NORTHERN TRUST CORP
Form DEF 14A
March 12, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Section 240.14a-12

NORTHERN TRUST CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Northern Trust Corporation

50 South La Salle Street

Chicago, Illinois 60603

March 12, 2019

Dear Stockholder:

You are cordially invited to attend the Northern Trust Corporation 2019 Annual Meeting of Stockholders on Tuesday, April 23, 2019, at 10:30 a.m., Central Time, at our corporate headquarters at 50 South La Salle Street in Chicago, Illinois.

For more than 125 years, our stockholders support has been essential to Northern Trust s stability and success. **Your vote plays a vital role and is very important for our future**. Whether or not you plan to attend the Annual Meeting, I urge you to vote your shares as promptly as possible.

The attached Notice of Annual Meeting of Stockholders and Proxy Statement provide you with information about each proposal to be considered at the Annual Meeting, as well as other information you may find useful in voting your shares. If you plan to attend the Annual Meeting, please review the information on admittance procedures in the accompanying Proxy Statement.

If you choose not to attend in person, you may vote your shares by Internet or telephone. If you received a paper copy of the proxy materials, you also may complete, sign, date, and return your proxy card in the enclosed envelope. Instructions for voting by Internet or telephone can be found on your proxy card or your Notice Regarding the Availability of Proxy Materials.

Thank you for your continued support of Northern Trust Corporation, and your contribution to the future of our company.

Sincerely,

Michael G. O Grady
Chairman of the Board, President and Chief Executive Officer

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Date:	Tuesday, April 23, 2019
Time:	10:30 a.m., Central Time
Place:	Northern Trust Corporation 50 South La Salle Street Chicago, Illinois 60603
Purposes:	The purposes of the Annual Meeting are to: elect thirteen directors to serve on the Board of Directors until the 2020 Annual Meeting of Stockholders or until their successors are elected and qualified; approve, by an advisory vote, 2018 named executive officer compensation; ratify the appointment of KPMG LLP as Northern Trust Corporation s independent registered public accounting firm for the 2019 fiscal year; consider a stockholder proposal regarding additional disclosure of political contributions, if properly presented at the Annual Meeting; consider a stockholder proposal regarding the right of Northern Trust Corporation s stockholders to call a special meeting of the stockholders, if properly presented at the Annual Meeting; and transact any other business that may properly come before the Annual Meeting.
Record Date:	You can, and should, vote if you were a stockholder of record at the close of business on February 25, 2019.

March 12, 2019

By order of the Board of Directors,

Susan C. Levy

Executive Vice President, General Counsel and Corporate Secretary

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR

THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON APRIL 23, 2019

This Proxy Statement, other proxy materials, our Annual Report on Form 10-K for the year ended December 31, 2018 and a link to the means to vote by Internet or telephone are available at http://materials.proxyvote.com/665859.

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BOARD OF DIRECTORS

		Committees of the Board					
Director	Age	Audit	Business Risk	Capital Governance	Compensation and Benefits	Corporate Governance	Executive
Linda Walker Bynoe *Independent* Director Since 2006	66					**C**	
Susan Crown *Independent* Director Since 1997	60						
Dean M. Harrison *Independent* Director Since 2015	64						
Jay L. Henderson *Independent* Director Since 2016	63						
Marcy S. Klevorn*	59						

Independent Director Since 2019							
Siddharth N. Bobby Mehta* *Independent* Director Since 2019	60						
Michael G. O Grady *Chairman, President and* *Chief Executive Officer* *Director Since 2017*	53						**C**
Jose Luis Prado *Independent* Director Since 2012	64						
Thomas E. Richards *Independent* Director Since 2015	64						
John W. Rowe *Lead Director*** Director Since 2002	73						
Martin P. Slark *Independent*** Director Since 2011	64		**C**				
David H.B. Smith, Jr. *Independent* Director Since 2010	52	**C**					
Donald Thompson *Independent* Director Since 2015	55			**C**			
Charles A. Tribbett III *Independent* Director Since 2005	63				**C**		

C - Chair - Member

* Ms. Klevorn and Mr. Mehta were each appointed by the Board to serve as a director of the Corporation, effective January 22, 2019.

** Mr. Rowe will not be standing for re-election at the Annual Meeting of Stockholders to be held April 23, 2019, as he will be retiring from service as a director effective upon the conclusion of his current term at the Annual Meeting. The independent directors have selected Mr. Slark to succeed Mr. Rowe as the Lead Director, effective April 23, 2019.

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GOVERNANCE HIGHLIGHTS

What We Do	What We Don t Do
NEW Stockholder Right to Call Special Meetings	No Plurality Voting in Uncontested Director Elections
Majority Independent Directors	No Staggered Board
Engaged Lead Director	No Poison Pill
Proxy Access Rights	No Supermajority Voting Requirements
Frequent Executive Sessions for Independent Directors	No Overboarding of Directors
Annual Strategic Planning Meeting with Board and Executive Officers	
Regular Rotations of Committee Chairs	
Regular Reviews of Governance Documents	
Annual Board and Committee Self-Evaluations	

EXECUTIVE COMPENSATION HIGHLIGHTS

What We Do	What We Don t Do
Ensure our executives meet robust stock ownership guidelines	No excise tax gross-ups for any new executive change in control arrangements

Ensure performance-based compensation comprises the most significant portion of incentive compensation	No short selling, margining, hedging, pledging or hypothecating company shares permitted under our Securities Transactions Policy and Procedures
Subject short- and long-term incentive awards to potential forfeiture or clawback in the event of misconduct resulting in a restatement of our financial statements and certain other types of misconduct	No compensation plans that encourage excessive risk-taking
Use an independent compensation consultant to advise the Compensation and Benefits Committee	No repricing of underwater options
Closely align pay and performance, with the Compensation and Benefits Committee validating this alignment annually	No dividend equivalents distributed on unvested performance or restricted stock unit awards

IMPORTANT DATES FOR 2020 ANNUAL MEETING

Stockholder Submission	Window for Submission
Proposals for inclusion in the proxy statement	g On or before November 13, 2019
Other proposals (not included in the proxy statement)	g Between November 25, 2019 and December 26, 2019
Director nomination under proxy access provisions	g Between October 14, 2019 and November 13, 2019

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PROXY STATEMENT

The accompanying proxy is solicited on behalf of the Board of Directors (the Board) of Northern Trust Corporation (the Corporation) for use at the Corporation s Annual Meeting of Stockholders to be held on Tuesday, April 23, 2019 (the Annual Meeting). On or about March 12, 2019, we began mailing or otherwise making available our proxy materials, including a copy of our Annual Report on Form 10-K for the year ended December 31, 2018, to all stockholders entitled to vote at the Annual Meeting.

GENERAL INFORMATION

A Notice Regarding the Availability of Proxy Materials

Pursuant to rules adopted by the U.S. Securities and Exchange Commission (the SEC), for some of our stockholders we are providing access to our proxy materials via the Internet. The rules permit us to send a Notice Regarding the Availability of Proxy Materials (the Notice) to stockholders of record and beneficial owners. All stockholders have the ability to access the proxy materials on the website referred to in the Notice, www.proxyvote.com, or to request a printed set of proxy materials on this site or by calling toll-free 1-800-579-1639. Complete instructions for accessing the proxy materials on the Internet or requesting a printed copy may be found in the Notice. In addition, stockholders may request to receive all future proxy materials in printed form by mail or electronically by e-mail on the website above or when voting electronically. Choosing to receive your future proxy materials by e-mail will save us the cost of printing and mailing documents to you and will reduce the impact of our annual stockholders meetings on the environment. If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by e-mail will remain in effect until you terminate it.

Who May Vote

Record holders of the Corporation s common stock at the close of business on February 25, 2019 may vote at the Annual Meeting. On such date, the Corporation had 218,498,123 shares of common stock outstanding.

You are entitled to one vote for each share of common stock that you owned of record at the close of business on February 25, 2019. The proxy card or Notice, as applicable, indicates the number of shares you are entitled to vote at the Annual Meeting.

Voting Your Proxy

Whether or not you plan to attend the Annual Meeting, we urge you to vote your shares promptly.

If you are a stockholder of record (that is, you hold your shares of the Corporation s common stock in your own name), you may vote your shares by proxy using any of the following methods:

- using the Internet site listed on the Notice or the proxy card;
- calling the toll-free telephone number listed on the proxy card; or
- completing, signing, dating and returning your proxy card.

The Internet and telephone voting procedures set forth on the Notice and the proxy card are designed to authenticate stockholders identities, to allow stockholders to provide their voting instructions and to confirm that their instructions have been properly recorded. If you vote by Internet or telephone, you should not return your proxy card.

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If you are a beneficial owner, also known as a street name holder (that is, you hold your shares of the Corporation s common stock through a broker, bank or other nominee), you will receive from the record holder, in the form of a Notice or otherwise, voting instructions (including instructions, if any, on how to vote by Internet or telephone) that you must follow in order to have your shares voted at the Annual Meeting. Under the rules of various national and regional securities exchanges, brokers, banks and other nominees that hold securities on behalf of beneficial owners generally may vote on routine matters even if they have not received voting instructions from the beneficial owners for whom they hold securities, but are not permitted to vote on nonroutine matters unless they have received such voting instructions. While the ratification of the appointment of the Corporation s independent registered public accounting firm is considered to be a routine matter, each of the other matters to be presented to the stockholders at the Annual Meeting described in this Proxy Statement is considered to be a nonroutine matter. **Therefore, if you fail to provide your specific voting instructions, your broker may only vote your shares on the ratification of the appointment of the Corporation s independent registered public accounting firm.** Consequently, it is important that you communicate your voting instructions by using any of the following methods so your vote can be counted:

- using the Internet site listed on the voting instruction form;
- calling the toll-free telephone number listed on the voting instruction form; or
- completing, signing, dating and returning your voting instruction form.

If you own shares of common stock as a participant in The Northern Trust Company Thrift-Incentive Plan (TIP) your proxy card will cover the shares credited to your plan account. The completed proxy card (or vote by Internet or telephone) will serve as your voting instructions to the TIP trustee. To allow sufficient time for voting by the trustee, your voting instructions must be received by 11:59 p.m., Eastern Time, on April 18, 2019.

