# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>JOINT STATEMENT</td>
<td>3</td>
</tr>
<tr>
<td>GOVERNANCE</td>
<td>4</td>
</tr>
<tr>
<td>KEY AREAS OF FOCUS</td>
<td>5</td>
</tr>
<tr>
<td>WHAT WE MONITOR</td>
<td>5</td>
</tr>
<tr>
<td>ESRM APPROACH</td>
<td>6</td>
</tr>
<tr>
<td>SUPPORTING POLICIES, PROCEDURES AND FRAMEWORKS</td>
<td>7</td>
</tr>
</tbody>
</table>
As a National Main Street Bank, we believe that our success is proportional to the prosperity we help to create for each of these stakeholders. This belief, along with our corporate values, shapes how we do business. It drives us to build a talent-focused culture full of opportunities for our employees, to strengthen our communities, to deliver exceptional customer experiences, and to strive to prioritize doing what is right — for our company, for our people, for our communities and for the world — in all of our decisions. To that end, we are excited to publish our first Environmental and Social Policy Guidance for Responsible Lending disclosure, which reflects our integrated approach to Environmental and Social Risk Management (ESRM). This disclosure provides greater transparency on the Environmental, Social and Governance (ESG) practices we employ in making business decisions.

We strive to make lending decisions that balance the needs of our customers and prospective customers with the interests of our other stakeholders, and to integrate ESG considerations across our value chain. These decisions are not always easy, especially as technology, environmental and social issues evolve. We continue to learn and make thoughtful decisions as we go, and we commit to engaging with our stakeholders to understand these evolving issues.

PNC understands the responsibilities that come with being a large financial services provider and seeks to make decisions that are grounded in our values, consistent with our ESG commitments and reflective of our commitment to invest in our talent, our communities and our world.
GOVERNANCE
Our governance of ESRM seeks to balance financial priorities with environmental, human rights, social and reputational risks as we pursue our brand purpose of helping all of our stakeholders move forward financially.

Board Oversight
In 2017, PNC expanded its corporate governance guidelines to clarify that the full board is responsible for overseeing PNC’s corporate responsibility policies, programs and strategies. In November 2019, the guidelines were amended once more to explicitly state that the board’s oversight of corporate responsibility included significant ESG and climate change issues. The decision was made to assign overall responsibility to the board in its entirety, rather than to a committee of the board, because the effective management of ESG issues is essential to all aspects of company strategy and operations.

In recognition of the highly intersectional nature of ESG risks and opportunities, the corporate governance guidelines were once again enhanced in 2021, retaining ultimate oversight of PNC’s ESG strategy at the full board level while further defining responsibility for particular ESG risks and opportunities inherent in each board committee’s purview, as set forth in its respective charter. For example, the Nominating & Governance Committee generally oversees governance matters, such as ensuring that the board benefits from a diversity of backgrounds and views, while social matters are generally overseen by the Human Resources Committee and the Special Committee on Equity & Inclusion. Given the highly integrated nature of environmental concerns, including significant climate change issues, the full board oversees these matters, informed by insights from its committees. As an example, climate-related risks are within the purview of the Risk Committee and are an important component of the board’s overall approach to environmental strategy, along with inputs from other committees. The board reviews the Corporate Responsibility strategic plan annually and receives updates on ESG matters at least quarterly, providing guidance to management with respect to such matters.

Management Level Responsibility
At the management level, PNC maintains executive committee-level oversight of ESG. Execution of our ESG strategies is cross-functional and integrated into business operations. The CEO and full executive committee (EC) provide guidance on, and challenge to, proposed ESG strategies, alliances and commitments.

While the below EC members constitute the formal members of the ESG Executive Steering Group, a number of representatives from various PNC lines of business also participate in these meetings, lending their expertise and advice on ESG

ESG EXECUTIVE STEERING GROUP
PNC also maintains an ESG Executive Steering Group. This is the management-level governance structure PNC uses for setting ESG strategy, approving or recommending ESG goals and commitments, decisioning ESG partnerships and coalitions, and approving PNC’s commitment to new ESG disclosures.

