



NORTHERN  
TRUST

*Corporate Social Responsibility*

---

*ACHIEVE GREATER*

NORTHERN TRUST 2017  
CORPORATE SOCIAL  
RESPONSIBILITY REPORT



*“Northern Trust values CSR as an essential element of our mission and culture. Our stakeholders expect us to be responsible stewards of the company’s resources, balancing appropriate levels of prudence and risk to create value. We take that responsibility seriously, as demonstrated through our commitment to Achieve Greater through our CSR strategy.”*

MICHAEL G. O’GRADY

President and Chief Executive Officer

**CORPORATE SOCIAL RESPONSIBILITY STRATEGIC FOCUS**



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## LETTER FROM CONNIE L. LINDSEY AND MICHAEL G. O'GRADY



Northern Trust values corporate social responsibility (CSR) as an essential element of our mission and culture. Our stakeholders expect us to be responsible stewards of the company's resources, balancing appropriate levels of prudence and risk to create value. We take that responsibility seriously, as demonstrated through our commitment to *Achieve Greater* through our CSR strategy.

We are pleased to present our eighth CSR report prepared using the Global Reporting Initiative (GRI) standards. The Northern Trust 2017 CSR Report emphasizes our key priorities related to governance, citizenship and operations; employees; shared value; and sustainable products and services. Our impact is driven by our strategic focus on diversity and inclusion, community engagement and environmental sustainability. As the report details, we achieved several notable milestones in 2017, including introducing electric cars to our India office, contributing over \$19 million USD globally to philanthropic organizations and signing the UK's Women in Finance Charter. Our environmental, social and governance (ESG) assets under management grew 37 percent to \$86 billion. Northern Trust was named one of the "World's Most Admired Companies" by Fortune Magazine for the 11th consecutive year and earned an "A-" rating from the CDP for greenhouse gas emissions disclosures and climate action.

At the end of 2017, Frederick H. Waddell retired from his role as Chief Executive Officer and remains Chairman of the Board. We commend him for the guidance he provided towards the many CSR milestones Northern Trust reached during his tenure, and for his role in helping Northern Trust continue its legacy of outstanding service, expertise and integrity. These principles guide how we do business and serve shareholders, clients, communities and each other, laying a foundation for future generations to *Achieve Greater*.

We look forward to engaging with you as you read our report, and in the years to come.

**Connie L. Lindsey**

*Executive Vice President  
Head of Corporate Social  
Responsibility and Global  
Diversity & Inclusion*

**Michael G. O'Grady**

*President and Chief Executive Officer*

# BASIS FOR REPORT

## REPORT FOR CONTENT

This report has been created in response to interactions with key stakeholder groups. Each stakeholder group is expected to use this report to gauge Northern Trust's progress on achieving Northern Trust's goals pertaining to environmental, social and governance matters.

## PERIOD, SCOPE AND BOUNDARY

This report is based on information obtained, created and compiled for the fiscal year ended December 31, 2017. Our previous report was for the year ended December 31, 2016. The boundary of this report includes 100 percent of our leased and owned offices and 100 percent of our workforce in all global regions in which we operate. In 2017, we expanded our operations in the Europe, Middle East and Africa (EMEA) region by acquiring UBS Asset Management's fund administration servicing units in Luxembourg and Switzerland. In North America, we opened a second office in Tempe, AZ. We are only reporting on aggregated data from wholly owned subsidiaries. No joint ventures or other entities are included unless otherwise noted. There are no restatements from prior years and no significant changes in size, structure, supply chain or ownership from previous reporting periods.

## STAKEHOLDER ENGAGEMENT

Northern Trust actively engages in dialogue with our stakeholders, including clients, employees, shareholders, communities, regulators, suppliers and peers. These stakeholder groups are determined based on our business strategy of serving corporations, institutions and affluent individuals worldwide. Each stakeholder group affects our reputation, policies and best practices. We believe it is imperative to consult regularly with these groups through periodic in-person meetings, electronic communication, conferences and other platforms. Through these interactions, we receive suggestions and concerns related to our business practices.

## REPORTING FRAMEWORK

This is our eighth year using the Global Reporting Initiative framework. We are a member of the GRI Standards Pioneer Program, and this is our second report using GRI Standards, the GRI's fifth generation of guidelines for sustainability reporting. This report has been prepared in accordance with the GRI Standards: Core option.

## MATERIAL ASPECTS

The report and its index provide details on the material aspects and topics that reflect economic, environmental and social impacts relevant to our business. During 2017, we set specific key performance indicators aligned to the Sustainable Development Goals adopted by the United Nations and will continue to measure progress against these indicators.

**Core Aspects** – Governance, Ethics and Operations, Responsible Sourcing and Environmental Impacts

**Employees** – Global Talent Management, Diversity and Inclusion

**Shared Value** – Community Development, Global Philanthropy and Volunteerism

**Sustainable Products and Services** – Environmental, Social and Governance Integration, Responsible Investment Products and Services

Questions related to this report can be sent to **CSRatNT@ntrs.com**.

## CORPORATE SOCIAL RESPONSIBILITY KEY PERFORMANCE INDICATORS OVERVIEW

	2015 - 2020	Status	Sustainable Development Goals
<b>Core Aspects</b>	Reduce carbon emissions by 25 percent	○	
	Increase number of suppliers screened using environmental and social criteria	○	
<b>Employees</b>	Update and communicate global diversity and inclusion goals	○	
	Achieve goal of 35 percent women with senior or executive vice president title in UK by December 2020 per the UK Women in Finance Charter	○	
	Establish process to deliver on the goals of the CEO Action for Diversity & Inclusion	○	
<b>Shared Value</b>	Remain in the top quartile of charitable giving amongst our peers	○	
	Increase volunteer hours by 5 percent each year through 2020	○	
	Maintain outstanding CRA rating	○	
<b>Sustainable Products and Services</b>	Formalize ESG investing philosophy	●	
	Continue to evolve proxy voting policies and practice to capture emergent ESG risks	○	
	Increase our number of engagements with companies on ESG related issues & opportunities	○	

