

NORTHERN TRUST CORP  
Form DEF 14A  
March 16, 2017  
Table of Contents

**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)(4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- (2) Aggregate number of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
  
  
  
  
  
  
  
  
  
- (4) Proposed maximum aggregate value of transaction:
  
  
  
  
  
  
  
  
  
  
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
  
  
  
  
  
  
  
  
  
  
- (2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

**Northern Trust Corporation**

**50 South La Salle Street**

**Chicago, Illinois 60603**

**March 16, 2017**

Dear Stockholder:

You are cordially invited to attend the Northern Trust Corporation 2017 Annual Meeting of Stockholders on Tuesday, April 25, 2017, 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,

Frederick H. Waddell  
*Chairman of the Board and Chief Executive Officer*

**Table of Contents**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Date:** Tuesday, April 25, 2017  
**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 2018 Annual Meeting of Stockholders or until their successors are elected and qualified;

approve, by an advisory vote, 2016 named executive officer compensation;

hold an advisory vote on the frequency with which the Corporation should hold advisory votes on executive compensation;

approve the Northern Trust Corporation 2017 Long-Term Incentive Plan;

ratify the appointment of KPMG LLP as Northern Trust Corporation's independent registered public accounting firm for the 2017 fiscal year; 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 27, 2017.  
March 16, 2017

By order of the Board of Directors,

Stephanie S. Greisch

*Corporate Secretary*

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR**

**THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON APRIL 25, 2017**

**This Proxy Statement, other proxy materials, our Annual Report on Form 10-K for the year ended December 31, 2016 and a link to the means to vote by Internet or telephone are available at [materials.proxyvote.com/665859](http://materials.proxyvote.com/665859).**

**Table of Contents**

**TABLE OF CONTENTS**

<b><u>GENERAL INFORMATION</u></b>	1
<u>A Notice Regarding the Availability of Proxy Materials</u>	1
<u>Who May Vote</u>	1
<u>Voting Your Proxy</u>	2
<u>Revoking Your Proxy</u>	3
<u>Voting in Person</u>	3
<u>Householding Information</u>	3
<u>Quorum and Vote Required for Approval</u>	4
<u>Solicitation of Proxies: Costs</u>	6
<b><u>ADMITTANCE TO THE ANNUAL MEETING</u></b>	6
<b><u>ITEM 1 ELECTION OF DIRECTORS</u></b>	7
<b><u>INFORMATION ABOUT THE NOMINEES FOR DIRECTOR</u></b>	8
<b><u>BOARD AND BOARD COMMITTEE INFORMATION</u></b>	13
<u>Board Committees</u>	13
<u>Committee Composition</u>	14
<u>Audit Committee</u>	14
<u>Business Risk Committee</u>	15
<u>Capital Governance Committee</u>	15
<u>Compensation and Benefits Committee</u>	15
<u>Corporate Governance Committee</u>	16
<u>Corporate Social Responsibility Committee</u>	16
<u>Executive Committee</u>	16
<b><u>CORPORATE GOVERNANCE</u></b>	17
<u>Key Governance Practices</u>	17
<u>Director Independence</u>	17
<u>Related Person Transactions Policy</u>	18
<u>Executive Sessions</u>	20
<u>Board Leadership Structure: Lead Director</u>	20
<u>Risk Oversight</u>	21
<u>Corporate Governance Guidelines</u>	22
<u>Code of Business Conduct and Ethics</u>	22
<u>Management Development and Succession Planning</u>	22
<u>Director Nominations and Qualifications</u>	23
<u>Stockholder Engagement</u>	23
<u>Communications with the Board and Independent Directors</u>	24
<u>Securities Transactions Policy and Procedures and Policy Against Hedging</u>	24
<b><u>SECURITY OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS</u></b>	25
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	26
<b><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS</u></b>	26
<b><u>ITEM 2 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u></b>	28
<b><u>ITEM 3 ADVISORY VOTE ON THE FREQUENCY OF STOCKHOLDER VOTES ON EXECUTIVE COMPENSATION</u></b>	29

**Table of Contents**

<u>EXECUTIVE COMPENSATION</u>	30
<u>Compensation Discussion and Analysis</u>	30
<u>Compensation and Benefits Committee Report</u>	52
<u>Summary Compensation Table</u>	53
<u>Grants of Plan-Based Awards</u>	56
<u>Description of Certain Awards Granted in 2016</u>	57
<u>Outstanding Equity Awards at Fiscal Year-End</u>	61
<u>Option Exercises and Stock Vested</u>	64
<u>Pension Benefits</u>	64
<u>Nonqualified Deferred Compensation</u>	68
<u>Potential Payments Upon Termination of Employment or a Change in Control of the Corporation</u>	71
<u>DIRECTOR COMPENSATION</u>	76
<u>Annual Retainer and Other Fees</u>	76
<u>Deferral of Compensation</u>	76
<u>Other Director Compensation</u>	76
<u>Stock Ownership Guidelines</u>	77
<u>Director Compensation Table</u>	77
<u>ITEM 4 APPROVAL OF THE NORTHERN TRUST CORPORATION 2017 LONG-TERM INCENTIVE PLAN</u>	78
<u>Overview</u>	78
<u>Plan Highlights</u>	78
<u>Description of the 2017 Plan</u>	79
<u>New Plan Benefits</u>	85
<u>Federal Income Tax Consequences</u>	85
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	88
<u>AUDIT COMMITTEE REPORT</u>	89
<u>AUDIT MATTERS</u>	90
<u>Fees of Independent Registered Public Accounting Firm</u>	90
<u>Pre-Approval Policies and Procedures of the Audit Committee</u>	90
<u>ITEM 5 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	91
<u>STOCKHOLDER PROPOSALS FOR 2018 ANNUAL MEETING</u>	92



**Table of Contents**

**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 25, 2017 (the Annual Meeting ). On or about March 16, 2017, 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, 2016, 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 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](http://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 27, 2017 may vote at the Annual Meeting. On that date, the Corporation had 229,484,933 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 27, 2017. The proxy card or Notice, as applicable, indicates the number of shares you are entitled to vote at the Annual Meeting.

## Table of Contents

### **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.

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. **Thus, 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), or as a participant in any other employee benefit plan of the Corporation, your proxy card will cover the shares credited to each of your plan accounts. 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 20, 2017.

## **Table of Contents**

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 to vote your shares, 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 2016 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           **EVERY YEAR** for the frequency with which the Corporation should hold advisory votes on executive compensation;
- Item 4           **FOR** the approval of the Northern Trust Corporation 2017 Long-Term Incentive Plan; and
- Item 5           **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, 2017.

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.

## **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 27, 2017.

## **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,"

## **Table of Contents**

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 a valid meeting. A quorum will exist if a majority of the outstanding shares entitled to vote at the meeting is present in person or by proxy at the Annual Meeting. 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, 2017, 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.

**Table of Contents**

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.
Item 2 Advisory vote on executive compensation	Affirmative vote of a majority of the shares of common stock present and entitled to vote.	Broker nonvotes will have no effect on the voting for this item. Abstentions will have the effect of a vote AGAINST this item.
Item 3 Advisory vote on frequency of votes on executive compensation	Affirmative vote of a plurality of the shares of common stock present and entitled to vote.	Broker nonvotes will have no effect on the voting for this item. Abstentions will have no effect on the voting for this item.
Item 4 Approval of the Northern Trust Corporation 2017 Long-Term Incentive Plan	Affirmative vote of a majority of the shares of common stock present and entitled to vote.	Broker nonvotes will have no effect on the voting for this item. Abstentions will have the effect of a vote AGAINST this item.
Item 5 Ratification of the appointment of KPMG LLP as the Corporation's independent registered public accounting firm for the 2017 fiscal year	Affirmative vote of a majority of the shares of common stock present and entitled to vote.	Broker nonvotes will have no effect on the voting for this item. Abstentions will have the effect of a vote AGAINST this item.
		Brokers may vote uninstructed shares on 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.

**Table of Contents**

**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 \$12,500, plus reasonable out-of-pocket expenses.

**ADMITTANCE TO THE ANNUAL MEETING**

Stockholders at the close of business on the record date, February 27, 2017, or their duly appointed proxies, may attend our Annual Meeting at our corporate headquarters on April 25, 2017 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 27, 2017. 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 27, 2017. A brokerage statement or letter from a bank or broker reflecting your holdings at the close of business on February 27, 2017 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.

**Table of Contents**

**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 Jay L. Henderson and Michael G. O'Grady, who were appointed as directors of the Corporation by the Board, effective July 18, 2016 and January 1, 2017, respectively, each in accordance with the Corporation's By-laws and pursuant to the recommendation of the Corporation's Chairman and Chief Executive Officer (CEO) and Lead Director. Dipak C. Jain 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. Jain has served as member of the Board since 2004.

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 racial, ethnic, and gender diversity. Accordingly, the thirteen director nominees possess a wide variety of experience, qualifications and skills, which will 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 experience	Risk management
Leadership of large, complex, highly regulated organizations	Strategic thinking
Management development and succession	Technology

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.**

**Table of Contents**

**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 64

**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. She is a former director of Simon Property Group, Inc.

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 58

**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 Vice Chair of the Board of Trustees of Rush University Medical Center in Chicago and as a director of CARE USA. Ms. Crown previously served two terms as a Fellow of Yale Corporation.

The Board concluded that Ms. Crown should serve as a director based on her business experience, her leadership and risk oversight experience as a director of Illinois Tool Works Inc. and her extensive experience with civic and not-for-profit organizations. The Board also considered the valuable perspective on governance and corporate responsibility matters that Ms. Crown brings through her current and former board service at various large organizations, both commercial and not-for-profit.

