This Corporate Sustainability and ESG Report (or Report), will focus on those environmental, social and governance (or ESG) factors that are relevant to our business and our communities, and will highlight our commitment to increased transparency in our sustainability practices. We are pleased to share this Report with you, as it demonstrates how our business creates value for our customers, investors, employees, and a range of other stakeholders.

Going forward, we plan to issue an updated Report annually, further detailing how we are committed to disclosure transparency and the ways in which we continue to help empower the financial independence of our customers through sustainable homeownership. This Report has been prepared in accordance with the principles and disclosures of the Sustainability Accounting Standards Board (SASB) Mortgage Finance Standard. SASB’s mission is to help businesses around the world identify, manage and report on the sustainability topics that matter most to their investors. We also considered elements of the Global Reporting Initiative (GRI) Standards: Core Option. The SASB disclosures included in this Report are highlighted in the SASB Index Disclosures. The highlights and metrics shared in this Report represent the 2020 fiscal year, and when possible, we have provided data for additional years. To view this Report online, please visit our Investor Relations website at http://ir.pennymacfinancial.com.
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As Chairman and CEO of PennyMac Financial Services, Inc., it is my great privilege to lead our company and to have an opportunity to build long-term, trusting relationships with each and every one of our stakeholders. As a company, we are guided by our core values of being Accountable, Reliable and Ethical and have an unwavering commitment to creating long-term value for our stakeholders while recognizing the importance of the environmental, social and governance (or ESG) impacts of our business operations.

At PennyMac Financial, we’ve made it our mission to be more than just a mortgage lender. We aim to achieve and maintain the highest level of trust and quality in the mortgage loan experience from beginning to end, helping our customers realize the dream of homeownership and improving the wellbeing of the communities we serve.

While last year we published a baseline corporate sustainability report, this is our inaugural Corporate Sustainability and ESG Report (referred to herein as the Report). This Report is intended to be a companion to the PennyMac Financial, Inc. 2020 Annual Report to Stockholders and the 2021 PennyMac Financial Services, Inc. Definitive Proxy Statement.

Our commitment to voluntarily reporting the information in this Report supports the evolving information needs of all of our stakeholders and provides a lens into those certain ESG impacts that could have an effect on our long-term operational and financial performance, as well as the ability to execute on our strategic priorities.

In 2020, we continued taking important steps to meaningfully integrate our corporate sustainability and ESG agenda into every aspect of our business – in our human capital management, in our business operations and in our governance practices. And having experienced the COVID-19 pandemic in 2020, our company and all of our stakeholders are keenly aware of the fact that sustainability matters and will continue to play a critical role in supporting our long-term performance and growth as a leader in our industry. As challenging as 2020 was for us as an organization, the pandemic allowed us to demonstrate to our stakeholders that we could respond quickly in a crisis situation and continue to execute on our strategic priorities. As we actively managed our business activities during this time, we were required to pivot from traditional business and operational strategies with a prioritized focus on our customers, our employees and our long-term sustainability as an organization.

At PennyMac Financial, we take environmental stewardship seriously and recognize the opportunity and importance of managing the environmental impact of our operations, while minimizing our exposure of risks associated with weather-related natural catastrophes. Our commitment is evidenced in numerous aspects of our business, including efforts around waste reduction and management, improved energy efficiency in our operations, and water conservation.
We are also intentional in managing the social impact of our operations in a sustainable manner so that we are able to meet the needs of our stakeholders and society as a whole. As part of those efforts, we continue to implement a number of enterprise wide programs and initiatives that are designed to support our goals related to attracting, developing and engaging the best talent and becoming an employer of choice. To that end, we are intentional about fostering a culture of inclusion and empowering employees from diverse backgrounds and experiences to connect, contribute, and realize their full potential. In advancing the long-term success of our employees at PennyMac Financial, we also consistently prioritize their health, safety and wellbeing, the importance of which was underscored by the manner in which we supported and protected our employees during the COVID-19 pandemic.

In managing our governance impact, we fully integrate sound governance principles and the highest ethical standards into all aspects of our business starting with our Board and executive leadership. Our Board’s oversight of our corporate sustainability and ESG practices, our enterprise risk management framework, and the establishment of robust policies and procedures to drive business conduct that aligns with our core values of being Accountable, Reliable and Ethical are all central to our efforts to ensure our long-term success as an organization.

Notwithstanding the extraordinary challenges faced in 2020 by our customers, our employees, our company and society as a whole, we at PennyMac remain committed to executing on our strategic priorities in order to create long-term sustainable value for all of our stakeholders. I invite you to learn more about how we do that in this Report.

Sincerely,

David A. Spector
Chairman and Chief Executive Officer
About PennyMac

We are a specialty financial services firm with a comprehensive mortgage platform and integrated business primarily focused on the production and servicing of U.S. residential mortgage loans (activities which we refer to as mortgage banking) and the management of investments related to the U.S. mortgage market. We believe that our operating capabilities, specialized expertise, access to long-term investment capital, and our management’s experience across all aspects of the mortgage business will allow us to profitably grow these activities and capitalize on other related opportunities as they arise in the future.

We operate and control all of the business and affairs and consolidate the financial results of Private National Mortgage Acceptance Company, LLC (PennyMac). PennyMac was founded in 2008 by members of our executive leadership team and two strategic partners, BlackRock Mortgage Ventures, LLC and HC Partners, LLC, formerly known as Highfields Capital Investments, LLC, together with its affiliates. Our principal mortgage banking subsidiary, PennyMac Loan Services, LLC (PLS or our Servicer), is a non-bank producer and servicer of mortgage loans. Our investment management subsidiary, PNMAC Capital Management, LLC (PCM), is a registered investment adviser and the external manager of PennyMac Mortgage Investment Trust (NYSE: PMT), a mortgage real estate investment trust.

We conduct our business in three segments: production, servicing (together, production and servicing comprise our mortgage banking activities) and investment management.

- The production segment performs loan origination, acquisition and sale activities.
- The servicing segment performs loan servicing for both newly originated loans we are holding for sale and loans we service for others, including for PMT.
- The investment management segment represents our investment management activities, which include the activities associated with investment asset acquisitions and dispositions such as sourcing, due diligence, negotiation and settlement.

On May 14, 2013, our common stock was listed on the New York Stock Exchange under the ticker symbol “PFSI.” Our corporate headquarters are located at 3043 Townsgate Road, Westlake Village, CA 91361.

Photo of executive leadership team taken on November 25, 2019 at the New York Stock Exchange.
As a leader in the U.S. residential mortgage business with a relentless focus on the customer, our competitive advantage is defined by our management expertise, agile delivery of process improvements and technology innovation, and a superior culture based on Accountable, Reliable and Ethical action to earn and maintain the trust and respect of employees, customers, regulators, business partners and shareholders.

Core Values

Fostering a strong company culture is a key characteristic of a successful enterprise. For us at PennyMac, it’s ultimately about creating an environment that can support our strategic mission, sustain our successes and embed a common DNA around our values and across our company’s growing and distributed workforce. Our values at PennyMac are reflected in the phrase “We A.R.E. PennyMac.” and establish our commitment to, and our desire to be viewed as, conducting our business in an Accountable, Reliable and Ethical (A.R.E.) manner.

**Accountable** — Doing the right thing in an accountable way means we continuously seek to drive performance excellence through innovation, risk management and active measurement.

**Reliable** — Doing the right thing reliably means we work together and commit ourselves fully to exceed customer expectations by operating with urgency and demonstrating our technical expertise.

**Ethical** — Doing the right thing ethically means we behave with honesty, fairness and integrity to build the utmost trust among each other and with everyone our business serves.

Our A.R.E. core values are reinforced by behavioral standards that help influence the conduct that PennyMac’ers exhibit everyday with customers, colleagues and other stakeholders and that ultimately support the achievement of our long-term business goals.

Our behavioral standards ensure that employees are constantly focused on identifying ways to drive new growth, making sound business decisions, monitoring our performance, treating our customers with dignity and respect, focusing on responsiveness without compromising quality and having a positive attitude.

When we consistently demonstrate behaviors that are aligned with our A.R.E. core values and behavioral standards, great things happen. Our employees are able to use their skills and talents to experience a fulfilling and successful career. And our company is better able to drive long-term sustainable and profitable growth.
Growth Strategy

Our growth strategy is based on five key business focus areas: consumer direct lending, broker direct lending, correspondent production, mortgage loan servicing and new markets and products.

Growing Consumer Direct Lending

We expect to grow our consumer direct lending business by leveraging our growing servicing portfolio through recapture of existing customers for refinance and purchase-money loans as well as increasing our non-portfolio originations. As our servicing portfolio grows, we will have a greater number of leads to pursue, which we believe will lead to greater origination activity through our consumer direct business. As of December 31, 2020, we serviced 1.9 million loans. At the same time, we are making significant investments in technology, personnel and marketing to increase our non-portfolio originations. We believe that our national call center model and our innovative technology will enable us to drive origination process efficiencies and best-in-class customer service.

Growing Broker Direct Lending

The broker direct lending channel involves the underwriting and funding of mortgage loans sourced by mortgage loan brokers and other financial intermediaries. According to Inside Mortgage Finance, the broker lending channel represented approximately 14% of U.S. residential mortgage originations in 2020. In 2020, 2019 and 2018, we funded $12.2 billion, $3.8 billion and $378.5 million of mortgage loans, respectively, through our broker direct lending channel. We plan on growing our mortgage loan volume by adding broker relationships and offering our mortgage loan brokers access to our best-of-channel technology through a dedicated portal.

Growing Correspondent Production

We expect to grow our correspondent production business by expanding the number and types of sellers from which we purchase loans and increasing the volume of loans that we purchase from our sellers as we continue to expand the loan products and services we offer. Over the past several years, a number of large banks have exited or reduced the size of their correspondent production businesses, creating an opportunity for non-bank entities to gain market share. We believe that we are well positioned to continue taking advantage of this opportunity based on our management expertise in the correspondent production business, our relationships with correspondent sellers, and our supporting systems and processes.

