

Working Together

2015 ITW Corporate Social Responsibility Report



Our **People**



Our **Communities**



Our **World**

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Executive Message

Message from Chris O’Herlihy, vice chairman



All of us at ITW are guided by the ITW Business Model, which is rooted in our shared values: Integrity, Respect, Trust, Shared Risk and Simplicity. Our commitment to corporate social responsibility (CSR) is a natural extension of those values and an integral part of how we do business with our customers and interact with all of our stakeholders around the globe. In fact, effective implementation of the ITW Business Model makes our CSR efforts more impactful.

Under our 80/20 management process, we focus on the products, markets and customers where we can add the most value. Operating with a high degree of responsibility is “in our 80” as a business necessity, in addition to being the right thing to do. Through customer-back innovation, we use our expertise to help solve unique customer problems in areas such as sustainability, environmental responsibility and supply chain efficiency.

Our decentralized, entrepreneurial culture enables and inspires members of the ITW team around the globe to do the right thing and give back in a variety of ways that have a direct positive impact on all of our stakeholders. At the same time, we are also *One Company, One Team*, an attitude you will see demonstrated throughout this report. There are numerous examples of ITW team members **working together** – with each other and also with customers, suppliers, community organizations and others – to make the world a better place.

I invite you to read more about our commitments and impact. To all of our stakeholders, thank you for your interest in our CSR efforts. I also wish to thank ITW’s talented team members for embodying our values and culture each and every day. Working together, we can achieve excellence.

Christopher A. O’Herlihy

Vice Chairman

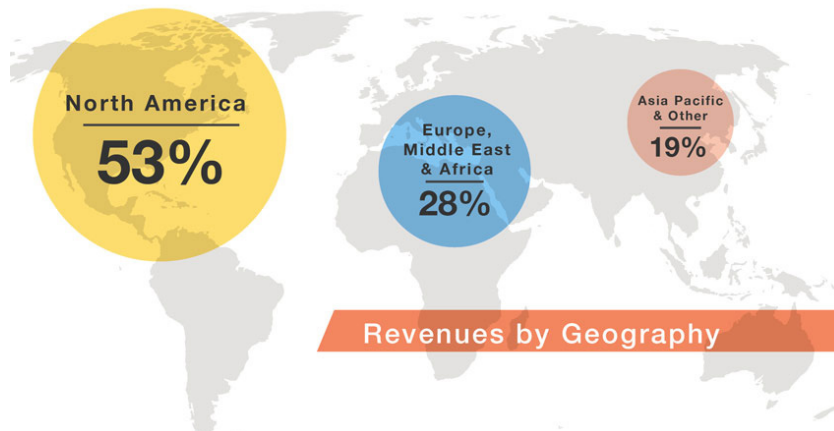
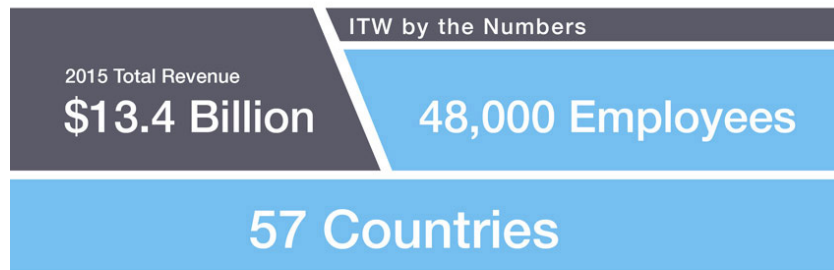


About ITW: Business Model and Values

ITW is a global, diversified multi-industrial company centered on a differentiated and proprietary business model.

Company overview

The company is organized into seven diverse segments with one thing in common: **the ability to leverage the ITW Business Model to generate solid growth with best-in-class margins and returns.** These global businesses hold unique positions in markets where highly innovative, customer-focused solutions are required.



A *Fortune* 200 company, ITW employs more than 48,000 women and men 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 16,000 granted and pending patents. Our 2015 revenues were \$13.4 billion.

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 their customers, gaining deep market insight and creating value-added solutions for a broad array of customers and end markets.

Our Business Model

80/20 Management Process

The ITW 80/20 management process is a proprietary operating system that we apply in every ITW business. 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.

80/20 Management Process

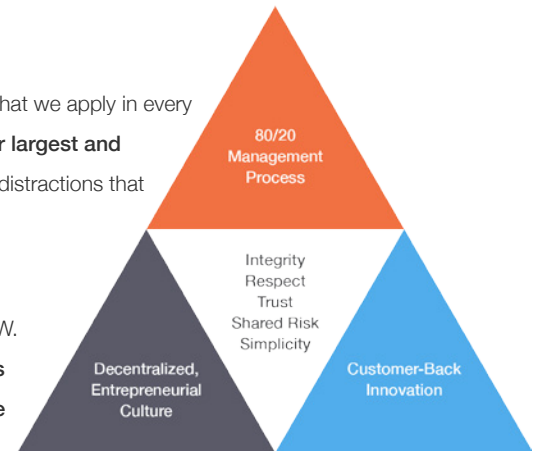
Customer-back innovation has fueled decades of profitable growth at ITW.

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 the diverse workforce to be embraced with respect and dignity and all views to be recognized.

Trust

The company trusts that all ITW colleagues will 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 and 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 drive our best-in-class performance. To ensure continued success, ITW regularly reviews and updates its policies governing ethical conduct and responsible behavior.

Board composition and oversight

ITW has a single-tier board of 11 directors, one of whom is an executive. The Board of Directors includes two women and two African-American men, and all 10 non-executives are considered independent according to NYSE requirements. All members of the audit, compensation and corporate governance and nominating committees are independent.

The Board has overall responsibility for managing ITW's enterprise risk, together with ITW's values, strategies policies, and goals related to economic, environmental and social topics.

Several members of ITW's Board of Directors receive updates on the company's ongoing CSR activities and initiatives, which are officially guided by members of the ITW management team. ITW's vice chairman, Chris O'Herlihy, formally reviews and approves the annual CSR report and ensures all critical issues are covered. The ITW management team also reports annually to the full Board of Directors on the status of ITW's current and potential environmental liabilities.

ITW's official policies

ITW has established several companywide policies to ensure that the highest standards of ethical conduct are met across the decentralized, global business structure. We believe these policies have helped ITW achieve a strong culture of integrity and trust for over 100 years.

- **Corporate Governance Guidelines** ensure the company is governed in a manner that serves the interests of its shareholders, colleagues and other community stakeholders.
- The **Code of Ethics** details ITW's commitment to fair and honest business dealings and sets forth its principles regarding honest and ethical 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, directors, businesses and subsidiaries around the world.
- The **Global Anti-Corruption Policy** requires colleagues to take an active role in complying with the policy, and also emphasizes the importance of complying with anti-corruption laws of all countries in which ITW and its divisions, subsidiaries, agents, consultants and affiliates operate.

All of these policies are available online at www.itw.com/corporate-governance.

Reporting ethics concerns

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 and suppliers through a public domain website.

Reports are received by ITW's deputy general counsel, ethics & compliance and by its vice president, chief audit executive. The vice president, chief audit executive provides periodic updates to the Audit Committee of the Board of Directors.



Worker Safety and Health

Protecting the safety and health of each and every ITW team member, every day, is of the utmost importance to ITW. We are focused on this objective at all levels of our organization. We know it takes all of us, working together, each day to provide our colleagues the resources to stay safe and healthy.

Managing our safety performance

Within our decentralized structure, the primary responsibility for implementing critical day-to-day safety and health initiatives resides at the business level. ITW's corporate team provides support, best practice guidelines and training opportunities, and management at each site is responsible for tracking data and driving improvement. At ITW, we strongly believe that **each and every team member, from senior leaders to the factory floor, has a role to play - together - in the safety of our team and workplace** around the globe.

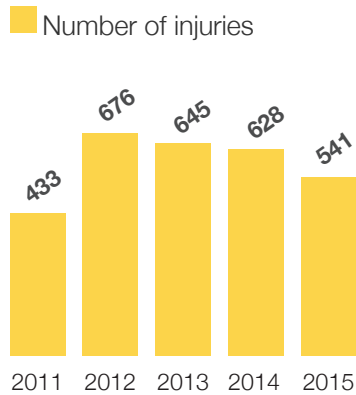
As part of our continuous improvement efforts, members of our leadership team regularly evaluate the management of safety across the enterprise to identify opportunities. **In 2015, our Construction Products segment made the decision to hire a full-time, segment-level safety colleague to partner with its businesses and drive safety improvement throughout its operations.**

"Our businesses have been doing a great job managing their safety performance, but we wanted a dedicated team member to help drive best-practice sharing across the segment," said Mike Zimmerman, executive vice president of Construction Products. "We believe this role will help drive collaboration and further improvement, something we're always striving for at ITW."

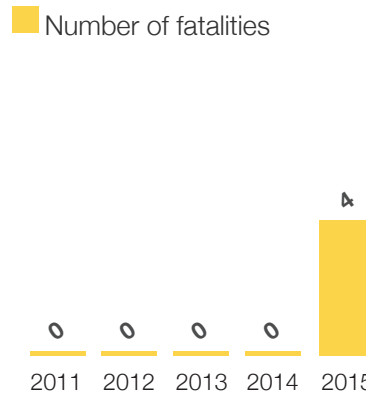
Reporting 2015 safety data

Continuous improvement is a tenet of ITW, and safety is no exception. We continued to make progress in 2015 on several of the safety statistics we track. For example, we are focused on reducing lost work days because those are generally associated with higher severity. After more than five years of zero fatalities, we were saddened this year to lose four team members in workplace incidents. Three of the people were killed in a single accident, and ITW is conducting a thorough investigation into this tragic event. The fourth fatality involved the loss of a team member in the workplace due to a personal health-related condition. We take these incidents seriously and remain dedicated to having zero injuries and fatalities.

