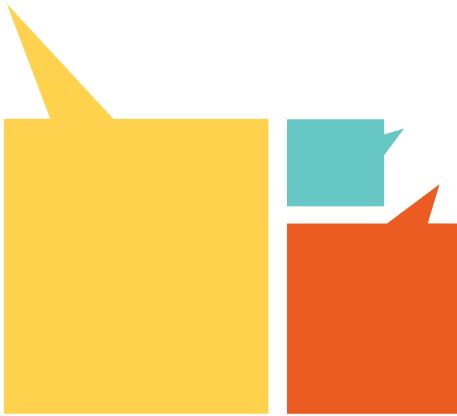




better



2013 CORPORATE SOCIAL RESPONSIBILITY REPORT

ITW

# better

ITW is committed, at all levels of the company, to the ongoing

journey of being a responsible corporate citizen.

The company is continually striving to be better, by improving its facilities, relationships and communities. It's part of ITW's overall commitment to being best-in-class through its five-year Enterprise Strategy, which leverages the company's differentiated business model to deliver differentiated performance. When applied to corporate social responsibility (CSR) initiatives, the strategy is helping to focus ITW's efforts where they can make the most impact. ITW and its employees made progress on its CSR initiatives in 2013, and the company is continuing to build momentum and make progress each year.

## ECONOMIC AND FINANCIAL INFORMATION

Detailed information on ITW's 2013 financial performance, markets, risk factors and other information is published in the 2013 Annual Report, which includes the Form 10-K filed with the U.S. Securities and Exchange Commission. You can access ITW's 2013 Annual Report at [www.itw.com](http://www.itw.com).

## REPORT PARAMETERS

Given the decentralized structure of ITW and the diverse markets it serves, the company has used ITW's proprietary 80/20 business process to determine what types of corporate social responsibility information can reasonably be collected from each business and will have the greatest relevance for our stakeholders. ITW reports on an annual cycle, with each report covering the calendar year. The reporting boundary includes companies over which ITW has operational control, with the exception of leased non-manufacturing facilities and joint ventures. Approximately 90 percent of ITW's required facilities have provided information for the 2013 reporting year.

## TABLE OF CONTENTS

<b>2</b>	MESSAGE FROM ITW'S VICE CHAIRMAN
<b>4</b>	GOVERNANCE AND ETHICS
	Corporate Governance
	Business Ethics
	Principles of Conduct

<b>6</b>	SAFETY, HEALTH AND WELLNESS
	2013 Safety and Health Data
	Key Safety Objectives
	Employee Wellness Program
	Business Profiles

<b>10</b>	ENVIRONMENT AND SUSTAINABILITY
	2013 Environmental Data
	Environmental Policies and Management System
	Energy Reduction Program
	Carbon Disclosure Project
	Business Profiles

2013 PERCENTAGE OF  
TOTAL COMPANY REVENUE

50%  
NORTH AMERICA

29%  
EUROPE, MIDDLE EAST  
AND AFRICA

21%  
ASIA PACIFIC  
AND OTHER

# Corporate Profile

## CORE VALUES

The company's values support ITW's differentiated business model and create a culture that enables leaders and employees 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 employee insights at all levels and expects the diverse workforce to be embraced with respect and dignity and all views to be recognized.
- **Trust** – The company trusts that all ITW colleagues will operate with the highest professional standards and in the best interests of the company at all times.
- **Shared Risk** – ITW encourages well-reasoned, prudent risk-taking in an environment where challenges are discussed openly. At ITW, all employees work 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.

~51,000  
EMPLOYEES

2013 TOTAL REVENUES  
**\$14.1  
BILLION**

**56**  
COUNTRIES

## ITW'S DIFFERENTIATED BUSINESS MODEL



**16** DIVERSITY AND INCLUSION  
Recruiting and Retention  
Diversity and Inclusion Leadership Council  
Women's Leadership Development Council

**20** COMMUNITY INVOLVEMENT  
2013 ITW Total Giving  
ITW Foundation  
Business Profiles

**24** SUPPLY CHAIN RESPONSIBILITY  
Supplier Relationships  
Product Responsibility  
Conflict Minerals  
Business Profiles

## message from ITW's vice chairman



**At ITW, constant improvement is a core value.** Through our five-year Enterprise Strategy, we are leveraging ITW's highly differentiated business model to position our company to be best-in-class, in the context of an increasingly competitive global economy. At the same time, our commitment to being a responsible company is stronger than ever, and we believe our Enterprise Strategy is helping us become an even better corporate citizen.

We intend to be better as a company and to make things better for the people and communities where we live and work. In 2013, we focused our energies on moving the needle in a significant way, and we are pleased to update you on our progress.

### FOCUSING ON THE RIGHT THINGS

During 2013, we reinforced our commitment to high standards in corporate social responsibility (CSR), which includes governance and ethics, diversity and inclusion (D&I), worker safety and health, environmental responsibility, supply chain responsibility, and the general well-being of our people and communities. We have zero tolerance for non-compliance with our ethics policy and principles of conduct, and our core values – Integrity, Respect, Trust, Shared Risk and Simplicity – continue to guide and inspire us. We are also on track to meet the initial May 31, 2014, reporting obligations for conflict minerals under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

In addition, the three key enterprise initiatives of our five-year Enterprise Strategy are linked to our CSR efforts in important ways:

- **Portfolio Management** means we are narrowing our focus on the areas of greatest opportunity and core competencies for the company, which applies to the business as well as the CSR program.

- Through **Business Structure Simplification**, we will achieve economies of scale that can make all aspects of our business more efficient and effective.
- Under **Strategic Sourcing**, we are able to work more closely with our key suppliers to be more responsible and responsive to the world around us.

### MAKING A DIFFERENCE

For our CSR efforts to be successful, our decentralized entrepreneurial culture demands that our people take ownership at the division, facility and individual level, and they enthusiastically did so again in 2013. I am pleased to share some of the highlights here and I hope you will read further in this report for more information.

**Support for Education:** Education is a priority for our businesses, including our ongoing support of welding education programs through the Hobart Institute of Welding Technology. In 2013, we also initiated plans for the ITW David Speer Academy, a new charter high school in a previously underserved neighborhood of northwest Chicago. This new STEM-focused

charter high school honors the legacy of David Speer, our former Chairman and Chief Executive Officer, who passed away in November 2012 and who was a tireless champion for education as a means to economic opportunity. Groundbreaking for the school was held in early 2014, and we expect the first freshman class to start in fall 2014.

**Diversity and Inclusion:** Our goal is to make the leadership of ITW look more like the communities where we live and work. During 2013, we made progress toward our D&I goals, convened the ITW Diversity and Inclusion Leadership Council and expanded the work of our Women's Leadership Development Council (WLDC). The WLDC held its second leadership conference in early 2014.

**Community Giving:** The men and women of ITW gave approximately \$25 million to organizations through the ITW Foundation, employee giving initiatives and business-level contributions in 2013.

**Safety, Health and Wellness:** We are working to go well beyond OSHA compliance by enhancing our efforts in employee involvement, near-miss reporting, job safety analysis and communication. In addition, our "Living Well at ITW" initiative, which includes hundreds of Wellness Champions around the company, continues to make progress in improving employee health, and all ITW campuses in the U.S. are now "tobacco-free."

## ITW 2017 CSR PRIORITIES

Given the close connections to our Enterprise Strategy, it is no coincidence that many of our CSR priorities also have a target date of 2017. These 2017 priorities include:

- Reducing the energy intensity at our top energy-consuming businesses by 20 percent (in 2013, we achieved a 16 percent reduction over a 2011 baseline).
- Reaching full enrollment capacity in grades 9 through 12 at the ITW David Speer Academy, a STEM charter high school in our hometown of Chicago.
- Addressing the number of women in ITW leadership positions (vice president and above).
- Enhancing the diversity (racial, ethnic and national backgrounds) of ITW's leadership team.
- Continuing to strategically support organizations that are aligned with our business interests within the communities where we operate.