Growing our Mortgage Loan Servicing Portfolio

We expect to focus the growth of our servicing portfolio on loan production activities, as our correspondent government-insured production and consumer and broker direct lending add new servicing for owned mortgage servicing rights (or MSRs), and correspondent conventional production adds new subservicing. In 2020, our correspondent, consumer direct and broker direct loan production totaled $196.6 billion in UPB. We may supplement our organic growth with MSR acquisitions, some of which may be concentrated in delinquent or defaulted loans for which we have expertise in servicing. We have acquired MSRs both from large mortgage servicers and independent mortgage bankers, which may sell MSRs due to continuing operational and regulatory and capital pressures. In 2020, we purchased MSRs relating to approximately $2.4 billion in UPB of underlying loans.

Expansion into New Markets and Products

We regularly evaluate opportunities to grow our business, including expansion into new markets. We also continue to develop new responsible lending products to satisfy demand from customers in each of our production channels and respond to changing circumstances in the market for mortgage-related financing.
COVID-19 Pandemic Response

In early 2020, the COVID-19 pandemic began to take an unprecedented toll on our nation and the world. Our collaborative and swift COVID-19 response was consistently guided by our key priorities – assisting our borrowers, supporting our employees, and engaging with our local communities.

Assisting our Borrowers

During the COVID-19 crisis in 2020, mortgage forbearance plans played an important role in helping our customers manage their finances by providing short-term liquidity. In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed, among other things, to allow borrowers with federally-backed loans to request temporary payment forbearance in response to the increased borrower hardships resulting from the COVID-19 pandemic. For our customers who were experiencing financial difficulty and couldn’t afford to make monthly payments as a result of COVID-19, we provided various types of forbearance options, including those available under the CARES Act, and allowed them to pause or reduce mortgage payments for a limited period of time. For those customers who were not able to resume making monthly payments at the end of their forbearance plans due to hardship from the pandemic, we allowed them to request an extension of the forbearance plan, up to 180 days. In certain circumstances of continued hardship, we provided additional extensions upon request after the 180-day period.

During the forbearance period, our borrowers were protected from late fee charges and calls from collectors. Many of our loans moved into forbearance at rates higher than typical during normal operations. As a result of our innovative technology capabilities, however, we were able to leverage technology to ensure our customers received the same high levels of service they expect from us. Customers needing to request forbearance were able to do so quickly and easily, most often using our automated systems.

To accommodate our borrowers, we also implemented extended hours for our Customer Experience team to be able to connect with customers to discuss any questions or concerns they might have, provide them with the most up-to-date information, and assist them in understanding the all available relief options that may be applicable.

Finally, we provided resources to assist customers in finding HUD-certified approved housing counseling agencies and to ensure that homeowners and renters had the most up to date and accurate housing assistance information. Customers can access additional information through PennyMac’s COVID-19 Resource Center website.

Supporting our Employees

During 2020, our workforce grew from over 4,000 domestic employees as of the fiscal year ended December 31, 2019 to over 6,000 domestic employees as of the fiscal year ended December 31, 2020. Ensuring the safety of our employees while continuing to best serve our customers was our first priority, and we took all the necessary steps to do so. Our Business Continuity Team met on a frequent and recurring basis with executive management and division leaders to implement business continuity plans and measures to safeguard our employees and ensure compliance with all national, state and local mandates.

We shifted the overwhelming majority of our operations to a remote work environment strategy and enabled our employees to safely work from the comfort of their homes. For the limited population of employees whose jobs would not allow for working remotely, we took significant precautionary measures to help maintain a safe and clean work environment, including the implementation of social distancing measures, requirements for all employees to wear facial coverings, and enhanced cleaning and sanitizing protocols in accordance with the guidelines of the Centers for Disease Control and Prevention. We also developed a process for tracking and reporting possible COVID-19 exposure and quarantine cases, mitigating
potential spread of COVID-19 through the enactment of office site visitation protocols, and communicating the temporary closure or reopening of an office site.

We also developed a comprehensive COVID-19 resource center intranet website for our employees with COVID-19 Guidelines, including a PennyMac Staying Healthy Playbook, information regarding our Compensation and Sick Leave Policy and expanded paid time off benefits to care for themselves and family members, and to manage the closures of schools and childcare facilities. In addition, we provided resources regarding policies around working from home, face coverings, social distancing and more.

We provided our employees with access to a number of COVID-19 health resources. We expanded our wellness program by providing registered nurses on-site for team members at several locations to serve as a personal resource for confidential, consultative health questions and services, regardless of health care coverage. Our nurses also provided basic health diagnostic services like temperature and blood pressure checks. Our employees received other helpful resources to support their mental and physical well-being, regardless of medical coverage, and to help them identify child care and other types of caregiver resources.

To support workforce safety throughout the pandemic, we provided a number of care packages with items such as credit card-style hand sanitizers, no-touch brass keys, face masks, and individually-packaged treats. For certain office sites where we maintain the Penny Pantry Café as an in-house corporate dining facility, we offered meals as a safe and affordable choice for restaurant-quality food and established a no-contact curbside pickup process to maintain social distancing guidelines.

Engaging with our Local Communities
Supporting the resilience of our local communities has been another critical component of our COVID-19 response. In many of our office sites, we offer the Penny Pantry Cafe, an in-house corporate dining facility. When the pandemic impacted our business operations, we found that many of our Penny Pantry team members were suddenly idle with significantly reduced demand due to the shift of many of our employees to a remote work environment. We recognized this as an opportunity to make a positive impact in our local communities and support front-line and essential workers. To that end, we committed our Penny Pantry resources and delivered approximately 425 meals per week to local medical centers, including UCLA Medical Center, UCLA Dialysis, and Tarzana Hospital, to ensure that staff members were served fresh, healthy, and nutritious meals. As part of our COVID relief efforts, we also provided thousands of disposable gloves to protect the health and safety of front line workers such as the deputies of the Malibu Lost Hills Sheriff’s Station as they carried out their duties in assisting citizens in our local communities.

We also provided funding to several charitable organizations located near our office sites that support missions such as sustainable homeownership, mortgage and rental assistance, food insecurity, disaster recovery, family and child advocacy, and community empowerment. As a mortgage lender with a significant presence in several local markets, we wanted to do our part to help counter the devastating personal and economic effects of COVID-19 and help our communities regain stability.
Our Corporate Sustainability and ESG Program was established as a core foundational discipline with the appointment of our Senior Managing Director of Strategic Planning and Corporate Sustainability and our Executive Vice President of Corporate Sustainability. We also formed a Corporate Sustainability Subcommittee and approved a Corporate Sustainability and ESG Policy, which defines the framework, requirements and governing platform for how we identify and manage the ESG impacts of our operations in furtherance of our strategic plan objectives.

The primary components of the Corporate Sustainability and ESG Policy are Board and Management Oversight, Policies and Procedures, Monitoring and Sustainability Reporting.

Our Board and management oversight program component establishes who is responsible for providing oversight and making critical decisions. During 2020, this was a primary responsibility of the Corporate Sustainability Subcommittee of the Executive Committee.

We also establish policies and procedures that support and define the controls necessary to manage identified ESG risks and opportunities.

Through ongoing monitoring, we are able to measure those ESG factors that are material to our business operations.

Finally, our commitment to sustainability reporting demonstrates to our internal and external stakeholders our commitment to corporate sustainability disclosures that are decision-useful, transparent, accurate and complete.
Corporate Sustainability and ESG Governance

We established the following governance structure for our Corporate Sustainability and ESG Program during 2020:

- Board of Directors
- Nominating and Corporate Governance Committee
- Executive Committee
- Corporate Sustainability Subcommittee
- EVP, Corporate Sustainability
- Division Management and Working Groups
- Stakeholder Engagement

Our Corporate Sustainability and ESG approach starts with acknowledging that our stakeholders are the beneficiaries of our growth and success as an enterprise.

**Stockholders**

We engage in active discussions with our stockholders on a variety of topics throughout the year to ensure that we address their concerns with transparency and accountability.

**Customers**

We interact with our employees on a consistent basis regarding our strategic priorities and financial performance. We conduct periodic pulse surveys and host an anonymous reporting hotline.

**Employees**

Our A.R.E. core values drive our efforts to consistently improve the borrower experience by meeting their expectations and delivering outstanding customer service.

**Regulators**

We engage with and seek to build trust with regulators on regulatory matters that impact our business operations through regular meetings, audits, and site visits.

**Communities and Nonprofit Organizations**

We foster community engagement through philanthropy and ongoing discussions with national and local charitable organizations in the communities where we serve.

**Government Sponsored Enterprises**

We engage in regular discussions with government sponsored enterprises such as Fannie Mae, Freddie Mac, and Ginnie Mae as our product offerings are highly dependent on the programs that they administer.
Based upon the SASB Materiality Map, the table below shows those environmental, human capital, social capital, business model and innovation, and leadership and governance sustainability issues that are likely to affect the financial or operating performance of a company within the Mortgage Finance industry of the Financials sector compared to several other broad sector or industry categories.

