



# Northern Trust Corporation

## Global Tax Strategy

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### Introduction

Northern Trust Corporation (the "Corporation") is a financial holding company that is a leading provider of asset servicing, fund administration, asset management, fiduciary and banking solutions for corporations, institutions, families and individuals worldwide.

The Corporation is subject to extensive regulation under state and federal laws in the United States, as well as the applicable laws of each of the various jurisdictions in which it operates. As a globally regulated business, the Corporation promotes compliance with applicable laws and governmental rules, codes and regulations wherever it does business.

Throughout its history, the Corporation has remained true to its guiding principles of service, expertise, and integrity. In conjunction with these principles, the Corporation has committed to the highest standards of integrity, ethics, and honesty. The Corporation's tax strategy is aligned to this commitment and its tax mission statement has the following core objectives:

- Complete all of the Corporation's global tax obligations on a timely and accurate basis, ensuring that it complies with the laws and regulations by which it is governed;
- Implement robust tax governance through the implementation of a framework of processes and controls to proactively identify, assess and mitigate tax risks to ensure the Corporation stays aligned with its underlying risk management philosophy;
- Assess tax risks in the Corporation's strategic planning, business decisions and transactions; and
- Co-operate with the tax authorities, as having an effective relationship with the tax authorities in all jurisdictions in which the Corporation operates is vital in the administration of the Corporation's global tax responsibilities.

### Approach to risk management and governance

Risk management is an integral aspect of the Corporation's corporate governance. The Risk Management Framework ("RMF") focuses on the structure, processes and approach to the management of the key material risks inherent in the business. The Corporation's Board of Directors annually approves both the RMF and the Corporate Risk Appetite Statement, providing oversight of risk management both directly and through its committees.

Tax governance is aligned to the RMF and this includes clearly defined accountabilities and expectations, systems for internal control and processes for risk-based decision-making. Tax risk management processes extend beyond risk assessment and measurement and are embedded in strategic and business planning and decision-making.

The Director of Corporate Taxes is ultimately responsible for the day-to-day management of tax risk within the organization with support from the - Head of Tax for the Europe, Middle East, and Africa region. Tax risks are assessed at the regional level and socialized upwards to the Director of Corporate Taxes as appropriate. The Director of Corporate Taxes presents to the Audit Committee of the Board of Directors at least once every year and significant issues are more broadly socialized on a regular basis including to the global Chief Financial Officer. The internal audit team's responsibilities include monitoring activities relating to tax risks and this is undertaken on an ongoing basis.

Overall, the Corporation reinforces a culture of effective risk management through training and developing employees. Risk forms a separate and specific section of the annual appraisal process for employees.

#### **Attitude towards tax planning**

The Corporation recognizes its responsibility to pay the correct amount of tax in all jurisdictions in which it undertakes business. The Corporation undertakes tax planning that is aligned to its wider commercial and economic business activity.

The design of the Corporation's employee remuneration plans is influenced by a number of factors that vary by location but the tax aspects of the plans are aligned to the guiding principles outlined above.

The Corporation's Transfer Pricing Policy is in accordance with Organization for Economic Co-operation and Development ("OECD") principles, and also is consistent with the guiding principles outlined above.

#### **Risk appetite**

In line with its guiding principles, the Corporation is committed to adhering to the laws, rules and codes by which the Corporation is governed. The Corporation believes that the maintenance of a low risk appetite is central to these principles and underpins the Corporation's success in the market; the Corporation strives to avoid undertaking any tax risk not aligned to its overall philosophy.

The Corporation endeavors to identify, assess and mitigate tax risk inherent in its strategies and promotes risk awareness, whilst proactively managing risk within each business. Management judgement is applied through senior governance bodies responsible for ensuring the Corporation stays within its risk appetite.

#### **Approach towards dealings with global tax authorities**

The Corporation:

- embraces a professional and constructive relationship with the respective tax authorities;
- co-operates with tax authorities on matters that benefit from further clarification; and
- as appropriate, meets with the tax authorities for more focused discussions in order to come to a resolution on an issue (where the Corporation and a tax authority may have a different interpretation of an underlying statute, regulation, and/or judicial decision).

Where appropriate, the Corporation's tax professionals attend industry tax forums and actively contribute to relevant consultations issued by the tax authorities on new and existing tax legislation.