

# 2014

CORPORATE SOCIAL RESPONSIBILITY

*Annual Report*



125 YEARS

## DEAR STAKEHOLDERS,



Before corporate social responsibility (CSR) was a generally accepted term, our guiding principles of service, expertise and integrity laid the groundwork for our organizational culture. Celebrating our 125th anniversary provides an opportunity to reflect on how these principles have deepened Northern Trust's longstanding CSR commitment.

In this, our seventh CSR annual report, we share our successes, goals and plans for the future. Highlights of our work in 2014 include:

- Continued inclusion on key indices – FTSE4Good, MSCI World Environmental, Social and Governance and the Dow Jones Sustainability North America Index
- Growth in assets under management (AUM) that receive Environmental, Social and Governance (ESG) screening to \$62.6 billion or 12% of total AUM
- Our first inclusion on the Carbon Disclosure Project's Carbon Disclosure Leadership Index
- Development of a new stakeholder engagement strategy with a focus on clients to commence in 2015



Our commitment to our CSR strategy is embedded in the charter of the Business Strategy Committee of our Board of Directors. This board committee receives regular CSR practice updates regarding key initiatives affecting our stakeholders, including more than 15,000 employees whom we call partners.

In 2014, as part of our commitment to the community, Northern Trust partnered with the *JB and MK Pritzker Family Foundation* and other investors to raise nearly \$17 million of private capital to expand access to pre-K for children in high-need communities. Our investment in this project demonstrates an innovative approach to positively impact communities where we live and work.

Our 2014 CSR annual report is compiled using the Global Reporting Initiative's G4 framework. Deloitte & Touche provided third-party assurance for the third consecutive year. We continue striving to present information to our stakeholders in a concise, comparable format.

We are proud of our work and the impact it has on our employees, clients, shareholders and other key stakeholders. We hope the details shared in the accompanying report provide further insight into our CSR practices.

CONNIE L. LINDSEY  
*Executive Vice President*  
*Head of Corporate Social Responsibility*  
*and Global Diversity & Inclusion*

FREDERICK H. WADDELL  
*Chairman and CEO*

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors and Stockholders  
Northern Trust Corporation  
Chicago, Illinois

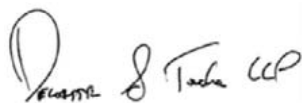
We have reviewed the accompanying 2014 Corporate Social Responsibility Report of Northern Trust Corporation (the "Company") for the year ended December 31, 2014. The Company's management is responsible for the Corporate Social Responsibility Report.

We conducted our review in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review consists principally of applying analytical procedures, considering management assumptions, methods, and findings, and making inquiries of and evaluating responses from persons responsible for corporate sustainability and operational matters. It is substantially less in scope than an examination, the objective of which is the expression of an opinion on the Corporate Social Responsibility Report. Accordingly, we do not express such an opinion. A review of the Corporate Social Responsibility Report is not intended to provide assurance on the entity's compliance with laws or regulations.

The preparation of the Corporate Social Responsibility Report requires management to interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The selection of different but acceptable measurement techniques can result in materially different measurements. Different entities may make different but acceptable interpretations and determinations. The Corporate Social Responsibility Report includes information regarding the Company's corporate sustainability initiatives and targets, the estimated future impact of events that have occurred or are expected to occur, commitments, and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because events and circumstances frequently do not occur as expected.

Based on our review, nothing came to our attention that caused us to believe that the Corporate Social Responsibility Report does not include, in all material respects, the required elements of the Global Reporting Initiative G4 Sustainability Reporting Framework under its 'in accordance' Core option; that the 2010-2014 amount included therein have not been accurately derived, in all material respects, from the Company's records, or that the underlying information, determinations, estimates, and assumptions of the Company do not provide a reasonable basis for the disclosures contained therein.

The comparative disclosures for periods prior to 2010 were not reviewed by us and, accordingly, we do not express any form of assurance on them.



December 2, 2015

## BASIS FOR REPORT

### **Report Content**

This report is created in response to interactions with key stakeholder groups. Each stakeholder group is expected to use this report to gauge our progress on responding to the socio-economic issues that may have been raised over the past year.

### **Period, Scope and Boundary**

This report is based on information obtained, created and compiled for fiscal year January 1, 2014 to December 31, 2014. It is our seventh annual CSR publication. The boundary of this report includes 100% of our leased and owned offices and 100% of our workforce in all domestic and global regions within which we operate. When raw data from owned or sub-metered facilities is unavailable, estimated consumption for the North America and the Europe-Middle East locations is based on a square foot extrapolation of the average consumption for that region, giving more accurate results than the 2010 extrapolation, which was based on a per-person calculation. We are only reporting on aggregated data from wholly owned subsidiaries. No joint ventures or other entities are included unless otherwise noted. There are no restatements from prior years and no significant changes in size, structure, supply chain or ownership from previous reporting periods.

### **Reporting Framework**

This is our fifth year using the Global Reporting Initiative's (GRI) framework. This is our first report using G4, the GRI's fourth generation of guidelines for sustainability reporting. Under these guidelines, we have chosen to report "in accordance" – Core. Our G4 Index can be found at [www.northerntrust.com/csr](http://www.northerntrust.com/csr).

