



with purpose

DEFINING WITH PURPOSE

At ITW, every action is done with purpose. Throughout our company, our employees and leaders consider our impact on the communities where we live and work, the lives we touch, and the environment around us. As in other aspects of our business, corporate social responsibility (CSR) efforts are guided by the ITW business model, which focuses on the areas of most importance and impact. Most importantly, in our decentralized, entrepreneurial culture, we don't let process get in the way of a good idea.



Table Of Contents

ITW AND CSR

Executive Message	3
Company Overview	4

OUR PRIORITIES

Governance & Ethics	6
Community Involvement	8
Safety, Health, & Wellness	15
Environment & Sustainability	20
Talent Management – Diversity & Inclusion	26
Supply Chain Responsibility	32



MESSAGE FROM ITW’S VICE CHAIRMAN DAVID C. PARRY

At ITW, we are dedicated to leveraging the compelling performance potential that resides within our powerful and highly differentiated business model. This deep conviction and commitment applies to corporate social responsibility (CSR), which is integral to our core values of Integrity, Respect, Trust, Shared Risk, and Simplicity.

The ITW Business Model is composed of three elements: the 80/20 business process, customer-back innovation, and our decentralized, entrepreneurial culture. When applied to CSR, just like other aspects of our business, our 80/20 business process enables us to focus on areas where we can have the most impact. Customer-back innovation leverages our expertise to solve unique customer problems in a way that also supports a more sustainable environment. Meanwhile, our decentralized, entrepreneurial culture allows for flexibility within the ITW framework. ITW sets an expectation of responsibility, but it is the creativity and hard work of our team members at ITW businesses that deliver the ultimate impact.

As you will see, ITW colleagues and businesses are acting with purpose to maximize our positive impact on people, the environment, and the communities where we are located. This is true even as we are managing many other ongoing initiatives to continually improve our business processes and customer focus. ITW is pleased to share our CSR highlights in this 2014 report.

Community Involvement:

Our people are proudly and deeply engaged in their communities around the world. Supporting United Way, investments in workforce development, and funding and supporting The David Speer Academy and its Robotics Club are examples of their commitment.

Safety, Health, & Wellness:

From our efforts to go above and beyond regulatory compliance to the ongoing activities of our “Living Well at ITW” wellness initiative, ITW takes seriously the well-being of employees around the globe.

Environment & Sustainability:

Both in our own operations and to help our customers improve their operations and products, ITW businesses and employees continue to innovate to address environmental responsibility and sustainability.

Talent Management – Diversity & Inclusion:

ITW aims to attract, develop, and retain a strong and diverse pipeline of leaders for the future. In support of that goal, our groups and programs include our Enterprise Leadership Development Programs, Diversity & Inclusion Leadership Council, Women’s Leadership Development Council, and Employee Resource Groups.

Supply Chain Responsibility:

ITW empowers its business segments and divisions to partner with suppliers to ensure that the safety and welfare of their employees align with ITW’s expectations.

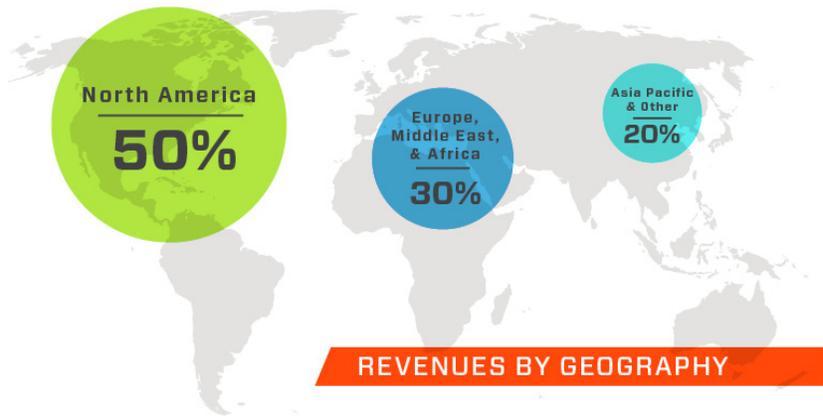
As in other areas of our business, continuous improvement in our CSR programs is an ongoing priority. Thank you to the men and women of ITW for contributing to these initiatives and sustaining the momentum. We sincerely appreciate your interest in our CSR efforts.

David C. Parry
Vice Chairman



ITW is a global Fortune 200 diversified industrial manufacturer of value-added consumables and specialty equipment with related service businesses.

The company focuses on solid growth, improving profitability, and strong returns across its worldwide platforms and divisions. These divisions serve local customers and markets around the globe, with a significant presence in developed as well as emerging markets. The company has operations in 57 countries that employ approximately 49,000 women and men who adhere to the highest ethical standards. These talented individuals, many of whom have specialized engineering or scientific expertise, contribute to our global leadership in innovation. We are proud of our broad portfolio of approximately 16,000 active and pending patents.



ITW's Core Values

The company's values support ITW's differentiated business model and create a culture that enables the entire team to succeed.

Integrity

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

Respect

ITW respects insights at all levels of the company and expects the diverse workforce to be embraced with respect and dignity and all views to be recognized.

Trust

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

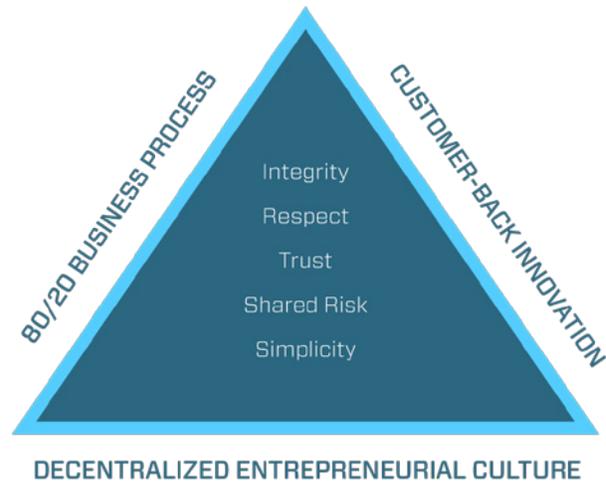
Shared Risk

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

Simplicity

ITW keeps things simple by focusing on the essential core of any business opportunity, challenge, issue, or problem.

ITW'S DIFFERENTIATED BUSINESS MODEL





ITW conducts business according to high company-wide standards. The company's corporate values and strong culture of integrity and trust are non-negotiable and help drive performance. To ensure continued success, ITW regularly reviews and updates its policies governing ethical conduct and responsible behavior.

Board Composition And Oversight

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

The Board has oversight over ITW's enterprise risk management functions, including ITW's purpose, values, strategies, policies, and goals related to economic, environmental, and social topics.

ITW's Chairman and CEO roles are currently separate. The Board has discretion to combine or separate the offices of CEO and Chairman as it deems appropriate, and considers this matter each time it elects a new CEO. On November 18, 2012, E. Scott Santi was elected President and CEO of the company and Robert Morrison was elected non-Executive Chairman of the Board.

Several members of ITW's Board of Directors receive updates on the company's ongoing CSR activities and initiatives. ITW's Vice Chairman, David Parry, formally reviews and approves the annual CSR report and ensures all critical issues are covered. Management reports annually to the full Board of Directors on the status of ITW's current and potential environmental liabilities.

ITW's Official Policies

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

ITW's Corporate Governance Guidelines ensure the company is governed in a manner that serves the interests of its shareholders, employees, and other community stakeholders.

The Code of Ethics details ITW's commitment to fair and honest business dealings and sets forth its principles regarding honest and ethical dealings, full and fair disclosure, and compliance with applicable laws.

Statement of Principles of Conduct describes the expected standard of behavior governing all ITW employees, directors, businesses, and subsidiaries around the world.

The Global Anti-Corruption Policy requires employees to take an active role in complying with the policy, and also emphasizes the importance of complying with anti-corruption laws of all countries in which ITW and its divisions, subsidiaries, agents, consultants, and affiliates operate.

