



CORPORATE SUSTAINABILITY AND ESG REPORT

ABOUT THIS REPORT

This Corporate Sustainability and ESG Report (or Report), will focus on those environmental, social and governance (or ESG) factors that are relevant for PennyMac Financial Services, Inc. (NYSE: PFSI), 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.

In preparing this Report, we considered elements of the Global Reporting Initiative (GRI) Standards: Core Option. This Report also 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 develop and disseminate sustainability accounting standards that help public corporations disclose information that SASB deems to be material, decision useful information to investors. The SASB disclosures included in this Report are highlighted in the SASB Index Disclosures. The highlights and metrics shared in this Report represent the 2021 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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MESSAGE FROM OUR CHAIRMAN AND CEO



As Chairman and CEO of PennyMac Financial Services, Inc., I am pleased to share with all stakeholders our 2021 Corporate Sustainability and Environmental, Social and Governance (ESG) Report (referred to herein as the ESG Report). Our vision is to be the most trusted partner for home, and our mission is to build the foundation of homeownership by enabling Americans to achieve and sustain their aspirations of home. We are guided by an unwavering commitment to advancing our core values of being Accountable, Reliable and Ethical and operating our business in a way that creates positive ESG impacts and long-term, sustainable growth.

This ESG Report is intended to be a companion to the PennyMac Financial Services, Inc. 2021 Annual Report to Stockholders and the 2022 PennyMac Financial Services, Inc. Definitive Proxy Statement. The ESG Report evidences our commitment to voluntarily reporting on our ESG investments and impacts, supporting the evolving information needs of our stakeholders, and approaching sustainability with a mission-driven strategy that aligns our business goals with our need for positive operational and financial performance as well as robust and comprehensive risk management.

The continued challenges of the pandemic faced in 2021 by our company and our industry as a whole served as an important reminder of why it is imperative to meaningfully integrate our corporate sustainability and ESG agenda into every aspect of our business. ESG guides our human capital strategy, it informs our business decisions, and it shapes our governance practices. Our company and all of our stakeholders are keenly aware that ESG matters – it’s no longer a “nice to have” but rather a “must have” that will continue to play a critical role in driving our performance and sustainability as a leader in the mortgage industry.

At Pennymac, we understand that environmental stewardship is a shared responsibility and recognize the opportunity and importance of managing the environmental impact of our operations, while minimizing our exposure to weather and climate-related events. Our commitment is evidenced in numerous aspects of our business, including efforts around waste reduction and management, improved energy efficiency in our operations, water conservation strategies, and climate-related risk assessments.

We are also intentional about creating and sustaining positive social impact in our workplace, in our operations and in the communities where we serve. To further those intentions, we continue to implement a number of enterprise-wide strategies that are designed to support our goal of being an employer of choice so that we continue to attract, develop and engage the very best talent. At Pennymac, we are committed to cultivating a diverse, equitable and inclusive workforce and empowering employees from different backgrounds and experiences to connect, contribute, thrive and realize their full potential. In doing so, we consistently prioritize the health, safety and wellness of our employees and foster meaningful engagement with local and national community organizations.

As part of our shared obligation of maintaining the highest ethical standards of business conduct, we integrate sound governance practices into everything we do. 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 A.R.E. core values are all core components of our efforts to ensure our long-term success as an organization.

Notwithstanding the unprecedented challenges faced in 2021 by our customers, our employees, our company and society as a whole, we at Pennymac remain committed to executing on our strategic priorities and creating long-term, sustainable value for all of our stakeholders. I invite you to learn more about how we do that in this Report.

Sincerely,

A handwritten signature in black ink, appearing to read "David A. Spector". The signature is fluid and cursive, with the first name "David" and last name "Spector" clearly distinguishable.

David A. Spector
Chairman and Chief Executive Officer

ABOUT PENNYMAC



PennyMac Financial Services, Inc. (or Pennymac) is 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 (PNMAC). We were founded in 2008 by members of our executive leadership team and strategic investors, including HC Partners, LLC. 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 sourcing, due diligence, negotiation and settlement activities associated with investment asset acquisitions and dispositions.



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.

OUR VISION, MISSION AND CORE VALUES



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 performance-driven culture based on Accountable, Reliable and Ethical action to earn and maintain the trust and respect of employees, borrowers, partners and shareholders.

OUR VISION	OUR MISSION
Be the most trusted partner for home.	Building the foundation of homeownership by enabling Americans to achieve and sustain their aspirations of home.