**DEAN M. HARRISON**, Director since 2015, Age 62



**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. Mr. Harrison served as President of Northwestern Memorial Hospital from 1999 to 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.

**Table of Contents**

**JAY L. HENDERSON**, Director since 2016, Age 61

**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 previously held various other positions at PricewaterhouseCoopers LLP and its predecessor since 1977.

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.

**MICHAEL G. O GRADY**, Director since 2017, Age 51

**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 62

**Chairman and Chief Executive Officer, Evans Food Group, Ltd.** (global food company) since April 2016. Mr. Prado served as President of Quaker Oats North America, a division of PepsiCo, Inc. from 2011 to 2014 and as President and Chief Executive Officer of Grupo Gamesa-Quaker, PepsiCo International, Monterrey, Mexico, from 2002 to 2010. Mr. Prado previously held various other positions at PepsiCo since 1984.

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

## Edgar Filing: NORTHERN TRUST CORP - Form DEF 14A

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.

**Table of Contents**

**THOMAS E. RICHARDS**, Director since 2015, Age 62

**Chairman, President and Chief Executive Officer, CDW Corporation** (provider of integrated information technology solutions in the United States, Canada and the United Kingdom). Mr. Richards has served as CDW Corporation's President since 2009, its Chief Executive Officer since 2011 and its Chairman since 2013. Prior to serving as Chief Executive Officer, Mr. Richards served as CDW Corporation's Chief Operating Officer from 2009 to 2011.

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.

**JOHN W. ROWE**, Director since 2002, Lead Director since April 2010, Age 71

**Chairman Emeritus, Exelon Corporation** (producer and wholesale marketer of energy) since 2012. Mr. Rowe served as Chairman and Chief Executive Officer of Exelon Corporation from 2002 to 2012.

Mr. Rowe is a director of Allstate Corporation, American DG Energy Inc., and SunCoke Energy, Inc. Mr. Rowe is a former director of Sunoco, Inc. and Exelon Corporation.

The Board concluded that Mr. Rowe should serve as a director based on his management, regulatory, government relations and risk oversight experience as Chief Executive Officer at Exelon Corporation (and, prior to that, at New England Electric System and Central Maine Power Company) and his experience as a director of other complex corporations.

**MARTIN P. SLARK**, Director since 2011, Age 62

**Chief Executive Officer, Molex LLC** (manufacturer of electronic, electrical and fiber optic interconnection products and systems) since 2005. Previously, Mr. Slark served as President and Chief Operating Officer of Molex from 2001 to 2005.

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.

**Table of Contents**

**DAVID H. B. SMITH, JR.**, Director since 2010, Age 50

**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. and a trustee of Carleton College.

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 53

**Founder and Chief Executive Officer, Cleveland Avenue, LLC** (food and beverage incubator and accelerator) since May 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, as President and Chief Operating Officer of McDonald's Corporation from 2010 to 2012, and as President of McDonald's USA from 2006 to 2010.

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 61

**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 CEO and Board Advisory Group since 1995.

## Edgar Filing: NORTHERN TRUST CORP - Form DEF 14A

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.

**Table of Contents**

**FREDERICK H. WADDELL**, Director since 2006, Age 63

**Chairman of the Board** of the Corporation and the Bank since 2009 and **Chief Executive Officer** of the Corporation and the Bank since 2008. Mr. Waddell served as President of the Corporation and the Bank from 2006 to 2011 and from October to December 2016; as Chief Operating Officer of the Corporation and the Bank from 2006 to 2008; and as Executive Vice President of the Bank from 1997 to 2006 and of the Corporation from 2003 to 2006.

Mr. Waddell is a director of AbbVie, Inc.

Since joining Northern Trust in 1975, Mr. Waddell has held leadership positions in a variety of the Corporation's businesses. The Board concluded that Mr. Waddell should serve as a director based on his experience and ongoing responsibilities with respect to the Corporation's businesses.



**Table of Contents**

**BOARD AND BOARD COMMITTEE INFORMATION**

Our Board currently consists of fourteen members. The Board has determined that each of the following twelve 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, Dipak C. Jain (who is not standing for re-election), Jay L. Henderson, Jose Luis Prado, Thomas E. Richards, John W. Rowe, Martin P. Slark, David H. B. Smith, Jr., Donald Thompson and Charles A. Tribbett III.

During 2016, the Corporation's Board held seven meetings. All persons who were directors during 2016 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 2016 Annual Meeting of Stockholders held on April 19, 2016.

**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, the Corporate Social Responsibility 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. 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](http://www.northerntrust.com).

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

**Table of Contents****Committee Composition**

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

Director	Business		Capital Governance	Compensation and Benefits	Corporate Governance	Corporate Social Responsibility	Executive
	Audit	Risk					
<b>Bynoe</b>							
<b>Crown</b>						C	
<b>Harrison</b>							
<b>Henderson</b>							
<b>Jain</b>							
<b>O Grady</b>							
<b>Prado</b>		C					
<b>Richards</b>							
<b>Rowe</b>					C		
<b>Slark</b>							
<b>Smith</b>	C						
<b>Thompson</b>			C				
<b>Tribbett</b>				C			
<b>Waddell</b>							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 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. Smith, Harrison, Slark and Thompson each satisfy the definition of "audit committee financial expert" under SEC rules. The Audit Committee met five times in 2016.

## **Table of Contents**

### **Business Risk Committee**

The Business Risk Committee's sole and exclusive function is responsibility 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 six times in 2016.

### **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 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, and challenges management, as appropriate, on various elements of such processes and activities; (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 and the Corporation's payout ratios; (v) reviews and discusses with management the Corporation's and the Bank's regulatory capital ratios and capital levels; and (vi) 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.

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 ten times in 2016.

### **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 2016.

## **Table of Contents**

### **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; (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; and (vi) oversee the annual evaluation of the Board and its committees.

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 2016.

### **Corporate Social Responsibility Committee**

The purpose of the Corporate Social Responsibility Committee is to assist the Board in discharging its oversight duties with respect to corporate citizenship and social responsibility matters of significance to the Corporation and its subsidiaries. Among other matters, the Corporate Social Responsibility Committee receives and reviews reports on each of the following as they pertain to the Corporation and its subsidiaries: (i) political, lobbying and other public advocacy activities, including significant trade association memberships; (ii) strategic philanthropy and charitable contributions; (iii) sustainability initiatives and other social responsibility matters of significance, including environmental, social, and governance issues; (iv) diversity and inclusion initiatives; (v) human rights matters; and (vi) compliance with the Community Reinvestment Act and Fair Lending laws. The Corporate Social Responsibility Committee also provides oversight with respect to the Corporation's policies, programs and strategies in respect of each of these matters.

The Board has determined that all members of the Corporate Social Responsibility Committee are independent under SEC rules and NASDAQ listing standards. The Corporate Social Responsibility Committee met three times in 2016.

### **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 of the Board and the Chair of each of the other standing committees of the Board. The Executive Committee did not meet in 2016.

**Table of Contents****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
Majority Independent Directors	× No Plurality Voting in Uncontested Director Elections
Engaged Lead Director	× No Staggered Board
Frequent Executive Sessions for Independent Directors	× No Poison Pill
Annual Strategic Planning Meeting with Board and Executive Officers	× No Supermajority Voting Requirements
Regular Rotations of Committee Chairs	× No Overboarding of Directors
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;

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;

**Table of Contents**

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 2016 was, and each current director (other than Mr. Waddell, who serves as Chairman and CEO of the Corporation, and Mr. O'Grady, who serves as President of the Corporation) is, independent of the Corporation in accordance with the Corporation's Corporate Governance Guidelines and categorical standards.

In addition to the categorical standards, the Board also considers any transaction, relationship, or arrangement between the Corporation and a director that constitutes a related person transaction under the Corporation's Related Person Transactions Policy, descriptions of which are provided under Related Person Transactions Policy below. In each case, the Board determined that these relationships were immaterial and 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 transactions to which the Corporation or its subsidiaries are party 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.

The Related Person Transactions Policy provides that the Corporation may undertake certain pre-approved related person transactions in the ordinary course of business without specific review, approval or ratification, including the following pre-approved transactions:

an extension of credit by the Corporation or any of its subsidiaries to a related person that is made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the lender and does not involve more than the normal risk of collectability or present other unfavorable features;

**Table of Contents**

certain other ordinary course transactions in which the Corporation or its subsidiaries provide products or services to related persons on terms no less favorable to the Corporation and its subsidiaries as those prevailing at the time for comparable services to nonrelated persons;

a transaction involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture or similar services;

a transaction where the rates or charges involved in the transaction are determined by competitive bids, or the transaction involves the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority;

a transaction with another company to which a related person's only relationship is as an employee, a director, a beneficial owner of less than 10% of the company's outstanding common equity (when aggregated with all other directors, executive officers or nominees for election as a director of the Corporation), or, in the case of partnerships, a limited partner with less than 10% interest in the partnership (when aggregated with all other directors, executive officers or nominees for election as a director of the Corporation) and who is not a general partner of, or holder of another position with, that partnership, provided in each case the aggregate amount of the transaction does not exceed the greater of \$200,000 or 5% of the other company's annual revenue;

contributions or grants, or pledges of contributions or grants, by the Corporation, any of its subsidiaries, or The Northern Trust Company Charitable Trust to a charitable, nonprofit, or educational organization for which a related person serves as an executive officer, provided that the aggregate amount involved does not exceed the greater of \$200,000 or 5% of the organization's total annual receipts;

transactions where the related person's interest arises solely from the ownership of the Corporation's common stock and all stockholders receive the same benefit on a pro rata basis;

compensation paid to executive officers of the Corporation that is required to be reported in the Corporation's proxy statement under Item 402 of Regulation S-K, or to executive officers that are not immediate family members of another related person and such compensation would be reported in the Corporation's proxy statement under Item 402 of Regulation S-K if such executive officers were named executive officers, and the Corporation's Compensation and Benefits Committee approved such compensation (or recommended it for approval by the Board); and

compensation paid to directors of the Corporation that is required to be reported in the Corporation's proxy statement under Item 402 of Regulation S-K.