### **Non-Financial Aspects of Most Significance**

Our 2013 Corporate Social Responsibility Annual Report outlined the non-financial aspects of most significance that our key stakeholders identified. We have organized this report to highlight our progress in these areas:

**Employees** – global talent management, employee diversity and inclusion

**Governance & Ethics** – ethical conduct, transparency & reporting, data privacy & protection

**Products & Services** – shifting client demographics, ESG Investing

**Community** – corporate philanthropy & sponsorships and the Community Reinvestment Act

We obtained independent, external assurance on the content of this Corporate Social Responsibility Annual Report. The Business Strategy Committee for our Board of Directors is responsible for authorizing the assurance work from our selected provider, Deloitte & Touche LLP. Deloitte conducted limited level assurance on this report as a whole and the review report can be found on page 2.

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

Our 2014 GRI Content Index is available online [here](#).

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# CORPORATE SOCIAL RESPONSIBILITY AT **NORTHERN TRUST**

At Northern Trust, we have aligned CSR efforts with our guiding principles of service, expertise and integrity. Through innovative and ethical business practices, we are dedicated to meeting the evolving needs of our clients and shareholders. Serving as a socially responsible corporate citizen, while supporting the diverse communities and environments in which we live and work, directly contributes to our financial success and creates value for all our global stakeholders.

## SELECTED AWARDS AND RECOGNITION

- Northern Trust named to **FTSE4Good Global Index** for 2014; Eighth Consecutive Year



FTSE4Good

- Northern Trust named to **Carbon Disclosure Leadership Index** for 2014



- Northern Trust named to **Dow Jones Sustainability North America Index** for 2013/2014; Fourth Consecutive Year

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM

- **One of the World's Most Admired Companies**, *Fortune Magazine*, 2014; Eighth Consecutive Year
- **One of the 100 Best Corporate Citizens**, *Corporate Responsibility Magazine*, April 2014; Third Consecutive Year
- **A World's Most Ethical Company**, *Ethisphere Institute*, 2014
- **Northern Trust achieves a perfect rating of 100**, The Human Rights Campaign Foundation's Best Places to Work for LGBT Equality
- **Corporate Equality Index**, November 2014; Ninth Consecutive Year
- **Best Banks in America**, *Forbes*, 2014
- **Best Private Bank in U.S.**, Financial Times Group, October 2014; Sixth Consecutive Year

(A full list of our awards can be found at [northerntrust.com/awards](http://northerntrust.com/awards))

## SELECTED 2014 MEMBERSHIPS AND ASSOCIATIONS

### ■ Business for Social Responsibility (BSR)

BSR is a global nonprofit organization that works with a network of more than 250 member companies to build a just and sustainable world. From offices in Asia, Europe and North America, BSR develops sustainable business strategies and solutions through consulting, research and cross-sector collaboration.



### ■ Boston College Center for Corporate Citizenship

Based in the Carroll School of Management, the Boston College Center for Corporate Citizenship was founded in 1985, inspired by an early recognition that community expectations of companies were changing. The Center combines the most valuable aspects of a professional community and the resources of a leading academic institution for members.



### ■ United Nations Environmental Programme Finance Initiative (UNEP FI)

UNEP FI is a global partnership between UNEP and the financial sector. Over 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 Investment (UNPRI)

The United Nations-supported Principles for Responsible Investment (PRI) 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.

*Signatory of:*



- Boston College National Workforce Roundtable
- Business in the Community (United Kingdom)
- Catalyst, Inc.
- Diversity Best Practices
- Employee Assistance Professional Association (EAPA)
- Employee Assistance Roundtable
- FTSE4Good Index
- Inclusive Employers (United Kingdom)
- Institute of Supply Chain Management

- Metropolitan Planning Council
- National Association of Affordable Housing Lenders
- National Minority Supplier Development Council (NMSDC)
- Stonewall (United Kingdom)
- The Association of Fundraising Professionals
- The Corporate Responsibility Group (United Kingdom)
- True Blue Inclusion



**PROGRESS ON OUR CSR GOALS** (established in 2013)

	CSR GOALS	PROGRESS	3-5 YEAR GOALS	PROGRESS
GOVERNANCE AND ETHICS	Expand information security training and awareness program activities to Northern Trust's client base to further assist their understanding of information security best practices; including phishing avoidance and social engineering awareness.	●	Enhance client Passport application file cabinet functionality to minimize email transmission of client data.	○
	Create Privacy and Ethics Incident Review Team that will summarize the findings of an investigation and track remediation.	●	Apply enterprise-wide monitoring and, where appropriate, blocking of sensitive client names.	○
	Install Information Loss Prevention (ILP) Endpoint Agent on all desktops and laptops to identify when sensitive information is posted, printed or saved.	●	Expand current information security training initiatives to include targeted, role-based training throughout the organization.	●
	Continue the implementation of the Vendor Management Program, develop training documentation and review and prioritize the standard vendors.	●	Continue to evolve processes and technologies to protect the privacy of client and company information, including client accounting operational controls, ILP solution enhancements, and expanded training & awareness.	○
			Enhance vendor management tools and systems to support the vendor management process with suppliers.	○
			Enhance vendor website registration process and deployment of registered vendors to internal buyers.	○
SUSTAINABLE PRODUCTS AND SERVICES	Generate meaningful assets under management (AUM), assets under administration (AUA) and revenue by assessing and enhancing proprietary and multi-manager investment capabilities.	●	Further integration of United Nations Principles for Responsible Investment as a framework for responsible ownership practices.	●
	Develop Responsible Investing brand leadership through marketing campaigns and sponsorship of two RI conferences.	●	Increase participation with external organizations regarding sustainable investment trends and opportunities.	●
	Continue to develop in-house intellectual capital.	●	Increase adoption and implementation of responsible investing principles and practices among Northern Trust partners, clients and vendors globally.	●
ENGAGING PARTNERS	Administer first 'pulse check' survey to measure progress against goal of improving enterprise scores on the 2014 Employee Engagement Survey and use results to guide any necessary enhancement of action plans.	●	Consistently improve enterprise scores on the engagement index of the Employee Engagement Survey.	●
	Continue reinforcing and communicating Northern Trust's commitment to taking ongoing action supporting our long-term, 3-5 year engagement strategy.	●	Achieve increased compliance on all aspects of the performance management process.	●
			Increase U.S. population of ethnic minorities at mid-level manager ranks.	○
			Increase global female population at mid-level manager ranks.	○

