

CHARTER OF THE COMPENSATION COMMITTEE**1. Purpose**

The Committee shall assist in carrying out the responsibilities of the Board relating to compensation of the Company's senior officers and other assigned duties by discharging the responsibilities set forth below. For the purpose of this Charter the term "senior officer" shall refer to each elected officer of the Company, and any other officers who are the chief executive officer's direct reports.

2. Membership and Qualifications

- a) The Committee shall consist of at least three directors, including a chairman, each selected by the Board upon the recommendation of the Corporate Governance and Nominating Committee. Any Committee member may be removed by the Board upon the recommendation of the Corporate Governance and Nominating Committee.
- b) Each member of the Committee shall satisfy the independence requirements of the New York Stock Exchange, as well as applicable rules of the U.S. Securities and Exchange Commission, as such requirements are interpreted by the Board in its business judgment, and, if deemed appropriate from time to time, meet the definition of "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934.

3. Meetings and Other Actions

- a) The Committee shall hold such number of meetings annually as it deems advisable in order to discharge its duties adequately. The Committee shall keep minutes of its meetings and shall regularly report to the Board on its activities, making recommendations as appropriate.
- b) The Committee may, in its discretion, form and delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee. In addition, the Committee may, in its discretion and subject to the requirements of applicable law, authorize one or more senior officers of the Company to act on its behalf.

4. Key Responsibilities and Authority**a) *Executive Compensation Policies***

The Committee shall establish and oversee the Company's executive compensation philosophy and policies, including issues relating to pay and

performance, targeted pay positioning (such as median or percentile), comparison companies, pay mix, compensation recovery (including the Company's Executive Compensation Recovery Policy), stock hedging and pledging policies, and stock ownership guidelines.

The Committee shall review and evaluate risks arising from the Company's compensation policies and practices and provide input to management on whether such policies and practices may have a material adverse effect on the Company.

The Committee shall make recommendations to the Board with respect to new incentive-compensation and equity-based plans or amendments to any such existing plans applicable to senior officers.

The Committee shall approve or ratify awards under incentive-compensation and equity-based plans, including amendments to the awards made under any such plans applicable to senior officers.

b) *Chief Executive Officer Compensation*

The Committee shall review and approve corporate goals and objectives relevant to chief executive officer compensation and evaluate the chief executive officer's performance in light of those goals and objectives. The Committee shall recommend for approval by the independent directors of the Board the chief executive officer's compensation level based on this evaluation, as well as any special or supplemental benefits, including perquisites, employment agreements, severance arrangements or change-in-control provisions for the benefit of the chief executive officer.

c) *Compensation of Other Senior Officers*

The Committee shall review the chief executive officer's recommendations regarding the compensation of the Company's other senior officers and approve appropriate compensation levels, either as a Committee or together with the other independent directors. In addition, the Committee shall review and approve any special or supplemental benefits, including perquisites, employment agreements, severance arrangements or change-in-control provisions for the benefit of such other senior officers.

d) *Benefit Plans*

The Committee shall have authority over significant employee retirement plans and related trusts, including the authority to establish, terminate or amend U.S. pension plans. In fulfilling these responsibilities, the

Committee may form and delegate authority or specific assignments to subcommittees, whose members may be Company employees or otherwise.

e) *Management Structure*

The Committee shall consult with the chief executive officer on any decisions to retain or terminate any other senior officer (except termination under exigent circumstances) and shall approve any retention or severance terms for senior officers.

The Committee shall review with management any proposed plans to realign or reorganize the senior management structure of the Company to ensure that the structure is aligned with the Company's goals and business strategies.

f) *Compensation Discussion and Analysis and Compensation Committee Report; Advisory Vote on Executive Compensation*

The Committee shall review and discuss the Company's Compensation Discussion and Analysis (CD&A) with management and, based on this review and discussion, furnish an annual Compensation Committee Report recommending that the CD&A be included in the Company's proxy statement.

The Committee shall review the results of the Company's advisory vote on executive compensation and in its discretion determine what program changes, if any, should be considered in response to the most recent vote. It shall also make recommendations to the Company's stockholders on how frequently the Company should provide its stockholders with such an advisory vote.

g) *Other Responsibilities*

The Committee shall review and reassess the adequacy of this Charter at least annually and recommend any proposed changes to the Board for approval.

The Committee shall review its own performance at least annually.

The Committee shall have such other duties, responsibilities and authorization as the Board may from time to time delegate.

5. Additional Resources

- a) The Committee shall have the authority, in its sole discretion, to select, retain and terminate any compensation consultant, lawyer, accountant or other consultant to advise and assist the Committee in connection with any of its responsibilities. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any consultant or adviser retained by the Committee, and shall have sole authority to approve the fees and other retention terms of the consultant or adviser. The Committee shall receive appropriate funding from the Company, as determined by the Committee, for the payment of reasonable compensation to any consultant or adviser retained by the Committee.
- b) In retaining or seeking advice from compensation consultants, outside counsel and other advisers (other than the Company's in-house counsel), the Committee must take into consideration the factors specified in Section 303A.05(c)(iv) of the New York Stock Exchange Listed Company Manual related to evaluations of independence of such outside advisors.
- c) The Committee shall evaluate whether any compensation consultant retained or to be retained by it has any conflict of interest in accordance with the disclosure requirements of Item 407(e)(3)(iv) of Regulation S-K.
- d) The Committee may request any other director, officer or employee of the Company, or the Company's outside counsel, independent auditors or consultants, to attend a meeting of the Committee; provided, however, that officers shall not be present at any meeting at which their compensation or performance is discussed or determined. The Committee also may request any of these persons to meet with any members of, or consultants to, the Committee outside of a Committee meeting.

Approved by Illinois Tool Works Inc. Board of Directors: May 2, 2025