ITW's Deputy General Counsel, Ethics & Compliance, partners with senior leadership to ensure that ethics are fully integrated into all aspects of the company's culture and practices. We integrate ethics into ITW's culture by:

- Facilitating proactive training
- Identifying areas of potential vulnerability
- Supporting the ethics helpline
- Overseeing compliance with ITW's ethics policies

ITW's Government Affairs guidelines prohibit employees from using corporate funds for political involvement and/or contributions. The company has dissolved the Illinois Tool Works Inc. Better Government Committee, which was funded exclusively with voluntary contributions from exempt employees. If the need arises for a government affairs function at the enterprise-wide level, the Company will address the need with appropriate support from outside consultants or internally.

Ethics Reporting System

ITW has partnered with EthicsPoint, an external third-party provider, to provide a web- and telephone-based confidential reporting system in 20 countries. Web-based reporting is offered in 12 languages and telephone-based reporting is offered in 188 languages. The EthicsPoint reporting system is also available to external stakeholders and suppliers through a public domain website. Reports are received by the Deputy General Counsel, Ethics & Compliance, Director of Employee Relations, and Vice President, Audit Services. The Vice President of Audit Services monitors reports and provides periodic updates to the Audit Committee of the Board of Directors.





ITW is committed to investing in the communities where its employees live and work, and where its businesses are located.

This organization-wide commitment is deeply rooted in our corporate values and our dedication to being a responsible corporate citizen. ITW has strong leadership support for both employee engagement and corporate philanthropy, but it is truly our employees giving from their hearts that drives much of the community investments ITW makes at the local level.

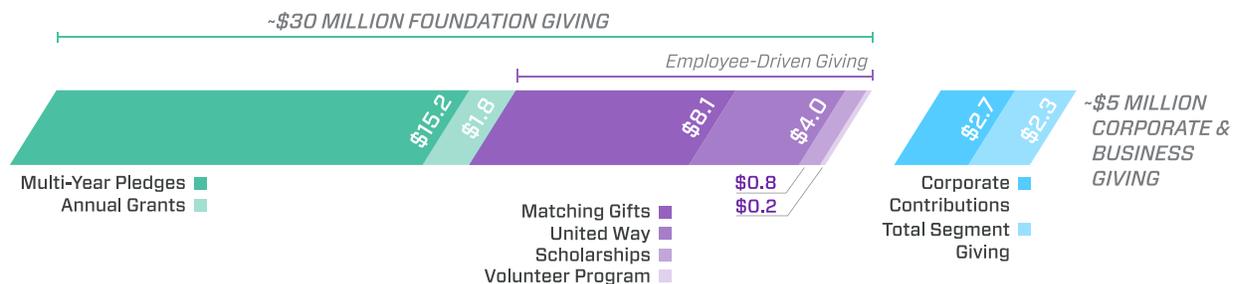
The company's giving program takes a variety of forms, including corporate- and business-level contributions; ITW Foundation funding via grants; and employee involvement in nonprofit organizations and community projects. In addition, in the U.S. and Canada, ITW has established dedicated programs for United Way, matching gifts to nonprofit organizations, scholarships for employees' children, and employee volunteerism. In total, ITW allocates approximately 1 percent of annual pre-tax income to philanthropic investments.

The ITW Foundation facilitates the company's support for larger initiatives in the U.S. and Canada as the nonprofit charitable arm of the corporation. We are proud that in 2014, ITW gave approximately \$35 million through the ITW Foundation, employee giving, and business-level contributions. All over the world, employees and ITW businesses are proudly and deeply engaged in their communities, providing donations, volunteering their time, and offering other generous support where it can have the most impact.

As one example of the kind of impact we can have, ITW supported the construction of the ITW David Speer Academy charter high school in the Belmont-Cragin neighborhood of Chicago. Learn more about the school, including its students and the competitive Robotics Club.

2014 TOTAL ITW COMMUNITY INVESTMENT

~\$35 MILLION



*The total pledge amount for 2014 includes a significant investment made by the ITW Foundation to build the ITW David Speer Academy.

ITW Foundation Solidifies Its Philanthropic Objectives And Operating Strategies

On behalf of ITW, The ITW Foundation has long guided financial contributions to not-for-profit organizations that are based in the North American communities where the company operates. In 2014, the Foundation completed a strategic review process to ensure that it is focused in areas of core competency and reflect the company's values and strategy. This approach is consistent with the implementation of ITW's enterprise strategy, which utilizes portfolio management, business structure simplification, and strategic sourcing to refocus the company on its core business model.

"The ITW Foundation's strategic review process focused on how to make the most impact with the available resources. As a result, we have focused on the strategic nature of our corporate giving by identifying two critical areas. Having a clear direction and purpose should enable us to have a significant, lasting impact on the communities where ITW employees live, work, and play."

—Maria Green, ITW General Counsel and a member of the Foundation Board.

As a result of the evaluation, the Foundation's Board has identified two major areas of focus: education, and arts and culture.

ITW believes education is the single most important factor impacting the long-term social and economic well-being of individuals, families, and communities. There's no question that access to an educated and skilled workforce is essential to the future competitiveness of ITW and its customers. As a result, ITW will invest in organizations and programs that facilitate and promote:

- Access to a quality education for all
- Science, Technology, Engineering, and Math (STEM) education
- Workforce development and workforce readiness
- Scholarships for employees' families

As a company, ITW is also committed to investing in arts and culture in its headquarter community, the Chicago area. ITW supports civic, arts, and cultural organizations, and University-level hospitals.

In addition, the ITW Foundation will continue to support the social issues most important to its employees through the matching gift and volunteer programs, which are employee-driven giving opportunities.

ITW Helps Employee Gifts Go Further

ITW believes strongly in supporting the locally based nonprofit organizations that employees care about most, and that address local challenges and social issues. Through the Hearts Giving Hope initiatives – which include the matching gift and volunteer programs – the ITW Foundation provides financial support to the organizations our employees support with their personal gifts of time and money.

VOLUNTEER PROGRAM:

Giving of their time and talents is a powerful way for ITW employees to get involved in their local communities. To recognize these employee efforts, the ITW Foundation launched its volunteer program in 2012, in honor of ITW's 100th anniversary; this program is now a Foundation mainstay. The Foundation gives \$10 for every hour an employee volunteers at a nonprofit organization, up to 100 hours. In 2014, the program generated \$193,490 for 327 qualifying nonprofits, based on 19,349 hours of volunteer time. Approximately 77 employees volunteered 100 hours or more to organizations of their choice, which maximized ITW's contribution to their organizations.

MATCHING GIFT PROGRAM:

The Foundation matches an employee's contributions to a nonprofit organization on a 3-to-1 basis, up to \$15,000. If an employee donates at least \$25 to an organization, ITW will match it threefold, which means a \$25 employee gift provides a total of \$100 for the organization. In 2014, the matching gift program totaled \$11.4 million – \$3.3 million from employees and \$8.1 million provided by the ITW Foundation. The ITW Foundation funded more than 3,500 organizations in support of employees' generous gifts to their personal causes. More than \$2.3 million went to nonprofits with an education focus.

The ITW Foundation gave \$10 for every employee service hour, giving a total of \$193,490



In 2014, The ITW Foundation matched employee gifts 3-to-1, raising a total of \$11.4 Million



ITW Employees Give Support In Their Communities

MORE THAN HORSEBACK RIDING

Ron Seger is an electrical engineer with ITW's Despatch Industries in Lakeville, Minnesota, which manufactures high-performance industrial ovens and other thermal products. Ron and his family also love horseback riding and helping people in need. As a result, Ron is an active volunteer with, and member of, the Board of Directors for HIS Haven Ranch, a local ranch that provides more than horseback riding. The organization helps people who have been abused physically or emotionally, or are otherwise lonely, hurting, or in need of a mentor. Its goal is to "to come alongside each rider and teach them life lessons from the back of a horse." Ron also makes financial contributions to HIS Haven that are matched through ITW's matching gift program.