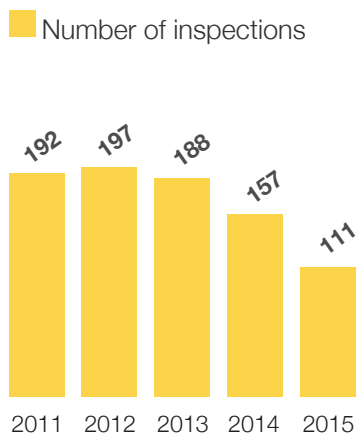
Injuries Resulting in Days Away



Fatalities



Government Safety Inspections



Government Safety Inspections' Resulting Fines



ITW businesses implement key safety objectives

ITW's businesses have primary responsibility for day-to-day implementation of the company's health and safety initiatives. Many of our businesses go well beyond what is required by law or corporate policies. In particular, our teams focus on these four safety objectives:

Team member involvement

Helps create ownership of safety and health through safety committees, safe behavior observation programs and extensive training

Near-miss reporting

Ensures that the organization identifies incidents and hazards and addresses them early – before they cause injuries

Job safety analysis process

Enables ITW to systematically analyze and improve any portion of a job that poses an undue risk

Communication

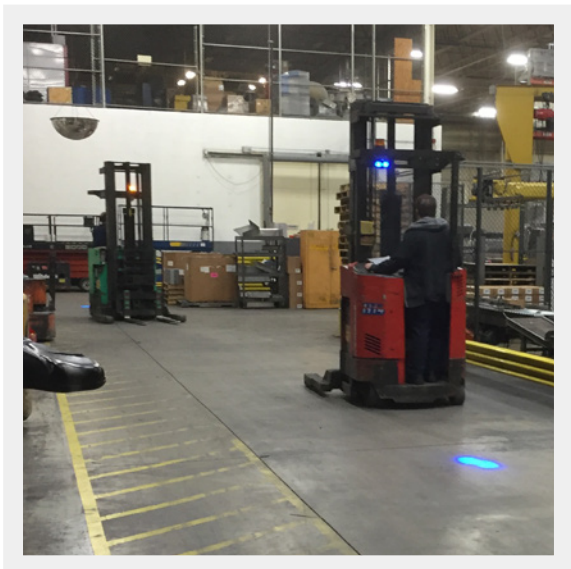
Drives strong management-team member relationships to ensure that responsibilities are clear and any issues are addressed and resolved in a safe manner

Safety as a team effort

When it comes to safety and health, ITW businesses rely on a team effort to ensure preparedness and identify areas for improvement.

At Permatex, a manufacturer of premium chemical products, the Solon, Ohio, facility employs a cross-functional safety committee to work together to make positive changes and address potential issues and concerns. Safety committee members share best practices and solutions from their respective departments to create a safer work environment.

In 2015, the committee implemented safety initiatives such as creating a pedestrian safety path throughout the distribution building with accident/collision sentry devices at two key intersections. Blue lights that shine backwards were also installed on all lift trucks, allowing pedestrians to see a lift truck around a corner and avoid a possible collision. Fifty line risk assessments were completed, which resulted in improvements to caution signage, the eye wash station and air circulation in the epoxy filling area. As a result of these initiatives and more, in early 2016 the facility celebrated nearly a year of being injury-free.



The Permatex team works together to improve safety



A pedestrian path helps prevent accidents

Environmental responsibility and health and safety around ITW

Across the globe, ITW businesses are making ongoing environmental, health and safety (EHS) improvements to reduce environmental impact and create a safer workplace. Here are just a few examples:

Bailly Comte - Genau, France

Bailly Comte, a manufacturer of plastic components for automotive applications, has started using trays to collect plastic scraps to increase raw material recycling. A system to recover heat from cooling units was also installed to help heat the facility. The business has also invested in additional levels of safety and health protection for workplace noise, falls and ergonomics.

Coeur, Inc. - Washington, North Carolina, U.S.

The Coeur facility improved its solid waste practices and increased plastics recycling. The diversion rate increased from a baseline of 68.5 percent in 2012 to 87.5 percent in the third quarter of 2015.

In addition, the business implemented a number of health and safety improvements, including daily safety tips, monthly safety quiz cards and a cross-audit with the nearby ITW Texwipe facility. Thanks to ongoing health and safety awareness and training, there has been a 50 percent year-over-year reduction in accidents for the last three years.

ITW Engineered Polymers - Houston, Texas, USA

The facility recycles spent solvent that is used for cleaning purposes. Working with a recycling vendor, the business accumulates approximately 30 drums of recyclable solvent, which is collected once every two months by a mobile distillation truck. In return, the business receives approximately 22 drums of clean solvent.

Proline - Queensland, Australia

To improve worker safety, ITW's Proline business and its fork lift truck supplier, Crown Forklifts, have piloted a system called Infosys. The system has a user interface on the lift truck, which requires a pre-operational inspection safety checklist. The system also de-energizes the lift truck and locks it out of service if it collides with any object. Infosys provides diagnostic data back to a central program, which is monitored by the warehouse supervisor and remotely by Crown.

ITW Heartland - Alexandria, Minnesota, USA

The facility has re-engineered work tasks that previously involved lifting machined parts from the floor. The new tasks utilize push carts to bring the parts up to the workers' waist height. This change has reduced risks from lifting and repetitive motion. ITW Heartland also has an aggressive Job Hazard Analysis program, which identified the need for cut-resistant gloves in certain machining jobs and for powered pallet jacks for lifting tasks.

Avery Weigh-Tronix - Smethwick, UK and Fairmount, Minnesota, USA

The Smethwick facility implemented a number of energy improvement measures in 2015, including consolidation of staff to the bottom-floor office, allowing the business to close off the top floor to reduce energy consumption. The facility also installed more energy-efficient lighting.

In Fairmount, the business replaced Methyl Ethyl Ketone (MEK) with Methyl Amyl Ketone (MAK), a less hazardous chemical, in the manufacturing process. The facility has also instituted team member-led safety inspections and risk assessments. In addition, Safety, Health and Environment (SHE) representatives serve as work-area health and safety references for their co-workers.



Wellness

We know our teams thrive when ITW colleagues feel their best. ITW's wellness initiative is designed to promote the health and well-being of our team members while encouraging everyone to make healthy lifestyle choices and informative health care decisions.

2015 program encourages small changes for a lasting impact

ITW's 2015 "Living Well at ITW" program – "Hello, Happy" – created even more incentives for ITW team members to take charge of their own health and well-being. ITW offered two tiers of activities:

- **Gateway Activities** included a health screening and a Personal Health Assessment.
- **Healthy Actions Activities** included individualized coaching, learning through online programming, participating in lunch and learns and onsite exercise classes, and more.

Each of these activities is a small step on its own, but it can also provide a platform for bigger changes. For example, a screening may uncover a health metric that is outside of a normal, healthy range – and point to opportunities to get it under control. Adding in one or two other activities offers an even more well-rounded approach to wellness that can make a big difference.

The activities add up in another way, too. By completing the Gateway Activities, colleagues receive a discount on their medical premiums. In addition, for each healthy action completed during 2015, participants received one entry into a wellness incentive drawing, held at the end of the year.

In 2015, nearly 70 percent of ITW team members in the U.S. participated in the Gateway Activities, up from approximately 60 percent in 2014. In addition, nearly half of participants also completed additional healthy activities above and beyond the Gateway Activities.

Wellness Champions drive progress throughout ITW

The Living Well at ITW initiative relies heavily on the work of our Wellness Champions. This network, consisting of more than 100 volunteers, leverages our decentralized culture to create programming that meets the needs of specific sites. While the corporate wellness team provides support and best practices guidance, the Wellness Champions help drive regular progress among their co-workers.

A healthier workplace

Across ITW, wellness programs help build healthy communities in the workplace. Within our decentralized culture, each business is able to tailor its activities to meet the needs of its team.

At Trident, which manufactures industrial ink jet print heads and inks, the focus is on learning about wellness and opportunities to lead healthier lives.

Throughout the year, the Brookfield, Connecticut-based business offers a number of lunch and learn events on a variety of health and wellness topics. “At one of the best sessions, we brought a chef in from a local hospital to host a healthy cooking demonstration and talk about sourcing local foods,” said Eric Schonenberg, an application engineer who is Trident’s Wellness Champion. “The team here really enjoyed the meal and learning from the chef.”

In addition, Trident team members have developed a vegetable garden using the land outside their building. The team plants a variety of vegetables, including long beans, lemongrass, kale, tomatoes and squash.

Trident team members also work together to promote physical fitness activities at work. For example, the business unit manager mapped out the parking lot and access road to determine the distance, and team members often head out to walk a couple of laps during breaks, even in the cold winter. Colleagues also take turns leading “Stretch & Flex,” which has become a part of the morning routine to get the whole team moving around.

Involvement in the wellness program has been consistently strong. More than 80 percent of Trident team members participated in a recent biometric screening event.

Schonenberg attributes much of Trident’s success to the efforts of his predecessor. “Before I took on this role, the previous Wellness Champion was great at getting colleagues involved, and that’s what inspired me to take over when it was time for her to pass the torch.”



Trident hosts healthy team lunches as part of its wellness program

Inspiring healthy actions

ITW Wellness Champions share a passion for improving the health and wellness of themselves and their fellow colleagues. Here are a few highlights from some of our champions:



Tamara Paramski

Human Resource Generalist, ITW Electronics Group, Carol Stream, Illinois

"I've been a Wellness Champion since we started our wellness incentive programs in 2012. I like the educational aspect and that it's helpful to everyone in the business. As a result of participating in the program, a few team members realized they had chronic health conditions when they had their wellness screening. If they had not participated in the screening, they may have found out much later. Thankfully, they are now treating their conditions and I think that has inspired others to be more active in our wellness program."



