



Our Shared Journey



2020 CORPORATE SOCIAL RESPONSIBILITY REPORT

At ITW, we are
on a shared journey
for the betterment
of our people,
our communities
and the environment.

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Executive Message

The events of 2020 reinforced and further validated our unwavering commitment to corporate social responsibility (CSR). We continued to make progress on the key elements of our CSR strategy: Our Governance & Ethics, Our People, Our Communities and Our Environment. At the same time, we moved decisively to address the unprecedented challenges that we all faced this past year.

As the COVID-19 pandemic unfolded, our top priorities were to:

- Protect the health and support the well-being of our ITW colleagues; and
- Continue to serve our customers with excellence.

Our core values, the many contributions of our people and the application of our Decentralized, Entrepreneurial Culture continued to be essential elements in our ability to meet our stakeholder commitments. As the pandemic emerged and then deepened across the world, our divisions adapted quickly to ensure the ongoing health and safety of our colleagues, guided by national and international health protocols. When the economic effects of the pandemic were at their most widespread and severe in the second quarter of 2020, we chose to use our strong financial foundation to reinforce our commitment to our people by continuing to employ all ITW colleagues through the entirety of the quarter. Throughout the pandemic, our global divisions have been directly involved in providing essential services and products, ramping up capacity when necessary to support customers in their response to the pandemic.

True to our culture of giving, ITW and our colleagues have pursued opportunities to support their communities during the pandemic through philanthropy and community involvement. ITW divisions donated face masks, hand sanitizer and other personal protective equipment to nonprofits, healthcare facilities, schools and community groups. ITW's partnership with United Way was further strengthened by the collective philanthropic commitment of ITW and our colleagues across the U.S. and Canada. Our Employee Resource Groups also leveraged their networks to raise funds in support of pandemic relief for organizations such as the National Urban League and ITW David Speer Academy.

As 2020 brought renewed attention to the issues of racism and discrimination, we reaffirmed our commitment to diversity, inclusion and respect for all our ITW colleagues. Additionally, we initiated



ITW's "Do More" Agenda to promote and support more inclusive economic growth and opportunity in our underserved communities in targeted and impactful ways. ITW also joined a new coalition of 37 leading companies to form OneTen, a 10-year initiative to train, hire and advance 1 million Black Americans into family-sustaining jobs with opportunities for advancement.

With respect to the environment, we made significant progress toward our greenhouse gas (GHG) emissions intensity reduction goal. As a result, we updated our target to reduce, by 2030, the company's combined Scope 1 and Scope 2 GHG emissions per U.S. dollar of operating revenue by 40 percent, compared with 2017 levels. Through 2020, we reduced our GHG emissions intensity by 26 percent, compared with the 2017 baseline.

In closing, thank you for your continued interest in ITW, and thank you to ITW's dedicated colleagues around the world who support our shared CSR journey and demonstrated exceptional performance in the face of the challenges of the past year.

Chris O'Herlihy

Christopher A. O'Herlihy
Vice Chairman

Our Corporate Social Responsibility Strategy



Consistent with our core values and Decentralized, Entrepreneurial Culture, our corporate social responsibility (CSR) strategy represents our enterprise's shared commitment, but it is operationalized at the divisional level. Our CSR strategy is built around four key elements: Our Governance & Ethics, Our People, Our Communities and Our Environment.



Our Governance & Ethics

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



Our People

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

Our Corporate Social Responsibility Strategy



Our Communities

- Recognizing the importance of our responsibility beyond our business operations, we encourage and support our colleagues globally in their efforts to make positive contributions, through financial gifts and volunteerism, to the communities where they live and work.
- In addition, as a company we are committed to supporting programs and initiatives to improve access to a high-quality education and workforce/career preparation for youth in under-served communities, both in our headquarters region of greater Chicago and around the world.



Our Environment

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

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

Our Business Model & Values



Founded in 1912, ITW is a global industrial company built around a differentiated and proprietary business model. The company's seven industry-leading segments leverage the ITW Business Model to generate solid growth with best-in-class margins and returns. We are committed to executing our enterprise strategy to deliver differentiated performance over the long term and firmly establishing ITW as one of the best-performing, highest-quality and most-respected industrial companies. In 2020, the company had revenues of \$12.6 billion, with roughly half coming from outside North America.

ITW by the Numbers

Revenue by Geography

\$12.6 billion

Total Revenue

53%
North America

27%
Europe, Middle East & Africa

20%
Asia Pacific & Other

52 Countries
43,000 Employees

Our Business Model & Values

A Differentiated Business Model

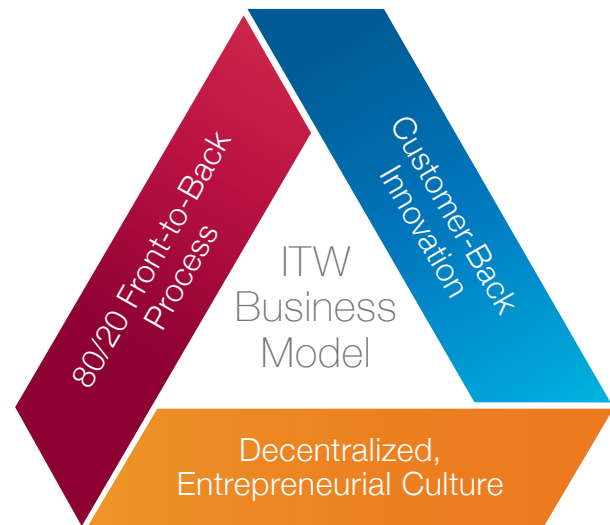
The ITW Business Model is a powerful and proprietary set of strategic, operational and cultural practices that have been in a state of continual development and evolution inside the company for over 30 years. It is ITW's defining competitive advantage and it is the value we add to all our divisions.

The ITW Business Model is comprised of three elements:

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

Customer-Back Innovation describes how we innovate. At ITW, we innovate from the customer back, not from the research and development center out. Our divisions partner with their key customers to create unique solutions that solve difficult technical challenges and improve business performance. The deep capabilities and creativity of our people are evidenced by our portfolio of approximately 18,500 granted and pending patents, including more than 1,900 new patent applications filed in 2020.

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



Our Values

Integrity

We operate with complete integrity and the highest ethical standards in all of our interactions and dealings with our ITW colleagues, customers, suppliers and stakeholders. No compromises, no short cuts and no exceptions.

Respect

We treat everyone as we expect to be treated and value the diversity of perspectives, backgrounds and experiences of all of our ITW colleagues.

Trust

We trust that all ITW colleagues will operate with their best efforts and in the best interests of the company at all times.

Shared Risk

We recognize that continuously evolving and innovating is essential to ITW's ability to remain a strong, successful and growing company. As such, we embrace thoughtful experimentation and manage risk by involving all stakeholders in key decisions.

Simplicity

We keep things simple by focusing on the essential core of any business opportunity, challenge, issue or problem. 80/20 is not just something we do, it's how we think – it is our core philosophy and drives simplification at ITW.

Our Governance & Ethics



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

Board and Management Oversight of CSR

Our single-tier Board is led by our Chairman & CEO and a strong independent Lead Director. All our directors other than our CEO are independent directors as defined by NYSE listing standards. Our directors are highly qualified, with a diversity of skills, backgrounds and perspectives. Our Board is composed of 10 directors, including two females and two African American men, resulting in 40 percent overall diversity (20 percent gender diversity and 20 percent racial/ethnic diversity). A director may not stand for re-election after his or her 75th birthday to allow for diverse experiences and ideas from new directors. The Board believes that its structure and composition of highly experienced, engaged and diverse independent directors provide effective oversight of the company's management.

The Board has an active role in the company's overall strategies. The Board also conducts an annual review of the company's corporate governance practices and periodically reviews the company's CSR strategy. Furthermore, the Board is responsible for overall risk oversight of the company, which includes certain environmental, social, supply chain, cyber security and other governance matters. To this end, ITW's Board receives periodic updates regarding the company's CSR-related initiatives and progress, including an annual review of those related to climate change and cyber security risks. In addition, the Audit Committee of the Board oversees and reviews, at least annually, legal affairs and environmental, safety and health matters that may have a material impact on the company's financial statements or the company's compliance policies, as well as the company's overall risk policies and practices, and reviews steps taken by management to monitor and control certain exposures, including with respect to cyber security.

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

In addition, ITW's Director of Environmental Health, Safety & Sustainability has day-to-day environmental-related responsibilities, including overseeing the execution of ongoing environmental, safety and regulatory compliance initiatives. Within our decentralized culture, each ITW division utilizes ITW's CSR framework to develop and execute a fit-for-purpose environmental management methodology and safety program appropriate for its business.

Read more about our Board composition and oversight role as well as our strong governance profile in our 2021 Proxy Statement.

40%
Board
diversity

20% Board
gender
diversity

20% Board
racial/ethnic
diversity

Our Governance & Ethics

Our Policies

Rooted in our values of Integrity, Respect and Trust, we set high ethical standards for our company and partners that help us deliver best-in-class performance. With a focus on continuous improvement, we regularly review and update, as appropriate, our policies governing ethical conduct and responsible behavior.

- **Corporate Governance Guidelines** ensure the company is governed in a manner that serves the interests of our shareholders, colleagues and other stakeholders.
- **Statement of Principles of Conduct** describes the expected standard of behavior governing all ITW colleagues, businesses and subsidiaries around the world. It also outlines our commitment to compliance with human rights laws, including those against slavery, human trafficking and child labor. These standards are also applied to our suppliers through our Supplier Code of Conduct and in our standard purchase order terms and conditions found on www.itw.com.
- **Code of Ethics** outlines ITW's principles regarding fair, ethical and honest business dealings, full and fair disclosure, and compliance with applicable laws for our CEO, Vice Chairman, CFO and all key financial personnel.
- **Safety Policy** stipulates that we strive every day to foster a proactive safety culture through the execution of our Enterprise Safety Strategy, which is based on a philosophy that every accident is preventable and with a shared goal of zero accidents.
- **Environmental & Sustainability Policy** reinforces ITW's commitment to global environmental sustainability reflected in the following priorities: improving our environmental performance on an ongoing basis; working with suppliers who operate with similar dedication to global environmental sustainability; and partnering with our customers in innovating solutions that address their needs for environmentally responsible products.
- **Global Anti-Corruption Policy** emphasizes the importance of complying with anti-corruption laws of all countries in which ITW and our divisions, subsidiaries, agents, consultants and affiliates operate.
- **Human Rights Policy** reinforces our commitment to demonstrating respect for human rights at ITW and throughout our supply chain, and it applies to all ITW colleagues and locations worldwide and to others who may act on ITW's behalf.

