April 12, 2017

Dear PNC shareholder,

We are writing to urge you to VOTE "FOR" PROPOSAL #5 on the PNC 2017 proxy card, which asks the company to disclose workforce diversity metrics as well as diversity programs and policies. The shareholder proposal makes the following request:

> *Shareholders request that PNC prepare a diversity report, at a reasonable cost and omitting confidential information, available to investors including:*
>
> *1. A chart identifying employees according to gender and race in major EEOC-defined job categories, listing numbers or percentages in each category;*
>
> *2. A description of policies/programs focused on increasing gender and racial diversity in the workplace.*

The Employment Information Report EEO-1, or EEO-1 Report, is an annual workforce data survey companies are required to file with the Equal Employment Opportunity Commission (EEOC). The report asks employers to report employment data categorized by race/ethnicity, gender and job category.[1] The chart provides ten pre-defined job categories and six race/ethnic categories.

This issue is of importance to shareholders because research from McKinsey and others found that **companies with highly diverse executive teams had higher returns on equity and earnings performance than those with low diversity**. We are concerned PNC is lagging behind industry peers like Bank of America, Bank of New York Mellon and U.S. Bancorp who disclose and utilize <u>comprehensive</u> workforce diversity data to strategically advance diversity within their companies.

<u>Rationale for a "Yes" Vote:</u>

1. **PNC's current diversity disclosures are insufficient**
    - PNC's current workforce diversity disclosures are not comprehensive in a way that allows investors to determine if PNC has been successful in expanding diversity into various roles within the company.

[1] https://www.eeoc.gov/employers/eeo1survey/faq.cfm#About

- Leading financial services firms such as Bank of America, US Bank, JP Morgan, and Bank of New York Mellon provide greater transparency of workforce statistics consistent with the EEO-1 Report. By providing detailed workforce data these companies are able to demonstrate the progress of diversity initiatives throughout their companies.
    - U.S. Bancorp states: "by providing this data publicly on an annual basis, we hold ourselves accountable to shifting these percentages over time."[2]
    - BNY Mellon affirmed its commitment to transparency and accountability by providing annual EEO-1 data. As of 2015 women held 37% of vice president level manager roles at the company.[3]
    - In addition to disclosing annual EEO-1 data Bank of America states: "The diversity of our employees — in thought, style, sexual orientation, gender identity, race, ethnicity, culture, and experience — is essential to our ability to meet the needs of our diverse customers and clients."[4]
- PNC's current workforce disclosures suggest an inequity in gender diversity within the company. Women hold 78% of office/clerical roles but just 21% of executive/senior level manager roles. By only providing high level and vague information on 'minorities', we are concerned the company may face even greater challenges in incorporating racial diversity within the company.
- Without comprehensive quantitative information we believe the company cannot persuasively demonstrate whether its diversity initiatives are successfully advancing people of color into varying ranks within the company. Therefore, investors cannot accurately determine if the company is capturing the potential business value associated with a highly diverse workforce.

2. Evidence finds that greater workforce diversity may lead to better business outcomes

- A McKinsey & Company 2016 report entitled *Why Diversity Matters* found companies with highly diverse executive teams had higher returns on equity and earnings performance than those with low diversity[5].
- According to 2017 research by Morgan Stanley, companies with higher gender diversity tend to have better fundamentals and better risk-adjusted performance[6]
- McKinsey found that companies in the top quartile for gender or racial ethnicity are more likely to financially outperform national industry medians. Specifically, companies with greater ethnic diversity were 35% more likely to outperform those

[2] https://www.usbank.com/careers/workforce-demographics.html
[3] https://www.bnymellon.com/us/en/_locale-assets/pdf/csr/bny-mellon-2015-csr-full-report.pdf
[4] http://about.bankofamerica.com/assets/pdf/Bank-of-America-2015-ESG-Report.pdf
[5] http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters
[6] https://www.morganstanley.com/ideas/gender-diversity-investment-framework

without ethnic diversity while companies in the top quartile for gender diversity were 15% more likely to outperform.[7]

- Currently, PNC provides high level ethnic/minority information, categorizing employees by either 'white' or 'minority.' But under EEOC rules, the company must collect information on six ethnic categories: white, black or African American, Native Hawaiian or Pacific Islander, Asian, American Indian or Alaskan Native, or two or more races. By summarizing this data in such a vague manner, the company prevents investors from fully understanding and evaluating the company's commitment to diversity and progress over time.
    - Research from McKinsey found**: "for every 10 percent increase in racial and ethnic diversity on the senior-executive team, earnings before interest and taxes (EBIT) rise 0.8 percent."**[8]
- PNC reports that just 11% of Executive/Senior Level Manager roles are held by ethnically diverse employees[9]. Due to the broad categorization of employees there is insufficient information to determine where the company should focus its efforts to achieve the greatest outcome. The EEO-1 report groups employees by gender and also
- There is ample evidence that the financial services sector has not been successful in incorporating gender and racial diversity into senior roles. As a member of this industry, it is incumbent upon PNC to demonstrate convincingly that this is not an issue for the company.
    - An analysis by Morgan Stanley found that while at first glance the financial services sector has larger representation of women than other sectors, it is appears that gender diversity is not evenly distributed throughout companies. "This suggests a drop-off in diversity moving from support jobs updates and thus a potentially missed opportunity for financial services."[10]
    - Other asset management firms have begun acknowledging the lack of gender diversity in senior roles. In August, 2016 seven global asset managers including BlackRock, Capital Group, and Fidelity, shared diversity statistics which show, on average, that women represent nearly one-half of their workforces but represent just one-quarter of senior staff.[11]

3. The Proposal's request is not cost prohibitive

- PNC is required by law to submit the EEO-1 Report to the Equal Employment Opportunity Commission. The chart identifies employees according to gender and race in 10 major EEOC-defined job categories, listing numbers or percentages in

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[7] http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters
[8] http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters
[9] https://www.pnc.com/en/about-pnc/corporate-responsibility/diversity-and-inclusion/talent-acquisition.html
[10] Zlotnicka et al, Gender Diversity: Profile of the Financial Sector. Morgan Stanley Research. 2017
[11] https://www.ft.com/content/2e3a7dbe-5b09-11e6-9f70-badea1b336d4

each category. To satisfy the proposal PNC would simply need to make this chart publicly available. This means that disclosing the company's EEO-1 chart would not be cost prohibitive. In fact, the cost should be minimal.

For all the reasons provided above we strongly urge you to VOTE "FOR" PROPOSAL #5.

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