○ In progress ● Complete

# HONORS

## BEST BANKS IN AMERICA

Forbes, 2017

## BEST PRIVATE BANK FOR FAMILY OFFICES (GLOBAL)

Financial Times Group, 2017

## ONE OF THE "WORLD'S MOST ADMIRABLE COMPANIES"

Fortune Magazine, 2017

-11th Consecutive Year

## 100 BEST CORPORATE CITIZENS

Corporate Responsibility Magazine, 2017

## BEST PLACES TO WORK FOR LGBT EQUALITY

Corporate Equality Index, 2017

- 8th Consecutive Year

## TOP 50 COMPANY FOR EXECUTIVE WOMEN

National Association for Female Executives, 2017

-7th Consecutive Year

## TOP 50 COMPANIES FOR LATINAS TO WORK FOR IN THE UNITED STATES

Latina Style Magazine, 2017

## 100 BEST COMPANIES FOR WOMEN IN INDIA

Working Mother & AVTAR, 2017

## FTSE4GOOD GLOBAL INDEX

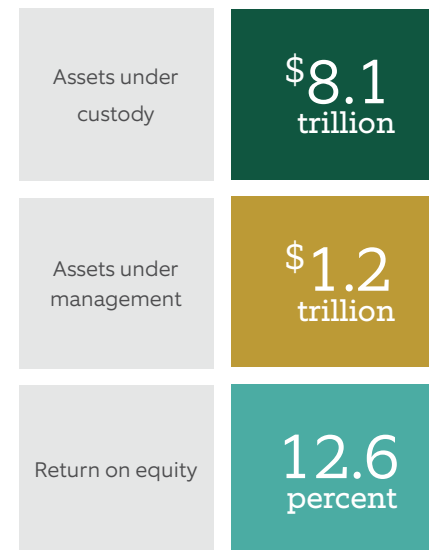
2017 - 11th Consecutive Year

## DOW JONES SUSTAINABILITY NORTH AMERICA INDEX

2017 - 7th Consecutive Year

## NORTHERN TRUST HIGHLIGHTS

(as of and for the year ended December 31, 2017)





## CORE ASPECTS

### Governance

Connie L. Lindsey, Executive Vice President and Head of Corporate Social Responsibility and Global Diversity & Inclusion, is responsible for the design and execution of a comprehensive CSR strategy. Ms. Lindsey reports directly to Michael G. O'Grady, the President and Chief Executive Officer of Northern Trust Corporation (the "Corporation"). Ms. Lindsey also chairs the Executive Corporate Social Responsibility Council, a group of senior employees that enables the implementation of Northern Trust's CSR strategy through the setting and tracking of goals related to material aspects of our CSR strategy, including sustainability initiatives.

The Corporation's Board of Directors provides general oversight of Northern Trust's corporate citizenship and social responsibility matters of significance to the Corporation and its subsidiaries. This oversight is facilitated by the Board's Corporate Governance Committee. Oversight of certain financial and operational risks associated with climate change and other environmental risk factors is also provided by the Board's Business Risk Committee through its oversight of the Corporation's global risk management framework and risk management policies.

### Ethics

All global employees are expected to adhere to and uphold our core values, exercise the highest ethical judgment and comply with laws that apply to their duties. Employees also must follow all laws and regulations and avoid any situation that may trigger a conflict of interest. We expect employees to treat all appropriate information as confidential; breaches of confidentiality obligations may bring disciplinary action. All employees are required to take three courses annually: "Global AML & Sanctions," "Information Security at Northern Trust" and "Standards of Conduct Policy."

All employees are required to certify their compliance with the Code of Business Conduct and Ethics and complete the Standards of Conduct Policy Training course, which contains information related to anti-corruption. Both certification and training were completed by 100 percent of employees.

Annual anti-corruption training is required for client-facing personnel as well as global marketing, finance, audit, legal and compliance professionals. In addition, we provide expanded anti-corruption training to employees in the Europe, Middle East and Africa and Asia-Pacific (APAC) regions in accordance with regulatory requirements.

## TRUSTWORTHY LIVE

Trustworthy Live expands on Northern Trust's ongoing Trustworthy program, a video series that features stories about real people in challenging business situations, by integrating in-person events and engaging speakers. These speakers include representatives of law enforcement agencies, who highlight high-risk areas in the financial markets, new trends in fraud and anti-money laundering activity and red flags that may help to alert Northern Trust of this behavior. In addition, the program will continue to feature video clips and targeted trainings that reinforce these messages as well as topics of conduct and inherent bias. Throughout the program, employees are reminded of the importance of adhering to our core principles: service, expertise and integrity.

## **Government Relations and Political Contributions**

Northern Trust concentrates its public policy positions in areas most relevant to its businesses. Our public policy and lobbying focus includes, among other things, United States federal, state, municipal and European Union financial regulatory reform efforts. We work with the limited number of trade associations of which we are a member, and we also meet directly with members of the U.S. Congress, state and municipal legislators, regulators and other government officials globally to discuss our positions and make recommendations for improved policy and regulation.

At the United States federal level, we focus on proposed regulatory and policy changes that will affect our businesses. This includes supporting changes that will enhance the safety of client assets and promote the safety and soundness of the financial system and a strong global economy. At the state and municipal level, we regularly meet with elected and appointed officials to discuss public policy positions that will affect our businesses. In appropriate circumstances, we file comment letters to proposed federal regulations, copies of which are made publicly available by the applicable regulatory agencies.

The Corporate Governance Committee of the Board of Directors provides oversight of the political, lobbying and other public advocacy activities of Northern Trust, including significant trade association memberships.

## **Political Contributions by Employees**

Northern Trust expects employees to seek guidance and pre-clear certain individual political contributions. More detailed Northern Trust policies and procedures that apply to all employees or certain groups of employees are set forth in pre-clearance procedures and other documents, including federal, state and municipal “pay-to-play” policies and procedures.

## **Corporate and Political Action Committee Political Contributions**

Northern Trust engages in the political process in order to advance and protect its long-term interests. Northern Trust does not contribute directly to candidates for public office. However, Northern Trust contributes corporate funds to industry trade organizations in support of the company’s public policy objectives. Participation in these organizations is important to gaining industry insight, fostering relationships and professional opportunities within the industry and collaborating on public policy topics of mutual interest. The principal trade associations to which we belong are the American Bankers Association, the Financial Services Roundtable, the Investment Company Institute and the Securities Industry and Financial Markets Association. We also belong to the Illinois Bankers Association, the California Bankers Association and The Florida Bankers Association.

