



NORTHERN TRUST

ASSET MANAGEMENT

SUSTAINABLE INVESTING PHILOSOPHY

We believe appropriate management of environmental, social and corporate governance factors can create long-term shareholder value for Northern Trust as an investment management firm as well as a publicly traded company.

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. Our definition of sustainable investing acknowledges that the long-term financial success of our clients and shareholders is dependent on a healthy global environment; a stable society; and well-functioning, well-governed companies. As such, we believe that material environmental, social and governance issues are business issues; when managed well, these factors can position a company for success. When managed poorly, they can lead to negative externalities that can result in reputational and financial risk. Environmental, social and governance (ESG) analytics can complement quantitative or fundamental investment techniques so as to mitigate risks or capture new opportunities. As such, we view the integration of environmental, social and governance factors in investment analysis as a key part of our responsibility as an asset manager.

In our daily operations and strategic planning, we strive to mitigate our environmental impact and improve the social and governance procedures involved in managing assets on behalf of investors. With integrity as the cornerstone of our investment thesis, we direct capital towards value creation through innovative products and services, effective diversity and strength in environmental stewardship. By incorporating a range of available tools and approaches to holistic portfolio construction and stewardship activities, our capabilities encompass a wide spectrum of sustainable approaches, from exclusionary to integration to thematic.

As a leading investment manager and financial service provider, we recognise our additional influence and responsibility to the broader market. We are committed to expanding our understanding of sustainable investing concepts and their effects on economic value, integrating sustainability into investment decisions and encouraging the companies in which we invest to pursue and disclose sustainable business practices. As part of the investment



At Northern Trust, we believe organizations with a demonstrated commitment to corporate social responsibility and sustainable investing create greater value for shareholders and key stakeholders.

MIKE O'GRADY

President and Chief Executive Officer



Our rich history and proven expertise managing sustainable portfolios reflects our deep commitment to responsibly serving the needs of current and future investors.

SHUNDRAWN A. THOMAS

President, Asset Management

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process, we engage with the management teams of potential portfolio companies in discussions regarding their long-term strategies, corporate governance, the sustainability of their business models, management incentive arrangements and alignment with their plans for maximizing shareholder value.

Our strategy value drivers help create additional value for our shareholders and key stakeholders by integrating a strong corporate social responsibility ethos alongside offering sustainable investing solutions across asset classes. At the corporate level, we have defined a set of objectives with a short-term target of the year 2020 and the long-term objective of continuously improve our standards in line with best market practices.

Our 2020 goals are the following:

- Reducing our scope 1 and scope 2 carbon emissions by 25%
- Increasing partner volunteering hours by 5%
- Following the UK Women in Finance charter with the goal of having at least 35% of women in UK senior management
- Measuring progress of the UK Modern Slavery Act Program
- Increasing the introduction of sustainable investing objectives in our proxy voting policy guidelines

OUR FOCUS ON CLIMATE CHANGE

Northern Trust has begun exploring the integration of climate-related scenario analyses into its broader risk management program to help align with certain recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). Conducting such climate-related scenario analyses and assessing the magnitude of climate-related financial risks and opportunities related to Northern Trust's global assets are intended to position the organization to navigate uncertain climate futures more effectively.

Our 2019 Capital Market Assumptions Report acknowledged climate risk as one of the 6 key prominent themes we see facing investors over the next five years. Climate risk is defined as a threat that global warming could negatively impact economic growth, inflation and investment returns. We differentiate between two types of climate risk: physical risk and transition risk. Physical risk is the risk of damage to land, buildings, or infrastructure owing to the physical effects of climate-related factors such as droughts, storms and flooding. Transition risk is the risk to businesses or assets that arises from policy, legal and market changes as the world seeks to transition to a lower-carbon economy. We do not expect it to have a noticeable impact on economic growth and inflation over the next five years. We do, however, expect some transition risk to be priced in by financial markets in the most exposed asset classes, notably natural resources and global listed infrastructure.

By incorporating a range of available tools and approaches to holistic portfolio construction and our stewardship activities, our capabilities encompass a wide spectrum of sustainable approaches, from exclusionary to integration to thematic.