Any other related person transaction involving amounts in excess of \$120,000 must be 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.

## **Table of Contents**

During 2016, certain related persons were clients of, and/or otherwise engaged in the types of transactions identified in the bullet points above with, the Corporation or one or more of its subsidiaries. The Corporation or its subsidiaries provided financial services to each of its directors, or persons related to such directors, except for Mr. Tribbett, in the ordinary course of business. Services provided included 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, and all such transactions were undertaken upon such other terms and conditions as permitted such transactions to qualify for pre-approval under the Related Person Transactions Policy. In addition to the foregoing, Kathleen Finley, Mr. Henderson's daughter, has been employed by the Bank since 2005, currently serving as Vice President on the Client and Partner Experience team of the Bank. In such role, Ms. Finley earned compensation in excess of \$120,000 in 2016, 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 considered and approved Ms. Finley's employment in conjunction with Mr. Henderson's appointment to the Board. None of the foregoing transactions require disclosure pursuant to Item 404(a) of Regulation S-K of the Exchange Act, except with respect to the compensation earned by Ms. Finley.

## **Executive Sessions**

The independent directors of the Corporation met in executive sessions separate from management six times during 2016. 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 2016. These sessions were led by the respective independent committee Chairs.

## **Board Leadership Structure; Lead Director**

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

The Board has determined that combining the positions of Chairman and CEO is the most appropriate for the Corporation at this time. Having one person 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 efficiently in crisis situations. Pursuant to our Corporate Governance Guidelines, the full Board is responsible for direct oversight of the strategic direction and initiatives of the Corporation and its subsidiaries. The Board believes the combination of the Chairman and CEO positions is appropriate in light of the substantial independent oversight provided by the Board. The Board also believes that the desire for independent leadership of the Board is sufficiently achieved by the prominent role of Mr. Rowe as Lead Director.



---

**Table of Contents**

The Lead Director's primary duties are described in the Corporation's Corporate Governance Guidelines. Among other matters, the Lead Director's duties include: (i) approving meeting agendas for the Board and the nature of information sent to the Board; (ii) approving Board meeting schedules to ensure that there is sufficient time for discussion of all Board agenda items; (iii) calling at any time deemed necessary or advisable by such Lead Director a special meeting of the Board or a special executive session of the independent directors; (iv) adding items to the agenda of any regular or special meeting of the Board deemed necessary or advisable by such Lead Director; (v) presiding at all regular and special meetings of the Board at which the Chairman is not present; (vi) presiding at all regular and any special executive sessions of the independent directors; (vii) serving as a liaison between the independent directors and the Chairman and CEO; (viii) conducting, by means of an interview with each director, including the Chairman and CEO, the Board's annual self-evaluation of its performance, as well as the Board's annual evaluation of the CEO's performance, and then providing a summary report to the Board; and (ix) being available for consultation and direct communication with stockholders, as appropriate. Mr. Rowe has served as our Lead Director since 2010.

**Risk Oversight**

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 annually approves the Corporation's enterprise risk management framework, risk universe and Corporate Risk Appetite Statement. The Corporate Risk Appetite Statement 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 capital adequacy assessments, forecasting, and stress testing processes and activities of the Corporation and its subsidiaries, including the annual CCAR exercise. Accordingly, the Capital Governance Committee provides oversight with respect to the linkage of the Corporation's material risks to capital planning and stress testing. 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.

For a further description of the risk management policies and practices of the Corporation's management, see the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations Risk Management and Liquidity and Capital Resources Liquidity Risk Management" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2016.

## **Table of Contents**

### **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](http://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](http://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, which 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.

## **Table of Contents**

### **Director Nominations and Qualifications**

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 or otherwise recommended by stockholders. The Corporation's By-laws provide that stockholders may propose director nominations only if they give timely written notice, directed to the attention of the Corporation's Corporate Secretary, not less than 120 days nor more than 150 days prior to the anniversary date of the prior year's Annual Meeting of Stockholders. If such Annual Meeting of Stockholders is called for a date that is not within thirty days before or after the anniversary date of the prior year's Annual Meeting of Stockholders, notice by the stockholder in order to be timely must be received within ten days after notice of such subsequent Annual Meeting of Stockholders is mailed or public disclosure of the date of such Annual Meeting of Stockholders is made, whichever occurs first. In either case, the notice must contain the information required by the Corporation's By-laws. Stockholders may also recommend candidates for director by following the procedures for communicating with directors described below under Communications with the Board and Independent Directors.

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 racial, 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.

### **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 2016, with our CEO and/or CFO engaging with stockholders representing approximately 40% of our outstanding shares regarding matters pertaining to the Corporation's performance, strategies and governance.

**Table of Contents**

**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 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.

**Table of Contents****SECURITY OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS**

The following table shows the beneficial ownership of the Corporation's common stock as of December 31, 2016 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
<b>Non-Employee Directors:</b>				
Linda Walker Bynoe	17,385		17,385	*
Susan Crown	36,722		36,722	*
Dean M. Harrison	2,042		2,042	*
Jay L. Henderson	4,000		4,000	*
Dipak C. Jain	18,521		18,521	*
Jose L. Prado	7,026		7,026	*
Thomas E. Richards	1,149		1,149	*
John W. Rowe	30,122		30,122	*
Martin P. Slark	9,849		9,849	*
David H.B. Smith, Jr. (4)	30,552		30,552	*
Donald Thompson	1,743		1,743	*
Charles A. Tribbett III	17,722		17,722	*
<b>Named Executive Officers:</b>				
Frederick H. Waddell	379,029	657,075	1,036,104	*
S. Biff Bowman	43,741	80,265	124,006	*
William L. Morrison	71,442	116,784	188,226	*
Michael G. O Grady	52,587	212,261	264,848	*
Jana R. Schreuder	76,399	192,641	269,040	*
<b>All directors and executive officers as a group (27 persons)</b>	1,201,214	1,730,842	2,932,056	1.27%

\* 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, 2016 in the following amounts: Mr. Waddell 29,437 units; Mr. Bowman 6,949 units; Mr. Morrison 14,624 units; Mr. O Grady 8,854 units; Ms. Schreuder 8,854 units; and all directors and officers as a group 122,719 units.

(3) Amount includes options that were exercisable as of December 31, 2016 and options that become exercisable within sixty days thereafter.

**Table of Contents**

(4) Amount includes 1,704 shares held in a trust over which Mr. Smith shares voting and investment power as co-trustee with one other individual. Amount excludes 500 shares held in a trust over which Mr. Smith shares voting and investment power as co-trustee with three other individuals. Amount also excludes 1,362,880 shares held in a trust of which Mr. Smith is a beneficiary, as Mr. Smith has no investment or voting power with respect to such 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 2016, except for: (i) one Form 4 filed for Wilson Leech on November 28, 2016, which related to the exercise of options to purchase 10,142 shares of the Corporation's common stock and the subsequent sale of such stock, each occurring on November 4, 2016, and (ii) one Form 4 filed for Jane Karpinski on December 14, 2016, which related to the exercise of options to purchase 244 shares of the Corporation's common stock and the subsequent sale of such stock, each occurring on November 15, 2016. Each of the foregoing Form 4s was filed late due to administrative error.

**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, 2016.

Name and Address	Shares	Percent of Class
The Northern Trust Company (1) 50 South La Salle Street Chicago, Illinois 60603	20,136,222	8.8%
The Vanguard Group, Inc. (2) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	13,364,907	5.8%
Wellington Management Group LLP (3) c/o Wellington Management Company LLP 280 Congress Street Boston, Massachusetts 02210	12,888,691	5.6%
BlackRock, Inc. (4) 55 East 52nd Street New York, New York 10055	12,866,759	5.6%

(1) As of December 31, 2016, 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. This aggregate number of shares includes 1,362,880 shares held by the trust

**Table of Contents**

described in footnote 4 to the Security Ownership by Directors and Executive Officers table in this Proxy Statement, or approximately 0.60% of the outstanding common stock. 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 7,398,994 shares, or 3.24% of the outstanding common stock, and they shared voting power with respect to 11,263,277 shares, or 4.93% of the outstanding common stock. They had sole investment power with respect to 2,021,659 shares, or 0.88% of the outstanding common stock, and they shared investment power with respect to 12,056,105 shares, or 5.27% of the outstanding common stock.

(2) As reported on a Schedule 13G/A filed on February 10, 2017, of the shares reported, The Vanguard Group, Inc. ( Vanguard ) had sole voting power with respect to 336,193 shares, or 0.15% of the outstanding common stock, and shared voting power with respect to 38,471 shares, or 0.02% of the outstanding common stock. Vanguard had sole investment power with respect to 12,997,946 shares, or 5.69% of the outstanding common stock, and shared investment power with respect to 366,961 shares, or 0.16% of the outstanding common stock.