### Environmental

<table>
<thead>
<tr>
<th>Dimension</th>
<th>General Issue Category</th>
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<th>Food &amp; Beverage</th>
<th>Transportation</th>
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<tr>
<td>Environmental</td>
<td>GHG Emissions</td>
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<td>X</td>
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<td></td>
<td>Air Quality</td>
<td>X</td>
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<td>Energy Management</td>
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<td>Water and Wastewater Management</td>
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<td>Waste &amp; Hazardous Materials Management</td>
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<td>Ecological Impacts</td>
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</table>

Note: Environmental sustainability issues were not identified as a material for any industries in the Financials sector; therefore, the table above provides a comparison against other broad sectors. An “X” indicates those issues likely to be material for more than 50% of the companies in the sector or industry. See Sustainability Accounting Standards Board (SASB) 2018. “SASB Materiality Map”. Website: https://materiality.sasb.org/

### Human Capital

<table>
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<tr>
<th>Dimension</th>
<th>General Issue Category</th>
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<th>Asset Mgmt &amp; Custody Activities</th>
<th>Commercial Banks</th>
<th>Consumer Finance</th>
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<tbody>
<tr>
<td>Human Capital</td>
<td>Employee Engagement, Diversity &amp; Inclusion</td>
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### Social Capital

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<tr>
<th>Dimension</th>
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</tr>
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<tbody>
<tr>
<td>Social Capital</td>
<td>Human Rights &amp; Community Relations</td>
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<td>Customer Privacy</td>
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<td>Data Security</td>
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<td>Access &amp; Affordability</td>
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<td></td>
<td>Selling Practices &amp; Product Labeling</td>
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### Business Model & Innovation

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<th>Dimension</th>
<th>General Issue Category</th>
<th>Mortgage Finance</th>
<th>Asset Mgmt &amp; Custody Activities</th>
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<td>Business Model &amp; Innovation</td>
<td>Physical Impacts of Climate Change</td>
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### Leadership & Governance

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<th>Dimension</th>
<th>General Issue Category</th>
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<td>Leadership &amp; Governance</td>
<td>Business Ethics</td>
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<td>Management of the Legal &amp; Regulatory Environment</td>
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<td>Systemic Risk Management</td>
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Note: An “X” indicates those issues likely to be material for companies in the represented industries of the Financials sector.
Our Environmental Impact

Our Environmental Responsibility

We recognize the importance of interacting responsibly with our planet and maintaining natural resources in a manner that ensures that we are able to meet our needs without compromising the ability of future generations ahead to meet their needs, as well. As climate change continues to cause growing uncertainty for communities all across the United States, we recognize that these issues are important to our customers, our employees, our communities, and our stakeholders, as a whole. We are committed to doing our part and helping to minimize our environmental footprint and have adopted a Corporate Sustainability and ESG Policy.

We have not identified any significant risks posed by our business to the environment, which is consistent with the SASB Materiality Map and indicates that environmental risks generally are not financially material for companies within the Mortgage Finance sector of the Financial Services industry.

Minimizing Environmental Impact

Minimizing our environmental impact while growing profitably is important as we strive to build a strong, sustainable business for our stakeholders. As a leader in the mortgage industry, business optimization is a priority in our efforts to be as efficient and cost-effective as possible. As a mortgage lender, our operations are not energy-intensive relative to many other industries and, as a result, our carbon footprint is relatively limited. From an environmental standpoint, however, we remain focused on waste reduction and management, improving the energy efficiency of our office sites, and water conservation.

Waste Reduction and Management

Waste reduction is at the core of our business model and low-cost operations. In an effort to reduce waste, we removed personal printers from all workstations and most individual offices in order to encourage printing from centralized locations in office buildings. We have also focused on transitioning customers to online platforms to support the digital delivery of documents and statements. Approximately 40% of our customers use electronic statements, resulting in over 30 million sheets and 21 million envelopes saved annually from electronic communications and combined documents in 2020. In addition, for our consumer direct lending channel, approximately 95% of our customers provide eConsent and electronically sign their upfront disclosures.
During 2020, PennyMac also participated in the USPS BlueEarth Secure Destruction program, a service offered to reduce handling costs associated with receiving, handling and destroying return-to-sender mail that includes privacy protected information. This program allows us to reduce our carbon footprint, increase our recycling efforts, and reduce the handling costs related to the reverse logistics associated with returning mail to our office sites.

When reducing our paper use is not an option, we strive to divert waste from landfills through recycling. Our confidential waste program is our most widespread recycling program, resulting in more than 440,000 pounds of paper and other confidential materials being recycled in 2020. Our recycling volumes were down from 2019 due to the fact that most of our employee workforce was working remotely. A summary is provided below:

<table>
<thead>
<tr>
<th>2020 Recycling Summary</th>
<th>Recycling Volumes in 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weight Recycled (Pounds)</td>
<td>440,131</td>
</tr>
<tr>
<td>Short Tonnage Recycled</td>
<td>220</td>
</tr>
<tr>
<td>Trees Saved</td>
<td>3,765</td>
</tr>
<tr>
<td>Oil Saved (Gallons)</td>
<td>83,625</td>
</tr>
<tr>
<td>Energy Saved (kW)</td>
<td>880,261</td>
</tr>
<tr>
<td>Landfill Space Saved (Cubic Yards)</td>
<td>660</td>
</tr>
<tr>
<td>Water Saved (Gallons)</td>
<td>1,540,458</td>
</tr>
</tbody>
</table>

Q1 170,249
Q2 85,882
Q3 86,826
Q4 97,174

For every two consoles shredded and recycled, one tree is saved.

Beyond paper and confidential materials, recycling for cardboard boxes, plastic and glass bottles and containers, aluminum and other recyclable waste is provided in certain office sites. We are working with our Facilities Team to further expand our recycling capabilities and engage with our employees on the proper methods of recycling to reduce our environmental footprint.

Our goal is to divert as many electronics as possible from landfills by reusing or recycling them. Our priority is to reuse electronics internally, but when that’s not possible, we market these materials for reuse through approved vendors or recycle them. To address the growing challenges associated with electronic waste (e-waste), several of our office sites coordinate with third parties for e-waste recycling. This helps divert hazardous waste from landfills, where toxic substances can leach the soil. In 2020, we recycled approximately 10,000 pounds of e-waste across the enterprise. We are continuing to expand our e-waste reduction initiatives to ensure that electronics are responsibly collected, reused or recycled.
During 2020, we also significantly increased the number of video meetings for employees and telephonic meetings for our Board. We held approximately 410,000 video meetings during the year, resulting in a substantial reduction of hard copy meeting materials, as well as a meaningful reduction in travel to meetings thereby reducing our carbon footprint.

Energy Efficiency

Reducing energy consumption in our expanding office locations is a priority. An energy management system is utilized in several office sites, including our corporate headquarters, to control and manage heating, ventilation, air conditioning and lighting to curb energy use when it is least required. And there are opportunities to further improve our performance in this regard. In 2021, we will be upgrading some of our existing energy management systems to benefit from the latest technologies to even more effectively control, and ultimately lower, our energy consumption.

We have prioritized the use of energy-efficient LED lighting inside most of our office buildings. We are gradually retrofitting existing office buildings with LED lighting and expect to continue with this conversion over the next several years. We also adopted the use of LED fixtures for exterior lighting. Our corporate headquarters also contains a solar system that provides energy credits for the facility.

In addition to improving building efficiency and energy monitoring, we also support energy efficiency and the reduction of carbon emissions by proactively ensuring that electronic vehicle charging stations are made available for a number of our office sites, including our Westlake Village, CA, Moorpark, CA, and Summerlin, NV locations.

Water Conservation

Our office sites are not water intensive compared to certain companies in other industries. Even so, we recognize the environmental benefits of proactively managing our water consumption. For our offices in certain markets, our property managers utilize landscaping that doesn’t require high volumes of water. Many of our buildings are equipped with water-saving features, such as low-flow water fixtures and faucets. We also encourage our property managers to explore sustainable technologies, including a water-saving technology that improves the efficiency of water systems in our office sites. We do not have any business operations outside of the United States and therefore do not use water outside of our primary domicile.

Managing Our Environmental Risks

To manage our environmental risks, we pursue a path of continuous improvement – identifying, understanding, and managing our environmental impacts as it relates to paper reduction and recycling, waste reduction and management, energy efficiency and water conservation. We are continually seeking ways to reduce energy consumption and minimize the associated greenhouse gas emissions.

In connection with our business activities, we are exposed to risks associated with adverse weather conditions, man-made or natural disasters such as hurricanes, tornadoes, earthquakes, pandemics, such as COVID-19, floods, droughts, fires and other environmental conditions that can adversely impact properties that we own or that serve as collateral for loans we own or service, as well as properties where we conduct business.
Potentially adverse consequences of global warming and climate change, including rising sea levels and increased intensity of extreme weather events, could similarly have an impact on our properties and the local economies of certain areas in which we operate. Although we believe our owned real estate and the properties collateralizing our loan assets or underlying our MSR assets are appropriately covered by insurance, we cannot predict if we or our borrowers will be able to obtain appropriate coverage at a reasonable cost in the future, or if we will be able to continue to pass along all of the costs of insurance. There also is a risk that one or more of our property insurers may not be able to fulfill their obligations with respect to claims payments due to a deterioration in its financial condition or may even cancel policies due to increasing costs of providing insurance coverage in certain geographic areas.

All of these factors are taken into consideration and actively managed in order to minimize our exposure to risk of loss and disruptions in our operations.
As of December 31, 2020, our workforce had grown to just over 6,000 domestic employees. Our long-term sustainability as an organization is highly dependent upon our ability to execute on a number of human capital management strategies related to leadership development and training, diversity & inclusion, employee engagement and culture management, employee wellbeing and safety, and community involvement.

**Leadership Development and Training**

**Talent Development**

Talent development is core to the continued growth and success of our organization. We are committed to ensuring that all employees have access to career growth opportunities. As part of that commitment, we recognize the importance of providing clarity in roles and responsibilities, establishing development networks and relationships, and supporting promotion opportunities that foster continued growth and learning.

Throughout the course of the year, we invest significant resources in training programs to help our employees further develop their knowledge, skills and experience. One of our key development initiatives at PennyMac is curated mentorship. We sponsor an enterprise-wide mentor program pursuant to which we provide curated tools to foster skill-building, professional growth, and cross-divisional relationships, empowering individuals to own their career development. Results are illustrated through more productive, satisfied, long-term employees affecting a positive cultural impact across the organization. In the traditional mentorship context, mentees are paired 1:1 with an executive mentor and explore one of four learning paths over the course of five months. Each path is accompanied by curated resources and discussion guides to facilitate learning. We currently offer two (2) five-month sessions of the mentorship each year, one commencing in January and the other commencing in July. During 2020, approximately 150 mentor/mentee pairs participated in the Enterprise Mentor Program.

In December 2020, we launched a customized mentor program, specifically designed for women in our Production Sales division. This program provides women in sales who are early in their careers with mentoring, training, coaching and access to senior leadership, all of which will support their continued growth and development at PennyMac.

**Succession Planning**

Succession planning is a strategic priority for our company and it is critical to ensure continuity in our operations. With our succession planning strategy, we take a targeted approach to ensuring that we cultivate a talented pool of employees who are poised to take over leadership roles to support the continued growth, development and evolution of our business. On an annual basis, a succession plan is developed for certain key roles which is reviewed and approved by executive leadership team and human resources. These plans are also reviewed by our Board of Directors. We also conduct annual talent reviews to ensure that we identify, assess and develop key talent across the enterprise.