Landon Owen

Manufacturing Engineer, ITW CIP, Gallatin, Tennessee

"Being a Wellness Champion gives me the opportunity to be involved in something at ITW outside the scope of engineering. I think the lunch and learn events are the best part. We gain valuable information, and I think many of our team members apply what they learn in order to better their health."



Beth Corey

Administrative Assistant, ITW Medical, Hebron, Illinois

"I really enjoy helping my colleagues get motivated to make a lifestyle change. We've had a few people lose quite a bit of weight, and for me, that is exciting to see. My favorite program is our annual walk/run. In 2015, we doubled our participation in the event from the previous year."



Michelle O'Brien

Marketing & Communications Specialist, Kester, Itasca, Illinois

"I have been Kester's Wellness Champion since June 2015, and I enjoy helping my fellow colleagues live a healthier life and carrying out the Living Well at ITW standards. This past year, we had an on-site exercise class, and we are gearing up for more programs in 2016, starting with a weight management program."



Michelle Myers

Corporate Paralegal, ITW Corporate, Glenview, Illinois

"I like the contact I have with my fellow colleagues about health and wellness topics. For the coming year, I'd love to see us increase participation in the Living Well at ITW Campaign. Even though it's a big commitment, I think it can have a great impact on the health and wellness of our colleagues."



Talent Development

ITW is committed to recruiting, developing and retaining the best and brightest talent, and also to creating an inclusive environment where colleagues from varied backgrounds can work together and thrive. Sustaining ITW's core values and differentiated business model depends upon having a strong talent pipeline of leaders for our businesses around the globe. ITW wants its leaders to deeply understand our customers, embrace our values and develop expertise in the ITW Business Model.

ITW Great Leaders framework

Our Enterprise Strategy drives a focused leadership framework to assess, develop and select talent. 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



Andrew Mines
Group president, Construction

"The Great ITW Leaders framework has been the facilitator to build our talent capability with greater cross-divisional calibration, promoting internally those that demonstrate the expectations and assessing external talent against our leadership attributes. We have placed greater emphasis on results and how they are achieved, while making progress toward a high-performing team throughout the platform."

Developing talent for the future of ITW

Future leaders need opportunities to learn and grow, and ITW is committed to creating an environment where development is embraced and encouraged. True to our decentralized, entrepreneurial culture, we expect each team member to "own" his or her career, but provide support for performance and development planning and access to career opportunities outside their current business.

ITW also offers targeted leadership development programs such as the Early in Career Program and the Emerging Leaders Development Program. These programs are aimed at filling our leadership pipeline with talented, diverse individuals who will contribute to our future success.

Early in Career Leadership Development Program

An enterprise-wide program established in 2011 in which the company's **executives select a group of early in career leaders from across ITW's global businesses** to participate in an eight-month immersion leadership experience.

Participants learn what it's like to be a Great ITW Leader, experience the global nature of ITW's business through a session abroad in Shanghai and participate in an action learning project that addresses a current ITW business challenge.

In 2015, several graduates from the Early in Career (EIC) program were promoted into vice president and general manager (VP/GM) roles, where they now lead a division of ITW's business. We're proud of the hard work of our colleagues and excited about the success of this program in developing a pipeline of future leaders.



Meredith Platt
VP/GM Buehler

"As a past EIC participant and now as VP/GM, I can say without a doubt that the EIC program did an excellent job in preparing me for this new role. Through the program, I learned the skills and tools that make a great ITW leader and am leveraging those skills daily. Further, the network you gain from participating in the program is invaluable. My EIC team keeps in touch regularly to this day and we are always there to support each other."



Matt Davis
VP/GM ITW Medical

"The EIC program provided me a deeper understanding of the Enterprise Strategy and how it aligns with ITW's core values. The program also broadened my perspective – across business functions as well as across geographies, time zones and cultures – helping me to become a better global business leader."

Emerging Leaders Development Program

A three-year **college-hire leadership development program where participants work two 18-month rotation assignments** in different ITW businesses. Participants gain insight into what it means to be a functional leader and receive exposure to ITW's unique business model and processes.

As we enter 2016, the first group of Emerging Leaders Development Program (ELDP) participants will be finishing the program and entering full-time positions within ITW.



Lauren Moy
Human Resources

"Participating in the ELDP program gave me a foundational understanding of the ITW Business Model and how it can be applied in very different industries and businesses. I've been able to develop my professional skills and HR functional aptitude by working on a wide array of projects in different segments. I'm applying what I learned in my rotations to challenge myself, develop my career and contribute to the success and growth of ITW."



David Yim
Marketing

"The ELDP program has granted me many opportunities to learn not just cross-functionally but also across multiple segments. I will be bringing all that I have learned to ITW's Food Equipment Group segment, and am confident that I will contribute to driving results and growth in this new opportunity."

Acquiring top talent

ITW aims to recruit people who are curious, driven to contribute their best, committed to high ethical standards, team-oriented and community-minded, and reflect the diversity of our geographic reach. Together with our businesses, we engage in tailored recruiting activities across the globe to strengthen and expand our local talent pipeline to ensure it reflects the communities where we live and work.

For example, ITW Performance Polymers & Fluids (PP&F) China identified a need to recruit and develop locally based sales talent with stronger technical competencies and a clearer understanding of customer needs to better support ITW's focus on customer-back innovation. At the suggestion of general manager Frank Zhao, the HR team took on a more inclusive and holistic strategy, which led them to focus on attracting individuals with a strong technical background as well as career aspirations and potential for moving to sales. Since launching the strategy two years ago, PP&F China has successfully brought in individuals who meet these needs and have become part of a sales team driving continuous organic growth.

University and professional association partnerships

A key facet of our recruiting strategy is to work with local universities to identify the best and the brightest talent.

In the U.S., ITW has identified select universities to partner with based on national university rankings for engineering and business disciplines, and student diversity. The company works closely with the schools to identify and recruit talent that are a strategic fit for ITW's many U.S.-based businesses.

In 2015, we also increased our focus on local college chapters of national organizations such as the Society of Women Engineers (SWE), the Society of Hispanic Professional Engineers (SHPE) and the Society of Asian Scientists and Engineers (SASE). With this approach, we're able to build a strong reputation among college students.

As a result of these and other efforts, we made progress in 2015 in enhancing our university recruiting program and attracting talented people with diverse backgrounds. **In 2015, over 50 percent of ITW's U.S. college hires were either female or U.S. ethnically diverse.**

ITW also has similar partnerships around the globe. For example, in the U.K., Instron runs a two-year work placement program, in which students work at ITW while attending school. Several students each year are offered full-time, permanent positions at Instron. The business partners with a few targeted universities aimed at ensuring a talent pool of top candidates who are also diverse. In addition, Instron also works closely with the local schools to promote engineering among female students in order to further broaden the talent pool.



ITW participated in the annual SWE conference to recruit talent and strengthen relationships

Benefiting from talent development

Leadership development and talent management get a lot of attention across ITW. For example, the ITW Renovation/Remodeling division in the Construction segment has honed in on these priorities as a key driver of business performance.

After the scaling up of three businesses to become a larger, more focused division, the business knew it needed to continue innovating to solve customers' pain points and that innovation would require strong talent. The business' leadership recognized it needed to build a diverse and dynamic leadership team with internal and external talent to guide the expanded division going forward.

The first external hire was Angie Sheehan, current vice president and general manager of ITW Renovation/Remodeling. Working with the retiring vice president and general manager, Larry Matkovich, who had successfully led the division for several years, Sheehan quickly became familiar with the ITW Business Model and the division's accomplishments and opportunities. The talent search continued as key management positions needed to be filled in order to successfully operate within this new, larger division.

The business focused on identifying candidates who demonstrated the ability to be “Great ITW Leaders” and also brought diverse perspectives and experiences. Also important was finding individuals who would thrive in ITW's decentralized, entrepreneurial culture and who would collaborate with current team members to build on the business' prior success. ITW colleagues focus each day on applying the ITW Business Model and living our values in order to deliver differentiated performance for our customers.

While the process took time, the result has led to a high-performing team of leaders who have successfully identified and pursued key opportunities for innovation and growth. **In addition, the mix of internal and external talent on the management team has raised the bar for the entire division, particularly through a commitment to acting as “Great ITW Leaders” and sharing that approach with the entire team.**

Promoting local talent development

The talent market in Germany is fiercely competitive, in part due to the low unemployment rate.

To address that challenge, ITW's Delfast business, which produces fasteners for the automotive market, uses a bottom-up recruitment strategy to target university graduates. Through their efficient interview process, flexibility and quick turnaround on offers and contracts, the business has been able to make several successful hires.

Additionally, the business currently runs a Junior Project Manager program for new hires who graduated with a technical background. The program involves a rigorous onboarding process that provides a cross-functional overview of the division, experience-based learning on projects and processes, and training on soft skills such as presentation techniques. Currently, the program has five participants, and Delfast is in the process of hiring the next cohort to expand the program.



Delfast recruits university graduates for key roles

Developing future women engineers

ITW supports the education and career development of aspiring engineers, including introducing the field to students.

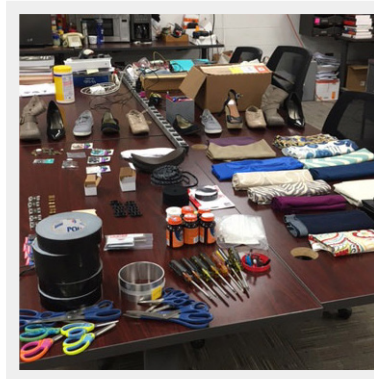
This past year, ITW hosted a program during Engineers Week designed to encourage high school girls to consider the engineering field. Partnering with the University of Illinois at Chicago's (UIC) Society of Women Engineers (SWE) chapter, 35 area high school students attended "Introduce a Girl to Engineering Day" at the UIC campus.