Core Values

Fostering a strong company culture is a key characteristic of a successful enterprise. At Pennymac, it's ultimately about creating an environment that can support our vision and mission, sustain our successes and embed a common DNA around our values across our workforce. Our values at Pennymac are reflected in the phrase "We A.R.E. Pennymac" and establish our commitment to being Accountable, Reliable and Ethical (A.R.E.) in everything we do.



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 define the conduct that is exhibited daily with customers, colleagues and other stakeholders and that ultimately support the achievement of our long-term business goals. In 2021, we evolved our behavioral standards by introducing a new, comprehensive, and expanded set built on the foundation of our A.R.E. values.

ACCOUNTABLE	RELIABLE	ETHICAL
Customers first, and always. We are here because of our customers, and will be there when and where they need us.	Care. We care for people and show up for one another. We have each other's back.	Be a positive influence. We approach our work and each other with positivity.
Grow. Grow personally, grow professionally, and grow our business.	Win together. We believe in collaboration, open communication and we are stronger as a team.	Celebrate our differences. We believe in creating a culture of kindness and belonging, where our differences are genuinely valued.
Play at the top of your game. We set the bar high, push together to reach even higher and always measure what matters.	Start with why. Excellence follows. We pursue excellence by seeking to understand and committing to constant improvement.	Do what's right. It's never wrong. We act with integrity and honesty at all times.

Our Business Strategies



Our business growth strategies are based on five key focus areas: consumer direct lending, third-party origination (formerly broker direct lending), correspondent lending, mortgage loan servicing portfolio, and new markets and products.

Consumer Direct Lending	We expect to grow our consumer direct lending business over time by leveraging our growing servicing portfolio through the 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, 2021, we serviced 2.1 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 technology will enable us to drive origination process efficiencies and best-in-class customer service.
Broker Direct Lending	The broker direct lending channel (also known as third party origination) involves the underwriting and funding of mortgage loans sourced by mortgage loan brokers and other financial intermediaries. According to Inside Mortgage Finance, the broker direct lending channel represented approximately 15% of U.S. residential mortgage originations in 2021. In 2021, 2020 and 2019, we funded \$16.8 billion, \$12.2 billion and \$3.8 billion 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 technology through a dedicated portal.
Correspondent Lending	We expect to support our correspondent production market share by expanding the number and types of sellers from which we purchase loans and increasing the proportion of our sellers' production volumes that we purchase as we continue to expand to the loan products and services we offer. 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.

Mortgage Loan Servicing Portfolio	We expect to grow our servicing portfolio through loan production activities, as our correspondent government-insured production and consumer and broker direct lending add new servicing for owned MSRs, and correspondent conventional production adds new subservicing. We or PMT may also grow our servicing portfolio through acquisitions. In 2021, our correspondent, consumer direct and broker direct loan production totaled \$234.6 billion in UPB.
Expansion into New Markets and Products	We regularly evaluate opportunities to grow our business, including expansion into new markets and providing additional services to our customers directly or through external partnerships. We also continue to develop new 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



During 2021, the COVID-19 pandemic, spurred by more contagious variants, continued its toll on our nation and the world. Our collaborative and swift COVID-19 response remained guided by our key priorities – assisting our borrowers, supporting our employees, and engaging with our local communities.

Assisting our Borrowers

During 2021, mortgage forbearance plans continued to play an important role in helping our customers manage their finances by providing short-term liquidity. The Coronavirus Aid, Relief, and Economic Security (CARES) Act allowed 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 continued to provide various types of forbearance options, including those available under the CARES Act, allowing them to pause or reduce mortgage payments for certain periods 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 our platform 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 all 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 they 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

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 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. Masks were made available for all employees who needed them, temperature checking kiosks were implemented at all office entrances, and depending on state, county or local ordinances, we also enacted mask and/or test requirements. We also developed a process for tracking and reporting possible COVID-19 exposure and quarantine cases, mitigating the 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 maintained a comprehensive COVID-19 resource center intranet website for our employees with COVID-19 Guidelines, including a Pennymac Return to Site 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, including a special help desk that assisted employees with locating and scheduling available vaccination appointments. 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. 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 options.

For certain office sites where we maintain the Penny Pantry Café as an in-house corporate dining facility, we offered free meals as a safe choice for restaurant-quality food and established a no-contact curbside pickup process to maintain social distancing guidelines.