During 2020, we created succession plans for approximately 75 roles. Through succession readiness assessments, we also identified over 500 successors, approximately 54% of which are diverse employees.
**Mandatory Training**

All full-time equivalent employees are required to complete certain compliance training courses, including Safety, Security, and Business Continuity; Fair Lending Compliance; Privacy in the Mortgage Industry; Regulatory Compliance for Mortgage Lenders; Avoiding Unfair, Deceptive, or Abusive Acts or Practices (UDAAP) Violations; Introduction to Vendor Management; Data Security; Ethical Practices in Mortgage Lending; Anti-Money Laundering (AML) Rules of the Bank Secrecy Act and Mitigating Potential Fraud; Preventing Discrimination and Harassment; Active Shooter Preparedness; Insider Trading and Customer Complaints. These courses are organized and aligned with our key organizational priorities and support our employees generally, as well as in their specific areas of responsibility. During 2020, we also required that our employees complete a CARES Act training course. The average completion rate during 2020 for mandatory compliance courses was 94% company-wide. Employees also have access to various training platforms, including new hire training, management training, and free access to LinkedIn Learning to help further develop their careers. Our SMD and Chief Enterprise Operations Officer is responsible for overseeing the Human Resource Department in its efforts to monitor compliance with the corporate and division level compliance training curriculum.

**Diversity & Inclusion**

PennyMac’s continued growth and success is a direct reflection of the talent and diversity of our people. Our people are one of our greatest assets. To that end, we are committed to fostering a culture of inclusion and belonging through customized programs and initiatives designed to attract, develop and engage a diverse and performance-focused workforce. We recognize the value of having a workforce that leverages diversity of experience, ethnicity, age, gender, sexual orientation, personality, style, and thought. We strongly believe that when we have a diverse workforce that is reflective of the communities where we live and serve, it further supports our ability to deliver the best solutions for and serve the needs of our customers.

During 2020, we established leadership and key performance indicator (or KPI) goals to increase the representation of women and underrepresented minorities in management positions. These leadership and KPI goals were a critical component of our strategy in attracting, developing and engaging an increasingly diverse workforce. Not only is this important for purposes of executing on our strategic priorities, but it will also help build an increasingly diverse pipeline for executive leadership.

**2020 Workforce Demographics - Racial, Ethnic and Gender Diversity, Company Wide**

<table>
<thead>
<tr>
<th>EEO-1 as of December 31, 2020</th>
<th>White</th>
<th>Black or African American</th>
<th>Hispanic or Latino</th>
<th>Asian</th>
<th>American Indian/Alaskan Native</th>
<th>Native Hawaiian or Other Pacific Islander</th>
<th>Two or more races</th>
<th>Not Specified</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive/Senior-Level Officials and Managers (1)</td>
<td>79.1%</td>
<td>4.7%</td>
<td>4.7%</td>
<td>11.6%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>18.6%</td>
<td>43</td>
</tr>
<tr>
<td>First/Mid-Level Officials and Managers (2)</td>
<td>58.1%</td>
<td>10.0%</td>
<td>16.5%</td>
<td>11.8%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>2.6%</td>
<td>0.3%</td>
<td>45.0%</td>
<td>1,336</td>
</tr>
<tr>
<td>Professionals</td>
<td>48.2%</td>
<td>3.8%</td>
<td>15.0%</td>
<td>26.2%</td>
<td>0.3%</td>
<td>0.8%</td>
<td>4.9%</td>
<td>0.8%</td>
<td>38.7%</td>
<td>367</td>
</tr>
<tr>
<td>All Other (3)</td>
<td>38.5%</td>
<td>20.1%</td>
<td>26.5%</td>
<td>8.4%</td>
<td>0.3%</td>
<td>0.5%</td>
<td>4.7%</td>
<td>1.0%</td>
<td>57.5%</td>
<td>4,317</td>
</tr>
<tr>
<td>Total</td>
<td>43.7%</td>
<td>16.8%</td>
<td>23.4%</td>
<td>10.3%</td>
<td>0.3%</td>
<td>0.5%</td>
<td>4.2%</td>
<td>0.8%</td>
<td>53.3%</td>
<td>6,063</td>
</tr>
</tbody>
</table>
(1) Includes Executive Managing Director, Senior Managing Director and Managing Director roles
(2) Includes Supervisor through Executive Vice President roles
(3) Includes a combination of the following EEO-1 job categories: technicians, sales workers, administrative support, craft workers (skilled), operatives (semi-skilled), laborers & helpers and service workers

**Racial, Ethnic and Gender Diversity - Management Level**

- **3% increase in diversity since 2019**
- **30.8% Racially and Ethnically Diverse**
- **33.9% Women**

- **52% Diverse**

**Gender Diversity**

- **1% increase since 2019**
- **53% Women**

- **4% increase since 2019**
- **34% Women**

Our Diversity and Inclusion Policy was established to define the program requirements that support the pursuit and realization of all enterprise-wide diversity and inclusion objectives. Diversity and inclusion is a core component of our business strategy and we believe that it enhances our competitive advantage as compared to our peers and differentiates us as an employer of choice in our efforts to attract, develop and engage top talent.

To support our efforts to build a diverse and more inclusive workplace for all, our internal policies prohibit all forms of discrimination or harassment against applicants and employees on the basis of race, color, religion, sex (including gender identity, sexual orientation, and pregnancy), national origin, age, disability or genetic information or any other lawfully protected classifications. We advance diversity and inclusion objectives across all aspects of the employee lifecycle and experience, whether it’s recruitment, selection and retention, compensation and benefits, professional development and training, promotions, transfers, employee engagement programs, layoffs or terminations.

**Employee Engagement and Culture Management**

**Employee Engagement**

Beyond our day-to-day efforts to attract an increasingly diverse talent that represents the communities where we live and serve, we also actively promote initiatives to develop and engage our employees and create an inclusive environment where everyone feels valued, respected and a sense of belonging. Throughout the year, we recognized and celebrated the rich diversity and culture of our workforce through hosting a number of inclusion month activities and programs to drive employee engagement and collaboration.
In January, we close our offices in honor of Martin Luther King, Jr. Day. We encourage employees to use the company-paid holiday as “a day on, not a day off” and participate in volunteer activities in an effort to further strengthen our communities and move our society closer to realizing Dr. King’s dream.

During Black History Month, we celebrated the achievements that Black people and African Americans have made and continue to make in U.S. history. Through a number of activities, we highlighted the many ways that employees could help amplify, celebrate and recognize Black voices all month long.

As part of our commitment to initiatives that help to build teams, and improve communication and collaborative efforts, PennyMac provided support for the semi-annual Toastmasters Officers Training event that was held in February 2020.
During Women’s History Month, we honored the social, economic, cultural, and political achievements of women in American history and the achievements of women at PennyMac. To kick off Women’s History Month and in celebration of International Women’s Day, we hosted two Wear Purple Days. For our women employees, we also hosted a seminar that focused on building a commanding presence and strong personal brand.

As part of our Celebrate Diversity Month activities in April, we sponsored a virtual art exhibition entitled “At Home in the World,” where employees were encouraged to share their favorite works of art.

We also encouraged employees to participate in our first Virtual Coffee Break event. Employees across our several office sites met colleagues outside of their divisions and locations and made connections that they otherwise would not have but for the virtual work environment.

During 2020, we also recognized Juneteenth, the oldest nationally celebrated commemoration of the ending of slavery in the United States. This day held increased significance, especially for our Black and African American employees. The social unrest that took place following the fatal arrests and shootings of Black Americans across the United States underscored the need for collective, transformative action to advance social justice and racial equality.
PennyMac also celebrated LGBTQ Pride Month and hosted our first-ever virtual run, *PennyMac: Pride 5K Challenge*, which was a great way for PennyMac’ers to virtually bond and continue to show our company spirit in a safe and socially distant manner. Several of our employees also participated in this event as a family activity with members of their households. Our employees who participated raised funds for The Trevor Project and The Human Rights Campaign Foundation, both of which charitable organizations are making a positive impact in the LGBTQ community.

During National Veterans and Military Families Month, we celebrated by sponsoring a Virtual Veterans Day Celebration and hosting a *runPennyMac: Veterans 5K Challenge*. Our employees who participated in the 5K Challenge raised funds for three veteran- and military family member-focused charities – Gold Coast Veterans Foundation, Homes for Our Troops and the American Red Cross. This was a great opportunity to celebrate our veterans and military family members while staying active with team members all across the United States. We also hosted a virtual Veteran’s Day Celebration, including a moment of silence, a Presentation of the Colors ceremony, a National Anthem performance and a special Thank You Veterans video.

Other inclusion months that we celebrated during the year included Asian American and Pacific Islander Heritage Month, Jewish American Heritage Month, Military Appreciation Month, National Hispanic Heritage Month, National Disability Employment Awareness Month and National Native American Heritage Month.

**Culture Management**

At PennyMac, culture management is one of many ways of demonstrating our commitment to our employees. We sponsor a number of initiatives year round to foster a community that exemplifies our A.R.E. core values. For example, *My Two Cents* is a program designed to promote innovative suggestions and thoughtful ideas of our employees up to the vice president level. Submitted ideas are evaluated based on merit and, if implemented, the employee receives a financial reward!

We also host a company-wide platform to facilitate peer-to-peer and manager-to-employee recognition and awards. Recognition can be given by anyone to anyone companywide. Some employees can even award non-financial awards known as perks to reinforce exemplary behavior. Furthermore, certain leaders are provided with a budget for recognition with financial rewards, which may be redeemed for a choice of gift cards or banked for later use.
During 2020, we launched our VIP (Very Inspiring PennyMac’er) Program that drives peer-to-peer recognition of team members who go above and beyond to understand their customer’s needs, treat others with dignity and respect, and are advocates and allies. VIPs embody what it means to focus on the internal customer. At several office sites, we also have Associate Culture Teams which have been established to drive increased employee engagement across the enterprise.