ITW engineers Vivian Sandoval and Rebekah Johnston co-led the event, which began with a lesson on force and pressure. Following the lesson, UIC SWE students led small teams of students through the process of designing a convertible shoe, keeping in mind how pressure changes as the base of the shoe changes. In addition, the day featured a panel of ITW women from engineering backgrounds, including Meghan Gallagher, industrial engineer, Test & Measurement; Anna Ky, design engineer, Construction; and Jennifer Perr, global marketing manager, Construction.

"We were very pleased with how engaged the students were in the activity as well as the panel discussion," Sandoval said. "Partnering with UIC SWE also gave us the opportunity to network with college students and enrich our talent pipeline of future ITW engineers."



ITW team members talk to high school girls about the engineering field



Students learned how to design a convertible shoe from various materials



The event also exposed young people to ITW as a potential future employer



Diversity & Inclusion

Diversity and inclusion (D&I) practices are integrated within our larger talent management strategy. That's because we know that our success depends on a high-performing global workforce that shares their unique perspectives, experiences and ideas to create differentiated products to serve our customers' needs.

Launching a strategic D&I framework

In 2015, ITW formally launched its D&I framework to continue the solid progress we have made in building a diverse and inclusive workplace to drive innovation and organic growth. As a global organization serving customers in 57 countries, we have the opportunity to bring together people from communities around the world, to share their unique perspectives, experiences and ideas as we work together to find new ways of serving our customers' unique and diverse needs. **The framework seeks to firmly establish ITW as a best-in-class employer with a global, diverse workforce and an inclusive workplace. This is supported by leaders who visibly demonstrate their commitment to diversity and inclusion.** Specifically, ITW has identified four key areas of focus:

Leadership Commitment & Accountability

We expect our leaders to embody ITW's values with global cultural awareness. A core responsibility of a Great ITW Leader 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 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.



Reporting 2015 diversity and inclusion data

Tracking our D&I progress keeps us focused and accountable. In keeping with our 2017 Enterprise Strategy goals, ITW set goals to increase the number of global female leaders and U.S. ethnically diverse leaders:

- 25% of leadership positions (vice president and above) held by women globally
- 10% of leadership positions (vice president and above) filled by leaders of diverse racial, ethnic and national backgrounds in the U.S.

Although we have already achieved our initial U.S. ethnically diverse leadership goal and are pleased with our progress in advancing women and diverse leaders, we know there is much more work to do. We are committed to continuing our efforts to expand the diversity of our talent pool across the enterprise.



Establishing 2016 priorities

Much of our progress to date has been driven by our business leaders embracing the value of diversity and inclusion to drive the success of their businesses. ITW's Diversity & Inclusion Leadership Council and Women's Leadership Development Council (WLDC) have played important roles in setting clear objectives, ensuring continued visibility of our organizational commitment to diversity and inclusion, and providing support to our Employee Resource Groups (ERGs) across ITW. **The ERGs provide opportunities for individuals to expand their networks, learn from each other, enhance their knowledge of ITW and its differentiated business model, and become more engaged in their workplace.** All of which, in turn, increases ERG participants' leadership and professional capabilities, and supports them in developing their ITW careers.

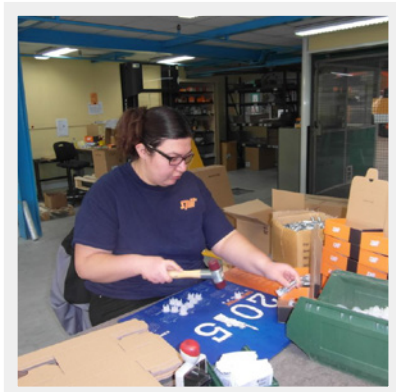
In 2016, we intend to continue refining the structure and function of our ERGs to ensure we are meeting the needs of our colleagues. **We are working to continue to build on the success of our ERGs, expand globally and create more opportunities for team members to connect and engage.** We look forward to continuing their work and creating additional opportunities for our colleagues of all backgrounds to have successful careers at ITW!

Advancing workers with disabilities

ITW's commitment to talent development includes fostering and capitalizing on a diverse workforce. This includes supporting the career development of workers with disabilities.

In France, the law requires companies with a workforce of more than 20 people to hire a minimum of 6 percent disabled workers. For more than 20 years, ITW's SPIT business in France, which specializes in the manufacturing of concrete and steel fasteners, has gone above and beyond this requirement. Through the Establishment and Service Support through Work (ESAT), SPIT France currently employs 120 people with deafness, epilepsy, autism and other disabilities in both part-time and full-time positions. SPIT France provides an adapted work environment in which qualified educational supervisors demonstrate and explain the necessary tasks for specific jobs in assembly, packaging, product marking and marketing.

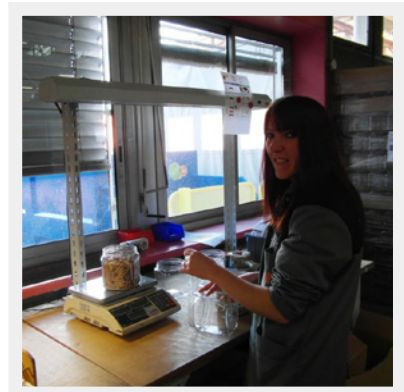
"We are dedicated to helping all colleagues progress in their careers, and the career development of team members with disabilities is a priority," said Myriam Reymond, employment coordinator at SPIT France. "Working together, we have created an environment here that gives all of us the opportunity to succeed. The program specifically helps our colleagues with disabilities excel with their education, advance in their careers, develop business skills and gain social autonomy."



SPIT France employs more than 120 workers with disabilities



SPIT provides an adapted work environment as needed



ITW is proud to be a place where people of all backgrounds can thrive



Community Involvement

Deeply rooted in our corporate values since the company's founding over 100 years ago, ITW is committed to investing in the communities where our colleagues live and work. In 2015 alone, ITW gave more than \$21 million to a wide range of nonprofit organizations. Education remains the core area of focus, with additional support for arts, culture and other community organizations.

Giving at ITW

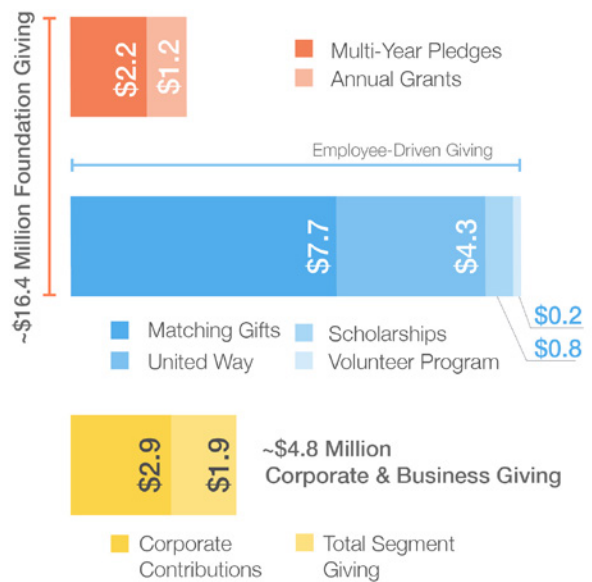
While philanthropy is deeply embedded in our values and leadership support is strong, our community investments are truly driven by our people providing donations, volunteering their time and working together to get involved where they can have the most impact.

ITW's giving takes a variety of forms, including sponsorships, grants, product donations, team member involvement in nonprofit organizations and community projects, and thought leadership of its executive team on nonprofit and civic boards. True to our decentralized culture, much of this giving is driven by our colleagues. For example, the ITW matching gift program is designed to supplement the support our colleagues give to the causes they are passionate about serving. With thousands of ITW people giving from their hearts, together, we have real impact.

In addition, in the U.S. and Canada, ITW is fully committed to supporting our colleagues' causes and their communities through a dedicated partnership with United Way, a robust 3-for-1 matching gift program, scholarships to ITW colleagues' children and recognition of our team member volunteerism with donations for their service hours. **ITW is committed to reinvesting approximately 1 percent of annual pre-tax income to our communities.**

2015 Total ITW Community Investment

~\$21 Million



All across the enterprise, ITW's businesses also work in their local communities to help develop the next generation of skilled workers because each of our industries faces unique but similar challenges in the training, hiring and retention of a talented workforce. **As part of our commitment to education and communities, ITW provides financial support, time and other resources to aid in the development of a skilled workforce**, which benefits schools, communities, our customers and suppliers, and ITW's businesses.

Strong United Way partnership continues

As part of its overall giving program, ITW colleagues around the U.S. and Canada demonstrate strong support for United Way each year, and 2015 was no exception.

In addition, United Way's structure supports ITW's decentralized business model and allows ITW colleagues to contribute to their local areas and support specific initiatives of their choosing. **In fact, ITW financial support extended to over 500 local United Way organizations in the North America network!**

Supporting our wounded troops

In 2015, Rain-X®, an ITW Global Brand, announced its partnership with NAPA® Auto Parts to support the Intrepid Fallen Heroes Fund, which honors those who served or are serving in the United States armed forces and their families.

The partnership gives consumers the opportunity to support troops who have been wounded or injured in the line of duty. When consumers purchase a pair of Rain-X Latitude® Wiper Blades at any participating NAPA AutoCare Centers location, they have the option to receive a \$10 gift card or donate their \$10 rebate to the Intrepid Fallen Heroes Fund. During the promotion of the partnership, ITW sold \$1 million worth of Rain-X wiper blades at NAPA stores, providing the opportunity for strong financial support to the Fund.