Whether you vote by Internet, telephone or mail, your shares will be voted in accordance with your instructions. If you sign, date and return your proxy card without indicating how you want your shares to be voted, the proxy holders will vote your shares in accordance with the following recommendations of the Board:

Item 1	**FOR** the election of each nominee for director;
Item 2	**FOR** the approval, by an advisory vote, of the 2018 compensation of the Corporation s named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC;
Item 3	**FOR** the ratification of the appointment of KPMG LLP as the Corporation s independent registered public accounting firm for the fiscal year ending December 31, 2019;

Item 4	**AGAINST** the stockholder proposal regarding additional disclosure of political contributions; and
Item 5	**AGAINST** the stockholder proposal regarding the right of the Corporation s stockholders to call a special meeting of stockholders.

The proxy holders are authorized to vote as they shall determine in their sole discretion on any other business that may properly come before the Annual Meeting.

Revoking Your Proxy

You may revoke your proxy at any time before it is voted at the Annual Meeting by:

- sending a written notice of revocation to the Corporation s Corporate Secretary;
- submitting another signed proxy card with a later date;
- voting by Internet or telephone at a later date; or
- attending the Annual Meeting and voting in person.

If you hold your shares in the name of your broker, bank or other nominee and wish to revoke your proxy, you will need to contact that party to revoke your proxy.

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Voting in Person

You may come to the Annual Meeting and vote your shares in person by obtaining and submitting a ballot that will be provided at the meeting. However, if your shares are held by a broker, bank or other nominee in street name, to be able to vote at the meeting you must obtain a proxy, executed in your favor, from the record holder of your shares, indicating that you were the beneficial owner of the shares at the close of business on February 25, 2019.

Householding Information

We are delivering only one Annual Report on Form 10-K and Proxy Statement (or, as applicable, the Notice) to stockholders of record who share the same address unless they have notified us that they wish to continue receiving multiple copies. This practice, known as householding, reduces duplicate mailings, saves printing and postage costs as well as natural resources and will not affect dividend check mailings. If you wish to receive separate copies of proxy materials, please contact Broadridge at 1-866-540-7095 or Broadridge, Householding Department, 51 Mercedes Way, Edgewood, NY 11717. Stockholders who wish to receive a separate set of proxy materials now should contact Broadridge at the same telephone number or mailing address and the materials will be delivered to you promptly upon your request.

If you and other stockholders of record with whom you share an address currently receive multiple copies of our proxy materials or if you hold our stock in more than one account, and, in either case, you wish to receive only a single copy of such materials in the future, please contact Broadridge at the telephone number or mailing address above with the names in which all accounts are registered and the name of the account for which you wish to receive mailings.

Quorum and Vote Required for Approval

A quorum of stockholders is necessary to hold the Annual Meeting. A majority of the outstanding shares entitled to vote at the Annual Meeting is required to be present in person or by proxy in order to establish a quorum. Abstentions and broker nonvotes, if any, will be counted as present for purposes of establishing a quorum. A broker nonvote will occur when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner. As noted above, brokers, banks and other nominees generally cannot vote your shares on any of the matters to be presented to stockholders at the Annual Meeting described in this Proxy Statement, other than the ratification of the appointment of KPMG LLP as the Corporation s independent registered public accounting firm for the fiscal year ending December 31, 2019, without your specific instructions. **Please return your proxy card or voting instruction form, as applicable, or vote by Internet or telephone so your vote can be counted.** An inspector of election appointed for the Annual Meeting will tabulate all votes cast in person or by proxy at the Annual Meeting. In the event a quorum is not present at the Annual Meeting, we expect that the Annual Meeting will be adjourned or postponed to solicit additional proxies.

The following table indicates the vote required for approval of each item to be presented to the stockholders at the Annual Meeting and the effect of abstentions and broker nonvotes.

Item	Required Vote	Effect of Abstentions and Broker Nonvotes
Item 1 Election of directors	Affirmative vote of a majority of the votes cast with respect to each nominee. See below for further detail.	Abstentions with respect to a nominee will have no effect on the election of such nominee. Broker nonvotes will have no effect on the voting for this item.
Item 2 Advisory vote on executive compensation	Affirmative vote of a majority of the shares of common stock present and entitled to vote.	Abstentions will have the effect of a vote AGAINST this item. Broker nonvotes will have no effect on the voting for this item.
Item 3 Ratification of the independent registered public accounting firm	Affirmative vote of a majority of the shares of common stock present and entitled to vote.	Abstentions will have the effect of a vote AGAINST this item. Brokers may vote uninstructed shares on this item.
Item 4 Stockholder proposal regarding additional disclosure of political contributions	Affirmative vote of a majority of the shares of common stock present and entitled to vote.	Abstentions will have the effect of a vote AGAINST this item. Broker nonvotes will have no effect on the voting for this item.
Item 5 Stockholder proposal regarding the right of stockholders to call a special meeting	Affirmative vote of a majority of the shares of common stock present and entitled to vote.	Abstentions will have the effect of a vote AGAINST this item. Broker nonvotes will have no effect on the voting for this item.

Pursuant to the Corporation s By-laws, a nominee for director in an uncontested election (such as this year s election where the only nominees are those recommended by the Board) must receive the affirmative vote of a majority of the votes cast with respect to his or her election at a meeting of stockholders to be elected. In contested elections, the affirmative vote of a plurality of the votes cast will be required to elect a director. The Corporation s Corporate Governance Guidelines require an incumbent director who fails to receive the affirmative vote of a majority of the votes cast with respect to his or her election in an uncontested election at a meeting of stockholders to submit his or her resignation following certification of the stockholder vote. Such resignation will first be considered by the members of the Corporate Governance Committee (other than the tendering director, if applicable), who will recommend to the Board whether to accept or reject the resignation after considering all factors deemed relevant by the Committee, including, without limitation, any stated reasons as to why stockholders did not support the director whose resignation has been tendered, the length of service and qualifications of such director, the director s contributions to the Corporation and the Corporation s Corporate Governance Guidelines. The Board (other than the tendering director) will then act to accept or reject the Committee s recommendation no later than ninety days following the date of the stockholders meeting after considering the factors considered by the Committee and such additional information and factors as the Board believes to be relevant.

Solicitation of Proxies; Costs

The Corporation will bear the cost of preparing, printing and mailing the materials in connection with this solicitation of proxies. In addition to mailing these materials, the Corporation s officers and other employees may, without being additionally compensated, solicit proxies personally and by mail, telephone or electronic communication. The Corporation will reimburse banks and brokers for their reasonable out-of-pocket expenses related to forwarding proxy materials to beneficial owners of stock or otherwise in connection with this solicitation. In addition, the Corporation has retained Georgeson Inc. to assist in the solicitation of proxies for a fee of approximately $13,500, plus reasonable out-of-pocket expenses.

ADMITTANCE TO THE ANNUAL MEETING

Stockholders at the close of business on the record date, February 25, 2019, or their duly appointed proxies, may attend our Annual Meeting at our corporate headquarters on April 23, 2019 at 10:30 a.m., Central Time. Registration will begin at 9:30 a.m. Our corporate headquarters are located at 50 South La Salle Street (northwest corner of La Salle Street and Monroe Street) in Chicago, Illinois.

In order to be admitted to the meeting, you must bring documentation showing that you owned the Corporation s common stock at the close of business on the record date, February 25, 2019. Acceptable documentation includes an admission ticket, a Notice Regarding the Availability of Proxy Materials or any other proof of ownership of the Corporation s common stock at the close of business on February 25, 2019. A brokerage statement or letter from a bank or broker reflecting your holdings at the close of business on February 25, 2019 is an example of such other proof of ownership. Your admission ticket is located on the top portion of the rear side of your proxy card or on the left side of your voting instruction form if your shares are held by a broker, bank or other nominee in street name. You will be asked to present valid picture identification, such as a driver s license or passport. For safety and security reasons, cameras and recording devices will not be permitted in the meeting.

ITEM 1 ELECTION OF DIRECTORS

Stockholders will be asked to elect thirteen directors at the Annual Meeting. Each of the thirteen nominees is currently serving as a director of the Corporation and its principal subsidiary, The Northern Trust Company (the Bank). Included in the incumbent directors nominated for re-election are Marcy S. Klevorn and Siddharth N. Bobby Mehta, each of whom was appointed by the Board as a director of the Corporation, effective January 22, 2019, in accordance with the Corporation s By-laws and pursuant to the recommendation of the Corporation s Chairman, Chief Executive Officer (CEO) and Lead Director. John W. Rowe will not be standing for re-election, as he will be retiring from service as a director effective upon the conclusion of his current term at the Annual Meeting. Mr. Rowe has served as a member of the Board since 2002.

Each of the thirteen director nominees has consented to serve as a director if elected at the Annual Meeting. Each nominee elected as a director will serve until the next Annual Meeting of Stockholders or until his or her successor is elected and qualified. If any nominee is unable to serve as a director at the time of the Annual Meeting, your proxy may be voted for the election of another nominee proposed by the Board or the Board may reduce the number of directors to be elected at the Annual Meeting.

As discussed further under Corporate Governance Director Nominations and Qualifications, in evaluating director nominees, the Corporate Governance Committee considers a variety of factors, including relevant business and industry experience; professional background; age; current employment; community service; other board service; and ethnic and gender diversity. Accordingly, the thirteen director nominees possess a wide variety of experience, qualifications and skills, which equip the Board with the collective expertise to perform its oversight function effectively. Each of the candidates also has a reputation for, and long record of, integrity and good business judgment; has experience in leadership positions with a high degree of responsibility; is free from conflicts of interest that could interfere with his or her duties to the Corporation and its stockholders; and is willing and able to make the necessary commitment of time and attention required for effective Board service.

A summary of certain key experience, qualifications and skills represented by the nominees for election to the Board at the Annual Meeting, collectively, is set forth below.

Key Experience, Qualifications and Skills	
Corporate governance and social responsibility	Marketing
Finance and accounting	Operations
Financial services	Public company board experience
Global and international experience	Risk oversight and management

Leadership of large, complex, highly regulated organizations	Strategic planning and oversight
Talent management and succession planning	Technology and innovation

Further information with respect to the nominees is set forth on the following pages.

The Board unanimously recommends that you vote FOR the election of each nominee.

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INFORMATION ABOUT THE NOMINEES FOR DIRECTOR

The following information about the nominees for election to the Board at the Annual Meeting is as of the date of this Proxy Statement, unless otherwise indicated.

LINDA WALKER BYNOE, Director since 2006, Age 66

President and Chief Executive Officer, Telemat Ltd. (project management and consulting firm) since 1995.

Ms. Bynoe is a director of Anixter International Inc. and Prudential Retail Mutual Funds and a trustee of Equity Residential.

