



ACHIEVE GREATER

Northern Trust  
Corporate Social  
Responsibility  
Report 2018

# Corporate Social Responsibility 2018 Strategic Focus

## CORE ASPECTS

Focus on governance, citizenship and operations



## OUR EMPLOYEES

Recruit, retain and develop diverse talent



## SHARED VALUE

Generate economic value in a way that also produces value for society



## SUSTAINABLE PRODUCTS AND SERVICES

Build market strength through innovation



# Contents

<b>LETTER FROM CONNIE L. LINDSEY AND MICHAEL G. O'GRADY</b> .....	2
<b>BASIS FOR REPORT</b> .....	4
Report for Content .....	4
Period, Scope and Boundary .....	4
Stakeholder Engagement .....	5
Reporting Framework .....	5
Material Aspects .....	5
<b>HONORS</b> .....	6
<b>CORE ASPECTS</b> .....	8
Governance .....	8
Ethics .....	8
Government Relations and Political Contributions .....	9
<b>OPERATIONS</b> .....	10
Corporate Services Group and Environmental Policies .....	10
Non-Governmental Organizations and Advocacy Groups .....	12
The Sustainability Network .....	12
Local Communities .....	13
Procurement .....	13
Supplier Diversity .....	15
<b>EMPLOYEES</b> .....	16
Talent Management and Education .....	16
Diversity .....	18
Business Resource Councils .....	21
Professional Development .....	22
Human Rights and Workforce Principles .....	25
<b>SHARED VALUE</b> .....	28
Corporate Alignment .....	28
<b>SUSTAINABLE INVESTING AT NORTHERN TRUST</b> .....	30
Northern Trust ESG Funds .....	30
Stewardship .....	32
Global Sustainable Investing Team .....	33
<b>SELECTED MEMBERSHIPS AND INITIATIVES</b> .....	34
The United Nations Environmental Programme – Finance Initiative (UNEP FI) .....	34
United Nations Principles for Responsible Investing (UNPRI) .....	34
Association of Corporate Citizenship Professionals (ACCP) .....	34
Institutional Investors Group on Climate Change (IIGCC) .....	34
CEO Action for Diversity and Inclusion .....	34
Climate Action 100 + .....	34
UK Women in Finance Charter .....	34



Overview



Core Aspects



People / Employees



Shared Value



Sustainable Products



Selected Memberships

## Letter from Connie L. Lindsey and Michael G. O’Grady

Since the time of our founding, Northern Trust has been shaped by a deep belief in the enduring principles of service, expertise and integrity. From our roots as a Chicago-based trust bank to our global presence today, these principles have served as the foundation upon which our company was built. Northern Trust values corporate responsibility as an essential element of our corporate culture and inextricable underpinning of our enduring principles.

Our 2018 Corporate Social Responsibility (CSR) Report highlights our actions toward our strategic priorities and the significant progress within each of these areas:

### **Core Aspects**—*Focusing on governance, citizenship and operations*

We understand the impact greenhouse gas (GHG) emissions have on the global environment. To reduce our carbon footprint, we have developed behavior-change programs to drive desired outcomes around transport, travel and recycling. As a result, we have reduced our GHG emissions by 29 percent since 2015 and achieved 100% renewable electricity usage in our Harlow and Bank Street locations in the United Kingdom.

### **Employees**—*Creating an inclusive work environment*

Creating an inclusive work environment for our employees is essential to who we are. In order to gain a deeper understanding of our successes as well as areas for improvement, we engaged an external consultant to assist us with a refresh of our Global Diversity and Inclusion strategy. This process included a review of our systems, practices, policies and culture.

### **Shared Value**—*Generating economic value in a way that also produces value for society*

Giving back to the communities in which we live and work is fundamental to our mission. We take pride in our “Outstanding” rating received under the Community Reinvestment Act (CRA)- which we have maintained for 24 consecutive years.

### **Sustainable Products and Services**—*Building market strength through innovation*

We align our business strategy with the fundamental principles of sustainability: meeting the needs of the present generation without compromising the ability of future generations to meet their own. We released our first stewardship report on proxy engagements, highlighting some of the issues Northern Trust Asset Management addressed via responsible investment activities.

Our commitment to corporate responsibility was recognized across industry groups. In 2018, we were named Best Private Bank for Family Offices, included on the Corporate Equality Index, remained a constituent of the FTSE4Good Index Series for the 12<sup>th</sup> consecutive year and named the Best Employer for Diversity by Forbes.

As we look ahead, we are committed to the pursuit of achieving greater value for all of our stakeholders by relentlessly pursuing our vision to be our clients’ most trusted partner for wealth management, asset servicing, asset management and other financial services.

We look forward to engaging with you as you review our 2018 Corporate Social Responsibility Report.



Since the time of our founding, Northern Trust has been shaped by a deep belief in the enduring principles of service, expertise and integrity. From our roots as a Chicago-based trust bank to our global presence today, these principles have served as the foundation upon which our company was built.

**Connie L. Lindsey**

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



**Michael G. O'Grady**

Chairman, President and  
Chief Executive Officer



# Basis for Report



Overview



Core Aspects



People / Employees



Shared Value



Sustainable Products



Selected Memberships

## 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 our goals pertaining to environmental, social and governance (ESG) matters.