● Complete      ○ In Progress

## PROGRESS ON OUR CSR GOALS (established in 2013)

	CSR GOALS	PROGRESS	3-5 YEAR GOALS	PROGRESS
PARTNERING IN THE COMMUNITY	Maintain positive brand reputation in established markets and grow awareness in newer markets through sponsorships, global giving and increased communication.	●	Integrate philanthropy into new market entry and business development strategies.	●
	Increase Strategic Philanthropy program alignment across the company by working with leadership to increase their interaction and allocate resources to specific target audiences relevant to corporate strategy.	●	Shift focus of Community Affairs to consultative model offering expertise in international grantmaking, market development, impact measurement and talent development.	○
	Promote employee engagement through the new Northern Trust Community Partners program.	●	Expand the Northern Trust Community Partners Program by developing online and interactive in-person training to be leveraged internationally.	○
	Develop formal stakeholder engagement covering the 18 U.S. states where bank branches are located to identify community needs, opportunities for community investment and create partnerships through direct investment.	●	Formalize and standardize the tracking of social and economic impacts created through community investment originated using IRIS or similar standards where possible.	○
OPERATING EFFICIENTLY	Improve capture of environmental data and roll out enhanced environmental metrics.	●	Adopt best practices for integrating sustainability into construction, interior cleaning and exterior maintenance.	○
	Declare a new carbon emissions reduction goal and adopt specific tactics for meeting that goal.	○	Reduce both energy consumption and energy intensity (kWh/SF) through the adoption of energy management best practices and investment in cost-effective energy conservation measures.	○
	Begin implementation of the energy conservation measures identified in the 2012 audits of seven major properties and evaluate the need for additional audits.	○	Set goals for reduction of water consumption and waste generation while increasing recycling.	○
	Establish baselines for water consumption, waste generation and recycling across portfolio for the purpose of goal setting and establishing reduction tactics.	○	<p>Participate in the Water Disclosure Project.</p> <p><i>Northern Trust continues to analyze our global operations to identify efficiencies and continue to improve our access to sustainability data.</i></p> <p><i>During our 2013 assessment of non-financial aspects of most significance, our key stakeholders did not highlight water consumption. We will continue to make appropriate investments that support our commitment to being good stewards of these resources. However, we will not participate at this time.</i></p>	

● Complete    ○ In Progress

# SERVICE



**JANA R. SCHREUDER**  
*Chief Operating Officer*

“Northern Trust has a relentless drive to provide exceptional service. We set new standards. Skillfully execute. Deliver more. It’s what we’re known for. Regardless of what we’re providing – technology, solutions or our time – we are passionately and personally committed to delivering above and beyond.”