Membership consists of those EC members whose responsibilities most directly touch ESG risks and opportunities and stretches across all three lines of defense:

- Chief Administrative Officer, General Counsel
- Chief Corporate Responsibility Officer
- Chief Human Resources Officer
- Head of Corporate & Institutional Banking
- Chief Risk Officer
- General Auditor
matters of importance to PNC and our stakeholders. Participants at any meeting may include Corporate Communications, Legal, Credit Portfolio Management, Enterprise Risk Management (ERM), ESG, Government Affairs, Human Resources, Internal Audit, Realty Services, Regional Presidents’ Office, Regulatory Affairs and/or Sustainable Finance.

PNC’s ESG practice — which, together with Community Affairs, Community Development Banking, and Diversity and Inclusion, make up the Corporate Responsibility Group (CRG), under the leadership of PNC’s Chief Corporate Responsibility Officer — is a consultative practice that works with PNC’s lines of business to apply an ESG lens to business processes, policies and decisions. The ESG team partners closely with the C&IB team, under the leadership of the head of C&IB, and the Enterprise Risk team, under the leadership of the Chief Risk Officer, to identify transactions in sensitive industries requiring enhanced due diligence and potential executive escalation.

Additionally, the first-line CRG Risk team within the CRG organization oversees the CRG risk program and ensures that risk management is appropriate and in alignment with the risk appetite as documented in the Enterprise Risk Management Framework Policy and the Risk Appetite Framework Policy. The CRG Risk Committee, of which the director of ESG is a voting member, provides a forum for broad discussion and assessment of the CRG Risk Profile and helps ensure alignment with PNC’s enterprise risk management goals and policies.

**Working Groups**

At the practitioner level, PNC employees from across our lines of business also participate in working groups that inform various pieces of our ESRM strategy.

The Reputational Risk Working Group and High Risk Business Entities (HRBE) Working Group are led by ERM and the ESG team and include representatives from PNC’s independent compliance, legal, ethics, audit, investor relations, corporate communications and ESG functions. The Working Groups discuss ESRM issues, identify impacted lines of business and detail actions to address related issues. By involving many different areas within PNC, the working groups help to create a shared level of knowledge among risk-related and external-facing senior management.

As described above, PNC’s ESRM framework is multilayered and cross-functional and designed to introduce several opportunities within the transaction cycle at which to identify, assess and escalate potentially sensitive transactions.

**WHAT WE MONITOR**

The list of ESG issues of concern to companies — and therefore the risks and opportunities associated with those issues — is broad and growing. PNC must meet the needs of a variety of stakeholders, including our own employees, clients, investors and communities. Each stakeholder may hold a unique view as to which ESG issues and risks are most appropriate for companies to actively manage and report against. PNC seeks an approach that addresses the priority issues surfaced through its ESG materiality analysis, as well as monitoring the wide spectrum of issues of concern to its stakeholders.

**KEY AREAS OF FOCUS**

Within our ESRM framework, we focus on the following key areas:

1. Human rights risks
2. Environmental risks
3. Reputational risks
4. Alignment with PNC’s core values
5. Compliance with any prohibitions that we have in place
ESRM APPROACH
Through PNC’s ESRM framework, we’re focused on helping our customers realize their financial goals while diligently managing risks. Our philosophy is to never take unnecessary risks or trade long-term value for short-term gains. Our ESRM framework recognizes that issues such as climate change, human rights, and other environmental and social risks could pose financial, legal and/or reputational risk to PNC.

In 2018, PNC introduced a tool called the Rapid Risk Screen, which extends ESRM screening across the entire C&IB lending portfolio. The tool is agnostic in terms of both industry and transaction value, and — as its name suggests — is designed to provide a quick and easy way to identify and resolve significant environmental, social or reputational risks early in the life cycle of a transaction.