Resilience in Unprecedented Times

Rooted in our values of Integrity, Respect and Trust, our governance & ethics are ingrained in our culture, and play an essential role in ensuring business resiliency during challenging times. Our response to the unprecedented challenges of 2020 demonstrated the strength of our emphasis on ethical business practices, as evidenced by management's number one priority during the COVID-19 pandemic: protect the health and support the well-being of ITW's colleagues.

- **Conflict Minerals Policy** seeks to assure that our products are conflict free.
- **Modern Slavery and Human Trafficking Statement** describes the steps we take to mitigate slavery and human trafficking in our supply chain.
- **Supplier Code of Conduct** requires our suppliers, vendors and contractors to operate to our high ethical standards. This Code applies all relevant aspects of ITW's Statement of Principles of Conduct to our suppliers. Among other requirements, our suppliers are required to adhere to applicable laws, including those concerning human rights, child or forced labor, wage and working hours, discrimination, environmental, health and safety, and fair dealing. Furthermore, our suppliers are required not to engage in corruption, and they commit to fully comply with all applicable anti-corruption laws and regulations of the countries in which they operate.
- **Supplier Expectations** inform our suppliers that they are expected to operate in compliance with rigorous performance standards and improve their own environmental and social performance.
- **Government Affairs** statement describes our prohibition against use of company assets or funds for political purposes.
- **Hedging/Anti-Pledging Policy** for executive officers and directors prohibits hedging the risk of ownership in ITW stock and prohibits pledging of ITW stock to secure payment obligations.
- **Clawback Policy** provides for the recovery of incentive compensation payments from our senior officers in the event of an accounting restatement (whether or not based on misconduct) due to material noncompliance with financial reporting requirements.

View our policies [here](#).

Our Governance & Ethics

Training and Reporting Ethics Concerns

Ethics and compliance training is an important part of our commitment to operate our business with the highest level of ethical conduct. ITW colleagues around the world provide annual certification of compliance with our Statement of Principles of Conduct and biennial certification of compliance with our Global Anti-Corruption Policy. In addition, in accordance with their roles and responsibilities, ITW colleagues around the world receive periodic training in governance-related topics, including, among others, anti-bribery and anti-corruption, global and regional competition, data protection and privacy, harassment in the workplace and cyber security. Cyber security training is conducted annually and is assigned to corporate colleagues and contractors, colleagues at ITW businesses with access to critical data and certain other colleague populations around the globe. Cyber security training includes at least one annual phish test and modules relating to recognition of phishing attacks, business email compromise and practices to avoid ransomware attacks. We evaluate and update the content of our training periodically to ensure that it remains relevant and current. Learn more about training in other areas of our operations in [Our People](#) and [Our Environment](#).

ITW colleagues around the world are encouraged to share any ethics or compliance concerns with their local management teams. They may also submit reports directly to ITW's ethics & compliance legal group or our Vice President, Chief Audit Executive, or through our confidential Helpline. ITW partners with EthicsPoint, an external third-party supplier, to provide a web- and telephone-based confidential reporting system in 40 countries. Web-based reporting is offered in 16 languages, and telephone-based reporting is offered in more than 200 languages. The EthicsPoint reporting system is also available to suppliers and other external stakeholders through a public domain website.

All reports are investigated promptly and appropriately. Our Vice President, Chief Audit Executive provides regular updates to the Audit Committee of the Board of Directors.

Alignment with Environmental, Social and Governance Standards

Consistent with our overarching CSR strategic framework and our ongoing engagement with our shareholders, we utilize the Sustainability Accounting Standards Board (SASB) framework to assess the financial materiality of environmental, social and governance risks to our company.

The SASB framework for the Industrial Machinery and Goods industry under SASB's Sustainable Industry Classification System[®] describes several disclosure topics, including:

- Energy Management (discussed in the "Environmental Responsibility" section of this report)
- Employee Health & Safety (discussed in the "Employee Safety" section of this report)
- Fuel Economy & Emissions in Use-Phase (referenced in the "2020 CSR Report Index")
- Remanufacturing Design & Service (discussed in the "Environmental Responsibility" section of this report)
- Materials Sourcing (discussed in the "Supply Chain Responsibility" section of this report)

Metrics related to the above topics are discussed in more detail in the respective sections of this report. We continue to monitor the SASB framework as it applies to the company to identify environmental, social and governance risks that may be material to the company.

In addition, we utilize the Task Force on Climate-related Financial Disclosures (TCFD) framework to guide certain disclosures in this report. Based on an assessment of ITW's current operations, ITW believes that it currently does not face substantive climate-related transitional or physical risks as defined by TCFD. However, climate change is highly complex and not linear, with many uncertainties, and there is no assurance that our operations will not be impacted by climate change-related risks in the future. ITW considers a substantive impact to exist only where our businesses are required

Our Governance & Ethics

to change operations, sources of supply or customer base as a result of climate-related matters considered significant by a particular business segment or ITW overall.

- **Transitional Risks.** To date, the introduction of climate change-related regulations has not had a substantive impact on our operations. New regulations typically impact our cost of energy or our ability to use certain materials to manufacture our products. To mitigate the small risks presented in this area, ITW businesses have implemented energy conservation projects and rely on our Customer-Back Innovation process to replace materials while creating environmentally friendly solutions based on our customers' needs. See the sections entitled "Innovating Product Solutions Responsibly" and "Environmental Initiatives Across Our Business."
- **Physical Risks.** We currently believe physical risks to our facilities are not substantive. A majority of our U.S. property values in 2020 had no natural catastrophe exposures as assessed by our insurance partners. Some of our facilities, however, are located in areas around the world where there is risk of flood, wind and hurricanes, earthquakes and fire. To mitigate our small physical risk, among other initiatives, ITW's businesses have outlined emergency response plans, partnering in certain cases with insurance providers to track and alert our facilities about incoming hazards, and have implemented plans to upgrade infrastructure, including building reinforced roofing and implementing seismic shutoffs.

See the [2020 CSR Report Index](#) for more information on TCFD disclosures.

Questions About the Report

In the spirit of continuous improvement, we welcome feedback from our stakeholders regarding our CSR initiatives and reporting. Any questions or comments about this report or future reports may be directed to csr@itw.com.

Our People

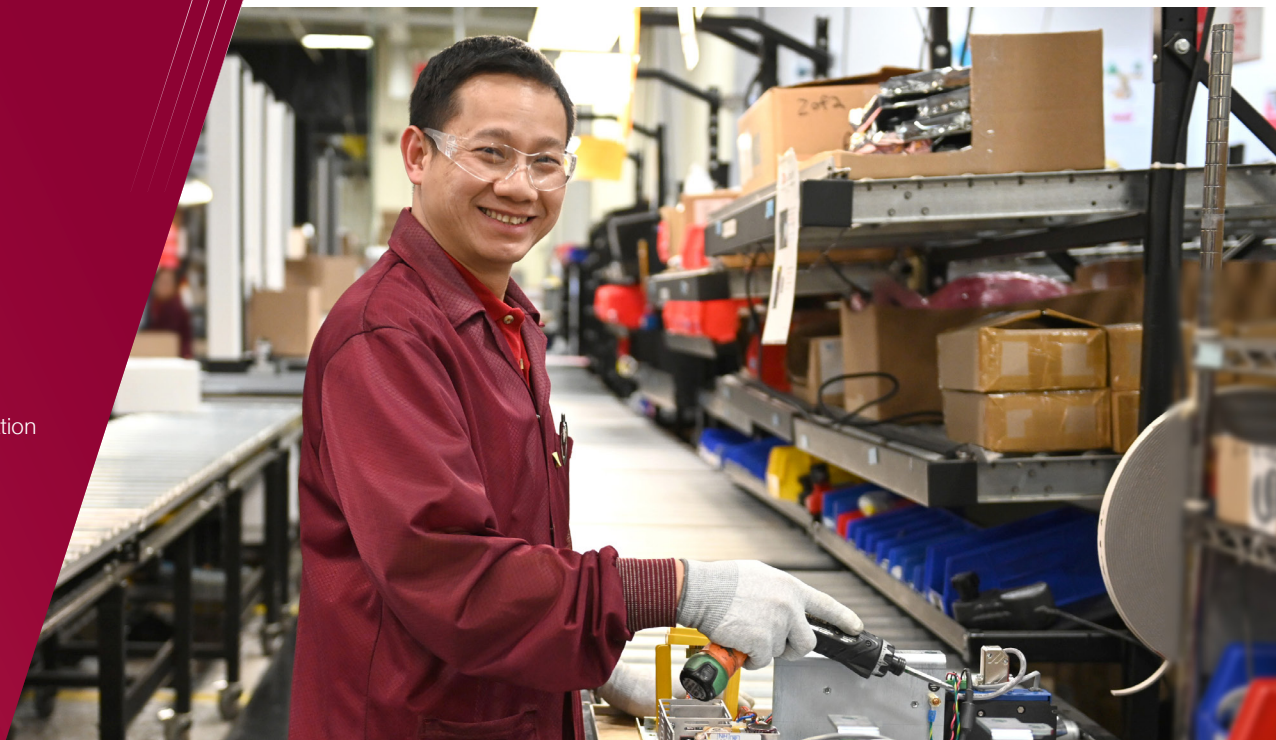
IN THIS SECTION:

Employee Safety

Workplace Culture &
Talent Development

Diversity & Inclusion

Benefits & Compensation



ITW's goal to be one of the best-performing, highest-quality and most-respected industrial companies in the world is enabled by the hard work and dedication of our colleagues around the globe. We strive to be a great employer through our demonstrated commitment to employee safety; workplace culture and talent development; diversity and inclusion; and benefits and compensation.

Employee Safety



The safety of our approximately 43,000 colleagues around the world is an essential component of our commitment to be a great employer. We strive every day to foster a proactive safety culture through the execution of our Enterprise Safety Strategy, which is based on a philosophy that every accident is preventable and with a goal of zero accidents. Our division-driven approach ensures we have a shared responsibility to protect the well-being of every ITW colleague.

A Strategic Approach to Safety

Our Enterprise Safety Strategy is based on the following core principles:

- Goal is zero accidents
- Shared ownership for safety (business and individual)
- Take a proactive approach focused on accident prevention
- Apply the continuous improvement philosophy

Our Framework for an Effective Divisional Safety Program

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

Employee Safety

In 2020, emphasis was placed on Leadership & Employee Engagement and Safety Committees as we worked to further develop our safety culture. By engaging and communicating with colleagues on a regular basis, we further drive the message of shared ownership and prevention. In addition, our network of safety leaders meets quarterly to discuss new initiatives and best practices to improve safety performance across all ITW divisions.