(3) 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 9, 2017, Wellington Management Group LLP, Wellington Group Holdings LLP, and Wellington Investment Advisors Holdings LLP each had shared voting power with respect to 5,035,273 shares, or 2.20% of the outstanding common stock, and shared investment power with respect to all shares reported. Wellington Management Company LLP had shared voting power with respect to 4,068,954 shares, or 1.78% of the outstanding common stock, and shared investment power with respect to 11,433,428 shares, or 5.00% of the outstanding common stock. 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.

(4) As reported on a Schedule 13G/A filed on January 25, 2017, of the shares reported, BlackRock, Inc. ( BlackRock ) had sole voting power with respect to 11,074,996 shares, or 4.84% 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.

**Table of Contents**

**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 2011 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 has held Say-on-Pay votes on an annual basis since 2011. 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 16, 2017, 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 2016 compensation decisions for our named executive officers are described in the Compensation Discussion and Analysis that begins on page 30 of this Proxy Statement. A proposal regarding the frequency with which Say-on-Pay votes should be held is included as Item 3 in this Proxy Statement.

**The Board unanimously recommends that you vote FOR this proposal.**



**Table of Contents**

**ITEM 3 ADVISORY VOTE ON THE FREQUENCY OF STOCKHOLDER VOTES 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, on the frequency with which stockholders shall conduct advisory Say-on-Pay votes on executive compensation, such as the proposal in Item 2 above.

The advisory vote on the frequency of Say-on-Pay votes is a nonbinding vote as to how often Say-on-Pay votes should occur: every year, every two years or every three years. Section 14A of the Exchange Act requires the Corporation to hold an advisory vote on the frequency of Say-on-Pay votes at least once every six years. We most recently held such an advisory vote at our 2011 Annual Meeting of Stockholders. At that meeting, stockholders voted in favor of conducting Say-on-Pay votes annually. In light of this result, and other factors considered by the Board, the Board determined that the Corporation would hold Say-on-Pay votes on an annual basis until the next advisory vote on such frequency. The Board continues to believe that an annual Say-on-Pay vote will allow us to obtain information on stockholders' views of the compensation of our named executive officers on an appropriate basis. Additionally, we believe an annual Say-on-Pay vote aligns with our objective to engage in regular dialogue with our stockholders on corporate governance and executive compensation matters.

Although the Board recommends an annual Say-on-Pay vote, stockholders are not voting to approve or disapprove the Board's recommendation. Rather, stockholders are being asked to vote on the following resolution:

*Resolved, that the stockholders of Northern Trust Corporation determine, on an advisory basis, that the frequency with which the stockholders shall have an advisory vote on executive compensation set forth in the Corporation's Proxy Statement for its annual meeting of stockholders is (i) every year, (ii) every two years, or (iii) every three years.*

The choice which receives the highest number of votes will be deemed the choice of the stockholders.

Although the vote on this proposal 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 the frequency with which to hold Say-on-Pay votes.

**The Board unanimously recommends that you vote for the EVERY YEAR alternative with respect to the frequency with which the Corporation should hold advisory votes on executive compensation.**

**Table of Contents****EXECUTIVE COMPENSATION****Compensation Discussion and Analysis*****Our Named Executive Officers***

This Compensation Discussion and Analysis describes how we compensate our executives, including our 2016 named executive officers, which consist of the following individuals.

Name	Title
Frederick H. Waddell	Chairman and Chief Executive Officer
S. Biff Bowman	Chief Financial Officer
William L. Morrison	Vice Chairman
Michael G. O Grady	President
Jana R. Schreuder	Chief Operating Officer

The Corporation made a number of leadership changes across the organization in 2016 and 2017 to position the Corporation for continued success and expand the experience of its leaders. Changes affecting our named executive officers include the following: (i) effective October 1, 2016, Mr. Morrison transitioned from President of the Corporation to Vice Chairman, with Mr. Waddell assuming the role of President in addition to his roles as Chairman and Chief Executive Officer; (ii) effective January 1, 2017, Mr. O Grady assumed the role of President from Mr. Waddell in addition to his role as President of Corporate & Institutional Services ( C&IS ); and (iii) in conjunction with certain other leadership changes, Peter B. Cherecwich, who is not a named executive officer, assumed the role of President of C&IS from Mr. O Grady, effective February 1, 2017. The titles for our named executive officers provided throughout this Proxy Statement, including the table above, reflect their current titles.

***Executive Summary******2016 Financial Performance***

In 2016, 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.

**Table of Contents**

**Improve Profitability and Productivity**, as demonstrated by our growth in net income and pre-tax income. In 2016, we made meaningful investments in our people and technology to support the continued growth of our businesses, the impact of which slowed our improvement in pre-tax margin and noninterest expense as a percentage of trust, investment and other servicing fees. Compensation decisions made with respect to each of our named executive officers for 2016 reflect such slowed improvement. We remain focused on improving these metrics going forward.

**Increase Stockholder Returns** through an improved return on equity, with return on equity moving further within our target range of 10% - 15%, and increases in dividends.

Our overall financial performance compares favorably with that of our peer group discussed on page 39. Our average annual returns on equity for the three- and five-year periods ended December 31, 2016, were 11.1% and 10.5%, respectively, compared to peer-group medians of 9.7% and 9.8%, respectively. Further, our average annual revenue growth of 5.5%, 6.7% and 5.7% for the one-, three- and five-year periods ended December 31, 2016, respectively, significantly outpaced the peer-group medians of (0.1)%, 0.8% and 1.4%.

## **Table of Contents**

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:

Further expansion of our client base, business development opportunities and client-servicing capabilities, including through receipt of regulatory approval for our Seoul, South Korea office's branch license;

Continued success in using technology to deliver innovative solutions and improve client experience, as evidenced by multiple awards that we have received with respect to cloud infrastructure, mobile experience, fund administration analytics, client reporting and foreign exchange services;

Accelerated assets under management growth within our FlexShares® ETF products, positioning us among the faster-growing ETF providers in the last five years;

Continued execution of our location strategy, with more than 30% of our employees in our Bangalore, Limerick, Manila, Pune and Tempe locations as of December 31, 2016; and

Further deepening of our global equity expertise, distinctive research offerings and trading efficiencies.

### *2016 Compensation of our Chairman and CEO*

For his performance in 2016, Mr. Waddell received total direct compensation consisting of base salary, short-term annual cash incentive compensation and long-term incentive compensation of \$10,180,000. This compared to \$11,000,000 for his 2015 performance, representing a decrease of 7.5%. Further information with respect to the performance factors impacting Mr. Waddell's compensation for 2016 can be found under 2016 Performance Considerations beginning on page 40.

**Table of Contents**

The chart below summarizes Mr. Waddell's total direct compensation for 2015 and 2016. Base salary for 2015 and 2016 reflects Mr. Waddell's base salary, as determined by the Board in February 2015 and February 2016, respectively. Short-term annual cash incentive compensation represents amounts awarded in February 2016 and February 2017 for 2015 and 2016 performance, respectively. Long-term incentive compensation represents grants relating to 2015 and 2016 performance made in February 2016 and February 2017, respectively. It should be noted that the amounts in the chart below are different than the amounts in the Summary Compensation Table on page 53. The most significant difference is that the long-term incentive award amounts included in the Summary Compensation Table for 2015 and 2016 were granted in February 2015 and February 2016, respectively, for 2014 and 2015 performance. We believe the chart below may be useful in summarizing key incentive compensation decisions made for 2015 and 2016 performance.

As illustrated by the chart below and consistent with our pay for performance philosophy, the Chairman and CEO's pay mix heavily emphasizes incentive compensation, with the greatest weight placed on long-term incentives. Our long-term incentive mix emphasizes performance-based pay, with half of the long-term incentives being awarded in performance stock units earned based on our return on equity over a three-year period, one-quarter being awarded in stock options and one-quarter being awarded in restricted stock units.

**Table of Contents**

*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 severance agreements
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
Position target pay at median levels among peer group companies Subject long-term incentive awards granted to named executive officers to potential forfeiture or clawback in the event of a restatement of our financial statements and certain types of misconduct	× No compensation plans that encourage excessive risk-taking × No repricing of underwater options
Use an independent compensation consultant to advise the Compensation and Benefits Committee 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

**Table of Contents**

***Guiding Principles for Executive Compensation***

Our compensation philosophy is to attract, motivate 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
<b>Linked to Long-Term Performance</b>	Performance stock units based on three-year return on equity constitute 50% of long-term incentive compensation
<b>Aligned with Stockholder Interests</b>	Majority of pay delivered in long-term incentives (approximately 64% of the Chairman and CEO's total direct compensation)
<b>Positioned Competitively in the Marketplace</b>	Executives are subject to robust stock ownership guidelines Compensation levels are developed with reference to a peer group of comparable companies
<b>Discourages Inappropriate Risk-Taking</b>	Long-term incentives are subject to potential forfeiture and clawback in the event of a restatement of our financial statements and certain types of misconduct  Short-term cash incentive compensation awards are capped  Compensation and Benefits Committee can exercise negative discretion to reduce incentives  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, in part because we are not involved with many of the lines of business that have exposed other financial institutions to excessive risk.

**Table of Contents**

To reinforce the important role of effective risk management in our compensation framework, 50% of long-term incentive awards to named executive officers are 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, have 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. Further information with respect to these 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 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.