Our Culture Management team led a number of activities during 2020 to support employees, including Employee Appreciation Day in March 2020, which consisted of workforce communications, company-sponsored meals, and distribution of PennyMac-branded apparel. We also coordinated a number of virtual activities during the pandemic, including talent shows, a costume contest, and a holiday recipe contest to drive employee engagement and promote a sense of togetherness.

To further reinforce our appreciation for employee commitment during the pandemic, we also provided home delivery of routine care packages (e.g., granola, ice cream, cookies, etc.) to show our employees that we care. In addition, we distributed first-aid kits to all employees as part of our annual holiday gift distribution.

**Employee Networking Groups**
PennyMac promotes a culture of inclusion that empowers employees from diverse backgrounds and experiences to connect, contribute, engage and realize their full potential in a workplace where they feel a greater sense of belonging. During 2020, we had two employee networking groups.

Our Women Empowering Mentorships, Relationships, and Growth (or wEMRG) networking group was established to emphasize career growth, networking, and learning for women at the Assistant Vice President level and above. wEMRG provides an informal professional forum for women at PennyMac by offering access and interactions with senior leaders, providing participants with opportunities to learn and grow their careers through shared experiences, knowledge and skills, relationship building and connections.

Our Veterans Engaging Mentorships, Relationships, and Growth (or vEMRG) networking group was created to further our efforts to attract, support, and create a community of veterans and military family members. Throughout the year, vEMRG sponsors activities in a variety of forums to drive increased employee engagement and foster a sense of belonging for veterans and military family members at PennyMac.

**Employee Health and Wellbeing**

**Financial Wellbeing**
We are committed to the financial wellbeing of our employees as demonstrated by our programs that are designed to enhance organizational performance and recognize and reward employees for their significant contributions. We provide fair and competitive total rewards package with the goal of attracting, retaining, and engaging talented employees at all levels in alignment with our business strategy. In furtherance of our goal to become an “employer of choice,” we seek to provide compensation programs that are market competitive and meet the needs of our workforce, including the following:

- Competitive base salary that is reviewed on an annual basis
• Performance-based annual and long term incentive plans
• Comprehensive group benefits plans (e.g. life insurance, extended health care, medication, dental care, LTD, STD, vision care, paramedical services, etc.)
• Retirement and savings plans to help employees prepare for their financial future

Our compensation program is designed and actively administered to ensure that all full-time employees receive compensation meeting or exceeding the amount for basic living needs, above the legal minimum and living wages in the states where we have operations.

Physical Wellbeing
The overall health of our employees is one of our number one priorities. We offer a quality and comprehensive selection of health and welfare benefits to eligible employees. These include two medical plan offerings, two dental plans, vision, HSA, FSA-Health, FSA-Limited Purpose, FSA-Dependent Care, Basic Life Insurance, Long Term Disability, Supplemental Life (employee, spouse, and child) and voluntary STD for states that do not offer a state disability plan.

Wellness is a way of life at PennyMac. In addition to our health and welfare benefits, we also offer an enhanced wellness plan to create opportunities and incentives to promote a culture of happy, healthy, and engaged employees. Our goal is to encourage and to commit to long-term healthy change in how we live, work, exercise, and eat. Our wellness program is designed to offer employees activities and incentives that will have a long-term effect and improve their overall well-being. Through this wellness initiative, we believe we can create a culture and work environment where everyone enjoys improved health.

Emotional Wellbeing
For emotional support and well-being, PennyMac offers an Employee Assistance Program with a work life benefits feature, where licensed counselors can provide our employees with access to legal advice, financial consultation, parenting and family services, and identity theft victim recovery services, advice on coping with difficult life events such as the loss of a loved one and tips on dealing with emotions, including a depression screening tool. Counselors are available 24 hours a day, 7 days a week, for confidential assistance.

Workplace Safety
With the significant level of growth in our number of employees across the enterprise that we experienced during 2020, safety was, and continues to be, one of our highest priorities. We follow set procedures to ensure our compliance with all applicable Occupational Safety and Health Administration (OSHA) requirements. We have a dedicated team of employees who manage and support our programs and initiatives that address a number of common workplace safety, health and security concerns across the organization. To guarantee the continuing effectiveness of our workplace safety program, we require all employees to take part in annual safety training. In addition, all office sites are systematically evaluated on a regular basis to assess compliance with applicable OSHA requirements.

During 2020, approximately 11 workplace accident cases were reported, 78 employees completed ergonomic training, and eight employees filed workers compensation claims. There were no reports of work-related fatalities or occupational diseases.

Philanthropy and Community Engagement

The PennyMac Corporate Philanthropy Program is governed by a philosophy of giving that prioritizes the support of causes and issues that are important in our local communities, and drives a culture of employee engagement and collaboration throughout our organization. Our Corporate Philanthropy Program
prioritizes four philanthropic focus areas: Mortgage Industry and Housing Market, Financial Literacy and Education, Diversity & Inclusion and Local Community Involvement. Within these focus areas, we are able to drive progress to support a number of issues that have impacted underserved and underresourced communities, including housing insecurity and homelessness, food insecurity and hunger, disaster recovery and child and family services.

As a mortgage lender and servicer with offices all across the nation, we recognize the importance of local community engagement. During 2020, we sponsored two virtual 5K challenges – one 5K challenge took place during LGBTQ Pride Month where we raised funds to support The Trevor Project and the Human Rights Campaign Foundation. Our second 5K challenge took place during National Veterans and Military Families Month, where we raised funds to support The American Red Cross, The Gold Coast Foundation and Homes For Our Troops.

As part of our Giving Tuesday campaign, and in light of the continuing volatility of the pandemic coupled with our inability to gather safely with coworkers for the holidays, we also repurposed our 2020 holiday event funding and donated those funds to local charities that had significant meaning to the employees across our many office sites. A few of the identified charitable organizations that we were able to support are represented below:

We also donated $100,000 to the MBA Opens Doors Foundation, which was established by the Mortgage Bankers Association to help vulnerable families with critically ill or injured children stay in their homes while in treatment. Through The MBA Opens Doors Foundation home grant program, they provide mortgage and rental payment assistance grants to parents and guardians, allowing them to stay with their children without fear of losing their homes. We also committed to a company match of employee donations to the MBA Opens Doors Foundation.
Many of our employees have board and leadership positions with local charitable organizations, including the Children’s Auxiliary Services of Ventura County, Westside Food Bank and Big Brothers Big Sisters of Ventura County, and we are proud of them for going above and beyond to support the communities where we live and serve. Kevin Gamboa, Underwriter, Modifications in our Moorpark office, was recognized as the Big Brothers Big Sisters of Ventura County’s “Big of the Year” for 2020. This award recognized Kevin as a mentor who demonstrated exemplary commitment in supporting his “Little” (youth mentee).

**Supporting Sustainable Homeownership**

We are committed to helping our customers realize the dream of homeownership and, even more importantly, we want them to experience sustainable homeownership. We provide a number of resources and loan products for first-time homebuyers, homebuyers with compromised credit, and low-income buyers, including FHA Home Loans (which offers flexibility with below-average interest rates, easier credit requirements, and low down payments), Fannie Mae’s HomeReady® Mortgage (which helps to improve housing affordability by reducing borrower costs), Freddie Mac’s Home Possible® Mortgage (which offers more options and credit flexibility for low income borrowers, and USDA Rural Development Loans (which aims to help improve the economy and quality of life in rural America).

A well-educated borrower is much more likely to succeed with a mortgage loan, which is exactly what we want for our customers. To ensure that our borrowers have clarity and understanding of the responsibilities that come with owning a home, some of the loan products that we offer, such as the Fannie Mae HomeReady® Mortgage, may require homeownership education and housing counseling. These requirements equip our borrowers with the necessary skills to manage their responsibilities, which promotes sustainable homeownership, which ultimately is beneficial for the borrower, PennyMac and our industry as a whole.

We are also a partner with Freddie Mac to provide loans that meet the eligibility requirements of their GreenCHOICE Mortgages® program, which is committed to facilitating the financing of energy efficient home improvements and energy efficient homes, helping more families attain and maintain home affordability.

For our veterans and military family members, we support sustainable homeownership through our VA Home Loan Program. Through this program, eligible service members and veterans are able to take
advantage of several benefits such as lower interest rates, and no requirements for down payments or monthly mortgage insurance premiums, depending on the mortgage type. In 2020, we provided over $42.4 billion in financing to veterans. As the servicer for over 368,000 loans for veterans, service members and their family members, we ranked nationally as the #5 VA lender as of December 31, 2020 according to an Inside FHA/VA Lending - Top 50 Lenders report. We’re honored to extend our veteran support beyond the VA loan program and support the recruitment of active, reserve, veteran and retired military employees. We also provide resources to inform buyers of resources such as the Military Housing Assistance Fund and Specially Adapted Housing Grants.

In addition, we provide our borrowers with information regarding other resources such as the HUD Housing Choice Voucher (HCV) Homeownership Program, which allows families that are assisted under the HCV program to use their voucher to buy a home and receive monthly assistance in meeting homeownership expenses, and the Native American Homeownership Initiative, which provides down payment and closing cost assistance for qualifying households.

We curated a First-Time Homebuyer Guide to Mortgages to help clarify the home buying process and help buyers gauge if they are financially ready to take on the responsibility of homeownership. We also provide resources to help first-time borrowers understand their credit standing and the related impact on the ability to obtain favorable mortgage loan terms. Additionally, we provide our customers information regarding down payment requirements, closing costs and other fees, as well as a calculator to help determine how much home the individual can afford.

**Company Recognition**

At PennyMac, we recognize the importance of acting with honesty, integrity and the highest ethical standards. We value the external recognition received, as it further demonstrates that our employees are critical to our company’s growth and success.

We have received the following mortgage lender recognition:

Our Servicer, PLS, was honored among nine servicers nationwide as a “Gold” recipient of the Freddie Mac 2020 Servicer Honors and Rewards Program (SHARP)SM, which annually recognizes mortgage loan servicers for superior servicing portfolio performance based on a Servicer’s Servicer Success Scorecard ranking. SHARP is aligned with Freddie Mac’s Reimagine Servicing® effort to transform the servicing landscape while focusing on outstanding customer service and positive efforts to prevent and alleviate loan delinquencies. This SHARP award represents our commitment to sustainable homeownership, quality servicing and robust risk management, which were especially important during the pandemic.