Northern Trust sponsors both a federal-only political action committee (PAC) and a multi-candidate PAC. Both PACs are allowed to solicit a restricted class of Northern Trust’s U.S. employees for contributions. Those contributions are used to support candidates who support effective legislation important to Northern Trust. All contributions to the PACs are voluntary; employees are neither favored nor disadvantaged based on their participation. Decisions about potential contributions are reviewed and approved by the leadership of the respective PACs based on the public policy interests of Northern Trust. Our PAC contributions in 2017 totaled \$66,900. Federal lobbying reports may be found at: [www.senate.gov/legislative/Public\\_Disclosure/LDA\\_reports.htm](http://www.senate.gov/legislative/Public_Disclosure/LDA_reports.htm), and our financial contributions can be found at: [www.fec.gov/finance/disclosure/candcmte\\_info.shtml](http://www.fec.gov/finance/disclosure/candcmte_info.shtml).

# OPERATIONS

## Corporate Services Group and Environmental Policies

Northern Trust's Corporate Services Group, charged with management of our real estate portfolio, procurement and facilities services, executes Northern Trust's objective of reducing or eliminating negative environmental impacts from our supply chain. We detail our environmental expectations of vendors by providing them our Supplier Code of Conduct. Vendors' sustainable practices are factored into our selection process, and we regularly review suppliers' adherence to the Supplier Code of Conduct and pursue corrective measures when necessary, as noted in our Global Procurement Policy.

Northern Trust recognizes that the long-term viability of our business and that of our clients is tied to the health and well-being of our planet. We therefore commit to protecting and preserving the environment and to eliminating or mitigating any negative environmental impacts from our operations.

We align our business with the fundamental principle of sustainability—meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. We do this by integrating environmental considerations into our company-wide decision-making processes, committing to improving continually our business practices and delivering tangible, positive results related to the environment.

We use energy to power our data centers and facilities, the majority of which are located in North America. As a result, the bulk of our greenhouse gas (GHG) emissions stem from our North American operations. We first started tracking our carbon footprint, comprised of the carbon dioxide equivalent of all GHGs produced in our operations, in 2006. Since then, we have improved our data collection processes and calculation methodologies to align with the GHG Protocol.

Working closely with our building managers, Northern Trust follows the best environmentally friendly building strategies and practices outlined by The U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program. Among our offices in North America and APAC, we have received two LEED platinum certifications, seven gold certifications, one silver certification and one general certification. In addition, we use reliable and sophisticated tracking programs to monitor and manage our environmental performance and to calculate our annual carbon footprint.

After the completion of a comprehensive study in 2015, we set a goal to reduce our total Scope 1, Scope 2 (using the market-based approach) and Scope 3 carbon emissions by 3 percent per full-time employee (FTE) by 2020, using our 2015 emissions as a baseline. By the end of 2016, we had already exceeded that goal, reducing our emissions by 9.65 percent. As result, we have set a new goal to reduce

our emissions by 25 percent from our 2015 baseline by the end of 2020.

### MARKET-BASED: METRIC TONS OF CO2E PER FTE

	2015	2016	2017
Scope 1 - per FTE	0.190	0.139	0.119
Scope 2 - per FTE	2.850	2.636	2.346
Scope 3 - per FTE	1.242	1.095	1.164
Total - per FTE	4.282	3.869	3.669
<b>Total Full-Time Employees</b>	<b>16,152</b>	<b>16,874</b>	<b>17,830</b>

### Non-Governmental Organizations and Advocacy Groups

We believe collaborating with non-governmental organizations (NGOs) and advocacy groups allows us to maintain transparency and hold ourselves accountable to our environmental sustainability practices. Northern Trust and our surrounding communities benefit when we publicly report our environmental footprint—such as our GHG emissions, energy use and the risks and opportunities associated with climate change—under the supervision and guidelines of reputable third-party organizations. By joining communities of investors who hold the health of our planet in high regard alongside the success of their business establishments, Northern Trust strives to affect positive change in corporate responsibility to our environment.

The NGOs with which we collaborate include the U.S. Green Building Council, the Carbon Disclosure Project and the Institutional Investors Group on Climate Change.

### Enterprise Enablement

Northern Trust's Enterprise Enablement department works to ensure our infrastructure is used efficiently and contributes to our ongoing efforts in conservation and sustainability. Because powering data centers accounts for a considerable amount of our carbon footprint, we attempt to consolidate servers or downsize them through virtualization. We also optimize power and resource utilization by life-cycling older equipment into more energy efficient devices, increasing signage encouraging recycling, using teleconferencing to reduce business travel and defaulting to smart printing features.

### The Sustainability Network

In 2017, we rebranded our Partners Think Green (PTG) program as the Sustainability Network. The Sustainability Network is Northern Trust's global employee environmental engagement program aimed at increasing awareness of sustainability issues, promoting best practices and unifying environmentally focused business operations under the same umbrella. This program enables close collaboration between our building managers and "sustainability

## NORTHERN TRUST INTRODUCES ELECTRIC CARS TO INDIA LOCATIONS

As a service to its employees, Northern Trust provides all staff in India with round trip transportation between home and work. In 2016, out of concern for the emissions produced by the vehicles used in this service, Northern Trust changed its service provider to one offering cleaner, more efficient vehicles and a dedicated fleet. Real-time monitoring and automated routing have led to a reduction in the number of miles traveled, resulting in a 7 percent savings in carbon emissions compared with 2015. To further reduce our carbon footprint, our India team leased a fleet of electric vehicles to provide employees a low-carbon, quiet, clean and comfortable transport service.

As part of the initiative, ten new electric cars rolled off the production line to our Bangalore and Pune locations during 2017 and another ten are planned for 2018. Fast-charging points have been installed to ensure consistent and reliable service. The new electric cars will save 680 metric tons of carbon dioxide over three

years, equivalent to 1.6 million car miles (2.6 million kilometers). Cost-effective and environmentally friendly, this initiative is an important step towards Northern Trust meeting its overall carbon target.

### Benefits to Northern Trust India's conversion to electric cars

#### Community

Cleaner air	Quieter vehicles	Less congestion
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#### Safety

Vetted drivers	GPS tracking of vehicles	Smarter vehicles
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#### Environmental

Reduction in footprint	Obviation of diesel use	Less pollution
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champions” (employee volunteers) in delivering consistent environmental messages, gauging employee feedback and advocating for increased commitment to conservation and protection of environmental resources. The Sustainability Network organizes Earth Day celebrations as well as other environment-related volunteer opportunities and has been a key activator of behavior change in Northern Trust’s culture around climate change and other environmental issues.