In alignment with our Decentralized, Entrepreneurial Culture, we believe in providing a framework that each division can customize to meet its specific safety needs. In April 2020, our environmental health and safety team launched a safety management system gap analysis tool to help divisions determine additional measures to complement existing efforts and foster continuous improvement of safety culture. The analysis tool utilizes a scoring system for each of the 10 safety program framework elements to help divisions better understand their progress and the effectiveness of their safety initiatives to support our enterprise goal of zero accidents.

Many of our businesses also pursue third-party certifications as part of ITW's ongoing drive for safety excellence. At the end of 2020, 58 facilities, or approximately 14 percent, had ISO45001 and/or OHSAS 18001 safety management system certification.

Ensuring Employee Safety During the Pandemic

Employee health and safety has been a top priority during the COVID-19 pandemic, and it is everyone's responsibility. Since the onset of the pandemic, our teams have implemented protocols in compliance with the World Health Organization (WHO), U.S. Centers for Disease Control and Prevention (CDC) and European Centre for Disease Prevention and Control (ECDC) guidance, as well as prevention practices in other countries and those at the state and local level.

Driving Continuous Improvement of Our Safety Culture

Our Welding segment engaged an outside consultant to assist with the continuous improvement of its safety culture. Specifically, supplemental safety gap analyses, including 360° leadership feedback and safety perception surveys, were utilized to assess the current state and opportunities for enhancement. Leadership, incident management and safety team training are now underway. Three ITW divisions were involved in the initial implementation, with the long-term plan to engage all divisions within the segment in this process.

Our segments also created training materials specific to the pandemic protocols. These trainings detailed safety standards and required practices, such as temperature checks, hand washing and social distancing, to ensure the health and safety of our colleagues while at work. In addition, among our segments' many actions and initiatives, we redesigned production processes to ensure proper social distancing practices, adjusted shift schedules and assignments to help colleagues who have child and elder care needs, and implemented aggressive workplace sanitation practices and a coordinated response to ensure access to personal protective equipment to minimize infection risk. The health and safety performance of our global teams throughout the pandemic demonstrates the strength of our Enterprise Safety Strategy and our colleagues' commitment to safety.

Enterprise Training Initiatives and Resources

As part of ITW's Decentralized, Entrepreneurial Culture, we empower our divisions to utilize continuing education measures that are most applicable to their business. To augment these efforts, we offer several safety training and education tools across the enterprise, including PureSafety, a comprehensive, web-based training used to further educate the workforce on the ever-changing methods, standards and regulations that govern our industries. PureSafety is available globally and offered in several languages so global ITW colleagues can take advantage of this enterprise safety education tool.

Within our Food Equipment Group (FEG) Service division, the Safety ACE (Attitude, Commitment, Excellence) Certification is designed to encourage colleague engagement in safety compliance activities. By completing all required training modules and activities, FEG Service colleagues earn the designation as a "Safety ACE" and become eligible for recognition and rewards from their safety manager. In 2020 alone, FEG Service saw participation increase over 200 percent year over year. The program is a big driver in the division's overall reduction in injuries as it engages colleagues and continually reinforces safety habits.

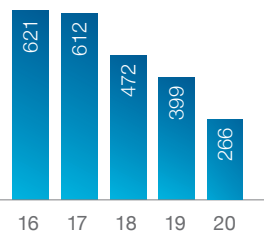
Our Global Safety Performance and Data

2020 marked our fifth year executing the Enterprise Safety Strategy across all ITW divisions, and we are pleased to report that we achieved a 33 percent reduction in lost time accidents in our facilities year over year. This improvement demonstrates clear progress as we enhance our culture of safety and continue a journey to zero accidents. Our total recordable incident rate (TRIR) and lost time incident rate (LTIR) decreased 20 percent and 21 percent year over year, respectively. For 2020, our TRIR was 1.4 incidents per 100 employees*, and our LTIR was 0.7 incidents per 100 employees.

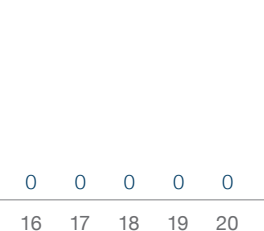
* Aligned with the Industrial Machinery and Goods Sustainability Accounting Standard under SASB's Sustainable Industry Classification System®

Employee Safety

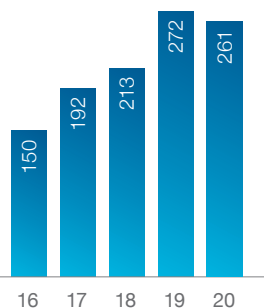
Lost Time Accidents
(Number of accidents)



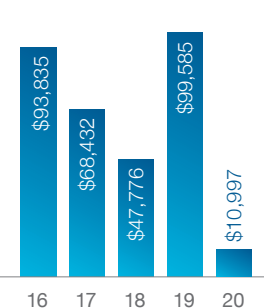
Fatalities*
(Number of fatalities)



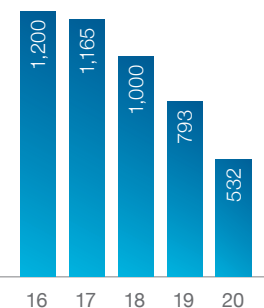
Government Safety Inspections
(Number of inspections)



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



Medical Treatment Incidents
(Number of incidents)



* Aligned with the Industrial Machinery and Goods Sustainability Accounting Standard under SASB's Sustainable Industry Classification System®

Celebrating Safety Milestones

In 2020, several ITW locations celebrated safety milestones, exemplifying shared ownership of and commitment to safety excellence. Of ITW's 111 divisions and business units, 37 achieved zero lost time accidents (LTA) for the full year. ITW also celebrates divisions and business units that achieved zero LTAs per quarter in 2020, as shown below:

Quarter	Number of Divisions and Business Units with Zero LTAs
First Quarter	71
Second Quarter	78
Third Quarter	74
Fourth Quarter	69

These achievements were driven by key elements of our divisional safety management program, such as Leadership & Employee Engagement, Hazard Identification, Risk Prevention and Safety Committees. Other notable achievements include:

ITW Location	Days Without a Recordable Incident*
ITW Appliance (Des Plaines, Illinois)	1,110
ITW Automotive (Hone, Italy)	832
Ramset Reid (Morningside, Queensland, Australia)	693
ITW Rivex (Ornans, France)	445
Seats Safety & Motion (Les Franqueses del Valles, Spain)	428
Permatex (Solon, Ohio)	411

* All data as of December 31, 2020

Workplace Culture & Talent Development



Our ITW Culture defines who we are as a company, how we lead and how we make decisions. We strive to ensure our culture is deeply and consistently applied across the company while giving our colleagues “flexibility within the framework” to achieve success. We are guided by the imperative of growing, developing and retaining talent at all levels who can translate ITW Business Model expertise into full potential performance.

Our ITW Culture

We believe ITW’s Decentralized, Entrepreneurial Culture is the key element that drives the highly effective and efficient conversion of strategy into action and action into results that matter. Our approximately 43,000 global colleagues thrive in an environment that empowers them to think and act like owners. They experience significant autonomy, a sense of shared ownership, and a work atmosphere deeply rooted in our core values of Integrity, Simplicity, Trust, Respect and Shared Risk.

We invest in our colleagues through professional development, challenging on-the-job experiences and long-term career growth opportunities. We recognize and reward colleagues who perform well and have a strong preference for promoting our internal talent.

Building a Pipeline of Great ITW Leaders

ITW’s long-term success relies on our ability to develop talent at all levels of our organization and build a long-term sustainable pipeline of *Great ITW Leaders* who can translate ITW Business Model expertise into full potential performance. We utilize the *Great ITW Leader* Framework to define the leadership capabilities and attributes that guide our leadership assessment, development and selection decisions.

Great ITW Leaders are expected 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

The chart below illustrates the *Great ITW Leader* pipeline:



Talent Development

Attracting Early-in-Career Talent

Internships and educational cooperatives are key elements of our global talent strategy and center on giving students a breadth of real-world experience. We strive to attract a diverse pool of talent that will grow with us from intern to entry-level hire. Interns are offered challenging on-the-job opportunities and coaching and feedback to support their development. The purpose of our internship program is to allow interns to develop a strong network, gain exposure to our diverse businesses and develop their knowledge to prepare them for long-term career success at ITW.

Despite the challenges of the COVID-19 pandemic, in 2020, we successfully pivoted our U.S.-based internship program to include both virtual and hybrid opportunities for the majority of intern assignments, reinforcing our strong commitment to this critical talent segment. We also continued to focus our recruiting efforts on national diversity partnerships, including the Society of Women Engineers and National Society of Black Engineers, where we recruit approximately 35 percent of our internship positions.

Developing Leaders Across the Enterprise

We encourage ITW colleagues to develop and build critical skills using the 70-20-10 professional development model, which highlights and supports how our colleagues learn and develop best – 70 percent from challenging on-the-job experiences, 20 percent from hands on coaching and feedback, and 10 percent from formalized training and coursework.

As a component of our culture, we find value in supporting the development needs of our colleagues based on their individual role, career aspirations and priorities. Across our seven industry segments and 83 divisions, we offer development opportunities that fully leverage the breadth and diversification of our portfolio to promote long-term career growth. We expect colleagues at every level to “own” their careers by utilizing the performance management and development planning resources ITW offers to build the critical skills necessary to meet the needs of their role and beyond.

In addition to on-the-job learning, we also invest in our talent with formal leadership and career development opportunities. For example:

- In 2020, we hosted our “**Talent for the Future**” development program, which is designed to help first-time managers across Germany acquire and apply effective talent management methods and techniques. Over 15 months, a cohort of 13 colleagues participated in the program, with support from an assigned mentor. A core component of the program included a diversity and inclusion module to help managers become more inclusive leaders. The program included activities to reinforce key learnings, including participants assessing their workplace culture and action planning to drive continuous improvements.
- ITW has developed a strategic partnership with the Executive Leadership Council (ELC), a nonprofit focused on the development of Black executives. In 2020, more than 100 ITW colleagues participated in ELC’s **Mid-Level Manager Symposium**, a professional-development program designed to advance and inspire high-performing, high-potential Black professionals. This was ITW’s largest cohort of participants to date. Learn more about our commitment to develop and retain diverse talent in [Diversity & Inclusion](#).

Diversity & Inclusion



We believe we are at our best when we bring together unique perspectives, experiences and ideas. Rooted in our core values of Respect and Integrity, we are committed to treating all colleagues with dignity, fairness and respect, and afford everyone the opportunity to reach their full potential for growth and advancement. We strive to create diverse and inclusive workplaces where all ITW colleagues are heard, valued and engaged.