“We are truly grateful for the men and women who serve to protect the United States of America, and it’s our privilege to contribute to such a great cause of providing financial assistance to military families and wounded veterans, through our partnership with NAPA Auto Parts,” says Harley Johnson, brand director for ITW Global Brands.

Since 2000, the nonprofit Intrepid Fallen Heroes Fund has provided close to \$150 million in support for military families and severely injured veterans with donations from countless individuals who have contributed to the fund. Rain-X is proud to contribute to such a valuable organization.

NAPA is a registered trademark of National Automotive Parts Association.

Investing in employees through scholarships

Each year, the ITW Foundation awards scholarships to support the educational pursuit of students attending a trade school or college. These deserving students are the children of ITW team members across a variety of business units, and in 2015, over \$784,000 in scholarships was awarded to 324 students.

Instron, a manufacturer of mechanical properties testing equipment based in Norwood, Mass., was honored to have two scholarship winners in 2015. “As an ITW business, we are lucky to have a wide range of benefit offerings, which I think is a differentiator for us,” said Instron Human Resources Director Duncan Warner. “We have always been a family-oriented business unit, and the scholarship program is an offering that has had a positive impact on the culture of our company.”

“We are so grateful that ITW offers this scholarship program to its employees and their families. It has helped alleviate some of the burden of the costs associated with attending higher education,” said Joe Bergen, a member of the Instron team and father of a 2015 scholarship recipient.

Aalok Patel, son of Instron’s Devang Patel and a 2015 scholarship recipient, also shared his appreciation. “I am honored to have received the ITW scholarship to use toward my BS/MS engineering program at Drexel University, and I appreciate ITW’s generosity in helping me build a career in a STEM field.”

ITW is pleased to support its colleagues and their families with this investment in their future.

Boosting the talent pipeline

As part of their commitment to education, ITW's businesses work to develop the next generation of skilled workers in their local communities.

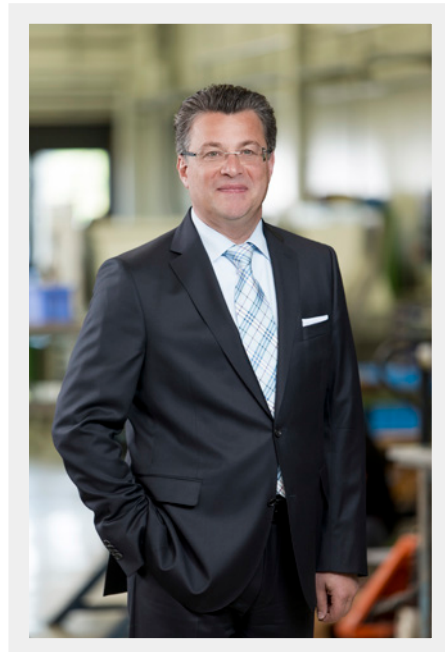
In our Food Equipment segment, businesses around the world are engaged in these efforts. Dr. Lei Schlitz, executive vice president of the Food Equipment segment, describes the programs as partnerships between ITW businesses and local universities and organizations.

"We are committed to tailoring our workforce programs to meet the needs of our communities as well as ITW and our customers," said Dr. Schlitz. "This approach is consistent with our belief that creating job opportunities at all levels is essential for our communities to thrive."

For example, HOBART Germany offers several apprenticeship programs that provide practical education for local university students, allowing them to use the skills gained in school in a professional field. Students rotate between working at the company for three months, typically in engineering or business administration, and taking classes at the university for three months. This structure helps students pay for their education as they go. Students have the opportunity to investigate problems, streamline processes and tackle analytical tasks. HOBART's facilities also have more than 45 apprentices who rotate through five or six jobs in different areas of the company.

"We are thrilled to be giving back to the community in a way that helps students gain real-world experience in the industry so early on," said Silvio Koch, vice president and general manager of Service, Europe for HOBART Germany. "They also develop skills that they will utilize throughout their career." With the aid of these apprenticeship programs, HOBART is also able to recruit its own management trainees, and many of the programs' alumni are members of the HOBART management team.

The business's recruiting initiatives have a strong link to diversity and inclusion, including the development and promotion of female team members for positions traditionally held by men. For example, Carolin Köster started her career as an apprentice at HOBART while studying business administration. Carolin demonstrated her potential from the beginning and was given the opportunity to attend ITW's Early in Career development program as well as HOBART's "TALENT FOR THE FUTURE" program. Completing these trainings helped her develop the necessary



Silvio Koch, vice president and general manager of Service, Europe for HOBART Germany



Carolin Köster started with HOBART as an apprentice

Working Together

skills for her current role as business unit manager for HOBART's international spare parts business.

In addition, Koch and his colleagues recently began a new program aimed at developing equipment service technicians in communities across Germany. The profession is highly valued and pays well, but is often overlooked as a career opportunity. HOBART is working in partnership with local vocational schools and universities to identify candidates and launch its training program to fill this critical worker shortage.



HOBART Germany is heavily involved in developing talent in its local community

Leveraging millennial insight

After analyzing the results of recent United Way campaigns, ITW noticed participation was lower among those who have been with the company for less than four years, a category that includes many of the company's young professionals.

In order to reach this important – and growing – group of colleagues, ITW reached out to the company's Young Professionals Network (YPN), an employee resource group dedicated to building a community of junior-level talent at the company.

Several members of YPN's leadership team joined the United Way steering committee and offered valuable insight into the behavior of millennials in order to help increase ITW's already strong support for the organization. Yash Siddhartha, new product development engineer with ITW Residential, noted a lack of awareness among young professionals about United Way's work in the community and why it is so important to ITW.

"As we got involved in the steering committee, we became more inspired by ITW's commitment to United Way," Siddhartha said. "We realized many younger team members probably weren't aware of just how deep the commitment runs. As a result, we were better able to identify opportunities for more thorough communication to all colleagues."

The team also looked at how millennials prefer to receive information. In a "click test," they discovered that donating to United Way via ITW's intranet took too many clicks. They suggested streamlining the process to make it faster and easier to participate - including making the campaign more visible on the home page and adding banners throughout the intranet to remind team members about the program.

The team also called YPN members across the U.S. to learn more about the campaign inside the various ITW businesses and identify ways the company's United Way steering committee could help. **In the decentralized culture of ITW, the network played a critical role in creating a more coordinated campaign.**

According to Michael Tenerelli, financial analyst in ITW's Test & Measurement and Electronics segment, one of the best experiences from the campaign was the United Way Day of Action. YPN invited its members from across the U.S. to participate, and 25 members from outside of the corporate office decided to get directly involved. "It was a great way to experience firsthand the difference ITW makes in our communities," Tenerelli said.

In addition to the Day of Action, the chair of ITW's United Way steering committee, Mike Zimmerman, executive vice president of Construction Products, spoke at a YPN event to explain ITW's commitment to United Way and encourage additional participation by members.

Tenerelli described YPN's involvement as mutually beneficial. He explains, **"I think we helped the campaign, but we were also able to provide our members with another opportunity to get connected into an important initiative for ITW. Our goal was always to help the campaign in a way that also engaged our members."**



ITW Foundation

The ITW Foundation facilitates the company's support for larger philanthropic initiatives in the U.S. and Canada as the nonprofit charitable arm of the corporation.

Giving through the ITW Foundation

The Foundation directs most of its funding into two major areas: **education, and 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 city. It also supports the social issues most important to its colleagues through the matching gift and volunteer programs, which are team-member-driven giving opportunities.

Supporting local issues and causes important to our colleagues

ITW believes strongly in supporting its colleagues and the locally based nonprofit organizations that address local challenges and social issues that our people care about deeply. Through the ITW Hearts Giving Hope initiatives – which include the matching gift and volunteer programs – the ITW Foundation provides financial support to the organizations our colleagues support with their personal gifts of time and money. Working together, our colleagues have a deep and meaningful impact on the organizations where we live and work.

Volunteer Program

Many ITW people give back to their local communities with their time and talents. In 2015, the program generated \$235,520 for 344 qualifying nonprofits, based on 23,552 service hours performed by ITW colleagues.



The ITW Foundation gave \$10 for every employee service hour in 2015 for a total of

\$235,520

Matching Gift Program

In 2015, ITW team members' donations plus matching gift funds raised \$10.8 million: \$3.1 million from individual contributions and \$7.7 million provided by the ITW Foundation. The ITW Foundation funded more than 3,320 organizations in support of our colleagues' generous gifts to their personal causes.



In 2015, through the ITW Foundation's 3-to-1 match, employees and the Foundation raised a total of more than

\$10 Million

Engaging with students

In its second full year of operation in 2015, the ITW David Speer Academy in Chicago's Belmont-Cragin neighborhood is making significant progress in its efforts to provide students with a world-class STEM (Science, Technology, Engineering and Math) education.

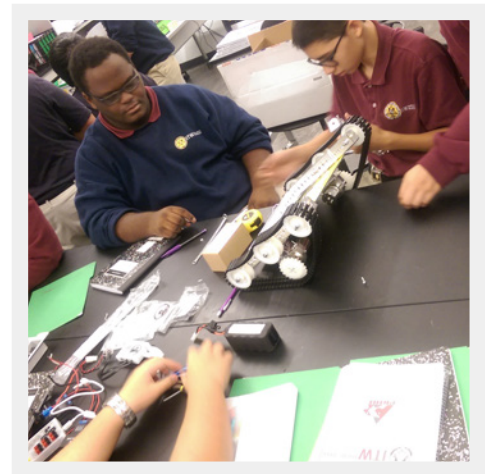
With its newest freshman class that started classes in the fall of 2015, total enrollment is now more than 700 students. In addition, ITW continues to expand its involvement in the school, with ongoing volunteer opportunities for team members to engage with the students.