"I am proud of the number of youths who have benefited from the mentorship and the bond that develops between rider and horse. I'm sure many other not-for-profit organizations are also encouraged by ITW's generous triple match. I would like to express thanks for each of them. ITW is truly making a difference!"

-Ron Seger

THE FUTURE OF STEM STARTS WITH MENTORS

Employees of Speedline Technologies, a Missouri-based developer and provider of capital equipment used in electronics manufacturing, are donating their time to make an impact on the future of STEM (science, technology, engineering, and math) students at Camdenton High School. The partnership began nearly a decade ago, when Speedline employees Jim Morris and Troy Beard were asked to help form a *FIRST*



robotics team at the school. Today, as advisory members of the program, they also recruit more employees of Speedline – and other local companies – to serve as mentors, which has helped the program expand into the elementary and middle schools. Many participating students have had the opportunity to attend college, including at top schools such as Caltech and Stanford. And, since 2010, the Camdenton teams have won more than 30 awards in *FIRST* competitions!

"If it had not been for Jim and Troy, we would have never gotten the opportunity to bring FIRST to central Missouri," said Mitch Comer, the coach of Camdenton High's robotics team. **"Their dedication and volunteerism benefit the kids immensely. But the support doesn't end there. For every hour the Speedline employees volunteer as mentor, ITW donates funds to support the robotics program through the Camdenton R-III Foundation. We couldn't be more grateful for the leadership and generous support."**



Case Studies

ITW DAVID SPEER ACADEMY ROBOTICS CLUB GETS COMPETITIVE

The inaugural class of the ITW David Speer Academy, all freshmen, is already hard at work developing real-world skills in the fields of science, technology, engineering and math (STEM) – both inside and outside of the classroom.

The students of the ITW David Speer Academy, located in the Belmont-Cragin community of Chicago, moved from their temporary location into the brand new school in early 2015. The charter school provides an education focused on STEM to the youth of this previously underserved neighborhood. It is named in memory of ITW's former Chairman and Chief Executive Officer, David Speer, who passed away in November 2012.

The school's 30-member Robotics Club is not limited by its four walls – temporary or not. Working with their mentors – nearly a dozen ITW employees – these students have worked on projects aimed at advancing their technical skills and learning about teamwork.

In 2014, the ITW Speer Academy Robotics Club was challenged to build and program a robot that would perform fully autonomous tasks, including finding, collecting and depositing game balls into a series of towers. The robot was built to compete in the FIRST (For Inspiration and Recognition of Science and Technology) Tech Challenge, a robotics-based national student competition that was founded with the mission to inspire young people to become science and technology leaders.

“Students learned to design and build the robots, assemble the mechanical components, add the programming to the master controller, and build and add sensors so the robot can sense its environment,” explained Maryann McNally, vice president of ITW's Innovation Center and organizer of ITW volunteers at the Speer Academy. “Importantly, the students also learned how to work as part of a team and learn from any mistakes and challenges. The team competed in its first qualifying tournament in December 2014 and all of us – students and ITW volunteers – are really looking forward to next year's challenge.”

Another group of students from the Robotics Club has been participating in the STEM Aviation UAV Exploring Club of the Boy Scouts. Through this program, which involves hands-on aviation design and manufacturing challenges, students learn aerodynamics, propulsion, strength of materials, navigation, robotics, and telemetry. The current challenge faced by the robotics team is learning to assemble, troubleshoot, and fly quadcopters for a competition in 2015.



AUTOMOTIVE OEM SEGMENT HELPING TO BUILD WORKFORCE OF TOMORROW

A cornerstone of ITW's focus on education in its community outreach activities is workforce development, especially training for technical jobs in manufacturing, engineering, and welding. These fields are an integral part of ITW's core competency, and the company continues to support their growth and to help attract young talent. At the corporate level and through individual businesses, ITW has created programs to engage with local communities, parents, and students about rewarding careers in these fields.

Across its operations, ITW's Automotive OEM segment is actively involved in driving these efforts. Many of the segment's businesses are highly differentiated and therefore require specialized skills in automotive parts manufacturing, engineering, welding, and other operations-related functions. There is an especially elevated sense of urgency as many people in this field approach retirement age.

"Workforce development is a significant responsibility and opportunity for ITW. Because we have a pressing need for skilled manufacturing workers, we have formed partnerships with schools and other organizations to bring our expertise and tools to the workforce of the future so that young people benefit from real-life, hands-on experiences at our ITW facilities," says Sundaram Nagarajan (Naga), Executive Vice President of the Automotive OEM segment.

Piquing the interest of students in middle school and high school is a particular focus for many of Automotive's businesses. The goals are to expose students to careers in the field and also help them understand opportunities available in their hometowns.

For example, the Powertrain Metals group partnered with the Michigan West Coast Chamber of Commerce on its FuturePrep program to host students at the ITW group's headquarters in Zeeland, Michigan. The group manufactures deep draw metals

for stamping, and it must have a workforce of skilled tool and die makers, a career that requires completion of a four-year apprenticeship program. The students gained real-world exposure to the business and manufacturing environment. The high school program, which lasted a full semester, also involved pairing the students with mentors who work at the plant. In their week-long program, middle-school students were asked to solve real-world business problems and present their solutions to a panel of ITW Drawform judges.

The Powertrain Metals Group also hosts job shadows, provides co-op and internship opportunities, and participates in events such as National Manufacturing Day, hosting tours with students from local technical schools. In addition, the group participated in the West Michigan "We Make it Here" series with its own video about career opportunities in the West Michigan community and at the ITW facility.

In addition, at the ITW CIP facility in Gallatin, Tennessee, which manufactures automotive fasteners, employees have been building relationships with the local high school and junior college to develop a pipeline of talent. The facility piloted a career guidance and mentoring program with Gallatin High School to expose students to different careers within the company, for which they receive credits toward graduation. CIP also has a relationship with the local junior college, Hartsville Tech, donating equipment, tools, and part prints to allow the students to gain real-world experience. Through an apprenticeship program, students can take a course at the school that prepares them for the tool and die field. Over the last 18 months, CIP has hired four students from that program.

ITW'S SUPPORT FOR UNITED WAY CONTINUES TO GROW

ITW businesses and locations around the U.S. participated in the 2014 United Way campaign to support the important work they do in the community in the areas of education, income and health.

2014 UNITED WAY CAMPAIGN BY THE NUMBERS:

- 222 locally-driven campaigns were run in the U.S. and Canada
- ITW financial support extended to 487 United Way chapters in the North American network
- More than 12,800 ITW employees participated with a gift of time or money
- Employees generously gave more than \$3.5 million through pledges and local fundraisers
- ITW backed every dollar given by its employees with a corporate match that will total more than \$5 million
- Over \$220,000 was also pledged to local partner agencies of United Way, and ITW is proud to give its employees greater choice within the campaign





ITW cares deeply about the safety, health, and well-being of all employees around the globe. In an organization with a differentiated business model and a decentralized, entrepreneurial culture, people make all the difference in the world in our growth and vitality. Together, we are one ITW creating an environment for all employees to be safe, healthy, and maximize their potential.

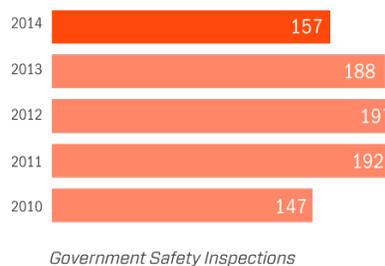
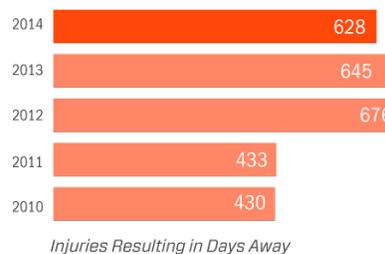
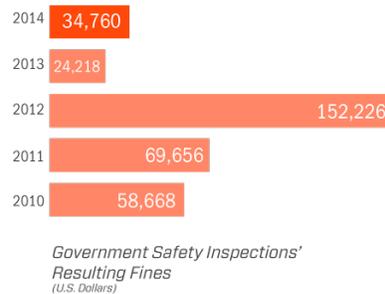
Safety & Health

STRONG FOCUS ON COMPLIANCE AND BEST PRACTICES

In line with ITW's decentralized culture, safety and health initiatives are directed at the business level, with support from the corporate safety and health team. Each site's general manager is responsible for tracking data, and each and every employee is accountable for ensuring a safe workplace. ITW hires people who want to do the right thing – and we have the culture to support and reinforce it.