# GLOBAL FOOTPRINT

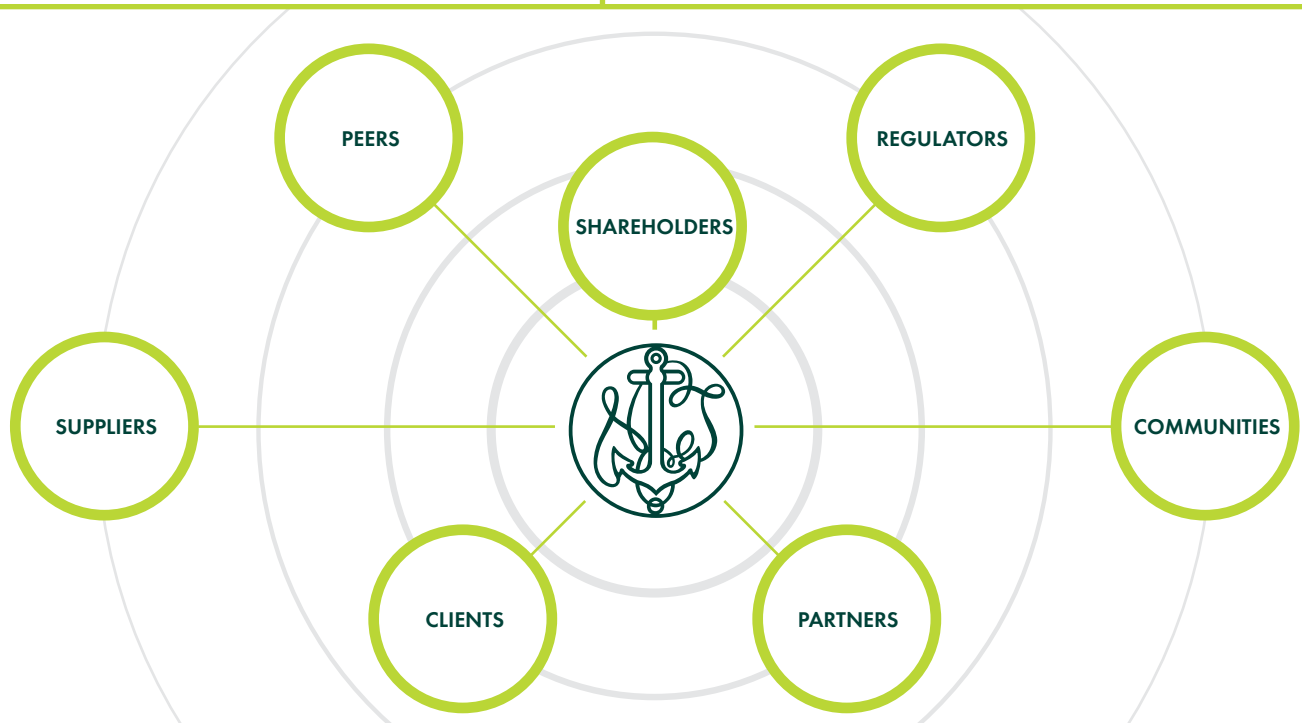
As of 12/31/14

ASSETS UNDER CUSTODY

**\$6 TRILLION**

ASSETS UNDER MANAGEMENT

**\$934 BILLION**



# STAKEHOLDER ENGAGEMENT

## STAKEHOLDER ENGAGEMENT

Throughout the year we actively engage in dialogue with our stakeholders – clients, partners, shareholders, communities, regulators, suppliers and peers. These stakeholder groups are determined based on our business strategy of serving corporations, institutions and affluent individuals worldwide. Each stakeholder group affects our reputation, policies and best practices.

We believe it is imperative to regularly communicate with these groups through periodic in-person meetings, electronic communication, conferences and other platforms to hear their suggestions and concerns related to our business practices. It also provides us with an opportunity to promptly implement solutions related to stakeholder questions and avoid adversely affecting valued relationships.

In 2014, we worked with Business for Social Responsibility to formalize a Client Engagement Panel as part of our comprehensive CSR strategy. The three focus areas of this new group are:

- **Innovation** – Obtain new and creative ideas for meeting business and sustainability goals
- **Strategic Growth** – Demonstrate commitment to sustainable growth to clients and stakeholders and increase brand awareness
- **Enhanced Collaboration** – Strengthen relationships through transparency and communication

The group will convene throughout 2015 to implement a three-phase approach to stakeholder engagement designed to help us evaluate and assess the impact of our initial efforts and ongoing activities.

## CLIENT ENGAGEMENT AT NORTHERN TRUST

Clients and partners are key stakeholders at Northern Trust. Researching, incubating and designing differentiated experiences to enhance our client and partner relationships and enable the growth of the businesses is the mission of a newly created group – the Northern Lab.



**ELIZABETH A. SPENKO**  
*Director, Northern Lab*

“Observation and conversation allow us to better identify people’s unmet needs by focusing on how they behave, not just what they say. Iterating and prototyping enable us to gather feedback quickly and fail early, reducing the risk of going down a path that doesn’t resonate with clients or partners.”

Using human-centered design, the Northern Lab develops new offerings across the company. Human-centered design is grounded in observation and conversation as well as iterating and prototyping.

Since the opening of the Lab, staff from business units across the company have worked collaboratively with Lab designers to develop a deeper understanding of our prospects, clients and partners. One project underway is the design of a digital experience for prospects who are considering Northern Trust as a provider of wealth management services. The Lab’s holistic approach to design draws inspiration from people, with the goals of enhancing partner engagement and client loyalty. “We know we’re on the right track when we surprise and delight Northern Trust clients and partners,” says Spenko.

# EXPERTISE



**STEPHEN N. POTTER**  
*President*  
*Asset Management*

“ In everything we do, expertise has always been at Northern Trust’s core. We know what we do well, and focus sharply on those things. We expand our knowledge and capabilities with an eye on the future. We hire and support talented professionals to help deliver creative solutions. Our expertise is why we’ve been a trusted advisor for five generations, and will continue to be for generations to come. ”

## RESPONSIBLE INVESTING PRACTICE

Northern Trust is an advocate of the highest ESG standards. We fully acknowledge that the long-term financial success of our clients and shareholders depends on a healthy global environment, a stable society and well-functioning companies. In our daily operations and strategic planning, we strive to mitigate our environmental impact and improve our social and governance procedures. As a leading investment manager and financial service provider, we recognize our additional influence and responsibility. We are committed to:

- Expanding our understanding of ESG concepts and their impact on economic value;
- Integrating ESG analysis into investment decisions as appropriate;
- Encouraging companies we invest in to pursue and disclose sustainable business practices; and
- Voting proxies consistent with these principles as appropriate.

Northern Trust has more than 25 years of experience managing socially responsible portfolios and more than \$62.6 billion in socially screened AUM as of December 31, 2014. Northern Trust stock is also included in FTSE4Good Index and Dow Jones Sustainability Index, ECPI Global Ethical Equity and MSCI World ESG Index, MSCI World SRI Index and MSCI KLD 400 Social Index.

