CtW Investment Group

October 6, 2016

Andrew T. Feldstein, JD
Chairman of the Risk Committee
The PNC Financial Services Corporation, Inc.
The Tower at PNC Plaza
300 Fifth Avenue
Pittsburgh, PA 15222

Dear Mr. Feldstein,

In light of both the clear regulatory and reputational risks that poorly designed human capital management practices pose to banks, and the likelihood of significant regulatory scrutiny of customer service practices, we urge you and your fellow directors to take prompt preventative action by initiating a thorough re-examination of PNC's employment practices, particularly those determining pay, promotion, and retention for front-line customer service workers.

The CtW Investment Group works with union-sponsored pension funds to enhance long-term stockholder value through active ownership. These funds have over $250 billion in assets under management and are substantial PNC shareholders.

Federal regulators' recent enforcement action against Wells Fargo for creating millions of fake accounts without customers' knowledge or permission evinces the significant risks that inappropriate and poorly designed human capital management practices may pose to a bank's operations, reputation, and regulatory standing. However, previous research demonstrated that false account fraud is unlikely to be limited to Wells Fargo: a 2016 report by the National Employment Law Project documented testimony from dozens of bank workers nationally that they have been pressured by managers and sales quotas to create false customer accounts. At the conclusion of the Senate Banking Committee's hearing on the Wells Fargo scandal, Chairman Richard Shelby called for an industry-wide investigation of bank sales practices to be jointly undertaken by the Office of the Comptroller of the Currency and the Consumer Financial Protection Bureau.

Given the clear increase in regulatory concern over customer service practices, the board should expeditiously commission a comprehensive review of PNC's human capital management practices by an appropriate external organization, under the supervision of the board, with particular focus on:

- Assessing the fit or lack thereof between incentive pay, performance review, and retention and promotion policies, on the one hand, and the company's long-term strategic goals, on the other.
- Measuring the risk that explicit incentives presented by pay, evaluation, and promotion policies encourage unethical behavior.
- Recommending both immediate changes to company policies and practices, and methods to ensure that the board and senior management are provided on an ongoing basis with reliable, uncoerced, systematic feedback concerning those policies and practices from front-line employees who are assured they will not be subjected to retaliation for providing such feedback, as well as training for supervisors and managers on non-interference and non-retaliation.

- Ensuring that the bank's executive pay policies and agreements enable the board to claw back compensation from executives responsible for business units whose activities result in regulatory enforcement actions and/or reputational harm to the company.

If the board fails to act quickly to determine the extent, if any, to which existing human capital management practices exacerbate operational, reputational, or regulatory risks to the bank, we will be very concerned that you and your fellow directors are being complacent in the face of significant but avoidable risks. Under such circumstances, we would likely be unable to support the re-election of directors at next year's annual meeting.

We would be happy to discuss our recommendations with you at your convenience. Please contact our Research Director Richard Clayton at (202) 721 6038 to pursue such a dialog.

Sincerely,

Dieter Waizenegger
Executive Director