ITW provides support and guidelines to aid the businesses in their efforts to ensure the well-being of employees. ITW offers myriad safety and health training opportunities and best practices guidance to enable businesses to continually strive for performance that goes beyond compliance. We're pleased with our progress in 2014.

2014 SAFETY DATA



KEY SAFETY OBJECTIVES MAKE A LASTING IMPACT

ITW continues to strive to enhance its safety and health program and raise the company's performance. In addition to maintaining a high level of occupational safety and health compliance, numerous ITW businesses go well beyond what is required by focusing on four safety objectives that will have a lasting impact on safety in the workplace:

- Employee involvement in the safety and health program, including safety committees, safe behavior observation programs, and extensive training;
- Near-miss reporting to ensure that the organization identifies incidents and hazards and addresses them early – before they cause injuries;
- Job safety analysis (JSA) process, which enables ITW to systematically analyze and improve any portion of a job that poses an undue risk; and
- Communication between management and employees to ensure that responsibilities are clear and any issues are addressed and resolved in a safe manner.

Wellness

COMMITTED TO 'LIVING WELL AT ITW'

The "Living Well at ITW" wellness initiative continues to encourage employees to participate in free biometric health screenings and personal health assessments. In 2014, participation in the personal health assessment increased 38 percent, which resulted in the highest participation rate in the company's history. ITW also saw a reduction in the number of employee health risks identified by this measurement tool. In addition, ITW employees excelled at compliance with biometric health screenings, demonstrating the value in "knowing your numbers." The positive impact

of "Living Well at ITW" and other wellness initiatives is also represented through the improvement in most health risk categories by repeat participants.

"Living Well at ITW" continues to focus on three principles: Know Your Numbers, Eat Well, and Be Active, and the overall theme in 2014 was weight management. Across ITW businesses, employees engaged in a 10k-a-day walking challenge, which encouraged everyone to achieve at least 10,000 steps a day.

Businesses across ITW's global footprint have implemented daily stretching programs, health fairs, and other health-focused activities. The company's Wellness Champions are particularly instrumental in the progress that is being made:

Upenda Mays, Wellness Champion at ITW's Buehler LTD, a division in the Test & Measurement and Electronics segment, held 10 onsite wellness activities, with nearly two-thirds of all her colleagues participating in these events. The most successful events included Fresh Fruit Mondays and a bean bag toss tournament, which gave individuals the opportunity to get some fresh air, interact with other departments, and engage in friendly competition with their colleagues.

Tracy Wilhelm, Wellness Champion at Hi-Cone, which makes plastic-based multipackaging systems, completed five activities at her facility, with ITW's 10k-a-day walking challenge popular among her colleagues. Employees enjoyed traveling on virtual routes by tracking daily steps online and through the phone app.

Case Studies

ONGOING FOCUS ON FIRE SAFETY

An ongoing commitment to preparedness is a key component in health and safety. In fire safety, ITW businesses take numerous actions to protect and prepare their facilities. We focus on the activities that matter to continually reevaluate our level of protection. These precautions are in place to protect the safety of employees and prevent damage to the work environment.

Among the protections in place are:

- Many ITW facilities are equipped with alarms and sprinklers, and valves are locked open and checked regularly by both ITW safety committees and the alarm company.
- Many facilities participate in FM Global's Red Tag Permit System, an insurer-led program that uses red tags to mark any fire equipment that is being taken out of service even for a few minutes for routine service, making repairs or installing new equipment. The red tag remains on the equipment until it is fully operational again. The program also includes reminder decals that authorization is needed before any shutdown can occur, online access to fire protection status, and employee and supervisor training.

ERGONOMICS REDUCES PHYSICAL STRESS

Various ITW divisions conduct ergonomics studies to identify and reduce physical stress in the workplace. Here are several notable examples:

- ITW Motion-Delpro conducts in-house ergonomics evaluations of select jobs on a monthly basis. The facility has also implemented a hand flexion/extension program to address repetitive motion.
- ITW Deltar Fuel Systems has designated an ergonomics "champion" who is tasked with identifying an ergonomics-

related workplace improvement at least once every two months.

- ITW Red Head has automated some components of its packaging system.
- Brooks Instrument and ITW TekFast use lift tables to improve tasks associated with loading and unloading trucks.
- ITW Commercial Construction installed brighter lighting on manufacturing floors to improve visibility, which results in better work postures and higher quality.

CREATING A CULTURE OF SAFETY

As ITW Sealants knows well, creating a culture of safety takes both training and reinforcement. In fact, the business has found success using a variety of tools, including a behavior-based observation program, which provides tools, behaviors, and reminders to be diligent about safety on a daily basis.

ITW Sealants uses ongoing training to educate employees and increase safety awareness. At least once a month, employees are responsible for documenting either a safe or unsafe behavior. The program encourages employees to talk with each other about safety and to address issues as they become apparent. ITW Sealants also works with employees to identify trends for safety discussions during employee huddles, and shares them with plant managers to determine mutual areas of concerns and best practices.

Integrating this program into employee performance reviews has played an important role in ensuring participation. The self-policing process means there are many more eyes and ears routinely focused on safety. "When employees see an investment in health and safety, they are more likely to take an interest and be engaged in promoting safe behaviors," said Kate Ryan, division EHS manager.

HOBART PROVIDES PERSONALIZED WELLNESS SUPPORT

Hobart has been promoting wellness for many years. Recognizing that each person is different, initiatives are aimed at meeting people where they are with personal health goals.

To keep employees active, Hobart's wellness committee organized a number of onsite exercise classes in 2014, such as yoga, Zumba® and CrossFit®, in addition to participating in the Making Strides against Breast Cancer Walk. The committee also educated employees on important health topics through lunch and learns and an onsite Health and Safety Fair. As Wellness Champion Stacy Beaty explained, "The wellness committee knows there is more power in knowledge, and we thought the Health and Safety Fair was a good way to give our employees as much information as possible." With 27 vendors participating, the Health and Safety Fair was one of Hobart's most successful events. "The biggest high of the day was the positive feedback that we received from the employees," said Beaty.

Zumba and CrossFit are registered trademarks of Zumba Fitness, LLC and CrossFit, Inc. respectively.



MILLER ELECTRIC ATTAINS GOLD STANDARD FROM WELLNESS COUNCIL OF AMERICA

For over 10 years, Miller Electric has had a dedicated focus on health, offering employees a variety of services from wellness fairs to Weight Watchers® at Work. The onsite health clinic has also helped to improve the health and wellness of Miller Electric employees. With a full-time nurse and part-time physician, the clinic is available to employees for both work-related and non-work related concerns.

Earning a Gold Well Workplace Award from the Wellness Council of America (WELCOA) was a 2013 highlight for Miller Electric. The award is based on seven critical benchmarks assessing the progressive development and implementation of an organization’s wellness initiative. According to Linda Pintar, benefits manager at Miller Electric, “Recognizing the positive impact our wellness initiatives had on employees, we applied for this award as a way to measure our progress and create more structure for our programs.” With this designation valid for two years, Miller Electric continued to make progress in 2014 to work toward its next award.

Gold Well Workplace Award aside, Miller Electric is seeing positive results from its wellness initiatives. With increased participation in biometric screenings and online health assessments, Miller Electric employees are gaining a better understanding of their overall health and how simple changes can make all the difference in their wellbeing.

