Corporate Lending and Our Approach to Risk Management

The foundation for our steady performance has been our unwillingness to compromise our risk appetite as competition to extend credit drives terms that do not fit within our risk and pricing parameters. Our disciplined approach to risk management has served us well and positions us to continue growing our business and creating value for our shareholders in virtually any environment.

Environmental & Social Risk Management

Environmental issues, including climate change, are impacting our business, our clients and the communities we serve. We assess, mitigate and manage environmental and social risks at both the portfolio and individual transaction levels through a framework that includes portfolio analysis, stress testing, and policies and procedures to govern our underwriting and portfolio management practices. Our approach is regularly reviewed by senior management and overseen by our Board of Directors.

Rapid Risk Screen

In 2018 PNC introduced an Environmental and Social Risk Management (ESRM) Rapid Risk Screen for use across all of Corporate & Institutional Banking. This screen helps us better identify and mitigate risk early in the lifecycle of a transaction. It encompasses environmental and human rights risks, and expands our focus across all of our wholesale lending activities. Transactions identified by the screening are escalated to leaders in the business and underwriting groups, who determine whether to pass on the transaction, do enhanced due diligence alongside the company's CSR team, or proceed as requested.

Environmental Risk Assessment and Analysis

We perform industry assessments to understand how immediate or emerging issues could impact our wholesale credit portfolio. Scenario analysis and stress assessments, using regulatory stress testing

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> Our philosophy is to never take unnecessary risks or trade long-term value for short-term gains. We've designed our risk management policies and initiatives with this in mind.

methodologies and models, can be used to determine magnitude of the risk in a particular credit population. Groups of business, credit and portfolio management employees use our environmental framework to understand the scope and horizon of the risks and opportunities.

We present environmental risks and stress scenario results to PNC's Credit Portfolio Strategy Committee, which manages the overall risk/return balance of our loan portfolio. Outcomes of this review may include incorporating stress results into capital forecasts, enhanced due diligence, changes in origination requirements, or caps and limits on credit exposure.

In 2018, our environmental reviews focused on understanding the risks and opportunities from the demand for electric vehicles over traditionally powered vehicles. We also assessed the impact of alternative energy sources on the energy and utilities sector.

Evolving Policies and Procedures

Our risk management policies and procedures continually evolve to reflect best practices. Our goal is to ensure that the work we do advances our capabilities, is relevant to our business decision making and is valuable to internal and external stakeholders. Over the last few years, we have gradually reduced our lending to coal mining companies, prohibited new lending to coal producers with anything more than a de minimis exposure to mountaintop removal mining, and prohibited construction financing of all single-site coal-fired power plants. These changes reflect our stakeholders' interests and concerns, as well as environmental risks, which, if not addressed, could translate into risks for our business. We have also taken steps to benefit from the opportunities of a transition to a low carbon economy.

PNC's Environmental Risk Management Framework

	Moody's Definition	Impacted Sectors	PNC Actions
Immediate/ Elevated	Sectors "already experiencing material credit implications as a result of environmental risk"	• Coal mining • Coal-related • Unregulated utilities and unregulated power companies	• Lending policy regarding coal mining and coal-fired power plants • Focus on environmental risks in prescreen process for prospects • Enhanced environmental due diligence for coal mining companies, electric power generation utilities and oil & gas (completed initially when onboarding new clients and at least annually for existing clients)

			• Human rights due diligence for coal mining companies and electric power generation utilities in certain foreign jurisdictions • Not actively pursuing new relationships in the coal industry
Emerging/ Elevated	Sectors with "clear exposure to environmental risks that, in aggregate, could be material to credit quality over medium term, 3 to 5 years, but are less likely in the next 3 years"	• Auto manufacturers • Building materials • Commodity chemicals • Mining excluding coal • Oil & gas independent exploration and production • Oil & gas refining and marketing • Power generation projects • Steel	• Focus on environmental risks in prescreen process for prospects • Enhanced environmental due diligence for oil & gas companies (completed initially when onboarding new clients and at least annually for existing clients) • Accounted for the oil & gas and metals & mining industries in our 2017 firm-wide stress test/capital plan • Analyzed the impact and opportunities associated with electric vehicles and assessed the production and use of alternative energy

**Source: Moody's Investors Service. "Environmental Risks: Heat Map Shows Wide Variations in Credit Impact Across Sectors"(November 30, 2015).*

Recognized for our Efforts

Corporate Awards & Recognition

Industry/Reputation

- **U.S. Best Bank,** Euromoney Awards for Excellence (2020)
- **Best National Banks**, Kiplinger (2020)

Corporate Social Responsibility

- **Outstanding Community Reinvestment Act Rating**
- **100 Most Sustainable Companies**, Barron's (2020)
- **JUST 100 America's Most Just Companies**, JUST Capital (2020)
- **America's Most Responsible Companies**, Newsweek (2020)

Diversity, Equity & Inclusion

Accessibility

- **100% Score on Disability Equality Index® (DEI®)** Best Places to Work™ (2020)
- **Top 50 Employers**, CAREERS & the disABLED Magazine (2020)
- **Employer of the Year,** Disability:IN (2019)

LGBTQ+

- **Best Places to Work for LGBTQ Equality**, Human Rights Campaign (2020)
- **Top LGBTQ+ Friendly,** Black EOE Journal (2020)
- **Best-of-the-Best Corporation for Inclusion,** National Gay & Lesbian Chamber of Commerce and National Business Inclusion Consortium, (2019)

Veterans

- **Best of the Best Top Veteran-Friendly Companies**, U.S. Veterans Magazine (2020)
- **Top Veteran-Friendly Supplier Diversity Programs**, U.S. Veterans magazine (2020)

Women

- **100 Best Companies,** Working Mother (2020)
- **Top 70 Companies for Executive Women**, National Association for Female Executives (2020)
- **Gender-Equality Index**, Bloomberg (2020)
- **Top Financial Companies**, Professional Woman's Magazine (2020)
- **Most Powerful Women in Banking and Finance,** American Banker (2020)
- **50 Out Front: Best Places to Work for Women & Diverse Managers,** Diversity MBA Magazine (2020)
- **Best Finance Companies for Women**, Fairygodboss (2020)
- **Board Diversity Award**, DirectWomen (2019)
- **Best Companies to Work for Women**, WOMEN'S CHOICE AWARD® (2019)
- **Best Companies to Work for Multicultural Women**, WOMEN'S CHOICE AWARD®(2019)

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ABOUT

Careers

Diversity & Inclusion

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