## Period, Scope and Boundary

This report is based on information obtained, created and compiled for the fiscal year ended December 31, 2018, unless otherwise stated. Our previous report was for the year ended December 31, 2017. 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. There were no significant changes to our operations in 2018. 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 individuals worldwide. Each stakeholder group informs 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 ninth year using the Global Reporting Initiative (GRI) framework. We are a member of the GRI Gold Community, and this is our third 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.

**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** - ESG Integration, Responsible Investment Products and Services

*Questions related to this report can be sent to [CSRatNT@ntrs.com](mailto:CSRatNT@ntrs.com)*

# Honors

Overview



Core Aspects



People/Employees



Shared Value



Sustainable Products



Selected Memberships



**BEST EMPLOYER FOR DIVERSITY**  
*Forbes*, 2018



**BEST PRIVATE BANK FOR FAMILY OFFICES**  
*Financial Times Group*, 2018  
2nd Consecutive Year



**ONE OF THE "WORLD'S MOST ADMIRED COMPANIES"**  
*Fortune Magazine*, 2018  
12th Consecutive Year



**DIVERSITY CHAMPION**  
(Northern Trust Asset Management)  
*Investment News*, 2018



**TOP 50 COMPANY FOR EXECUTIVE WOMEN**  
*National Association for Female Executives*, 2018  
8th Consecutive Year



**TOP-SCORING COMPANY ON THE DISABILITY EQUALITY INDEX**  
*American Association of People with Disabilities and US Business Leadership Network*, 2018  
3rd Consecutive Year



**FTSE4GOOD GLOBAL INDEX 2018**  
12th Consecutive Year



**DOW JONES SUSTAINABILITY NORTH AMERICA INDEX 2018**  
8th Consecutive Year

# Northern Trust Highlights

Assets  
Under Custody



Assets Under  
Management



Return  
on Equity



(as of and for the year ended December 31, 2018)

# Core Aspects



Overview



Core Aspects



People / Employees



Shared Value



Sustainable Products



Selected Memberships

## 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 Chairman, President and Chief Executive Officer of Northern Trust Corporation (the “Corporation”). Ms. Lindsey also chairs the Executive CSR 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. The Board’s Corporate Governance Committee facilitates this oversight. 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 employees are expected to uphold our core values, exercise the highest ethical judgment and comply with the laws and regulations that govern our business. We expect employees to treat all information appropriately based on its classification. Breaches of highly sensitive client or business information may result in disciplinary action.

All employees are required to take the following five courses annually: “Anti-Money Laundering (AML) & Economic Sanctions,” “Anti-Bribery, Corruption and Fraud,” “Global Privacy and Data Protection,” “Information Security,” and “Standards of Conduct.” All employees are also required to certify their compliance with the Code of Business Conduct and Ethics.

All certifications and training courses were completed by 100 percent of employees in 2018. Additionally, we provided employees within the Asia-Pacific (APAC) and Europe, Middle East, and Africa (EMEA) regions with expanded AML, conduct, and privacy training in accordance with the regulatory characteristics within those respective regions.

## Government Relations and Political Contributions

Northern Trust concentrates its public policy positions in areas most relevant to its businesses, including U.S. federal, state, municipal and European Union financial regulatory reform efforts. We work with the trade associations of which we are members, and meet directly with federal, state and municipal legislators, regulators and other government officials globally to discuss our positions and make recommendations for improved policy and regulation. At the U.S. federal level, we focus on proposed regulatory and policy changes that will affect our businesses through enhancing the safety of client assets, the safety and soundness of the financial system and the strength of the global economy. At the state and municipal levels, 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 publicly available. The Corporate Governance Committee of our 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 in accordance with the guidelines set forth in federal, state and municipal “pay-to-play” policies and procedures.

### Corporate and Political Action Committee Political Contributions

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 developing professional opportunities within the industry. The principal trade associations to which we belong are the American Bankers Association, the Banking Policy Institute, 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 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, we sponsor both a federal-only political action committee (PAC) and a multi-candidate PAC, both of which are permitted to solicit a restricted class of Northern Trust’s U.S. employees for contributions used to fund candidates who support legislation important to Northern Trust. All contributions to the PACs are voluntary; employees are neither favored nor disadvantaged based on their participation. The leadership of each PAC reviews proposed political contributions based on the public policy interests of Northern Trust.

Our PAC contributions in 2018 totaled \$50,500. 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

  
Overview

  
Core Aspects

  
People / Employees

  
Shared Value

  
Sustainable Products

  
Selected Memberships

## Corporate Services Group and Environmental Policies

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 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 calculate our annual carbon footprint.