### **Local Communities**

Northern Trust functions as a global citizen whose contribution to building a healthy, sustainable environment involves deep regard for the surrounding communities. Our footprint affects the larger ecological system and can make tangible differences in the lives of community members, which is why we strive to forecast and reduce any environmental risks or harm created by our business operations.

We also believe in the power of community-based actions to effect positive change for the good of our planet and future generations. Northern Trust commits its resources, including capital support and employee volunteerism, to local initiatives and organizations focused on environmental awareness and protection. We are a longstanding sponsor of the Chicago Botanic Garden as well as other land trust organizations and local youth programs that aim to increase appreciation of biodiversity and motivate sustainable actions in everyday life.

### **Procurement**

Northern Trust’s supply chain supports our global footprint through the use of suppliers of various types and sizes. These firms provide services in the categories of business, technology and market data.

These suppliers allow Northern Trust to support the needs of our clients and employees in our North America, EMEA and APAC regions. Northern Trust expects vendors to conduct business in an ethical, legal and socially responsible manner. We specify these terms and conditions in our procurement policy and review it during vendor evaluations.

Northern Trust’s global procurement department is led by a senior-level manager, the Global Head of Procurement, who drives the strategy and sets policies worldwide. Northern Trust is committed to integrating ethical, social and environmental factors into our global procurement policy, as reflected in our Supplier Code of Conduct ([northerntrust.com/about-us/procurement](http://northerntrust.com/about-us/procurement)).

We check our vendors with the U.S. Office of Foreign Asset Control to ensure we comply with any economic and trade sanctions. In 2017, we also published our first UK Modern Slavery Act statement.

### **Other aspects of our global procurement program include:**

- Completing due diligence requiring any supplier providing goods and/or services

outside of the United States to complete an anti-bribery questionnaire

- Requiring suppliers to obey the laws of the country of manufacture, sale and distribution
- Coordinating a supplier management program that assesses risk, monitors performance and promotes continuous improvement activities

Our approach to supplier relationship management (SRM) ensures that an appropriate level of oversight and structure is established with each of Northern Trust’s suppliers. This process maximizes relationships with suppliers, resulting in ongoing risk mitigation and value delivery that meets or exceeds contracted value. We continue to invest in and review new SRM techniques and processes that will increase coverage to more supply categories.

### **The goals of Northern Trust’s vendor management program are to:**

- Provide and implement the framework to monitor and manage vendors
- Ensure consistency and compliance with regulatory guidance
- Instill a continuous improvement philosophy into the supplier relationship
- Ensure compliance with contractual terms and conditions

**The vendor management process includes:**

- Using vendor segmentation
- Applying a governance model appropriate for the vendor’s designated segment
- Administering jointly developed key performance indicators
- Developing and implementing a vendor management plan
- Assigning vendor managers the responsibility for specific activities required by the segmentation
- Monitoring and reporting on the status of open vendor issues
- Establishing performance improvement goals for ongoing vendor relationships as needed
- Conducting regular vendor business review meetings

Our procurement policy promotes a fair and objective bidding process by neither requiring the use of local suppliers nor measuring our spending with local or regional suppliers.

**Supplier Diversity**

Supplier diversity is an essential component of a world-class global procurement organization. How and with whom we do business reflects our commitment to developing and supporting diverse business owners. Diverse suppliers who work with us as partners contribute to our bottom line and foster increased competition and innovation as well as enhance our ability to provide clients with excellence in service.

Northern Trust considers supplier diversity a corporate strategy supported by senior management and executed via our procurement professionals. Northern Trust’s supplier diversity program is led by a senior-level manager, the director of supplier diversity.

In 2017, we spent more than \$160 million with minority- and women-owned companies and firms owned by individuals with disabilities. Northern Trust continues to bring diverse suppliers into our supply chain.

We collaborate with various organizations to focus on economic development, growth and learning, including the Chicago Minority Supplier Development Council, the Women’s Business Development Center, Chicago United and the Chicago Area Gay and Lesbian Chamber of Commerce. Northern Trust is an active member of the Financial Services Roundtable of Supplier Diversity for the National Minority Supplier Development Council, an organization that aims to provide a direct link between large corporations and minority-owned businesses.

## EMPLOYEES

We recognize that our employees are critical to our success, and we take our search for and retention of top talent seriously. We target our talent identification, talent sourcing methods and recruiting strategies to specific locations using a variety of channels including job boards, colleges, networks, associations and online social networks. We base hiring decisions on a variety of factors, including educational background, diversity, relevant experience, past accomplishments, professional licensing and strong evidence of integrity and ethical behavior.

### Talent Management and Education

Northern Trust employees averaged 21 hours of training—for a total of more than 380,000 hours across the organization—in 2017. Northern Trust's talent management team has developed a customized training portfolio of core, manager, sales and client servicing blended learning solutions. In addition, Northern Trust launched a new three-day flagship mid-level manager program called the *A Approach for Managers Summit*. Through this program, Northern Trust provides managers with targeted learning and development opportunities. Training classes, guidebooks, articles, webinars and suggested web pages are organized by leadership level and encompass a range of topics including team development, results delivery, performance management, emotional intelligence, agility and productivity. We also offer external development

programming for managers on various management and leadership topics. These interactive programs provide peer networking opportunities and direct access to well-known expert facilitators. Northern Trust also offers an educational assistance program that encourages employees to pursue further education. To encourage employees at all levels to seek mentoring opportunities, our new mentoring guidebook includes tools and resources to enable a mentoring relationship.

Northern Trust administers multiple leadership programs tailored by career level and focused on building a healthy pipeline of leadership talent to meet our evolving business needs.

The Northern Trust Rotational Development Program is designed to build the technical skills, business acumen and leadership abilities of recent college graduates. Program members participate in meaningful job rotations over an 18-month period. On-the-job learning is supplemented with additional development activities, including mentoring, leadership speakers, a book club, community service events, a competitive business case challenge and targeted training courses.