The Board concluded that Ms. Bynoe should serve as a director based on her diverse consulting and investment experience, her expertise in public accounting, corporate governance, managing a private equity investment portfolio and strategy development and her experience as a director of financial services and other complex global corporations.

SUSAN CROWN, Director since 1997, Age 60

Chairman and Chief Executive Officer, Owl Creek Partners, LLC (private equity firm) since 2010, and **Chairman and Founder, Susan Crown Exchange Inc.** (social investment organization) since 2009. Ms. Crown previously served as Vice President of Henry Crown and Company (company with diversified investments) from 1984 to 2015.

Ms. Crown is a director of Illinois Tool Works Inc. Ms. Crown also serves as a Chair of the Board of Trustees of Rush University Medical Center and Rush Systems in Chicago. Ms. Crown previously served as a director of CARE USA and served two terms as a Fellow of Yale Corporation.

The Board concluded that Ms. Crown should serve as a director based on her leadership, risk oversight, governance, and corporate responsibility experience developed through service at various large organizations, both commercial and nonprofit.

DEAN M. HARRISON, Director since 2015, Age 64

President and Chief Executive Officer, Northwestern Memorial HealthCare (the primary teaching affiliate of Northwestern University Feinberg School of Medicine and parent corporation of Northwestern Memorial Hospital) since 2006.

The Board concluded that Mr. Harrison should serve as a director based on his extensive experience leading a large, complex organization in a highly regulated industry.

JAY L. HENDERSON, Director since 2016, Age 63

Retired Vice Chairman, Client Service, PricewaterhouseCoopers LLP (professional services firm). Mr. Henderson served as Vice Chairman, Client Service for PricewaterhouseCoopers LLP from 2007 to June 2016, and as Managing Partner of the Greater Chicago Market of PricewaterhouseCoopers LLP from 2003 to 2013.

Mr. Henderson is a director of Illinois Tool Works Inc. and The J. M. Smucker Company.

The Board concluded that Mr. Henderson should serve as a director based on his extensive experience working with complex global organizations across multiple markets and industry sectors, as well as his leadership experience in various roles at PricewaterhouseCoopers LLP.

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MARCY S. KLEVORN, Director since 2019, Age 59

Executive Vice President and President, Mobility, Ford Motor Company (global automaker) since 2017. Ms. Klevorn served as Group Vice President, Information Technology and Chief Information Officer from 2015 to 2017 and as Director, Office of the Chief Information Officer from 2013 to 2015. Ms. Klevorn previously held various other positions at Ford Motor Company since 1983.

Ms. Klevorn is a director of Pivotal Software, Inc.

The Board concluded that Ms. Klevorn should serve as a director based on her extensive experience with respect to the innovation and application of cutting-edge technologies.

SIDDHARTH N. BOBBY MEHTA, Director since 2019, Age 60

Retired President and Chief Executive Officer, TransUnion (global risk and information solutions provider). Mr. Mehta served as President and Chief Executive Officer of TransUnion from 2007 to 2012. From 1998 to 2007, Mr. Mehta held a variety of positions with HSBC Finance Corporation and HSBC North America Holdings, Inc., including Chief Executive Officer of each of such entities from 2005 to 2007.

Mr. Mehta is a director of TransUnion, The Allstate Corporation and Piramal Enterprises Limited.

The Board concluded that Mr. Mehta should serve as a director based on his management and board experience at large, complex organizations and his experience in the financial services industry.

MICHAEL G. O GRADY, Director since 2017, Age 53

Chairman of the Board of the Corporation and the Bank since January 23, 2019, **Chief Executive Officer** of the Corporation and the Bank since January 1, 2018, and **President** of the Corporation and the Bank since January 1, 2017. Previously, Mr. O Grady served as President of Northern Trust s Corporate & Institutional Services business from 2014 to 2016 and as Chief Financial Officer of the Corporation and the Bank from 2011 to 2014. Before joining Northern Trust in 2011, Mr. O Grady served as a Managing Director in Bank of America Merrill Lynch s Investment Banking Group.

The Board concluded that Mr. O Grady should serve as a director based on his experience and ongoing responsibilities with respect to the Corporation s businesses.

JOSE LUIS PRADO, Director since 2012, Age 64

Chairman and Chief Executive Officer, Evans Food Group, Ltd. (global food company) since 2016. Mr. Prado served as President of Quaker Oats North America, a division of PepsiCo, Inc. from 2011 to 2014.

Mr. Prado is a director of Brinker International, Inc.

The Board concluded that Mr. Prado should serve as a director based on his management, marketing and risk oversight experience at a complex global corporation and his substantial international experience.

THOMAS E. RICHARDS, Director since 2015, Age 64

Executive Chairman, CDW Corporation (provider of integrated information technology solutions in the United States, Canada and the United Kingdom) since 2013. Mr. Richards also served as CDW Corporation s President and Chief Executive Officer through December 2018, having been appointed to such roles in 2009 and 2011, respectively.

Mr. Richards is a director of CDW Corporation.

The Board concluded that Mr. Richards should serve as a director based on his experience leading a large, complex organization and his experience in the information technology industry.

MARTIN P. SLARK, Director since 2011, Age 64

Retired Chief Executive Officer, Molex LLC (manufacturer of electronic, electrical and fiber optic interconnection products and systems). Mr. Slark served as Chief Executive Officer of Molex from 2005 to 2018.

Mr. Slark is a director of Hub Group, Inc., Koch Industries, Inc. and Liberty Mutual Insurance Company.

The Board concluded that Mr. Slark should serve as a director based on his experience leading a complex global corporation and his risk oversight experience as Chief Executive Officer of Molex LLC and as a director of other complex global corporations.

DAVID H. B. SMITH, JR., Director since 2010, Age 52

Executive Vice President, Policy & Legal Affairs and General Counsel, Mutual Fund Directors Forum (nonprofit membership organization for investment company directors) since 2005. Previously, Mr. Smith held several positions at the U.S. Securities and Exchange Commission from 1996 to 2005, including Associate Director in the Division of Investment Management.

Mr. Smith is a director of Illinois Tool Works Inc.

The Board concluded that Mr. Smith should serve as a director based on his regulatory and leadership experience in the finance industry gained from his roles at the U.S. Securities and Exchange Commission and the Mutual Fund Directors Forum. The Board also considered that Mr. Smith s interest as a beneficiary of a trust that holds a significant amount of the Corporation s common stock further aligns his interests with the interests of the Corporation s stockholders.

DONALD THOMPSON, Director since 2015, Age 55

Founder and Chief Executive Officer, Cleveland Avenue, LLC (food and beverage accelerator and investment company) since 2015 and **Retired President and Chief Executive Officer, McDonald s Corporation** (global foodservice retailer). Mr. Thompson served as President and Chief Executive Officer of McDonald s Corporation from 2012 until 2015.

Mr. Thompson is a director of Royal Caribbean Cruises Ltd. Mr. Thompson served as director of McDonald s Corporation from 2011 to 2015 and of Exelon Corporation from 2007 to 2013.

The Board concluded that Mr. Thompson should serve as a director based on his management and board experience at other complex global corporations.

CHARLES A. TRIBBETT III, Director since 2005, Age 63

Managing Director, Russell Reynolds Associates (global executive recruiting firm) since 1989, **Chairman** of the firm s Leadership Assessment and Promotions Board since 2006, and **Co-Leader** of the firm s Board and CEO Advisory Group since 1995.

The Board concluded that Mr. Tribbett should serve as a director based on his global leadership consulting experience evaluating and identifying senior management professionals and his leadership experience as a Managing Director of Russell Reynolds Associates.

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BOARD AND BOARD COMMITTEE INFORMATION

Our Board currently consists of fourteen members. The Board has determined that each of the following thirteen current directors is independent in accordance with our independence standards, which conform with SEC rules and the listing standards of The NASDAQ Stock Market LLC (NASDAQ): Linda Walker Bynoe, Susan Crown, Dean M. Harrison, Jay L. Henderson, Marcy S. Klevorn, Siddharth N. Bobby Mehta, Jose Luis Prado, Thomas E. Richards, John W. Rowe (who is not standing for re-election), Martin P. Slark, David H. B. Smith, Jr., Donald Thompson and Charles A. Tribbett III.

During 2018, the Corporation s Board held eight meetings. All persons who were directors during 2018 attended at least 75% of the total meetings of the Board and the committees on which they served occurring during the period in which they served. Our Corporate Governance Guidelines state that all directors are expected to attend each Annual Meeting of Stockholders. In accordance with this expectation, all of the directors then serving attended the 2018 Annual Meeting of Stockholders held on April 17, 2018.

Board Committees

The standing committees of the Board are the Audit Committee, the Business Risk Committee, the Capital Governance Committee, the Compensation and Benefits Committee, the Corporate Governance Committee and the Executive Committee. With the exception of the Executive Committee, all standing committees are composed solely of independent directors. Consequently, independent directors directly oversee critical matters and appropriately oversee the Chairman and CEO and other members of senior management. Each standing committee is governed by a written charter. These charters detail the duties and responsibilities of each committee and are available on the Corporation s website at www.northerntrust.com.

Additional information regarding the roles, responsibilities and composition of the Board s standing committees is set forth below.

Committee Composition

A summary of the composition of each of the Board s current standing committees is set forth below.

Director	Audit	Business Risk	Capital Governance	Compensation and Benefits	Corporate Governance	Executive
Bynoe					C	
Crown						
Harrison						
Henderson						
Klevorn						
Mehta						

O Grady						C
Prado						
Richards						
Rowe						
Slark		C				
Smith	C					
Thompson			C			
Tribbett				C		

C - Chair - Member

Audit Committee

The Audit Committee s purpose is to oversee the accounting and financial reporting processes of the Corporation and its subsidiaries and the audits of the consolidated financial statements of such entities, as well as to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the organization s accounting, auditing, financial reporting, internal financial control and legal compliance functions, including, without limitation: (i) assisting the Board s oversight of (a) the integrity of the organization s consolidated annual and quarterly financial statements and earnings releases, (b) the organization s compliance with legal and regulatory requirements, (c) the qualifications and independence of the Corporation s public accountants and (d) the performance of the organization s internal audit function

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and the Corporation s public accountants; and (ii) preparing the report required to be prepared by the Committee pursuant to SEC rules for inclusion each year in the Corporation s proxy statement relating to its Annual Meeting of Stockholders.