Our Diversity & Inclusion Strategy

The ITW Diversity & Inclusion (D&I) Council, comprised of senior leaders, is responsible for establishing our D&I Framework and ensuring our divisions have the tools and resources necessary

to build a global, diverse workforce and inclusive workplaces. Our approach to D&I is intentional, fully integrated into our enterprise talent strategy and touches every part of our business.

ITW Diversity & Inclusion Framework



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

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

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

Great Employer: We strive to be a great employer and commit to working diligently to strengthen and sustain ITW's unique and differentiated enterprise brand. Our efforts include sharing our progress and success and being an active member of our communities through key professional associations, universities and community partnerships that align with our D&I goals.

Diversity & Inclusion

Our Commitment to Do More

The renewed focus on issues of racism and discrimination in our society highlights the complex challenges faced by many people of color in accessing the economic possibilities and potential afforded to others. Through our “Do More” Agenda, ITW reaffirmed its commitment to promoting and supporting more inclusive economic growth and opportunity. This agenda includes specific areas of focus that are impactful and closely aligned with our capabilities, skill sets and business needs as a company and include:

- Further deepen our commitment to diversity and inclusion, and respect for all at ITW.
- Leverage ITW’s capabilities and industry experience to create long-term, well-paid skilled employment opportunities for candidates of color.
- Expand ITW’s investment and engagement in organizations, programs and partnerships that improve access to a high-quality education and to meaningful long-term employment opportunities for people of color. Read more in [Support for Education](#).
- Meaningfully expand ITW’s commercial relationships with minority-owned businesses. Read more in [Supply Chain Responsibility](#).

Under the guidance of our Executive Leadership Team, we have formed steering committees for these areas of focus. Our steering committees are responsible for the development and implementation of specific ITW initiatives and action plans.

As part of our “Do More” Agenda, ITW has committed to growing our diverse workforce and providing more economic opportunity to diverse people. Work is underway with two important initiatives in our Food Equipment and Automotive segments focused on hiring and developing skilled technicians to provide well-paid and sustainable job opportunities. The Food Equipment Group is partnering with community colleges to invest in the hiring, training and development of diverse service technicians to support the field service needs for our commercial food equipment products. In the Automotive segment, we are partnering with the YWCA to hire and develop diverse operations technicians to build a longer-term skilled technician talent pipeline. Moreover, ITW has joined a new coalition of 37 leading companies to form OneTen, a 10-year initiative focused on training, hiring and advancing 1 million Black Americans into family-sustaining jobs with opportunities for advancement.

Driving Inclusion Through Leadership Engagement

Our belief in the strength of a diverse and inclusive workplace is reinforced by our leaders who set the tone by demonstrating inclusive behaviors and promoting inclusion across their teams.

Understanding the Colleague Experience

For the past four years, ITW has participated in McKinsey & Company’s Women in the Workplace Study – the largest comprehensive study of the state of women in corporate America. In 2020, ITW distributed the survey to over 1,650 U.S. female and male professional colleagues to better understand their ITW workplace experiences. Of the ITW colleague responses, 90 percent recommended ITW as a great place to work. The results and feedback from the survey are being used to develop action plans and further progress our D&I efforts.

In 2018, over 1,000 global leaders participated in our inclusive leader initiative, which focused on understanding unconscious bias, actions we can take to minimize its effects in our workplaces, and resources to lead in a way that reflects ITW’s culture and values. In 2020, we expanded the initiative to include all managers and supervisors. These colleagues play an important role in recruiting and retaining world-class talent and creating inclusive work environments where our colleagues can perform to their full potential.

Our Progress on Leadership Diversity

We remain committed to achieving our diversity and inclusion goals and enhancing the diversity of our global leadership teams. We have seen significant improvement since beginning our current strategy in 2013.

DIVERSITY & INCLUSION GOALS*

Global Women Leaders

U.S. Ethnically Diverse Leaders

30%

20%

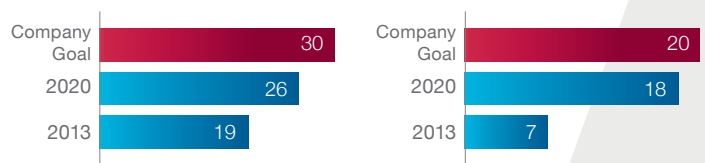
DIVERSITY & INCLUSION DATA*

Global Women Leaders

U.S. Ethnically Diverse Leaders

(Percent)

(Percent)



* Top 1,000 senior leaders across ITW

Diversity & Inclusion

Construction Products Segment Achieves D&I Goals

Achieving our goals requires engagement, focus and action from all seven segments. In ITW's Construction Products segment, diversity and inclusion is embedded in its core talent processes. The segment leverages ITW's Employee Resource Groups to attract, develop and retain diverse talent. Division leaders are also essential to creating an inclusive workplace and modeling inclusive behaviors. As a result of these efforts, the segment has reached both diversity enterprise goals, achieving 33 percent global women leaders and 32 percent U.S. ethnically diverse leaders in 2020. In addition, the segment has set 2021 goals to ensure accountability and continued progress toward a diverse and inclusive workplace.

Engaging Diverse Talent and Allies

Our Employee Resource Groups (ERGs) play a critical role in engaging colleagues at all levels. These colleague-led organizations bring together diverse groups of people and their allies to share experiences and innovative ideas to help accelerate our path to full potential. ERGs directly support the enterprise talent and D&I strategies, with specific focus on attracting, developing and retaining talent and promoting cultural diversity and community. In 2020, our ERGs comprised over 45 global chapters.

- **Pride at ITW**, our newest ERG, launched in 2020. Starting with grassroots interest from colleagues in the U.S. and Europe, Pride at ITW is focused on empowering LGBTQ+ colleagues and allies through building a sense of belonging and engagement while promoting shared respect and understanding of LGBTQ+ issues. The ERG achieved significant engagement and global reach through its events – a model that will continue in 2021.
- The **ITW African-American Network (AAN)** is committed to the specific interests of people who identify as Black, African, African-American, West Indian or of African descent, by building a community of leaders through leadership development opportunities, informative workshops and

networking activities. In its third full year, AAN hosts events to support career development and promote cultural diversity. During 2020, this ERG launched a newsletter for members and allies to share enterprise updates and highlight resources that support racial equity in the workplace and local communities. AAN also took action to provide pandemic relief to Black communities in need by initiating an enterprise-wide fundraiser in partnership with Urban League, which raised over \$300,000. Read more in our feature story on page 25.

- The **ITW Women's Network (IWN)** supports the attraction, development and retention of female talent and reinforces ITW's inclusive workplace across our divisions globally. Through its 27 chapters around the world, IWN actively engages our female colleagues in networking and professional development. Our male leaders are also an integral part of IWN's success as they sponsor and participate in the group in support of ITW's female talent. In 2020, IWN members dedicated their time to supporting pandemic relief, raising over \$100,000 for ITW David Speer Academy and Noble Network family funds. Read more in [Support for Education](#).
- **ITW's Young Professional Network (YPN)** focuses on empowering early-in-career professionals across ITW by building a community for our next generation leadership through social platforms, networking activities and development opportunities. In 2020, YPN experienced a 15 percent growth in membership and doubled participation through virtual global events. Featuring executive insights from business leaders, these events focused on *Great ITW Leader* attributes and ITW division overviews as well as cross-functional peer networking and social activities to foster belonging and community across ITW.

In December 2020, ITW hosted the first global ERG chapter leader meeting under the theme "Igniting Inclusion Through ERGs." With more than 100 chapter leaders in attendance, the event focused on fostering a more inclusive work environment and ways to better support our colleagues through allyship. During the event, chapter leaders and their managers participated in a roundtable discussion with ITW's Chairman & CEO, Scott Santi, which highlighted their roles in driving actionable change across the enterprise.

Benefits & Compensation



As a global employer, we are committed to providing market competitive benefits and compensation to attract and retain great talent across our global divisions, maintaining fair labor practices, and ensuring a work environment that reflects our core values and culture everywhere we operate.

Supporting Our Colleagues Through Comprehensive Benefits and Compensation

Specific benefits and compensation vary worldwide and are based on regional practices. In the U.S., where we employ approximately 16,000 colleagues, we continue to focus on providing a comprehensive, competitive benefits package that helps our colleagues be well – physically, mentally and financially. Below are some common features offered to our U.S.-based colleagues:

- Medical, dental and vision benefits for colleagues, spouses, domestic partners and dependents
- Flexible Spending Accounts for both healthcare and dependent care
- Health Savings Accounts
- Wellness programs for colleagues and spouses
- Life assistance program for colleagues and their families
- 401(k) retirement savings program with options to contribute on a pre-tax, Roth or after-tax basis, with company matching contributions

- Paid vacation and holidays
- Paid parental leave, for both men and women
- Adoption benefits
- Short-term and long-term disability benefits
- Employee life and AD&D insurance benefits
- Education and tuition assistance
- Scholarships to support the academic achievement of colleagues' children and dependents pursuing college or skilled trades education

Additionally, we fully support community involvement and volunteerism, and we offer programs that empower our colleagues to support the charities that matter most to them, including offering an industry-leading \$3 for \$1 corporate match for qualified charitable giving by our U.S. and Canadian colleagues. Read more about these initiatives in [Philanthropy and Community Involvement](#).

ITW's Life Assistance Program (LAP) is a free benefit offered to our U.S.-based colleagues and their families. LAP provided important access to resources, personal coaching and counseling to support our colleagues and their families throughout the COVID-19 pandemic.

Our Communities

IN THIS SECTION:

Philanthropy and
Community Involvement
Support for Education



Guided by our culture and core values, ITW is committed to investing in the communities where our colleagues live and work, and where we do business. Over the past five years, our support to our communities has totaled \$113.8 million. Supported by a flexible framework, our colleagues are also empowered to support the organizations and causes that matter most to them.



Our Communities

Philanthropy and Community Involvement



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

Our Culture of Giving

ITW Colleagues

True to our Decentralized, Entrepreneurial Culture, our colleagues are empowered to support the organizations that mean the most to them. Key elements of ITW's colleague giving program include:

- \$3 for \$1 corporate match for qualified charity giving by our colleagues in the U.S. and Canada.
- A volunteer match program that provides a \$10 corporate donation for every volunteer hour submitted by our colleagues in the U.S. and Canada.
- Every dollar given to United Way as part of our annual campaign is matched by ITW to amplify our colleagues' gifts.
- A scholarship program for high-achieving colleague dependents in the U.S. and Canada seeking post-secondary education.

In 2020, approximately \$725,000 in scholarships were awarded in the U.S. and Canada to students attending a trade school or college.

ITW Enterprise

In addition to amplifying colleague giving, the ITW enterprise gives to important causes in our communities through multi-year pledges, annual operating grants, sponsorships and in-kind donations. In 2020, ITW gave \$17.1 million to these causes.