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From an investment standpoint, our investment teams utilize many tools and frameworks to incorporate climate risks into the portfolio construction process. From a quantitative standpoint, we work with clients to integrate climate metrics which are relevant to their outlook on climate to develop a strategy which meets both their financial and climate related goals. It is the responsibility of investors such as Northern Trust Asset Management to assess which companies are most at risk from climate change and of those that are best positioned and/or taking sufficient action to mitigate both financial and reputational risks as they arise. Such assessments rely on disclosures from investee companies as well as research by third parties. We support the recommendations of the Financial Stability Board’s Taskforce on Climate-Related Financial Disclosures (TCFD), which include disclosure of governance structure overseeing climate-related risks, the risks themselves (analyzed under different climate scenarios), strategy and efforts to manage them, as well as the list of targets and metrics used.

Northern Trust offers investment capabilities with sustainable objectives in equity, fixed income, alternatives and listed real assets.

SUSTAINABLE INVESTING RESOURCES AND EXPERTISE

At Northern Trust, we have been managing portfolios in this style for more than 30 years, during which time this space has evolved significantly. We are committed to evolving and advancing the innovative, compelling capabilities available to the marketplace.

Northern Trust offers investment capabilities with sustainable objectives in equity, fixed income, alternatives and listed real assets. The approach and objective of a sustainable investing strategy is multi-dimensional, and may apply differently to different asset classes and in different geographies. While sustainability factors may be broad in nature, our view focuses on certain key issues and approaches in our investment framework. It is our view, for example, that the way a company manages diversity can either create value or stifle it. Appropriate management of climate risk distinguishes industry leaders from industry laggards and affects stakeholders broadly. In this effort we are guided by international norms and standards including the OECD guidelines, the UN Global Compact, and the ILO Core Conventions. Responsible stewardship is a critical step in ensuring that the capital entrusted to us is working on behalf of our clients to create value and mitigate risks as we work towards financial, environmental and social sustainability. Examples of factors that feature in our sustainability analysis are below:

ENVIRONMENT	SOCIAL	GOVERNANCE
climate change, resource depletion, including water, waste, pollution, energy efficiency and green revenue	working conditions including child labor, health and safety, employee relations and diversity, human capital	board diversity and structure, executive pay, bribery and corruption, shareholders rights

GLOBAL SUSTAINABLE INVESTING TEAM

Within Asset Management, Northern Trust has dedicated resources focusing on the integration of sustainable investing factors across our investment processes.

Northern Trust has developed in-house, specialised expertise through our long-term commitment to social, environmental and financial integrity. The Sustainable Investing team is responsible for ESG research, innovation, product development and product management across our array of asset class capabilities. It has a key role in proactively developing new ideas to ensure sustainable investing thinking remains central 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 specialised 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 Global Head of Product Management and includes a diverse and representative group of members who represent different parts of our business. All members meet on a periodic basis and promote sustainable investing which represent various audiences such as CSR, product development and management, equity, fixed income research, portfolio management, business development, proxy voting and engagement. We do believe that this set-up is contributing to a further enhancement of Sustainable Investing 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 are taking active roles in industry associations and networks such as:

- The Principles for Responsible Investing (signatory)
- Diversity Project UK and Diversity Project North America (charter member and member of the Advisory Board and Steering Group)
- SASB (member of the Investors Advisor Group and Standards Advisory Group)
- Council of Institutional Investors (associate member)
- One Planet Asset Managers Initiative (signatory)
- FAIRR Initiative (signatory)
- VBDO (member)
- DCIIA ESG Sub Committee (co-chair)
- ICI Diversity Working Group (member)
- IIGCC (member)

The Sustainable Investing Council is chaired by Northern Trust's Global Head of Product Management and includes a diverse and representative group of members who represent different parts of our business.

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- UNEP FI (member)
- Investor Stewardship Group (signatory)
- UK Women in Finance Charter (signatory)
- CEO Action for Diversity and Inclusion (member)
- UK Stewardship Code (signatory)
- Hong Kong Stewardship Code (aligned)
- Climate Action 100+ (founding signatory)
- Responsible Investment Association Australasia (member)

Our definition of sustainable investing is based on the acknowledgment 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.

INTEGRATION OF SUSTAINABLE INVESTING INTO INVESTMENT DECISION MAKING

Sustainable Investing at Northern Trust

Northern Trust believes that, by serving as an active owner on behalf of the 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 an investment solution based on the philosophy that ESG analytics can complement quantitative or fundamental investment techniques so as to mitigate risks or capture new opportunities. Our definition of sustainable investing is based on the acknowledgment 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. As such, we view the integration of environmental, social and governance factors as being part of our fiduciary heritage with a long-term focus.