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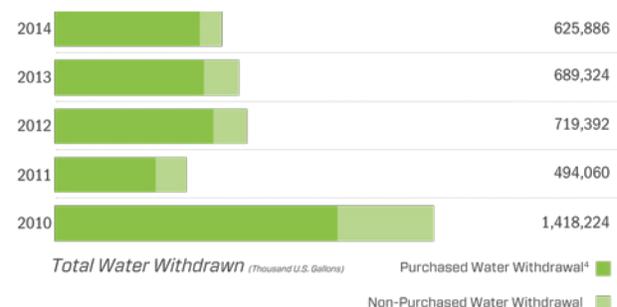
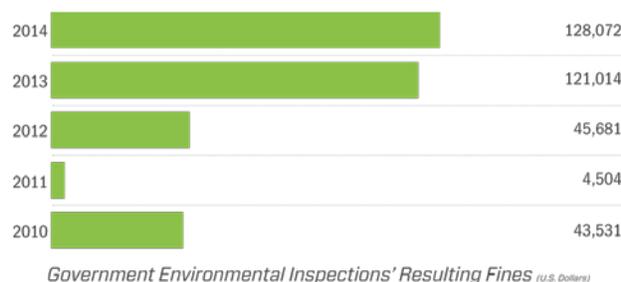
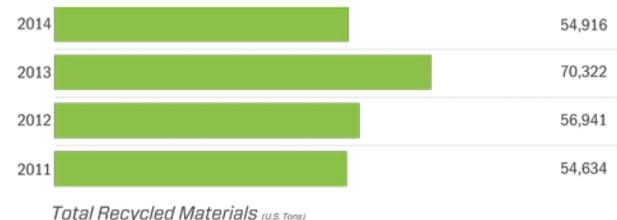
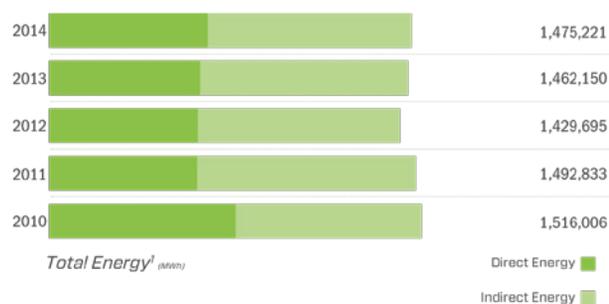


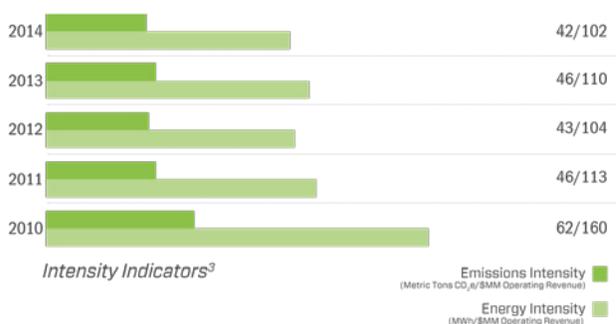
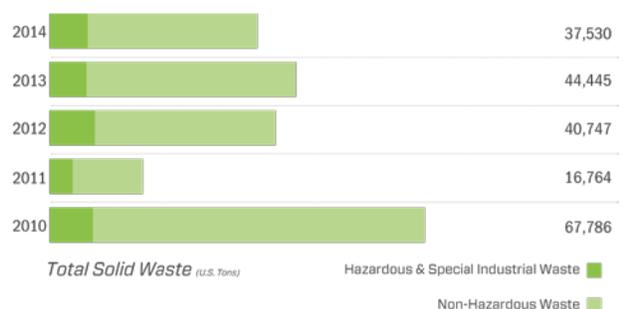
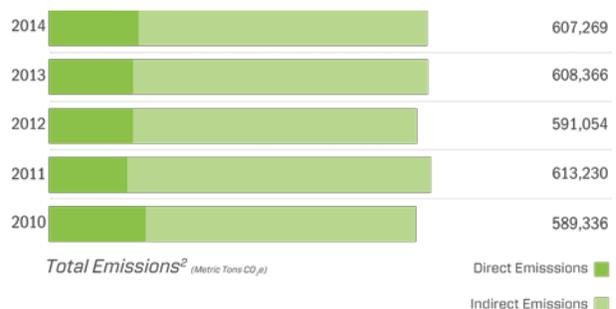
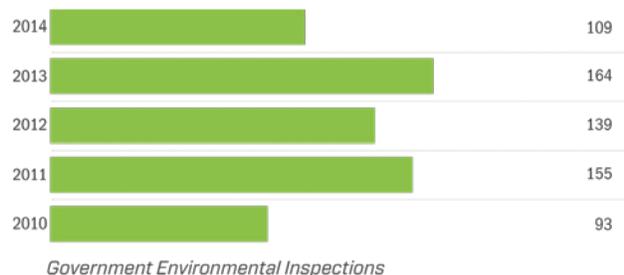


ITW's growth and future rely on a healthy planet and sustainable practices. The company believes environmental responsibility and sustainability merit ongoing evaluation and continuous improvement in both programs and processes. Given the company's decentralized culture, ITW businesses have "flexibility within a framework" to determine how to best assess and manage their environmental responsibilities and practices.

In 2014, ITW again collected and analyzed energy, emissions, waste, and water data from company-owned facilities and leased manufacturing facilities located around the globe. ITW also remained committed to our energy/emissions reduction efforts, with a focus on the top energy consuming businesses. These activities have been augmented by employee-driven environmental projects across the globe. Customer-back innovation also serves as a driver for environmentally safe and socially responsible practices.

Environmental Data





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

² Includes CO₂, N₂O, CH₄

³ Only operating revenue from participating divisions was included in the calculation of intensity indicators

⁴ 2013 purchased water has been restated due to the correction of an error

The reporting period for ITW's environmental, health, and safety data is January 1 - December 31, 2014. The reporting boundary includes companies over which ITW has operational control, with the exception of leased non-manufacturing facilities. The reporting boundary does not include joint ventures. This report includes data from approximately 94 percent of the included companies.

Environmental Policies Guide ITW Activity

Each ITW business is responsible for complying with the ITW Environmental and Safety Policy and the ITW Sustainability Policy. The company believes everyone in the organization has a responsibility to preserve and protect the environment; conduct operations in a safe manner; and recognize the potential impacts of ITW's operations.

Environmental Management Drives Consistency Across Locations

ITW maintains a dedicated structure to address environmental management throughout its decentralized operations. The ITW Director of Environmental Health and Safety and

Sustainability (EHSS Director) has the highest level of dedicated environmental-related responsibility within the company, reporting directly to the Deputy General Counsel with a line of accountability leading to the CEO. The EHSS Director oversees environmental and regulatory compliance initiatives in cooperation with ITW's operating leadership.

In 2014, ITW operated more than 60 sites with ISO 14001 certification for environmental management. The well-respected International Organization for Standardization (ISO) develops standards and criteria for effective environmental management systems.

Update On ITW's Energy Use Reduction Program

ITW remains committed to improving energy efficiency in its operations. Formal efforts began in 2011 with the introduction of an energy reduction target covering the top 10 energy-consuming ITW businesses. As a result of the progress ITW has made on its enterprise strategy initiatives, there are four businesses remaining from the original ten and the energy reduction target has been adjusted accordingly.

To help these businesses reach the target, ITW implemented an energy reduction pilot program. In 2014, for the first stage of the pilot, energy audits were completed at one facility in each of the four businesses. The audits were helpful in identifying opportunities for each facility to boost energy efficiency through maintenance, behavior modification, and equipment upgrades. In 2015 and beyond, we intend to explore an expansion of our energy reduction audit program, which would bring additional facilities into the program and educate more employees about actions they can take to reduce energy usage. By training additional employees on energy audits, ITW hopes to provide the tools needed to reduce energy consumption at more sites across the enterprise.