The Northern Trust Enterprise Talent Leadership Program aims to prepare high-performing mid-career employees for leadership success:

- Leadership assessment and self-awareness
- Career mapping and development planning

- Mentoring assignments
- Targeted development and leadership skill-building
- Exposure to senior leadership

### Diversity

Northern Trust values diversity as an essential element of our corporate culture. The broad array of perspectives that result from acquiring, developing and retaining a globally diverse workforce is a crucial contributor to our excellence and innovation across our business practices and a driver of our community engagement.

Northern Trust's Head of Corporate Social Responsibility and Global Diversity and Inclusion reports directly to the Chief Executive Officer. Two chief diversity and inclusion officers are responsible for the design and execution of topic-relevant programs across the Americas, EMEA and APAC.

Northern Trust's senior management team realizes and embeds our vision for diversity and inclusion at all levels of our business. The Corporate Governance Committee of the Board of Directors is responsible for providing oversight of our diversity and inclusion policies, programs and strategies.

We strive to enhance the pipeline of women and minority talent through an integrated strategy that includes three key elements: key role development, talent acquisition and career progression.



## UK WOMEN IN FINANCE CHARTER

In 2017, Northern Trust signed the UK Women in Finance Charter and committed to raise the ratio of women in the levels of senior and executive vice president to at least 35 percent by 2020. This is a commitment by the UK's HM Treasury and signatory firms to work together to build a more balanced and fair finance industry.

The charter reflects the UK government's aspiration to ensure gender balance at all levels across financial services firms. A balanced workforce has positive effects for customers, for profitability and for workplace culture, and is increasingly attractive for investors.

### The charter:

- Commits firms to supporting the progression of women in to senior roles in the financial services sector by focusing on the executive pipeline and the mid-tier level
- Recognises that firms will have different starting points and that each firm should set its own targets and implement a strategy appropriate for its organisation
- Requires firms to publicly report on progress in order to support the transparency and accountability needed to drive change

### Northern Trust pledges to promote gender diversity by:

- Designating one member of our senior management team as responsible and accountable for gender diversity and inclusion
- Setting internal targets for gender diversity in our senior management team
- Publishing annual reports detailing our progress toward achieving these targets
- Having an intention to ensure a link between pay of the senior executive team and delivery against these internal gender diversity targets

Northern Trust joined a group of more than 150 CEOs from some of the world's leading companies in signing the CEO Action for Diversity & Inclusion™, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. Each signatory has committed to taking the following steps to

increase diversity and foster inclusion within their respective organizations and the larger business community:

- Continue to cultivate workplaces that support open dialogue on complex, and sometimes difficult, conversations about diversity and inclusion

- Implement and expand unconscious bias education
- Share best known—and unsuccessful—actions

For more details please visit [CEOAction.com](https://www.ceoaction.com)



GLOBAL DIVERSITY AND INCLUSION STRATEGY AND GOVERNANCE

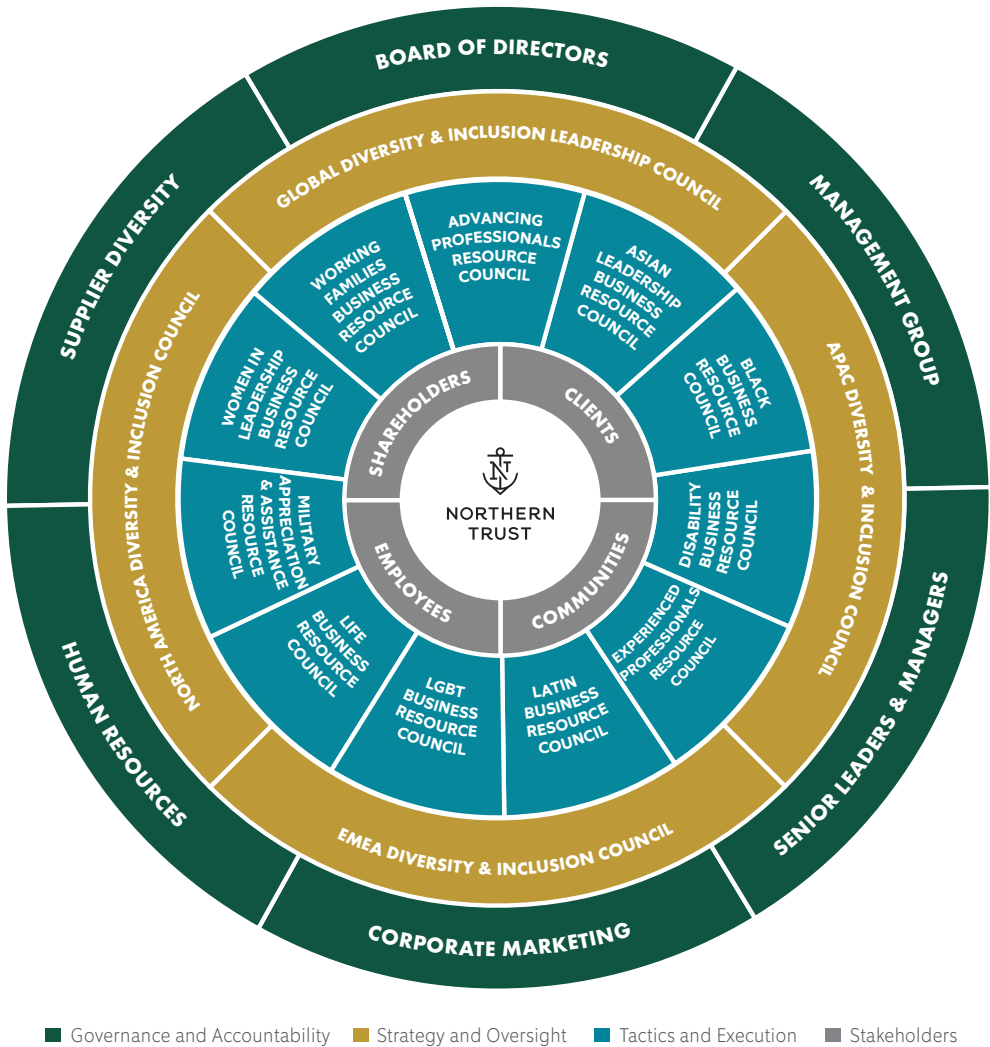
**Business Resource Councils**

Northern Trust believes in fostering an inclusive environment where our employees’ unique mix of attributes and diversity of perspectives can serve as catalysts for innovation. To help ensure our commitments to diversity, inclusion and innovation are embedded in the fabric of our company, Northern Trust sponsors 11 business resource councils (BRCs). These councils are employee-initiated, governed and led, and are open to all Northern Trust employees around the globe who share an affinity for the strategic mission of the group.

