ILLINOIS TOOL WORKS INC.
BOARD OF DIRECTORS
CORPORATE GOVERNANCE GUIDELINES

1. *Separation of Chairman and CEO*

The Board believes that it is in the best interests of the Company and its stockholders to examine whether the role of chairman and chief executive officer should be combined each time the Board elects a new chief executive officer, and will consider the skills and experience of the new chief executive officer and any other relevant considerations at that time. In its discretion, the Board may determine to separate or combine the offices of chairman and chief executive officer at such other time or times as it deems appropriate.

2. *Lead Director*

In the event that the offices of chairman and chief executive officer are combined, the Board shall appoint a lead director, who shall be an independent director. At any time that the Company has a non-executive chairman, then the chairman shall perform the duties of lead director as provided herein. The lead director is to preside at all executive sessions of the Board of Directors and to be an avenue for communications with independent directors. The lead director shall serve for a one-year term, elected by a majority of the independent directors. The lead director will:

- preside at all meetings of the Board at which the chairman is not present, including executive sessions of the independent directors;
- act as a key liaison between the chairman and the independent directors;
- have the authority to call meetings of the independent directors, when necessary;
- approve meeting agendas for the Board;
- approve information sent to the Board;
- approve meeting schedules to assure there is sufficient time for discussion of all agenda items;
- communicate Board member feedback to the chairman after each Board meeting (except that the chairman of the Compensation Committee leads the discussion of the chief executive officer's performance and communicates the Board's evaluation of that performance to the chief executive officer);
- if requested by major stockholders, ensure that he or she is available for consultation and direct communication; and
- perform such other duties as requested by the Board.

3. *Director Responsibilities*

The business of the Company is conducted under the oversight of the Board of Directors. The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its stockholders and employees. The Company's CEO and other senior management are responsible for managing the day-to-day operations of the Company.

Directors are expected to prepare adequately for and regularly attend meetings of the Board and Board committees on which they serve. Directors are also expected to attend the annual meeting of stockholders.

Directors must disclose to the Board any potential conflict of interest of which they are aware that they may have with respect to a matter under discussion and, if appropriate, refrain from voting or exit the meeting on a matter on which they may have a conflict.

4. *Number of Committees*

The Board has Audit, Compensation, Corporate Governance and Nominating, Executive and Finance Committees. The Board has the flexibility to form a new committee or disband a current committee, except to the extent required by Securities and Exchange Commission or New York Stock Exchange regulations. Only independent directors meeting the requirements of the New York Stock Exchange listing standards, as determined by the Board in its business judgment, may serve on the Audit, Compensation, and Corporate Governance and Nominating Committees.

5. *Assignment and Rotation of Committee Members*

After receiving recommendations from the Corporate Governance and Nominating Committee and in consultation with the chairman, the Board designates the members of the committees taking into account their particular experience and knowledge of the Company and the preferences of individual Board members. With respect to committee assignments, there are significant benefits attributable to continuity, experience gained in service on particular committees, and utilizing most effectively the individual talents of Board members.

6. *Frequency of Committee Meetings*

Subject to the requirements of any applicable committee charter, the chairman of each committee, in consultation with its members and management, determines the frequency of the meetings of the committee.

Additional committee meetings can be called at the request of any member of the committee.

7. *Committee Agenda and Reports*

The chairman of each committee, taking into account recommendations of committee members and in consultation with management, establishes the agenda for each committee meeting.

Minutes of each committee meeting are reviewed by all directors at their next Board meeting to assure that they remain fully apprised of topics discussed and actions taken. In addition, the chairmen of the Audit, Compensation, and Corporate Governance and Nominating, and other committees report regularly at Board meetings on matters considered by their committees.

8. *Selection of Agenda Items for Board Meetings*

The chairman establishes the agenda for each Board meeting, and the corporate secretary distributes it during the week prior to the meeting so that the directors are apprised of the principal matters to be considered; provided that the chairman may add items to the agenda after such distribution to the extent he or she determines it is appropriate to do so.

Each director may recommend agenda items and is encouraged to raise at any Board meeting subjects that are not on the agenda for that meeting.

At least one Board meeting per year will be an extended Board meeting during which the Board will review long-term strategic plans and discuss principal issues and risks that are expected to affect the Company in the future.

