



ITW Modern Slavery and Human Trafficking Statement

This Statement relates to our fiscal year ended December 31, 2020. It describes the activities of Illinois Tool Works Inc. and its consolidated subsidiaries, including ITW Limited and ITW Holdings Australia L.P. (the “Company,” “ITW,” “we,” “us” and “our”) to eliminate slavery and human trafficking from its business and supply chains.

Overview

ITW recognizes that our impact extends far beyond our own walls. To further our positive impact on our shared world, we are committed to fostering responsibility across our value chain, through the impact of our products, as well as via our global supplier network.

The Company, headquartered in Glenview, Illinois, USA, publicly listed on the New York Stock Exchange, is a decentralized global manufacturer of a diversified range of industrial products and equipment employing approximately 43,000 people at 83 divisions in 52 countries. ITW’s operations are organized and managed based on similar product offerings and end markets and are reported to senior management as the following seven segments: Automotive OEM; Food Equipment; Test & Measurement and Electronics; Welding; Polymers & Fluids; Construction Products and Specialty Products. The Company owns and operates approximately 440 plants and office facilities which in turn source from thousands of suppliers found in 80 countries. ITW divisions range from OEMs to Tier 1, 2, 3 and potentially Tier 4 suppliers depending on the market served.

The ITW Culture is one of the key drivers of our enterprise strategy and encompasses our Core Values of Integrity, Respect, Trust, Shared Risk and Simplicity. We integrate into our Core Values, the principles of the United Nations Global Compact, Universal Declaration of Human Rights and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work. Our Core Values, communicated throughout the Company, call for the highest ethical standards in all interactions with all stakeholders.

We have prepared this Statement on a combined basis to comply with the California Transparency in Supply Chains Act, the UK Modern Slavery Act and the Australian Commonwealth Modern Slavery Act and for our entire company, because our Core Values, [Statement of Principles of Conduct](#), [Human Rights Policy](#), [Supplier Code of Conduct](#), [Supplier Expectations](#) and [Conflict Minerals Policy Statement](#), together provide the over-arching compliance framework relating to slavery and human trafficking across our entire enterprise (which we sometimes refer to herein collectively as “modern slavery”). However, not all of the entities that are part of the Company are subject to these Acts.

We believe that the risks of modern slavery in our own businesses are remote given the nature of our businesses and workforce coupled with our internal policies and procedures and strong Core Values. Where we have identified risks inherent in suppliers, as further discussed below, we have established procedures and work in the spirit of continuous improvement to mitigate the risks of either contributing to or being linked to modern slavery in our supply chains for products from those suppliers.

Where practicable, we seek to maintain long-term relationships with local suppliers to help us source more responsibly and reduce the risk of sourcing from an unethical supplier. In 2020, in our overall supply chain, approximately 45 percent of global spend was with suppliers who are near the facilities we serve.

Codes of Conduct

The ITW Statement of Principles of Conduct mandates compliance with human rights requirements around the globe, including environmental, health and safety laws that protect the well-being of employees, and laws against slavery, human trafficking and child labor. The ITW Statement of Principles of Conduct applies to all of our employees and internal business operations.

In addition, ITW's Supplier Code of Conduct holds our suppliers accountable to the same standards of conduct set forth in our Statement of Principles of Conduct. The Supplier Code of Conduct specifically prohibits our suppliers from employing workers that are younger than minimum age (and in any case, under the age of 15) or from knowingly sourcing from suppliers associated with human trafficking. The Supplier Code of Conduct also requires our suppliers to take reasonable efforts to ensure that their suppliers comply with our policies. We expect our suppliers to be in compliance with the Supplier Code of Conduct, and we do not knowingly do business with suppliers who violate laws for the protection of human rights or human health and safety.

We also have published Supplier Expectations. Among other things, our Supplier Expectations indicate that we expect suppliers to comply with all applicable laws and regulations around the globe, including those pertaining to human rights and laws against slavery, human trafficking and child labor.

Furthermore, we have published a Human Rights Policy. Our Human Rights Policy indicates that we are committed to human rights in the workplace. Among other things, this includes providing a workplace that protects employee well-being and safety and compliance with all applicable laws regarding slavery, human trafficking and child labor.

Steps to Mitigate Slavery and Human Trafficking Risk

We engage in the activities discussed below to mitigate the risk of modern slavery in our supply chains.