**Environment and Sustainability:** Our businesses remain very active in addressing their energy usage, waste reduction and recycling goals, and even helping customers attain their sustainability goals. I am also proud of the work and leadership being provided by our Green Teams at our Glenview, Ill., headquarters and around the world.

## A MATTER OF PERSPECTIVE

At a time of great change in our business and despite the many competing priorities that our people deal with every day, I am so pleased that our people have stepped up to the challenge and that we have enhanced our engagement with our stakeholders. We believe that a safe, diverse, engaged and responsible company is also a better, more profitable and sustainable company.

We are pleased with the progress, but we know there is more work to be done. As in many other areas of our business, in corporate social responsibility, we are striving for continuous improvement. We believe we can be better and we believe it matters.



David C. Parry  
Vice Chairman

"We believe that a safe, diverse, engaged and responsible company is also a better, more profitable and sustainable company."

# be trustworthy

## GOVERNANCE AND ETHICS

### CORPORATE GOVERNANCE

#### Corporate Governance Guidelines

ITW publishes clear and comprehensive corporate governance guidelines that ensure our company is governed in a manner that serves the interests of our shareholders, employees and other community stakeholders. The guidelines detail the Board of Directors' responsibilities, committees and methods of communication with shareholders. The guidelines also outline the Board's approach to compensation, succession planning and risk oversight. The full guidelines can be accessed under the Investor Relations tab on our website.

#### Board Composition

ITW has a single-tier board of 12 Directors, one of whom is an executive and none of whom are employee representatives. All 11 non-executives are considered independent (92 percent) according to NYSE listing requirements. All members of the audit, compensation, and corporate governance and nominating committees are independent.

ITW's Board of Directors includes two women and two African-American men.

ITW's Chairman and CEO roles are separate. 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.

#### CSR Oversight

Several members of ITW's Board of Directors receive updates on the company's ongoing CSR activities and initiatives. This group is led by ITW's Vice Chairman, David Parry, who 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. The Board also has oversight over updates to ITW's purpose, values, strategies, policies and goals related to economic, environmental and social topics.

### BUSINESS ETHICS

#### Code of Ethics

The ITW Code of Ethics reflects our strong commitment to fair and honest business dealings and provides explicit direction to our top executive officers and all key financial personnel who have responsibilities in connection with financial information and data.

The code is designed to promote:

- Honest and ethical conduct and avoidance of conflicts of interest;
- Full, fair, accurate, timely and understandable disclosure;
- Compliance with applicable governmental laws, rules and regulations;
- Prompt internal reporting to an appropriate person or persons identified in the code, of violations of the code; and
- Accountability for adherence to the code.

You can view our full Code of Ethics under the Investor Relations tab on our website.

#### CONFLICT MINERALS UPDATE

ITW has adopted a conflict minerals policy statement and is preparing its Form SD for filing with the U.S. Securities and Exchange Commission. More information about our initiatives related to conflict minerals can be found in the Supply Chain Responsibility section (page 25) of this report.

**ITW is proud of the reputation it has built by conducting business according to high company-wide standards.** In fact, we believe our success stems from our corporate values and strong culture of integrity and trust. To help guide our continued success, ITW regularly reviews and updates our policies governing ethical conduct and responsible behavior.

## PRINCIPLES OF CONDUCT

ITW's Principles of Conduct document describes the expected standard of behavior governing all ITW employees and managers. Every year, employees are required to complete a certification agreeing to abide by the ITW Statement of Principles of Conduct. Our eight principles are as follows:

1. Avoid all conflicts of interest
2. Protect and properly use ITW's assets
3. Make no improper payments or gifts
4. Do not use ITW assets or funds for political contributions
5. Do not use corporate opportunities for personal benefit
6. Comply with all applicable laws
7. Be fair to ITW and to ITW's employees, customers, suppliers and competitors
8. Maintain confidentiality

The Principles of Conduct also include a non-retaliation policy and instructions on how employees may report possible violations of the principles. Employees have the option of reporting concerns directly to ITW's General Counsel or to the Vice President, Audit Services. They may also use the EthicsPoint helpline described below. The full Statement of Principles of Conduct can be accessed via the Investor Relations tab on our website.

## EthicsPoint 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 General Counsel, Senior

Vice President of Human Resources, 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.

## Global Anti-Corruption Policy

ITW is committed to the highest standards of business conduct. That requires all of our employees around the world to take an active role in complying with our Global Anti-Corruption Policy. Supplementing the ITW Principles of Conduct, the policy further emphasizes the importance of complying with anti-corruption laws of all countries in which ITW and its divisions, subsidiaries, agents, consultants and affiliates operate. The policy defines bribery, explains how to test whether a gift constitutes a bribe, and refers to the Organization for Economic Co-operation and Development's Guidelines for Multinational Enterprises as well as other international and domestic anti-bribery and anti-corruption laws. Our full Global Anti-Corruption Policy is available in the Investor Relations section of our website.

## Political Involvement and Contributions

ITW prohibits its employees from using corporate funds to make political contributions. ITW employees and directors may make personal donations, but they cannot receive any type of reimbursement from ITW. In jurisdictions where corporate giving to political candidates or causes is permitted, contributions on behalf of ITW must be made by ITW's nonpartisan political action committee (which is funded exclusively through voluntary contributions by exempt employees). ITW has not made any "independent expenditures" in connection with federal and state elections and has no plans to do so in the foreseeable future. More information can be found in the Government Affairs section of ITW's website.

# be safe & healthy

## SAFETY, HEALTH AND WELLNESS

**ITW cares about the safety, health and wellness of all employees around the globe.** That's because, despite ITW's widely dispersed and decentralized operations, we are one ITW. Employees at ITW businesses all over the world will tell you they feel like part of a close-knit family within a small, entrepreneurial business environment. And a big part of our culture is creating opportunities for all employees to succeed.

### ITW 2013 SAFETY DATA

#### INJURIES RESULTING IN DAYS AWAY



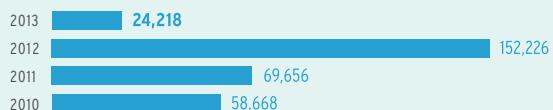
#### FATALITIES

2013	0
2012	0
2011	0
2010	0

#### GOVERNMENT SAFETY INSPECTIONS



#### GOVERNMENT SAFETY INSPECTIONS' RESULTING FINES (IN U.S. DOLLARS)



## **SAFETY AND HEALTH COMPLIANCE IS JUST THE BEGINNING**

Much like the rest of ITW, safety and health initiatives are spearheaded at the business level, with support from the corporate safety and health team. The company collects data at the group president level and each site's general manager is responsible for tracking data; each and every employee is responsible 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. As part of their safety programs, ITW businesses may take advantage of myriad training opportunities provided by the corporate team. Many of the safety trainings are web-based.

## **KEY SAFETY OBJECTIVES CHALLENGE US TO GO ABOVE AND BEYOND**

ITW is continually striving to find ways to enhance its safety and health program and stretch the company's performance. In addition to maintaining a high level of occupational safety and health compliance, a number of ITW businesses are currently working on four safety objectives that go well beyond what is required by OSHA but that will have a lasting positive impact on workplace safety:

- **Employee involvement** in the safety and health program, including safety committees, safe behavior observation programs and extensive safety 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.



## **VPP STAR SITE DYNATEC REFUSES TO GET COMPLACENT ABOUT SAFETY**

In 2005, the Dynatec facility in Hendersonville, Tenn., made the decision to apply for OSHA's Voluntary Protection Programs (VPP). This decision is not to be taken lightly: under the VPP Star program, sites complete an extensive application, submit to week-long audits and agree to maintain a close working relationship with OSHA.

The team at the Hendersonville site knew the plant was excelling in many areas and wanted to take the extra step of Star designation as part of its commitment to all 110 employees at the plant, which is Dynatec's largest facility. The plant manufactures adhesive application equipment for customers in the disposable hygiene, coating/laminating and packaging industries.