Overall, the energy intensity of our top four energy-consuming businesses is lower than 2011 and we are on track to meet

our goals. We have seen reductions in the consumption of electricity, resulting from investments in lighting and other equipment upgrades. At the same time, we are increasing our efforts to reduce the consumption of natural gas and liquid petroleum gas (propane) in our facilities.

Carbon Disclosure Project Participation

The Carbon Disclosure Project (CDP) is an independent, nonprofit organization working to encourage the disclosure of global emissions and water usage by businesses and cities. In 2014, ITW continued its voluntary participation in the CDP investor questionnaire. As a result of the company's CDP participation, ITW has continued to increase its understanding of the impact of carbon emissions, which is being used to inform ITW's energy reduction strategy.

Driving Continuous Improvement Through Environmental Audits

ITW's environmental 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 to reduce the company's impact on the environment and preserve natural resources.

TOP ITW ENERGY-CONSUMING BUSINESSES

Includes Electricity, Natural Gas, Heating/Fuel Oil and Propane

	2011	2012	2013	2014	% Change vs. 2011
Total Energy (MWh)	217,455	192,111	193,837	207,954	-4%
Total Emissions (metric tons CO2e)	76,944	72,889	74,612	75,364	-2%
Energy Intensity (MWh/thousand dollars in operating revenue)	0.57	0.45	0.48	0.49	-14%
Emissions Intensity (metric tons CO2e/thousand dollars in operating revenue)	0.20	0.17	0.18	0.18	-12%

In 2014, many sites expanded initiatives to reuse and recycle waste. For example, Trident, an ITW company that serves the industrial ink and printing industry, recycles acetone in order to reduce hazardous waste disposal and the cost of solvents. Similarly, ITW Polymers Coatings recycles the solvents it uses at its Houston facility. As a result, the site has been able to reduce its waste from spent solvent by approximately 75 percent.

In addition, one of ITW Welding's businesses, Tregaskiss, has taken steps to recycle air that has been exposed to fumes from welding wire, which the business consumes as part of its manufacturing process. The business installed a FilterAir 2000 system, a solution provided by ITW's Filtration Products division. The system filters the air and pumps it back into Tregaskiss' welding lab instead of venting fumes to the outside. This solution benefits both environmental protection and employee health and safety.

Case Studies

Avery Weigh-Tronix Goes Global With Its 'Green Team'

What began as a facility-level recycling program in 2013 expanded into a business-wide "green team" program spanning four continents by 2014. Employees at Avery Weigh-Tronix's Fairmont, Minnesota, facility had a straightforward idea: implement a program to recycle office paper. Previously, the facility lacked defined processes and procedures for recycling, so a self-appointed group took the lead to evaluate recycling best practices. After deciding on a single-stream system, the Fairmont Green Team purchased recycling bins, began to implement a process, and launched an employee education initiative.

The Fairmont Green Team wanted to have a broader impact by engaging Avery Weigh-Tronix's other five sites located in Canada, the United Kingdom, China, India, and Malaysia. The business decided to form a global steering committee to support each facility's green team.

However, it became clear to the Fairmont Green Team that one size wouldn't fit all across the five facilities. To address local needs while also bringing some consistency to the program, the

steering committee decided to focus on sharing best practices and ideas, and helping sites prioritize. Despite the geographic, cultural, and logistical differences, they all share a common purpose: to reduce the environmental impact of Avery Weigh-Tronix.

To guide the committee and green teams, and inspire all employees to get involved, the Fairmont Green Team created five "characters" that highlight the focus areas for the business. These areas, which go well beyond the original scope of office paper recycling, are:

- *Project Measurement:* Avery Weigh-Tronix's "footprint" measures the business's environmental impact. Each Green Team project must compare pre- and post-project results to measure impact, such as increased efficiency, waste reduction, or environmental improvement.
- *Office Recycling:* The green plastic bottle stands for the implementation and improvement of recycling processes of non-manufactured materials. This includes glass, aluminum cans, paper, plastic, computers, printers, ink cartridges, and other electronics.
- *Production Recycling:* The green drum represents the implementation and improvement of environmentally conscious disposal and recycling processes of manufactured materials, including hazardous waste, byproducts/scraps, air emissions, and environmental runoff.



- *Reduction/Substitution:* The light bulb stands for creating more efficient and environmentally friendly practices, which include conserving electricity and water as well as substituting more environment-friendly products.
- *Community Outreach:* The paintbrush represents “painting the town green,” through involvement in outside projects such as highway cleanup, planting trees, and park/playground improvements.

In 2015, the Fairmont Green Team looks to work on new community-based projects, and to encourage employees to undertake recycling and other environment-friendly activities at home, not just in the workplace.

Evercoat Delivers Environmentally Friendly Auto Body Filler Products

Evercoat recently began experimenting with alternative, non-petroleum based resin technology for its auto body filler products. The business soon realized that soy enhanced the quality of products and also addressed environmental and productivity considerations.

Evercoat leveraged this discovery to create its EcoResin™ filler, which was used in new products such as Rage Ultra and Metal Glaze Ultra auto body fillers. This soy-based innovation works effectively without requiring finishing putty and is easier to sand. It further differentiates Evercoat filler from any other lightweight competitor, and is patent pending. The environmental benefits of using soy versus a petroleum-based material are also important to ITW and its customers.

“Discovering that soy actually improves sandability, which in turn improves efficiency, has helped make a stronger case for using this technology in other products,” said Randy Lake, director of innovation at ITW Evercoat.

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Magnaflux Works To Eliminate Npes From Its Products

When Magnaflux N.A. chose to replace nonylphenol ethoxylates (NPEs) with more environmentally friendly surfactants, the final outcome was beneficial for customers and the environment. NPEs may be harmful to the environment, particularly waterways, and are already regulated or restricted for use in several places around the world. By proactively removing NPEs, Magnaflux reinforces their position as an industry leader in nondestructive testing technology.

To begin the process of replacing NPEs in its products, Magnaflux N.A. spent a good portion of 2014 modifying products and testing them to ensure that product performance would not be compromised by replacing the NPEs. To achieve the specification conformance its products require, these experimental formulations had to pass a battery of internal and external testing to ensure they would perform properly in the most stringent applications. Once all the testing was complete, and the necessary specification conformances were achieved, these changes were incorporated into Magnaflux’s mainline products.

“The reaction was positive, as our solutions helped customers address their concerns about NPE. Being able to support their environmental and sustainability efforts further positioned us as a strategic, value-added supplier,” said Shawn Kilty, R&D manager for Magnaflux N.A.

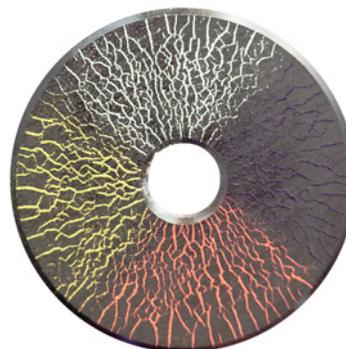
Magnaflux N.A. is applying the lessons learned in this reformulation project to other products for aerospace, power gen, and automotive customers.

ITW Fluids North America Dives Into Sustainable Aerosol Products

Over the past 25 years, the ITW Fluids North America business has taken steps to reduce its impact on the environment. These efforts started in the 1990s with the shift from solvent-based to water-based products. Over the years, the business has made changes in products, manufacturing processes, and packaging to address environmental and sustainability considerations.

In October 2014, ITW Fluids launched three new aerosol products, utilizing nitrogen as a propellant and using 100% recyclable packaging. These products received positive feedback from initial trials, and were well-received in the market. Based on conversations with customers – and in the spirit of customer-back innovation – ITW is evaluating additional ways to incorporate sustainable packaging into other products.

ITW Fluids’ other sustainability efforts include packaging some products in concentrated form, rather than shipping final, large-volume products across the globe, which can be more costly and emissions-intensive. The concentrate is shipped to a satellite location overseas, and then mixed with other ingredients to create a final product that is ready to be delivered to the customer. This has generated a 20 percent decrease in shipping volume.