9. *Board Materials Distributed in Advance*

Information and data important to the Board's understanding of the issues to be discussed at the Board meeting is distributed to each director in the week prior to the Board meeting. Management makes every attempt to provide material in concise but comprehensive form consistent with the Board's desire for the information. When there is no prior distribution of information, the Board will be provided ample time to consider and deliberate on any action to be taken.

10. *Regular Attendance of Non-Directors at Meetings*

Certain senior officers of the Company regularly attend Board meetings. The chairman or chief executive officer may also, as they deem appropriate, invite other officers or managers to attend all or part of Board meetings, such as when they (i) can provide additional insight into the items being discussed; or (ii) have potential as future leaders within the Company.

11. *Executive Sessions of Outside Directors*

The non-management directors shall schedule regular executive sessions without management. Executive sessions will be chaired by the lead director. In the lead director's absence, a chairman of one of the Board committees shall serve on a rotating basis. To the extent any non-management directors are not independent, at least once a year, the independent directors shall meet in an executive session including only independent directors.

12. *Board Access to Senior Management and Independent Advisors*

Directors have complete access to the Company's management, counsel and auditors and other independent advisors, as the directors deem necessary and appropriate. It is assumed that the directors will exercise their judgment so that such contact is not distracting to the business, and the chief executive officer is appropriately advised of any such contact.

13. *Board Compensation Review*

The Corporate Governance and Nominating Committee shall oversee compensation for non-management directors and review such compensation as appropriate; provided, however, that in the presence of a conflict of interest, such compensation shall be overseen by the Compensation Committee or other committee as determined or appointed by the Board. Management may suggest changes in Board compensation to the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee shall make recommendations with respect to director compensation to the full Board. The full Board must discuss and approve changes to director compensation.

In recommending director compensation, the Corporate Governance and Nominating Committee shall take director fees of comparable companies into account. The Corporate Governance and Nominating Committee will review the status of Board compensation in relation to comparable companies at least annually.

A meaningful portion of director compensation is in common stock of the Company in order to further the direct correlation of directors' and stockholders' economic interests.

14. *Size of the Board*

The Board itself determines its size, although it is the sense of the Board that a desirable number of members is between 9 and 12. The Board would consider a somewhat larger size in order to accommodate the availability of an outstanding candidate(s), to provide for a reasonable transition where, for example, incumbent directors are nearing mandatory retirement age, or where the Board determines that a particular subject matter expertise is desirable. In the event of a vacancy on the Board, the directors may either fill the vacancy or decrease the size of the Board, in accordance with the terms of the Company's Certificate of Incorporation and By-laws.

15. *Mix of Inside and Outside Directors*

As a matter of policy, a majority of the directors will be independent, and the chief executive officer shall be a director. Board membership is not necessary or a prerequisite to any other executive position within the Company.

16. *Board Definition of What Constitutes Independence*

A majority of the directors shall meet the New York Stock Exchange listing standards for independence, as determined by the Board in its business judgment. The Board has adopted Categorical Standards for Director Independence consistent with the New York Stock Exchange listing standards, attached as Exhibit A hereto, to assist it in making determinations as to independence of directors. The Board will consider on a case-by-case basis the materiality of any relationships between the Company and a director not addressed by the Categorical Standards for Director Independence. In addition, the Board and the Corporate Governance and Nominating Committee will scrutinize charitable contributions that are made to organizations with which a director is affiliated and any consulting contracts with, or other indirect compensation to, such director.

17. *Former ITW Chief Executive Officer's Board Membership*

Whether a former chief executive officer of the Company continues to be a director is a matter to be decided in each individual instance. It is assumed that when the chief executive officer no longer holds that position, resignation from the Board should be offered at the same time. Whether the individual continues to serve on the Board is a matter for discussion at that time with the Board and the new chief executive officer.

18. *Board Membership Criteria*

The Corporate Governance and Nominating Committee is responsible for reviewing the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board, at such time or times as it in its discretion deems advisable. This assessment should include skills (such as an understanding of technologies pertinent to the Company's businesses, production, marketing, finance, regulation and public policy), international background and experience, age, diversity, etc.—all in the context of an assessment of the perceived needs of the Board at that point in time.