**Table of Contents*****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.

<b>Element</b>	<b>Link to Compensation Philosophy</b>	<b>Rationale/Key Features</b>
<b>Base Salary</b>	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.
<b>Short-Term Annual Cash Incentive</b>	Total incentive funding is established as a percentage of pre-tax income.	The Compensation and Benefits Committee determines annual incentive funding and awards based on both quantitative and qualitative considerations, including the individual performance of each executive officer and internal equity principles.
<b>Long-Term Incentive Compensation</b>	Targeted at competitive levels among peer group companies. Linked to long-term performance.	Long-term incentives are the most significant element of overall compensation.
	Aligned with stockholders' interests by motivating executive officers to act as owners.	Long-term incentive compensation is comprised of performance stock units (50%), restricted stock units (25%) and stock options (25%). The number of shares that is paid out upon the vesting of a performance stock unit award is determined based on our return on equity.
<b>Retirement, Health and Welfare Benefits</b>	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 44.

***Determining Awards******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.

## **Table of Contents**

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 opportunities to reflect:

our business model and strategy;

prevailing market trends;

evolution in the financial and regulatory environment;

cross-function executive assignments; and

risk management objectives.

As discussed under "2016 Compensation Decisions and Design" "2016 Performance Considerations" beginning on page 40 of this Proxy Statement, the Committee also evaluates the performance of our Chairman and CEO against his objectives for the past year. The Committee shares this evaluation with the Board in order for the Board to set the Chairman and CEO's compensation.

### *Role of the Chairman and CEO*

The Chairman and CEO presents the Compensation and Benefits Committee with recommendations on the total compensation for each of our other executive officers based in part upon competitive market data for our peer group. The Chairman and CEO's evaluations of the other executive officers are based on performance against the past year's performance expectations, and are comprised of a mix of financial and nonfinancial performance factors, which are not formulaically weighted or scored. With input from our Chief Risk Officer, the Chairman and CEO also evaluates 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 Chairman and CEO, but retains the ultimate oversight and responsibility to set compensation for all executive officers, except for the Chairman and 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 Executive Vice President, Human Resources attends and participates in all Committee meetings. The Human Resources function also assists the Chairman and CEO in formulating his compensation recommendations for all other executive officers. The Human Resources function provides historical and current market data for executive pay in the industry and information concerning the historical and current compensation of executive officers.

**Table of Contents***Role of the Compensation and Benefits Committee's Independent Compensation Consultant*

The Compensation and Benefits Committee has retained Compensation Advisory Partners (CAP), a nationally recognized executive compensation consulting firm, 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. A representative of CAP attended all meetings of the Committee during 2016. CAP 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.

*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 currently 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 developed by the Committee, working with CAP and management's executive compensation consultant, Towers Watson, in 2015 and was used when setting 2016 base salaries and determining the size of short-term annual cash incentive awards and long-term incentive grants made in 2017 and 2016 based on 2016 and 2015 performance, respectively. The Compensation and Benefits Committee believes that the current peer group provides the Committee with a representative view of the market for executive talent and reflects our business mix, complexity and global footprint.

**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 and will make further updates, as appropriate, based on changes within the peer group companies, industry consolidation and the Corporation's own evolving global presence.

## **Table of Contents**

### *Deductibility of Executive Compensation*

The Compensation and Benefits Committee views the tax deductibility of executive compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), as a factor in determining the forms and amounts of executive compensation. The Committee reviews each material element of compensation on a continuing basis and takes steps to ensure deductibility if that can be accomplished without sacrificing flexibility or other important elements of the overall executive compensation program. For example, the Committee approves all short-term annual cash incentives for U.S.-based executive officers under the provisions of the stockholder-approved Management Performance Plan to ensure such awards qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code.

### *2016 Advisory Vote on Executive Compensation*

Our 2015 named executive officer compensation was approved on an advisory basis by our stockholders at our April 19, 2016 Annual Meeting of Stockholders. Approximately 90% of the votes present and entitled to vote at the meeting, together with abstentions, supported approval of 2015 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 Corporate Governance Stockholder Engagement beginning on page 23 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 2016 including the decision to maintain the overall structure of our executive compensation program reflect the Board and the Committee's belief, based on the results of the advisory vote on 2015 named executive officer compensation and our ongoing dialogue with stockholders, that our stockholders generally support our overall executive compensation program.

### *2016 Compensation Decisions and Design*

#### *2016 Performance Considerations*

In determining total compensation for the named executive officers, the Compensation and Benefits Committee considered a variety of performance factors. The Committee considered the Corporation's 2016 financial performance, as well as how well each officer fulfilled his or her individual performance objectives. Further detail with respect to factors considered in determining the total compensation for the named executive officers is set forth below.

#### *Frederick H. Waddell*

As the Corporation's Chairman and CEO, Mr. Waddell is responsible for, among other things: developing and implementing our corporate strategies; managing and developing our senior leaders; and embodying our guiding principles of service, expertise and integrity. In determining his compensation for 2016, the Compensation and Benefits Committee and the Board considered the performance of the Corporation under Mr. Waddell's leadership, as well as how well Mr. Waddell fulfilled his specific individual performance objectives. Mr. Waddell's individual performance

## **Table of Contents**

objectives are set in February of each year at the direction of the Compensation and Benefits Committee and the full Board. Mr. Waddell's individual performance objectives are divided into the following three categories: Operating Performance, Client Development and Satisfaction and Leadership Development. In January of each year, the Compensation and Benefits Committee and the Board evaluate an assessment of Mr. Waddell's performance against the individual objectives established in February of the prior year. The Committee and the Board consider not only whether Mr. Waddell satisfied each of his individual performance objectives, but also how he satisfied such objectives. The Committee and the Board also consider whether Mr. Waddell appropriately prioritized his individual performance objectives with his other responsibilities as Chairman and CEO, recognizing that the needs of the Corporation and its stockholders evolve as a given performance year progresses.

In determining Mr. Waddell's compensation for 2016, the Compensation and Benefits Committee and the Board considered the following performance factors, many of which correlate to the individual performance objectives established for Mr. Waddell in February 2016:

### *Operating Performance*

Growth in our net income, with net income in 2016 exceeding \$1.0 billion for the first time in the Corporation's history.

Improvement in our return on equity from 11.5% in 2015 to 11.9% in 2016, continuing a multi-year trend of moving further within our target range.

Our continued financial strength, including our strong balance sheet demonstrating high asset quality, ample liquidity and a strong capital base.

Growth in our trust, investment and other servicing fees from \$3.0 billion to \$3.1 billion, an increase of 4%.

Our pre-tax margin of 30.6% and noninterest expense as a percentage of trust, investment and other servicing fees of 112% in 2016, compared to 31.2% and 110%, respectively, in 2015, representing slowed progress in our efforts to improve these metrics.

Mr. Waddell's oversight of the CCAR process and 2016 capital plan, which was not objected to by the Federal Reserve.

### *Client Development and Satisfaction*

Mr. Waddell's role in maintaining and developing client relationships across the globe through client outreach and engagement efforts.

Our continued high levels of client satisfaction.

Mr. Waddell's oversight of our continued efforts to respond to new regulations impacting the financial sector and our clients, including the implementation of U.S. money market mutual fund reform.

Mr. Waddell's contributions to our strong new business performance in 2016.

**Table of Contents**

Mr. Waddell's oversight of our progress in the areas of building data platforms, digital innovation and process optimization, all of which support the evolving requirements of our clients and client growth.

*Leadership Development*

Mr. Waddell's role in overseeing the various leadership changes discussed under "Our Named Executive Officers" on page 30, including Mr. Morrison's transition to Vice Chairman, effective October 1, 2016, and Mr. O'Grady's appointment as President and a director of the Corporation, effective January 1, 2017.

Mr. Waddell's role in developing senior leaders, maintaining a strong group of leaders in our succession plans and attracting and retaining talent throughout the Corporation, particularly in 2016 within Wealth Management.

Mr. Waddell's role in advancing diversity and inclusion initiatives across the Corporation and driving our high level of employee engagement and low levels of employee turnover.

*S. Biff Bowman*

As the Corporation's Chief Financial Officer, Mr. Bowman is primarily responsible for financial reporting and control, management reporting and analysis, liquidity management, capital planning and investor relations. To determine Mr. Bowman's 2016 compensation, the Compensation and Benefits Committee considered how well Mr. Bowman fulfilled his responsibilities in 2016. In doing so, the Committee considered the following performance factors:

Mr. Bowman's contributions to our 2016 financial performance, including with respect to:

Improvement in our return on equity from 11.5% in 2015 to 11.9% in 2016;

Growth in our diluted earnings per share from \$3.99 in 2015 to \$4.32 in 2016, an increase of 8%; and

Our pre-tax margin of 30.6% and noninterest expense as a percentage of trust, investment and other servicing fees of 112% in 2016, compared to 31.2% and 110%, respectively, in 2015, representing slowed progress in our efforts to improve these metrics.

Our continued financial strength, with ample liquidity and a high-quality securities portfolio contributing to sound credit ratings.

Mr. Bowman's role in our successful offering of \$500.0 million of our Series D Non-Cumulative Perpetual Preferred Stock.

Mr. Bowman's contributions to our CCAR process, capital management policies and 2016 capital plan, which was not objected to by the Federal Reserve, enabling us to return \$754.7 million in capital to common stockholders in 2016 through quarterly dividends and share repurchases.

## **Table of Contents**

The strength of our investor relations program and Mr. Bowman's contributions to the quality of our dialogue with stockholders.  
*William L. Morrison*

Effective October 1, 2016, Mr. Morrison was named Vice Chairman of the Corporation. Prior to such date, Mr. Morrison served as President. As the Corporation's President, Mr. Morrison was primarily responsible for driving business growth and overseeing the Corporation's client-facing businesses and corporate marketing and strategy functions. To determine Mr. Morrison's 2016 compensation, the Compensation and Benefits Committee considered how well Mr. Morrison fulfilled these responsibilities in 2016. In doing so, the Committee considered the following performance factors:

Continued growth in each of our client-facing businesses, with the Corporation's total consolidated revenue growing from \$4.7 billion in 2015 to \$5.0 billion in 2016, an increase of 6%.