GOAL:  
Reduce carbon emissions by 25 percent

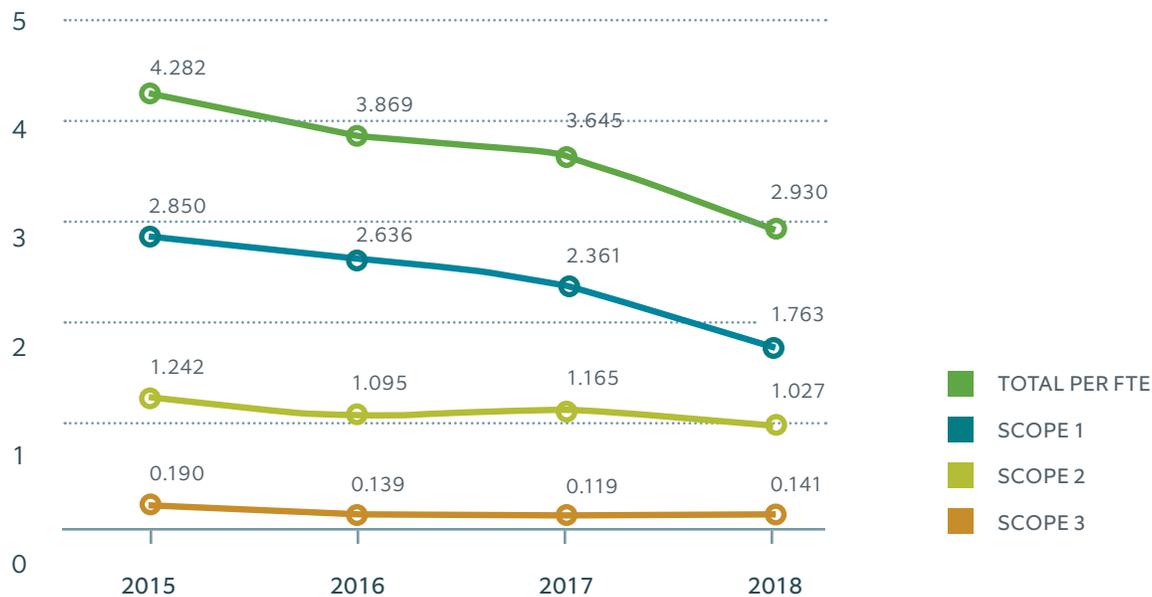
RESULTS:  
REDUCED CARBON EMISSIONS BY **29 PERCENT** PER FTE SINCE 2015

After completing a comprehensive emissions study in 2015 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 3 percent per full-time employee (FTE) by 2020. By the end of 2016, we exceeded that goal, reducing our emissions by nearly 10 percent and setting a new goal to reduce our emissions by 25 percent from the 2015 baseline by the end of 2020.

As of December 31, 2018, we have **reduced our carbon emissions by approximately 29 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.

CO<sub>2</sub>e  
Metric  
Tons

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





Overview



Core Aspects



People / Employees



Shared Value



Sustainable Products



Selected Memberships

## Non-Governmental Organizations and Advocacy Groups

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 and 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 businesses, Northern Trust strives to effect positive change in corporate social 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.

## 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.

This program enables close collaboration between our building managers and employee volunteer “sustainability champions” in delivering consistent environmental messages, gauging employee feedback and advocating for conservation and the protection of environmental resources. Through organizing Earth Day celebrations and environmentally focused volunteer opportunities, the Sustainability Network has been a key activator of behavioral change in Northern Trust’s culture.



### #BeRecycled Pledge

**On November 15, 2018, America Recycles Day, the Sustainability Network launched Northern Trust’s “Do Small, Think Big” campaign to promote the improvements that even small behaviors can have on sustainability in the workplace.**

**As part of the campaign, Northern Trust employees took the #BeRecycled pledge, committing to reduce and recycle cartons, shampoo bottles, unwanted mail, mobile devices and single-use plastic such as bags, wraps, bottles and caps. They also pledged to learn what materials are collected in their community and encourage a family member or friend to take the #BeRecycled pledge.**

## Local Communities

Northern Trust functions as a global citizen whose commitment to building a healthy, sustainable environment involves deep regard for our surrounding communities. We understand our footprint affects the larger ecological system and the lives of community members, and we believe in the power of community-based actions to effect positive change for the good of our planet. 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 increase appreciation of biodiversity and motivate sustainable actions in everyday life.

## Procurement

Northern Trust's suppliers provide services in the categories of business, technology and market data to support the needs of our clients and employees globally. Northern Trust's Global Head of Procurement drives the strategy and sets policies worldwide. As detailed in our Supplier Code of Conduct and Global Procurement Policy, Northern Trust expects our providers to conduct business in an ethical, legal and socially responsible manner.

We regularly review suppliers' adherence to our policies and pursue corrective measures when necessary, and use the U.S. Office of Foreign Assets Control to screen each vendor to ensure compliance with all economic and trade sanctions. **In 2018, we used a third-party vendor to evaluate suppliers representing 42 percent of our overall spend on ESG issues.**



GOAL: Increase number of suppliers screened using environmental and social criteria

• RESULTS: USED THIRD-PARTY  
• VENDOR TO EVALUATE  
• SUPPLIERS REPRESENTING  
• **42 PERCENT OF OUR**  
• OVERALL SPEND ON  
• ESG ISSUES



Overview



Core Aspects



People / Employees



Shared Value



Sustainable Products



Selected Memberships

## Procurement -continued

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

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 we establish an appropriate level of oversight and structure 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 additional 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 contribute to our success, foster increased competition and innovation and enhance our ability to provide clients with excellence in service. Northern Trust's supplier diversity program is led by a senior-level manager, the director of supplier diversity.