Supporting Our Communities in Unprecedented Times

While 2020 presented its challenges, ITW's commitment to our communities was unwavering as we sought new opportunities to provide greater relief to those who needed it most. In addition to our steadfast commitments outlined in our annual giving plan, we mobilized our people and resources to quickly respond to the growing needs of our communities.

Investments related to the COVID-19 pandemic include, among others:

- Chicago Community COVID-19 Response Fund (\$250,000)
- Illinois COVID-19 Response Fund (\$500,000)
- Noble Network of Charter Schools/ITW David Speer Academy Family Support Fund, supporting the hardest hit zip code in Chicago (\$100,000)

Helping Our Communities Navigate the Pandemic

Throughout the COVID-19 pandemic, our sourcing team in Europe has supported the city of Kaiserslautern, Germany through donations of face masks, face shields, hand sanitizer and disinfectant wipes. In late 2020, when the city was preparing to set up its vaccination center, the sourcing team leveraged its expertise to help procure and deliver temperature sensing equipment – the same equipment used in many ITW facilities. One of our sourcing directors personally provided on-site support to ensure safe delivery and setup of the equipment.

Philanthropy and Community Involvement

True to our culture of giving, ITW and our divisions throughout the world donated face masks, hand sanitizer and other personal protective equipment (PPE) to nonprofits, healthcare facilities, schools and community groups. Global examples of our culture in action include:

- ITW Sourcing Team (Chicago, Illinois):
 - » Donated **10,000 N95 masks** to the Chicago Urban League
 - » Donated **2,000 N95 masks and 1,500 disposable masks** to ITW David Speer Academy
- ITW Construction Products UK/Nordics (United Kingdom):
 - » Donated **4,000 disposable masks** to Children's Hospices Across Scotland
 - » Partnered with building contractors to **donate PPE** to first responders
- Paslode (Pocahontas, Arkansas) donated **750 N95 masks** to St. Bernard's Five Rivers Medical Center
- Hi-Cone (Itasca, Illinois) donated **300 pairs of safety glasses** to Edwards Hospital
- ITW Meritex Malaysia (Malaysia) worked with the American Malaysian Chamber of Commerce to purchase and donate **500 COVID-19 test kits and PPE** to hospitals and law enforcement
- Quimsa ITW (Spain) donated its **Water Crown® hydroalcoholic gel** to first responders, including the National Police Corps ambulances and other civil workers

In addition to these donations, our divisions and businesses found other ways to amplify their support to their local communities, including:

- Hobart Service (France) ran a Facebook campaign to honor caregivers and donated 1€ to charity for every like and share
- ITW Hartness (Greenville, South Carolina) partnered with its local United Way to support its COVID-19 fund during the pandemic

Many of our divisions also continued to provide critical services and products to the customers and markets they serve.

Read more in [Innovating Product Solutions Responsibly](#).

In 2020, the ITW African-American Network partnered with Urban League to raise \$300,000 in support of the Black community. Read more in our feature story on page 25.



Support for United Way

For over 60 years, ITW has partnered with United Way to make a meaningful difference in our communities. Each year, we engage thousands of ITW colleagues across our U.S. and Canadian divisions, with 72 percent of colleagues contributing to the annual United Way campaign in 2020, resulting in a total of \$5.96 million invested back into the communities where our colleagues live and work.

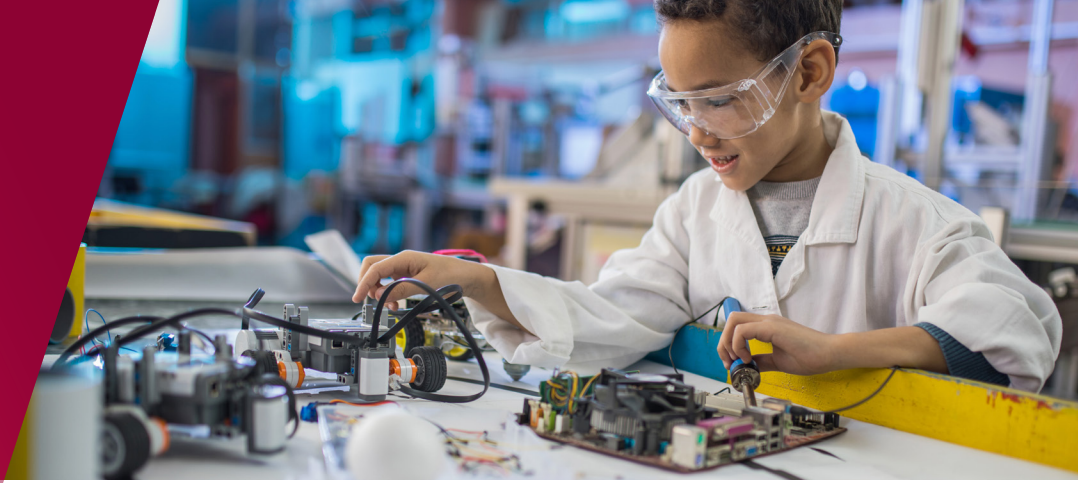
Building off the success and impact of this longstanding partnership, in 2020, ITW expanded its relationship with United Way into the U.K. Led by ITW Construction Products UK/Nordics, the team provided volunteer time and financial contributions to four charitable organizations supporting various causes, including homelessness, youth employment, women's aid and children with disabilities. The team is proud to serve as a positive role model in the community and plans to scale up this partnership to include more ITW businesses in the U.K. and Europe in 2021.

Bridging the Digital Divide

In 2020, ITW announced a \$2 million commitment to Chicago Connected, a public-private partnership that aims to provide free internet access to all Chicago Public Schools students. Through this transformational and collaborative initiative, it is expected that 100,000 students will be enrolled in the program by the end of the 2020-2021 school year, ensuring access to digital education and critical resources.



Support for Education



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

ITW's Support for Education

Our longstanding commitment to education is demonstrated through the support we provide for STEM-related (science, technology, engineering and mathematics) programming in schools and organizations.

ITW David Speer Academy

Since 2014, ITW has proudly sponsored ITW David Speer Academy in memory of former ITW Chairman & CEO David Speer,

who passed away in 2012. The Chicago high school focuses on offering a world-class STEM education to over 1,000 students in grades nine through 12.

ITW's impact extends far beyond our ongoing financial support. Our colleagues are actively involved in the school's programs and regularly engage with its many talented students. We also collaborate and partner with other organizations to offer the students unique opportunities that enrich their overall learning experience.

In 2020, ITW David Speer Academy graduated its third class of seniors since the school opened. In a virtual ceremony, students heard remarks from ITW Chairman & CEO Scott Santi, as well as a keynote speech by American civil rights activist, Ruby Bridges.



ITW David Speer Academy by the Numbers

100%
graduation rate
among the class of 2020

86%
of 2020 graduates
pursuing education beyond high school

\$30.1 million
in scholarships awarded to the class of 2020 from various institutions/organizations

IWN Raises \$100,000 in Support of ITW David Speer Academy Families

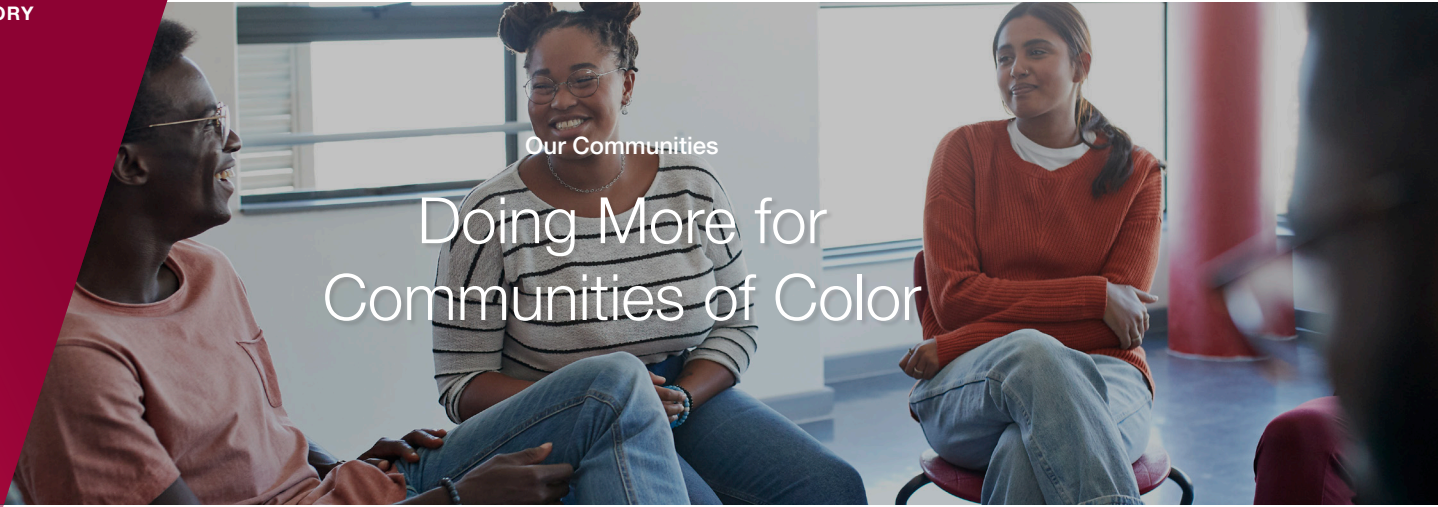
ITW's Employee Resource Groups play a significant role in delivering on our commitment to give back to the communities where we live and work. During the COVID-19 pandemic, the ITW Women's Network (IWN) felt a strong desire to provide direct support to ITW David Speer Academy and Noble Network students and families. The Belmont-Cragin neighborhood, which is home to ITW David Speer Academy, was one of the hardest hit areas in Chicago.

To mobilize support, IWN launched a four-week campaign to encourage donations to ITW David Speer Academy and Noble Network family funds. Overall, \$100,000 was raised to help families make ends meet, including covering costs for basic needs such as housing, fresh food and transportation.

"The students, families and faculty of ITW David Speer Academy are a direct extension of the ITW family. We are thankful to have the means to direct aid to many of the families that have experienced hardships caused by this crisis," said Lei Schlitz, ITW Executive Vice President and IWN executive sponsor.

Doing More in Our Communities

The renewed focus on issues of racism and discrimination in 2020 inspired ITW to explore ways to do more to contribute to a more just and equitable society for all. As part of ITW's commitment to Listen More, Learn More and Do More, we are expanding our investment and engagement in organizations, programs and partnerships that improve access to a high-quality education and to meaningful long-term employment opportunities for people of color.