Sustainable Investing Index

For many index investors, it may be appropriate to reflect a sustainable investing view through the companies that are included or excluded in their portfolios. Much of this activity involves exclusions based off on breach of standards and norms, regulations or certain ethical or other exclusionary tactics. For example, screening companies breaching labour rights norms or the United Nations Global Compact Principles are screens that we commonly apply across passive sustainable investment strategies.

More recently, however, infusing a portfolio with sustainable investing views can also include a positive element whereby companies showing superior management of ESG risks and opportunities may be favoured. ESG indexes are constantly evolving, but Northern Trust has been on the forefront of these activities and spearheaded the development of a range of market-leading, custom ESG indexes. We continue to do pioneering work in developing strategies that meet our client's growing needs in this space.

In addition to these approaches, we also maintain the capabilities to integrate alternative weighting to maximize certain types of exposures. One example is our recently launched Green Transition strategy that was developed with clients to define a thoughtful approach to fossil fuel divestment that provides opportunities to benefit from the low-carbon transition. This strategy aims to reduce the carbon footprint of the portfolio by removing all companies with carbon reserves and the top 10% of carbon emitters resulting in a 65% reduction in carbon emissions intensity compared to the parent index. Once the top emitters have been identified, the strategy will tilt towards companies benefiting from green revenue and the low-carbon energy transition. Our capabilities cover a variety of approaches including:

- Client-directed screens
- Tilting
- Alternative weighting
- Best-in-class
- Integrated solutions
- Fixed income
- Standard ESG/SRI indexes
- Custom ESG indices designed by Northern Trust Asset Management and data providers (Northern Trust custom ESG pooled funds)
- Global Real Estate Sustainability index
- Northern Trust FlexShares ESG ETFs

Traditional Index

Index investors own substantially all of the companies in a given universe and do so for the long term. For clients who direct us to manage passively against a standard market cap, where the holdings are dictated according to predefined methodologies, we are unable to integrate an ESG view in the portfolio construction, so our role as active shareholders and stewards of the corporate ecosystem is of particular importance.

To exercise our rights as shareholders, we rely heavily on our proxy and engagement efforts, which are spearheaded by our dedicated proxy & engagement and sustainable investing teams. By serving as a responsible steward, we help portfolio companies produce sustainable value over the long term. We reiterate our guiding principle of maximizing shareholder value given the universal, long-term nature of our investments, and our philosophy and process surrounding these activities are discussed in greater detail in the “Stewardship” section.

By serving as a responsible steward, we help portfolio companies produce sustainable value over the long term.

Quantitative Equity

Our approach to quantitative equity is premised on the long term existence and persistence of compensated factors such as quality, low volatility, and value. Regarding ESG integration in these strategies, data limitations have historically created challenges. The development of ESG as a compensated factor that is appropriate for quantitative investing techniques is still an evolving concept. Our objective in doing so is to utilise ESG in a manner that complements our analysis of a company and captures relevant information that financial factors on their own may overlook. Using ESG as an additional portfolio construction factor allows our investors a great deal of flexibility to achieve both their investment and ESG goals, which includes return enhancement as well as risk mitigation.

For example, whether a company has good corporate governance is difficult to ascertain through financial statement analysis. To evaluate corporate governance requires data demonstrating desirable features of a well-governed company such as independence of key committees, strong shareholder protections and executive pay aligned with performance. In addition, we have found that certain factors or combinations of factors can pair with thematic investing goals, such as low carbon portfolios, as a means of orienting towards long term financial and low carbon economy transition investment objectives.

Fundamental Equity

Our approach to fundamental equity investing is centred on identifying and owning companies whose intrinsic value is materially higher than the current market value. To do so successfully requires a proper understanding about a company's financial and strategic prospects, but also about the ESG challenges and opportunities it faces. Incorporating ESG information directly into a traditional model where quantification is of high priority is challenging. However, we believe ESG information can help inform the risks to our investment thesis and shine a light on areas not patently obvious from a thorough analysis of the financial statements.

For example, our analysts will conduct due diligence with management to understand the appropriateness of corporate governance structure and its ability to manage principal-agent risks. Alternatively, we look to understand broader environmental trends and how a shift to a low carbon economy may affect the product mix of a certain company or industry. Underpinning by deep relationships with a variety of key issuers, 25 years' experience in analysis, and leveraging the SASB standards, fundamental equity analytics also informs the broader stewardship process.