### ***Responsible Investing Practice***

Our Corporate Social Responsibility strategy is integrated into our core business strategy. This means we collaborate with our clients and acknowledge our responsibility in supporting sustainable business relationships. We proudly advocate corporate citizenship, philanthropy and support for the diverse communities and environments in which we operate. As such we have appointed a Managing Director of Environmental, Social and Governance (ESG) investing at Northern Trust Asset Management. Mamadou-Abou Sarr is responsible for ESG innovation and product development across our array of asset class capabilities. Sarr has a key role to proactively develop new ideas to ensure that ESG thinking remains central to our business development. Additionally, Northern Trust has established an ESG Council to push forth our multi-asset class capabilities in order to deliver strategies and solutions to meet our client's unique investment and ESG objectives. The council is made up of 11 professionals from across the organization that represents various stakeholder groups, such as equities, fixed income, wealth management and risk management.

We expect demand to grow and more allocation to RI strategies in the years ahead. This growth represents an opportunity for Northern Trust to offer products and services that help differentiate our brand. Consistent with this belief, Northern Trust Asset Management:

- Provides investment oversight solutions for institutional investors that incorporate comprehensive analysis, investment insights and monitoring at the total-plan level and across asset class portfolios that include ESG exposures in addition to traditional market-risk based metrics.
- Maintains full connectivity with the leading ESG and SRI data providers such as Trucost, MSCI, ECPI, Sustainalytics, FTSE, etc.

Our Global Sustainability Mutual Fund is designed to adhere to widely accepted sustainability principles, duplicate the MSCI World ESG Index and incorporate MSCI ESG Research's Intangible Value Assessment (IVA) methodology. This strategy now has close to \$200 million in AUM.

As ESG data has evolved, so too has our approach to data usage. More recently, we successfully worked with third parties to build strategies that incorporate ESG research. Current strategies include Northern Trust

World Custom ESG, Northern Trust Emerging Markets ESG and Northern Trust Emerging Markets Low Carbon. Our quantitative research team is on the forefront of using ESG datasets to construct research portfolios forming the foundation for several initiatives. These relate to using ESG data in a factor-based framework. By integrating quality and other factors such as ESG and low carbon, we engineered a targeted universe to track based on our clients' requirements. Our proprietary Northern Trust Quality ESG (QESG) portfolio is designed to invest at the intersection of ESG themes and Quality while avoiding risks that we believe to be uncompensated. The strategy is intended to emphasize the long-run sustainability of good ESG practices, which may increase the likelihood of achieving returns that are at or above the standard benchmark. The product contains concentrated holdings in highly rated ESG companies and restricts exposure to the lowest-rated ESG companies, while maintaining an acceptable level of tracking error versus the standard benchmark without sector or country concentrations. This product is currently available for clients to use as a separately managed account on a tax-advantaged equity platform.



# INTEGRITY



**JEFF D. COHODES**  
*Executive Vice President  
Chief Risk Officer*

“Northern Trust has a heritage of acting with the highest ethics. The utmost honesty. And unfailing reliability. We have the wisdom earned through generations of relationships. The stability to weather change and uncertainty. And the insight to understand that diversity makes us stronger. For 125 years, our integrity has remained intact. And we have no intention of that changing.”

## GUIDING PRINCIPLES FOR EXECUTIVE COMPENSATION

Northern Trust's compensation philosophy is designed to attract, motivate and retain talent, including executive-level talent who will contribute to our long-term success. With the goals of achieving solid long-term financial performance and creating long-term stockholder value, our executive compensation program and compensation decisions are framed by four core values:

### ***Linked to Long-Term Performance***

Incentive compensation is intended to help drive long-term financial performance. Currently, 80 – 90% of each named executive officer's total pay opportunity consists of performance-based compensation. Short-term cash and long-term incentive awards reflect Northern Trust's performance as well as each named executive officer's individual performance.

The corporation's average annual rate of return on equity (ROE) during the respective three-year performance period (as compared to pre-established targets) determines the payout under 50% of the annual long-term incentive awards, which are granted in the form of performance stock units. Payout, therefore, generally requires the executive to remain with the company during the applicable performance period and the company to achieve ROE goals over multi-year periods. The overall performance of Northern Trust common stock delivers the remainder of the value of annual long-term incentive awards, which consist of stock options and restricted stock units.

### ***Aligned with Stockholder Interests***

The executive compensation program is designed to align the interests of named executive officers with those of Northern Trust's stockholders by tying a significant portion of an executive's total compensation to the longer-term performance of Northern Trust common stock. Long-term incentive compensation provides the majority of the named executive officers' compensation,

an approach that contributes to continuity and stability of executive leadership. It also encourages executives to act as owners in the corporation. Supporting the alignment with stockholders' interests, Northern Trust maintains robust stock ownership guidelines for executive officers. Each executive officer is expected to meet a specified minimum ownership level within five years of becoming an executive officer.

### ***Positioned Competitively in the Marketplace***

The Compensation and Benefits Committee evaluates the competitiveness of our named executive officer compensation program against a peer group of key trust and custody banks and certain other U.S. banking organizations. The peer group excludes direct competitors whose size or scope are significantly larger and might distort pay comparisons. Our peer group was established based in part on data and analysis provided by management's executive compensation consultant, Towers Watson. The Committee makes updates to the peer group based on changes within the peer group companies, industry consolidation and our own evolving global presence.