Our Communities

Doing More for Communities of Color

ITW's Employee Resources Groups are an asset to ITW's diverse and inclusive culture as well as ambassadors in our local communities. In the spirit of "doing more," ITW's African-American Network (AAN) stepped up to help the Black community in 2020.

In partnership with Urban League, AAN launched the ITW & Urban League Pandemic Relief Initiative, which raised funds to provide relief to Black unemployed workers, business owners, students and families in Atlanta, Chicago, Cincinnati, Dayton and Houston. The pandemic has had a disproportionate impact in Black communities, particularly in urban areas, leaving this population deeply affected and in greater need of relief and support.

Through the strong advocacy and leadership of AAN, the group's fundraising goal was met within the first 48 hours of the online campaign – but the work did not stop there. Members of AAN continued to create awareness and encouraged colleagues to leverage ITW's \$3 for \$1 matching gift program to amplify their donations. Over the six-week campaign, the group raised a total of \$300,000.

"The funds raised by AAN have helped one of the most vulnerable U.S. populations impacted by the COVID-19 pandemic, providing essential resources such as online tutoring, job training, coaching, and health and wellness support," said Kenneth Escoe, ITW Executive Vice President and AAN executive sponsor.

In addition to raising funds, many ITW colleagues donated their time to Urban League, lending their expertise to help individuals and business owners in need of professional support.

Our Environment

IN THIS SECTION:

Environmental Responsibility

Supply Chain Responsibility

Innovating Product

Solutions Responsibly



ITW is committed to operating sustainably in every aspect of our business, from the sourcing of raw materials to how we operate our business.

Across all our businesses, we continually measure, manage and work to reduce the environmental footprint of our operations and products. We also partner with key suppliers to ensure that, together, we have a positive impact on our environment and use our resources responsibly.



Environmental Responsibility



We are committed to operating our business in a way that demonstrates our dedication to global environmental sustainability and improving our environmental performance on an ongoing basis.

Driving Continuous Improvement in Our Environmental Performance

With support from ITW's senior management, each division is directly responsible for implementing the most impactful environmental performance improvement opportunities for its unique operations. As we work continuously to improve our environmental performance, we take a three-pronged approach:

1. Auditing our facilities. 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.

We strive to annually audit our facilities with the most significant environmental and safety risks. In partnership with ERM-Environmental Resources Management Limited, we audit environmental and safety risk at our facilities, and our businesses systematically address any identified issues.

As a result of the COVID-19 pandemic, in 2020, we had to reduce the number of on-site audits to reduce risk of infection. A select number of virtual audits were conducted, which were also used to test this approach for broader implementation.

2. Transparent reporting. We monitor third-party frameworks and surveys and evaluate their relevance to our business and our stakeholders. For example, we monitor the financial materiality framework of the Sustainability Accounting Standards Board (SASB) for companies in the Industrial Machinery and Goods industry to assess the financial

materiality of environmental, social and governance risks to our company. In addition, we utilize the Task Force on Climate-related Financial Disclosures (TCFD) framework to guide certain of our disclosures in this report (see the [2020 CSR Report Index](#)). In 2020, we also continued our voluntary participation in CDP's climate change and water questionnaires, which we have made public to increase our transparency in reporting.

3. Implementing policies that guide our progress.

Each ITW division is responsible for complying with the [ITW Environmental & Sustainability Policy](#). Everyone in the organization has a responsibility to preserve and protect the environment, conduct operations in a safe manner and recognize the potential impacts of our operations.

As part of ITW's ongoing drive for overall operational excellence, many of our businesses pursue third-party certifications. The well-respected International Organization for Standardization (ISO) develops standards and criteria for effective environmental management systems, and many of our facilities have taken the step to become certified. At the end of 2020, 118 facilities, accounting for approximately 28 percent of ITW's manufacturing facilities globally, had ISO 14001 certification for environmental management. In addition, 218 facilities had ISO 9001 certification for quality management.

Read about our environmental oversight in [Our Governance & Ethics](#).

Environmental Responsibility

26 percent GHG emissions intensity reduction through 2020, compared with the 2017 baseline

Reducing Our Environmental Impact

ITW is committed to continuous improvement in reducing greenhouse gas (GHG) emissions, which is demonstrated through our company-wide GHG emissions intensity reduction target announced in 2019. In early 2021, as a result of the progress made toward achieving our initial target, we increased our target. Our current GHG emissions intensity reduction target is: **By 2030, reduce combined Scope 1 and Scope 2 GHG emissions per U.S. dollar of operating revenue by 40 percent below 2017 levels.**

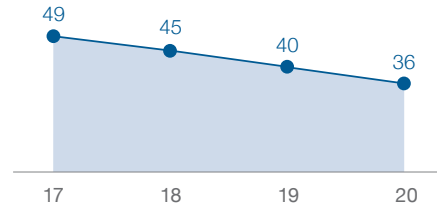
Our strategy to achieve this target includes:

1. Reducing energy consumption and improving operational efficiency in our manufacturing and ITW-owned facilities, implemented in accordance with our division-led environmental management systems.
2. Expanding our purchase of energy from renewable sources, including wind and solar, across our global footprint where possible.

Examples of our strategy in action include:

- **Investment in renewable energy:** At our Body & Fuel North America plant (Frankfort, Illinois), a solar array was installed and is expected to become operational by June 2021. The installation will enable the plant to obtain 100 percent renewable energy credit for its energy needs.
- **Improving operational efficiency:** At ITW Performance Polymers (Shannon, Ireland), on-site boilers were converted from diesel fuel to natural gas, resulting in a reduction in the amount of CO₂ generated in 2020 compared with 2019. An air pollution control (APC) system was also installed in 2019 and became fully operational in 2020. The system utilizes activated carbon adsorption to reduce up to 90 percent of VOC emissions from the affected process.

Emissions Intensity Including Renewables and Renewable Energy Certificates
(metric tons Co₂e/\$million operating revenue)



Environmental Initiatives Across Our Business

Across ITW businesses, we continuously evaluate opportunities to invest in initiatives to improve our operational efficiency and reduce our environmental impact. Initiatives in 2020 included:

- Lighting retrofit projects at many ITW facilities, including ITW Motion (Röttingen, Germany), ITW Brands (Pocahontas, Arkansas), Bernard Welding (Beecher, Illinois), Valeron (Houston, Texas) and Commercial Construction North America (Paris, Kentucky).
- Compressed air system replacement and leak repairs at many ITW sites, including Shakeproof Automotive (Elgin, Illinois and Machesney Park, Illinois), Drawform (Highland, Connecticut), Buildex Australia (Moorabbin, Victoria, Australia) and Powertrain France (Genay, France).
- Deltar Fasteners (Frankfort, Illinois) partnered with its local electricity provider to identify and implement energy saving activities. Improvements included installing insulating blankets on 96 injection molding machines, expanding the resin drying system to cover more machines, updating the HVAC system controls, repairing compressed air leaks, and modifying the cooling temperature set point without impacting the process.



Environmental Responsibility

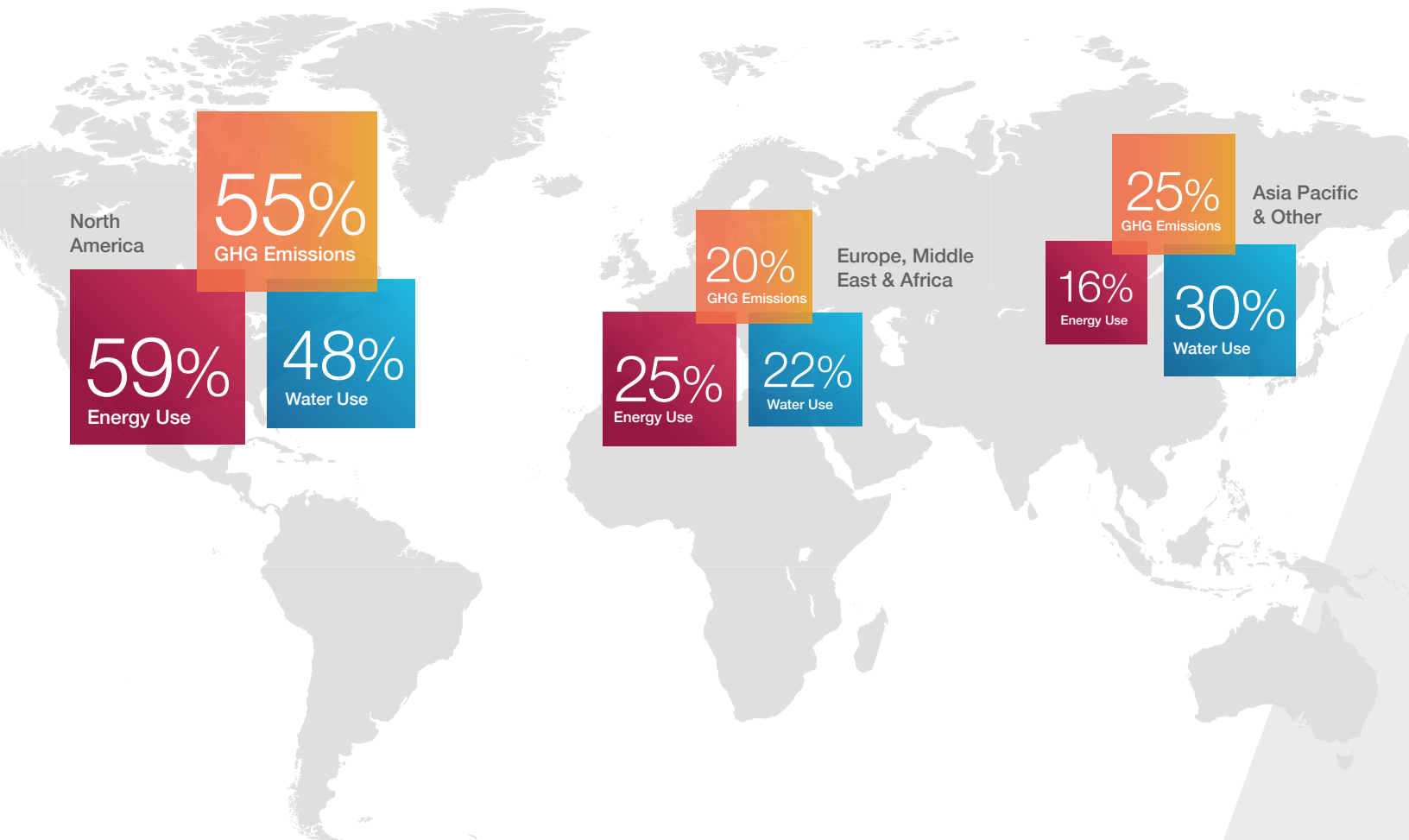
2020 Environmental Impact

We track our impact on the environment in several areas, and we use this data to drive continuous improvement. Our data is reviewed and verified by a recognized third party to validate our disclosures. With respect to our GHG emissions target, we are pleased to have achieved a 26 percent GHG emissions intensity reduction through 2020 versus our 2017 baseline year, based on our third-party verified data.

