

# SPEAKING THE ITW LINGO

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**80/20** – Principal and proprietary process which structures our businesses to uniquely satisfy the needs of our largest and most profitable customers (the “80”) allowing us to capture a disproportionate share of the available profits in the markets that we choose to serve. Conversely, we handle less critical customers/products/ processes (the “20”) differently as we minimize both focus and overhead cost associated with managing this part of our businesses. Based on the Pareto Principle which outlines that 80% of your results typically come from 20% of your activities.

**AAN** – African American Network. An employee resource group that builds a network of leaders by encouraging career development, promoting cultural diversity, supporting the recruitment and retention of talent, and serving in the communities where we live and work. AAN is dedicated to the interests of employees who identify as Black, African, African American, West Indian, or of African descent. Working across our decentralized framework, AAN addresses the need for cross-functional networking and engagement with which to advance ITW’s business imperatives—expanding ITW’s commitment to diversity and inclusion with each connection.

**APEN** – Asian Professionals Engagement Network is an employee resource group that aspires to advance ITW’s commitment to diversity and inclusion by developing a platform to foster a sense of belonging and pride, as well as provide education and leadership training at ITW for those who identify as Asian, Native Hawaiian, and/or other Pacific Islander.

**BSS** – Business Structure Simplification. As part of the early stages of the Enterprise Strategy, this initiative simplified the Company’s organizational model and added scale to the Company’s operating divisions in order to increase organic revenue growth, enhance global competitiveness and drive operational efficiencies. This consolidated hundreds of ITW business units into approximately 84 larger-scale global divisions.

**BUM** – Business Unit Manager

**ITW Business Model** – Made up of 3 components: 80/20 Business Process, Customer-Back Innovation and our Decentralized, Entrepreneurial Culture.

**Business Unit (BU)** – Smallest unit within ITW’s operating structure. A typical hierarchical structure leading to a business unit could be Segment → Platform → Division → Business Unit. However, there is a variety of structures within ITW.

**Concur** – Portal for booking travel and submitting business expenses.

**Conversion Costs** – Difference in costs from material margin to variable margin.

**CSR** – Corporate Social Responsibility. ITW publishes a CSR Report annually to illustrate how ITW team members are working together to drive progress for our people, our communities, and our world.

**Customer-Back Innovation** – ITW’s approach to innovation which begins with customer pain points instead of ideas from the company. It is what creates our competitive advantage.

**Direct Costing** - The 80% of the variable costs that make up the standard costs. Method of pricing products to provide a good view of the material margin.

**Enterprise Strategy** – A long-term strategy that has strengthened ITW and created a framework within which we can all work together and with our customers.

**Decentralized, Entrepreneurial Culture** – A culture that empowers and challenges employees to make decisions. We maintain a high trust environment providing ownership and accountability to employees to make an impact.

**Division** – Core operating unit within ITW’s decentralized structure. There are 84 Divisions, with full financial accountability, with average revenues of approximately \$150M.

**FEG** – Food Equipment Segment

**Front-to-Back (FTB)** –Holistic application of a proprietary framework & process to position an ITW Divisions to generate maximum yield from our “Best in Class’ business model in order to drive differentiated financial performance.

**In-Lining** – Toolbox project. After a business unit has applied 80/20 and PLS, In-lining is used to improve workflow through the physical grouping of products and processes from start to finish to maximize efficiencies.

**ITWemployee.com** – Intranet to access resources you might need as an employee, including benefits guides, payroll, and 401k account access.

**ITWconnect** – Intranet based around collaboration and resource-sharing.

**IWN** – ITW Women’s Network. A global employee resource group established to support the attraction, development and retention of ITW women.

**LHN** – The Latino Hispanic Network (LHN) is an employee resource group that represents a community of Latino and Hispanic colleagues and allies. LHN aims to reinforce ITW’s commitment to diversity and inclusion while also attracting and retaining top talent by supporting recruitment efforts, offering career development experiences, networking, and fellowship among ITW colleagues.

**Leadership Expectations** – Leadership behaviors expected from all employees. These include strategically positioning the business to win in markets, delivering results, developing and managing talent, and leading effectively.

**Lean Teams** – Because 80/20 enables us to focus where it counts, we are able to operate in lean teams. As a result, each employee, regardless of level, is able to make an impact.

**LRP** – Long Range Plan. A process and discipline that companies use to determine the best strategy for succeeding in the markets they serve and to ensure they have the capabilities needed to support their strategic objectives.

**MOH** – Months On Hand. Measure of inventory based on months of stock on hand.

**MRD** – Market Rate of Demand. The practice of replacing and/or replenishing products at the rate customers are using products (demand). Toolbox project.

**MSF** – Market Segment Focus. Business Development process which helps ITW employees create profitable growth through better understanding our markets and building strategies which improve business performance. Toolbox project.

**P&F** – Polymers & Fluids Segment

**Platform** – Narrow related product/market space; could be regional or global in scope; typically consists of multiple divisions

**PLS** – Product Line Simplification. Continuous process of defining and streamlining the product offering by focusing resources and energy on growing the critical product lines and figuring out a way to either eliminate or reduce the “80%” of those products that are contributing only 20% of the profits. Toolbox project.

**Pride at ITW** – Pride at ITW is an employee resource group that is focused on empowering LGBTQ+ colleagues and allies through building a sense of belonging and engagement while promoting shared respect and understanding of LGBTQ+ issues. Pride at ITW was formed to expand ITW’s commitment to diversity and inclusion and attract and retain the very best talent through career development and advancement, community advocacy, networking and fellowship.

**Quad Analysis** – Analysis illustrating the intersection of 80 products and customers with 20 products and customers.

**Quartile** – Ranking of a customer or product list into 4 categories (25% in each category). Typically, revenue increases with quartile ranking while material margin decreases with quartile ranking.

**Segment** – ITW Businesses are organized into 7 segments: Automotive OEM, Test & Measurement & Electronics (T&M/E), Food Equipment (FEG), Polymers & Fluids (P&F), Welding, Construction Products, and Specialty Products. These are broad product/market spaces, large and global in space, and typically consist of multiple platforms.

**Shared Values** – Integrity in all that we do; Respect which drives performance, innovation, and a commitment to community; Trust in each other and our company; Shared Risk to support bold decision making; and Simplicity always.

**SharePoint** – Intranet portal. Technically applies to both itwemployee.com and ITWconnect. However, it is most often used in reference to ITWconnect.

**SLOB** – Slow and obsolete. Inventory metric. Stock is slow at 6 months and obsolete at 1 year.

**T&M/E** – Test & Measurement/Electronics Segment

**Toolbox** – 80/20, PLS, In-Lining, MRD, USA, MSF. Mastery is crucial to becoming a Great ITW Leader.

**USA** – Understand, Simplify, act. A tool used to analyze business processes and identify ways to reduce complexity by removing steps that have little or no value to our customers. Toolbox project.

**Veterans & Allies Alliance** – An employee resource group anchored in the principles of understanding and engagement, the ITW Veterans & Allies Alliance will forge purposeful, sustainable connections

between Veterans and Allies, demonstrate our great appreciation for Veteran service, and drive meaningful actions that attract, develop, and retain diverse, world-class veteran talent across ITW.

**VPGM** – Vice President & General Manager

**Workday** – ITW's Human Resources Information System (HRIS). This system keeps track of your contact information and other important data. One of its most common uses is performance management, including the setting of goals and performance reviews based on those goals.

**YPN** – Young Professional Network. Employee Resource Group (ERG) formed to develop the next generation of ITW leaders by building a community across the enterprise and offering development opportunities specific to early in career professionals.