The Board has determined that all members of the Audit Committee are independent under SEC rules and NASDAQ listing standards. The Board also has determined that all Audit Committee members have the financial experience and knowledge required for service on the Committee, and that Messrs. Harrison, Henderson, Slark, Smith, and Thompson each satisfy the definition of audit committee financial expert, under SEC rules. The Audit Committee met six times in 2018.

Business Risk Committee

The Business Risk Committee is responsible for the risk management policies of the Corporation s global operations and oversight of the operation of the Corporation s global risk management framework. In furtherance of this function, the Business Risk Committee assists the Board in discharging its oversight duties with respect to: (i) the risks inherent in the businesses of the Corporation and its subsidiaries in the following categories: credit risk, market and liquidity risk, fiduciary risk, operational risk, compliance risk and strategic risk; and (ii) the process by which risk-based capital requirements are determined.

The Board has determined that all members of the Business Risk Committee are independent under SEC rules and NASDAQ listing standards. The Business Risk Committee met five times in 2018.

Capital Governance Committee

The purpose of the Capital Governance Committee is to assist the Board in discharging its oversight duties with respect to capital management and resolution planning activities of the Corporation and its subsidiaries. Among other matters, the Capital Governance Committee performs the following functions: (i) oversees the capital adequacy assessments, forecasting, and stress-testing processes and activities of the Corporation and its subsidiaries, including with respect to the annual Comprehensive Capital Analysis and Review (CCAR) exercise; (ii) reviews and recommends to the Board for approval the Corporation s annual capital plan, including proposed capital actions, and reviews and challenges management, as appropriate, with respect to the assumptions, limitations and weaknesses related to the Corporation s annual capital plan, including regarding risk identification and estimation approaches; (iii) receives reports on the Corporation s material risks and exposures to inform decisions on capital adequacy and actions, including capital distributions; (iv) unless reviewed and approved by the Board, reviews and approves capital policies for the Corporation and the Bank, including the Corporation s and the Bank s capital management goals and targets; (v) receives reports on the Corporation s capital adequacy assessment process; (vi) reviews and discusses with management the Corporation s and the Bank s regulatory capital ratios and capital levels; (vii) reviews and recommends to the Board for approval (a) dividend declarations with respect to the Corporation s common and preferred stock and (b) issuances or repurchases of debt or equity securities; (viii) oversees the Corporation s resolution planning processes; and (ix) reviews and recommends to the Board for approval the Corporation s resolution plans.

The Board has determined that all members of the Capital Governance Committee are independent under SEC rules and NASDAQ listing standards. The Capital Governance Committee met nine times in 2018.

Compensation and Benefits Committee

The purpose of the Compensation and Benefits Committee is to assist the Board in discharging its duties and responsibilities relating to: (i) the compensation of the directors and executive officers of the Corporation and its subsidiaries; and (ii) the employee benefit and equity-based plans of the organization. The Committee also assists the Board with management development and succession planning, including with respect to the position of CEO, and prepares the report required to be prepared by the Committee pursuant to SEC rules for inclusion in the Corporation s proxy statement relating to its Annual Meeting of Stockholders.

The Board has determined that all members of the Compensation and Benefits Committee are independent under SEC rules and NASDAQ listing standards. The Compensation and Benefits Committee met five times in 2018.

Corporate Governance Committee

The purpose of the Corporate Governance Committee is to: (i) identify and recommend to the Board candidates for nomination or appointment as directors; (ii) review the Board s committee structure and recommend appointments to committees; (iii) provide leadership in shaping the corporate governance of the Corporation, including through the development and recommendation to the Board of Corporate Governance Guidelines applicable to the Corporation;

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(iv) advise the Board on the appointment of a successor in the event of the unanticipated death, disability or resignation of the Corporation s CEO, after consultation with the Chairman of the Corporation s Compensation and Benefits Committee; (v) oversee the procedures relating to stockholder communications with the Board and review any proposals submitted by stockholders; (vi) oversee the annual evaluation of the Board and its committees; and (vii) assist the Board in discharging its oversight duties with respect to corporate citizenship and social responsibility matters of significance to the Corporation and its consolidated subsidiaries.

The Board has determined that all members of the Corporate Governance Committee are independent under SEC rules and NASDAQ listing standards. The Corporate Governance Committee met four times in 2018.

Executive Committee

The Board appoints an Executive Committee so that there will be a committee of the Board empowered to act for the Board, to the full extent permitted by law, between meetings of the Board if necessary and appropriate. The Executive Committee is composed of the Chairman and CEO, the Lead Director and the Chair of each of the other standing committees of the Board. The Executive Committee did not meet in 2018.

CORPORATE GOVERNANCE

Key Governance Practices

We believe that the high standards set by our governance structure provide the foundation for the strength of our business. An overview of certain key governance practices reflective of our strong governance profile is set forth below.

What We Do	What We Don t Do
NEW Stockholder Right to Call Special Meetings	No Plurality Voting in Uncontested Director Elections
Majority Independent Directors	No Staggered Board
Engaged Lead Director	No Poison Pill
Proxy Access Rights	No Supermajority Voting Requirements
Frequent Executive Sessions for Independent Directors	No Overboarding of Directors

Annual Strategic Planning Meeting with Board and Executive Officers

Regular Rotations of Committee Chairs

Regular Reviews of Governance Documents

Annual Board and Committee Self-Evaluations

Director Independence

To be considered independent, the Board must affirmatively determine that a director has no relationship with the Corporation which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Corporation s Corporate Governance Guidelines require that a majority of the directors serving on the Board meet the criteria for independence under NASDAQ listing standards.

To assist the Board in making its independence determinations, the Board has adopted categorical standards. Under these standards, the following persons shall not be considered independent :

a director who is or was an employee or executive officer of the Corporation, or whose Family Member (as defined below) is or was an executive officer of the Corporation, at any time during the past three years;

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a director who receives or has received, or whose Family Member receives or has received, compensation from the Corporation in excess of $120,000 during any period of twelve consecutive months within the past three years, other than director and committee fees, benefits under a tax-qualified retirement plan or other forms of nondiscretionary compensation; provided, however, that compensation received by a Family Member of a director for service as an employee (other than as an executive officer) of the Corporation need not be considered in determining independence;

a director who is, or whose Family Member is, a current partner of the Corporation s outside auditor, or who was a partner or employee of the Company s outside auditor who worked on the Corporation s audit at any time during any of the past three years;

a director of the Corporation who is, or has a Family Member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company serve on the compensation committee of such other entity; or

a director who is, or whose Family Member is, a partner in, a controlling stockholder of, or an executive officer of, any organization to which the Corporation made, or from which the Corporation received, payments for property or services in the current or any of the past three fiscal years that exceed the greater of $200,000 or 5% of the recipient s consolidated gross revenue for that year, other than payments arising solely from investments in the Corporation s securities or payments under nondiscretionary charitable contribution matching programs.

Family Member means a person s spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person s home.

The Board has determined that each director serving during 2018 was, and each current director is, independent of the Corporation in accordance with the Corporation s Corporate Governance Guidelines and categorical standards, except for Frederick H. Waddell, who retired from his role as Chairman of the Board effective January 23, 2019, and had previously served as the Corporation s CEO through December 31, 2017, and Mr. O Grady, who currently serves as the Corporation s Chairman, President and CEO.

In addition to the categorical standards, the Board considered that the Corporation or its subsidiaries provided financial services to each of its directors, or persons or entities affiliated with such directors, except for Mr. Tribbett, including trust and related services, brokerage services, investment management, asset servicing, asset management, credit services and other banking services. These transactions were undertaken in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral for loan transactions) as those prevailing at the time for comparable transactions with other persons not related to the Corporation or any affiliated entities involved in the transactions. None of these transactions involved more than the normal risk of collectability or presented other unfavorable features, and any extensions of credit to directors and executive officers of the Corporation were permitted under the provisions of Section 13(k) of the Securities Exchange Act of 1934 (the Exchange Act). None of these transactions or any transactions in which the Corporation or any of its subsidiaries sold or purchased products and services to or from any of the Corporation s directors, or persons or entities affiliated with its directors, were material to the Corporation or any affiliated entities involved in the transactions. With respect to Mr. Henderson, the Board also considered the related party transaction reviewed and approved by the Audit Committee in accordance with the Corporation s Related Person Transactions Policy described below. In each case, the Board determined that these relationships did not affect any director s ability to exercise independent judgment in carrying out his or her responsibilities as a director.

Related Person Transactions Policy

The Board, through its Audit Committee, has adopted a written Related Person Transactions Policy to govern the review, approval, and ratification of any transaction, arrangement or relationship in which the Corporation or its subsidiaries are party, the amount involved exceeds $120,000, and in which any related persons have a direct or indirect material interest. Related persons means the Corporation s directors, nominees for director, executive officers, greater than five percent beneficial owners, members of their immediate family and any person (other than a tenant or employee) sharing their household.

Any related person proposing to enter into a potential related party transaction with the Corporation or its subsidiaries must notify the Corporate Secretary of the facts and circumstances of the proposed transaction. If the Corporate Secretary finds that the transaction would constitute a related party transaction, it must be reviewed and approved or ratified by the Audit Committee or the Audit Committee Chair. In considering related person transactions, the Audit Committee or the Audit Committee Chair will consider all relevant facts and circumstances and approve only those related person transactions that are in, or otherwise not inconsistent with, the best interests of the Corporation and its subsidiaries.

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Kathleen Finley, Mr. Henderson s daughter, has been employed by the Bank since 2005, currently serving as Chief Administrative Officer of the Wealth Management National Services team of the Bank. In such role, Ms. Finley earned compensation in excess of $120,000 in 2018, and received retirement, health and wellness benefits, all on comparable terms as those provided for other employees of the Bank. Pursuant to the Related Person Transactions Policy, our Audit Committee considers and approves Ms. Finley s employment on an annual basis.

Executive Sessions

The independent directors of the Corporation met in executive sessions separate from management six times during 2018. The Lead Director or, in his absence, another independent director designated by the Lead Director, presides at executive sessions of the independent directors. The standing committees of the Board also regularly held executive sessions during 2018. These sessions were led by the respective independent committee Chairs.