Our approach to quantitative equity is persistence of compensated factors such as quality, low volatility, and value.

Fixed Income

Northern Trust Asset Management integrates ESG into its investment process using both quantitative and fundamental methodologies. Sustainable investing and bond portfolios make for a good marriage because risk is a key focus for both. Bonds help manage risk through lower correlation and volatility versus equities. Sustainable investing aims to mitigate damage from climate change, poor labor relations, and fraudulent accounting practices, among others.

Fixed income research analysts incorporate ESG criteria into their analysis for a more holistic view of a company's risk profile. This involves using both financial and non-financial metrics when evaluating an issuer. Corporate Governance considerations were always incorporated in the credit evaluation process and increasingly environmental and social considerations are explicitly considered during both the fundamental credit evaluation and engagement.

For many of our pooled vehicles, Northern Trust applies a consistent set of screens in equity and fixed income index portfolios that excludes companies that are involved with tobacco, controversial and conventional weapons, civilian firearms, thermal coal, as well as those issuers who violate the U.N. Global Compact principles. Municipal issuers can also be assessed along sustainability parameters.

Bonds issued by companies with favorable environmental, social and governance (ESG) ratings tend to trade at tighter credit spreads and have longer durations. Based on our empirical research, we find that bonds with higher ESG ratings offered downside mitigation during periods of market turbulence despite their loose relationship to traditional credit ratings.

This suggests that investing in companies with the highest ESG ratings may offer further downside mitigation above and beyond what their credit ratings would suggest.

Municipal bonds are generally public purpose instruments that allow for community access to products and services such as museums, schools and hospitals. Robust credit analysis and discernment on the quality of the use of the proceeds aligns largely with sustainability objectives, which can be supplemented by a deeper scrutiny on the environmental and social externalities of the issuance.

Multi-Manager For Public Equity and Fixed Income Investment

Northern Trust has a comprehensive set of investment tools to support a sustainability mandate, including a platform of approved proprietary and third party investment capabilities. The strategies and funds approved for our clients undergo a rigorous due diligence process. Strategies are considered and proposed based on client consensus in interest and demand. They are also analysed on an ongoing basis by a team of dedicated sustainability investing analysts who source and conduct due diligence on strategies in the market. Strategies considered for the platform are reviewed by these analysts

For many of our pooled vehicles, Northern Trust applies a consistent set of screens in equity and fixed income index portfolios that specifically excludes companies that are involved with tobacco, controversial and conventional weapons, civilian firearms, thermal coal, as well as those issuers who violate the U.N. Global Compact principles.

on a number of quantitative and qualitative factors, including a qualitative review regarding the style and use of ESG data and indicators, the discipline, acumen and longevity of the investment team, and quantitative analysis around investment style, investment return and other factors.

In addition to qualitative methods, the Multi-Manager Investment team utilizes a proprietary sustainable investing scoring methodology, focused on key sustainability criteria, to systematically measure the comprehensiveness of a manager's sustainable investing capabilities. By evaluating each asset manager's firm-level commitment to sustainable investing, their sustainable investment process, their engagement policies and their reporting capabilities, the Multi-Manager team can source asset managers executing top-tier sustainability programs.

Furthermore, our team has developed a proprietary framework for analyzing diversity, equity and inclusion metrics for all managers of strategies approved to the platform. This framework assesses insights into the diversity of key personnel, including portfolio management staff and leadership team, as well as leading metrics that provide insights into a given firm's approach to integrating diversity equity and inclusion objectives.

All strategies approved to the platform undergo ongoing monitoring. With regard to sustainability investing strategies, this monitoring includes ongoing reviews of firm-level initiatives around sustainability, including commitments to industry initiatives like signing on to the PRI as well as monitoring the consistency and discipline of the investment staff.

A critical step in the process is selecting the right mosaic of strategies for any given investor based on their defined goal for the portfolio. We are of the firm belief that investors can benefit from seeking ESG-focused managers and do not need to forego performance to invest well. However, discernment is critical in the manager selection process. As the outsourced chief investment officer, Northern Trust leverages internal expertise to act as an extension of the client's team to support the organization in defining portfolio goals from a responsible investing perspective anchored by the portfolio's performance objectives and time horizon.