"The involvement of every single employee in the safety program is a key to its success," explains Denise Steiner, HR Manager and Safety Coordinator. "All 15 of our employee teams are still active, working on issues ranging from contractor safety to electrical safety to improvements in safe work practices. People are happy to work at a place where safety comes first and everyone, which means 100 percent of our workforce, has a role in it. When employees join us from other companies, they say they can tell the difference immediately. Safety is such a source of pride here." Steiner says safety training for new employees provides a good refresher and motivator for everyone involved, including Star team captains (pictured above).

Representatives from Dynatec also serve as resources to other ITW sites and other companies. For example, a group of employees who are passionate about safety participates in the Tennessee Safety Congress every year.

## HOBART SERVICE EMPLOYEES TAKE SAFETY INTO THEIR OWN HANDS

There are approximately 1,600 employees in ITW's Food Equipment Group's Hobart Service business. These employees are responsible for installing and servicing Hobart equipment in the field. Service employees face unique safety challenges. They are based out of one of Hobart's more than 75 branches but they perform all of their work at non-ITW sites, which means they enter a wide variety of workplaces – from established facilities to construction zones – and they work in areas they do not control. They also work generally unsupervised and they drive to and from customer locations. All of those realities are generally regarded as significant challenges to worker safety.

Hobart management knew they had a good workforce in place that needed extra support and tools to address the safety risks. In addition to hiring a safety manager dedicated to the service business and designating site safety coordinators at the local level, Hobart has taken other measures to make sure everyone gets the safety message. Field technicians are now expected to do their own on-site hazard assessments, and determine how and what they can control. Technicians also participate in regular safety meetings at their home branches, which provide a forum for discussing the current month's training module, best practices and any current concerns and opportunities. These meetings also involve "what-if" drills and a review of any recent incidents.

Safety coordinators and employees also work together to develop and share daily safety messages and weekly safety best practices. These grassroots initiatives encourage the application of ITW's 80/20 business process – focusing on the 20 percent of actions that will drive 80 percent of the improvement. As a result, many of the ideas address the top three safety and health issues affecting field technicians: preventing burns, safe handling of equipment and protection against cuts. Some of the most significant improvements have been to reduce the weight of tool bags and to focus on the proper use of personal protective equipment.

Alisha Manley, Safety Manager for the Hobart Service business, says, "ITW leadership instills in us that we have a moral and ethical responsibility to keep our people safe. It just so happens that these people are all out in the field, but that doesn't change our responsibility or theirs. We have made a lot of progress with awareness, so they can make the right choices and feel comfortable speaking up if something appears to be unsafe. We know reinforcement is critical so that safety eventually becomes second nature for our technicians in the field."

The Hobart Service employees' incidence and severity rates declined significantly in 2013, and the culture change is ongoing. The safety improvement is also helping Hobart Service gain new business because requests for proposal often include safety considerations.



## 'LIVING WELL AT ITW' GAINS MOMENTUM

The "Living Well at ITW" wellness initiative continues to encourage employees to participate in free biometric health screening and personal health assessments. In 2013, a higher percentage of employees fell into the low-risk category than previous years based on the biometric health screening and personal health assessment results.

The Living Well at ITW program continues to focus on three principles: **Know Your Numbers, Eat Well** and **Be Active**, and the overarching theme in 2013 was Nutrition. ITW organized programs and activities aimed at educating employees about maintaining a healthy diet and eating well. More than 4,000 employees participated in the nutrition challenge, which encouraged increased consumption of produce, whole grains

## LPS LABORATORIES' WELLNESS PROGRAM BENEFITS EMPLOYEES AND THE COMMUNITY

LPS Laboratories, a global MRO chemical manufacturer based in Tucker, Ga., has been promoting wellness for many years. Efforts began even before it was common to talk about wellness at work and have steadily grown into a mature wellness program, guided by the "Living Well at ITW" philosophy.

As part of its comprehensive wellness program in 2013, the LPS wellness committee organized two walks/runs (see photo at right) and sponsored a healthy breakfast to benefit the United Way. In early May, 28 participants, including LPS employees and family members, braved rainy conditions to participate in Atlanta's Big Peach 5k benefiting the Leukemia & Lymphoma Society.

To accommodate employees who were unable to participate in the spring event, the wellness committee also organized a fall run that benefited the historic Oakland Cemetery in Atlanta. This garden cemetery, founded in 1850, is the final resting place of many of Atlanta's settlers, builders and most noted citizens, and relies on community support for restoration and protection.

In addition, keeping in mind that diet is at least as important as exercise, the wellness committee hosted a healthy breakfast to kick off the annual United Way campaign.



and water. At the beginning of the challenge, only 36 percent of employees met or exceeded the challenge's nutrition standards. By the end of the campaign, that percentage soared to 60 percent!

In addition, ITW formally declared all campuses in the U.S. "tobacco-free." To help employees who use tobacco products, ITW enhanced the smoking cessation benefits in its medical plan, and trained the Wellness Champions at the business level to provide additional support. ITW businesses also connected their people to local smoking cessation resources.

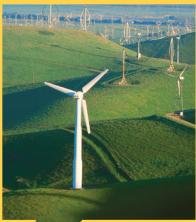


Several Wellness Champions were particularly active in 2013. For example:

- **Lisa Watkins**, Wellness Champion for ITW's VulcanHart facility in Baltimore, held nine onsite wellness activities for her fellow employees in 2013. Because of Lisa's leadership, 65 percent of VulcanHart employees at this plant participated in the biometric health screening program.
- Another Wellness Champion, **Jodie Monroe**, believes the success of the wellness program at ITW Professional Brands is due to the direct support of General Manager Paul Taylor. The Olathe, Kan., facility has a Wellness Committee in place that drives the program and keeps employees engaged.

# be responsible

## ENVIRONMENT AND SUSTAINABILITY



**ITW's business performance depends on a healthy planet and sustainable practices.** Our businesses have the “flexibility within a framework” to determine how best to manage their environmental responsibilities and achieve their environmental targets. The company’s decentralized operations continue to present challenges in terms of being able to track ITW’s environmental performance at the enterprise level. As ITW continues implementing its business structure simplification initiative as part of the company’s five-year Enterprise Strategy, the scaled-up structure of ITW divisions should have a positive impact on the company’s ability to measure its progress in the years ahead.

ITW is continually reevaluating and seeking to improve its initiatives and processes, and refine its data goals and targets. In 2013, ITW again collected and analyzed energy, emissions, waste and water data from company-owned facilities and leased manufacturing facilities. ITW also maintained the commitment to its five-year energy/emissions reduction goals, even as business changes are making comparisons difficult on an annual basis. Employees continue to be active and engaged in many voluntary environmental projects driven at the local level around the globe.

## ENVIRONMENTAL POLICIES ESTABLISH RESPONSIBILITY

Each ITW division is responsible for complying with the ITW Environmental and Safety Policy and the ITW Sustainability Policy. ITW believes everyone in the organization has a responsibility to preserve and protect the environment, conduct operations in a safe manner, and recognize the environmental and social impacts of those operations.

## ENVIRONMENTAL MANAGEMENT SYSTEM 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) 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 functions and regulatory compliance initiatives covering all ITW operations.

“ITW believes everyone in the organization has a responsibility to preserve and protect the environment.”

In 2013, ITW maintained more than 50 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.

## ENERGY REDUCTION TARGET PROGRAM UPDATED

In 2011, ITW announced its first energy/emissions reduction target – “...to reduce energy intensity and the resulting greenhouse gas emissions by 20 percent at our top-10 energy-consuming businesses.” As a result of the Enterprise Strategy initiatives, there are four businesses remaining from the original top 10. Implementation of the Enterprise Strategy will continue for several more years and the company will continue to change. Therefore, ITW has decided to continue its energy reduction efforts as a pilot program with the four remaining top-10 energy-consuming businesses.

