

UK Modern Slavery Act (2015) Statement

INTRODUCTION

This statement is made pursuant to section 54(1) of the UK Modern Slavery Act 2015 (the **Act**) and constitutes the “slavery and human trafficking statement” of The Northern Trust Company (the **Bank**), Northern Trust Global Services Limited (**NTGSL**), Northern Trust Management Services Limited (**NTMSL**) and Northern Trust Global Investments Limited (**NTGIL** and, together with the Bank, NTGSL and NTMSL, the **Reporting Entities**) for the financial year ended December 31, 2016. NTGSL, NTMSL and NTGIL are indirect subsidiaries of the Bank, which itself is a subsidiary of Northern Trust Corporation (the **Corporation**). Except where the context requires otherwise, references to “Northern Trust,” “we,” “us,” “our” or similar terms means the Corporation and its subsidiaries, including but not limited to the Reporting Entities, on a consolidated basis.

Northern Trust firmly believes that all work should be done voluntarily and without slavery, servitude, forced or compulsory labour or the involvement of human trafficking (**Modern Slavery**). We take the risk of Modern Slavery occurring within our business and in our supply chain seriously and see relationships with suppliers as an opportunity to encourage behaviour and practices that are consistent with our own ethical practices.

OVERVIEW OF NORTHERN TRUST

Northern Trust Corporation and The Northern Trust Company

The Corporation is a financial holding company that is a leading provider of asset servicing, fund administration, asset management, fiduciary and banking solutions for corporations, institutions, families and individuals worldwide. The Corporation conducts business through various U.S. and non-U.S. subsidiaries, including the Bank. At December 31, 2016, the Corporation had consolidated total assets of \$123.9 billion and stockholders’ equity of \$9.8 billion.

The Bank is an Illinois banking corporation headquartered in Chicago and the Corporation’s principal subsidiary. Founded in 1889, the Bank conducts its business through its U.S. operations and its various U.S. and non-U.S. branches and subsidiaries. At December 31, 2016, the Bank had consolidated assets of \$123.5 billion and common bank equity capital of \$8.6 billion.

Northern Trust’s Business

Northern Trust focuses on managing and servicing client assets through two client-focused segments: Corporate & Institutional Services (**C&IS**) and Wealth Management. Asset management and related services are provided to C&IS and Wealth Management clients primarily by the Asset Management business.

C&IS is a leading global provider of asset servicing and related services to corporate and public retirement funds, foundations, endowments, fund managers, insurance companies, sovereign wealth funds, and other institutional investors around the globe. Asset servicing and related services encompass a full range of capabilities including, but not limited to: global custody; fund administration; investment operations outsourcing; investment management; investment risk and analytical services; employee benefit services; securities lending; foreign exchange; treasury management; brokerage services; transition management services; banking; and cash management. Client relationships are managed through the Bank and the Bank’s

and the Corporation's other subsidiaries, including support from locations in North America, Europe, the Middle East, and the Asia-Pacific region. At December 31, 2016, total C&IS assets under custody were \$6.2 trillion and assets under management were \$694.0 billion.

Wealth Management focuses on high-net-worth individuals and families, business owners, executives, professionals, retirees, and established privately-held businesses in its target markets. The business also includes the Global Family Office, which provides customized services to meet the complex financial needs of individuals and family offices in the United States and throughout the world with assets typically exceeding \$200 million. In supporting these targeted segments, Wealth Management provides trust, investment management, custody, and philanthropic services; financial consulting; guardianship and estate administration; family business consulting; family financial education; brokerage services; and private and business banking.

Wealth Management is one of the largest providers of advisory services in the United States, with \$543.6 billion in assets under custody and \$248.4 billion in assets under management at December 31, 2016. Wealth Management services are delivered by multidisciplinary teams through a network of offices in 18 U.S. states and Washington, D.C., as well as offices in London, Guernsey, and Abu Dhabi.