Alternatives – 50 South Capital

At 50 South Capital, a global alternatives investment firm that provides differentiated solutions and unique access to private equity, private credit and hedge fund investment opportunities, we believe that by incorporating environmental, social and corporate governance ("ESG" or "sustainability") factors into our decision making we can create long-term value for our firm, our clients, and our investment partners. Material ESG issues are business issues. They augment the comprehensive quantitative and qualitative analysis we complete on investment opportunities. When identified and incorporated into our investment processes, ESG factors represent opportunities for value creation. When ignored, ESG factors can lead to negative externalities that can result in reputational and financial risk.

We are of the firm belief that investors can benefit from seeking ESG-focused managers and do not need to forego performance to invest well.

50 South Capital has made a firm wide commitment to incorporate ESG factors into our business. We are committed to integrating ESG into investment decisions and partnering with the firms in which we invest to do the same. Specifically, we seek to manage reputational and financial risks that arise through our diligence process and we strive to engage proactively with managers around material ESG factors, including corporate governance, team diversity, and environmental sustainability. Sustainability factors are an essential consideration in 50 South Capital's ongoing monitoring of underlying investments. We are engaged investors, both in reaction to sustainability issues that arise during the duration of an investment and to opportunities related to sustainability factors. Through ongoing engagement, we seek to mitigate portfolio risk and capture attractive opportunities, all while recognizing the limited liability role we take in many of our partnerships.

Sustainable Portfolio Monitoring

The portfolio monitoring and risk management procedures for our separately managed accounts and funds are integral to our investment process. On the accounts with ESG exclusions, ESG activity will be monitored as part of the compliance team's independent post-trade oversight. The compliance team reviews completed trades on a daily basis through Aladdin for index equity and fixed income to confirm trades are within clients' objectives, restrictions and guidelines agreed within the investment management agreement and fund prospectus.

We have a clear process whereby portfolio managers are alerted as soon as a warning level is breached so that the holding can be assessed and reduced if deemed appropriate.

Northern Trust Risk Management regularly reviews tolerance levels and all breaches reported to the Northern Trust Business Risk Committee. Fund breaches are also reported to the fund's board. Any material breach would be reported to the client.

Watch List Management

We have our own exclusion lists in place for our Custom ESG index funds and factor-based ESG funds produced according to MSCI ESG research data. For Developed Markets, this list has, since inception excluded companies that do not comply with UN Global Compact Principles, companies that manufacture Tobacco products or derive more than 5% of revenues from the distribution, retail or supply of Tobacco products (or products for the manufacture of Tobacco products) and firms that manufacture Controversial Weapons such as cluster bombs, land mines, nuclear weapons, biological/chemical weapons, blinding laser weapons, incendiary weapons (white phosphorus) and non-detectable fragments. In 2019, these original exclusions were joined by policies excluding Conventional Weapons and Civilian Firearms (February 2019) and Thermal Coal (Mining and Generation in November). The same lists apply to Emerging Markets, which also have a Corporate Governance based exclusion list applied. These lists are currently applied to a range of pooled funds and are forming the basis of new strategies globally.

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STEWARDSHIP

Proxy Voting

The fundamental precept followed by Northern Trust in voting proxies is to ensure that the manner in which shares are voted is in the best interest of clients/beneficiaries and will aim to maximise shareholder value. Northern Trust's proxy voting framework, as outlined in our proxy voting policies, procedures and guidelines, provide that the Northern Trust proxy committee will generally vote for or against various proxy proposals, usually based upon certain special criteria.

Where a client delegates responsibility for proxy voting to Northern Trust, we provide reports on all voting activity undertaken on their behalf on a quarter, semi-annual or annual basis as directed by the client. Information on how Northern Trust voted securities within a reporting period and information regarding our rationale for proxy-voting decisions in a client's portfolio may also be provided upon request. We generally view our clients' voting records as their property, rather than as our records to make public. Unless authorized by the client in writing or required by applicable laws and regulations, Northern Trust will not disclose proxy voting records of clients' accounts to any third party. Records of the proxy voting outcomes for our Northern Institutional Funds and Northern Funds are publicly available on our website, along with links to our Proxy Voting Guidelines and other related materials.

Conflicts of Interest

Northern Trust has policies in place to identify and manage conflicts of interest across its businesses. However, where arrangements are insufficient to ensure, with reasonable certainty, that risk of damage to client interest will be prevented, Northern Trust will endeavour to disclose the nature of such conflicts to clients.

In relation to stewardship, the specific elements of conflicts of interest management are incorporated within the proxy voting guidelines.