Board Evaluations

Our Corporate Governance Guidelines charge the Corporate Governance Committee with oversight of the Board s annual self-evaluation to determine whether the Board and its standing committees are functioning effectively and in compliance with the Corporate Governance Guidelines and applicable committee charters. Each year the Committee considers the process through which such self-evaluation is conducted to ensure it remains an efficient and effective means by which to assess, and foster the continual enhancement of, the Board. In recent years, this self-evaluation process has been led by the Lead Director, on behalf of the Corporate Governance Committee, through a series of one-on-one discussions with each of our directors, guided by a list of topics considered and approved by the Committee. The Lead Director then provides a summary of these discussions to the Board for its consideration in executive session. Each standing committee also meets in executive session to provide an opportunity to discuss the key takeaways from the evaluation process as they may apply to such committee s effectiveness. As a result of this evaluation process, certain enhancements have been made in recent years to Board and committee practices and meeting materials to further their effectiveness.

Board Leadership Structure

The current leadership structure of the Board consists of a combined Chairman and CEO position and a separate Lead Director who is appointed annually by the Corporation s independent directors.

Effective January 1, 2018, Mr. O Grady succeeded Mr. Waddell as CEO of the Corporation. In connection with this transition, the Board determined that it would be in the best interests of the Corporation and its stockholders for Mr. Waddell to continue to serve as Chairman of the Board to allow for continuity of Board leadership and strategic oversight and facilitate a smooth transition of the CEO role. The Board also determined that it would be in the best interests of the Corporation and its stockholders for Mr. Rowe, who had reached the retirement age for directors contemplated by the Corporation s Corporate Governance Guidelines, to continue to serve as the Corporation s Lead Director during this period of transition.

Throughout 2018, Messrs. Waddell, Rowe and O Grady worked closely together to ensure a successful transition of leadership of the Corporation. In connection with Mr. Waddell s retirement as Chairman of the Board effective January 23, 2019, the Board determined that it would be in the best interests of the Corporation and its stockholders to recombine the positions of Chairman and CEO, consistent with the Corporation s historical practice, with Mr. O Grady serving in such combined role. Having one person serve as Chairman and CEO provides unified leadership and direction to the Corporation and strengthens the ability of the CEO to develop and implement strategic initiatives and respond effectively in crisis situations.

Pursuant to the Corporation s Corporate Governance Guidelines, the independent directors of the Board appoint a Lead Director whenever the position of Chairman is not held by an independent director. The Lead Director s role with respect to the Corporation is a significant one, with primary responsibilities including the following:

approving Board meeting schedules and agendas to ensure that there is sufficient time for discussion of all Board agenda items and overseeing the information provided to the Board;

calling at any time deemed necessary or advisable by the Lead Director a special meeting of the Board or a special executive session of the independent directors;

adding items to the agenda of any regular or special meeting of the Board deemed necessary or advisable by the Lead Director;

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- presiding at all meetings of the Board at which the Chairman is not present;
- presiding at all regular and any special executive sessions of the independent directors;
- serving as a liaison between the independent directors and the Chairman and CEO;
- conducting, by means of an interview with each director, including the Chairman and CEO, the Board s annual self-evaluation of its performance and then providing a summary report to the Board; and
- being available for consultation and direct communication with major stockholders.

Mr. Rowe currently serves as the Corporation s Lead Director and has provided strong, independent leadership during his tenure in such role. The independent directors have selected Mr. Slark to succeed Mr. Rowe following Mr. Rowe s retirement from the Board upon the conclusion of his term at the Annual Meeting.

Taking into account the prominence of the Lead Director role at the Corporation, the Board has determined that the Corporation s current Board leadership structure provides significant independent leadership of the Board and is most appropriate for the Corporation at this time. The Corporation has a strong independent Board, with all current directors except for Mr. O Grady having been determined to be independent under NASDAQ listing standards and all standing committees of the Board except for the Executive Committee being composed solely of independent directors. The significant and meaningful responsibilities of the Corporation s independent directors, together with those of the Lead Director, also foster good governance practices and provide for substantial independent oversight of critical matters related to the Corporation.

Risk Oversight

General

The Board provides oversight of risk management directly as well as through its Audit, Business Risk, Capital Governance and Compensation and Benefits Committees. The Board approves the Corporation s risk management framework and Corporate Risk Appetite Statement, which reflects the expectation that risk be consciously considered as part of the Corporation s strategic decisions and in its day-to-day activities. The Corporation actively monitors employees using programs, policies, and other tools that are designed to ensure that they work within established risk frameworks and limits. The Business Risk Committee assumes primary responsibility and oversight with respect to credit risk, market and liquidity risk, fiduciary risk, operational risk, compliance risk and strategic risk. The Audit

Committee provides oversight with respect to financial reporting and legal risk, while the Compensation and Benefits Committee oversees the development and operation of the incentive compensation program of the Corporation and its subsidiaries. The Compensation and Benefits Committee annually reviews management s assessment of the effectiveness of the design and performance of the incentive compensation arrangements and practices in providing incentives that are consistent with the safety and soundness of the Corporation and its subsidiaries. This assessment includes an evaluation of whether these incentive compensation arrangements and practices discourage inappropriate risk-taking behavior by participants. Pursuant to its charter, the Compensation and Benefits Committee is required to have at least one member who is a member of the Business Risk Committee and at least one member who is a member of the Audit Committee. Among other responsibilities, the Capital Governance Committee oversees the processes and activities of the Corporation and its subsidiaries related to resolution planning and capital adequacy assessments, forecasting and stress testing, including the annual CCAR exercise, and challenges management, as appropriate, on various elements of such processes and activities. Accordingly, the Capital Governance Committee provides oversight with respect to the linkage of the Corporation s material risks to the capital adequacy assessment and resolution planning processes. The charters for the Audit, Business Risk, Capital Governance and Compensation and Benefits Committees provide that the Committees may meet with the individuals who supervise day-to-day risk management responsibilities of the Corporation and other members of management, consultants or advisors, as each committee deems appropriate.

Information Security and Technology Risk Oversight

As a financial services company entrusted with the safeguarding of sensitive information, the Board believes that a strong information security and technology risk management program is crucial to the Corporation s success in an environment of increasing cyber threats. Accordingly, the Board and the Business Risk Committee play meaningful roles with respect to the oversight of information security and technology risk management at the Corporation. Specifically, in conjunction with its oversight of overall operational risk, the Business Risk Committee oversees management s actions to identify, assess, mitigate and remediate material issues related to information security and technology risk; annually reviews and approves the Corporation s information security and technology risk management policy and program; and receives

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regular updates from management, including the Chief Information Security Officer, on the Corporation s information security and technology risk management program and cyber risk profile. The Board also plays a role with respect to the oversight of such risks, meeting periodically with management and third-party experts to discuss its role in crisis management and to review tabletop exercises designed to evaluate the Corporation s cybersecurity program.

For a further description of the risk management policies and practices of the Corporation s management, including those related to information security and technology risk, see the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations Risk Management in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2018.

Corporate Governance Guidelines

The Corporation has had Corporate Governance Guidelines in place since 2000. The Corporate Governance Committee reviews and reassesses the adequacy of the Corporate Governance Guidelines at least annually and recommends any changes to the Board for approval. The Corporation s Corporate Governance Guidelines embody many of the Corporation s long-standing practices and incorporate policies and procedures that strengthen its commitment to corporate governance best practices. A copy of the Corporate Governance Guidelines is available on the Corporation s website at www.northerntrust.com.

Code of Business Conduct and Ethics

The Board of the Corporation has adopted a Code of Business Conduct and Ethics to:

- promote honest and ethical conduct, including fair dealing and the ethical handling of actual or apparent conflicts of interest;
- promote full, fair, accurate, timely and understandable public disclosure about the Corporation;
- promote compliance with applicable laws and governmental rules, codes and regulations wherever the Corporation does business;
- ensure the protection of the Corporation s legitimate business interests; and
- deter wrongdoing.

The Code of Business Conduct and Ethics satisfies applicable SEC and NASDAQ requirements and applies to all directors, officers (including the Corporation s principal executive officer, principal financial officer and principal accounting officer) and employees of the Corporation and its subsidiaries. The Corporation intends to disclose any amendments to, or waivers from, the Code of Business Conduct and Ethics for directors and executive officers by posting such information on its website. A copy of the Code of Business Conduct and Ethics is available on the Corporation s website at www.northerntrust.com.

Management Development and Succession Planning

The Board is responsible for succession planning for the position of CEO. The Board, led by the Compensation and Benefits Committee, annually conducts a formal management development and succession planning review with respect to the position of the CEO and other senior officers. This review focuses on CEO succession planning, as well as developing internal candidates for advancement within the Corporation. The Compensation and Benefits Committee makes recommendations to the Board concerning management development and succession planning. These recommendations reflect the Board s annual management development and succession planning review, as well as Committee discussions with and without the CEO. The Corporate Governance Committee discusses succession planning in the event of the unexpected death, incapacity, or resignation of the CEO and recommends to the Board, after consultation with the Chairman of the Compensation and Benefits Committee, an appropriate successor under such circumstances.

Director Nominations and Qualifications and Proxy Access

The Corporate Governance Committee is responsible for considering, evaluating, and recommending candidates for director. The Committee will consider persons nominated by stockholders in accordance with the nomination procedures specified in the Corporation s By-laws and described further under Stockholder Proposals for 2020 Annual Meeting on page 69. Stockholders also may recommend candidates for director by following the procedures for communicating with directors described below under Communications with the Board and Independent Directors.

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In its evaluation of director candidates, including persons recommended by stockholders, the Corporate Governance Committee considers the factors specified in the Corporation s Corporate Governance Guidelines to ensure the Board has a diversity of perspectives and backgrounds, including the nature of the expertise and experience required for the performance of the duties of a director of a corporation engaged in the Corporation s business and such matters as relevant business and industry experience, professional background, age, current employment, community service and other board service. The Committee also considers the ethnic and gender diversity of the Board in assessing candidates. The Committee seeks to identify as candidates for director persons with a reputation for, and record of, integrity and good business judgment who: (i) have experience in positions with a high degree of responsibility and are leaders in the organizations with which they are affiliated; (ii) are free from conflicts of interest that could interfere with a director s duties to the Corporation and its stockholders; and (iii) are willing and able to make the necessary commitment of time and attention required for effective Board service. The Committee also takes into account a candidate s level of financial literacy, and monitors the mix of skills and experience of the directors in order to ensure the Board has the necessary collective expertise to perform its oversight function effectively. Following its evaluation process, the Committee recommends director nominees to the full Board, and the Board makes the final determination of director nominees based on its consideration of the Committee s recommendation.