In 2018, we spent more than \$155 million with minority, women, veteran, LGBT, disabled and small business enterprises. 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, which aims to provide a direct link between large corporations and minority-owned businesses.

\$155  
MILLION  
IN AWARDS

Northern Trust spent more than \$155 million with minority, women, veteran, LGBT, disabled and small business enterprises.

# Employees



Overview



Core Aspects



People / Employees



Shared Value



Sustainable Products



Selected Memberships

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, professional 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's talent management team has developed a customized training portfolio of core, manager, sales and client servicing blended learning solutions. In 2018, Northern Trust employees logged a total of more than 455,000 hours of training, an average of more than 23 hours of training for each employee.

Northern Trust provides targeted learning and development opportunities for managers including training classes, guidebooks, articles, webinars and suggested web pages organized by leadership level and encompassing a range of topics including team development, results delivery, performance management, emotional intelligence, agility and productivity.

Managers also benefit from external development programming on various management and leadership topics. These interactive programs provide peer networking opportunities and direct access to well-known expert facilitators.

In addition, Northern Trust offers an educational assistance program that encourages employees to pursue further education. Our U.S. Education Assistance Program provides tuition reimbursement to support the degree aspirations of our employees. In 2018, more than 400 employee participants completed more than 1,200 classes. And through partnerships with Northern Trust, some education providers offer additional assistance in the form of grants or tuitions discounts. For example, DePaul University delivers a two-year onsite MBA program to more than 90 employees across three cohorts. The program offers a tuition discount on the program as well as Northern Trust's assistance on much of the remaining tuition.

To build a healthy pipeline of leadership talent to meet our evolving business needs, Northern Trust also administers multiple leadership programs tailored by career level.

The Northern Trust Rotational Development Program is designed to build the technical skills, business acumen and leadership abilities of recent college graduates. It serves to attract, develop and retain a diverse pipeline of future leaders while continuing to make the hiring of women and people of color a priority. Over an eighteen-month period, program members participate in meaningful job rotations. Career tracks include credit, corporate finance, investments, global fund services and technology. On-the-job learning is supplemented with additional development activities, including a comprehensive program orientation, mentoring, leadership speakers, a book club, community service events, a competitive business case challenge and targeted training courses. Eighty-eight percent of the participants who join the program are successfully placed into permanent roles.

The Enterprise Talent Leadership Program aims to prepare high-performing, mid-career employees for leadership success and to build a diverse pipeline of successors for key leadership positions. Demonstrating Northern Trust's commitment to the career progression of its participants, 32 percent of the current cohort has taken a new or expanded role since joining the program. Additionally, alumni participants are a significant part of our senior leadership pipeline, with more than half of former participants holding key leadership roles. The program offers the following components:

- Leadership assessment and self-awareness
- Career mapping and development planning
- Mentoring assignments
- Targeted development and leadership skill-building
- Exposure to senior leadership



## Women's Leadership Development Forum

The Women's Leadership Development Forum is a series of professional and personal development programs designed to address Northern Trust's corporate need to grow and develop strategic thinkers and leaders. During the May 2017-June 2018 session, the program's 178 participants were divided into 15 cohorts that were each facilitated by two Northern Trust senior vice presidents. The program's structured curriculum is anchored in research and best practices, with the content and program design driven by past leadership program feedback, recent employee survey results and interviews with senior-level female Northern Trust employees.

Participants are guided through discussions and exercises during six sessions:

1. Leading on purpose
2. Increasing your confidence
3. Establishing your power base
4. Discovering your influence style
5. Navigating your path
6. Building & sustaining your network

## Diversity

Northern Trust values diversity as an essential element of our corporate culture. Our strength in fostering and supporting a globally diverse and inclusive workforce helps us succeed as a business enterprise and an effective community advocate. Whether performing as individuals or working together as teams, the quality and diversity of Northern Trust employees clearly distinguishes us from our competition.

A diversified workforce is one of our strongest assets, enabling us to best serve our clients, investors and the public.

Northern Trust's Head of Corporate Social Responsibility and Global Diversity & 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 addresses key role development, talent acquisition and career progression.

Northern Trust is a member of two asset management industry-specific diversity organizations: The Diversity Project (both the UK and North America chapters) and LGBT Great (the UK Chapter, with plans to expand to other regions).

Leading asset management firms founded both organizations to drive continuous change across the asset management industry in all tenets of diversity, equity and inclusion.



Overview



Core Aspects



People / Employees



Shared Value



Sustainable Products



Selected Memberships

## Diversity Project

The Diversity Project aims to accelerate progress towards an inclusive culture in the investment industry. An inclusive culture supports more effective teamwork, gives wider perspectives, better investment decisions, better results for our clients and ultimately more sustainable businesses. The Project spans the whole range of the profession: asset owners, fund managers, fund selectors, pension consultants, actuaries, trustees, wealth managers and professional standards and trade bodies. It is overseen by a CEO Advisory Council that provides strategic input and business leadership. An Executive Steering Committee leads the implementation of the strategy through committees and work streams. A further group of individuals and ambassadors from all levels of the industry helps deepen the Project's impact through individual engagement. In all cases, business leaders function as volunteers as they drive change.