"Last year, the freshman class had the opportunity to visit and tour ITW divisions and our headquarters to learn about our businesses," said MaryAnn McNally, vice president of innovation at ITW. "The visits were an opportunity for students to see real-life application of the STEM subjects covered in the classroom while gaining exposure to professional STEM careers." During the field trip, students had a chance to meet with Scott Santi, ITW's chairman & chief executive officer, who shared his perspective on leadership and the importance of STEM education and careers to the future success of business.

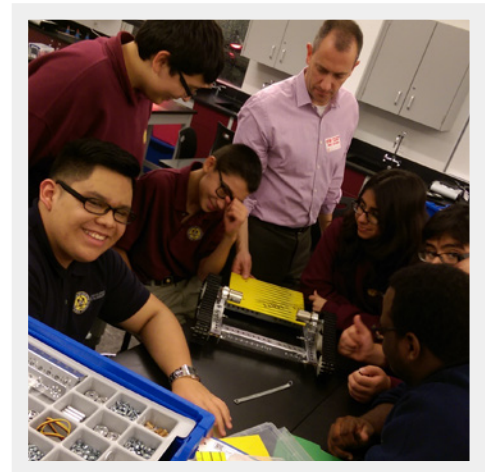
In July 2015, ITW also hosted its annual Day of Action at Speer Academy. More than 100 ITW team members spent the day with students, working together on projects to give back to the community. For example, one group assembled hygiene packets for a local domestic violence shelter, while another made books for daycare centers that service low-income families.

In addition, mentoring, including participation in robotics clubs and the Curiosity Machine program, continues to be a focus of ITW's engagement at the school. The Curiosity Machine program connects ITW scientists and engineers with students to empower and inspire future innovators. Using email and video messaging, ITW mentors from across the globe spend time guiding Speer Academy students through projects during the school year, including building a glider and taking apart an appliance. In its first year, 21 mentors from ITW businesses in North America, India and China participated in the Curiosity Machine program.

Joe McGowan, ITW innovation center senior research analyst, said, "Innovation is about investment, and through Curiosity Machine we are investing in people and our next generation of innovators." McGowan also points out the benefits of mentoring through an online platform – notably the unique opportunity to connect Chicago-based students with engineers and innovators who have diverse backgrounds and experiences.



Students gain hands-on experience with STEM subjects



ITW team members continue to increase their involvement with the school

Supporting arts education

In line with the ITW Foundation's focus on education and the arts, ITW has donated \$1 million to Ingenuity, a citywide collaboration that aims to ensure the arts are a critical component of every Chicago Public Schools (CPS) student's education.

The funds specifically support Ingenuity's *Be Creative: The Campaign for Creative Schools*, which addresses three core areas: instruction, infrastructure and sustainability. Within these core areas, the campaign aims to provide an expanded arts curriculum and training for teachers and principals as well as wider access to Chicago's cultural institutions for all CPS schools. In addition, the campaign will secure a long-term, sustainable revenue stream to support these efforts in the years to come.

With active support from 30 civic leaders, including Scott Santi, ITW's chairman & chief executive officer, the campaign has so far raised more than \$12 million in its first year, reaching nearly one-third of its goal. The funds raised have been reinvested into district-wide arts initiatives, including partnerships with 50 arts and cultural organizations working in classrooms across CPS. Funding has also been used to hire additional arts liaisons and art teachers. For example, Trevor Nicholas, the newly hired band teacher at a Chicago-area high school, designed a program with fellow faculty along with Obert Davis from the Chicago Jazz Philharmonic that teaches students about the migration of music and culture from New Orleans up the Mississippi River to Chicago. Students also receive master classes and coaching from Chicago Philharmonic musicians.



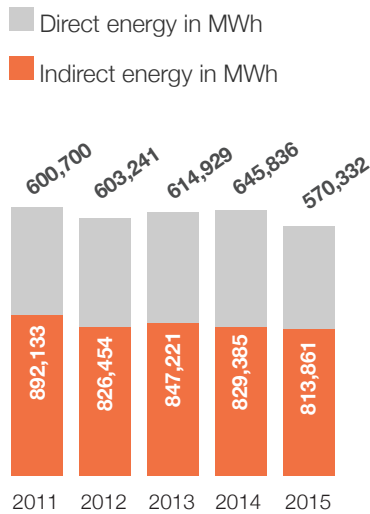
Environmental Responsibility

ITW's future as a company relies on a healthy planet and sustainable business practices. The ITW Environmental, Health, Safety and Sustainability (EHSS) Group provides tools and assistance to our businesses, which are directly responsible for managing their own performance. This structure is aligned with our decentralized culture. Across our organization, we are measuring, managing and reducing our environmental impact.

Reporting 2015 environmental impact

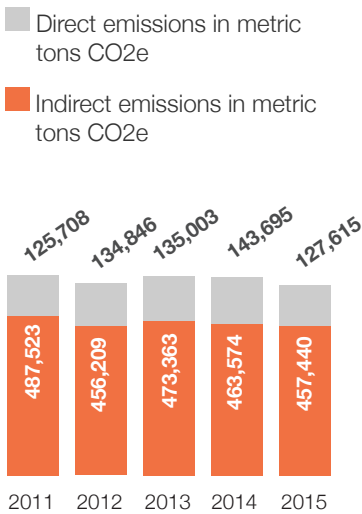
ITW is pleased with its progress in 2015 on a number of environmental aspects, including energy usage, air emissions, waste generation and water consumption from company-owned facilities and leased manufacturing facilities located around the globe. Of course, there is more ITW can do, and we're committed to working together to drive continuous improvement in this area.

Total Energy*



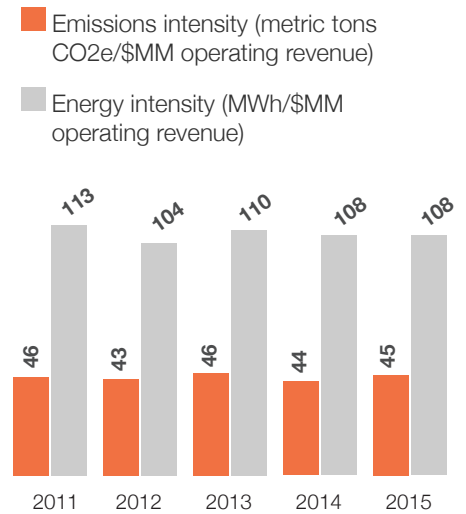
*Included energy sources are electricity, natural gas, heating/fuel oil, wood, diesel, gasoline and propane (fork truck)

Total Emissions*



*Includes CO₂, N₂O, CH₄

Intensity Indicators*^

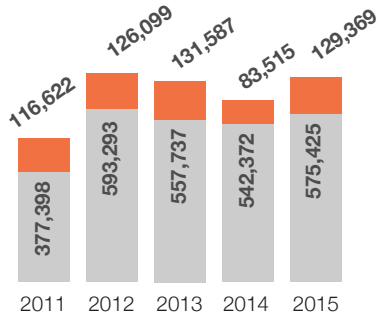


*Only operating revenue from participating divisions was included in the calculation of intensity indicators; ^2014 data adjusted to reflect reported 2014 revenues

Working Together

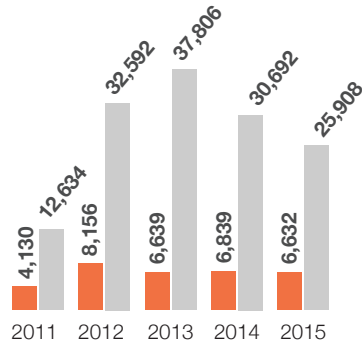
Total Water Withdrawn**^

- Non-purchased water withdrawal in thousand U.S. gallons
- Purchased water withdrawal in thousand U.S. gallons



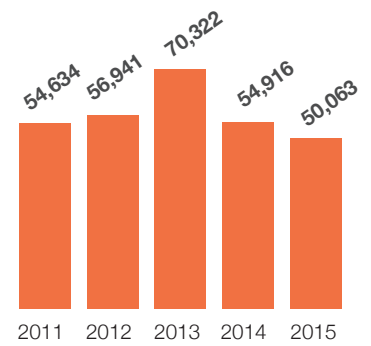
Total Solid Waste

- Hazardous & special industrial waste in U.S. tons
- Non-hazardous waste in U.S. tons



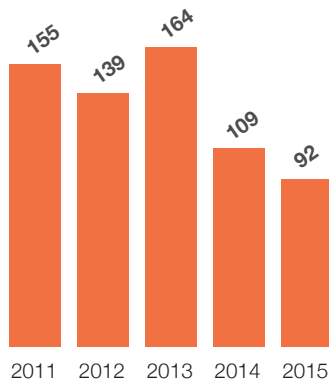
Total Recycled Materials

- Amount of recycled materials in U.S. tons



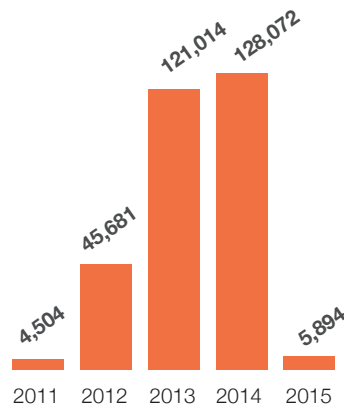
Government Environmental Inspections

- Number of inspections



Government Environmental Inspections' Resulting Fines

- Fines in U.S. dollars



The reporting period for ITW's environmental, health, and safety data is January 1 - December 31, 2015. 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. This report includes data from approximately 88 percent of the included companies.