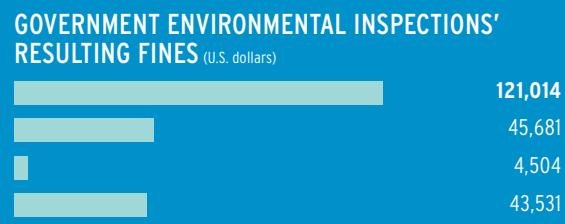
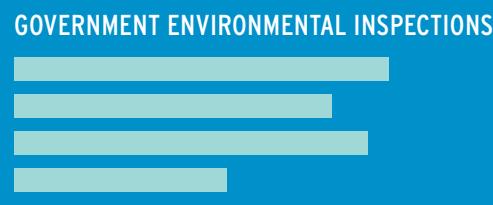
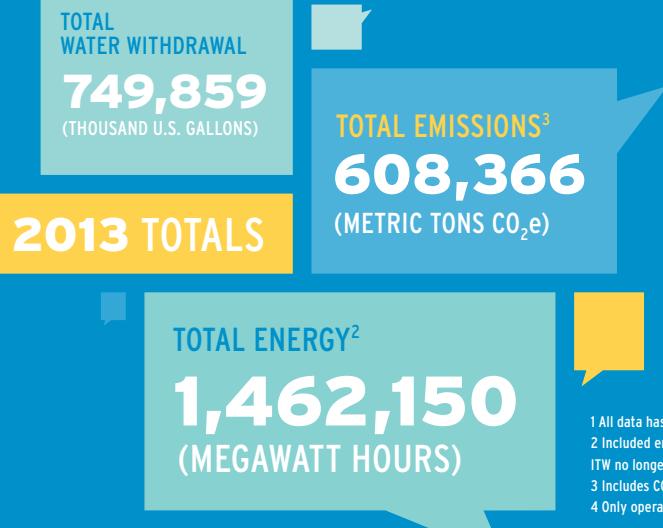
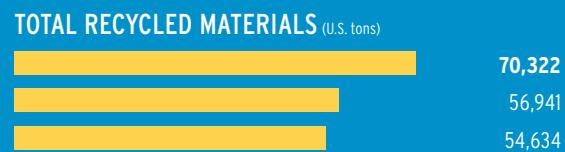
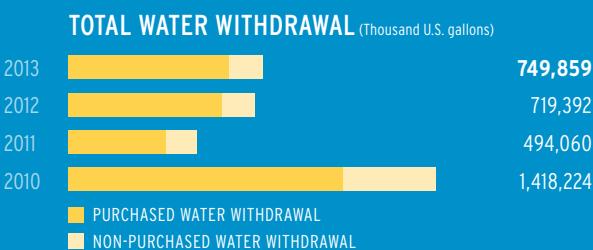
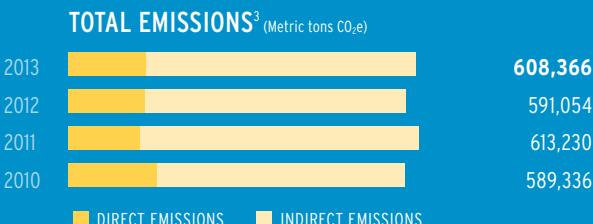
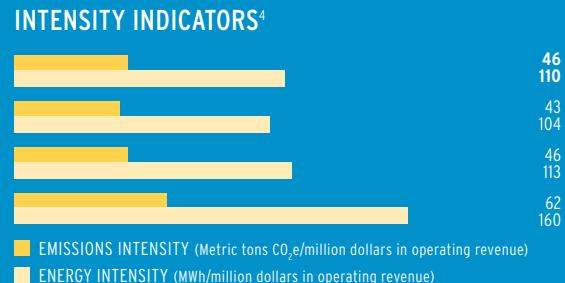
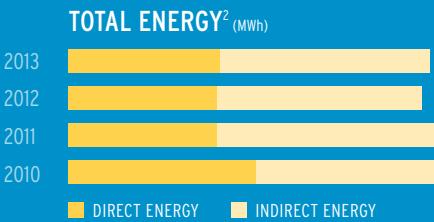
In late 2013, ITW sent an energy consultant to Shakeproof Automotive’s Bedford, Ohio, facility to conduct an in-depth energy audit, which included examining lighting use and placement, heating of the facility, compressed air leaks, business operations, storage tanks, etc. At the time of the audit, the business was considering a proposal for a lighting retrofit, and the auditor was able to review the proposal and make additional improvements that saved the business more money and energy than originally expected. The auditor’s final report showed the business additional ways to reduce its energy use and costs significantly over the next two years. The next step is to have the consultant train staff at other ITW businesses to use their existing programs to improve their energy efficiency.

**TOP ITW ENERGY-CONSUMING BUSINESSES**  
Includes Electricity, Natural Gas, Heating/Fuel Oil and Propane

	2011	2012	2013	Percent change vs. 2011
<b>TOTAL ENERGY (MWh)</b>	217,455	192,111	193,837	-11%
<b>TOTAL EMISSIONS (metric tons CO<sub>2</sub>e)</b>	76,944	72,889	74,612	-3%
<b>ENERGY INTENSITY</b> (MWh/thousand dollars in operating revenue)	0.57	0.45	0.48	-16%
<b>EMISSIONS INTENSITY</b> (metric tons CO <sub>2</sub> e/thousand dollars in operating revenue)	0.20	0.17	0.18	-9%

The businesses included in our reduction program represent 13 percent of the total energy usage reported by ITW businesses. (See page 12 for full data.) Note that this data has been recalculated to reflect recent changes in ITW’s business structure.

# ITW 2013 environmental data<sup>1</sup>



<sup>1</sup> All data has been restated due to portfolio management changes.

<sup>2</sup> Included energy sources are electricity, natural gas, heating/fuel oil, wood, diesel, gasoline and propane (fork truck).

ITW no longer reports energy and emissions from coal combustion due to portfolio management changes.

<sup>3</sup> Includes CO<sub>2</sub>, N<sub>2</sub>O, CH<sub>4</sub>.

<sup>4</sup> Only operating revenue from participating divisions was included in the calculation of intensity metrics.

The reporting period for ITW's environmental, health and safety data is January 1 - December 31, 2013. 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. Due to the size and complexity of ITW and the business structure changes launched in late 2012, we were unable to collect all the necessary data, in spite of good faith efforts. This report includes data from approximately 90 percent of the included companies.

## LEVERAGING ITW RESOURCES FOR RENEWABLE ENERGY

ITW products from various business units have been used in renewable energy applications for quite some time. Several years ago, ITW made the decision to increase cross-discipline coordination among our businesses and, as a result, created business teams dedicated to the wind and solar energy industries. This move has allowed ITW to increase its market and technical expertise for these industries, and expand its role in helping other companies achieve their environmental and sustainability goals. The solar and wind teams represent several ITW businesses in their interaction with customers, driving collaboration to better serve these growing markets.

### ITW Wind

ITW Wind serves and supports the global wind energy market. With value-added solutions that utilize high performance grout, adhesive, sealant and coating technologies, ITW Wind partners with on and offshore wind energy developers and wind blade and turbine manufacturers. As the industry continues to evolve – through a shift toward larger, taller towers, polyester/polyvinyl wind blades, and offshore wind – ITW Wind will ensure that the right resources are in the right places to serve this growing industry.



“ITW will expand its role in helping other companies achieve their environmental and sustainability goals.”



### ITW Solar

ITW serves the solar energy market with sealants, adhesives and coatings used in PV modules, roof protection under solar arrays, and to protect the electronics in “smart” PV power conditioning equipment. The ITW team is helping customers’ drive toward grid parity by providing innovative polymer solutions that continue to protect delicate components throughout their long service life.

ITW is also setting a good example for others: ER Systems is an ITW company that leads the cool-roof coating industry with its highly reflective roof coatings and membranes that are Energy Star Certified and meet LEED requirements. ER Systems’ roof on its Rockford, Minn., headquarters is a very cool roof (inset photo on left), featuring six small-scale, roof-mounted wind turbines; a 4.8-kw photovoltaic solar array; a 5,000-square-foot area of vegetation to reduce and filter storm water runoff and lower rooftop temperature; as well as the business’ reflective roof coating.