The Project envisions a truly diverse and inclusive asset management industry with the talent to deliver the best possible results for our clients and to reflect the society we serve. The Diversity Project believes recognizable and measurable progress can be achieved over a long-term timeframe. The Project aims to achieve diversity across all dimensions, including gender, ethnicity, neurodiversity, socio-economic background, sexual orientation, gender identity, age and disability.

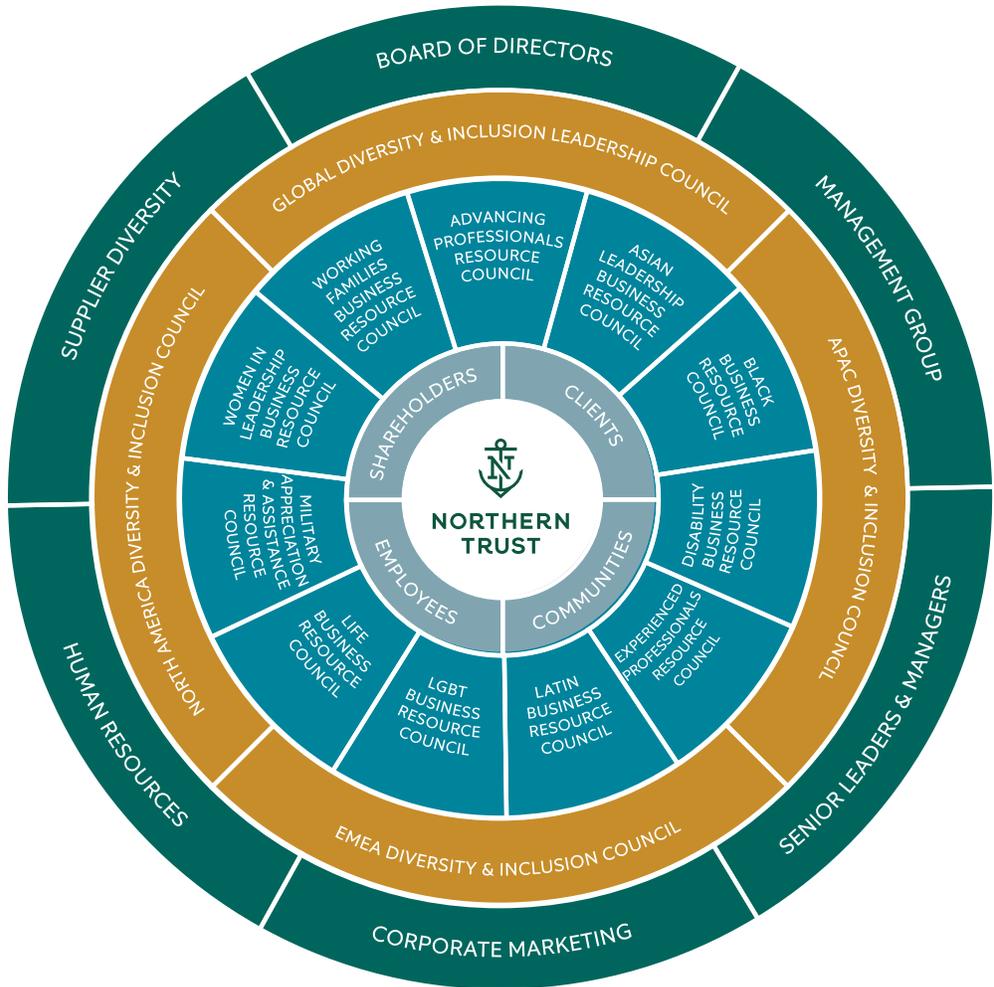
## LGBT GREAT

LGBT Great is a global investment industry organization working to develop all aspects of LGBT+ equality and inclusion within the workplace and make a positive difference for employees and clients. It is the first organization to focus exclusively on the LGBT+ agenda specifically in the asset management industry.

The group's vision is an LGBT+ inclusive global investment industry that understands, supports and promotes LGBT+ people. It believes that the investment industry can be an excellent choice of career for LGBT+ talent, and that the industry can benefit from the unique skills and experience this talent can bring. LGBT Great recognizes its responsibility to champion LGBT+ employees' contributions to Northern Trust's success.

# Global Diversity and Inclusion Strategy and Governance

-  Overview
-  Core Aspects
-  **People / Employees**
-  Shared Value
-  Sustainable Products
-  Selected Memberships