Energy reduction program update

In 2011, ITW identified an energy reduction target covering its top 10 energy-consuming businesses. In 2012, ITW launched its Enterprise Strategy, which included divesting non-core businesses, simplifying our business structure and focusing on strategic sourcing initiatives. As part of these overall strategic initiatives, ITW divested several of the businesses included in its original reduction target and significantly scaled up the management structure within our operating businesses. Each ITW business leadership team is now empowered to identify and pursue energy reduction or other environmental-related goals for their individual businesses – and those teams are in the best position to implement the most impactful changes. Consistent with this deep commitment to our decentralized operating philosophy, we recently made the decision to formally end the top-down target identified in 2011. However, our commitment to reducing our environmental footprint at the business and enterprise level remains strong, and we are dedicated to pursuing these goals in a manner consistent with our overall operating framework.

Managing ITW's environmental performance

ITW maintains a dedicated structure to address environmental management throughout its decentralized operations. The ITW Director of Environmental Health and Safety and Sustainability (EHSS Director) has the highest level of dedicated environmental-related responsibility within the company, reporting directly to the Deputy General Counsel with a line of accountability leading to the CEO. The EHSS Director oversees environmental 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:

Implementing policies that guide our activity

Each ITW business 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.

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 2015, 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 impact of carbon emissions and water withdrawals, which are being used to inform ITW's strategy for reducing environmental impact.

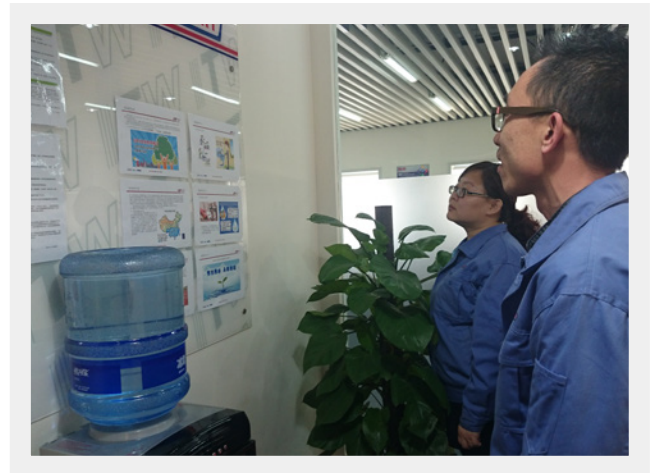
In addition, many of our businesses pursue third-party certifications as part of ITW's ongoing drive for overall operational excellence. For example, as of the end of 2015, ITW had more than 60 sites with ISO 14001 certification for environmental management. The well-respected International Organization for Standardization (ISO) develops standards and criteria for effective environmental management systems, and we're proud of our facilities that have taken the step to become certified.

Understanding ITW's water usage and impact

ITW recently embarked on an effort to track and better understand its water usage during the completion of the annual Carbon Disclosure Project (CDP) Supply Chain Water survey, in which we participate.

Inspired by ITW's 80/20 management process, the sustainability team identified which ITW businesses' key customers were involved in the survey and selected those businesses to participate in the survey. The team worked with them to identify primary stresses on the water system and map out possible solutions. None of the participating businesses face substantive water-related risks. However, **in relation to this initiative and other ongoing process improvements, ITW's Miller Electric Welding Accessories business in Watertown, South Dakota, U.S., built diversion dams between finishing tanks to reduce water usage and wastewater generation.** Conversations are ongoing with other businesses regarding how to proceed with this program.

Many ITW businesses around the world have been addressing water issues at the local and regional levels. For example, Hobart China, which sells professional kitchen equipment, focused on water conservation during World Environment Week (WEW). The team educated fellow colleagues about top water issues, including life in arid areas and the influence of el Niño, and offered tips on conserving water in their everyday lives. conservation during World Environment Week. The team educated fellow colleagues about top water issues, including life in arid areas and the influence of el Niño, and offered tips on conserving water in their everyday lives.



ITW team members learn about water usage for WEW

Demonstrating responsibility

Across ITW, our colleagues work together to make ongoing improvements that address our corporate social responsibility focus areas.

ITW Metallflex, a household appliance design and production business in Tolmin, Slovenia, reflects this mission and has implemented a number of activities and initiatives that impact priority areas, including environmental responsibility, talent development, worker safety and health, and wellness.

Environmental Responsibility

Environmental responsibility is a priority area for the business. Over the last three years, ITW Metallflex has invested in several waste reduction efforts, including training all 324 of its colleagues on the proper sorting and disposal of waste. Training was critical in driving this initiative forward to ensure sorting is done efficiently and correctly and everyone understands his or her role in the process. So far, **the ITW Metallflex team has reduced the volume of unsorted mixed waste by 40 percent.**

The business has also reduced the amount of oil used by upgrading fuel oil tanks to make them more efficient and safer. In addition, the site installed a waste heat recovery system, which uses compressed air to heat the plant and offices, and air conditioning in the production area. **Because of these heating and cooling upgrades, the business has reduced the amount of oil needed to heat or cool the facility, and was even able to seal off one of its two fuel oil tanks.**

Talent Development

To support the development of its production team members, ITW Metallflex began the Our Working Places program, a one-year learning opportunity that provides production team members with knowledge and skills to become team leaders.

Chosen by their supervisor or another plant leader, participants gain motivation, practical skills and confidence that will help them excel in their position. **The class meets regularly with senior management, and each student is mentored by a senior leader. In addition, each class takes a field trip to visit a customer.** The program also aims to improve communication between production team members and management. Our Working Places had more than 40 participants throughout the past four years.

Safety and Health

In addition to developing talent, creating a safe work environment is just as important to ITW. At ITW Metallflex, the business has upgraded its fire reporting and alarming system so there is an effective and reliable system in place that covers the entire plant, and the team recently received additional fire safety training.



Our Working Places participants visit a customer's facility in Milan, Italy



ITW Metallflex employees receive fire safety training on fire extinguisher usage

Team Member Engagement

Each year, ITW Metalflex participates in a national project that surveys and analyzes team member satisfaction at work. The anonymous survey is conducted by Golden Thread, which shares the results with ITW Metalflex. The feedback is then compared against the previous year's results and used to identify opportunities to improve team satisfaction.

The business has also implemented the I Think Wide program to encourage people to share their ideas. Anyone can submit a proposal about topics related to improving the process of work, including technology, the work environment, ergonomics and work logistics. In 2015, 67 proposals were submitted by colleagues, many of which contained ideas that the business successfully implemented. Team members with the best ideas receive a prize at an annual award ceremony.

Wellness

ITW Metalflex offers a number of programs and events throughout the year to promote health and wellbeing in the workplace. **These offerings include free workouts, awareness day celebrations, social or sporting events and a recently renovated onsite kitchen better equipped to serve team members.** The business also participates in a regional business football league.



I Think Wide program 2015 prize winners



ITW Metalflex's football team playing in local business league

Supporting local environmental diversity

In the German countryside town of Creglingen, ITW Global Fasteners is engaged in helping to preserve and protect local wildlife. Since fishing is important to the region, one of the business's recent initiatives was to donate money to the local Fishing Club to help create a local marine wildlife habitat.

The club dug out a small pond close to a creek, which now serves as a habitat for a variety of native amphibians. The club also fortified its installations at the trout farm, which raises fish that are later released into nearby creeks and lakes.

"We are very pleased to support the Fishing Club because even a small contribution can have a big impact," said Helmut Lutz, environmental health and safety manager. "Helping to protect the species diversity in our community has a big impact on our local environment and quality of life."



ITW Global Fasteners helps to preserve local wildlife



A member of the ITW team with his catch



An example of the diversity of local wildlife

Adopting a beach in California

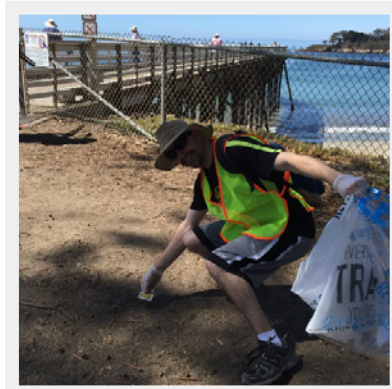
When ITW Global Tire Repair set out to improve the surrounding environment, the team didn't have to look much farther than its own backyard. With the Pacific Ocean just a few miles away from the San Luis Obispo, California, facility, it made sense to adopt a beach.

Working with the California Coastal Commission, the ITW Global Tire Repair team was assigned a beach that it would be responsible for throughout 2015. Supplied with bags and gloves, the team routinely cleaned up the beach, picking up trash and recyclables that were littered or washed up from the ocean tides. The facility of 40 was able to deploy five or so volunteers at a time for the Adopt-A-Beach® project.

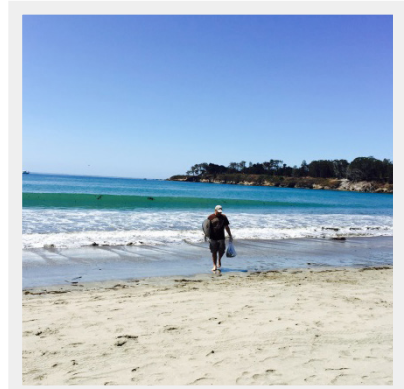
The team's initiative addresses a local priority. "Because we are currently in a drought, many popular recreation areas are impacted and, in some cases, closed entirely. This has forced vacationers to our coastline, and with the increase in visitors comes the proliferation of debris they leave behind," said Corinne Harrison, quality specialist at ITW Global Tire Repair. "The Adopt-A-Beach program enables us to contribute in a meaningful way to help protect the marine environment, while keeping the beaches clean and safe."



The Global Tire Repair team adopted a beach near their facility



ITW team members regularly visit the beach and clean up litter



Through Adopt-a-Beach, ITW helps the environment in a meaningful way



Supply Chain Responsibility

As a large, global company, ITW recognizes that its impact extends far beyond its own walls, and the company is committed to fostering responsibility across its supply chain. Under our strategic sourcing framework and working with our businesses around the world, we have focused on our supplier network, including opportunities to increase visibility within our network and to share common tools and approaches to key "80" areas of focus.