Northern Trust’s BRCs help foster a culture of inclusion by:

- Helping employees support one another in their personal and professional growth
- Providing networking and mentoring opportunities
- Supplying assistance on branding strategy and business development across communities and demographic groups
- Serving as liaisons to prospective and existing clients

The BRCs also play a vital role in the recruitment, retention and development of a globally diverse workforce and serve as an advocate on behalf of their constituencies, further enabling Northern Trust to be an employer of choice.



## COMPOSITION OF NORTHERN TRUST'S GLOBAL WORKFORCE\*

Job Categories	Asia-Pacific	Europe, Middle East, Africa	North America	Total
Permanent Full-Time	5,500	3,302	9,028	<b>17,830</b>
Permanent Part-Time	5	256	112	<b>373</b>
<b>Total</b>	<b>5,505</b>	<b>3,558</b>	<b>9,140</b>	<b>18,203</b>

\*As of December 31, 2017.

## WORKFORCE BY ETHNICITY AND GENDER\*\*

Job Categories	White	Black	Hispanic	Asian	Native American	Hawaiian	Two or More Races	Total	Females in Global Workforce
Exec/Sr Mgmt	303	19	15	12	1	0	2	352	155
Entry/Mid Mgmt	1,111	148	128	153	2	1	14	1,557	1,290
Professionals	4,332	843	807	671	6	18	101	6,778	6,509
Administrative	176	77	66	8	0	0	6	333	383
Other	18	13	16	2	1	0	1	51	15
<b>Total</b>	<b>5,940</b>	<b>1,100</b>	<b>1,032</b>	<b>846</b>	<b>10</b>	<b>19</b>	<b>124</b>	<b>9,071</b>	<b>8,352</b>

\*\*As of December 31, 2017. Ethnicity statistics include U.S. locations only. Gender statistics include all global locations. All statistics include both permanent and temporary employees.

## Human Rights and Workforce Principles

Northern Trust's human rights and workforce principles apply to all global operations and clearly state our support for the rights of minority groups, women and workers.

Our principles expressly reference our conformance with public policies including the International Labour Organization's standards and the Organisation for Economic Co-operation and Development's guidelines for multinational enterprises. Employees worldwide also may exercise freedom of association with regard to collective bargaining and trade agreements as permitted by applicable regional laws.

We apply these standards to our suppliers and vendors as well as to our employees, who receive training on antidiscrimination, diversity and inclusion and the prevention of sexual harassment. We also provide training specifically on cultural change, which is especially helpful for expatriates and employees serving short-term assignments abroad or experiencing global relocation. A number of senior-level company officers are responsible for overseeing the execution of our human rights and workforce standards.

These standards commit us to providing fair and equal wages to employees regardless of gender and offering competitive compensation and benefits to our workforce.

## MENTAL HEALTH EDUCATION IN LONDON

In conjunction with Northern Trust's Global Fund Services (GFS) group, our disability business resource council (DBRC) has launched a program of support, awareness and education around mental health at work. Although one-in-four people in the UK will experience mental ill-health, and sickness absence due to mental health issues is rising, mental health is still a highly stigmatized subject. This discrepancy poses a significant problem to workplaces.

The DBRC kicked off the initiative with an awareness-raising event in February 2017, in which a young man spoke about the experience of living with schizoaffective disorder. After attending the event, members of the GFS leadership team were inspired to roll out a program of action within GFS that was later extended throughout Northern Trust.

One of the most powerful aspects of the campaign are the "My Story" sessions, during which employees share their personal mental health stories with an audience of other Northern Trust employees.

Other elements of the campaign include the launch of an internal mental health site full of advice and resources to support employees in need, and a Mental Health First Aid Training program that has trained more than 100 employees to date. This training has created a network of Mental Health Champions to support employees with a listening ear and signposting. On World Mental Health Day, more than 100 London Northern Trust employees attended a panel discussion that addressed key issues in mental health.

By opening up the dialogue around mental health, the team is making it possible for people to seek support at an early stage, and hopefully avoid a long period of ill health.

## SHARED VALUE

Community engagement opportunities, paid time off for volunteerism and our matching gift programs provide a competitive advantage in employee recruiting and satisfaction.

Employee volunteerism is consistently a priority for college graduates considering future employers. Non-profit and civic board involvement is integral to talent management, as it provides employees with leadership, skills development and networking opportunities beyond the scope of their responsibilities.

Northern Trust Community Employees is a global program that helps employees identify, engage and develop relationships with local charities. These relationships include financial and volunteer support. We offer two full days of paid time off for employees to volunteer with approved non-profit organizations. In addition to these hours, employees generously gave over 100,000 hours of their personal time in 2017 to charitable organizations.

Community involvement is deeply rooted in the Northern Trust culture and affects the way we do business globally. Since our founding in 1889, Northern Trust has actively advanced a culture of caring and a commitment to invest responsibly in the communities we serve worldwide. This philosophy continues today through progressive community investments; contributions to service and community organizations; employee volunteerism; gifts in-kind such as donations

of meeting space, catering, supplies and other knowledge services; and directorship guidance to charitable and civic boards.

Our approach to supporting the community takes into account the way we influence our clients, shareholders, employees and the communities we serve. We execute each activity with these priorities in mind. Our scope of community involvement provides sustainable company benefits:

**Brand awareness** – Our brand strength relies on community sponsorships and alignment with highly respected non-profit institutions. Our charitable grants, event sponsorships, charitable and civic board representation and employee volunteerism are integral to our marketing strategy and serve to help raise brand awareness and brand equity in our target markets around the world.

**Business development** – We work directly with each of our business units to identify community investment opportunities related to key marketing and client relationship efforts. Given the philanthropic interests of our client base, community involvement has proven to be an effective business development tool through which we can access key clients, prospects and influencers.

### **Corporate Alignment**

In October 2012, the Board of Governors of the Federal Reserve System, the federal regulator responsible for monitoring

the Community Reinvestment Act (CRA), approved the designation of The Northern Trust Company as a "wholesale bank."

