NORTHERN TRUST CORP
Form DEF 14A
March 16, 2017

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.

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(1) Amount Previously Paid:

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

(3) Filing Party:

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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

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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.

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PROXY STATEMENT

The accompanying proxy is solicited on behalf of the Board of Directors (the Board) of Northern Trust Corporation (the Corporation) for use at the Corporation s Annual Meeting of Stockholders to be held on Tuesday, April 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, 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.

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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.

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,

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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.

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

Item	Required Vote	Effect of Abstentions and Broker Nonvotes
Item 1 Election of directors	Affirmative vote of a majority of the votes cast with respect to each nominee. See below for further detail.	Abstentions with respect to a nominee will have no effect on the election of such nominee. Broker nonvotes will have no effect on the voting for this item.
Item 2 Advisory vote on executive compensation	Affirmative vote of a majority of the shares of common stock present and entitled to vote.	Abstentions will have the effect of a vote AGAINST this item. Broker nonvotes will have no effect on the voting for this item.
Item 3 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.	Abstentions will have no effect on the voting for this item. Broker nonvotes 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.	Abstentions will have the effect of a vote AGAINST this item. Broker nonvotes will have no effect on the voting for this item.
Item 5 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.	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.

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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.

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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 <u>FOR</u> the election of each nominee.

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INFORMATION ABOUT THE NOMINEES FOR DIRECTOR

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

LINDA WALKER BYNOE, Director since 2006, Age 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.

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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.

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.

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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.

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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.

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

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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.

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BOARD AND BOARD COMMITTEE INFORMATION

Our Board currently consists of fourteen members. The Board has determined that each of the following 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.

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

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Committee Composition

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

Director	Audit	Business Risk	Capital Governance	Compensation and Benefits	Corporate Governance	Corporate Social Responsibility	Executive
Bynoe							
Crown						C	
Harrison							
Henderson							
Jain							
O Grady							
Prado		C					
Richards							
Rowe					C		
Slark							
Smith	C						
Thompson			C				
Tribbett				C			
Waddell							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.

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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.

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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.

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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;

- 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;

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- 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 depositary 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.

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.

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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.

Corporate Governance Guidelines

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

Code of Business Conduct and Ethics

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

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

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

Management Development and Succession Planning

The Board is responsible for succession planning for the position of CEO. The Board, led by the Compensation and Benefits Committee, annually conducts a formal management development and succession planning review with respect to the position of the CEO and other senior officers. This review focuses on CEO succession planning, as well as developing internal candidates for advancement within the Corporation. The Compensation and Benefits Committee makes recommendations to the Board concerning management development and succession planning, 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.

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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.

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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.

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SECURITY OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS

The following table shows the beneficial ownership of the Corporation s common stock as of December 31, 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
Non-Employee Directors:				
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	*
Named Executive Officers:				
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	*
All directors and executive officers as a group (27 persons)	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.

(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

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.

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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.

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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.

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.

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%.

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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.

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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.

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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	× No compensation plans that encourage excessive risk-taking
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 repricing of underwater options
	× No dividend equivalents distributed on unvested performance or restricted stock unit awards
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	

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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
Linked to Long-Term Performance	Performance stock units based on three-year return on equity constitute 50% of long-term incentive compensation
Aligned with Stockholder Interests	Majority of pay delivered in long-term incentives (approximately 64% of the Chairman and CEO s total direct compensation) Executives are subject to robust stock ownership guidelines
Positioned Competitively in the Marketplace	Compensation levels are developed with reference to a peer group of comparable companies
Discourages Inappropriate Risk-Taking	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.

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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.

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Executive Compensation Program Elements

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

Element	Link to Compensation Philosophy	Rationale/Key Features
Base Salary	Targeted at competitive levels among peer group companies.	Base salaries provide a fixed level of income consistent with a named executive officer s position and responsibilities, competitive pay practices, and internal equity principles.
Short-Term Annual Cash Incentive	Total incentive funding is established as a percentage of pre-tax income. Targeted at competitive levels among peer group companies.	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.
Long-Term Incentive Compensation	Linked to long-term performance. Aligned with stockholders interests by motivating executive officers to act as owners. Targeted at competitive levels among peer group companies.	Long-term incentives are the most significant element of overall compensation. Long-term incentive compensation is comprised of performance stock units (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.
Retirement, Health and Welfare Benefits	Targeted at competitive levels among peer group companies.	Benefits are designed with broader employee populations in mind and are not specifically structured for executive officers.

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

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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