## APPLIED AUSTRALIA HELPS LIMIT COMMUNITIES' COAL DUST

Applied Australia, an ITW company that designs and implements tailored chemical programs backed by routine on-site technical service support programs, is a solutions provider in reducing fugitive dust coming from loaded coal wagons.

Based on community concerns about coal dust during transportation, the Queensland Department of Environment and Heritage implemented its Coal Loss Management Plan. ITW was contracted by coal mining companies to implement one aspect of this project: applying a dust suppressant to loaded coal wagons prior to transportation. Applied Australia has a dedicated team directly involved in implementing this solution – from project management and installation to service and logistics. This project has led to improved living standards, including health and safety, for mining communities. It has also benefited other stakeholders, such as the coal mining companies, which lose less coal during transport, and rail infrastructure providers, which now have easier maintenance.

## CRAWLEY SITE FOCUSES ON ZERO WASTE

In 2012, ITW Construction Products in Crawley, West Sussex, U.K., assembled an internal team to identify processes and opportunities that would lead to the business having a more positive overall impact on the environment. The team identified waste reduction as a priority. As a benchmark, the team determined that Crawley sent approximately 74 metric tons of waste to landfill in 2012.

To address the issue in 2012 and 2013, the Crawley site focused on waste segregation, by replacing most of its general waste outlets with recycling units. In the first quarter of 2013, the company met its goal of sending zero waste to landfills. Jayne Ray from ITW Construction Products says, "Due to our focus on waste segregation, most of our waste has been recycled or reused. A total of approximately 60 cubic meters of landfill space has been spared by this initiative." She also reports that 439 trees have been saved by cardboard and paper reuse, enabled by the separation of these items from other waste.

## ITW FACILITIES TARGET ENVIRONMENTAL IMPROVEMENTS

ITW's annual 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.

Many sites have initiatives in place to recycle packaging materials and scrap rather than simply throw them away. In addition, several facilities have replaced lighting fixtures with more energy-efficient bulbs as well as installed motion sensors in office areas to conserve electricity. ITW also supports its businesses that are interested in establishing internal "Green Teams" and provides assistance for employee training.

In 2013, ITW Kester, a global supplier of soldering materials to the electronics assembly, component and microelectronics marketplaces, re-evaluated how it disposes of waste water. This business historically sent its laboratory waste water off-site for processing. In evaluating its processes, Kester decided to install waste water evaporators and, now, the business is able to skim off

the used oil from the water. As a result, the business is able to save the cost of shipping the waste water and sends just the skimmed oil for recycling, reclamation or energy recovery.

## 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 2013, ITW again voluntarily responded to the CDP investor questionnaire. The company's overall CDP Climate Change disclosure score showed a modest increase over the previous year. We are very pleased by the improvement; in 2012, we lagged behind our peers, but through hard work and determination, our performance is now in line with our peers.

Although ITW has room to grow and improve, participation in CDP has increased the company's understanding of its risks and opportunities related to climate change. This knowledge continues to inform the work the company is doing to meet its five-year energy usage reduction target.

**ITW**  
Glenview Green Team



**ITW'S GLENVIEW 'GREEN TEAM'  
REPORTS PROGRESS**

At ITW's headquarters near Chicago, the Glenview "Green Team" uses awareness, events and friendly reminders to encourage employees to take personal action in support of environmental responsibility and sustainability. The cross-functional team, with members from marketing, sales, EHSS, operations, strategic sourcing and more, is well aware of the many internal challenges and opportunities that demand its attention.

Tim Gardner, Executive Vice President, Consumer Packaging, and Green Team executive sponsor, points out the importance of the Green Team's mission and the fundamental nature of its work. He says, "We have made a lot of progress since the Glenview Green Team was formed in 2009 because the team has focused on being visible and educating all employees, not just doing its own projects. We have some smart, persistent people involved – and they have used outside resources where appropriate to make sure we are addressing environmental responsibility and sustainability at the individual level on a regular basis, which benefits us all."



"We have made a lot of progress since the Glenview Green Team was formed in 2009 because the team has focused on being visible and educating all employees."

**Tim Gardner**

Executive Vice President, Consumer Packaging

The Green Team's approach has been to focus on a few priorities and do them well:

- **Recycling program:** The Green Team is responsible for the Glenview campus' general recycling efforts, as well as specific recycling programs for Christmas tree lights, electrical goods, packaging material and eyeglasses.
- **ITW World Environment Week:** In conjunction with World Environment Day in early summer, the Glenview Green Team hosts an annual Environment Fair (see photo at bottom left). The 2013 theme was Water, and the team invited guest speakers and water-related groups to have booths and share information about their efforts. The fair was attended by approximately 300 ITW employees, and guests received timers to help them monitor and conserve water in their homes.
- **Partnering with local organizations:** The Green Team's Garden Committee engages with several local organizations, including the Chicago Botanic Garden. The team participates in the Garden's annual World Environment Day event, a family event that helps to teach the public about their impact on the planet. This event is an opportunity for the Green Team to introduce ITW to the public and some of the products that help to conserve resources.
- **Mentoring for other facilities:** By sharing tips, best practices and advice from lessons learned, Glenview Green Team members support ITW sites around the world that want to set up their own green teams.

# be inclusive

## DIVERSITY AND INCLUSION

**Diversity and Inclusion are an integral part of doing business at ITW, and they play a key role in the company's business planning and performance measurement processes.** ITW believes a diverse workforce and an inclusive environment – where everyone is involved in driving innovation forward – enhance operations and business success, boosting the long-term prospects for the company. We also believe that diverse perspectives, open communication and inclusion create customer satisfaction, employee motivation, rewarding vendor partnerships, greater return on investment for shareholders, and better communities in which we work and live.



"Creating an environment at ITW where everyone has opportunities to advance and lead is one of the most important things we can do to make a good company better," says Cheri Chappelle, Director, Diversity and Inclusion. "Intellectually, we all understand that organizations that are more diverse are more profitable and innovative. The next step, which ITW is taking, is to translate that recognition to address the opportunities and challenges that will really make a difference and to make diversity and inclusion simply part of the way we do business."

In keeping with ITW's corporate philosophy of 80/20, the company structures its diversity and inclusion strategies to focus on the key 20 percent of initiatives that will provide 80 percent of business impact. Those activities include empowering and developing all current ITW leaders, and supporting and recruiting the next generation of leaders. These efforts, which are described in detail below, receive the full support of ITW and its leadership team because the company as a whole understands that respecting differences, promoting talent development and valuing the ideas of all of its employees are smart business decisions. The proof is in ITW's success stories to date and the company's commitment to drive this agenda forward.

### RECRUITING AND RETAINING TOP TALENT

ITW is committed to continually looking for ways to recruit and engage new talent. In order to attract talented, diverse leaders for the future, ITW's leadership and development strategy is aimed at recruiting employees who reflect the communities where we operate.

For example, ITW has a strategic college recruitment program in the U.S., which involves partnerships with select colleges and universities that have top-notch engineering and business programs and diverse student populations. Currently, those schools include Northwestern University, University of Illinois at Chicago, The Ohio State University and Georgia Institute of Technology. ITW also recruits nationally to find the next generation of leaders.

Once these employees become part of ITW, the company offers several professional development programs to foster their professional growth:

- ITW's Early in Career program (photos below right) is an enterprise-wide program in which the company's executives nominate and select a small group of promising young leaders from ITW businesses all over the world for an eight-month immersion leadership experience.
- At the division level in the U.S., the Emerging Leaders Development program prepares high-potential, diverse, entry-level employees for leadership opportunities in ITW's Welding, Specialty Products and Food Equipment businesses over a three-year period.
- Consistent with ITW's decentralized entrepreneurial culture, employees have formed a variety of grassroots groups for networking and professional development purposes, including corporate groups such as Women in Technology and Women's Finance Network, and segment-wide groups such as Welding's Inspiring Women in Leadership, and Test & Measurement and Electronics' Women's Business Network.