Growth in trust, investment and other servicing fees from 2015 to 2016 of 5% within our C&IS business and 3% within our Wealth Management business.

Our continued high levels of client satisfaction, which helped drive strong new business results for our C&IS and Wealth Management businesses.

Mr. Morrison's role in overseeing the comprehensive brand refresh implemented by the Corporation during 2016. In connection with his transition to Vice Chairman, the Compensation and Benefits Committee awarded Mr. Morrison a \$1,500,000 retention award consisting of 21,142 restricted stock units, effective October 18, 2016. This award reflects expectations for Mr. Morrison's continued contributions to the Corporation. Pursuant to its terms, 100% of such retention award will vest on October 18, 2018. The award will be forfeited if Mr. Morrison retires or voluntarily terminates his employment prior to such date.

### *Michael G. O. Grady*

Effective January 1, 2017, Mr. O. Grady assumed the role of President of the Corporation. Prior to such date, including for the entirety of 2016, Mr. O. Grady served as President of C&IS. As the Corporation's President of C&IS, Mr. O. Grady was primarily responsible for the overall performance of such business. To determine Mr. O. Grady's 2016 compensation, the Compensation and Benefits Committee considered how well Mr. O. Grady fulfilled these responsibilities in 2016, as well as his appointment as President. In doing so, the Committee considered the following performance factors:

Mr. O. Grady's role in implementing C&IS's long-term growth strategies.

Growth in C&IS assets under custody/administration from \$7.3 trillion at December 31, 2015 to \$8.0 trillion at December 31, 2016, a 10% increase.

**Table of Contents**

Growth in C&IS trust, investment and other servicing fees from \$1.7 billion in 2015 to \$1.8 billion in 2016, an increase of 5%.

Growth in C&IS revenue, on a fully taxable equivalent basis, from \$2.5 billion in 2015 to \$2.7 billion in 2016, an increase of 8%.

Growth in C&IS net income from \$484.6 million in 2015 to \$497.2 million in 2016, a 3% increase.

Continued expansion of C&IS product capabilities to enhance C&IS's competitive position within our target markets.

**Jana R. Schreuder**

As the Corporation's Chief Operating Officer, Ms. Schreuder is primarily responsible for business operations and enabling the Corporation's businesses to grow faster, more efficiently and more profitably. To determine Ms. Schreuder's 2016 compensation, the Compensation and Benefits Committee considered how well Ms. Schreuder fulfilled her responsibilities in 2016. In doing so, the Committee considered the following performance factors:

Ms. Schreuder's leadership in progressing initiatives designed to enable sustainable and profitable growth of our businesses and prioritizing our capital expenditures.

Ms. Schreuder's contributions to our efforts to deliver increased productivity, high-value service and innovative solutions for clients using emerging technologies.

Our continued introduction of agile solutions to enable our success in an increasingly complex, fast-paced and digitally connected global environment.

Ms. Schreuder's role in the continued implementation of our location strategy and the expansion of our enterprise optimization plan to include various digitalization activities.

Our pre-tax margin of 30.6% and noninterest expense as a percentage of trust, investment and other servicing fees of 112% in 2016, compared to 31.2% and 110%, respectively, in 2015, representing slowed progress in our efforts to improve these metrics.

The recognition we have received for our technology, including awards relating to cloud infrastructure, mobile experience, fund administration analytics, client reporting and foreign exchange services.

***Base Salary***

The Compensation and Benefits Committee believes that base salaries should provide a fixed level of annual income consistent with an executive officer's position and responsibilities, competitive pay practices and internal equity among executive officers.



## Table of Contents

The Committee uses discretion in determining base salaries, considering the following factors:

individual performance over the prior year relative to established goals and expectations for the position;

targeted base salary levels that balance market pay practices with internal equity principles;

experience and qualifications of the individual executive;

the executive officer's tenure in the position or a position of similar level; and

significant changes in assignment or scope of responsibility.

For new and recently promoted executives, the Committee's approach is to increase incrementally base salary to the appropriate target pay level as the executive officer gains experience and tenure in the new position.

In February 2016, based on competitive salary market data among our peer group companies and to account for additional experience and tenure in their current roles, the Committee increased the base salary for: Mr. Bowman from \$550,000 to \$625,000; Mr. O Grady from \$600,000 to \$625,000; and Ms. Schreuder from \$675,000 to \$750,000. No other named executive officer's base salary was increased in 2016.

### *Short-Term Annual Cash Incentive*

Annual cash incentives provide an opportunity for our executive officers to receive additional cash compensation based on our financial performance, as well as each executive officer's individual performance. The overall annual bonus pool is funded based on a targeted percentage of pre-tax income. The maximum funding for each officer's annual cash incentive award is a percentage of the consolidated net income generated by us in the applicable year. The annual cash incentive maximums for executive officers are as follows:

annual cash incentives for the Chairman and CEO may not exceed 0.6% of consolidated net income;

annual cash incentives for the President, Chief Operating Officer and Vice Chairman may not exceed 0.4% of consolidated net income;

annual cash incentives for all other executive officers may not exceed 0.3% of consolidated net income; and

no annual incentives can be paid in the absence of positive net income.

The final determination of annual cash incentives is not tied to any specific formula, rather the process that the Compensation and Benefits Committee uses to determine incentives relies on a discretionary assessment of quantitative and qualitative performance criteria for Northern Trust as a whole, specific businesses and individual executive officers. The Committee believes that its use of discretion:

allows the Committee to assess performance holistically across multiple dimensions of performance;



**Table of Contents**

provides for a year-end assessment of how challenging the operating environment was and how well we performed relative to our direct peers; and

ensures that the Committee has the ability to adjust incentives for how results were achieved (i.e., degree of risk taken, sustainability of results).

In determining overall annual incentive funding and how incentives will be allocated among different businesses, the Committee considers the following factors:

Our overall financial performance, with a focus on key metrics, including:

Pre-tax income relative to plan and prior year

Return on equity

The performance of individual businesses in the following areas:

Growth (fees and revenue)

Productivity (expense management and ratio of noninterest expense to trust, investment and other servicing fees)

Profitability (pre-tax margin and return on equity)

Risk management

Internal equity principles

The Committee then uses negative discretion to set the final awards based on consideration of our overall performance, the individual executive officer's performance, internal equity principles and peer group compensation levels. Using this process, the Committee recommended the short-term cash annual incentive for our Chairman and CEO to the Board for approval. For the other named executive officers, the Chairman and CEO recommended a short-term cash annual incentive which was approved by the Committee. The table below summarizes the 2016 short-term annual cash incentives for the named executive officers awarded in February 2017, along with 2015 short-term annual cash incentives awarded in February 2016 for comparative purposes.

Executive	Short-Term Annual Cash Incentives Title	2016	2015
Frederick H. Waddell	Chairman and Chief Executive Officer	\$ 2,700,000	\$ 2,800,000
S. Biff Bowman	Chief Financial Officer	825,000	850,000
William L. Morrison	Vice Chairman	1,200,000	1,400,000
Michael G. O Grady	President	955,000	1,000,000
Jana R. Schreuder	Chief Operating Officer	950,000	1,000,000



**Table of Contents***Long-Term Incentive Compensation*

Long-term incentive compensation is the most significant element of overall compensation and is designed to reward the performance of executive officers over time. For long-term incentive awards made in February 2017 and February 2016 for performance in 2016 and 2015, respectively, we have granted the long-term incentive awards to named executive officers as a mix of performance stock units, restricted stock units and stock options. The relative mix of these components is as follows.

In February 2017, the Compensation and Benefits Committee established long-term incentive award opportunities for our Chairman and Chief Executive Officer and approved long-term incentive recommendations for our other named executive officers after receiving input from our Chairman and CEO. In establishing long-term incentive award opportunities for our named executive officers, the Committee considers an executive's performance, as well as potential for future contributions to the organization, while also taking into account internal equity principles.

The table below summarizes the long-term incentive awards for our named executive officers made in February 2017 and February 2016 for performance in 2016 and 2015, respectively.

Executive	Long-Term Incentive Awards		
	Title	2016	2015
Frederick H. Waddell	Chairman and Chief Executive Officer	\$ 6,480,000	\$ 7,200,000
S. Biff Bowman	Chief Financial Officer	2,025,000	2,250,000
William L. Morrison	Vice Chairman	1,200,000(1)	3,500,000
Michael G. O Grady	President	3,150,000	2,250,000
Jana R. Schreuder	Chief Operating Officer	2,925,000	3,000,000

(1) Amount excludes a retention award granted to Mr. Morrison effective October 18, 2016 in the amount of \$1,500,000, as discussed on page 43. The long-term incentive award granted to Mr. Morrison in February 2017 for performance in 2016 reflects his transition to Vice Chairman, effective October 1, 2016.

*Performance Stock Units.* Performance stock units make up 50% of our long-term incentive award opportunity and typically the largest portion of the total compensation mix for our named executive officers. Our performance stock units are earned based on our average return on equity

**Table of Contents**

performance over a three-year period relative to pre-established goals. Return on equity is the primary financial performance metric used internally and externally to assess our long-term performance. The following charts illustrate the vesting requirements for the performance stock unit grants to named executive officers in 2016 and 2017.