19. *Selection of New Director Candidates*

The Corporate Governance and Nominating Committee screens and recommends nominees for director to the full Board. After receiving recommendations for nominations from the Corporate Governance and Nominating Committee, the Board nominates or elects candidates for director.

20. *No Specific Limitation on Other Board Service*

The Board does not believe that its members should be prohibited from serving on boards and/or committees of other organizations, and the Board has not adopted any guidelines limiting such activities. However, the Corporate Governance and Nominating Committee and the Board will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and making its recommendations to Company stockholders. Service on boards and/or committees of other organizations should be consistent with the Company's conflict of interest policies.

21. *Extending the Invitation to a New Potential Director to Join the Board*

The invitation of the Corporate Governance and Nominating Committee to join the Board is usually extended by the chairman of the Board of Directors or the chairman of the Corporate Governance and Nominating Committee.

22. *Board, Committee and Director Evaluations*

Each of the Audit Committee, Compensation Committee and the Corporate Governance and Nominating Committee shall perform an annual self-evaluation. The collective evaluation conclusions shall be reported by the committee chair to the full committee for discussion.

The Corporate Governance and Nominating Committee is responsible for coordinating and overseeing an annual evaluation process of the Board's performance and procedures, including an evaluation of individual directors. The collective evaluation conclusions shall be reported by the chairman of the Corporate Governance and Nominating Committee to the full Board for discussion. Based on the comments and further discussion, the Board will make an assessment specifically reviewing areas in which the Board and/or management believe improvements could be made to increase the effectiveness of the Board. Results of the assessment will also be used in evaluating skills and attributes desired in potential director candidates.

23. *Formal Evaluation of the Chief Executive Officer*

The Compensation Committee shall evaluate the chief executive officer annually in light of corporate goals and objectives (including performance of the business, accomplishment of long-term strategic objectives, development of management, etc.) established by the Compensation Committee. The evaluation should be communicated to the chief executive officer by the chairman of the Compensation Committee. The Compensation Committee shall recommend the chief executive officer's compensation based on this evaluation, which compensation shall be approved by the independent Board members.

24. *Succession Planning*

The Board will establish and review such formal or informal policies and procedures, as it considers appropriate, regarding succession planning and principles for selection of the chief executive officer. (There is also available, on a continuing basis, the chief executive officer's recommendation as to a successor should he or she be unexpectedly unable to continue to serve.) The chief executive officer reports at least annually to the Board on succession planning.

25. *Management Development*

Periodic reports will be given to the Board on the Company's program for management development.

26. *Director Election*

The Company's by-laws establish a majority vote standard for uncontested elections of directors and a plurality vote standard for contested elections of directors. The Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes for re-election. The Corporate Governance and Nominating Committee shall make a recommendation to the Board on whether to accept or reject a resignation, or whether other action should be taken. The Board shall act on the Committee's recommendation no later than 90 days following the date of the Company's annual meeting. The Board shall nominate only a candidate who agrees to comply with this resignation procedure. In addition, the Board shall fill a director vacancy and a new directorship only with a candidate who agrees to comply with this resignation procedure. Any director who tenders his or her resignation pursuant to this provision will not participate in the Committee's recommendation or Board consideration regarding the tendered resignation.

27. *Term Limits*

The Board does not believe it appropriate to specify a fixed limit to the number of terms a director may serve. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company, its culture, management and operations and, therefore, provide an increasing contribution to the Board as a whole.

28. *Retirement Age*

A director may not stand for re-election, and an individual may not be nominated as a director, after his or her 75th birthday, except in rare circumstances approved by the Board.

29. *Directors Who Change Their Present Job Responsibility*

Individual directors who change the position they held when they were elected to the Board (other than through normal retirement) should offer to resign from the Board. There should, however, be an opportunity for the Board, through the Corporate Governance and Nominating Committee, to review the continued appropriateness of Board membership under these circumstances.

30. *Board Interaction with Institutional Investors, the Press, Customers, Etc.*

The Board believes that management speaks for the Company. While individual non-management Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, it is expected that Board members would do this with the knowledge of management and, absent unusual circumstances, only at the request of management.