- Internationally, a variety of businesses and locations offer development programs. For example, ITW's Adhesives business in Brazil participates in a government program in which high school students gain real-life work experience as apprentices. One student participated in 2012, the first year of the program, and two more students were involved in 2013, with more to come in 2014 and beyond. The program provides the students with a great learning opportunity and it gives ITW a chance to identify rising stars very early in their careers.



**"THROUGHOUT OUR HISTORY,** we have always sought new ideas and new ways of doing things. This focus on innovation has fueled decades of profitable growth. Today, as a global organization serving customers in 56 countries, we have the opportunity to bring together people from all walks of life and from across the globe, to share their unique perspectives, experiences and ideas as we work together to find new ways of serving our customers' unique and diverse needs. That, to me, is what diversity and inclusion means at ITW."

**Scott Santi**, President & CEO, ITW

## DIVERSITY AND INCLUSION LEADERSHIP COUNCIL

As a global company, ITW is committed to ensuring our leaders reflect the communities in which we live and work and that we all have a role in shaping the future. In addition, in order to achieve ITW's differentiated performance goals, including its organic growth target, the company understands it needs to have the right people in the right places in the organization to foster the innovative thinking that is ITW's hallmark.

ITW's Vice Chairman, David Parry, leads the Diversity and Inclusion Leadership Council. "A diverse work force leads to diverse thoughts and solutions to meet customer needs and, therefore, results in a stronger, more competitive and innovative enterprise," he says. "Unless everyone has an opportunity to have his or her voice heard, our company could be missing opportunities to innovate."

ITW's Diversity and Inclusion Leadership Council was formed to focus on making sure that the "best and brightest" come to ITW, feel welcome and choose to build their careers with the company, because they know that the differences they bring to ITW are valued.

When the Council convened in February 2013, it set a goal for increasing the diversity of ITW's leadership: by 2017, ITW is striving for 10 percent of the company's leadership positions in the United States to be filled by diverse leaders, defined as racial, ethnic, and/or country-of-origin diversity. The target year

of 2017 coincides with the financial and operational performance goals that are being driven by ITW's five-year Enterprise Strategy.

To move toward its goal of having company leadership become more inclusive, ITW is committed to:

- Finding the best and brightest minds and developing them into ITW's next generation of leaders as retirement and attrition create opportunities;
- Joining current ITW leaders with new talent to enrich and expand thinking across the organization;
- Creating an organization that reflects the people and organizations we serve; and
- Relying on all of ITW's core values, especially those of integrity, respect and trust.

## WOMEN'S LEADERSHIP DEVELOPMENT COUNCIL

ITW is committed to providing opportunities for everyone, regardless of gender, to lead at ITW. Through its Women's Leadership Development Council (WLDC), ITW is taking steps to act on that commitment.

ITW's goal is to have 25 percent of its global leadership team comprised of women by 2017. ITW recognizes that this is an evolutionary process that requires patience and understanding among people across the organization. The key steps the company is taking include:

- Ensuring executive commitment and accountability;
- Connecting action plans with long-term business goals;
- Leveraging local employee leadership groups in the areas of engineering, finance, legal, manufacturing and business management;

### 2017 WOMEN'S LEADERSHIP GOAL

# 25%

Of ITW leadership positions (vice president and above) held by women globally

### WOMEN'S LEADERSHIP PROGRESS

2013                  2012  
**19%**                  **11%**

### 2017 DIVERSITY AND INCLUSION GOAL

# 10%

Of ITW leadership positions filled by leaders of diverse racial, ethnic and national backgrounds in the U.S.

### DIVERSITY AND INCLUSION PROGRESS

2013  
**7%**

- Bringing together current leaders to leverage expertise, insights and mentorship;
- Conducting inclusive, research-driven planning; and
- Continuing to communicate the business case for developing and promoting leaders.

"The Women's Leadership Development Council is having an impact by continuing to make a strong business case for inclusion and diversity in the leadership team," says WLDC executive sponsor and ITW Senior Vice President, Human Resources Sharon Brady. "The networking and the professional development programming have made us all better leaders, and we are committed to paving the way for the next generation of ITW's female leaders."

In 2013, the company's WLDC expanded to 18 members when it welcomed five new members: Carolyn Woznicki, Vice President, Global Sourcing; Becky Tuchscherer, Group President, Commercial Welding; Mary Kate Phillips, Vice President and General Manager, Brand Identity Division; Jennifer Monnin, Vice President and General Manager, Hobart Brothers; and Diana Schneider, Vice President and General Manager, MIG Gun Division.

Additionally, to form the leadership team for the ITW Women's Leadership Development Council in Europe, Michele Arnison, Vice President and General Manager, Buehler, was joined by Elisabeth Finkbeiner, Vice President and General Manager, Safety and Motion, and Adele Genoni, Vice President and General Manager, ITW Welding. Plans are also underway to create a women's leadership council for our Asian operations.



## 2014 WOMEN'S LEADERSHIP CONFERENCE

At press time, ITW had just held its 2014 Women's Leadership Development Council conference (planning committee pictured above – Lei Zhang Schlitz not pictured). With the theme of "Building the Pipeline," the conference focused on boosting the number of women in ITW prepared for leadership positions and advancing the organization's Diversity and Inclusion mission. ITW believes in providing a collaborative, open space for women at ITW to think critically about their career path and the opportunities at ITW, as well as connect with other successful women and ITW senior executives from across the company and the globe.

### WELCOME OUR NEW MEMBERS



### WOMEN'S LEADERSHIP DEVELOPMENT COUNCIL MEMBERS

Michele Arnison	Lei Zhang Schlitz
Sharon Brady	Diana Schneider <sup>3</sup>
Cheri Chappelle	Shawnlyn Scalzitti
Elisabeth Finkbeiner	Meenal Sethna
Adele Genoni	Mary Beth Siddons
Maria Green	Sue Stark
MaryAnn McNally	Becky Tuchscherer <sup>4</sup>
Jennifer Monnin <sup>1</sup>	Karen Tulloch
Mary Kate Phillips <sup>2</sup>	Carolyn Woznicki <sup>5</sup>

# be engaged

## COMMUNITY INVOLVEMENT

**Being engaged in the community is as much a part of ITW's culture as decentralization and entrepreneurship.** ITW is committed to giving back to the communities where its employees live and work, and where its businesses are located. As in other areas of our business, ITW's community engagement and philanthropic activities are driven by partnerships that meet locally identified needs. The company encourages and incentivizes its employees and businesses to engage with their communities and support organizations important to them at the local level.

The support for larger initiatives in the U.S. and Canada is facilitated by the ITW Foundation, the nonprofit charitable arm of the corporation. For the second consecutive year, the men and women of ITW gave approximately \$25 million through the ITW Foundation, employee giving and business-level contributions. All over the world, employees at ITW businesses are proudly and deeply engaged with their communities, providing donations, volunteering their time and offering other generous support where it can have the most impact.

## ITW FOUNDATION

The ITW Foundation makes financial contributions to not-for-profit organizations that are based in the North American communities where ITW operates and that focus their services on causes that are strategically aligned with the company's core competencies and values. As part of its strategic planning process, the ITW Foundation has identified several long-term priorities, including support for education, workforce development and readiness around the world, health and human services, and the increasing globalization of the company's outreach efforts.

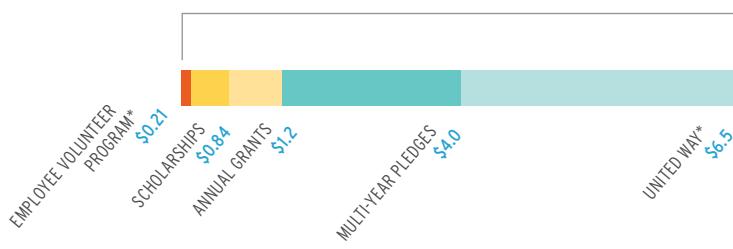


2013 ITW TOTAL GIVING

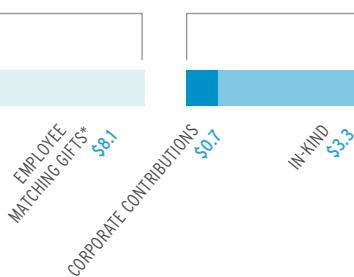
**~\$25 MILLION**

Dollars in millions

**~\$21.0 FOUNDATION**



**~\$4.0 BUSINESSES**



## ITW DAVID SPEER ACADEMY: SUPPORTING STEM EDUCATION AND HONORING DAVID SPEER'S LEGACY

In 2013, ITW initiated a significant philanthropic project to honor the legacy of David Speer, ITW's former Chairman and Chief Executive Officer who passed away in November 2012. ITW is helping to support a new STEM-focused charter school in the company's hometown of Chicago.