Consistent with our decentralized operating structure, our individual businesses are responsible for assessing and addressing risks of modern slavery in their supply chains, based on their particular business and risk profile. In recognition of the different risk profiles of our businesses, we have elected not to take a prescriptive approach to this area of compliance as we believe that enabling individual businesses to take a thoughtful, tailored approach to addressing modern slavery risk is more effective than a prescriptive approach, and our business units are expected to operate in accordance with our Core Values, the ITW Statement of Principles of Conduct, the Supplier Code of Conduct, the Supplier Expectations, the Human Rights Policy and other ITW policies.

Supplier and Risk Assessments; Supply Chain Verification. Our businesses evaluate prospective suppliers during supplier selection and periodically thereafter based on their business and risk profile and role in our supply chain. The evaluation may include steps to assess risks of modern slavery. The steps taken to assess modern slavery risk typically include a request that suppliers complete a supplier questionnaire detailing supplier capabilities related to manufacturing processes, quality control, delivery, and technology, and requesting other information relative to overall management of the supplier company. Additionally, we use third party software to screen suppliers as well as customers for financial and legal risk.

In line with UN Guiding Principles 17 and 24, we evaluate our purchased products against the U.S. Department of Labor's List of Goods Produced by Child Labor or Forced Labor for likely countries and industries prone to modern slavery to help identify high-risk suppliers ITW may utilize. ITW also conducts internal research relating to modern slavery risk using other U.S. government and non-governmental organization resources, including review of Withhold Release Orders ("WROs") issued by U.S. Customs and Border Protection. In addition, we host an internal website that is accessible to our businesses that contains pertinent global customs information.

As part of our supplier risk assessment process, we also use a proprietary supply chain risk checklist that guides us in identifying suppliers with the highest risks of modern slavery in their operations. ITW also conducts supplier outreach in connection with our conflict minerals country of origin inquiries and participates in industry groups and engagement with other stakeholders.

Audits. Prior to placing business with a supplier, an onsite supplier visit may be made by ITW personnel for purposes of confirming supplier overall capabilities related to manufacturing, quality, delivery, and technology, and assessing overall supplier risk. Additionally, after business has commenced with a supplier, onsite supplier visits may be performed periodically by ITW personnel. Although the specific purpose of onsite visits is not typically to assess modern slavery, compliance with Company standards for modern slavery is covered within the overall supplier assessment, and we believe that onsite supplier visits by ITW personnel discourage abusive working conditions.

Contract Terms. Our standard Terms and Conditions of Purchase provide that direct suppliers must comply with all applicable laws against slavery, human trafficking and child labor. Terms and Conditions of Purchase also require direct suppliers to comply with our Supplier Code of Conduct.

Supplier Certifications. Based on our supplier risk evaluation, we ask suppliers determined to possibly be high-risk to review and sign our Supplier Code of Conduct, which includes provisions regarding slavery and human trafficking. In 2020, we obtained certification of compliance from 99 percent of these identified possible high-risk suppliers. In 2020, we also obtained certifications of compliance with our Supplier Code of Conduct from key contingent labor suppliers and certain other high-risk suppliers, as part of our commitment to proactively address potential risks.

In addition, we require substantial suppliers who sell us product that contains conflict minerals to certify as to the origin of the minerals to determine whether such minerals or materials may be supporting conflict. These certifications are in part intended to help identify and mitigate the risk of modern slavery, human trafficking, child labor and other violations of human rights.

Grievance Mechanism. The Company maintains a confidential whistleblower help line by which all employees, suppliers and other third parties may report compliance failures by employees, suppliers or contractors, including with respect to modern slavery. The contact information for our helpline is <http://www.itwhelpline.ethicspoint.com>.

Internal Accountability and Training

Compliance Team. At the corporate level, we have a cross-functional Responsible Sourcing Committee headed by ITW's Vice President of Global Strategic Sourcing & Environmental Health and Safety, who reports to ITW's Vice Chairman and includes dedicated Strategic Sourcing, Sourcing Risk, Environmental, Legal, Internal Audit, IT, Trade Compliance, Corporate Communications and selected personnel from various operations. The Committee meets quarterly to discuss responsible sourcing practices, including those related to modern slavery. Employees at our decentralized business units also are involved in compliance efforts and are responsible for ensuring they are sourcing appropriately, including by considering the risks related to modern slavery in the supply chain.