Our SARA Title III Disclosures

ITW is a responsible emitter and operates below any permitted levels of toxic chemical emissions. In compliance with SARA Title III Section 313 regulations in the U.S., a total of 56 required ITW facilities annually file either Form A or R reports, as applicable. ITW also evaluates its reported emissions to identify reduction opportunities.

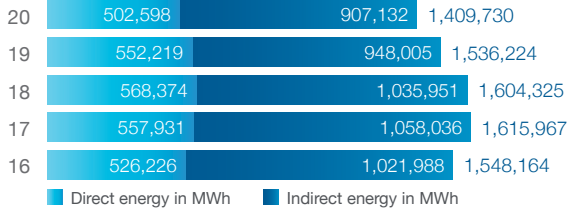
ITW's Global Environmental Footprint



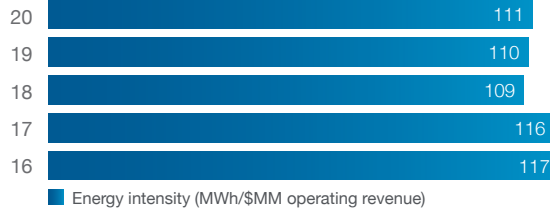
Environmental Responsibility

2020 ENVIRONMENTAL DATA

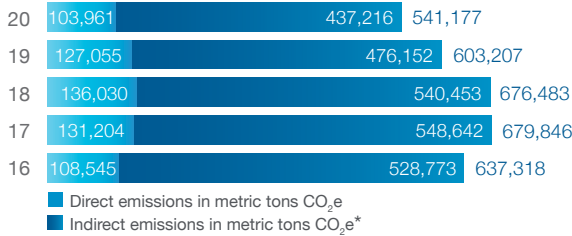
Total Energy^{1,4}



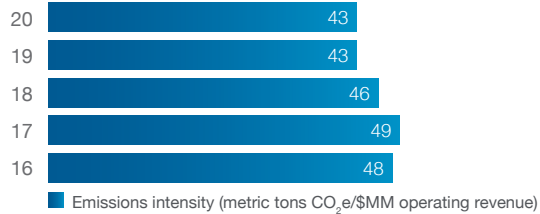
Energy Intensity^{3,4}



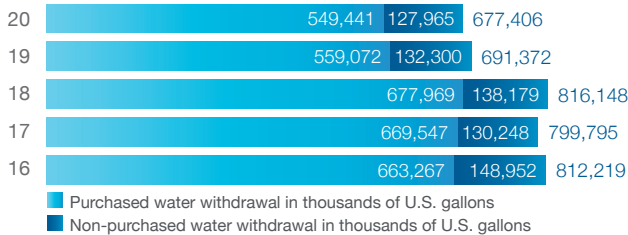
Total Emissions^{2,4}



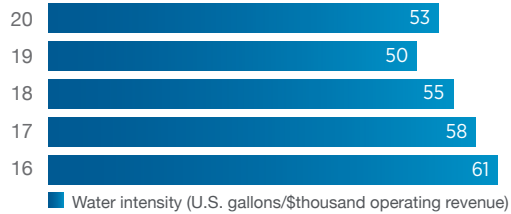
Emissions Intensity^{3,4}



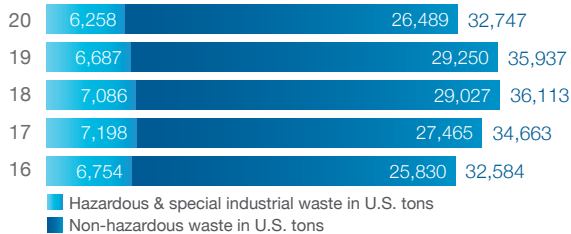
Total Water Withdrawn



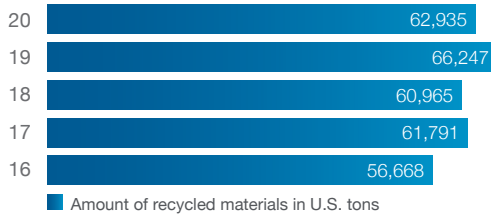
Water Intensity³



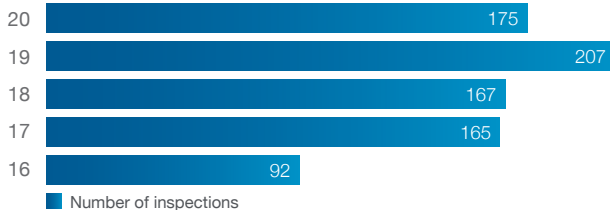
Total Solid Waste



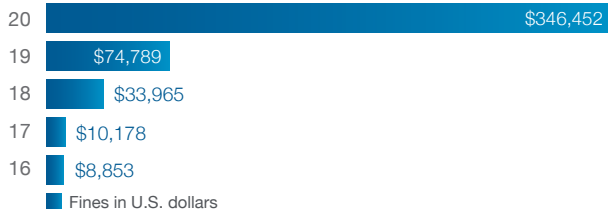
Total Recycled Material



Government Environmental Inspections



Government Environmental Inspections' Resulting Fines⁵



The reporting period for ITW's environmental, health and safety data is January 1 – December 31, 2020. The reporting boundary includes companies over which ITW has operational control.

¹ Includes electricity, natural gas, heating/fuel oil, diesel, gasoline, propane and liquefied natural gas.

² Emissions from electricity use (location based), the combustion of natural gas, heating/fuel oil, diesel, gasoline, propane and liquefied natural gas and the use of foam blowing agents. CO₂e includes CO₂, CH₄ and N₂O.

³ Only operating revenue from businesses within the reporting boundary was included in the calculation of intensity indicators, representing no less than 90 percent of the total operating revenue.

⁴ 2016-2019, including the baseline year, Energy and Total Emissions recalculated for the following reasons: updated UK Government GHG Conversion Factors for Company Reporting, published July 2020; National Greenhouse Accounts Factors: 2020, published September 2020; and corrections to reported figures.

⁵ 2020 includes a fine resulting from the settlement of a U.S. EPA enforcement action against a facility in Rockland, Massachusetts, alleging lack of compliance with rules relating to process documentation, training and equipment maintenance, none of which resulted in a chemical release. Fine will be paid in 2021.

* Location based emissions



Supply Chain Responsibility



ITW is committed to working with suppliers who operate with similar dedication to global environmental sustainability. We strive to foster responsibility across our value chain to ensure we are committed to the highest level of integrity and ethical standards.

Partnering with Our Suppliers on Accountability

Our [Supplier Code of Conduct](#) and [Supplier Expectations](#) serve as the foundation for ensuring that our supplier partners operate according to our high ethical standards. More specifically, our Supplier Code of Conduct applies all relevant aspects of ITW's [Statement of Principles of Conduct](#) to our suppliers. Our purchase order [Standard Terms and Conditions](#) further reinforce our expectations.

The majority of our global sourcing team has received training in responsible sourcing and regularly engages with our suppliers to ensure that they effectively fulfill all our requirements.

Read more about our supplier policies in [Our Governance & Ethics](#).

Managing Our Supply Chain Efficiently and Responsibly

As part of our strategic sourcing effort, ITW employs several practices to ensure our supply chain is managed efficiently and responsibly. In 2020, these practices evidenced the resiliency of our supply chain as we experienced no notable interruptions due to the COVID-19 pandemic.

• **Local and Diverse Suppliers.** Given our decentralized culture and global footprint, local suppliers are often the most efficient way to meet our supply chain needs. The longstanding relationships ITW businesses have with local suppliers help us source more responsibly while supporting the communities in which our businesses operate around the world. In our overall supply chain, approximately 45 percent of global third-party spend is with suppliers who are near the facilities they serve.

As part of ITW's "Do More" Agenda to promote and support inclusive economic growth, we aim to increase our U.S. third-party spend on products and services from diverse suppliers to 5 percent, up from approximately 3.7 percent in 2020, including a meaningful increase from African-American suppliers. Diverse suppliers include racially/ethnically diverse,

women-owned, veteran-owned and LGBTQ+-owned companies. We also continue to expand our relationships with diverse supplier partners, including the National Minority Supplier Development Council and the Women's Business Enterprise National Council.

- **Efficient Distribution and Storage.** We leverage various planning tools to periodically review our supply networks and identify the most efficient logistics routes, methods and warehousing strategies that meet or exceed customer expectations. This data-supported approach enables ITW and its businesses to optimize distribution and storage patterns, resulting in improved freight routes, less packaging waste and reduced carbon emissions and environmental impact.
- **Supplier Index and Audits.** We systematically rate and audit our suppliers to evaluate their long-term viability, and therefore their ability to support our businesses sustainably going forward. The index we use to rate our suppliers measures them on a variety of factors, including safety and environmental measures, financial data, leadership stability and operational metrics. Due to the ongoing COVID-19 pandemic, our historic supplier audits were conducted virtually. The audits allow us to have visibility into supplier operations and support our responsible sourcing due diligence efforts.
- **Sustainable Materials.** We focus our efforts on sourcing more environmentally friendly and sustainable materials for our products. When we consider our steel usage, approximately 85 percent of our steel is derived primarily from scrap metal. We have significantly increased the use of recycled resins in certain businesses (read more in our feature story on page 35). Globally, about six percent of our resin consumption is from recycled sources. Additionally, approximately 28 percent of our addressable solvent use is from recycled sources. We continue to grow the amount of recycled materials used year over year where functionality allows. ITW is also reducing cardboard use and requesting recycled cardboard where possible.

Supply Chain Responsibility

Reducing Our Impact with Responsible Logistics Partners

We regularly evaluate our approach to logistics to ensure we are choosing partners who support our commitment to environmental responsibility. ITW participates in U.S. Environmental Protection Agency's SmartWay and Lean & Green Europe programs to identify logistics partners that will help reduce our environmental impact. In 2020, 90 percent of our U.S. preferred carriers were SmartWay Carriers and 45 percent of our European preferred carriers were Lean & Green partners. By 2023, we seek to have 95 percent of our U.S. and European preferred carriers recognized under their respective region's accreditation.