Leveraging our Supplier Code of Conduct

One important tool is our Supplier Code of Conduct, introduced in 2014. The Supplier Code of Conduct 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. Zero tolerance for child and forced labor, the right to freedom of association, anti-discrimination measures, rules to prevent improper gifts or payments, the protection of intellectual property rights and confidentiality are included in our Code.

Increasing efficiency in the supply chain

As part of our Strategic Sourcing effort and the Enterprise Strategy, ITW has been reviewing its supply network for opportunities to become more efficient. **The goal is to identify the most efficient logistics routes, methods and warehousing strategies that also allow ITW to meet or exceed customers' expectations.**

Using a data-supported approach, ITW is working closely with its businesses to recommend changes to distribution and storage patterns. These changes typically remove total part miles traveled out of our logistics network, effectively reducing our environmental impact and making our operations more efficient, while supporting our customers' business needs.

Utilizing a supplier sustainability index

ITW is committed to being around to serve our customers for many years to come; therefore, it's important we partner with suppliers that are committed to performance and stability. We initiated a systematic review and rating of our suppliers to evaluate their long-term reliability and viability.

Our supplier sustainability index (SSI) measures ITW's suppliers on a 10-point scale on a variety of factors, including safety and environmental measures as well as financial data, leadership changes and operational metrics. Once the score is calculated, we are able to assess if the supplier is already meeting or exceeding our criteria, if corrective action is needed or, in some cases, if we need to take other actions. This tool strengthens ITW's ability to manage its supply chain responsibly.

Partnering with suppliers for sustainable solutions

In 2014, ITW held one of its first supplier workshops in Danville, Kentucky. Twenty-five key suppliers to our Food Equipment business came together with ITW to consider and assess inputs in the warewash equipment business and brainstorm sustainable solutions.

In 2015, ITW expanded the workshops across several businesses, hosting a total of 14 events within this segment. Other business segments have also engaged suppliers in workshops to solicit ideas on how we may improve products and our approach to the products we make. These discussions have provided valuable opportunities to re-evaluate some of the material inputs into our products and identify alternatives that might lead to more sustainable end products.

Driving responsibility throughout the value chain

ITW's responsibility extends in both directions of its value chain – from the materials we source to the products we sell. **While ensuring our products are safer and more sustainable across the entire value chain is the responsibility of each ITW division, it requires working together with both our suppliers and customers to develop new solutions that address our customers' needs.**

For example, recently ITW's Baxter gas rack ovens earned Energy Star certification from the U.S. Environmental Protection Agency, a first in its product category. As Steve Woodward, engineering manager at Baxter explains, ITW worked closely with customers to identify and solve the key pain points of energy usage and cost. Suppliers were also involved in this process as we designed a solution that would meet the sustainable goals we established for this product.

Offering a better refueling experience

The ITW Fuel Division developed a capless fueling system for the automotive industry that offers benefits to Original Equipment Manufacturers (OEMs), end-use customers and the environment.

After 15 years of continuous innovation, the system now includes an intricate design of many molded plastic components that provides a faster, safer and more efficient refueling experience. For example, the capless fueling system:

- Eliminates the need to install a gas cap, which reduces concern for both OEMs and end users about associated warranty failures.
- Detects the difference between gasoline and diesel fuel nozzles, thereby eliminating significant costs associated with customers choosing the wrong type of fuel.
- Provides an ergonomic advantage over other systems, making refueling easier for elderly and arthritic customers.

The capless fueling system also provides weight reduction benefits when integrated with a Fuel Systems molded fuel door and housing, helping to reduce carbon dioxide emissions. In addition, a patented self-sealing system prevents the release of vapor and emissions. **These benefits support overall industry initiatives to ensure vehicles are designed with the environment in mind.**

Car makers and drivers alike are very pleased with ITW's innovation. "Our system eliminates many pain points facing Automotive OEMs and end-use customers, from 'check engine light' complaints and lost gas caps to putting the wrong fuel in your vehicle," said Mark Parry, vice president and general manager of ITW Automotive – Fuel Systems. "Our close relationships with our customers and the flexibility within the ITW Business Model enabled us to develop, design and bring this innovation to market."



ITW's capless fueling system offers environmental benefits

Creating a healthier home renovations environment

Construction dust is one of the biggest pain points for home renovation contractors and their customers.

“When we speak with our customers, we hear consistently that ‘livability’ during a home renovation is one of the industry’s biggest pain points,” said Brian Paich, business development manager for ITW’s BuildClean™ Dust Control System. “Customers want to live in their homes throughout the project without having to worry about the impact of dust and chemicals on their health and safety.”

To solve this problem, the ITW team developed the BuildClean Dust Control System, a self-contained, portable unit that provides continuous and effective air filtration. The system works by drawing in air and passing it through two particle-trapping filters. A pre-filter captures large dust particles while a HEPA-certified second-stage filter traps microscopic particles, before returning clean air into the space. BuildClean eliminates up to 90 percent of the airborne dust and minimizes the migration of dust throughout a construction site.

Eliminating NMP and driving improved performance

Reducing or eliminating the use of potentially hazardous substances is an ongoing priority for ITW.

Working with various suppliers, Kris Van Gasse, division R&D manager at ITW Additives International, and his team began testing alternatives to N-Methylpyrrolidone (NMP) that provided equal or better performance in removing dirt and deposits from fuel injection systems.

Field testing with channel customers resulted in positive feedback and performance. Working together, the team also invited students enrolled in an auto mechanic education program at a local technical school to evaluate different formulas. “The students’ project was to test two different formulas to confirm which one performed better, which ultimately confirmed what we discovered in our own testing,” Van Gasse said.

While the product name has remained the same, Wynn’s recently rolled out the new formula, which includes new packaging and communication around the product. **“In addition to eliminating a potentially harmful substance, the new formula also delivers even better performance for our customers,”** said Koen Meurisse, supply chain manager at Wynn’s.



Conflict Minerals

In 2015, ITW filed its second conflict minerals disclosure, per U.S. Securities and Exchange Commission (SEC) requirements. While the company has a strong foundational reporting framework in place, we practice continuous improvement on this framework.

Refining our process

We continue to work closely with our individual businesses to obtain the necessary declarations from affected suppliers whose products contain (or may contain) tin, tantalum, tungsten and/or gold, also known as 3TG, which are considered conflict minerals under the SEC rule. **As part of this commitment, ITW recently conducted a voluntary internal and external analysis of its entire reporting process and is analyzing the results to identify areas to improve further.**

In addition, ITW continues to:

- Follow the internationally accepted Organization for Economic Co-operation and Development (OECD) guidelines, as they apply to conflict minerals.
- Oversee overall compliance with the disclosure requirement via a cross-functional internal committee, with members from legal, audit, information technology, strategic sourcing, and environment, health, safety and sustainability.
- Ensure implementation of its **Conflict Minerals Policy Statement**, which the company reviews on a regular basis to identify opportunities to strengthen it.

Meeting disclosure requirements calls for collaboration

At ITW, gathering the necessary information to complete the conflict minerals disclosure requires significant collaboration internally and externally. The conflict minerals program manager partners with sourcing professionals and other primary contacts assigned to ITW's manufacturing locations within each of ITW's seven business segments.



Steven Richards
Sourcing analyst for Polymers & Fluids

"Through collaborations with other sourcing analysts and the corporate sourcing team, we've developed a streamlined approach that helps the primary contacts at our businesses understand what needs to be done to comply with conflict minerals regulations. At the segment level, our understanding of the requirements and ITW's process has allowed us to provide further clarification to our businesses with respect to their products and whether their items contain conflict minerals. The end result is increased accuracy of the information we are gathering."

Recognition for ITW's progress

While we seek continuous improvement in our conflict minerals reporting process, ITW is pleased with recognition we received in 2015 from three third-party studies examining the quality and effectiveness of conflict minerals disclosures.

- Responsible Sourcing Network's 2015 report, *Mining the Disclosures*, rated ITW's conflict minerals response as Good, and the company had the second-highest rating in the machinery industry.
- Assent Compliance's 2015 *Conflict Mineral Benchmarking Study* gave ITW a high score for both compliance and its "good practice" measure.
- Development International's *Conflict Mineral Disclosure Scorecard* recognized ITW with a score of 100 percent for reporting year 2014.

Partnering on conflict minerals disclosures

In order to complete the required annual conflict minerals disclosure, per the requirements of the U.S. Securities and Exchange Commission (SEC), ITW relies on its more than 300 contacts within its businesses to connect with their suppliers to gather, aggregate and report conflict minerals information.

ITW Ark-Les, a New Berlin, Wisconsin-based manufacturer of switches, sensors and connector systems, is one of those businesses. It has played a key role in engaging with its suppliers and providing insight back to the conflict minerals team to help with continuous improvement in this process.

Completing the disclosure process requires materials manager, Matt Ebert, to gather necessary information for nearly 500 parts from approximately 40 suppliers. Working closely with ITW's corporate conflict minerals team, Ebert sends out requests to suppliers who provide metals or other parts that may contain conflict minerals.

Additionally, Ebert has had the opportunity to learn more about the suppliers' process firsthand. "Our business works with a supplier down the road from our facility, and when they called me with questions, I was able to go to the supplier's site and directly engage in discussions about conflict minerals, review their operation and walk them through our reporting needs for conflict minerals," Ebert explains.

Ebert shared that it was helpful to view the facility, and learn firsthand what the supplier is required to do in this level of reporting. "It enabled me to help other suppliers, both inside and outside my own business, by sharing what I learned," Ebert said.

While collecting the data for conflict minerals reporting involves thousands of supplier declarations, the process continues to improve. Ebert can attest to ITW's improvement focus. "Each year, the training gets better and the process goes smoother. We're always learning more to help engage suppliers, streamline how we gather information and more effectively complete the disclosure process," said Ebert.