The Rapid Risk Screen tool inserts a pause into the transaction vetting process for us to consider whether the entity being financed, or the purpose of the financing, may have a significant actual or perceived impact on human rights or the environment, or be in conflict with PNC’s core values. Some examples of issues that the Rapid Risk Screen is intended to identify include:

- **Human rights impacts on:**
  - Indigenous people (e.g., Native Americans)
  - Landowners (e.g., through the application of eminent domain or forced displacement)
  - Areas of historical, cultural or natural importance (e.g., archaeological sites)
  - Access to a community’s water, air, food, recreation (e.g., hunting/fishing) or land (e.g., agriculture)
  - The safety of a community/business and its workers

- **Environmental impacts such as:**
  - The quality of a community’s water, air, food or land
  - The health of a community
  - The protection of endangered or protected species

- **Environmental and social reputation due to such things as:**
  - The reputation of the borrower
  - The reputation of PNC
  - A conflict with PNC’s core values

There are two paths that the Rapid Risk Screen can take. One is a path that leads to a hard prohibition: For example, PNC has decided not to extend new credit to private prisons. But the majority of escalations follow the second path, resulting in enhanced due diligence and engagement. The tool provides a pathway for relationship managers, underwriters and others to escalate these concerns and come to a decision at the transaction and portfolio levels.

Listed below is how we’ve defined “E,” “S” and “G” issues for our board of directors — however, it is important to note that this list is meant to be illustrative, not comprehensive. We expect this collection of issues to evolve over time.

<table>
<thead>
<tr>
<th>ENVIRONMENTAL</th>
<th>SOCIAL</th>
<th>GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon &amp; Greenhouse Gas Emissions</td>
<td>Diversity, Equity &amp; Inclusion</td>
<td>Board &amp; Executive Diversity</td>
</tr>
<tr>
<td>Climate Change</td>
<td>Employee Engagement</td>
<td>Board Composition</td>
</tr>
<tr>
<td>Environmental Finance</td>
<td>Community Investment</td>
<td>Executive Compensation, Perks, Metrics</td>
</tr>
<tr>
<td>Green Products, Tech, Infrastructure</td>
<td>Employee Treatment Health &amp; Safety</td>
<td>Political Lobbying &amp; Donations</td>
</tr>
<tr>
<td>Renewable Energy</td>
<td>Human Capital</td>
<td>Shareholder Engagement</td>
</tr>
<tr>
<td>Waste</td>
<td>Lobbying Efforts</td>
<td>Shareholder Rights</td>
</tr>
<tr>
<td>Water Use</td>
<td>Pay, Benefits</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Privacy &amp; Data Security</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Public Stance on Social Issues</td>
<td></td>
</tr>
</tbody>
</table>

**DEFINING “E,” “S” AND “G” ISSUES**

The following table lists how we have defined “E,” “S” and “G” issues for our board of directors — however, it is important to note that this list is meant to be illustrative, not comprehensive. We expect this collection of issues to evolve over time.
At the transaction level, this environmental and social risk screening process helps us identify and mitigate risk early in the life cycle of a transaction and across the company’s wholesale lending activities. Transactions that are identified through this Rapid Risk Screen are escalated to leaders in the business, our underwriting group and our ESG team, who determine whether to proceed as requested, conduct enhanced due diligence and client outreach alongside the company’s ESG team, proceed on modified terms, or pass on the transaction.

At the industry and portfolio levels, risks identified through the ESRM Rapid Risk Screen may lead to the development and maintenance of policies and procedures for particular industries, such as industry-specific guidance and enhanced due diligence applicable to all transactions in that industry for new or existing clients. These measures are then incorporated into our client onboarding and underwriting platforms, processes and line of business policies as necessary.

Occasionally, the ESRM Rapid Risk Screen ultimately leads to a decision to limit exposure to clients with elevated risk profiles. Alternatively, we may make a concerted effort to engage in discussions with our customers and external stakeholders to try to better understand the potential risks and develop a path forward to mitigate those risks. This is a key part of the ESRM Rapid Risk Screen and our broader environmental and social risk management approach.

The Rapid Risk Screen is industry-agnostic because we recognize that ESG risk can be present in any industry. We do provide executive escalation paths, enhanced due diligence or client engagement guidance for industries that we consider to be sensitive based on stakeholder input.

The tool is also designed to be highly modular, allowing us to quickly add additional appropriate guidance as PNC’s strategy, geographic reach or product set changes. It is thus capable of being updated in real time to capture emerging risks. Changes to the Rapid Risk Screen can occur in several ways, including: after a formal policy or procedure change is fully approved through the appropriate governance process; or, organically as a result of emerging risks or trends where additional due diligence would be prudent.