The wholesale designation allows us to concentrate efforts and resources on direct investments that have a sustainable community impact. Northern Trust carries an "outstanding" CRA rating, and new CRA investments totaling \$512.6 million were originated in 2017. The Corporate Governance Committee of the Board of Directors receives an annual CRA and fair lending report and approves our policy related to community reinvestment. As of December 31, 2017, the community investments portfolio totaled \$1.1 billion, and consisted of the following:



**\$19**  
MILLION  
IN AWARDS

**CORPORATE  
PHILANTHROPY  
PROGRAM**

Northern Trust's global corporate philanthropy program awarded more than \$19 million to local and international civic and charitable organizations in 2017.

## NO MAN IS AN ISLAND: Lending a Hand to Puerto Rico

In the wake of Hurricane Maria, which hit Puerto Rico in September 2017 and left a majority of the island without power, homes and roads destroyed, and water contaminated, Northern Trust's Latin Heritage Leadership Council (LHLC) partnered with other Chicago-area firms to provide help.

Led by the LHLC, employees collected supplies such as dry and canned foods, baby formula, diapers, first-aid kits, towels and blankets, laundry detergent and pet food. They also raised money and purchased nearly 14,000 bottles of water to send to the island.

"The response was overwhelming. While I know there is still much needed in Puerto Rico, it felt great to know that we, as an organization, provided help," said Luis Amaya, president of LHLC and manager of Commingled Investment Trust product management for Northern Trust Asset Management.

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## \$100.7 MILLION INVESTMENT EDUCATION AND SOCIAL SERVICES

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**OBJECTIVE:** Provide long-term capital and equity for the development of community and education facilities such as charter schools, health clinics and day care centers by non-profit partners.

**COMMUNITY FACILITY:** Northern Trust made over \$45 million in new fund commitments in 2017 for community development projects. For example, Northern Trust provided financing for the new Eastside Community Center in Tacoma, Washington. This 55,000 square foot community center and aquatics center will serve the 44,000 local residents and will create 90 new permanent jobs and provide employment training opportunities.

**EDUCATION:** In 2017 the community development group provided funding for the expansion of programming to four underperforming Atlanta public schools to improve the performance of 3,000 low-income children from some of Atlanta's most troubled neighborhoods. The Purpose Built Schools Atlanta instructional model includes an extended school day, full after-school program, early learning programs and comprehensive support programming for parents and the community.

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## \$967.1 MILLION INVESTMENT AFFORDABLE HOUSING

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**OBJECTIVE:** Support the creation and retention of affordable rental housing and affordable homeownership in partnership with non-profit lenders and developers.

Northern Trust continues our commitment to sustainable, affordable homeownership through continuing partnerships with Habitat for Humanity affiliates, investments in the Community Development Financial Institutions (CDFI) fund for affordable homeownership and purchases of mortgage-backed security pools of home mortgages for low- and moderate-income individuals. We also continue to own and service mortgages originated through our affordable mortgage program for low- and moderate-income homebuyers and communities.

Northern Trust invests in the development of affordable rental housing through investments in CDFI funds, pools secured by affordable rental housing developments, municipal bonds supporting affordable rental housing and equity in affordable rental housing developments through the Low Income Housing Tax Credit Program.

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## \$102.1 MILLION INVESTMENT JOB CREATION

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**OBJECTIVE:** Support non-profit micro-loan origination programs and the expansion of businesses and job creation through private equity funds.

Since 2012, Northern Trust's community development investments have created approximately 8,600 permanent, full-time jobs. In 2017, Northern Trust invested in the Community Development Financial Institution People Fund's revolving loan fund that provides financing and comprehensive technical assistance to minority-, women- and veteran-owned small businesses in lower income communities throughout Texas, including business reconstruction efforts after flooding in the Houston area. In addition, Northern Trust provided funding for the CDFI Georgia Cities Foundation to give low-cost, gap financing to small businesses revitalizing underserved downtown areas in the state of Georgia.

Northern Trust financed the construction of the Denver Housing Authority's new Collaborative Resource Facility that will house programs assisting 14,000 low income households. The facility will retain 135 permanent jobs, create 70 new permanent jobs and establish 150 construction jobs. In addition, the facility will have a dedicated space for job training classes and other social services.

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## \$25.3 MILLION INVESTMENT WEALTH ACCUMULATION

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**OBJECTIVE:** Make equity investments and certificates of deposits in community development banks to provide capital to develop products and services to meet the needs of the unbanked, underbanked and underserved members of our communities.

In 2017, Northern Trust provided secondary capital to the Self-Help Federal Credit Union through the Self-Help Ventures Fund, which purchased a failed minority-owned financial institution in Chicago. The credit union's mission is to address the growing problem of families increasingly using fringe and predatory financial services instead of standard banking services. It serves the full financial needs of its customers and tests innovative products and delivery systems to better serve low-income, immigrant and minority families.

## SPOTLIGHT ON HEARTLAND HEALTH OUTREACH

Northern Trust has financed the construction of Heartland Alliance Health's new community health center located in the Englewood neighborhood on Chicago's south side. The full-service health center will provide much needed services such as primary care, counseling, psychiatry, medical case management, health insurance assistance, HIV/AIDS care and linkage to housing.

This project was conducted by Northern Trust's Community Development and Investments group, which finances organizations and projects that make a positive impact in the lives of disadvantaged individuals and families. It also supports communities by making capital available through a variety of innovative investment tools to create sustainable change. In 2017, Northern Trust provided nearly \$2.9 million through a combination of a direct debt investment and New Market Tax Credit Investments to assist with the construction of this project.

## SUSTAINABLE INVESTING AT NORTHERN TRUST

The foundation of Northern Trust's responsible investment principles is that we act in a manner to protect our clients' financial well-being.

Northern Trust offers investment capabilities with sustainable objectives in equity, fixed income and real assets. The approach and objective of a sustainable investing strategy is multi-dimensional, and may apply differently to different asset classes. While sustainability factors may be broad in nature, we focus on certain key issues and approaches in our investment framework.

Our comprehensive Sustainable Investing Philosophy encompasses responsible investing factors such as our bespoke ESG pooled fund policies, our engagement policy for our European index funds, corporate governance and internal engagement principles and our custom proxy voting policy with ESG guidelines.