### ***Discourage Inappropriate Risk-Taking***

Northern Trust has considered its incentive compensation program in light of guidance provided by the Federal Reserve regarding sound incentive compensation policies at banking organizations.

To align with the Federal Reserve's guidance for the financial industry, we provided direction to our employees about risk management expectations and the incentive adjustments that may be made to awards for those who expose the corporation to excessive risk. Northern Trust actively monitors employees using programs, policies and other tools designed to ensure that they work within established risk frameworks and limits. Long-term

incentives are also the most significant element of compensation for senior management, many terms of which are designed to discourage inappropriate risk taking. Finally, consistent with named risk-mitigation strategies for compensation programs, since 2012 all long-term incentive compensation arrangements for our executive officers have incorporated clawback provisions.

The Compensation and Benefits Committee annually reviews management's assessment of the effectiveness of

Northern Trust's incentive compensation arrangements in providing risk-taking incentives consistent with our safety and soundness. This includes evaluating whether incentive compensation arrangements and practices discourage inappropriate risk-taking behavior by participants. We will continue to monitor and, if necessary, revise our incentive compensation program to ensure that it continues to appropriately balance stockholder objectives, business needs and risk concerns.

## DATA PRIVACY AT NORTHERN TRUST

As an organization, Northern Trust manages large volumes of information on a daily basis. We appreciate the value of this information and recognize that it is vitally important that we maintain it securely. The essential components of our Information Security and Privacy Programs are identifying the different classification levels of our information and correctly handling that information according to its classification. In addition to managing all information securely, we take particular care when processing personal information. How we distribute, ship, destroy, store and transmit personal information for our clients, staff and third parties is a critical part of every partner's role at Northern Trust.



**KEVIN NOVAK**  
Chief Information  
Security Officer

“As a company, Northern Trust pursues information security with the same commitment to excellence that we apply to understanding our client's financial needs. Protecting our information, both internal and external, from unauthorized access and accidental disclosure is a top priority. The security of our client data in particular is extremely important to Northern Trust's success as an organization and is integral to the trust placed in us as an institution of merit and strength.”

Northern Trust utilizes a variety of technical and procedural controls to mitigate existing technology risk and proactively address emerging threats. Key technology controls are identified, prioritized, monitored and tested to ensure our networks and applications are configured in a secure manner. Regularly scheduled scans and security tests of the existing Northern Trust technical environment detect, track and resolve vulnerabilities quickly, while our multifaceted DDoS protection program reduces the risk of service interruptions from malicious distributed denial of service attacks.

# CULTURE



**CONNIE L. LINDSEY**  
*Executive Vice President  
Head of Corporate Social  
Responsibility and Global  
Diversity & Inclusion*

“ Our diverse workforce is an important part of what enables our firm to be a best-in-class provider of products and services around the globe. Our senior leaders are engaged, which creates an environment of awareness, action and accountability. Our support of communities where our employees live and work is an important part of this strategy, which we advance through our commitment to invest responsibly in communities. ”

# COMMUNITY IMPACT

## TOTAL PORTFOLIO OF COMMUNITY INVESTMENTS



AFFORDABLE HOUSING

**\$458,040,569**

EDUCATION & SOCIAL SERVICES

**\$58,728,261**

JOB CREATION

**\$42,110,763**

WEALTH ACCUMULATION

**\$19,064,150**

## NEW COMMUNITY (CRA) INVESTMENTS BY YEAR

**\$105,224,341** (2013)

**\$262,706,350** (2014)

## GLOBAL CORPORATE PHILANTHROPY

### CASH CONTRIBUTIONS

**\$14,000,000** (2013)

**\$15,400,000** (2014)

## PARTNER VOLUNTEERISM



**120,000** HOURS (2013)



**125,000** HOURS (2014)

## COMMUNITY INVOLVEMENT & INVESTMENT

CORPORATE PHILANTHROPY	2014	2013	2012
<b>Corporate Philanthropy Total</b>	<b>\$15,400,000</b>	<b>\$14,000,000</b>	<b>\$15,000,000</b>
EMPLOYEE GIVING			
<b>Employee Contributions Total</b>	<b>\$3,418,559</b>	<b>\$3,624,892</b>	<b>\$3,516,260</b>
COMMUNITY REINVESTMENT ACT			
<b>Community Development Investments Total</b>	<b>\$262,706,350</b>	<b>\$105,224,341</b>	<b>\$72,800,000</b>
<b>EMPLOYEE &amp; CORPORATE GRAND TOTAL</b>	<b>\$281,524,909</b>	<b>\$122,849,233</b>	<b>\$91,316,260</b>

Community involvement is deeply rooted in the Northern Trust culture, affecting 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; partner volunteerism; gifts in-kind such as donations of meeting space, catering, supplies and other knowledge services; and directorship guidance to charitable and civic boards.

### Community Impact Strategy

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

**Corporate Alignment** – With our Wholesale Community Reinvestment Act (CRA) designation, we can more fully align the firm’s business strategy with our community reinvestment strategy. The wholesale designation allows us to concentrate efforts and resources on direct investments that have a sustainable community impact.

**Brand Awareness** – Our brand strength relies on community sponsorships and alignment with highly respected nonprofit institutions. Integral to our marketing

strategy, our charitable grants, event sponsorships, charitable and civic board representation and employee volunteerism all help raise brand awareness and brand equity in target markets around the world.