ITW is committed to recruiting and developing the best and brightest talent, and also to creating an environment where colleagues from varied backgrounds can thrive. Sustaining ITW's core values and differentiated business model depends on having a strong pipeline of leaders in each of our businesses and around the globe. ITW wants its leaders of tomorrow to truly understand our customers, embrace our values, and be experts in the ITW Business Model inside and out.

To achieve these goals, our talent management strategies are centered on attracting, developing, and retaining the very best talent who are reflective of the customers we serve and the communities in which we work around the world.

Attracting Top Talent

ITW's talent strategy includes an area of focus aimed at recruiting people who are curious, drive to contribute their best, uphold high ethical standards, are team-oriented and community-minded, and reflect the diversity of our geographic reach.

In support of those goals, ITW's partnerships with professional associations and key universities enable us to attract top talent by reaching prospective candidates with a wide variety of diverse backgrounds. We aim to connect directly with students by supporting activities that further their development while also building awareness about ITW.

Examples of 2014 professional association partnerships include:

- Sponsored three students to attend the Society of Hispanic Professional Engineers (SHPE) National Institute for Leadership Advancement program, a seminar for student chapter leaders to improve a variety of leadership skills. Provided two scholarships to students involved with the Society of Women Engineers (SWE)
- Sponsored two representatives from the University of Illinois-Chicago's Latinos in Accounting and Business Students (LABS) organization to attend the Association for Latino Professionals in Finance and Accounting (ALPFA) national convention
- Conducted seminars at the SWE, SHPE and Society of Asian Scientists and Engineers (SASE) national conferences on topics such as negotiation, mentoring, and time management

Many members of the Women in Technology Employee Resource Group participated in the SWE 2014 annual conference in Los Angeles. Brooke Bailey, an engineer involved in ITW's Emerging Leaders Program, said the event "gave us the opportunity to network with our colleagues, especially those who work in other ITW businesses."

ITW's core school strategy identifies select universities to partner with based on national university rankings for engineering and business disciplines and student diversity. We are pleased with our 2014 university recruiting progress in this area, as more than 50 percent of ITW's college hires are diverse candidates. In addition, ITW leverages technology in recruiting efforts to increase engagement with millennial talent. Our use of technology not only allows for more meaningful interactions, but also reflects the innovation solution mindset we seek in the top talent we aim to attract for a career with ITW.

Developing ITW's Current And Future Great ITW Leaders

ITW's leaders are focused on the company's core values and the leadership behaviors that are necessary to sustain those values. During 2014, ITW's executive leadership team formalized a set of expectations for Great ITW Leaders. These expectations serve to guide current leaders and prepare future leaders to drive sustainable business growth for the company while embodying ITW values.

Great ITW Leaders demonstrate the following characteristics and behaviors:

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



Career Development Opportunities

ITW understands that future great leaders need opportunities to grow and develop, and the company is committed to creating an environment where everyone has an opportunity to succeed. While each employee is expected to “own” his or her career, ITW also supports professional and leadership development. The company’s efforts include hosting ITW My Career Site, an intranet-based, internal job posting system, and sponsoring two highly successful ITW leadership development programs: the Early in Career Program and the Emerging Leaders Development Program. Each is aimed at filling our leadership pipeline with talented, diverse individuals who will contribute to our future success.

- While some programs have a more targeted focus, ITW employs career development resources that can be leveraged by all ITW colleagues. One such tool is the ITW My Career Site, which provides exposure to open career opportunities across ITW’s global organization. In a decentralized environment, this type of visibility is critical to attract, develop, and retain the best talent, and therefore is integral to the success of ITW. It also enables individuals to own their career development and pursue opportunities outside of their specific business. In addition, by electronically joining ITW’s Employee Talent Network, users can receive alerts as new openings become available that match their interests and experience.
- Throughout 2014, ITW’s My Career Site was enhanced and expanded. As a result, ITW saw the doubling of visits to the ITW My Career Site, membership in the Employee Talent Network, and the volume of internal applications.
- ITW’s Early in Career Program is an enterprise-wide program in which the company’s executives select a group of promising, early in career leaders from ITW businesses for an eight-month immersion leadership experience. The program exposes participants to what it really means to be a Great ITW Leader.
- “On the first day, we focus on ITW’s core values and involve the group in a volunteer project,” said Chris O’Herlihy, executive sponsor of the program and executive vice president of ITW’s Food Equipment Group. “Many are surprised with the fact that we start with our values, but it helps set the tone for what leadership at ITW is all about. Only after these initial experiences do we start the conversation about the ITW Business Model and enterprise strategy.”
- In 2014, we completed our fifth cohort, and have begun to see participants from the initial class move into Vice President/General Manager positions. We are proud of this progress in developing a pipeline of leaders.
- The three-year Emerging Leaders Development Program prepares entry-level leadership talent hired directly from universities for functional leadership opportunities at the division level across all ITW businesses. Over the course of the program, participants work in two 18-month rotation assignments, each in different business segments in various locations around the United States. These placements involve special projects in the functional area while being supported by local management and an assigned mentor. Through this kind of on-the-job learning, participants develop their functional skills, business acumen, and leadership capabilities.

These programs provide development opportunities linked to the Great ITW Leaders expectations, ITW’s differentiated business model and values. “Given how many different markets and industries ITW serves, individuals can have as interesting and far-reaching a career within ITW as they could if they worked for multiple companies,” said O’Herlihy, who has served in various roles of increasing responsibility and with a variety of businesses in his 26 years at ITW. “We want to develop leaders of people and organizations, and provide them with essential tools they can use throughout their careers at ITW.”

Retaining The Best And Brightest – From Many Backgrounds

Diversity and inclusion are critical components of ITW’s commitment to recruiting, developing, and retaining the best talent. ITW’s Diversity & Inclusion Leadership Council and Women’s Leadership Development Council (WLDC) set the tone for the company in these areas. ITW’s vice chairman, David Parry, leads the Diversity & Inclusion Leadership Council. This Council is responsible for establishing the Diversity & Inclusion strategy, framework, and goals across ITW.



The WLDC provides strategic direction, networking, and professional development opportunities to support ITW’s women leaders and pave the way for the next generation. Today WLDC is taking action to connect women’s initiatives across ITW’s global enterprise. In addition, the WLDC focuses on leadership awareness, education, and engagement.

According to Sue Stark, group president, Food Equipment Global Service, and chair of WLDC, a key way the group makes its impact felt is through “intentional ‘touch points of impact’ across all ITW businesses, which enable us to extend our reach. For example, we assist with college recruiting sessions, participate in interviews, conduct training and development programs, and get involved in mentoring and networking women professionals across ITW,” she explains. “When we measure these points of contact, it shines a light on our collective positive impact to further enable ITW to attract, develop and retain women leaders!”

In March 2014, WLDC hosted its second global conference, which was aimed at celebrating progress since 2012, reaffirming priorities, and determining a path forward. During the conference, the group formed two action-oriented subcommittees – one focused on engaging current leaders and the other responsible for boosting global connections between women’s Employee Resource Groups.



ITW is proud that all of our Employee Resource Groups have come from grassroots efforts, and have been led by dedicated colleagues passionate about the mission of their organizations. These groups provide opportunities for individuals to expand their networks, learn from each other, increase their understanding of the company's breadth, and become more engaged in their workplace. All of that, in turn, increases participants' leadership capabilities, and encourages them to further develop their ITW careers.

During 2014, two additional groups formed. ITW's Asia Women's Resource Group was established to support and inspire women leaders in Asia. With a goal to provide junior-level talent with learning, networking, and engagement opportunities, the newly formed Young Professionals Network (YPN) also strives to give members a better understanding of ITW's myriad businesses and enterprise strategy.