Northern Trust believes that, by serving as an active owner on behalf of shareholders, we will help portfolio companies produce sustainable value, and that companies' long-term financial returns are connected to their strategic, environmental, social and governance performance. Sustainable investing is based on the philosophy that ESG analytics can complement quantitative or fundamental investment techniques to mitigate risks or capture new opportunities. Our definition of sustainable investing is based on the acknowledgement that the long-term

financial success of our clients and shareholders is dependent upon a healthy global environment, a stable society and well-functioning/well-governed companies. We view the integration of environmental, social and governance factors as being part of our fiduciary heritage with a long-term focus.

### Northern Trust ESG Funds

Northern Trust funds integrate or screen for a variety of different ESG factors including United Nations Global Compact principles, tobacco, weapons, firearms, gambling and nuclear weapons. As an asset manager, we also have the capability to:

- Manage assets to a socially responsible index. We have partnerships with all of the leading index providers and can design additional ESG indices on behalf of clients.
- Manage assets to a traditional index while excluding a client-directed list of companies. We currently manage restricted accounts to most major index series across asset classes. Accounts can be managed to replicate the risk & return characteristics of the broad index or the restricted index.
- Manage assets to a traditional index while interpreting a client's Socially Responsible Investing (SRI)/ESG guidelines. We currently manage a group of accounts for which we interpret client guidelines and create a restricted list to synchronize with the investment management process.

## NORTHERN TRUST MANAGED FUNDS

Northern Trust Global Sustainability Fund

Northern Trust World Custom ESG Equity Fund

Northern Trust World Custom ESG EUR Hedged Equity Index Fund

Northern Trust North America Equity Index UCITS Fund

Northern Trust Europe Equity Index Fund

Northern Trust Emerging Markets Custom Low Carbon Optimised Equity Index Fund

Northern Trust Emerging Markets Custom ESG Equity Index Fund

Northern Trust Emerging Markets Custom ESG Equity Index UCITS FGR Fund

Northern Engage360 Fund

Northern Trust Asset Management is a signatory to the United Nations Principles for Responsible Investing (UNPRI), with which we also partner on a variety of working groups including equity, fixed income, outreach and assurance.



At the end of 2017, Northern Trust asset management managed \$86 billion of assets globally that incorporated ESG criteria, including five ESG equity funds launched in 2017: the World Custom ESG Minimum Volatility Equity Index fund, the Northern Trust Developed Real Estate ESG Index fund, the Northern Trust Emerging Markets ESG Leaders Equity Index fund, the Northern Trust World ESG Leaders Equity Index fund and the Northern Trust U.S. Quality ESG mutual fund.

### **Stewardship**

Engagement with management is a core part of the equity research process. Northern Trust's equity research analysts engage with hundreds of companies annually. Our focus is to accumulate and interpret facts to reach sound investment conclusions with the aim of delivering positive long-term investment outcomes for clients. We employ both quantitative and qualitative approaches in this process. In addition to strategy, risk and sustainability of financials, analysts also monitor corporate governance, environmental and social factors that are of material concern to the long-term sustainability of the investment. The proxy analyst team supplements the analysis performed by Northern Trust's equity analyst team with additional research on corporate governance and environmental and social matters that contribute to the long-term value of the investment and reflects Northern Trust's commitment to ESG issues.

During the first quarter of 2017, the proxy analyst team, in coordination with the head of environmental, social and governance investing, published Northern Trust's Corporate Governance and Engagement Principles. This document outlines Northern Trust's engagement approach and priorities on topics such as board structure, executive compensation, risk oversight and environmental and social risks and opportunities. It aims to protect our clients' financial well-being throughout their investment horizon. In our role as an active owner, we help portfolio companies produce sustainable value and long-term financial returns.

### **Global Sustainable Investing Team**

Northern Trust has developed in-house, specialized expertise through our long-term commitment to social, environmental and financial integrity. Our sustainable investing team is responsible for ESG research, innovation, product development and product management across our array of asset class capabilities. It proactively develops new ideas to ensure the centrality of sustainable investing thinking to our business development.

This team works closely with our clients and our portfolio management team to develop and implement sustainable investing strategies ranging from simple negative screens to more complex mandates, including thematic or active quantitative strategies. The team works closely

with a variety of groups within Northern Trust Asset Management, including our quantitative research team and specialized portfolio managers. In addition, Northern Trust Asset Management has established a Sustainable Investing Council in charge of affirming strategies to address sustainable investment issues and implementing the initiative at a corporate level. The Sustainable Investing Council is chaired by Northern Trust's director of product development and sustainable investing and includes a diverse and representative group of members representing different parts of our business. All members promote sustainable investing and represent various audiences such as CSR, product development and management, equity, fixed income research, portfolio management, business development, proxy voting and engagement. We believe that this structure contributes to a further enhancement of ESG within and throughout our company.

We also strongly believe in the importance of our leadership role and collaborative effort in the industry. Members of the sustainable investing team have active roles in industry associations and networks such as the Principles for Responsible Investment (PRI), the investor advisory committee of the Sustainable Accounting Standards Board (SASB), the institutional investor group on Climate Change and the Harvard Institutional Investor Forum.



## SELECTED MEMBERSHIPS

### THE UNITED NATIONS ENVIRONMENTAL PROGRAMME – FINANCE INITIATIVE (UNEP FI)

The UNEP FI is a global partnership between UNEP and the financial sector. More than 200 institutions, including banks, insurers and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance.

### THE BOSTON COLLEGE CENTER FOR CORPORATE CITIZENSHIP (BCCCC)

Based in the Carroll School of Management, the BCCCC was founded in 1985, inspired by an early recognition that community expectations of companies were changing. The center combines the most valuable aspects of a professional community with the resources of a leading academic institution.

### UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTING (UNPRI)

The UNPRI Initiative is an international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision-making and ownership practices.

### ASSOCIATION OF CORPORATE CITIZENSHIP PROFESSIONALS (ACCP)

The ACCP is a membership organization open to for-profit companies or corporate funded foundations that have corporate responsibility or corporate citizenship programs.

### INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE (IIGCC)

The IIGCC is a forum for investors to collaborate on climate change. It provides investors with a collaborative platform to encourage public policies, investment practices and corporate behaviors that address long-term risks and opportunities associated with climate change.

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NORTHERN  
TRUST