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

**Talent Acquisition & Development** – Community engagement opportunities, paid-time-off for volunteerism and matching gift programs provide a competitive advantage in partner recruiting and satisfaction. Employee volunteerism was strong in 2014 and consistently is a priority for college graduates considering future employers. Nonprofit and civic board involvement is integral to talent management as it provides partners with leadership, skills development and networking opportunities beyond the scope of their responsibilities.

### Corporate Philanthropy

Our global corporate philanthropy program awarded more than \$15 million to local and international civic and charitable organizations in 2014, investing 1.2% of annual pre-tax profits into the community.

## **Employee Contributions**

Northern Trust Community Partners is a global program that helps employees identify, engage and develop relationships with local charities. These relationships include both financial and volunteer support. We offer two full days of paid time-off for partners to spend volunteering with an approved nonprofit, and as was reported in the 2014 Volunteer Survey, partners also generously gave approximately 125,000 hours of their personal time to charity.

## **Community Investments**

Northern Trust carries an “Outstanding” CRA rating. New CRA investments originated totaled \$262.7 million in 2014. Our directors receive an annual CRA and fair lending report and have approved our policy related to community reinvestment. As of December 31, 2014, the community investments portfolio totaled \$577.9 million for the following:

**Education and Social Services** – \$58.7 million outstanding. Objective: Provide long-term capital and equity for the development of community and education facilities such as charter schools, health clinics and day care centers by nonprofit partners.

**Affordable Housing** – \$458 million outstanding. Objective: Support the creation and retention of affordable rental housing and affordable homeownership in partnership with nonprofit lenders and developers.

**Job Creation** – \$42.1 million in asset value. Objective: Support nonprofit micro loan origination programs and the expansion of businesses and job creation through private equity funds.

**Wealth Accumulation** – \$19.1 million in asset value. Objective: Equity investments and certificates of deposits in community development banks provide capital to develop products and services to meet the needs of the unbanked, underbanked and underserved members of our communities.

These community partnership investments are longer-term debt investments at low interest rates, equity investments, tax credit investments, subordinated debt investments that carry equity-like terms or marketable securities with a community development purpose.

## **DIVERSITY AND INCLUSION AND TALENT MANAGEMENT**

Northern Trust enforces a workforce policy that does not tolerate discrimination based on race, ethnicity, gender, gender identity, sexual orientation, physical or mental disability, religious choice and many other personal characteristics. In addition, we do not tolerate forced labor, child labor or violating the rights of indigenous people. Our guiding principles embrace inclusion and diversity of culture, thought, experience and other attributes of individuals’ backgrounds, and we hold in highest regard the dignity of, and respect for, all partners in our workplace. We support the principles set forth by the United Nations’ Universal Declaration of Human Rights and strive to treat all individuals equally.

### **Human Rights and Workforce Principles**

Our human rights and workforce principles apply to all our global operations and clearly state our support for the protection of minority groups’ rights, women’s rights and workers’ rights. They expressly reference our conformance with the International Labour Organization’s standards, the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises and other public policies. Partners worldwide also may exercise freedom of association with regard to collective bargaining and trade agreements as permitted by applicable regional laws.

One component of our human rights principles applies these standards to our suppliers/vendors as well as our partners who receive training on anti-discrimination,

diversity and inclusion and sexual harassment. We also provide training specifically on cultural change, which is especially helpful for expatriates and partners on short-term assignments abroad and global relocation. The principles encompass stakeholder involvement, public reporting, auditing, third-party auditing and quantifiable targets or goals.

A number of senior-level company officers are responsible for the execution of our human rights and workforce standards, and several partners work to implement them. These beliefs commit us to providing fair and equal wages to partners regardless of gender, as well as competitive compensation and benefits to our workforce.

### Talent Recruitment and Retention

Our partners are critical to our success, and we take our search for and retention of top talent very seriously. Talent identification, sourcing and recruiting strategies generally are targeted for specific locations using a variety of channels that include job boards, colleges, networks, associations and online social networks. Hiring decisions are based on a variety of factors, including educational background, relevant experience, past accomplishments, professional licensing where required and strong evidence of integrity and ethical behavior.

Recruiting plays a vital role in creating and maintaining a diverse workforce. Our goal is to continue fostering diversity at all levels of our organization since it ultimately contributes to our ability to deliver unrivaled client

### Composition of Global Workforce (as of 12/31/14)

GLOBAL WORKFORCE BY REGION *			
Region	Full-time equivalent	Part-time equivalent	TOTAL
Asia-Pacific	3,896	0	3,896
Europe, Middle East, Africa	2,713	185	2,898
North America	8,664	149	8,813
GRAND TOTAL	15,273	334	15,607

\* Staff count does not reflect contractors or temporary employees.

WORKFORCE BY GENDER & ETHNICITY *									
Job Categories	White (Not Hispanic)	Black (Not Hispanic)	Hispanic	Asian	Native American	Two or More Races	Hawaiian	TOTAL	Global Female *
Senior Managers	397	24	27	21	0	1	0	470	203
1st/Mid-Level Managers	822	112	78	75	1	10	0	1,098	877
Professionals	4,222	916	685	613	6	81	16	6,539	5,440
Administrative	275	114	94	24	0	5	0	512	586
Other	30	20	21	3	0	0	0	74	19
GRAND TOTAL	5,746	1,186	905	736	7	97	16	8,693	7,125

\* Ethnicity statistics refer to U.S. locations only. All locations are included in the gender statistics.