During 2020, PennyMac also was a recipient of Confirmit’s ACE (Achievement in Customer Excellence) Award and was recognized as a company that is not only committed to delivering great customer experiences but that uses it to keep our businesses one step ahead. PennyMac was recognized in two categories: Voice of the Customer and Innovation. We embedded and expanded a VoC program across our business to cover multiple touch points, including website, customer communications, and the customer service call center. Response rates increased by 42% compared to the previous year. This award is a testament to our commitment to listening to and understanding our customers in order to deliver the best customer experience in the industry.
PennyMac was also voted one of Bankrate’s Best Mortgage Lenders of 2020. Bankrate evaluated lenders across the mortgage industry and scored them based on three areas: Expediency, Affordability and Customer Experience. Based on their scores, we received this top ranking, which is a testament to our employees who go above and beyond every day to provide our customers with the absolute best experiences, products, and value in the industry.

A few other awards are provided below:

- **2020 Women on Boards “V” (very close) Designation**
- **Military Friendly® Employer Designation (since 2015)**
- **American Mortgage Diversity Council (Advisory Board since 2018)**

Internally, we also recognize and celebrate company milestones. The distribution of PennyMac commemorative coins have become a proud tradition in our company and is just a small token of our appreciation to employees for their dedication and strong work ethic, which have made these milestones possible. These coins serve as a constant reminder to us of significant events and milestones, and they are proudly displayed in employee workspaces.

**Employee Recognition**

Throughout the year, we recognize employees who are celebrating milestone anniversaries. To show our appreciation, we provide 5- and 10-year employee anniversary milestone gifts.

From time to time, our employees also are recognized externally and it’s always an opportunity for us to celebrate their accomplishments. A few examples are provided below:

- **Tracie Hunter**
  MD, Production Business Technology
  - 2020 HousingWire Tech Trendsetter Award

- **Kimberly Nichols**
  MD, Broker Direct Lending
  - 2020 HousingWire Women of Influence Award

- **Kisha Parker**
  EVP, Corporate Sustainability
  - Advisory Board of the American Mortgage Diversity Council
Good governance is at the core of how PennyMac operates and is fundamental to our sustainable growth and success. We aim to maintain the highest standards of ethical conduct in our business operations and full compliance with all applicable laws, rules and regulations.

**Board Governance**

We believe our Board possesses deep and broad skill sets and specific experience and expertise that facilitate strong oversight and strategic direction for us as a leading specialty financial services firm focused on the production and servicing of U.S. mortgage loans and the management of investments related to the U.S. mortgage market.

<table>
<thead>
<tr>
<th>AGE</th>
<th>TENURE</th>
<th>DIVERSITY</th>
<th>INDEPENDENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>61.2</td>
<td>5.16</td>
<td>36%</td>
<td>82%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AGE Breakdown</th>
<th>TENURE Breakdown</th>
<th>DIVERSITY Breakdown</th>
<th>INDEPENDENCE Breakdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 60 years</td>
<td>Under 3 years</td>
<td>3 Female Directors</td>
<td>Independent Directors</td>
</tr>
<tr>
<td>60-65 years</td>
<td>3-7 years</td>
<td>1 Asian Director</td>
<td>Non - Independent Directors</td>
</tr>
<tr>
<td>66 years and over</td>
<td>8 years and over</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Board Skills**

- Investment Banking Expertise: 6
- Financial Industry Knowledge /Expertise: 11
- Mortgage Banking/Agency Expertise: 6
- Risk Management Experience: 5
- Operating Experience: 6
- Accounting Experience: 4
- Corporate Sustainability Experience: 5

out of 11 directors
We continuously monitor developments, trends and best practices in corporate governance and consider feedback from stockholders and proxy advisory firms when enhancing our governance, policies and structure. A few of our corporate governance best practices are highlighted below:

| ✓ Majority Voting Standard in the Election of Directors. We have a majority voting standard for uncontested director elections and plurality voting standard for contested director elections. |
| ✓ Director Resignation Policy. Any director nominee who fails to receive a majority vote, if required, for election or re-election is required to promptly tender his or her resignation to the Board. |
| ✓ Director Limitations on Number of Boards. A director who is currently serving as a chief executive officer of a public company, including our Chief Executive Officer, is not permitted to serve on more than two outside public company boards. No other director is permitted to serve on more than five outside public company boards. |
| ✓ Robust Stock Ownership Guidelines. We have robust stock ownership guidelines for our non-management directors (five times the base annual retainer) and executive officers (five times base salary for our Chief Executive Officer; three times base salary for all other executive officers). |
| ✓ Stockholder Engagement. We engage in active discussions with our stockholders on a variety of topics throughout the year to ensure that we are addressing their concerns. |

### Board of Directors Leadership

Our Board leadership structure currently is comprised of our Chairman and Chief Executive Officer, David Spector, our independent lead director, Jeffrey Perlowitz, and our independent Board committees and committee chairs. Our Chairman and the independent lead director provide leadership to and work with our Board to define its structure and activities in the fulfillment of its responsibilities.

We believe that independent directors and management have different perspectives and roles in strategy development. Our independent directors bring experience, oversight and expertise from outside our Company and industry, while Mr. Spector brings company-specific experience and expertise and the ability to utilize the in-depth focus and perspective gained in running our Company to effectively and efficiently lead our Board. As the director most familiar with our business and industry, our Chief Executive Officer is most capable of identifying new initiatives and businesses, strategic priorities and other critical and/or topical agenda items for discussion by our Board and then leading the discussion to ensure our Board’s proper oversight of key issues.

Our Board leadership structure is further strengthened through the appointment of an influential independent lead director with a strong voice. Our independent lead director works with our Chairman of the Board and other directors to provide informed, independent oversight of our management and affairs.
Board Diversity

Currently, three women serve on our Board, representing 27% of our total Board members. In addition, we have a number of directors who represent other diverse backgrounds and experiences including one Asian American director, which represents a combined diversity representation of 36%. Our Board believes that these sorts of diversity factors are essential in promoting our long-term sustainable growth. Our Board maintains a policy regarding the evaluation of director candidates which states that the Board in its selection of director candidates will consider the overall Board balance of diversity of viewpoints, backgrounds and experiences. Our Board has also established director selection criteria which provides that the Board in its selection of director candidates will consider factors that contribute to Board diversity in the broadest sense, including gender, ethnicity, geography, education, and personal and professional experiences.

Our Board’s Role in Risk Oversight

Our senior management is responsible for designing, implementing and maintaining an effective and appropriate approach for managing enterprise risk. Our Board and each of its committees, and in particular, the Risk Committee, have an active role in overseeing our risk management process, while supporting organizational objectives, improving long-term organizational performance and creating stockholder value. While our Board has the ultimate oversight responsibility for the risk management process, particularly with respect to those risks inherent in the operation of our businesses and the implementation of our strategic plan, the committees of our Board also share responsibility for overseeing specific areas of risk management as follows:

<table>
<thead>
<tr>
<th>Committee</th>
<th>Primary Risk Oversight Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>Our Audit Committee focuses on risks associated with internal controls and securities, financial and accounting compliance, and receives an annual risk assessment report from our internal auditors.</td>
</tr>
<tr>
<td>Compensation</td>
<td>Our Compensation Committee focuses on risks relating to compensation policies and practices, including whether such policies and practices balance risk taking and rewards in an appropriate manner so as not to encourage excessive risk taking.</td>
</tr>
<tr>
<td>Finance</td>
<td>Our Finance Committee focuses on risks relating to our Company’s liquidity and capital resources and our investment policies and strategies.</td>
</tr>
<tr>
<td>Nominating and Corporate Governance</td>
<td>Our Nominating and Corporate Governance Committee focuses on risks associated with proper board governance, including director independence and Board performance assessments, as well as risks associated with corporate sustainability, including our ESG impacts.</td>
</tr>
<tr>
<td>Related-Party Matters</td>
<td>The Related Party Matters Committee focuses on risks arising out of potential conflicts of interest between us or any of our subsidiaries, on the one hand, and (i) PMT and its subsidiaries, (ii) any other non-wholly-owned entity that we may manage or over which we may have control, and (iii) any other identified related party, on the other hand.</td>
</tr>
<tr>
<td>Risk</td>
<td>The Risk Committee oversees our enterprise risk management function in relation to our business activities and focuses on credit risk, mortgage compliance risk and operational risk, including cybersecurity and climate change related risk.</td>
</tr>
</tbody>
</table>

While each committee is responsible for evaluating certain risks and overseeing the management of such risks, our entire Board is regularly informed through committee reports about the nature of all such risks.
Executive Compensation

The goals of our executive compensation program are to:

- Create a pay-for-performance culture where a majority of total compensation for each named executive officer is performance based;
- Align the interests of our executives with those of our stockholders with long term equity awards and performance based compensation;
- Assess named executive officer compensation against market compensation benchmarks prepared by our independent board consultant;
- Facilitate the attraction, motivation and retention of highly talented executive leaders who will be crucial to our Company’s long-term sustainable growth and success; and
- Encourage executives to focus on achieving our annual and long-term business goals.

In support of these goals, our executive compensation program consists of three primary elements:

- Annual Base Salary;
- Annual Performance-Based Cash Incentives; and
- Long-Term Equity Awards.

We tailor our executive compensation program each year to provide what we consider to be a proper balance of these basic elements and are committed to ensuring that our executive compensation program remains generally consistent with market practices and focused on long-term performance.

We annually assess our executive compensation program relative to an appropriate industry peer group that includes mortgage banking, financial services, specialty finance and other industry-related companies, and generally excludes regional banks and savings and loans organizations.

In addition, we utilize the services of an outside independent compensation consultant engaged directly by the Compensation Committee to advise on executive compensation matters.

Human Rights and Our Code of Business Conduct and Ethics

Our commitment to upholding human rights is a core value in our company. We believe in the human rights principles contained in the United Nations Universal Declaration of Human Rights and recognize the importance of respecting, protecting and fulfilling human rights and fundamental freedoms. We are committed to paying a living wage, respecting labor rights, treating all people regardless of certain identified characteristics with dignity and respect, enabling healthy and safe work environments, promoting high ethical behavior and respecting privacy. We believe respect for human rights is integral to advancing sustainability.