Engagement

Northern Trust Asset Management's investment analysts engage meet with hundreds of companies annually on a range of objectives across four principle stewardship themes: Environment, Social, Governance and Risk Management & Strategy. Output from these engagements is used to inform investment decisions and proxy voting decisions with the aim of delivering positive long-term investment outcomes. A copy of our Engagement Policy can be found on our [sustainability website](#). The Engagement Policy describes the scope and objectives of our engagements and describes when we escalate engagement.

To maximize the scope of impact, we engage through a variety of mechanisms and partnerships. In addition to direct engagements managed in house, we conduct collaborative and outsourced engagement activities. Collaborative engagements tend to entail a partnership of asset owners and managers with

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similar long-term sustainability views. They are conducted with the weight of the group's pooled assets, and can be an effective tool for underscoring the relevance and importance of issues. This is exemplified in our involvement in initiatives like Climate Action 100+ and FAIRR.

In addition to these mechanisms, Northern Trust Asset Management has entered into an agreement with EOS at Federated Hermes ('EOS') to provide monitoring and engagement services for our EMEA pooled funds. Details of the covered portfolios and approach used by EOS are described in Appendix 2 of our global Northern Trust Asset Management Engagement Policy, the "EMEA Pooled Funds Engagement Policy." These engagements are conducted on behalf of our funds in line with our engagement principles. In certain cases, EOS engagements may inform our proxy voting activities, but Northern Trust Asset Management makes independent proxy voting decisions.

Northern Trust publishes an Annual Stewardship Report highlighting key proxy voting activities and engagements. Additional case studies can be found in our Stewardship Process report. EOS' regular reporting provides full disclosure, annually and quarterly, on the number of engagements conducted on our behalf. The most recent reports related to engagements for the EMEA Pooled Funds can be found at these two locations.

Sustainable Development Goals

In 2015, after the conclusion of the Millennium Development Goals, the United Nations announced the launch of the Sustainable Development Goals, a set of 17 global goals to be achieved by 2030 that cover a broad range of social, environmental and economic development areas. While these goals were not designed with the investment industry in mind, and some of them do not lend themselves to investment strategies, they can be used to provide a framework for theme-based investing and reporting. No impact metrics have been designed for this framework, but investors are increasingly using this lexicon to discuss investment objectives and impact goals. Northern Trust has begun to leverage this framework for communicating on certain initiatives, including dimensions of our stewardship activities as well as corporate social responsibility initiatives.

Collaborative Initiatives

Northern Trust joined the United Nations Principles for Responsible Investing (PRI) in November 2009.

We believe the UNPRI's overarching themes of transparency, accountability and continuous improvement align with our own values. We also believe it is important to be part of a community that is working to establish a common language and best practices around these issues. In fact, Northern Trust Asset Management contributed to case studies to promote acceptance and understanding of the UNPRI principles in passive management. Internally we use the UNPRI as a framework to formalise our Sustainable Investing principles and set priorities.

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We are participants and signatories to a number of organizations that promote environmental, social and/or governance policies, some of which are detailed below.

Sustainability Accounting Standards Board

As active members of the Sustainability Accounting Standards Board's Investor Advisory Group (SASB), Northern Trust contributed to several working groups focused on SASB's ongoing corporate engagement and consultative process with corporate issuers around SASB's standards for disclosure of ESG factors.

Farm Agriculture Risk and Return (FAIRR)

FAIRR is a known and respected leader of research, analysis, and benchmarking tools and best practice materials to help investors understand and manage the risks and opportunities associated with intensive animal agriculture. Their approach is focused on productive dialogue for consensus building with the companies they are engaging with. Engagements encourage companies to exit activities that are high risk; establish best practices with respect to animal production, environmental and social stewardship; and improve public disclosures on ESG consistent with Northern Trust Asset Management stewardship approach.

UK Stewardship Code

We are signatories to the UK Stewardship Code, in which we aim to enhance the quality of engagement between institutional investors in order to improve long-term returns to shareholders. Our other memberships include the Carbon Disclosure Project (CDP), United States Sustainable Investment Forum (US SIF), Institutional Investors Group on Climate Change (IIGCC), United Nations Environment Programme Financial Initiative (UNEP FI), Responsible Investor Australia (RIAA) and the Investor Stewardship Group (IGS).