Training and Knowledge Management. Our sourcing personnel are trained in overall supplier expectations, including the requirement to act ethically and according to our Supplier Code of Conduct. In addition, we require our global sourcing employees, global employees who work with suppliers and customers on conflict minerals requests, and our Responsible Sourcing Committee members to undergo specific modern slavery training intended to generate awareness and examples of best practices, particularly with respect to mitigating risks within our product supply chains, and to enable our sourcing professionals to better recognize the signs of modern slavery and act to address any identified issues. We believe our sourcing professionals who have received training regarding modern slavery indicators are better able to identify and mitigate these risks at their respective suppliers.

In the past two years, we enhanced the content of our modern slavery training, expanded the group of employees required to undergo such training and provided enhanced training to selected employees. We also host an internal website that contains this training and additional materials on this topic.

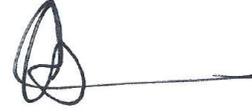
Employee Certifications. Employees are periodically required to certify to their compliance with the ITW Statement of Principles of Conduct. In addition, the employee groups described above are required to provide periodic certifications of compliance in connection with modern slavery training.

Additional Corporate Social Responsibility Efforts

For more information on our efforts and our achievements relating to corporate social responsibility, see our Corporate Social Responsibility Report, which is available at <http://www.itw.com/social-responsibility/>.

Required Approval Under the UK Modern Slavery Act

ITW Limited is required to prepare a statement pursuant to the UK Modern Slavery Act. Solely for purposes of compliance with the UK Modern Slavery Act, this Statement was approved by the Board of Directors of ITW Limited on June 7, 2021 and signed by a director of that entity as indicated below.

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Giles Hudson, Director
June 7, 2021

Required Approval Under the Australian Commonwealth Modern Slavery Act

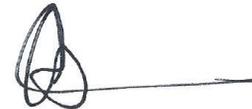
ITW Holdings Australia L.P. is required to prepare a statement pursuant to the Commonwealth Modern Slavery Act. ITW Holdings Australia L.P. is a limited partnership that is indirectly wholly-owned by ITW and holds 100% of the equity interests of ITW Australia Holdings Pty Ltd., a proprietary limited company, which in turn holds 100% of the equity interests of ITW Australia Pty Ltd. ("ITW Australia"), a proprietary limited company with operations in Dandenong South, Kawana, Melbourne, Melrose Park, Moorabbin, Morningside and Wetherhill Park. As of December 31, 2020, ITW employed approximately 1,000 employees in Australia.

ITW Holdings Australia L.P., through its operating subsidiary ITW Australia and its various divisions, is engaged in the following businesses: (i) manufacturing of fastening solutions and services for the construction market; (ii) developing, manufacturing and distributing machines and equipment for warewashing and cleaning technology, and cooking and food preparation; (iii) manufacturing and distributing testing equipment; (iv) manufacturing and distributing welding equipment, supplies and accessories; (iv) manufacturing and distributing an extensive array of resealable packaging solutions for a wide variety of products; (v) manufacturing quality branded consumable products used in the industrial, consumer, mining, and construction markets; and (vi) manufacturing and distributing automotive aftermarket products for the DIY and DIFM markets.

ITW Australia's supply chains consist of sourcing various components, including fasteners, metal castings, certain chemicals and electronics, among others. We believe that the risks of modern slavery in ITW Australia's businesses are remote given the nature of its businesses and workforce coupled with its internal policies and procedures and strong Core Values. Where we have identified risks inherent in suppliers, we have established procedures and work in the spirit of continuous improvement to mitigate the risks of either contributing to or being linked to modern slavery in our supply chains for products from those suppliers. We seek to address these risks through the policies, procedures and other measures described earlier in this statement.

Solely for purposes of compliance with the Commonwealth Modern Slavery Act, this Statement was approved by ITW UK, the General Partner of ITW Holdings Australia L.P., on June 7, 2021 and signed by a director of that entity as indicated below. ITW Holdings Australia L.P. consulted with its subsidiaries in connection with the preparation of this Statement.

ITW UK
as General Partner of ITW
Holdings Australia L.P.

A handwritten signature in black ink, consisting of a stylized, circular scribble followed by a horizontal line extending to the right.

Giles Hudson, Director
June 7, 2021