Through the implementation of corporate policies and procedures related to fair and equitable compensation, labor rights, non-harassment and non-discrimination, equal employment opportunity, diversity and inclusion, and workplace safety, we are committed to protecting the human rights of our employees. These policies seek to provide employees and applicants equal treatment regardless of certain identified characteristics that can lead to bias in employment decisions. We also observe Universal Human Rights Month and Human Rights Day in observance and support of those inalienable rights that are inherent to all human beings.
We have adopted a Code of Business Conduct and Ethics, which sets forth the basic principles and guidelines for resolving various legal and ethical questions that may arise in the workplace and in the conduct of our business. Specifically, this code provides that we treat all persons with dignity and respect; we deal fairly and honestly with every person and entity we come in contact with in the course of our business activities; and we do not pursue any business opportunity that would require any violation of the law. This code is applicable to all of our officers and directors, as well as to the employees of PNMAC, and we expect the same level of ethical conduct from our suppliers. Our Chief Legal Officer, and where applicable, specified members or committees of our Board of Directors, are responsible for overseeing and monitoring compliance with the code.

In addition, we have adopted a Code of Ethics for the Chairman, Chief Executive Officer and Senior Financial Officers, which sets forth specific policies to guide these individuals in the performance of their duties. The Code of Business Conduct and Ethics and the Code of Ethics for the Chairman, Chief Executive Officer and Senior Financial Officers are available on our website at www.ir.pennymacfinancial.com.

**Whistleblower and Ethics Hotline Reporting**

Section 301 of the Sarbanes-Oxley Act of 2002 requires the Audit Committee of our Board to establish procedures for: (i) the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by our employees, members, partners, officers, and directors and its subsidiaries of concerns regarding questionable accounting or auditing matters. Accordingly, our Audit Committee has established procedures for the receipt, retention and treatment of complaints and concerns. Our Whistleblower Policy is intended to encourage employees to confidentially and anonymously report, without fear of retaliation, report concerns or complaints regarding the actual or suspected violation of accounting or auditing rules and principles, federal securities laws and ethics rules and standards, including the Code of Business Conduct and Ethics and Code of Ethics for the Chairman, Chief Executive Officer and Senior Financial Officers. Confidential and anonymous reporting is provided through various means, including a toll-free hotline that is available 24 hour, 7 days a week.

**Regulatory Compliance**

We have a comprehensive compliance management system (or CMS) that is designed to ensure compliance with applicable mortgage origination and servicing laws and regulations. The components of our CMS include: (a) oversight by senior management and our Board of Directors to ensure that our compliance culture, guidance, and resources are appropriate; (b) a compliance program to ensure that our policies, training and monitoring activities are complete and comprehensive; (c) a complaint management program to ensure that consumer complaints are appropriately addressed and that any required actions are implemented on a timely basis; and (d) independent oversight to ensure that our CMS is functioning as designed.

An important component of the CMS is management’s Mortgage Regulatory Compliance Committee (or the MRCC). This committee oversees the CMS and supports our cultural initiatives that reinforce the importance of regulatory compliance. The MRCC also monitors changes in the internal and external environment, approves mortgage compliance policies, monitors compliance with those policies and ensures any required remediation is implemented on a timely basis. The MRCC has identified individuals throughout the organization to oversee specific areas of compliance. MRCC membership includes senior management from all areas of our company impacted by mortgage compliance laws and regulations. The MRCC meets on a regular basis throughout the year.
Enterprise Risk Management

Risk identification, assessment and monitoring are important processes for our Board and our leadership teams. Through our Enterprise Risk Management (or ERM) framework, we are able to identify, manage, monitor, and mitigate financial risks, such as credit risk, interest rate risk, prepayment risk, liquidity risk, and other market-related risks, as well as operational and legal risks related to our business, assets, and liabilities.

Important objectives of risk management are to ensure oversight, risk assessment, policy and procedure, and monitoring activities are functioning as designed and to ensure there is a culture that supports risk awareness and the documentation of controls.

The primary components of the ERM Framework are (i) Board and Management Oversight, (ii) Risk Assessment, (iii) Policies, and (iv) Monitoring. These components are accompanied by certain behavioral standards, which define desired employee behavior in the absence of policies.

Our current governance structure is provided below:

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Business Continuity and Crisis Management

Our Business Continuity Management Program was established to ensure that we are able to recover and resume business processes when business operations are disrupted unexpectedly. These disruptions can be caused by natural or man-made events or actions (e.g., earthquakes, fires, pandemic, terrorist attacks) and are sometimes unexpected. As part of our Business Continuity Management Program, we maintain policies and procedures that advance an enterprise-wide plan for ensuring the timely response, recovery and resumption of business operations in the event of a significant business disruption.
Our program takes into consideration the International Standards Organization Business Continuity Standards—ISO 22301 and Disaster Recovery Institute International Professional Practices for Business Continuity Practitioners, each of which offers a widely accepted framework for building organizational resilience with the capability of effective responses that safeguard the interests of our key stakeholders, reputation, brand, and value-creating activities. At a division level, we develop risk assessments, business impact analyses, business continuity plans, and technology recovery plans which are updated and tested regularly to ensure minimal disruption in the event of a business continuity event.

Strong governance is at the core of our business continuity practices. Our Business Continuity Subcommittee (or BC Committee), which consists of senior leaders from Enterprise Operations, Executive Management, Information Technology, and representatives from each our business divisions, provides guidance for our Business Continuity Management Program and reports into our Operations Committee, which ultimately, reports to the Risk Committee of our Board of Directors.

We have procedures in place to ensure that all appropriate employees receive training and development in the use of our business continuity management system and other relevant topics.

**Cybersecurity and Data Privacy**

Protecting our borrowers’ personal and financial information is a top priority at PennyMac and we have not experienced any cybersecurity breaches over the last three years. We maintain robust policies and procedures aimed at maintaining the safety of our customers’ personal and financial information, and we hold our suppliers and vendors to those same high standards. Our customers expect that we will protect their personal and financial information and we go to great lengths to make sure that we meet those expectations.

The mission of our Information Security Team is to protect, defend and innovate across our enterprise — always safeguarding our customer’s information and rising to the level of trust and confidence of our borrowers and business partners. Cyber threats are continuously changing; therefore, it is important that our Information Security Team quickly adapts in the same manner.

**Technology Advancements**

Our Information Security Program is designed to empower our employees with sophisticated detection and analytic capabilities and the ability to identify and respond to a wide range of potential cyber threats across the PennyMac footprint. In real time, our team is able to observe anomalous activity, investigate and collaborate with business and technology partners to ensure that we meet cyber threats with efficiency, speed and focus.

We are a leader in digital technology transformation, setting the pace for the mortgage industry with innovation and cloud adoption. Our focus on trailblazing security solutions that allow us to capitalize on new advancements in identity, analytics and cloud protections reinforces the innovative mindset of our organization. With added focus on technological innovation comes the obligation to rigorously and continuously test our environment to identify potential pathways for cyber intrusion and exposure, and our goal is to always take a preemptive approach in managing all cybersecurity risks.

**Privacy and Data Security**

PennyMac’s strong governance protocols are at the foundation of our information security efforts and are based on a precise alignment with all applicable regulatory requirements and industry standards, such as the National Institute of Standards and Technology (NIST) and the International Organization for Standardization (ISO). The year 2020 marked a transformative year for our Information Security Team. As a result of the pandemic, the technology needs of our customers and employees changed considerably,
and our adaptability within Information Security enabled new secure channels of work and online interaction, further enhancing our organization’s security posture. While many companies around the world struggled to adapt to new realities, we were able to capitalize on our innovative technology investments to deliver on our commitments to customers and employees with speed and agility.

Our commitment to protecting our customers is evidenced through our Corporate Privacy Program, which establishes company-wide and divisional policies and procedures that are necessary to protect consumer and employee privacy. We require ongoing training for employees to drive awareness and knowledge of our privacy program requirements.

**Leadership and Governance**

As part of our information security strategy, our executive and Board leadership is kept abreast of all efforts to prevent, detect and respond to risks. Our EVP, Chief Information Security Officer and members of our Corporate Privacy Program regularly report to the Risk Committee of our Board, and our Technology Committee, comprised of Executive Committee members with cross-functional business, technology and risk leadership roles, assists the Board in its oversight of cybersecurity and data privacy risk management.

**Privacy and Data Security Training and Development**

Our employees are the first line of defense. Keeping employees informed and educated on privacy and data security helps them to make the right decisions when it comes to protecting the information that is accessible in connection with their job functions. PennyMac has a mature security awareness and education program that includes required annual training on topics such as information security and privacy. Additional training requirements apply to employees, such as IT administrators and software developers, who have specific roles or access rights. Finally, to ensure that our information security team is comprised of individuals with the skills required to advance our business goals, we invest heavily in ongoing employee training and development through a number of means, including virtual and in-person courses, certifications, conferences, and technology bootcamp sessions.
The Sustainability Accounting Standards Board (SASB) is an independent organization that sets standards to guide the disclosure of financially material sustainability information by companies to their investors. PennyMac Financial Services, Inc. supports SASB because it provides a framework for the generation of comparable and reliable information, which is consistent with our commitment to provide transparent, decision-useful, and relevant environmental, social and governance data as it relates to our business activities. Accordingly, our Corporate Sustainability and ESG Report was developed to align with the SASB standards.

The index below includes SASB standards that are relevant for our Mortgage Finance business activities. Unless otherwise noted, all data and descriptions are as of or for the fiscal year ended December 31, 2020. For additional information about our financial performance, please refer to our quarterly earnings materials, as well as quarterly and annual reports on Form 10-Q and Form 10-K, respectively.

Certain information may not be disclosed herein because that information (i) is not considered material or is privileged or confidential; (ii) could cause a competitive disadvantage to our business if publicly disseminated; or (iii) is not currently collected in a manner wholly correlative with the related SASB metric.