Although the Rapid Risk Screen sits within the Corporate Responsibility Group’s ESG team, ESRM is not a function that’s wholly owned by any one team. We advocate for ways that PNC can apply its resources in a manner consistent with our core values.

**SUPPORTING POLICIES, PROCEDURES AND FRAMEWORKS**

In addition to the Rapid Risk Screen, PNC leverages a number of policies, procedures and frameworks to manage ESG issues. Listed below are a few examples:

**High-Risk Business Entities Policy**

This policy sets forth PNC’s standards for managing risk associated with businesses that present elevated legal, regulatory and/or reputational risk. Adherence to this policy facilitates the appropriate identification, assessment, review and monitoring of high-risk business entities (HRBEs) in accordance with regulatory expectations and PNC’s brand. Certain customer/entity types or attributes may pose heightened financial crime or reputational risk to PNC. Engaging in a business relationship with such customers/entities may result in risks that are inconsistent with PNC’s business strategy, core values and risk appetite. PNC’s Enterprise Risk Management Committee provides oversight of the HRBE Policy, which includes defining high-risk entities, escalation and approval expectations, and consideration of the impact of any policy exceptions to the Reputational Risk Profile of the organization.

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The ESG team acts in a consultative capacity to bring the right people together to have the right conversations about how PNC is tackling these issues from a cross-functional, cross-enterprise perspective.
Environmental Due Diligence Procedure & Questionnaire

This questionnaire establishes environmental due diligence requirements for select commercial transactions. For example, specific transactions related to oil and gas underwritten by our Diversified Industries Group are subject to completion of an Environmental Risk Questionnaire. The responses listed on the questionnaire are completed for each new borrower and updated once each succeeding calendar year in conjunction with a periodic review for new and existing borrowers that exceed a set credit exposure threshold.

Some sample questions include, but are not limited to:

- Has the borrower disclosed any environmental liabilities on its recent financial statements?
- Does the borrower have any material litigation or enforcement action, actual or threatened, against it relating to environmental risk in any of its business operations?
- Does the borrower have an in-house person or outside firm that is primarily responsible for managing internal environmental affairs and monitoring compliance with laws and regulations?
- Does the borrower complete regular audits of their environmental risk management procedures?
- Does the borrower own or operate offshore oil or gas wells?

Commercial Background Research Automation (COBRA) Process

This process helps reduce/mitigate losses and minimize reputational and compliance risk to PNC prior to entering into a new relationship with a commercial lending customer or expanding a relationship with an existing commercial lending customer. A COBRA report occurs when credit exposures meet a certain threshold. This includes all new money identified within the request, whether it is a new facility or an increase to existing facilities. COBRA reviews may also be initiated via ad hoc requests. The COBRA process queries external records for a number of items that may impact the customer’s ability to obtain new or to retain existing financial relationships with PNC. Some of the items reviewed in COBRA include judgments, jury verdicts/settlements, federal/state civil suits, criminal filing and financial services sanctions.

Risk Governance Framework

ERM is centrally responsible for the oversight of the reputational risk for PNC. The ERM framework focuses on identification, assessment, monitoring and reporting of reputational risk across the organization, including ones originating from any of the ESRM Framework prongs listed above. PNC’s ESG team, along with other first and second line of defense teams across the organization, partners with ERM to help ensure that PNC’s reputational risk profile is appropriate and that the right reputational concerns are being elevated when necessary.

The same practices leveraged across other risk disciplines (e.g., credit risk, operational risk) are leveraged here, including:

- Codification of high-risk industries and transactions within the High-Risk Business Entities Policy
- Identification of reputational risks as part of PNC’s risk identification program
- Risk assessment through established quantification and rating practices
- Risk control and monitoring through adherence to enterprise-wide risk program expectations (e.g., risk and control self-assessments, issues management)
- Risk appetite and key risk indicator measurements
- Quarterly risk reporting

Additional information is available in PNC’s current Form 10-K.

For more information about PNC’s approach to Corporate Responsibility, visit www.pnc.com/csr.

If you have questions about this report, please email ESG@pnc.com.