our customers and suppliers to enhance the positive impact of the end product. This innovation happens at the business and division levels of our enterprise because that's where our deepest customer relationships exist.

We also ensure we comply with all applicable environmental and safety standards, and in many cases go above and beyond. For example, while working to replace a component of its Fix-A-Flat product with a lower carbon emission component, ITW Global Tire Repair took a proactive look at the entire product formula. In doing so, the business identified a petroleum-based solvent that could also be replaced using a (synthetic-latex-based) solution to make the product more environmentally friendly.



ITW Global Tire Repair recently made changes to its Fix-A-Flat product that made it more environmentally friendly without compromising performance.

product & supply chain responsibility

PARTNERING WITH SUPPLIERS TO DRIVE SUSTAINABLE SOLUTIONS

Under the Strategic Sourcing framework set in our Enterprise Strategy, ITW's corporate 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 ITW's commitment to operate with the highest levels of integrity and makes it clear that the company will hold its suppliers to the same high standards. Principles included in the code are:

1. Zero tolerance for child and 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

ITW is committed to serving our customers for many years to come; therefore, it's important we partner with suppliers that are committed to performance and stability. As part of our Strategic Sourcing effort and the Enterprise Strategy, ITW takes several steps to ensure our supply chain is managed efficiently and responsibly.

ITW reviews its 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. In addition, ITW has recently focused its efforts on sourcing more environmentally friendly and sustainable packaging materials for its products.

True to 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 can help us source more responsibly and reduce the risk of sourcing from an unethical supplier.

ITW also uses a systematic review and rating of our suppliers to evaluate their long-term reliability and viability. Our supplier sustainability index measures ITW's suppliers on a variety of factors, including safety and environmental measures, financial data, leadership stability and operational metrics. Based on the score, we are able to assess if the supplier meets or exceeds our criteria or if other action is necessary.

DISCLOSING CONFLICT MINERALS

We continue to work closely with our individual businesses to obtain the necessary declarations, as required by the U.S. Securities and Exchange Commission, from affected suppliers whose products contain (or may contain) conflict minerals, which include tin, tantalum, tungsten and/or gold (commonly referred to as 3TG). More information is available in our [SEC filings](#).

product & supply chain responsibility

feature story



HI-CONE BOOSTS SUSTAINABILITY THROUGH PRODUCT INNOVATION

Hi-Cone, the company behind the iconic plastic beverage packaging rings, understands the importance of doing things the right way in every aspect of its business.

Since Hi-Cone production began in 1962, the company has supported a long history of customer-driven innovations. Hi-Cone prides itself on its ability to respond to changing consumer needs, which has always been a tenet of the way Hi-Cone conducts business. Still, it's not enough to focus solely on creating high-quality products that fulfill consumer needs. Hi-Cone also strives to continually lessen the environmental impact of its products and help customers and consumers reach their sustainability goals.

"Every product has to serve its purpose, clearly, but we recognize that the story doesn't end there," said Elizabeth Sheaffer, Marketing Director. "The needs of our customers constantly change as their end users' needs also evolve. It takes an innovative mindset to bring to market products that maximize value for our customers, perform exceptionally and are sustainable for the planet and end users. We help our customers achieve maximum success through minimal packaging."

For its continuous efforts to identify better products and material inputs in partnership with customers, Hi-Cone was recently recognized by *Beverage World* with a 2016 Sustainable Packaging award.

That philosophy is what led to one of Hi-Cone's proudest creations: a plastic ring beverage carrier that is photodegradable, recyclable and non-toxic, which was first produced at Hi-Cone 40 years ago. All Hi-Cone carriers worldwide were converted to photodegradable material over 25 years ago, which is safer for the environment than many other plastic packaging alternatives because it loses 75 percent of its strength after just a few days of UV/sunlight exposure. This rapid weakening allows animals to more easily break free in the rare event that they become entangled in the plastic. Additionally, after a few more weeks of UV/sunlight exposure, the carrier loses the balance of its strength and breaks down when it comes in contact with wind, rain or other natural environmental forces. The carrier also floats, which maximizes its exposure to the sun, speeding up the breakdown in the instances it is discarded into waterways. ▶