Performance Stock Unit	
Performance Schedule	
February 2016 Grants	
Average	
Annual Rate of	Percentage of
Return on Equity	Stock Units Vested
Less than 7.5%	0%
7.5%	50%
11.0%	100%
13.0%	115%
<sup>3</sup> 15.0%	125%

Performance Stock Unit	
Performance Schedule	
February 2017 Grants	
Average	
Annual Rate of	Percentage of
Return on Equity	Stock Units Vested
Less than 7.5%	0%
7.5%	25%
9.0%	50%
12.0%	100%
<sup>3</sup> 15.0%	150%

As it is possible that there will be no payout under the performance stock units, these awards are completely at-risk compensation. Since performance stock units were reintroduced as an element of the Corporation's long-term incentive compensation program in 2012, the average annual rate of return on equity required for awards to become 100% vested has increased from 8.0% to 12.0%. These increases emphasize the at-risk element of these awards.

On January 17, 2017, shares of common stock underlying performance stock units granted in 2014 were distributed. The number of shares distributed was equal to 106.6% of target based on the Corporation's average annual return on equity of 11.1% during the three-year performance period ended December 31, 2016.

Further discussion with respect to the performance stock units granted to our named executive officers is set forth in the Description of Certain Awards Granted in 2016 section beginning on page 57 of this Proxy Statement.

**Restricted Stock Units.** Restricted stock units are an effective tool to align executives with stockholder interests by making them owners of our stock. Another critical aspect of our restricted stock unit design is that they generally vest over four years, with 50% vesting at the third anniversary of grant and the remaining 50% vesting at the fourth anniversary of grant. This vesting schedule is effective in helping us to retain critical talent and ensuring that executives have significant outstanding unvested equity value over the course of their careers. Further discussion with respect to the restricted stock units granted to our named executive officers is set forth in the Description of Certain Awards Granted in 2016 section beginning on page 57 of this Proxy Statement.

**Stock Options.** Stock options are included as part of our long-term incentive compensation to ensure that our executives remain focused on increasing our stock price over time. When used in combination with performance stock units and restricted stock units, stock options help to ensure that executives will take a balanced view towards risk-taking. The key features of our stock option program are summarized below:

option exercise price equals the closing sale price on the date of grant;

**Table of Contents**

option awards vest 25% per year over the first four anniversaries of the grant date; and

option awards expire on the tenth anniversary of the grant date.

It is the view of the Compensation and Benefits Committee that stock options are a performance-based form of compensation, as they only have value to the extent that the stock price appreciates from the grant date price. The Committee also believes that with a ten-year term, stock options encourage executives to focus on long-term, sustainable performance. Further discussion with respect to the stock options granted to our named executive officers is set forth in the Description of Certain Awards Granted in 2016 section beginning on page 57 of this Proxy Statement.

*Total Direct Compensation for 2016 and Overall Pay Mix*

The table below provides a comprehensive summary of each named executive officer's total direct compensation for 2016. Base salary reflects the applicable named executive officer's salary, as determined in February 2016. Short-term annual cash incentive compensation represents amounts awarded in February 2017 for 2016 performance. Long-term incentive compensation represents grants made in February 2017 relating to 2016 performance.

Executive	Title	Total Direct Compensation					Restricted Stock Units	Total
		Salary	Annual Cash Incentive	Performance Stock Units	Stock Options	Short-Term		
Frederick H. Waddell	Chairman and Chief Executive Officer	\$ 1,000,000	\$ 2,700,000	\$ 3,240,000	\$ 1,620,000	\$ 1,620,000	\$ 10,180,000	
S. Biff Bowman	Chief Financial Officer	625,000	825,000	1,012,500	506,250	506,250	3,475,000	
William L. Morrison	Vice Chairman	800,000	1,200,000	600,000	300,000	300,000(1)	3,200,000	
Michael G. O Grady	President	625,000	955,000	1,575,000	787,500	787,500	4,730,000	
Jana R. Schreuder	Chief Operating Officer	750,000	950,000	1,462,500	731,250	731,250	4,625,000	

(1) Amount excludes a retention award granted to Mr. Morrison effective October 18, 2016 in the amount of \$1,500,000, as discussed on page 43.

**Other Compensation Practices***Retirement, Health and Welfare Benefits*

Retirement benefits are generally designed with our entire workforce in mind and are not specifically structured for the executive officers. The design of our retirement program for employees, including executive officers:

reflects competitiveness in that we target total retirement benefits at approximately the median level of retirement benefits of peer group companies; and

encourages employees to contribute to their individual retirement savings through participation in TIP and the Northern Trust Corporation Supplemental Thrift-Incentive Plan ( Supplemental TIP ).

## Table of Contents

Our executive officers also participate in our health and welfare benefits, including medical, retiree medical, dental, disability and life insurance programs, on the same terms as other employees.

### *Severance Benefits and Employment Security Arrangements*

We provide a severance plan to provide reasonable benefits to employees who are involuntarily terminated without cause due to a reduction in force, job elimination or similar reasons specified in the severance plan. We believe that the availability of severance benefits allows us to compete with our peer group companies in attracting and retaining talent. Executive officers participate in this plan on the same terms as all other eligible and similarly situated employees.

Our executive officers generally are eligible to receive severance benefits that include:

a lump sum payment of two weeks of base salary for each year of completed service up to, but less than 26 years, or 52 weeks of base salary for 26 years or more of completed service to us; and

a COBRA subsidy based on their length of service to help cover the costs of continuation coverage under the employer's medical and dental plans, full vesting under TIP, Supplemental TIP, The Northern Trust Company Pension Plan (the Pension Plan), and the Northern Trust Corporation Supplemental Pension Plan (the Supplemental Pension Plan), enhanced early retirement eligibility under the Pension Plan for employees who have reached age 54 with 14 years of credited service and outplacement assistance.

These benefits are contingent upon execution of a release, waiver and settlement agreement with us. These benefits are also limited to the lesser of two times the applicable executive officer's salary or two times the maximum amount that may be taken into account under a qualified plan pursuant to Internal Revenue Code Section 401(a)(17). In 2015 and 2016, these limits effectively capped benefits at \$530,000. Further, these severance payments would be reduced by any severance payments made under employment security agreements or any other benefit plan, program or individual contract.

In addition to the severance benefits discussed above, we have entered into employment security arrangements with certain executive officers of the Corporation, including each named executive officer. The purpose of these agreements is to provide an executive with sufficient security to remain focused on his or her responsibilities before, during and after a change in control transaction without undue concern for his or her personal circumstances. We believe the employment security agreements are critical to our ability to attract and retain key executives in light of the fact that all named executive officers are employed at will and change in control benefits for executives are a standard element of a competitive compensation program at peer group companies.

Further discussion with respect to our employment security agreements, including disclosure of potential change in control benefits payable to each named executive officer, assuming a change in control of the Corporation and termination of employment on December 31, 2016, is set forth in the Potential Payments Upon Termination of Employment or a Change in Control of the Corporation section beginning on page 71 of this Proxy Statement.

### *Perquisites*

We provide a limited number of perquisites intended to assist executive officers in the performance of their duties on behalf of the Corporation. We provide financial consulting and tax return preparation services and personal use of company automobiles as perquisites to our executive officers. If circumstances warrant and if pre-approved by our Chairman and CEO, we permit personal



**Table of Contents**

use of private aircraft on a limited basis. We also reimburse executive officers for the payment of personal income taxes in connection with the use of company vehicles in certain circumstances and taxable relocation expenses. The Compensation and Benefits Committee periodically reviews the types and costs of perquisites to ensure they remain aligned with our compensation philosophy.

*Stock Ownership Guidelines*

Supporting our guiding principle of alignment with stockholders' interests, we have a long-standing practice of emphasizing stock ownership and maintaining robust stock ownership guidelines for named executive officers at or above industry practice. Each executive officer is expected to meet his or her respective minimum ownership level within five years of becoming an executive officer. Until such time as any executive officer meets the minimum ownership level requirement, he or she is expected to retain 100% of the net, after-tax shares received upon vesting of equity awards or stock option exercises. As of December 31, 2016, our Chairman and CEO and each of our other named executive officers met or exceeded our stock ownership guidelines.

<b>Stock Ownership Guidelines</b>	
<b>Expected Ownership as Multiple of Base Salary</b>	
Chairman & CEO	10x
President, Chief Operating Officer and Vice Chairman	7x
Chief Financial Officer and Business Presidents	5x
All Other Executive Officers	3x

*Forfeiture and Recoupment*

All awards granted to named executive officers since 2012 under our long-term incentive compensation program are subject to forfeiture or recoupment in the event of a restatement of the Corporation's financial statements and certain types of misconduct. Such awards also are subject to forfeiture and recoupment provisions relating to ex-post risk, meaning risk resulting from the recipient's inappropriate risk-taking that does not materialize until after the performance period in which such inappropriate risk-taking takes place. Additionally, since 2013, all restricted stock unit awards to named executive officers are subject to forfeiture or recoupment if it is determined that the applicable named executive officer has engaged in inappropriate risk-taking which resulted in certain events deemed to be significant risk outcomes. An analysis of significant risk outcomes is completed annually to determine if such significant risk outcomes were tied to inappropriate risk-taking. The results of this analysis are reviewed by the Compensation and Benefits Committee.

With respect to long-term incentive compensation awards made prior to February 21, 2017, the foregoing forfeiture and recoupment requirements are contained in the individual award agreements between the Corporation and our named executive officers. Forfeiture and recoupment requirements applicable to long-term incentive compensation awards made on or after such date are contained in the Policy on Recoupment adopted by the Compensation and Benefits Committee on February 20, 2017.

*Hedging Policy*

We maintain a Securities Transactions Policy and Procedures which, among other things, prohibits directors, employees, and certain of their family members from engaging in short selling, margining, pledging or hypothecating our securities, and from trading in options, warrants, puts, calls or similar instruments on our securities.