31. *Environmental Annual Report*

Management reports annually to the Board on the status of the Company's current and potential environmental liabilities.

32. *Director Orientation and Continuing Education*

The Company will conduct, or provide access to, appropriate orientation for new directors and ongoing programs for existing directors. This orientation program may include presentations designed to familiarize directors with the Company and its strategic plans, its significant financial, accounting and risk management issues, its Statement of Principles of Conduct, compliance programs and other controls, its senior management, and its internal and independent auditors. The program may also address procedures of the Board, directors’ responsibilities, the Corporate Governance Guidelines and Board committee charters. Directors are encouraged but not required to attend these and other appropriate continuing education programs.

Approved by the Illinois Tool Works Inc. Board of Directors: December 14, 2018

Exhibit A

ILLINOIS TOOL WORKS INC.

CATEGORICAL STANDARDS FOR DIRECTOR INDEPENDENCE

I. Introduction

To be considered independent, a director of the Company must meet all of the following Categorical Standards for Director Independence. In addition, a director who is a member of the Company's Audit Committee must meet the heightened criteria set forth below in Section IV to be considered independent for the purposes of membership on the Audit Committee. The Board of Directors must also consider the factors described in Section V. for any director who is a member of the Compensation Committee. These categorical standards may be amended from time to time by the Company's Board of Directors.

Directors who do not meet these categorical standards for independence can also make valuable contributions to the Company and its Board of Directors by reason of their knowledge and experience.

In addition, if a director meets the standards set forth below, a director will not be considered independent unless the Board of Directors of the Company affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). In making its determination, the Board of Directors shall broadly consider all relevant facts and circumstances. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. For this purpose, the Board does not need to reconsider relationships of the type described in Section III below if such relationships do not bar a determination of independence in accordance with Section III below.

II. Definitions

An "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home. When considering the application of the three-year period referred to in each of paragraphs III.1 through III.5 below, the Company need not consider individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated.

The "Company" includes any subsidiary in its consolidated group.

III. Standards for Directors

The following standards have been established to determine whether a director of the Company is independent:

1. **A director who is an employee, or whose immediate family member is an executive officer, of the Company is not independent until three years after the end of such employment relationship. Employment as an interim Chairman or CEO shall not disqualify a director from being considered independent following that employment.**

2. **A director who receives, or whose immediate family member receives, more than $120,000 during any twelve-month period in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than $120,000 during any twelve-month period in such compensation. Compensation received by a director for former service as an interim Chairman or CEO need not be considered in determining independence under this test. Compensation received by an immediate family member for service as a non-executive employee of the Company need not be considered in determining independence under this test.**

3. **A director who is a current partner or employee of a firm that is the Company's internal or external auditor, or whose immediate family member is a current partner of such a firm, is not independent. A director who is or was, or whose immediate family member is or was, a partner or employee of such a firm and personally worked on the Company's audit within the last three years is not independent.**

4. **A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the Company's present executives serve on that company's compensation committee is not independent until three years after the end of such service or the employment relationship.**

5. **A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million, or 2% of such other company's consolidated gross revenues, is not independent until three years after falling below such threshold.**

6. **Stock ownership in the Company by directors is encouraged and the ownership of a significant amount of stock, by itself, does not bar a director from being independent.**

IV. Standards for Audit Committee Members

In addition to satisfying the criteria set forth in Section III above, directors who are members of the Company's Audit Committee will not be considered independent for purposes of membership on the Audit Committee unless they satisfy the following criteria:

1. **A director who is a member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other Board committee, accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company, provided that, unless the rules of the New York Stock Exchange provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service).**

2. **A director, who is a member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other Board committee, be an affiliated person of the Company.**

3. **If an Audit Committee member simultaneously serves on the audit committees of more than three public companies, the Board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the Company's Audit Committee.**

V. Standards for Compensation Committee Members

In addition to satisfying the criteria set forth in Section III above, in determining the independence of directors who are members of the Company's Compensation Committee, the Board will consider all factors relevant to determining whether a director has a relationship to the Company that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including but not limited to:

1. **the source of compensation of the director, including any consulting, advisory or other compensatory fee paid by the Company to the director; and**

2. **whether the director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.**