- GOVERNANCE AND ACCOUNTABILITY
- STRATEGY AND OVERSIGHT
- TACTICS AND EXECUTION
- STAKEHOLDERS

## Business Resource Councils

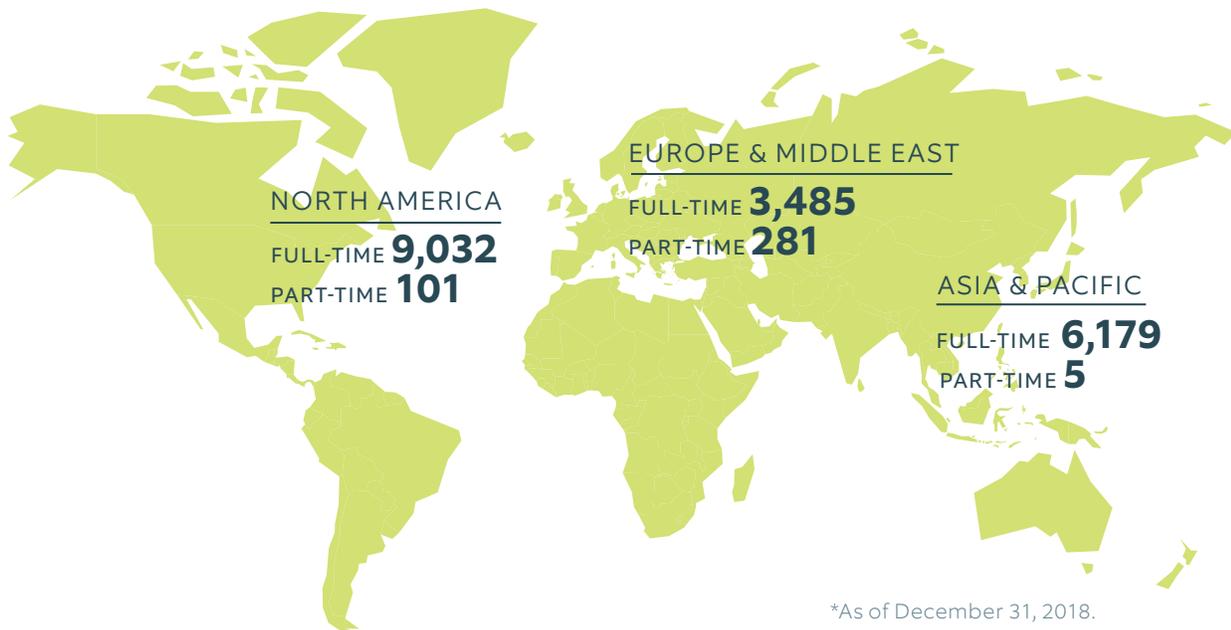
Northern Trust is committed to building a work environment responsive to and inclusive of our employees' diverse identities, beliefs and interests. To help ensure our commitments to diversity, inclusion and innovation are embedded in the fabric of our company, Northern Trust sponsors 11 employee resource groups (ERGs), which we call business resource councils (BRCs). These councils are open to all Northern Trust employees who share an affinity for the mission of the group, and are employee-initiated, governed,

and led. The BRCs play a vital role in the recruitment, retention and development of a globally diverse workforce and serve as community advocates, further enabling Northern Trust to be an employer of choice.

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

- Working to ensure our business practices are shaped by a multiplicity of perspectives, allowing Northern Trust to deliver with confidence best-in-class services and innovative strategies
- Helping employees support one another in their personal and professional growth
- Providing networking and mentoring opportunities
- Assisting with branding strategy and business development
- Serving as liaisons to prospective and existing clients

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



## Professional Development

In 2018, our BRCs led more than 50 events focused on advancing diversity, inclusion and engagement, internally and externally. The councils chose speakers from membership organizations, clients, the community and the government sector. One of the key programs, ANCORE, was sponsored by our Advancing Professionals Resource Council. After a successful launch in 2017, this innovative program hosted a second cohort in 2018.

ANCORE is designed to strengthen employees' foundational business technical skills, connect these principles to Northern Trust's business model, and provide exposure to higher education opportunities and senior leadership. The program targets high-performing, highly engaged individuals. Once accepted into the program, participants attend six sessions led by representatives from top area business schools and key Northern Trust leaders.

Professors from The University of Chicago Booth School of Business, DePaul University and Kellogg School of Management at Northwestern University led theory-focused sessions, while Northern Trust leaders brought theory to practice through sessions in the areas of sales and marketing, investments and business strategy. Response to the 2018 program was oversubscribed within two days and the approval rating was 97 percent.

In early 2018, the ANCORE program received a Northern Trust Chairman's Award for its success in driving alignment to the corporate goals of diversity and inclusion and employee development.



Overview



Core Aspects



People / Employees



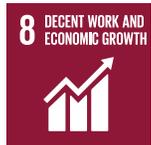
Shared Value



Sustainable Products



Selected Memberships



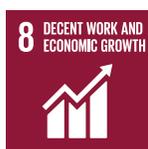
GOAL: 35 percent women with senior or executive vice president title in UK by December 2020 per the UK Women in Finance Charter

RESULTS:  
**34 PERCENT**  
WOMEN IN SENIOR  
MANAGEMENT IN  
THE UK  
AS OF APRIL 1, 2019

## WORKFORCE BY ETHNICITY AND GENDER\*

Categories	White	Black	Hispanic	Asian	Native American	Hawaiian	Two or More	Total	Females in Global Workforce
Exec/Sr. Mgmt	312	17	19	8	1	0	3	360	157
Entry/Mid Mgmt	1,093	145	120	162	2	0	16	1,538	1,384
Professionals	4,343	800	808	710	6	19	111	6,797	6,816
Administrative	165	73	70	8	0	0	4	320	383
Other	15	11	18	1	0	0	1	46	15
<b>Total</b>	<b>5,928</b>	<b>1,046</b>	<b>1,035</b>	<b>889</b>	<b>9</b>	<b>19</b>	<b>135</b>	<b>9,061</b>	<b>8,755</b>

\* As of December 31, 2018. Ethnicity statistics include U.S. locations only. Gender statistics include all global locations. All statistics include both permanent and temporary employees.



