

California Transparency in Supply Chains Act and UK Modern Slavery Act Disclosure

This Statement relates to our fiscal year ended December 31, 2016. It describes the activities of Illinois Tool Works Inc. and its consolidated subsidiaries (the “Company,” “ITW,” “we,” “its,” “us” and “our”) to eliminate slavery and human trafficking from its business and supply chains.

Overview

The Company is a global manufacturer of a diversified range of industrial products and equipment with 85 divisions in 57 countries. 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. 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 both the California Transparency in Supply Chains Act and the UK Modern Slavery Act and for our entire company, because our Core Values, Principles of Conduct, Supplier Code of Conduct, Supplier Expectations and Conflict Minerals policy, together provide the over-arching compliance framework relating to slavery and human trafficking across our entire enterprise. However, not all of the entities that are part of the Company are subject to the California Transparency in Supply Chains Act or the UK Modern Slavery Act.

ITW recognizes that our impact extends far beyond our own walls. To maximize 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. For further information on our approach to corporate social responsibility, please see our Corporate Social Responsibility Report, which is available at <http://investor.itw.com/~media/Files/I/ITW-IR/documents/online-proxy-voting/itw-csr-report-2016.PDF>.

We believe that the risks of slavery and human trafficking in our own business are remote given the nature of our business and workforce coupled with our internal policies and procedures. Where we have identified risks inherent in suppliers, as further discussed below, we have established procedures to mitigate the risks of slavery and human trafficking 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.

Codes of Conduct

The ITW Principles of Conduct mandate 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 Principles of Conduct apply to all of our employees and internal business operations.

In addition, ITW has a Supplier Code of Conduct, which specifically prohibits our suppliers from employing workers that are younger than minimum age 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.

Steps to Mitigate Slavery and Human Trafficking Risk

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

Consistent with our decentralized operating structure, our individual businesses are responsible for verifying, evaluating and addressing risks of slavery and human trafficking 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. We believe that enabling individual businesses to take a thoughtful, tailored approach to addressing slavery and human trafficking risk is more effective than a prescriptive approach, and our business units are expected to operate in accordance with our Core Values, the ITW Principles of Conduct, the Supplier Code of Conduct, our Supplier Expectations and other ITW policies and expectations.

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 slavery and human trafficking. The steps taken to assess slavery and human trafficking risk typically include a request that suppliers complete a supplier questionnaire detailing supplier capabilities and requesting other information relative to overall management of the supplier company.

ITW also conducts supplier outreach in connection with our conflict minerals country of origin inquiries, conducts internal research relating to slavery and human trafficking risk using U.S. Government and NGO resources, and participates in industry groups and engagement with other stakeholders. As part of our supplier risk assessment process, we also use a proprietary supply chain risk checklist for certain suppliers that guides us in identifying suppliers with the highest risks of slavery and human trafficking. In addition, as discussed below, we require certifications from the highest risk suppliers.

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 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 slavery and human trafficking risk, compliance with Company standards for slavery and human trafficking in supply chains would be covered within overall supplier assessment, and we believe that onsite supplier visits by ITW personnel discourage abusive working conditions.

Contract Terms. Certain of 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. Suppliers identified as having the highest risks of slavery and human trafficking pursuant to our risk assessment process described above are requested to sign a declaration that they are aware of and comply with our Supplier Code of Conduct, including its provisions regarding slavery and human trafficking. For the most recent year, 100% of the highest risk suppliers identified through this process have signed and returned the declaration certifying their compliance. We intend to require annual re-certifications from any identified high risk suppliers. In addition, we require those suppliers who sell us product that contains so-called “conflict minerals” to certify as to mineral origin to determine whether such minerals may be supporting conflict in central Africa. These certifications are in part intended to help identify and mitigate the risk of 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 slavery and human trafficking. The contact information for our helpline is <http://www.itwhelpline.ethicspoint.com>.

Internal Accountability and Training

Compliance Team. At the corporate level, we have designated personnel across several business functions to be part of our efforts to address slavery and human trafficking risk in our supply chains. Employees at our business units also are involved in our compliance efforts.

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, employees and management who have direct responsibility for supply chain management have received training on slavery and human trafficking, particularly with respect to mitigating risks within our product supply chains. The training is intended to enable our sourcing professionals to better recognize the signs of slavery and human trafficking and act to remove any suppliers found to be engaging in these activities. 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 Principles of Conduct.

Solely for purposes of compliance with the UK Modern Slavery Act, this Statement has been approved by the ITW Limited Board of Directors and signed by a director of that entity.

Giles Hudson, Director