Asset Management, through the Corporation's various subsidiaries, supports the C&IS and Wealth Management segments by providing a broad range of asset management and related services and other products to clients around the world. Investment solutions are delivered through separately managed accounts, bank common and collective funds, registered investment companies, exchange traded funds, non-U.S. collective investment funds, and unregistered private investment funds. Asset Management's capabilities include active, passive and engineered equity; active and passive fixed income; cash management; alternative asset classes (such as private equity and hedge funds of funds); and multi-manager advisory services and products. Asset Management's activities also include overlay services and other risk management services. Asset Management operates internationally through subsidiaries and distribution arrangements and its revenue and expenses are fully allocated to C&IS and Wealth Management. As discussed above, Northern Trust managed \$942.4 billion in assets as of December 31, 2016, including \$694.0 billion for C&IS clients and \$248.4 billion for Wealth Management clients.

Northern Trust's Employee Base

As of December 31, 2016, Northern Trust has approximately 17,100 full-time equivalent employees globally.

POLICIES IN RELATION TO SLAVERY AND HUMAN TRAFFICKING

One of Northern Trust's three guiding principles is 'Integrity' (the others being 'Service' and 'Expertise'). Our **Code of Business Conduct and Ethics** and our **Standards of Conduct Policy** reflect our commitment to acting ethically and with integrity in all our business relationships and to the adoption of sound business practices. For Northern Trust, the adoption and enforcement of effective systems and controls designed to ensure that Modern Slavery is not taking place anywhere in our business or supply chain is one part of that commitment.

We have developed a new **Supplier Code of Conduct** which is being rolled out to all new suppliers with whom we contract, along with our existing critical and key suppliers. Over time and on a risk based approach, we will expand the usage of this document to our other existing suppliers with whom we contract.

Under the Supplier Code of Conduct a third-party supplier must:

- adopt sound labour practices and treat its workers fairly in accordance with local laws and regulations;
- refrain from using forced labour, whether in the form of prison labour, indentured labour, bonded labour or otherwise;
- refrain from engaging in any acts of Modern Slavery;
- take commercially reasonable steps to prevent their own subcontractors and suppliers from engaging in any acts of Modern Slavery; and
- notify Northern Trust if such supplier identifies any instance of Modern Slavery on its part or on the part of any of its subcontractors or suppliers.

The Supplier Code of Conduct may be found at: <https://cdn.northerntrust.com/pws/nt/documents/about-us/northern-trust-supplier-code-of-conduct.pdf>

DUE DILIGENCE PROCESS AND MEASURES TAKEN TO PREVENT MODERN SLAVERY IN OUR BUSINESSES

Northern Trust as an Employer

Northern Trust employees across the globe are hired in accordance with Northern Trust's recruitment policies which are in line with best practices. We strive to comply with all applicable employment legislation relating to employee terms and conditions, including pay. Our human rights and workforce principles apply throughout Northern Trust and are embedded in our policies. They expressly reference our conformance with the International Labour Organization's standards and other public policies.

Northern Trust and Its Supply Chain

In order to carry out our business activities we rely on a large number of suppliers. Our suppliers include both third-party service providers and Northern Trust's own entities. The supply chain is made up primarily with suppliers of information technology and communications equipment, software, catering, cleaning, security services and office equipment. It also includes suppliers of professional services such as business and strategy consulting, recruitment agencies, legal counsel, training and insurance providers. Finally there are those suppliers which support Northern Trust's client servicing requirements, including sub-custodians, brokers and distributors.¹

Northern Trust's procurement procedures require that the specialist procurement team (**Procurement**) be involved at the initiation of a project and/or identification of the need to engage a third-party supplier of a product or service for all but the lowest-risk and lowest-spend purchases. The Procurement team's level of i

Please note, the discussion of Northern Trusts' supply chain management contained herein focusses primarily on third-party suppliers other than those providing sub-custody services, which are managed through a separate engagement and oversight program. In addition, outsourcing to other Northern Trust affiliates is managed through our Business Process Transition Program. Both of these programs provide controls akin to those described herein.

ongoing involvement depends on the complexity of the engagement. The following gives an overview of our supply chain management of third-party suppliers.