CDP (Formerly Known as Carbon Disclosure Project)

Northern Trust is a participant in CDP's Climate Change Questionnaire. Northern Trust calculates and discloses its greenhouse gas emissions yearly using available data and assumptions in accordance with the Greenhouse Gas Protocol of the World Resources Institute, and the World Business Council for Sustainable Development. Our historic disclosures are available for review at WWW.CDP.NET.

United Nations Environment Programme Finance Initiative

Northern Trust is a member of the United Nations Environment Programme Finance Initiative (UNEP FI). As a member, Northern Trust collaborates with our peers to understand the current and emerging sustainability trends that are relative to the financial industry.

We are signatories to the UK Stewardship Code, in which we aim to enhance the quality of engagement between institutional investors in order to improve long-term returns to shareholders.

COMMITMENT TO SUSTAINABLE OPERATIONS

Corporate Services Group and Climate Change Strategy

Northern Trust recognizes that the long term viability of our business and our clients is tied to the health and well-being of our planet. We therefore commit to protecting the environment and 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 needs. We do this by integrating environmental considerations into our company-wide processes, committing to continually improving our business practices and delivering tangible, positive results related to the environment. Northern Trust's Corporate Services Group manages our real estate portfolio, procurement and facilities services with the objective of reducing the negative environmental impacts of our supply chain. 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 GHG emissions come from our North American operations.

Since we began tracking our carbon footprint (comprised of the carbon dioxide equivalent of all GHGs produced from our operations) in 2006, 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 environmentally friendly building strategies and practices outlined by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program, which has awarded our offices in North America and APAC one LEED platinum certifications, six gold certifications, two silver certifications and one general certification. In addition, we use reliable and sophisticated tracking programs to monitor and manage our environmental performance and calculate our annual carbon footprint.

In 2019 our 4 Irish offices signed up to the Business in the Community Carbon Pledge. This includes a commitment of all signatory companies commit to reducing their Scope 1 & 2 greenhouse gas emission intensity by 50% by 2030. The pledge is a commitment for Irish business to invest time and resources into creating a more sustainable operation – by being more energy efficient and reducing carbon usage while striving towards reaching global carbon reduction targets set in the Paris Agreement and maintain global temperatures at less than 2C below pre-industrial levels.

OPERATIONS

After completing a comprehensive emissions study in 2017 that formed our baseline, we set a goal to reduce our total Scope 1, Scope 2 (using the market-based approach) and Scope 3 carbon emissions by 25 percent per full-time employee (FTE) by 2020. As of December 31, 2019, we have reduced our carbon emissions by approximately 33 percent since 2015 and achieved 100 percent renewable electricity usage in our Harlow and Bank Street locations in the UK. We are currently working with the Science Based Targets Initiative to develop a framework for the science-based targets for financial institutions and to set our own science-based target. In the meantime, we are committed to continuing our efforts to reduce our GHG emissions.

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 needs.

The Sustainability Network

The Sustainability Network (TSN) is Northern Trust's global partner environmental engagement program aimed at increasing awareness of sustainability issues, promoting best practices and unifying environmentally focused business operations under the same umbrella. The Sustainability Network enables close collaboration between our building managers and TSN champions — partner volunteers — in delivering consistent environment-related messages, gauging partner feedback throughout policy implementation and advocating for increased commitment to conservation and protection of environmental resources. TSN organises Earth Day celebrations as well as other environment-related volunteer opportunities and has been a key activator of behaviour 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 ecology and can make tangible differences in the lives of community members, which is why we are meticulous in forecasting and reducing any environmental risks or harms induced by our business operations.

We also believe in the power of community-based actions in affecting positive change for the good of our planet and future generations. Northern Trust commits its resources in ways not limited to capital support and partner volunteerism to assist with 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.

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. New CRA investments totaling \$613 million were originated in 2019 and we have maintained an outstanding CRA rating for 26 consecutive years. 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, 2019, our community investments portfolio exceeded \$2.6 billion .

Procurement

Northern Trust expects vendors to employ high standards of recycling and waste management governance and to conduct business in an ethical, legal and socially responsible manner. We specify these terms and conditions in

Northern Trust functions as a global citizen whose contribution to building a healthy, sustainable environment involves deep regard for the surrounding communities.

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. Each vendor signs a vendor code of conduct and provides a clear view into its CSR policies. We check our vendors against the U.S. Office of Foreign Asset Control to ensure we comply with any economic and trade sanctions.

Northern Trust is committed to integrating ethical, social and environmental factors into our global procurement policy.

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