The ITW David Speer Academy will be located in the Belmont-Cragin



**ITW DAVID SPEER  
ACADEMY**

community of Chicago, and will provide an education focused on science, technology, engineering and math (STEM) to the youth of a previously underserved neighborhood. Because Belmont-Cragin is a neighborhood on the northwest side of Chicago, employees from ITW headquarters in nearby Glenview, Ill., will be able to volunteer their time and talents frequently.

Barbara Speer, David's wife, has been involved in the planning and believes this is the best way ITW could have chosen to honor her late husband. "Our family is humbled and thrilled by ITW's support and its determination in bringing this project to fruition," she says. "Education, especially mathematics, was something David felt very strong about, and we know David would be proud of ITW for making this commitment to the kids and families in our hometown of Chicago."

ITW is partnering with the Noble Network of Charter Schools for the ITW David Speer Academy. Enrollment will be open and non-selective, which ensures that the student body will reflect the diversity of the neighborhood. In addition to STEM-focused education and internship opportunities, the school will have a community service requirement for graduation and a football/soccer field, where The Pride's sports teams will play their home games. Students will be able to take engineering courses in all four years as well as a variety of language courses, including Mandarin Chinese.

The groundbreaking occurred in January 2014 and construction is underway. The first freshman class will start in fall 2014.

## HOLIDAY CAMPAIGN FOR GIVING PROVIDES ADDITIONAL SUPPORT

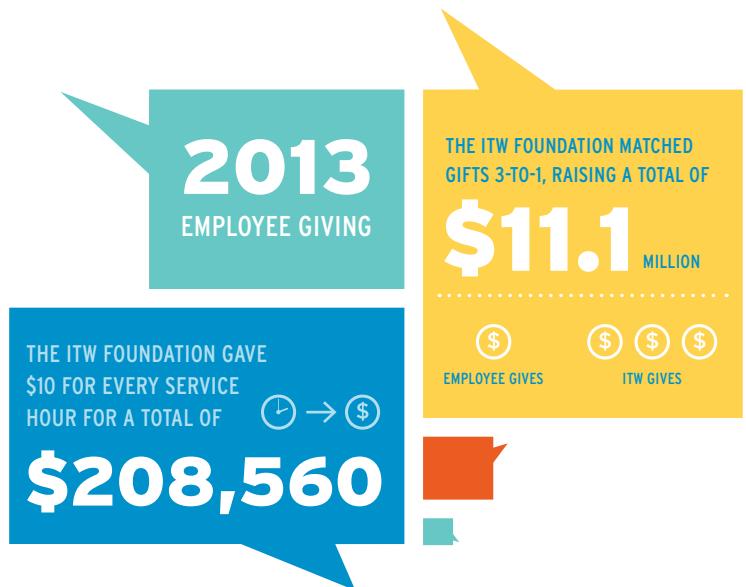
The ITW Foundation held a special campaign for its matching gift and volunteer programs during the 2013 holiday season. Any employee who donated his or her time and money to a qualified organization during December was entered into a drawing to win one of eight \$1,000 mini-grants for the organization. At press time, the drawing was scheduled for spring 2014.

## EMPLOYEE GIVING REVEALS HEARTFELT SUPPORT

ITW encourages its employees to give back, and the company supports them through the ITW Foundation's Hearts Giving Hope initiatives, which include ITW's matching gift and volunteer programs.



**Matching gift program:** This program is meant to support the charities about which ITW employees feel strongly. The Foundation matches an employee's contributions to a qualified organization on a 3-to-1 basis. 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 2013, the matching gift program totaled \$11.1 million – \$3 million from employees and \$8.1 million by the ITW Foundation. The ITW Foundation also funded more than



3,400 organizations in support of employees' generous gifts to their personal causes. More than \$2.1 million went to nonprofits with an education focus, giving employees the opportunity to support scholarships and other key programs at their alma maters as well as academic institutions their children attend.

**Volunteer program:** Giving their time is another powerful way for people to connect with the causes that they are passionate about and have a direct impact in the community. The ITW Foundation launched its volunteer support program in 2012, to honor ITW's 100th anniversary. The Foundation gives \$10 for every hour an employee volunteers at a qualified organization, up to 100 hours. In 2013, the program generated \$208,560 in support for 350 qualifying nonprofits, based on 20,856 hours of volunteer time. Additionally, ITW is proud that 67 of its employees volunteered 100 hours or more to organizations of their choice, which enabled them to maximize ITW's contribution to their organizations.



## INTRODUCING THE HOBART COMMUNITY KITCHEN IN TROY, OHIO

Last year, ITW shared the news of the ITW Foundation's gift of \$330,000 to fund the construction of a new soup kitchen in rural Troy, Ohio, which is home to the company's Hobart Food Equipment business, a global industrial food equipment manufacturer. The new kitchen opened in January 2014 as the St. Patrick Soup Kitchen, also known as the Hobart Community Kitchen. In addition to the funding provided by the Foundation, Hobart, Traulsen and Vulcan donated the food preparation equipment, and local employees from ITW's Welding and Food Equipment businesses will donate time, food and money on an ongoing basis.

With support from ITW, the Troy Foundation, United Way and other organizations, the Hobart Community Kitchen is designed like a house and operates like a restaurant, with guests seated by volunteers and served dinner. The facility provides a dignified and comfortable dining accommodation for guests. The kitchen is expected to serve approximately 24,000 meals a year to anyone who is hungry or seeks fellowship, and it is now able to serve dinner five days a week.

"Having dinner at the new St. Patrick Soup Kitchen is almost like coming home to dinner, or going out to a family restaurant. The home setting, the warm, friendly people, and the commitment to providing warm, healthy meals make this community kitchen an essential asset for the citizens of Troy, Ohio," says Dick Steineman, Director of the St. Patrick Soup Kitchen.

## ITW POLYMERS THROUGHOUT ASIA GIVES TO THE RELIEF EFFORT FOR TYPHOON HAIYAN

In November 2013, Typhoon Haiyan ripped through Southeast Asia, doing extensive damage to the Philippines. More than 6,000 people were killed and, in January 2014, news reports noted that nearly 2,000 people were still missing. On top of that, millions of people were displaced from their homes.

ITW Polymers ROA employees knew they had to act. Located in areas close to the devastation, and with one of their co-workers based in the Philippines, everyone on the ITW team wanted to make a meaningful contribution to the relief efforts. They chose to work through UNICEF, an organization that provides relief to children and families during emergency situations and crises, and donated money and supplies to go right to the victims of this devastating event.

## PARTNERING WITH AUSTRALIAN HOME CARE TO SUPPORT ADULTS WITH DISABILITIES

Over the past six years, an Australia-based team from ITW Construction Group Asia Pacific has built an ongoing relationship with Australian Homecare, a residence for adults with disabilities who require 24-hour care.

In the first year of the relationship, ITW learned that the organization intended to build a pergola with the funds donated by ITW employees. ITW's primary contact, Scott Hardy, Group Human Resources Manager, suggested that the organization ask various businesses in the area to donate the construction materials. He says, "We approached our partners about supplying the wood and metal roofing, and I asked concreters I know to do the flooring. When told of the cause, every one of these businesses donated materials."