product & supply chain responsibility

feature story CONTINUED

Preventing animal entanglement and reducing plastic debris found in the environment are both critical issues for Hi-Cone. Fortunately, animal entanglement from ring carriers has accounted for less than 2 percent of all entanglements during the past 30 years.* The decrease is due to improvements in the carrier, but it is also because fewer plastic carriers are ending up in the environment. There has been a 75 percent decline in the number of carriers found among debris over the last 20 years, while most other types of plastic debris have increased exponentially.*

Hi-Cone recognizes that it has an important role to play in encouraging consumers to properly dispose of used carriers. In 1990, Hi-Cone established the Ring Leader program to enable customers to recycle the carriers and reduce the amount of plastic debris found in the environment. Since the program launched, 2.7 million pounds of ring carriers have been recycled. More than 16,400 schools, businesses and groups around the world have participated in the program.

“We’re proud of the work we do at Hi-Cone,” Sheaffer said. “It’s not just about what we’re making, but how we can constantly improve what we’re doing and have a positive impact along the way, too. The Hi-Cone team will continue partnering with customers to develop innovative solutions that address their pain points and capitalize on their opportunities while further reducing the environmental impact of the carriers.”



Hi-Cone is proud to support the Ring Leader program, which has led to 2.7 million pounds of ring carriers being recycled so far.

*Source: Ocean Conservancy TIDES: Trash Information and Data for Education and Solutions, www.coastalcleanupdata.org

product & supply chain responsibility

feature story



IMPROVING ENERGY AND WATER EFFICIENCY THROUGH LAUNDRY PRESSURE SENSORS

ITW's businesses operate in global, high-value, niche markets where our expertise and innovation capabilities provide differentiated solutions for customers. One such solution that has an international reach is ITW Appliance's laundry pressure sensor, which optimizes water and energy usage during the washing cycle.

ITW began developing the sensors in the early 2000s through its customer-back innovation process. Consumer interest in lower energy and water consumption pushed ITW customers to seek more sustainable, eco-friendly solutions. The pressure sensor product uses precise measurements of air pressure within a washing machine drum as it fills with water to determine the proper water level for the fabric inside. Once that level is attained, the sensor stops the drum from overfilling, which enables optimal cleanliness while reducing water and energy waste. ITW Appliance estimates that its solution reduces water and energy waste by more than 10 percent annually for the average consumer when compared to more conventional technology.

ITW's ability to determine precisely the amount of water needed inside the drum is a key differentiator from competitor products, and also addresses the environmental sustainability attributes desired by an evolving and increasingly sophisticated marketplace. In the past, consumers needed to manually input what fabric types and load sizes they planned to wash because washing machines used switches to

Consumers save time, energy, money – and see better results – by allowing the pressure sensor to decide the optimal water level with each unique cycle.

stop the flow of water at pre-determined levels. Now, consumers save time, energy, money – and see better results – by allowing the pressure sensor to decide the optimal water level with each unique cycle.

“Many people don't know that materials such as cotton, silk and polyester need different levels of water to get clean,” said Luca De Maria, Vice President and General Manager of ITW Appliance. “The sensor helps consumers get better results and benefits the environment at the same time.”

Appliance manufacturers also benefit from the sensor, as it allows them to meet more stringent energy and water efficiency regulations in markets such as Europe and North America, and earn labels for improved efficiency and sustainability. Plus, manufacturers are able to eliminate the complexity and cost of multiple sensors when they adopt the single ITW solution.

These benefits seen throughout the value chain greatly contributed to the international success of the ITW pressure sensor. When the first generation launched in 2007, it was employed in 1 million machines. Today, ITW produces more than 20 million sensors annually to meet growing demand.

“It's remarkable how much of an impact the sensor has made on the industry,” De Maria said, “but more importantly, it's amazing to see how customer-back innovation like this can lead to improvements in quality of life for people around the world.”



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