**GOAL:**  
Update and communicate global diversity and inclusion goals

**RESULTS:**  
CONDUCTED  
**GLOBAL DIVERSITY & INCLUSION**  
ASSESSMENT IN  
2018

# 2018 Global Diversity & Inclusion Assessment

  
Overview



Core Aspects

  
People / Employees



Shared Value



Sustainable Products



Selected Memberships

## 1 PLANNING

## 2 QUANTITATIVE & QUALITATIVE ANALYSIS

## 3 STRATEGY DEVELOPMENT

## 4 IMPLEMENT & MEASURE

We are committed to progression of diversity and inclusion. In order to gain a deeper understanding of our successes as well as areas for improvement, we engaged an external consultant in 2018 to assist us with a refresh of our Global Diversity and Inclusion strategy including our systems, practices, policies and culture.

The assessment utilized a multi-level approach, both quantitative and qualitative. Key aspects of the assessment included a firm-wide survey, focus groups, executive interviews, a review of human resource policies, industry benchmarking and a demographic data analysis.



GOAL: Increase volunteer hours by 5 percent each year through 2020



RESULTS:  
NEARLY  
**120,000 HOURS**  
VOLUNTEER  
TIME IN 2018  
AN INCREASE OF 15 PERCENT OVER 2017

## 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.

### **Inclusion of the LGBT community and allies is a key strategic initiative for Northern Trust in the APAC region.**

In keeping with Northern Trust's global efforts, our APAC region has made significant strides in its endeavor to build a culture of inclusion for members and allies of the LGBT community. In our offices in India and the Philippines, we have increased awareness of LGBT inclusion with classroom workshops and e-learning modules, and plan to extend this education program across the region. Inclusive benefits such as health insurance for same-sex partners have been implemented in the Philippines and India. We have created more gender-neutral workspaces in both locations. Our LGBT Business Resource Council has established chapters in India, the Philippines and Australia, with employees in all three locations actively taking part in local Pride events. The India chapter has been recognized for its impactful efforts and the Philippines' chapter works actively with local communities to support children living with HIV. Employees in Australia took part in the Australian Workplace Equality Index and most recently observed International Day Against Homophobia and Transphobia.

# Shared Value

  
Overview

  
Core Aspects

  
People / Employees

  
Shared Value

  
Sustainable Products

  
Selected Memberships

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 Partners 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. Through our new volunteer initiative, “A Greater Good,” our employees globally joined in volunteering efforts to donate time to organizations such as the Greater Chicago Food Depository in Chicago and the East End Community Foundation in London. The initiative engaged 887 employees which donated more than 3,500 hours of volunteer time to 59 organizations.

Beyond the “A Greater Good” Campaign, Northern Trust collectively donated nearly 118,000 hours of service throughout the year using 16,200 hours of employer-paid volunteer time.

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 our communities takes into account our influence on our clients, shareholders and employees and we execute each activity with these priorities in mind.



GOAL: Remain in the top quartile of charitable giving amongst our peers



RESULTS:  
**\$120 MILLION**  
**DOLLARS TO ART, EDUCATION & SOCIAL WELFARE**  
 IN THE LAST DECADE

**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 focus on the philanthropic interests of our client base and identify community investment opportunities related to key marketing and client relationship efforts.

## Spotlight on Veterans

### A Coordinated Approach to Recovery and Employment

Northern Trust is participating in a Pay for Success Social Impact Bond model that involves the treatment of approximately 480 unemployed or underemployed veterans with service-connected post-traumatic stress disorder (PTSD).

The Veterans Coordinated Approach to Recovery and Employment (CARE) project delivers individual placement and support, an evidence-based approach that emphasizes

rapid job search for employment that matches an individual's needs and preferences, and integrated mental health care.

It serves 480 veterans through four project teams in the northeastern U.S. Through the program, each veteran receives 12 months of services as well as six months of follow-up services.



**GOAL:**  
Maintain  
outstanding  
CRA rating

**RESULTS:**  
**\$1.3 BILLION**  
IN 2018 CRA  
INVESTMENTS  
RATED OUTSTANDING  
24TH CONSECUTIVE YEAR

## 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. New CRA investments totaling \$1.3 billion were originated in 2018 and we have maintained an outstanding CRA rating for 24 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, 2018, our community investments portfolio exceeded \$2.5 billion and consisted of:

---

**\$2.2**  
BILLION PORTFOLIO  
**AFFORDABLE  
HOUSING**

---

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

Northern Trust continues our commitment to sustainable, affordable homeownership through ongoing partnerships with Habitat for Humanity affiliates, investments in Community Development Financial Institution (CDFI) loan funds 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 previously originated through our affordable mortgage program for low- and moderate-income homebuyers and communities.