The Corporation s By-laws also include a proxy access right, providing eligible stockholders the right to include, along with the candidates nominated by the Board, their own nominees for election to the Board in the Corporation s proxy materials. This proxy access right permits any stockholder, or group of up to 20 stockholders, who has maintained continuous qualifying ownership of 3% or more of the Corporation s outstanding common stock for at least the previous three years, and continues to own the required common stock through the date of the applicable annual meeting, to include in the Corporation s proxy materials such stockholder s own nominees for election to the Board constituting up to the greater of two individuals or 20% of the total number of directors, provided that such stockholder and its nominees satisfy the requirements specified in the Corporation s By-laws.

Stockholder Engagement

The Corporation recognizes the importance of engaging with stockholders and other key constituents. Open and constructive dialogue with stockholders helps further their understanding of our performance and strategies and allows us to receive direct feedback on issues relating to the Corporation. Accordingly, it is the Corporation s long-standing practice to engage proactively and routinely with stockholders throughout the year. This practice continued in 2018, with our CEO and/or CFO engaging with stockholders representing approximately 45% of our outstanding shares regarding matters pertaining to the Corporation s performance, strategies and governance.

Communications with the Board and Independent Directors

Stockholders and other interested persons may communicate with any of the Corporation s directors, including the Lead Director or the independent directors as a group, by writing a letter addressed to the applicable director(s), c/o Northern Trust Corporation, 50 South La Salle Street, M-9, Chicago, Illinois 60603, Attention: Corporate Secretary. Any stockholder or other interested person who has a particular concern regarding accounting, internal accounting controls, or other audit matters that he or she wishes to bring to the attention of the Audit Committee may communicate those concerns to the Audit Committee or its Chairman, using the address indicated above. The Corporation s Corporate Secretary will review and forward communications to the appropriate member or members of the Board. The Corporate Secretary need not forward or retain any communications determined to be mass mailings, routine solicitations for business or contributions, or communications determined not to be relevant to the performance of the duties of the Board.

Securities Transactions Policy and Procedures and Policy Against Hedging

Our Securities Transactions Policy and Procedures prohibits directors, employees, including our named executive officers, and certain of their family members from purchasing or selling any type of security, whether issued by us or another company, while such persons are aware of material nonpublic information relating to the issuer of the security and from providing such material nonpublic information to any person who may trade while aware of such information. This policy also prohibits directors, employees, and certain of their family members from engaging in short selling, margining, pledging or hypothecating the Corporation s securities, and from trading in options, warrants, puts, calls or similar instruments on the Corporation s securities.

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SECURITY OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS

The following table shows the beneficial ownership of the Corporation s common stock as of December 31, 2018 for each director, each named executive officer and all directors and executive officers of the Corporation as a group.

Name of Beneficial Owner	Shares (1) (2)	Shares under Exercisable Options (3)	Total Beneficial Ownership of Common Stock	Percent of Class
Non-Employee Directors:				
Linda Walker Bynoe	21,421		21,421	*
Susan Crown	40,706		40,706	*
Dean M. Harrison	7,162		7,162	*
Jay L. Henderson	6,374		6,374	*
Marcy S. Klevorn (4)				*
Siddharth N. Bobby Mehta (4)				*
Jose L. Prado	11,010		11,010	*
Thomas E. Richards	5,133		5,133	*
John W. Rowe	32,867		32,867	*
Martin P. Slark	12,594		12,594	*
David H.B. Smith, Jr. (5)	35,882		35,882	*
Donald Thompson	5,986		5,986	*
Charles A. Tribbett III	21,758		21,758	*
Named Executive Officers:				
Michael G. O Grady	86,302	267,861	354,163	*
Frederick H. Waddell	453,459	285,477	738,936	*
S. Biff Bowman	70,373	83,009	153,382	*
Steven L. Fradkin	168,871	82,986	251,857	*
Peter B. Cherecwich	31,774	38,763	70,537	*
Jana R. Schreuder	67,309	89,198	156,507	*
All directors and executive officers as a group (28 persons)	1,395,866	1,145,470	2,541,336	1.15

* Less than 1%.

(1) Except as noted below, the nature of beneficial ownership for shares shown in this table is sole voting and investment power (including shares as to which spouses and minor children of the individuals covered by this table have such power).

(2) Amount includes restricted stock units payable on a one-for-one basis in shares of the Corporation s common stock that are scheduled to vest within sixty days of December 31, 2018 in the following amounts: Mr. O Grady 12,443 units; Mr. Waddell 30,633 units; Mr. Bowman 10,145 units; Mr. Fradkin 10,312 units; Mr. Cherecwich 8,444 units; Ms. Schreuder 10,426 units; and all directors and officers as a group 150,928 units.

(3) Amount includes options that were exercisable as of December 31, 2018 and options that become exercisable within sixty days thereafter.

(4) Ms. Klevorn and Mr. Mehta were each appointed as a director of the Corporation effective January 22, 2019.

(5) Amount includes 1,704 shares held in a trust over which Mr. Smith shares voting and investment power with one other individual. Amount excludes 2,567,260 shares held in certain trusts over which Mr. Smith directly or indirectly shares voting and investment power with two or more other individuals. Mr. Smith is the beneficiary of a trust holding 1,362,880 of such excluded shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Corporation s directors, executive officers and beneficial owners of more than 10% of the Corporation s stock to file with the SEC initial reports of ownership and reports of changes in ownership of any equity securities of the Corporation. Based solely on the Corporation s review of the reports that have been filed by or on behalf of such reporting persons in this regard and written representations from such reporting persons that no other reports were required, the Corporation believes that all reports required by Section 16(a) of the Exchange Act were made on a timely basis during or with respect to 2018, except (i) one form 4 filed for Dean M. Harrison which related to the purchase of 18 shares and 1,000 shares, as well as the sale of 2 shares, all held by him indirectly, on February 25, 2015, December 15, 2015, and May 1, 2017, respectively; and (ii) one form 4 filed for Wilson Leech related to the withholding of 729 shares on July 15, 2018, and 1,055 shares on July 21, 2018, in each case as payment of tax liabilities upon the vesting of certain restricted stock units.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table includes information concerning stockholders who were the beneficial owners of more than 5% of the outstanding shares of the Corporation s common stock as of December 31, 2018.

Name and Address	Shares	Percent of Class
The Vanguard Group, Inc. (1) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	15,684,666	7.1%
The Northern Trust Company (2) 50 South La Salle Street Chicago, Illinois 60603	14,293,613	6.5%
BlackRock, Inc. (3) 55 East 52nd Street New York, New York 10055	14,047,694	6.3%
Wellington Management Group LLP (4) c/o Wellington Management Company LLP 280 Congress Street Boston, Massachusetts 02210	13,834,365	6.2%

(1) As reported on a Schedule 13G/A filed on February 11, 2019, of the shares reported, The Vanguard Group, Inc. (Vanguard) had sole voting power with respect to 252,323 shares, or 0.1% of the outstanding common stock, and shared voting power with respect to 40,902 shares, or 0.02% of the outstanding common stock. Vanguard had sole investment power with respect to 15,392,841 shares, or 7.0% of the outstanding common stock, and shared investment power with respect to 291,825 shares, or 0.1% of the outstanding common stock.

(2) As of December 31, 2018, the Bank and its affiliates individually acted as sole or co-fiduciary with respect to trusts and other fiduciary accounts which owned, held or controlled through intermediaries the shares reported. Of the total shares owned, held or controlled by trusts and other fiduciary accounts for which the Bank and its affiliates acted as sole or co-fiduciary, the Bank and its affiliates had sole voting power with respect to 7,122,125 shares, or 3.2% of the outstanding common stock, and they shared voting power with respect to 5,086,701 shares, or 2.3% of the outstanding common stock. They had sole investment power with respect to 2,145,040 shares, or 1.0% of the outstanding common stock, and they shared investment power with respect to 4,954,222 shares, or 2.2% of the outstanding common stock.

(3) As reported on a Schedule 13G/A filed on February 6, 2019, of the shares reported, BlackRock, Inc. (BlackRock) had sole voting power with respect to 12,320,666 shares, or 5.6% of the outstanding common stock, and it did not have shared voting power with respect to any shares reported. BlackRock had sole investment power with respect to all shares reported.

(4) As reported on a Schedule 13G/A filed by Wellington Management Group LLP, Wellington Group Holdings LLP, Wellington Investment Advisors Holdings LLP and Wellington Management Company LLP on February 12, 2019, Wellington Management Group LLP, Wellington Group Holdings LLP, Wellington Investment Advisors Holdings LLP and Wellington Management Company LLP each had shared voting power with respect to 5,557,052 shares, or 2.5% of the outstanding common stock, and shared investment power with respect to all shares reported. None of the entities had sole voting or investment power with respect to any shares reported. Based on the Schedule 13G/A, the securities as to which the Schedule 13G/A was filed are owned of record by clients of one or more investment advisers identified therein directly or indirectly owned by Wellington Management Group LLP.

ITEM 2 ADVISORY VOTE ON EXECUTIVE COMPENSATION

Pursuant to Section 14A of the Exchange Act, and the rules and regulations promulgated thereunder by the SEC, the Corporation is required to include in this Proxy Statement a separate resolution, subject to an advisory vote, to approve the compensation of our named executive officers as disclosed in this Proxy Statement (commonly referred to as a Say-on-Pay advisory vote). In a nonbinding, advisory vote on the frequency of Say-on-Pay votes held at our 2017 Annual Meeting of Stockholders, stockholders voted in favor of conducting Say-on-Pay votes annually. In light of this result, and other factors considered by the Board, the Corporation will continue to hold Say-on-Pay votes on an annual basis. Accordingly, the Board is requesting that stockholders vote FOR approval of the following resolution:

Resolved, that the compensation paid to the Corporation s named executive officers, as disclosed in its Proxy Statement dated March 12, 2019, pursuant to Item 402 of Regulation S-K of the Exchange Act, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion, is hereby APPROVED.

As an advisory vote, this proposal is not binding on the Corporation. Although the vote is nonbinding, the Board and the Compensation and Benefits Committee value the opinions of our stockholders and, consistent with past practice, will consider the outcome of the vote when determining compensation policies and making future compensation decisions for our named executive officers.

The Corporation s executive compensation program and the framework used in evaluating and making 2018 compensation decisions for our named executive officers are described in the Compensation Discussion and Analysis that begins on page 23 of this Proxy Statement.

The Board unanimously recommends that you vote FOR this proposal.

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COMPENSATION DISCUSSION AND ANALYSIS

Our Named Executive Officers

This Compensation Discussion and Analysis describes how we compensate our executives, including our 2018 named executive officers, which consist of the following individuals.