Case Studies

Employee Resource Groups In Action Across ITW

2014 was a busy year for ITW's Employee Resource Groups. These groups planned a variety of activities for both ITW colleagues to broaden their reach and engagement while increasing leadership awareness. Here are highlights from each group:

- European Women's Resource Group:** The European Women's Resource Group's goal is to build a network of ITW women leaders across Europe while maintaining a link to ITW's worldwide initiatives for women. In 2014, the European Women's Resource Group held local events for women in all key countries, including earlier-in-career women who represent ITW's future leaders.
- Women in Technology (WIT):** At the Society of Women Engineer's (SWE) annual conference, WIT members participated in "Invent It. Build It." – a hands-on engineering experience for middle school girls. The event is organized by SWE in collaboration with Girl Scouts, the ExxonMobil Foundation and Techbridge; 2014 marked ITW's first year as an exhibitor.
- Inspiring Women in Leadership (IWIL):** Dedicated to connecting and inspiring Miller Electric's high performance female leaders, IWIL consistently has a high level of involvement from members. In a recent survey, the majority of members agreed that the group is having a positive impact on their personal development.
- Women's Business Network (WBN):** Instron's WBN holds annual networking events and recently launched its formal mentoring program. In addition, the group conducted several workshops with topics such as confidence building and career development planning.
- Women's Finance Network (WFN):** WFN is dedicated to facilitating networking, knowledge sharing, and career opportunities throughout the global ITW organization. In addition to hosting several events per year, WFN has helped ITW colleagues improve their skills and pursue new development opportunities within ITW.

Building A Community Of Young Professionals

Leadership at ITW comes in many forms. In 2014, a few people channeled their creativity and hard work into launching the Young Professionals Network (YPN). Led by a seven-member steering committee, YPN aims to provide the company’s junior-level talent with learning, networking, and engagement opportunities. The group also strives to enhance their understanding of ITW’s myriad businesses and enterprise strategy.

YPN held an inaugural conference in August 2014 with more than 100 attendees from around the globe. ITW CEO Scott Santi was a featured presenter, discussing ITW’s progress against its strategy as well as his early experiences. “The Power of Networking” was the theme of the event.

ITW’s young professionals value working in a multigenerational workforce, and also appreciate the opportunity to share their perspectives with others within their own generation. Even though ITW is a decentralized culture, YPN members like having a sense of a community with fellow young professionals.

Meghan Gallagher, a Kester industrial engineer and chair of the YPN conference said, “Many young professionals I know became really community-minded in college, and YPN offers us a similar opportunity to feel connected in the workplace.” She added that the conference was “an excellent way to reinforce ITW’s philosophy and the many different career paths available to young professionals.”

YPN’s additional plans include determining a baseline of engagement, facilitating networking across the company, and hosting additional learning programs. In early 2015, YPN, which is one of several Employee Resource Groups at ITW, held a webinar on “Owning Your Professional Development.” Additionally, the group continues to see its presence grow in North America, South America, Asia, Australia and Europe.



WLDC Extends Reach To Asia

2014 marked the inaugural year for ITW’s Asia Women’s Resource Group. AWLDC was formed to support and inspire women in Asia, both personally and professionally, and to encourage more women to move into leading ITW by facilitating knowledge sharing and community.

In less than one year, the Asia Women’s Resource Group reached several milestones, including holding the first ITW Asia Women’s Leadership Conference and establishing the first networking group of talent in Asia. The group also established its own website, which enabled members to leverage resources more efficiently. Through its events, the Asia Women’s Resource Group reached its ITW colleagues in China, Hong Kong, India, Japan, Korea, Singapore, and Taiwan.





As ITW makes additional progress on the strategic sourcing initiative of its enterprise strategy, the company is encouraging responsibility and sustainability among its key suppliers. Staying true to ITW's decentralized entrepreneurial culture, the company empowers its business segments and divisions to partner with their suppliers to identify and implement programs and processes that address sustainability issues related to raw materials, products, packaging, and logistics.

Strategic Sourcing Drives Innovation And Sustainability

Through the strategic sourcing initiative, ITW is taking a comprehensive approach to sourcing across all divisions by leveraging its scale and geographic breadth. The activities unlock value on multiple fronts, including innovation, organic growth, and sustainability.

In practice, ITW often holds collaborative working sessions with suppliers to identify these opportunities. For example, the ITW team in Danville, Kentucky, recently hosted 25 key suppliers for a full-day workshop related to warewash equipment.

Participants took a holistic view of sourcing, considering factors such as total costs, additional innovation to address customer pain points, packaging, logistics, ease of maintenance, and end-of-service-life planning. Solutions were designed to drive customer demand, increase market acceptance, and enhance product differentiation. In addition, the team also considered opportunities to reduce water and energy usage as well as to minimize material inputs, all while maintaining or improving product performance.

Enhancing Relationships With Suppliers To Drive Sustainability

ITW's supplier relationships are based on the company's expectations around quality; delivery, lead-time and inventory; service and communication; safety; innovation and technology; commercial value; sustainability; and business continuity. ITW provides training and tools to its sites to help manage supplier relationships and performance, while enhancing strategic sourcing overall.

In 2014, ITW introduced its Supplier Code of Conduct, which is an evolution of its already existing Supplier Expectations document. The Code defines ITW's commitment to operate with the highest levels of integrity and makes it clear that the company will hold suppliers to the same high standard. Key topics addressed include: zero tolerance for child and forced labor, the right to freedom of association, anti-discrimination measures, rules to prevent improper gifts or payments, the protection of intellectual property rights, and confidentiality. The adoption of the Supplier Code of Conduct has significantly enhanced ITW's supply chain responsibility and clarified our key suppliers' role in fulfilling their responsibilities related to conducting business in a sustainable way.

Product Responsibility

Ensuring our products are safe across the entire value chain is the responsibility of each ITW division. We work closely with our suppliers and customers to develop new solutions that address our customers' needs.

Conflict Minerals

After meeting the U.S. Securities and Exchange Commission's initial May 31, 2014, deadline for disclosures related to conflict minerals, ITW has been refining its processes for obtaining necessary declarations from those suppliers whose products contain conflict minerals. ITW continues to follow the internationally accepted Organization for Economic Cooperation and Development (OECD) guidelines. The company is also committed to making it easier for its businesses and affected suppliers to submit required information.

Internally, these efforts have included revising and clarifying step-by-step instructions for completing the online form, dedicating additional time and resources for training, and communicating a clear timeline for the 2015 filing. ITW's cross-functional internal committee, with members from legal, audit, information technology, strategic sourcing, finance, and environment, health, safety and sustainability, oversees ITW's overall approach to complying with the disclosure requirement. ITW has created an informational guide to help suppliers satisfy ITW's requests for information. In addition, ITW's conflict-free minerals policy remains in effect and we have incorporated language addressing conflict minerals into ITW's global terms and conditions.

Case Studies

Foster Refrigerator Reinforces Value Chain Responsibility

The Foster Refrigeration team in Norfolk, England, understands the importance of a comprehensive supplier engagement program. As members of the Ethical Trading Initiative (ETI), an alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe, Foster is committed to driving responsibility throughout its value chain. As Foster's customers continue to seek increasingly innovative solutions, the business, and its suppliers have a critical strategic role to play.

In 2014, Foster developed a Code of Ethical Purchasing that outlines Foster's obligations and its customer expectations. Just as Foster is evaluated by its customers, it also conducts occasional audits and site visits of suppliers to assess their performance against the Code.

Foster prioritizes direct and ongoing engagement with all of its suppliers. With its tiered supply chain, Foster partners with suppliers to help them understand their part in the entire value chain and the opportunities available to them. Additionally, Foster helps its suppliers bolster engagement with their own employees because the company believes an engaged workforce produces better products.

Foster also works with its suppliers to assess and reduce their collective environmental impact. Most of the focus in 2014 was on reducing packaging waste. For example, the business and one of its largest suppliers worked together to swap out disposable pallets that are delivered weekly with plastic ones that are returned to the supplier to be reused.





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