



“BEST-IN-CLASS” ESG: TO A HIGHER LEVEL

For investors looking to take their sustainability investing a step further, a “best-in-class” environmental, social and governance (ESG) approach could offer an answer. It is a systematic and holistic way to invest in companies at the forefront of running their businesses in line with ESG values.

WHY CONSIDER PASSIVE BEST-IN-CLASS ESG INVESTING

1

IDENTIFY LEADING ESG OPPORTUNITIES

A “best-in-class” approach allows investors to maximize their exposure to companies with leading ESG practices by sector and geography. In doing this, investors mitigate the risks associated with poor ESG performers and position themselves for the possibility of long-term benefits related to well managed companies.

2

GEOGRAPHY AND SECTOR NEUTRAL

Index comprises companies based on peer group rankings to determine “best-in-class” composition and keep the portfolio sector and region neutral versus the broad market index. This limits typical ESG investing concerns of sector or geography bias. MSCI analysts monitor 37 key risks by industry and weighted on materiality.

3

INFLUENCE CORPORATE BEHAVIOR

Investors can choose a “best-in-class” ESG approach if they want to impact corporate behaviors, the environment and communities. Our “best-in-class” strategies use shareholder engagement as a further tool to align corporate behaviors with wider stakeholder interests.

WHAT TO LOOK FOR IN “BEST-IN-CLASS” ESG COMPANIES

“BEST-IN-CLASS” COMPANIES ARE IN LINE WITH ESG VALUES THAT WE BELIEVE LEAD TO SUSTAINABLE, LONG-TERM VALUE.



- ✓ Do they focus on renewable energy?
- ✓ Do they recycle?
- ✓ Do they optimize resource consumption in their manufacturing processes?
- ✓ Do they take steps to limit pollution?
- ✓ Are they looking for opportunities to innovate?



- ✓ Do they take employee safety seriously?
- ✓ Do their business goals take human rights into consideration?
- ✓ Do they consider the social impact of their supply chain?
- ✓ Do they ensure high product quality?



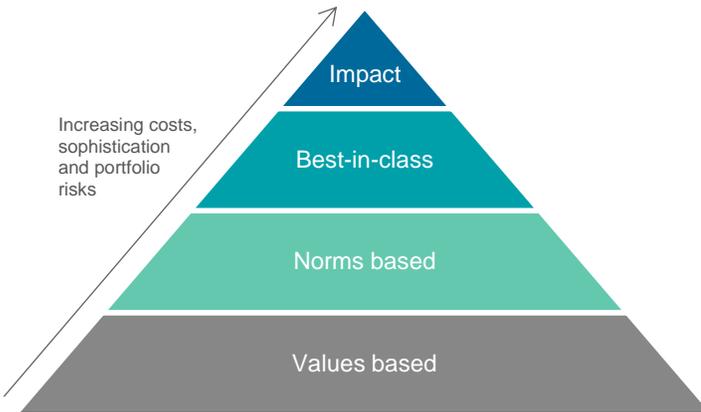
- ✓ Do they have an independent board?
- ✓ Is the corporate strategy transparent and accounting for major risks and opportunities?
- ✓ Do they have independent remuneration and audit committees?
- ✓ Are shareholder rights protected?

Note: “Best-in-class” ESG is industry terminology referring to an investment approach that selects companies that are leaders in implementing ESG.



FROM SIMPLE TO SOPHISTICATED

ESG investors have many options available to them — from simple values-based exclusions to highly sophisticated impact investing. But with added sophistication comes additional risk such as concentration risk, active risk, reduced standardization and increased tracking error.



An index approach to ESG investing allows investors to implement sustainability, and thus have impact, with their wider portfolio. The use of “best-in-class” ESG index strategies provides investors with greater scope to be impactful with their investing.

¹Source: eVestment database as of June 30, 2017

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HISTORY OF ESG INNOVATION

Northern Trust has managed ESG assets for nearly three decades, currently manage three of the top 10 largest index ESG¹ funds in the world, and are entrusted by investors to manage more than \$70 billion (as of 9/30/17) in ESG assets.

The key to our strength is innovation. We have worked with investors worldwide to identify the opportunities to respond to their investment needs, helping them meet their objectives.

NORTHERN TRUST ASSET MANAGEMENT

We are a leading global asset manager with the investment expertise, strength and innovation that has earned the trust and confidence of investors worldwide. With \$1.1 trillion in total assets under management,* and a long-standing history of solving complex investment challenges, we believe our strength and stability drive opportunities for our clients.

*Represents total assets managed by the subsidiaries of the Northern Trust Corporation as of September 30, 2017.

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