Name	Title
Michael G. O Grady	Chairman, President and Chief Executive Officer
Frederick H. Waddell	Former Chairman (Retired January 2019)
S. Biff Bowman	Chief Financial Officer
Steven L. Fradkin	President Wealth Management
Peter B. Cherecwich	President Corporate & Institutional Services
Jana R. Schreuder	Former Chief Operating Officer (Retired August 2018)

Effective January 1, 2018, Mr. O Grady succeeded Mr. Waddell as CEO of the Corporation. In connection with this transition, Mr. Waddell continued to serve as Chairman of the Board to allow for continuity of Board leadership and strategic oversight and facilitate a smooth transition of the CEO role. Upon Mr. Waddell s retirement from his role as Chairman of the Board effective January 23, 2019, the Board recombined the positions of Chairman and CEO, with Mr. O Grady now serving in the combined role. Further discussion with respect to this leadership transition is set forth in the Board Leadership Structure section beginning on page 16. Additionally, Ms. Schreuder retired from her role as Chief Operating Officer on August 31, 2018. As discussed further under 2018 Performance Considerations below, following her retirement Ms. Schreuder provided certain consulting services to the Corporation through December 31, 2018. The titles for Mr. O Grady, Mr. Waddell, Ms. Schreuder and each of our other named executive officers provided throughout this Proxy Statement, including the table above, reflect their current roles.

Executive Summary

2018 Financial Performance

In 2018, we remained focused on the three pillars of our financial strategy:

Achieve Growth across the business, as demonstrated by continued growth in revenue and trust, investment and other servicing fees.

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COMPENSATION DISCUSSION AND ANALYSIS

Improve Productivity and Profitability, as demonstrated by the decrease in our noninterest expense as a percentage of our trust, investment and other servicing fees, which in turn resulted in improvements in pre-tax margin, pre-tax income and net income. We remain focused on efforts to continue to improve our productivity and profitability, including through our Value for Spend expense management initiative.

Increase Stockholder Returns, as demonstrated by improvement in our return on equity and increases in dividends. During 2018, we returned an aggregate $1.4 billion in capital to common stockholders through quarterly dividends and the repurchase of 9.0 million shares.

We achieved these financial results while continuing to maintain strong capital ratios, with all ratios exceeding those required for classification as well capitalized under federal bank regulatory capital requirements.

Key Strategic Achievements

Execution on our strategies also was demonstrated through various strategic achievements, including:

Sustained growth in key markets and the expansion of our client base and business development opportunities across the globe;

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- Further success in our use of technology to deliver innovative solutions and improve client experience, with Northern Trust named Best Private Bank for use of technology in North America by the Financial Times Group;
- Enhanced alignment of each of our businesses and technology and operations functions, allowing us to serve our clients better;
- Ongoing execution of our Value for Spend expense management initiative; and
- Continued expansion of our product and service capabilities, including the introduction of our new Front Office Solutions, Arcline Alternatives and Anchor Analytics platforms and Integrated Trading Solutions service, as well as the expansion of our foreign exchange capabilities through our acquisition of BEx LLC and partnership with Lumint Corporation.

Compensation Governance Practices

We have implemented the compensation practices summarized below to ensure that our compensation program is effective in addressing stockholder objectives.

What We Do	What We Don t Do
Ensure our executives meet robust stock ownership guidelines	No excise tax gross-ups for any new executive change in control arrangements
Ensure performance-based compensation comprises the most significant portion of incentive compensation	No short selling, margining, hedging, pledging or hypothecating company shares permitted under our Securities Transactions Policy and Procedures

Subject short- and long-term incentive awards to potential forfeiture or clawback in the event of misconduct resulting in a restatement of our financial statements and certain other types of misconduct	No compensation plans that encourage excessive risk-taking
Use an independent compensation consultant to advise the Compensation and Benefits Committee	No repricing of underwater options
Closely align pay and performance, with the Compensation and Benefits Committee validating this alignment annually	No dividend equivalents distributed on unvested performance or restricted stock unit awards

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Guiding Principles for Executive Compensation

Our compensation philosophy is to attract, reward and retain talent, including executive-level talent, who will contribute to our long-term success. With the goals of solid long-term financial performance and creating long-term stockholder value, our executive compensation program and compensation decisions are framed by the four guiding principles described below.

Guiding Principle	Impact on Compensation Design
Linked to Long-Term Performance	Performance stock units based on three-year average annual return on equity constitute 65% of long-term incentive compensation
Aligned with Stockholder Interests	Majority of pay delivered in long-term incentives (approximately 68% of the total direct compensation of Mr. O Grady)
	Executives are subject to robust stock ownership guidelines
Positioned Competitively in the Marketplace	Compensation levels are developed with reference to a peer group of comparable companies
Discourages Inappropriate Risk-Taking	Short- and long-term incentives are subject to potential forfeiture or clawback in the event of misconduct resulting in a restatement of our financial statements and

certain other types of misconduct, including inappropriate risk-taking resulting in significant risk outcomes

Short-term cash incentive compensation awards and performance stock unit payouts are capped

Compensation and Benefits Committee can exercise negative discretion to reduce incentive compensation

Compensation program balances short-term and long-term performance objectives

Risk Management

A key objective of our compensation program is to ensure that the incentive compensation design does not encourage inappropriate risk-taking. We have considered our incentive compensation program in light of the guidance provided by the Board of Governors of the Federal Reserve System (the Federal Reserve) with respect to sound incentive compensation policies at financial institutions. We believe our compensation arrangements are consistent with our safety and soundness and appropriately aligned with our overall risk profile.

To reinforce the important role of effective risk management in our compensation framework, 65% of long-term incentive awards to named executive officers for 2018 performance were provided in performance stock units. Performance stock units, which contain meaningful performance targets for named executive officers and are payable in shares if those targets are attained, discourage inappropriate risk-taking behavior because they can only be earned by attaining long-term performance goals and because the value of the award is less susceptible than stock options to short-term fluctuations in share value. All long-term incentive awards vest over a multi-year period and have an inherent risk adjustment factor based on changes in the value of our common stock. All long-term incentive compensation arrangements for named executive officers from February 14, 2012, through February 20, 2017, included forfeiture and recoupment provisions. On February 20, 2017, we adopted a Policy on Recoupment containing similar forfeiture and recoupment provisions applicable to long-term incentive compensation arrangements entered into on or after such date, which was subsequently amended to apply to all short-term incentive compensation amounts for named executive officers made on or after February 19, 2018, as well. Further information with respect to these forfeiture and recoupment provisions for our named executive officers can be found under Other Compensation Practices Forfeiture and Recoupment.

The Compensation and Benefits Committee annually reviews management s assessment of the effectiveness of the design and performance of our incentive compensation arrangements and practices in providing risk-taking incentives that

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are consistent with the safety and soundness of the Corporation and its subsidiaries. This assessment includes an evaluation of whether our incentive compensation arrangements and practices discourage inappropriate risk-taking behavior by participants. In connection with the Committee s assessment, the Corporation s Chief Risk Officer presents an annual incentive compensation risk performance review, discussing his observations and assessments of risk performance for the performance year for the Corporation and each of its significant businesses. The Committee will continue to monitor and, if necessary, revise our incentive compensation program to ensure that it continues to balance appropriately the objectives of stockholders, the needs of the business and risk concerns.

Pursuant to its charter, the Compensation and Benefits Committee is required to have at least one member who is a member of the Business Risk Committee and at least one member who is a member of the Audit Committee. This overlap in composition is intended to ensure that compensation decisions reflect the input of the Audit and Business Risk Committees.

Executive Compensation Program Elements

The table below provides a brief description of the elements of our compensation program and how each element helps address our guiding principles for executive compensation.

Element	Link to Compensation Philosophy	Rationale/Key Features
Base Salary	Targeted at competitive levels among peer group companies.	Base salaries provide a fixed level of income consistent with a named executive officer s position and responsibilities, competitive pay practices and internal equity principles.
Short-Term Annual Cash Incentive	Total incentive funding for the Corporation is established as a percentage of pre-tax income.	The Compensation and Benefits Committee determines annual incentive awards based on both quantitative and qualitative considerations, including the individual performance of each executive officer and internal equity principles.

	Individual awards targeted at competitive levels among peer group companies.	
Long-Term Incentive Compensation	Linked to long-term performance. Aligned with stockholders interests by motivating executive officers to act as owners. Individual awards targeted at competitive levels among peer group companies.	Long-term incentives are the most significant element of overall compensation. Long-term incentive compensation is comprised of performance stock units (65%) and restricted stock units (35%). The number of shares that is paid out upon the vesting of a performance stock unit award is determined based on our three-year average annual return on equity.
Retirement, Health and Welfare Benefits	Targeted at competitive levels among peer group companies.	Benefits are designed with broader employee populations in mind and are not specifically structured for executive officers.

Additional information with respect to each of the four principal elements of our compensation program can be found beginning on page 33.

Determining Awards

Role of the Board of Directors

The full Board of Directors sets the compensation of our CEO and our Chairman. In determining the appropriate level of compensation for the individuals in these roles, the Board gives substantial weight to the recommendations of the Compensation and Benefits Committee, but retains ultimate oversight and responsibility for such compensation decisions.

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Role of the Compensation and Benefits Committee

During its February meeting each year, the Compensation and Benefits Committee determines the appropriate level of compensation for all executive officers. The Committee considers all elements of our executive compensation program holistically rather than each compensation element individually, and makes executive compensation decisions after careful review and analysis of financial and nonfinancial performance information, as well as historical and market compensation data.

The Committee has the discretion to determine compensation in the context of individual performance in nonfinancial areas that are important to long-term growth and the enhancement of stockholder value. This flexibility allows the Committee to modify individual incentive payouts and long-term incentive awards to reflect:

- our business model and strategy;
- prevailing market trends;
- evolution in the financial and regulatory environment; and
- risk management objectives.

As discussed under 2018 Performance Considerations beginning on page 30 of this Proxy Statement, in considering the compensation for the roles of Chairman and CEO, the Committee also evaluates the performance of the individual(s) serving in such roles against established objectives for the year to which such compensation relates. The Committee shares this evaluation with the Board in order for the Board to set the compensation of the individual(s) serving in such roles.

Role of the CEO

The CEO presents the Compensation and Benefits Committee with recommendations on the total compensation for each of our other executive officers. These recommendations reflect performance against the past year s performance expectations, a mix of financial and nonfinancial performance factors, which are not formulaically weighted or scored, and competitive market data. These recommendations also reflect each of the other executive officer s performance with regard to business risks and individual adherence to risk and compliance policies and procedures. The Committee gives substantial weight to the recommendations of the CEO, but retains the ultimate oversight and responsibility to set compensation for all executive officers, except for the Chairman and the CEO, whose compensation is set by the Board with consideration given to the recommendations of the Committee.