**Table of Contents**

**Compensation and Benefits Committee Report**

The Compensation and Benefits Committee is responsible for providing oversight of the compensation of the directors and executive officers of the Corporation. In fulfilling its oversight responsibilities, the Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this Proxy Statement. Based upon this review and discussion, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and this Proxy Statement for the 2017 Annual Meeting of Stockholders, each of which is filed with the SEC.

**Compensation and Benefits Committee**

Charles A. Tribbett III (Chair)

Linda Walker Bynoe

Thomas E. Richards

John W. Rowe

Martin P. Slark

**Table of Contents****Summary Compensation Table**

The following table sets forth the information concerning the compensation paid to or earned by the named executive officers for 2016, 2015 and 2014.

Name and Principal Position(1)	Year	Salary (\$)	Bonus \$(2)	Stock Awards \$(3)	Option Awards \$(4)	Non-Equity Incentive Plan Compensation \$(5)	Change in Pension Value and Nonqualified Deferred Compensation \$(6)	All Other Compensation \$(7)	Total \$(8)
Frederick H. Waddell <i>Chairman and Chief Executive Officer</i>	2016	\$ 1,000,000		\$5,400,067	\$ 1,637,386	\$ 2,700,000	\$333,477	\$ 96,392	\$ 11,167,322
	2015	993,750	\$2,413,689	4,987,508	1,477,612	2,800,000		87,991	12,760,550
S. Biff Bowman <i>Chief Financial Officer</i>	2014	975,000		4,987,571	1,329,507	2,300,000	2,762,043	81,401	12,435,522
	2016	568,750		1,687,561	511,696	825,000	434,598	26,507	4,054,112
William L. Morrison <i>Vice Chairman</i>	2015	537,500		1,500,037	444,407	850,000	31,870	20,545	3,384,359
	2014	493,750		1,237,506	329,879	650,000	583,444	39,759	3,334,338
Michael G. O Grady <i>President</i>	2016	800,000		4,125,062	795,963	1,200,000	218,018	39,974	7,179,017
	2015	800,000	1,206,845	2,437,550	722,145	1,400,000		35,908	6,602,448
Jana R. Schreuder <i>Chief Operating Officer</i>	2014	800,000		2,437,590	649,766	1,200,000	387,764	44,155	5,519,275
	2016	606,250		1,687,561	511,696	955,000	80,023	24,750	3,865,280
	2015	600,000	724,107	1,500,037	444,407	1,000,000	62,938	18,000	4,349,489
	2014	600,000		1,500,013	399,854	900,000	56,828	21,135	3,477,830
	2016	693,750		2,250,081	682,256	950,000	765,294	37,562	5,378,943
	2015	656,250	724,107	1,875,028	555,495	1,000,000	8,270	34,588	4,853,738
	2014	600,000		1,500,013	399,854	900,000	1,363,916	31,781	4,795,564

(1) Positions reflected in this column reflect current positions. In addition to the leadership changes described under Our Named Executive Officers on page 30, the Corporation had previously implemented certain leadership changes in 2014, certain of which were applicable to our current named executive officers. Namely, prior to September 1, 2014: (i) Mr. Bowman served as Executive Vice President, Human Resources; (ii) Mr. Morrison served as President and Chief Operating Officer; (iii) Mr. O Grady served as Chief Financial Officer; and (iv) Ms. Schreuder served as President of Wealth Management.

(2) Amounts in this column represent long-term cash incentive awards, granted in February 2012 for 2011 performance, which vested in February 2015. Long-term cash incentive awards were granted to named executive officers in February 2012 due to changes in the long-term incentive compensation plan design and no such awards have been granted since February 2012. The amount of the award granted to each named executive officer in February 2012 is as follows: Mr. Waddell: \$2,333,333; Mr. Morrison: \$1,166,667; Mr. O Grady: \$700,000; and Ms. Schreuder: \$700,000. Amounts in this column also include interest credited on such awards from the date of grant through the vesting date at a rate equal to the mid-term applicable federal rate for the month of February 2012, compounded annually, in accordance with the terms of such awards.

(3) Amounts in this column represent the grant date fair value of the restricted stock unit and performance stock unit awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Stock Compensation ( FASB ASC Topic

## Edgar Filing: NORTHERN TRUST CORP - Form DEF 14A

718 ). See Note 22 Share-Based Compensation Plans to the consolidated financial statements included in Item 8 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of the assumptions made by the Corporation in the valuation of these stock unit awards. This column includes the following amounts in 2016 with respect to performance stock units, which are based on achievement of target

**Table of Contents**

performance levels: Mr. Waddell: \$3,600,025; Mr. Bowman: \$1,125,041; Mr. Morrison: \$1,750,005; Mr. O Grady: \$1,125,041; and Ms. Schreuder: \$1,500,054. If the maximum level of performance were attained, the value of the performance stock units would be as follows: Mr. Waddell: \$4,500,046; Mr. Bowman: \$1,406,330; Mr. Morrison: \$2,187,521; Mr. O Grady: \$1,406,330; and Ms. Schreuder: \$1,875,068. See the narrative under Description of Certain Awards Granted in 2016 beginning on page 57 of this Proxy Statement for more information on these awards.

(4) Amounts in this column represent the grant date fair value of the option awards computed in accordance with FASB ASC Topic 718. See Note 22 Share-Based Compensation Plans to the consolidated financial statements included in Item 8 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of the assumptions made by the Corporation in the valuation of these option awards. See the narrative under Description of Certain Awards Granted in 2016 beginning on page 57 of this Proxy Statement for more information on these awards.

(5) Amounts in this column represent the annual cash incentives earned by the named executive officers in the applicable years under the Management Performance Plan.

(6) Amounts in this column represent the aggregate increase in actuarial present values of accumulated benefits under the Pension Plan and the Supplemental Pension Plan. At December 31, 2014, the applicable discount rate used to calculate the pension decreased from 5.00% down to 4.25%, resulting in an increase in the present value of benefits under the Traditional Formula for each named executive officer relative to December 31, 2013, except for Mr. O Grady, whose benefits are accrued under the Pension Plan's Pension Equity Plan (PEP) Formula. At December 31, 2015, the applicable discount rate increased to 4.71%, resulting in a decrease in the present value of benefits under the Traditional Formula. This decrease was more than offset by increases in the present value of benefits attributable to other factors for Mr. Bowman and Ms. Schreuder, while the present value of benefits for Mr. Waddell and Mr. Morrison decreased by \$387,577 and \$102,918, respectively. At December 31, 2016, the applicable discount rate decreased to 4.46%, resulting in an increase in the present value of benefits under the Traditional Formula. See Pension Benefits beginning on page 64 of this Proxy Statement for additional information.

(7) The following table sets forth a detailed breakdown of the items which comprise All Other Compensation for 2016.

Name	Contributions	Perquisites		
	to TIP and	and Other		
	Supplemental	Personal	Tax	
	TIP	Benefits	Reimbursements	Total
	\$(a)	\$(b)	\$(c)	(\$)
Mr. Waddell	\$ 30,000	\$ 44,424	\$ 21,968	\$ 96,392
Mr. Bowman	17,063	9,044	400	26,507
Mr. Morrison	24,000	14,204	1,770	39,974
Mr. O Grady	18,188	6,534	28	24,750
Ms. Schreuder	20,813	16,350	399	37,562

(a) Includes matching contributions made by the Corporation on behalf of named executive officers participating in TIP and Supplemental TIP.

(b) With respect to Mr. Waddell, represents financial consulting and tax return preparation services (\$16,500) and personal use of company automobiles (\$27,924). With respect to Mr. Bowman, represents financial consulting and tax return preparation services (\$8,900), including tax preparation

**Table of Contents**

services in conjunction with an overseas assignment, and personal use of company automobiles (\$144). With respect to Mr. Morrison, represents financial consulting and tax return preparation services (\$12,100) and personal use of company automobiles (\$2,104). With respect to Mr. O Grady, represents financial consulting and tax return preparation services (\$6,500) and personal use of company automobiles (\$34). With respect to Ms. Schreuder, represents financial consulting and tax return preparation services (\$15,740) and personal use of company automobiles (\$610).

(c) Represents tax reimbursements provided in connection with personal use of company automobiles and, with respect to Mr. Bowman, taxable expenses relating to an overseas assignment.

**Table of Contents****Grants of Plan-Based Awards**

Name	Grant Date	Estimated Possible Payouts			Estimated Future Payouts			All Other			
		Under Non-Equity Incentive Plan Awards (1)	Thres-hold Target	Maximum	Under Equity Incentive Plan Awards (2)	Thres-hold Target	Maximum	Other Stock Awards: Number of Shares or Units	Option Awards: Number of Securities Underlying Options	Exercise Price of Option Awards (\$/sh)	Grant Date Fair Value of Stock and Option Awards
		(\$)	(\$)	(\$)	(#)	(#)	(#)	(#)(3)	(#)(4)	(\$/sh)	(\$)(5)
Mr. Waddell	2/16/2016		\$ 2,800,000	\$ 6,195,000					110,362	\$ 58.25	\$ 1,637,386
	2/16/2016							30,902			1,800,042
	2/16/2016				30,902	61,803	77,254				3,600,025
Mr. Bowman	2/16/2016		850,000	3,097,500					34,489	58.25	511,696
	2/16/2016							9,657			562,520
	2/16/2016				9,657	19,314	24,143				1,125,041
Mr. Morrison	2/16/2016		1,400,000	4,130,000					53,649	58.25	795,963
	2/16/2016							15,022			875,032
	10/18/2016										