## Mortgage Finance Standard

### Activity Metrics

<table>
<thead>
<tr>
<th>(1) Number and (2) value of mortgages originated by category:</th>
<th>ORIGINATED MORTGAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) residential and (b) commercial</td>
<td>December 31, 2020</td>
</tr>
<tr>
<td>(Dollars in thousands)</td>
<td>Number</td>
</tr>
<tr>
<td>Residential</td>
<td>151,125</td>
</tr>
<tr>
<td>Commercial</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>151,126</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(1) Number and (2) value of mortgages purchased by category:</th>
<th>PURCHASED MORTGAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) residential and (b) commercial</td>
<td>December 31, 2020</td>
</tr>
<tr>
<td>(Dollars in thousands)</td>
<td>Number</td>
</tr>
<tr>
<td>Residential</td>
<td>823,489</td>
</tr>
<tr>
<td>Commercial</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>823,489</td>
</tr>
</tbody>
</table>
Lending Practices

(1) Number and (2) value of residential mortgages of the following types: (a) Hybrid or Option Adjustable-rate Mortgages (ARM), (b) Prepayment Penalty, (c) Higher Rate, (d) Total, by FICO scores above or below 660

<table>
<thead>
<tr>
<th>RESIDENTIAL LOANS BY FEATURES AND FICO SCORE</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Dollars in thousands)</td>
<td>FICO &lt;= 660</td>
</tr>
<tr>
<td>Number</td>
<td>Value ($)</td>
</tr>
<tr>
<td>Hybrid or option ARM</td>
<td>6</td>
</tr>
<tr>
<td>Higher rate</td>
<td>10</td>
</tr>
<tr>
<td>Prepayment penalty</td>
<td>–</td>
</tr>
<tr>
<td>Total residential mortgages</td>
<td>9,824</td>
</tr>
<tr>
<td>Total</td>
<td>9,840</td>
</tr>
</tbody>
</table>

(1) Number and (2) value of (a) residential mortgage modifications, (b) foreclosures, and (c) short sales or deeds in lieu of foreclosure, by FICO scores above and below 660

<table>
<thead>
<tr>
<th>RESIDENTIAL MORTGAGE MODIFICATIONS</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Dollars in thousands)</td>
<td>FICO &lt;= 660</td>
</tr>
<tr>
<td>Number</td>
<td>Value ($)</td>
</tr>
<tr>
<td>Modifications (1)</td>
<td>31,688</td>
</tr>
<tr>
<td>Foreclosures</td>
<td>735</td>
</tr>
<tr>
<td>Short sales or deeds in lieu</td>
<td>268</td>
</tr>
<tr>
<td>Total</td>
<td>32,691</td>
</tr>
</tbody>
</table>

(1) Includes COVID-19 related loan modifications, payment deferrals and partial claims

Total amount of monetary losses as a result of legal proceedings associated with communications to customers or remuneration of loan originators

Refer to Note 15 (pgs. F-60 to F-61) of the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 for disclosure of material legal proceedings.

Description of remuneration structure of loan originators

The incentive programs for our mortgage loan officers focus on payment for the origination of mortgage loans. To ensure that small balance customers have equal treatment as large balance customers and to provide all of our mortgage loan officers with an equal incentive for their efforts, compensation is based on unit volume as opposed to dollar volume. We establish a base payout compensation level, which may be adjusted based on a number of behavioral modifier factors such as timely submission of loan applications, compliance with all service and regulatory requirements, and completeness of the loan document file.
Discriminatory Lending

(1) Number, (2) value, and (3) weighted average Loan-to-Value (LTV) ratio of mortgages issued to (a) minority and (b) all other borrowers, by FICO scores above and below 660

TOTAL ORIGINATED RESIDENTIAL LOANS AND HOME EQUITY LINES OF CREDIT BY MINORITY AND CREDIT SCORE

<table>
<thead>
<tr>
<th>Credit Score</th>
<th>Number</th>
<th>Value ($)</th>
<th>LTV</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 660</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minority</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit score ≤ 660</td>
<td>3,850</td>
<td>$ 1,047,629</td>
<td>88.49%</td>
</tr>
<tr>
<td>Credit score &gt; 660</td>
<td>26,162</td>
<td>$ 8,225,537</td>
<td>79.99%</td>
</tr>
<tr>
<td>Non-Minority</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit score ≤ 660</td>
<td>5,388</td>
<td>$ 1,335,288</td>
<td>87.18%</td>
</tr>
<tr>
<td>Credit score &gt; 660</td>
<td>59,489</td>
<td>$17,616,923</td>
<td>77.92%</td>
</tr>
<tr>
<td>Not Provided</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit score ≤ 660</td>
<td>728</td>
<td>$ 204,338</td>
<td>87.13%</td>
</tr>
<tr>
<td>Credit score &gt; 660</td>
<td>9,774</td>
<td>$ 3,287,615</td>
<td>77.71%</td>
</tr>
<tr>
<td>Total</td>
<td>200,280</td>
<td>$59,942,705</td>
<td></td>
</tr>
</tbody>
</table>

Total amount of monetary losses as a result of legal proceedings associated with discriminatory mortgage lending

Refer to Note 15 (pgs. F-60 to F-61) of the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 for disclosure of material legal proceedings.

Description of policies and procedures for ensuring nondiscriminatory mortgage origination

At PennyMac, we make our credit decisions based on the creditworthiness of our applicants pursuant to our Equal Credit Opportunity Act (ECOA) Policy approved by our Board of Directors. Both the ECOA Policy and our Corporate Fair Lending and Servicing Policy, also approved by our Board of Directors, prohibit discrimination against an applicant on a prohibited basis regarding any aspect of a credit transaction, as well as any other aspect of our lending operations.

As such, we do not discriminate based on a person’s race, color, ethnicity, national origin/ancestry/genetic information, religion, gender identity or expression, sexual orientation, marital status, familial status, age, receipt of income from public assistance programs, military status, applicant’s good faith exercise of any rights under the Consumer Protection Act, handicap/disability/medical condition, applicant’s status as a victim of domestic violence or any other impermissible factor.

These requirements are integrated in our operational procedures and subject to review and/or audit by our Mortgage Regulatory Compliance Committee, Internal Audit, and our federal and local regulators.
Environmental Risk to Mortgaged Properties

Our primary business activities relate to mortgage banking. Our mortgage banking activities involve the purchase or origination of mortgage loans for subsequent sale and the servicing for the investor of such loans or loans for which we have acquired the rights to service. Accordingly, we do not have a significant investment in mortgage loans. The loans we purchase or originate for subsequent sale are underwritten and serviced in compliance with applicable federal and state laws and regulations and in compliance with the standards of the government or government-sponsored agencies guaranteeing or insuring the loans or securities the loans are sold into. Such agencies include the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, each of which is a government-sponsored entity; and U.S. Government Agencies, including the Government National Mortgage Association, the Federal Housing Administration, the Veterans Administration and the U.S. Department of Agriculture.

We are currently unable to tie the impacts of specific weather related natural catastrophes to specific impacts on earnings as calculated in accordance with generally accepted accounting principles (or GAAP) earnings or asset valuations, as most of our exposure to these events are held in mortgage servicing rights (or MSRs) which are valued in aggregate and not allocated at the loan level.

We monitor individual weather-related events and our losses in recent years have not been material in relation to our overall earnings and financial performance.

In connection with our business activities, we are exposed to risks associated with adverse weather conditions, man-made or natural disasters such as hurricanes, tornadoes, earthquakes, pandemics, such as COVID-19, floods, droughts, fires and other environmental conditions that can adversely impact properties that we own or that serve as collateral for loans we own or service, as well as properties where we conduct business.

We continuously monitor environmental risks and have developed policies and procedures for mitigating such risks, to the extent possible. Monitoring includes daily scans for states of emergency, Presidentially declared disaster areas and mandatory evacuation zones for both pre-emptive and responsive actions.

We follow all industry and regulatory requirements related to hazard and flood insurance within our originations and servicing functions. This protects us and homeowners by ensuring there will always be adequate coverage to cover the balance of the mortgage obligation should a property become a total loss. Coverage must be provided by a licensed insurance company that meets certain financial strength ratings.

As part of our originations activities, property inspections are required on loans in Presidentially declared disaster areas that have been originated, but not yet delivered to end investors and, if applicable, delivery to end investors is delayed until properties have been deemed undamaged or the damage has been repaired. In certain cases (generally a mandatory evacuation triggered by an impending event), originations transactions may be delayed until the event has passed and the impact is known with certainty.

As part of our servicing activities, we are able to quickly implement disaster protocols to assist impacted borrowers with a full range of forbearance, modification and other borrower assistance options. We work closely with borrowers and insurance carriers to assure that repairs are made to impacted properties.
Trademark Attribution

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This Report is for informational purposes only. It is not intended to be relied on to make any investment decisions, and is neither an offer to sell nor a solicitation of an offer to buy any securities or financial instruments from PennyMac Financial Services, Inc. (NYSE: PFSI). This Report covers our owned or operated businesses and does not address the performance of our suppliers, contractors or partners unless otherwise noted. We have prepared the information contained herein solely to provide a general overview of our sustainability activities.

We have prepared the information contained herein solely to provide a general overview of our sustainability activities. In addition, the information in this Report is summarized and is not a complete description of all of our activities; therefore, we have made qualitative judgments as to certain information to include that could be determined to be inaccurate or incomplete. We did not employ any third-party firm to audit this Report.

Forward-Looking Statement

This Report contains forward-looking statements relating to the manner in which we intend to conduct our activities based on our current plans and expectations. These statements are not promises of our future conduct or policy and are subject to a variety of uncertainties and other factors, many of which are beyond our control. Therefore, the actual conduct of our activities, including the development, implementation or continuation of any program, policy or initiative discussed in this Report, may differ materially in the future. The statements of intention in this Report speak only as of the date of this Report and we do not undertake to publicly update any statements in this Report. As used in this Report, the term “PennyMac” and such terms as “the Company,” “our,” “its,” “we,” and “us” may refer to one or more of our consolidated subsidiaries or affiliates or to all of them taken as a whole. All these terms are used for convenience only and are not intended as a precise description of any of the separate entities, each of which manages its own affairs.