NOTE: The chart on page 31 of our 2013 Corporate Social Responsibility Annual Report shows our female employee count in the United States. The global total for the prior reporting year is 6,915.



satisfaction and quality. If there are operational changes that lead to job elimination, we meet or exceed the notification requirements of applicable laws but also make every effort to help partners find alternative positions within the company.

### **Global Diversity & Inclusion**

The diversity & inclusion function reports to the executive vice president and head of CSR and Global Diversity & Inclusion, a direct report to the Chairman & CEO. Our global diversity & inclusion strategy and programs are led by the chief diversity & inclusion officer – Americas, and chief diversity & inclusion officer – EMEA and APAC, both senior positions.

The engaged leadership of our management group drives our diversity & inclusion strategy, creating an environment of awareness, action and accountability. Our annual diversity and inclusion update is presented to the board of directors for our highest-level decision makers to review. We believe in fostering an inclusive

environment where people can contribute and grow, and their unique mix of attributes can serve as the catalyst for innovation through diversity of thought and perspective. To support our global business strategy, we sponsor Business Resource Councils and Diversity & Inclusion Advisory Councils to help ensure that our commitments to diversity and inclusion are embedded in the fabric of Northern Trust.

### **Diversity & Inclusion Advisory Councils (DIACs)**

Regional DIACs are accountable for ensuring diversity and inclusion initiatives align with each region's strategic imperatives and the organization's overall goals.

### **Business Resource Councils (BRCs)**

We currently sponsor 10 BRCs that support personal and professional development, providing a forum to promote cultural and civic awareness and strategic support in revenue-generating areas to an increasingly diverse client base.

# ENVIRONMENTAL SUSTAINABILITY



**CONSTANCE L. BOWEN**  
*Vice President*  
*Corporate Services Group*

“ In the financial service sector, environmental sustainability take many forms. From best-in-class facilities management to innovative employee engagement activities we take this work seriously. In 2014, we are proud to report a more than 10% decrease in our overall emissions per full-time employee, based on base year 2011. The efforts of professionals around the globe working to eliminate and mitigate negative environmental impacts from our operations made this decrease possible.”

## ENVIRONMENT STATEMENT

Northern Trust recognizes that the long-term viability of our business and that of our clients is tied to the health and well-being of our planet. We therefore commit to protecting and preserving the environment through the services we provide and to eliminating or mitigating any negative environmental impacts from our operations. We align our business with the fundamental principle of sustainability meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. We do this by integrating environmental considerations into our decision-making process throughout our business, by committing to continually improving our business practices and by delivering tangible, positive results related to the environment.

We use energy to power our data centers and facilities, the majority of which are located in North America. As a result, the bulk of our greenhouse gas (GHG) emissions stem from our North American operations.

We first started tracking our carbon footprint, or the carbon dioxide equivalent of all GHGs produced

in our operations, in 2006. Since then, we have steadily improved data collection processes and calculation methodologies to align with best practice standards.

During 2013, we established a process for setting multi-year goals to reduce emissions. In 2014 a decision was made to not set a carbon reduction goal until 2015 after a comprehensive study is complete to identify projects in our facilities which matched our quality and return on investment (ROI) thresholds. We will publish a carbon reduction plan in our 2015 Corporate Social Responsibility Annual Report.

In addition to energy reduction efforts, we invest in low-carbon power purchasing to further reduce our carbon footprint. Energy from renewable sources such as water, wind and solar powers a total of 47.9% of our EMEA operations. Although we strive to continuously reduce our carbon footprint, business and weather conditions vary yearly and affect our emissions.

In 2014 our overall emissions decreased by 10.7% per full-time employee when compared to base year 2011.

### The following table shows our CO<sub>2</sub>e emissions for Scope 1, 2 and 3 in 2014:

CO <sub>2</sub> e Emissions (metric tonnes (MT))	2014	2013	Base Year	% Change 2014/2013	% Change (2014/Base Year)
Scope 1	2,925	3,143	3,860	-6.94%	-24.22%
Scope 2	47,570	51,241	50,236	-7.16%	-5.31%
Gross Scope 1 & 2	50,495	54,384	54,096	-7.15%	-6.66%
Scope 3 (Business Travel)	14,531	14,733	13,111	-1.37%	-10.83%
Gross Scope 1, 2 & 3	65,026	69,117	67,207	-5.92%	-3.25%

### CO<sub>2</sub>e Scope 1 and 2 and CO<sub>2</sub>e/sq. ft.:

CO <sub>2</sub> e Intensity	2014	2013	Base Year	% Change 2014/2013	% Change (2014/Base Year)
Global Metric Tonnes CO <sub>2</sub> e for Scope 1 and 2	50,495	54,384	54,096	-7.15%	-6.66%
Applied Floor Area (sq. ft.)	4,103,614	4,194,259	4,643,880	-2.16%	-11.63%
CO <sub>2</sub> e/sq. ft.	0.01230	0.01297	0.01165	-5.10%	5.63%



NORTHERN TRUST CORPORATION  
50 SOUTH LA SALLE STREET | CHICAGO, ILLINOIS 60603

[NORTHERNTRUST.COM](https://www.northerntrust.com)

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