Prior to entering into a new third-party supplier relationship, Procurement will initiate due diligence on the potential supplier, which includes a review of the supplier's compliance with various applicable laws and regulations. A subsequent risk assessment of the supplier determines the appropriate level of ongoing monitoring.

Once a contract with a third-party supplier is in place, Northern Trust dedicates an internal manager for the supplier relationship (**Vendor Manager**). The responsibilities of the Vendor Manager include:

- monitoring the supplier against the terms of the contract and service level agreements; and
- documenting, maintaining and reporting legal and other issues or incidents.

The requirements for Vendor Manager oversight vary depending on the risk assessment of the supplier.

If a supplier is found to be in breach of its contract, including any breach of the Supplier Code of Conduct, and if the situation is not remediated, we may terminate our relationship with the supplier and disqualify the supplier from participating in any future bidding processes for Northern Trust's mandates.

During the course of 2016 we proceeded to carry out a high-level risk assessment of our critical and key suppliers, accounting for 45% of our procurement spend as of year-end 2016. Drawing on guidance published by the UK Chartered Institute of Purchasing and Supply, we assessed them against four drivers of risk: location of product or service; industry sector; supplier relationship; and existing information on risk (in both the private and public domains). In conducting our assessment, we broke the risk drivers down into more detailed risk descriptions² and applied a 3-point risk rating (High, Medium or Low) to each risk driver. After applying the controls that Northern Trust has in place to this assessment, we found no areas of high risk with respect to our critical and key suppliers, but there are some areas of medium risk, reflecting a current lack of information primarily about the geographical regions in which our suppliers ultimately source the products and services we buy from them. We are taking steps to address this in an enhanced due diligence questionnaire, which will capture more of the information that we need to finalise this phase of our risk assessment process and review the effectiveness of our controls, in due course.

TRAINING

The Procurement team are regularly briefed and trained on enhancements to our supplier requirements. During 2016 we also enhanced Vendor Management training to specifically cover Modern Slavery risk.

² Descriptions within the location of product or service driver included: freedom of association; health and safety procedures (reports and content); freedom of movement; occurrence of discrimination; and average living conditions. Descriptions within the industry sector driver included: recruitment practices and termination of employment; employment profile (reliance on low-skilled and / or migrant workers); living wage; and existence of grievance mechanisms. Descriptions within the supplier relationship driver included: duration; level of oversight; and value of the contract. Descriptions within the existing information on risk driver included: existence of an Ethics / Whistleblower Policy; existence of a Business Code of Conduct; non-compliances concerning the above or other factors that are indicators of Modern Slavery; and media or non-governmental organization reports indicating possible problems with labour standards.

Northern Trust provides employees with annual and ad-hoc training on key risk and compliance topics. In addition, Northern Trust has launched awareness campaigns to promote good conduct in all its business dealings.

MEASURING EFFECTIVENESS

Northern Trust's culture supports open communication and reporting of concerns at all levels. All Northern Trust employees, as well as third parties, have access to a Business Abuse and Employee Relations hotline where they can raise any concerns in relation to ethical business practices (and other issues) in confidence and without fear of recrimination.

Key Performance Indicators:

Our focus during 2016 was reviewing and setting up the bases for substantive processes. During 2017 we will work on the setting of specific Key Performance Indicators and will begin to measure progress against these.

FURTHER STEPS/ONGOING EFFORTS

We recognise that the procedures seeking to address Modern Slavery risks require ongoing review to identify potential enhancements. We will continue to review relevant processes to determine where these enhancements may be warranted.

This statement has been approved by the respective Board of Directors of each of the Reporting Entities.

Frederick H. Waddell
Chairman and Chief Executive Officer
The Northern Trust Company