Role of Human Resources

The Human Resources function provides materials to assist the Compensation and Benefits Committee in making executive compensation decisions, including current and historical compensation data for executive officers. Our Chief Human Resources Officer attends and participates in all Committee meetings. The Human Resources function also assists the CEO in formulating his compensation recommendations for all other executive officers.

Role of the Compensation and Benefits Committee s Independent Compensation Consultant

In July 2018, the Compensation and Benefits Committee retained Meridian Compensation Partners, LLC (Meridian), a nationally recognized executive compensation consulting firm, as its independent compensation consultant. Prior to July, Compensation Advisory Partners LLC (CAP) advised the Compensation and Benefits Committee as its independent compensation consultant. The Committee confers with its independent compensation consultant to ensure that decisions and actions are consistent with stockholders long-term interests and compensation-related best practices within the financial services industry. The Committee also references market data provided by its independent compensation consultant when considering compensation for executive officers. At least one representative of the Committee s independent compensation consultant attended all meetings of the Committee during 2018. The Committee s independent compensation consultant provides insights into compensation trends and market practices, presents views on the compensation proposed by the Committee and participates in Committee meeting discussions and executive sessions. The Corporation does not engage the Committee s independent compensation consultant for additional services outside of providing executive compensation consulting to the Committee. The Committee conducted assessments of potential conflicts of interest and independence issues with respect to each of Meridian and CAP pursuant to applicable SEC rules and NASDAQ listing standards and no such conflicts or issues were identified.

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Use of Peer Group and Market Data

To help to inform its decision-making, the Compensation and Benefits Committee reviews peer group data regarding competitive pay levels in the market place. The peer group utilized by the Committee consists of the Corporation s two most comparable trust and custody peers The Bank of New York Mellon Corporation and State Street Corporation as well as certain other banking, wealth management and asset management firms similar to the Corporation in certain respects, but not necessarily representing direct business competitors. This peer group, reflected below, was originally developed by the Committee, working with CAP and management s executive compensation consultant, Towers Watson, in 2015. In July 2017, the Compensation and Benefits Committee, working with CAP, reviewed the peer group and determined that it continues to provide the Committee with a representative view of the market for executive talent and reflects our business mix, complexity and global footprint. Data related to this peer group was used when setting 2018 and 2019 base salaries and determining the size of short-term annual cash incentive awards and long-term incentive grants made in 2019 and 2018 based on 2018 and 2017 performance, respectively.

Current Peer Group	
Comerica Incorporated	State Street Corporation
Fifth Third Bancorp	SunTrust Banks, Inc.
Franklin Resources, Inc.	T. Rowe Price Group, Inc.
Invesco Ltd.	The Bank of New York Mellon Corporation
KeyCorp	The PNC Financial Services Group, Inc.
Legg Mason, Inc.	U.S. Bancorp

When making compensation decisions, the Compensation and Benefits Committee considers how the recommended compensation levels will compare to the median compensation for comparable positions among the peer group companies. The Committee also considers market data for comparable positions reported in certain financial services industry surveys. However, the Committee recognizes that the compensation levels may vary from market median compensation levels based on our performance or specific individual circumstances, including the executive s tenure in the role, the nature of the responsibilities of the executive and the executive s individual performance.

The Committee regularly reviews the composition of the Corporation s peer group to ensure that it continues to provide the Committee with a representative view of the market for executive talent and will make updates, as appropriate, based on changes within the peer group companies, industry consolidation and the Corporation s own business mix, complexity and global footprint.

Deductibility of Executive Compensation

Prior to 2018, Section 162(m) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code) limited the deductibility of annual compensation in excess of $1.0 million paid to covered employees (as defined by the Internal Revenue Code) of the Corporation, unless the compensation satisfied an exception, such as the exception for performance-based compensation. On December 22, 2017, the U.S. Tax Cuts and Jobs Act (the Act) was enacted, which, among other things, repealed the performance-based compensation exception and expanded the definition of covered employee. The changes to Section 162(m) are effective for taxable years beginning after December 31, 2017. As a result, all compensation, including performance-based compensation, in excess of $1.0 million paid to covered employees (as defined in the Act) during the 2018 tax year and each year thereafter will no longer be deductible by the Corporation, except with respect to certain grandfathered arrangements. For and prior to the 2017 taxable year, our covered employees included the CEO and other named executive officers (but not the CFO) who were executive officers as of the last day of our fiscal year. For 2018 and thereafter, our covered employees will generally include anyone who (i) was the CEO or CFO at any time during the fiscal year, (ii) was one of the other named executive officers who were serving as executive officers as of the last day of the fiscal year or (iii) was a covered employee for any prior fiscal year after 2016. As was the case prior to the enactment of the Act, the Committee will continue to monitor issues concerning the deductibility of executive compensation. Since corporate objectives may not always be consistent with the requirements for deductibility, the Committee may, when it deems appropriate, enter into compensation arrangements under which payments will not be deductible for tax purposes.

2018 Advisory Vote on Executive Compensation

Our 2017 named executive officer compensation was approved on an advisory basis by our stockholders at our April 17, 2018 Annual Meeting of Stockholders. Approximately 97% of the votes present and entitled to vote at the meeting,

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including abstentions, supported approval of 2017 named executive officer compensation. Although such advisory votes are nonbinding, the Board reviews and thoughtfully considers the voting results when determining compensation policies and making future compensation decisions for named executive officers. Additionally, as mentioned under Stockholder Engagement beginning on page 19 of this Proxy Statement, it is our practice to engage proactively and routinely with stockholders throughout the year to help further their understanding of our performance and strategies and to allow us to receive direct feedback on issues relating to the Corporation. The decisions made by the Board and the Compensation and Benefits Committee with respect to compensation in 2018 reflect the Board and the Committee s belief, based on the results of the advisory vote on 2017 named executive officer compensation and our ongoing dialogue with stockholders, that our stockholders generally support our overall executive compensation program.

2018 Compensation Decisions and Design

2018 Performance Considerations

In determining total compensation for the named executive officers, the Compensation and Benefits Committee considered the Corporation s 2018 financial performance, the performance of the Corporation s leadership team as a whole, and how well each officer performed in his or her role. Further detail with respect to performance factors for each of the named executive officers is set forth below.

Michael G. O Grady

As the Corporation s CEO for the entirety of 2018, Mr. O Grady was primarily responsible for leading the development and implementation of our corporate strategies; managing and developing our senior leaders; and embodying our guiding principles of service, expertise and integrity. To determine Mr. O Grady s 2018 compensation, the Compensation and Benefits Committee and the Board considered the performance of the Corporation under Mr. O Grady s leadership, the performance of the Corporation s leadership team as a whole, and how well Mr. O Grady fulfilled his specific individual performance objectives. Mr. O Grady s individual performance objectives were set in February 2018 at the direction of the Compensation and Benefits Committee and the full Board. In January 2019, the Compensation and Benefits Committee and the Board evaluated Mr. O Grady s performance against the individual objectives established in February 2018. The Compensation and Benefits Committee and the Board considered not only whether Mr. O Grady satisfied each of his individual performance objectives, but also how he satisfied such objectives.

Mr. O Grady s achievements and contributions to the Corporation s performance in 2018, many of which correlate to the individual performance objectives established for Mr. O Grady in February 2018, are reflected in:

Our strong overall financial performance, including:

Growth in each of our client-facing businesses, with the Corporation s total consolidated revenue growing from $5.4 billion in 2017 to $6.0 billion in 2018, an increase of 11%;

Improvement in our noninterest expense as a percentage of trust, investment and other servicing fees and pre-tax margin from 110% and 30.4%, respectively, in 2017 to 107% and 32.8%, respectively, in 2018;

Growth in our net income from $1.2 billion in 2017 to $1.6 billion in 2018 and in our diluted earnings per share from $4.92 in 2017 to $6.64 in 2018, increases of 30% and 35%, respectively; and

Improvement in our return on equity from 12.6% in 2017 to 16.2% in 2018, exceeding our target range.

The progress made on our ongoing Value for Spend expense management initiative.

Mr. O Grady s role in maintaining and developing client relationships across the globe through client outreach and engagement efforts and his contributions to our growth in new business in 2018.

Our continued high levels of client satisfaction.

The enhanced alignment of each of our businesses and technology and operations functions, allowing us to serve our clients better.

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The successful transition of Mr. O Grady to the role of CEO and his contributions to the success of other leadership changes implemented across the organization in 2018, including the appointment of Joyce St. Clair and Thomas South as our Chief Human Resources Officer and Chief Information Officer, respectively.

Frederick H. Waddell

As the Corporation s Chairman for the entirety of 2018, Mr. Waddell was responsible for, among other things: leading the Board in fulfilling its duties and collaborating with the Lead Director, CEO and committee Chairs to facilitate the efficient and effective functioning of the Board; in consultation with the Lead Director and the CEO, approving Board meeting schedules and agendas and overseeing the information provided to the Board; presiding at all meetings of stockholders and the Board; being available for consultation with the CEO on various matters, including the Corporation s strategic direction and initiatives; acting as an authorized spokesperson for the Corporation with respect to the investment and financial community; being available for consultation and direct communication with clients and major stockholders; and participating with the Corporate Governance Committee, CEO and Lead Director in the recruitment of qualified director candidates. To determine Mr. Waddell s 2018 compensation, the Compensation and Benefits Committee and the Board considered how well Mr. Waddell fulfilled these responsibilities and his specific individual performance objectives that were established in February 2018.

Mr. Waddell s achievements and contributions to the Corporation s performance in 2018, many of which correlate to his specific individual performance objectives, are reflected in:

Our strong overall financial performance, including:

Growth in each of our client-facing businesses, with the Corporation s total consolidated revenue growing from $5.4 billion in 2017 to $6.0 billion in 2018, an increase of 11%;

Improvement in our noninterest expense as a percentage of trust, investment and other servicing fees and pre-tax margin from 110% and 30.4%, respectively, in 2017 to 107% and 32.8%, respectively, in 2018;

Growth in our net income from $1.2 billion in 2017 to $1.6 billion in 2018 and in our diluted earnings per share from $4.92 in 2017 to $6.64 in 2018, increases of 30% and 35%, respectively; and

Improvement in our retu