Northern Trust is also committed to the development of affordable rental housing through investments in CDFIs, 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.



Overview



Core Aspects



People / Employees



Shared Value



Sustainable Products



Selected Memberships

---

**\$30.7**  
MILLION PORTFOLIO  
**WEALTH  
ACCUMULATION**

---

**OBJECTIVE:** Make investments in CDFIs and community credit unions whose mission is to provide capital to develop products and services to meet the needs of the unbanked, underbanked and underserved members of our communities.

For example, Northern Trust provided an investment in Virginal Community Capital Bank (VCC), which offers personal and business checking, savings, and certificate of deposit products as well as small business and real estate loans in underserved areas of Virginia. VCC is a CDFI Bank created in 2006 from a \$15 million capital infusion from Commonwealth of Virginia. VCC operates statewide and focuses resources on markets where traditional capital is not flowing.

---

**\$125.7**  
MILLION PORTFOLIO  
**JOB  
CREATION**

---

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

Northern Trust provided an investment to Access to Capital for Entrepreneurs (ACE), a CDFI. The proceeds are used to provide community economic development to underserved people and communities. ACE is a non-profit organization that provides loans and business development resources to help its borrowers create and grow sustainable businesses that generate jobs throughout metropolitan Atlanta and northern Georgia.

---

**\$125.5**  
MILLION PORTFOLIO  
**EDUCATION AND  
SOCIAL SERVICES**

---

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

For example, Northern Trust has provided an investment to Bridge House, for Ready to Work Aurora, a new facility that will operate a comprehensive “work first” rehabilitation program in Aurora, Colorado. The Ready to Work Aurora facility will offer overnight accommodations for 40-50 homeless adults, as well as community space and a hub for social enterprise and workforce development.

**\$2.5**  
BILLION

As of December 31, 2018,  
Northern Trust community  
investments portfolio  
exceeded \$2.5 billion

# Sustainable Investing at Northern Trust



Overview



Core Aspects



People / Employees



Shared Value



Sustainable Products



Selected Memberships

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.

By serving as an active owner representing shareholders' ESG interests, we believe we will help portfolio companies produce sustainable value. 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 built 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 ESG factors as a long-term aspect of our fiduciary heritage.

## Northern Trust ESG Funds

Northern Trust funds integrate or screen for a variety of different ESG factors including the 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 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 and 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.

At the end of 2018, Northern Trust Asset Management **managed over \$80 billion of assets globally that incorporated ESG criteria**, including two new ESG equity funds launched in 2018: the North American ESG Fund and the Europe Value ESG Fund.

## Spotlight on the Northern Trust ENGAGE 360 FUND:

Sustainable Investing themes such as climate change, population dynamics and diversity and inclusion drove the dialogue to a large extent in 2018. The Engage 360 mutual fund, which combines a rigorous investment process and a unique approach to assessing and promoting diversity, featured in many of these dialogues as an innovative approach to diversity investing. The fund combines a rigorous investment process with a unique approach to assessing and promoting diversity by expanding the lenses through which diversity is viewed. Its multi-dimensional methodology looks beyond the historical one-dimensional firm ownership criteria by employing a proprietary, quantitative framework to capture metrics on leadership, investment teams, community engagement and corporate spending. Using a multi-manager approach, the fund allocates to sub-advisers based on a variety of investment factors from a universe of asset managers screened on a comprehensive diversity rating.

## 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, 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 2019, we published an Annual Report on ESG Engagements and Proxy Voting. 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.



Overview



Core Aspects



People / Employees



Shared Value



Sustainable Products



Selected Memberships



GOAL: Continue to evolve proxy voting policies and practices to capture emergent ESG risk



RESULTS:

RELEASED FIRST ANNUAL STEWARDSHIP REPORT DETAILING ENGAGEMENTS WITH MANAGEMENT AND BOARD OF DIRECTORS

## 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 responsible with affirming strategies to address sustainable investment issues and implementing the initiative at a corporate level.

Chaired by Northern Trust's director of product development and sustainable investing, the Sustainable Investing Council includes a diverse 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 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.



GOAL: Increase our number of engagement with companies on ESG related issues & opportunities

RESULTS: ENGAGED WITH MORE THAN **240 ISSUERS** ON ESG TOPICS

FROM JULY 1, 2017 TO JUNE 30, 2018, DOUBLING THE AMOUNT OF ENGAGEMENTS FROM THE PREVIOUS PERIOD

# Selected Memberships and Initiatives



Overview



Core Aspects



People / Employees



Shared Value



Sustainable Products



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.

## 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.

## CEO Action for Diversity and Inclusion

CEO Action for Diversity and Inclusion is the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. All signatories have committed to taking steps to increase diversity and foster inclusion within their respective organizations and the larger business community.

## Climate Action 100+

Climate Action 100+ is an investor initiative to ensure the world's largest corporate GHG emitters take necessary action on climate change. The companies include 100 "systemically important emitters" that are responsible for two-thirds of annual global industrial emissions, alongside more than 60 others that have a significant opportunity to drive the clean energy transition.

## UK Women in Finance Charter

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, profitability and workplace culture, and is increasingly attractive for investors.





NORTHERN  
TRUST