Sourcing Our Minerals Responsibly*

As a leader in both practice and policy, ITW is committed to taking necessary actions to ensure our supply chain utilizes tin, tantalum, tungsten and gold (commonly referred to as 3TG) only from certified conflict-free sources. These actions are consistent with Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and follow the international framework provided by the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. ITW is actively engaged in several industry consortiums, including Responsible Minerals Initiative (RMI) and Automotive Industry Action Group's (AIAG) Responsible Materials Working Group (co-chair), and provides thought leadership to help improve approaches in this area. In addition, even though cobalt is a non-regulated mineral, we provide information that our divisions may choose to implement with respect to the responsible sourcing of cobalt. We work to continuously improve our processes and engagement with suppliers with respect to responsible sourcing. More information relating to sourcing of 3TG minerals is available in our [Conflict Minerals Policy](#) and our SEC filing.

* Aligned with the Industrial Machinery and Goods Sustainability Accounting Standard under SASB's Sustainable Industry Classification System®

Modern Slavery

As reflected in our supplier policies, we are committed to taking proactive measures to respect the human rights of those in our supply chain. We manage this commitment in a few ways:

- **Training.** We require our global sourcing colleagues, global colleagues who work with suppliers and customers on conflict minerals requests, and our Responsible Sourcing Committee members to undergo specific training on modern slavery and human trafficking in the supply chain. Training and additional materials are also available through an internal ITW website. To date, no issues of concern have been raised by our personnel regarding any potential modern slavery anywhere in our supply chain.
- **Evaluation.** We evaluate our purchased products against the U.S. Department of Labor's List of Goods Produced by Child Labor or Forced Labor for likely countries and industries prone to modern slavery to help identify any high-risk suppliers ITW may utilize.
- **Certification.** We request identified high-risk suppliers to review our Supplier Code of Conduct and certify their compliance. In 2020, we obtained certification of compliance with our Supplier Code of Conduct from 99 percent of these identified possible high-risk suppliers. As part of our commitment to proactively address potential risks, in 2020, we also obtained certification of compliance with our Supplier Code of Conduct from the "80" of our contingent labor suppliers and carnauba wax suppliers.

Further information can be found on the [itw.com](#) website, including our [ITW Modern Slavery and Human Trafficking Statement](#).



Innovating Product Solutions Responsibly



Our commitment to global environmental sustainability includes partnering with our customers in innovating environmentally responsible solutions.

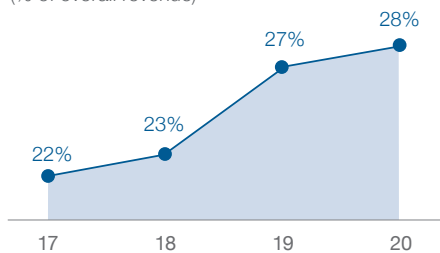
Developing Responsible Solutions Through Customer-Back Innovation

Customer-Back Innovation, a component of the ITW Business Model, guides our approach to innovation and starts with our customers' pain points. Our customers are often challenged with environmental issues, including those related to climate change risk management, such as how to reduce energy use or emissions.

ITW is proud to provide more than \$3.5 billion of products that support overall eco-efficiency and in turn help our customers reduce the environmental impact of their own products. Clean-tech products represent approximately 28 percent of ITW's overall revenue, an increase of one percentage point from 2019.

Clean-Tech Products

(% of overall revenue)



Innovation at the Height of the COVID-19 Pandemic

The strength and impact of ITW's Customer-Back approach to product innovation was exemplified in our global response to the COVID-19 pandemic. ITW businesses delivered products and services that have directly supported frontline workers and essential service providers. Examples include:

- **Wynn's Europe:** Developed Wynn's Airco-Clean®, a product used to clean and disinfect automotive air conditioning systems.
- **ITW Air Management and ITW de France:** Designed and manufactured face shields using 3D technology to donate to healthcare facilities.
- **Celeste Industries Corporation:** Produced Sani-Cide EX3, a lactic acid-based disinfectant, to meet the needs of traditional customers in the transportation industry as well as new customers in the facilities management space.

Innovating Product Solutions Responsibly

A Focus on Product Safety as We Innovate Solutions Responsibly

ITW's Customer-Back Innovation process incorporates product safety in the following steps:

- **Identify the key customer problem and determine the business value of solving it.** This step includes considering safety impacts related to the customer issue and possible solutions.
- **Explore differentiated alternatives and select the best product/service approach.** This step includes the start of our Design Failure Mode Effects Analysis (DFMEA) process, which considers safety implication and mitigation strategies for identified risk of our proposed offerings.
- **Engineer the product/service.** The DFMEA identification of possible product safety issues and their mitigation is typically concluded by the end of this step.
- **Build the capability to manufacture, support and sell the product/service to customers.** This step includes the consideration of effective control plans to ensure manufactured products are high-quality and safe.

In early 2020, ITW's Innovation Center hosted DFMEA training for ITW engineers. This training reinforced a focus on safety and proactively addressing issues in the product design phase to help mitigate future risk or issues.

Life Cycle and Durability of Products

ITW has a long history of innovation, with a broad portfolio of approximately 18,500 granted and pending patents. In delivering customer-driven solutions, the life cycle and durability of a product is a key consideration. Many of our products are designed to have a long life cycle, and we are proud of the durability and reliability of our product offerings. As described above, ITW's various divisions consider the long-term needs of products and conduct appropriate DFMEA and Process Failure Mode Effects Analysis to enhance product safety, reliability and durability. For example, ITW Harnness' palletizing equipment is designed with longevity and reliability to meet shifting market demands.



Our Environment

Building a Circular Economy for Plastics

Consistent with our commitments to global sustainability and innovating environmentally responsible solutions, our businesses continuously evaluate opportunities to improve the environmental impact of their products.

Hi-Cone, a leading supplier of plastic-based multipackaging systems for global beverage and general products industries, is committed to ensuring its products are sustainable, effective and environmentally friendly for both customers and communities. As evidence of this focus, Hi-Cone is committed to transforming 100 percent of its product portfolio to RingCycles™ – a more than 50 percent post-consumer recycled content solution that is expected to eliminate Hi-Cone's use of more than 25 million pounds of virgin plastic per year. Compared to paperboard six-pack options, RingCycles™ demonstrates sustainable advantages in every impact category*:

- 73 percent less greenhouse gasses contributed to climate change
- 90 percent less energy consumed during manufacturing and use
- 73 percent less water used in manufacturing and use
- 86 percent less solid waste contributed to landfills

Taking environmental stewardship a step further, by 2025, Hi-Cone is committed to providing a solution that is 100 percent recyclable, compostable or biodegradable.

Beyond product innovation, Hi-Cone is focused on advocating for improved infrastructure and capability for plastic recycling. In close partnership with TerraCycle®, Avangard Innovative and others, Hi-Cone's RingRecycleMe™ program collects and recycles ring carriers so that plastics do not end up in landfills. Hi-Cone has joined the U.S. Plastics Pact, which brings together businesses, government entities, non-governmental organizations, researchers and other stakeholders to ensure that plastics never become waste. Hi-Cone is also a member of the Consumer Goods Forum, a global industry network working with retailers and manufacturers to address key problems, such as plastic waste.

* Analysis performed per 1,000 retail units of six-packs of 12 oz. cans. Results provided by Franklin Associates, a Division of Eastern Research Group, Inc.; LCA Study.

2020 CSR Report Index

Sustainability Accounting Standards Board Disclosures

This index references the ITW information in this report pertaining to standards applicable to companies classified by the Sustainability Accounting Standards Board (SASB) in the Industrial Machinery and Goods industry under SASB's Sustainable Industry Classification System®.

SASB Topic	SASB Accounting Metric	SASB Code	ITW Disclosure
Energy Management	Total energy consumed	RT-IG-130a.1	FY 2020 Total Energy: 1,409,730 MWh
Employee Health & Safety	Fatalities	RT-IG-320a.1	FY 2020 Fatalities: 0
Fuel Economy & Emissions in Use-Phase	Analysis ongoing of applicability to ITW products. We believe the majority of the products we design and manufacture do not consume large amounts of energy in their use-phase.		
Materials Sourcing	Description of the management of risks associated with the use of critical materials	RT-IG-440a.1	Sourcing Our Minerals Responsibly: Page 32
Remanufacturing Design & Services	Revenue from remanufactured products and remanufacturing services	RT-IG-440b.1	Life Cycle and Durability of Products: Page 34
Accounting Metrics	Number of employees	RT-IG-000.B	The company employed approximately 43,000 people as of December 31, 2020

Task Force on Climate-related Financial Disclosures

This index references the ITW information in this report pertaining to the Task Force on Climate-related Financial Disclosures (TCFD) recommended disclosure pillars.

TCFD Pillar	TCFD Disclosure	ITW Disclosure						
Governance	Board oversight of climate change	Board and Management Oversight of CSR: Page 7						
	Management's role in assessing climate change risks and opportunities	Board and Management Oversight of CSR: Page 7						
Strategy	Impact of climate risks and opportunities on strategy and financial planning	Alignment with Environmental, Social and Governance Standards: Page 9 Innovating Product Solutions Responsibly: Page 33						
Risk Management	Process for identifying and managing climate risks	Reducing Our Environmental Impact: Page 28 Driving Continuous Improvement in Our Environmental Performance: Page 27						
Metrics and Targets	Metrics used to address climate risks and opportunities	We track our impact on the environment in a number of areas, and we use this data to work toward continuous improvement. Metrics used and disclosed in this report are: <table border="0" style="margin-left: 40px;"> <tr> <td>Total Energy</td> <td>Emissions Intensity</td> </tr> <tr> <td>Energy Intensity</td> <td>Total Water Withdrawn</td> </tr> <tr> <td>Total Emissions</td> <td>Water Intensity</td> </tr> </table>	Total Energy	Emissions Intensity	Energy Intensity	Total Water Withdrawn	Total Emissions	Water Intensity
	Total Energy	Emissions Intensity						
	Energy Intensity	Total Water Withdrawn						
Total Emissions	Water Intensity							
Scope 1 and 2 GHG emissions	FY 2020 Total Scope 1 and 2 Emissions: 541,177 metric tons CO ₂ e							
GHG emissions targets	Reducing Our Environmental Impact: Page 28							

Forward-Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as “believe,” “expect,” “plan,” “will,” “intend,” “may,” “strategy,” “target,” “goals,” “aim,” “strive,” “anticipate,” “project,” “committed” and other similar words, including, without limitation, statements regarding the Company’s CSR strategy, talent management strategy, D&I strategy, D&I goals, performance targets, product development and environmental sustainability goals. These statements are subject to certain risks, uncertainties, and other factors, which could cause actual results to differ materially from those anticipated. Such risks include those contained in ITW’s Annual Report on Form 10-K for the year ended December 31, 2020 and other documents ITW files with the Securities and Exchange Commission. These risks are not all-inclusive and given these and other possible risks and uncertainties investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Any forward-looking statements made by ITW speak only as of the date on which they are made. ITW is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, subsequent events or otherwise.



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