Since then, the relationship has blossomed, with ITW Construction Asia Pacific donating funds to build a barbecue area; increase the number of concrete areas to improve wheelchair accessibility; create scenic sitting areas in the garden; install planter boxes that are wheelchair-accessible; provide an outdoor pizza oven; and purchase gym equipment and a flat screen television to hang on a wall so residents' views are no longer blocked by wheelchairs. All of these efforts, Hardy says, go a long way toward improving people's standard of living.

## ITW'S WELDING BUSINESS LEADS THE WAY IN WORKFORCE DEVELOPMENT

Workforce development, especially training for technical jobs in manufacturing, engineering and welding, is one of ITW's highest community-building priorities. Given the nature of the company's operations, these are fields ITW knows well, and the company feels a sense of responsibility to continue 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.

ITW's Welding business has been particularly active and successful in this regard. Over the years and with greater urgency in the last few years, the Welding business has been devising and supporting programs to address current and anticipated shortages of qualified welders.

"The average age of welders right now is about 58, and there are not enough young people entering the field," says Sundaram Nagarajan (Naga), Executive Vice President of ITW's Welding segment. "At the same time, unemployment remains stubbornly high in some parts of the country where good welding jobs are available. We should be doing everything we can to encourage entry into this field." To that end, ITW's Welding business is focusing on both supporting current welding students and exposing younger people to the many opportunities in welding.

To facilitate the training of current welding students, ITW gives grants and donations to fund scholarships as well as the purchase of new technology and equipment to several universities and trade schools. Its university partners include Ferris State

## PARTNERSHIP WITH BOYS & GIRLS CLUBS ENABLES YOUTH FILMMAKING

ITW has a long-standing relationship with Boys & Girls Clubs of America as part of its commitment to educating young people and lifting up future generations. The company has also been a long-time supporter and funder of Dreaming Tree Foundation, a nonprofit specializing in creative programs for youth that allow them to explore filmmaking. In 2013, these two groups came together to make and distribute a full-length feature film, *The Stream*, about childhood friendship starring Mario Lopez, Christopher Gorham and Kelly Rutherford. Partly funded by ITW, the majority of the film's proceeds benefit Boys & Girls Clubs.



Sharon Cekada/Post-Crescent Media

University in Big Rapids, Mich., and Fox Valley Technical College in Appleton, Wis. The Welding business is also a long-time supporter of the highly regarded Hobart Institute of Welding Technology in Troy, Ohio.

To reach high school and younger students, the Welding business has created programs in robotics to interest them in manufacturing, engineering and welding. In Appleton, Miller Electric supports a robotics competition and provides employee mentors to engage approximately 10 teams of students in engineering and science. The Welding business has also worked with the manufacturing program at Evanston Township High School in the Chicago area.

The Welding segment and its businesses are also working to reach traditionally underrepresented groups in the welding field, such as women and minorities. As a result of Miller Electric's efforts in this area, the Hispanic Chamber of Commerce of Wisconsin recently presented the business with its 2013 Manufacturer of the Year award.

# be a strategic partner

## SUPPLY CHAIN RESPONSIBILITY

**Strategic sourcing is one of the three key initiatives of ITW's five-year Enterprise Strategy, and a pivotal opportunity for ITW to drive responsibility and sustainability with our suppliers.** As ITW employees engage with suppliers, we take the opportunity to have conversations related to sustainability issues as we also address other business issues. Staying true to ITW's decentralized entrepreneurial culture, the company empowers its business segments and divisions to partner with their suppliers, as ITW continues to seek strategic relationships that provide great value.

### RELATIONSHIPS WITH SUPPLIERS 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.

#### Setting a good example

ITW believes the company should demonstrate the commitment to improving its eco-efficiency and overall sustainability through measurable actions, while asking ITW suppliers to do the same. As one example within the company, in the area of energy consumption, ITW is working with a third-party supplier to examine ITW's utility bills and make recommendations to reduce its overall usage.

Carolyn Woznicki, ITW Vice President, Global Sourcing, says, "We feel it is very important to understand our enterprise-wide energy usage and seek ways of reducing our consumption. In addition to helping ITW directly, another opportunity is to share our process and what we learn with key suppliers, and encourage them to adopt their own approaches to reducing their energy and carbon footprint."

#### SUCCESS STORIES

ITW's global Welding business partners with suppliers on several different fronts to pursue more sustainable ways to serve the company. For example:

- The company's sites in China implemented a process to repurpose plastic seals by converting the larger obsolete seals into smaller seals. This initiative not only reduces plastic waste – previously the large plastic seals were thrown away after one use – but also reduces cost.
- In Germany, ITW businesses are sending packaging back to suppliers for reuse and, in some cases, have switched from previously disposable packaging to a reusable option.
- ITW's Hobart Welding business in Troy, Ohio, similarly partnered with suppliers to assess the status quo packaging of spools of welding wire and implement a more sustainable packaging system.

## PRODUCT RESPONSIBILITY

ITW offers a highly differentiated and diversified group of products and services, maintaining high ethical standards and a strong commitment to the health and safety of its customers. Part of that commitment is ensuring our products are safe across the entire value chain. We work closely with our suppliers and customers to identify opportunities to develop new solutions to help address our customers' product responsibility needs. For example, ITW's Food Equipment business in Ghangdong, China, increased the energy efficiency of its Four-Burner Gas Oven and Pot to 50 percent (vs. national standard of 25 percent), and IU Nails in Burgos, Spain, switched to a non-VOC coating for its nails, reducing the chemical hazard to the environment.

### Scoring big with VOC-free graphic appliqués

In partnership with customers, our ITW Graphics business in Ireland developed Pro-S, a "green technology" graphic appliqué that can be applied under the same conditions as our heat-applied polyurethane transfers. Pro-S is VOC-free and uses no hazardous raw materials. The process for manufacturing Pro-S is also more cost effective than conventional screen printing. The Pro-S graphic appliqué is already being used on the sleeve badges for the English FA Premier League and the SPL Football League in their 2013-2014 football seasons.



Credit: English Football Association

"Our priorities include awareness, transparency and developing action plans if we determine our products contain minerals that are not conflict-free."

### DRIVING MUTUAL SUCCESS THROUGH EXPECTATIONS – EXCERPTS FROM OUR SUPPLIER EXPECTATIONS DOCUMENT

"ITW has been committed to innovation and to providing best-in-class products and services to our customers for over 100 years. Our suppliers are an important part of ITW's success and in continuing to meet and exceed our customers' expectations...we also expect our suppliers to meet certain performance standards, as well as to continuously improve their capability and value in their business relationship with ITW. ...ITW expects to achieve continued business success with engaged suppliers, resulting in a mutual benefit to both ITW and its suppliers."

[Full text available under the Supplier section of our website.](#)

## CONFLICT MINERALS

ITW has been working diligently to prepare for the U.S. Securities and Exchange Commission's initial May 31, 2014, deadline for disclosures related to conflict minerals. Given ITW's decentralization and its wide-ranging operations and diverse products, ITW has been focused on putting in place an efficient process to obtain necessary declarations from those suppliers whose products contain conflict minerals. The company established a process that follows the internationally accepted Organization for Economic Co-operation and Development (OECD) guidelines, dedicated time and resources to train employees and suppliers on this important topic, and implemented new data collection software.

In addition, ITW has been identifying ways to go beyond the disclosure requirements to curb any potential current or future use of non-conflict-free minerals in our products. Our priorities include awareness, transparency and developing action plans if we determine our products contain minerals that are not conflict-free. For example, ITW developed a conflict-free minerals policy for its suppliers that outlines the company's expectations, and we incorporated language addressing conflict minerals into ITW's global terms and conditions. In addition, ITW has in place a cross-functional internal committee, with members from legal, audit, information technology, strategic sourcing, finance, and environment, health, safety and sustainability.

ITW is always working to be a best-in-class company that practices continuous improvement. The conflict minerals disclosure is a new requirement that we take seriously, and we will be ready to comply with the deadline. ITW will continue to use its best efforts to ensure that its products are conflict-free.



ILLINOIS TOOL WORKS INC.

3600 WEST LAKE AVENUE, GLENVIEW, ILLINOIS 60026

WWW.ITW.COM