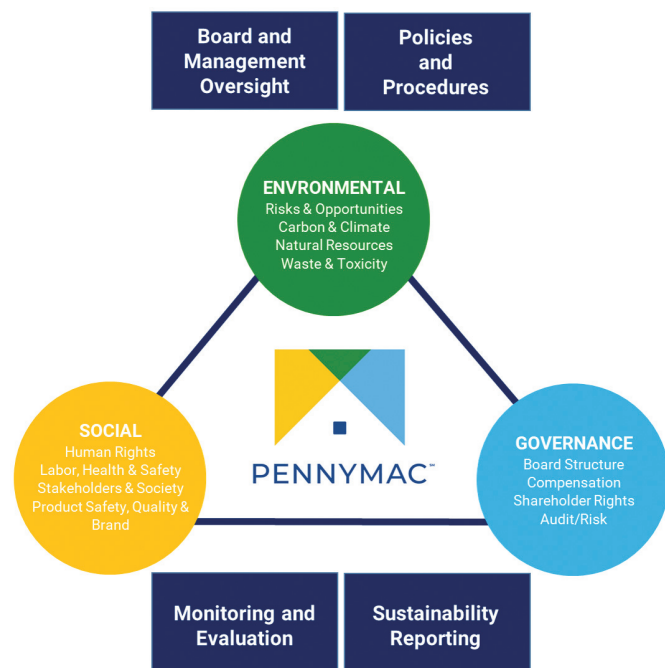
Engaging with our Local Communities

Supporting the resilience of our local communities has been another critical component of our COVID-19 response. Accordingly, we 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 prioritized our efforts around countering the devastating personal and economic effects of COVID-19 and helping our communities regain stability. A few notable charitable organizations that we supported include Rebuilding Together, LA Family Housing, Adopt-A-Family LA, St. Mary's Food Bank Alliance, and Tunnel to Towers Foundation.

OUR CORPORATE SUSTAINABILITY AND ESG APPROACH

Corporate Sustainability and ESG as a Foundational Discipline

Our Corporate Sustainability and ESG Program was established as a core foundational discipline with the appointment of our Senior Managing Director, Chief Strategic Planning and Corporate Sustainability Officer and our Managing Director, Corporate Sustainability. We maintain a Corporate Sustainability Subcommittee and 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 Evaluation, and Sustainability Reporting.

Our **Board and management oversight** program component establishes who is responsible for providing oversight and making critical decisions. During 2021, this was a primary responsibility of the Corporate Sustainability Subcommittee.

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

Through ongoing **monitoring and evaluation**, 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

Our Corporate Sustainability and ESG Program is supported by the following governance structure:



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.



SASB Materiality Mapping

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 have been identified by SASB as 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.

Dimension	General Issue Category	Financials: Mortgage Finance	Extractives & Minerals Processing	Food & Beverage	Transportation
Environmental	GHG Emissions		X	X	X
	Air Quality		X		X
	Energy Management			X	
	Water and Wastewater Management		X	X	
	Waste & Hazardous Materials Management		X		
	Ecological Impacts		X		

Note: Environmental sustainability issues were not identified as 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/>

Dimension	General Issue Category	Mortgage Finance	Asset Mgmt & Custody Activities	Commercial Banks	Consumer Finance
Human Capital	Employee Engagement, Diversity & Inclusion		X		
Social Capital	Human Rights & Community Relations				
	Customer Privacy				X
	Data Security			X	X
	Access & Affordability			X	
	Selling Practices & Product Labeling	X	X		
Business Model & Innovation	Physical Impacts of Climate Change	X			
Leadership & Governance	Business Ethics		X	X	
	Management of the Legal & Regulatory Environment				
	Systemic Risk Management		X	X	

Note: Selling Practices & Product Labeling and Physical Impacts of Climate are the two general issue categories that have been identified by SASB as material, decision-useful information for the Mortgage Finance industry. 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, and the world, 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 in helping to minimize our environmental footprint. Accordingly, we have adopted a Corporate Sustainability and ESG Policy and a Statement of Environmental Impact, which sets forth our enterprise-level policy on managing our environmental impact.

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 42% of our customers use electronic statements, resulting in over 44.7 million sheets and 26.1 million envelopes saved annually from electronic communications and combined documents in 2021. In addition, for our consumer direct lending channel, approximately 95% of our customers provide eConsent and electronically sign their upfront disclosures.



During 2021, 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 445,000 pounds of paper and other confidential materials being recycled in 2021. Our recycling volumes were up from 2020 due to an increase in the number of our employee workforce that returned to the office. A summary is provided below:

2021 Recycling Summary	
Weight Recycled (Pounds)	445,050
Trees Saved	3,802
Oil Saved (Gallons)	84,559
Energy Saved (kW)	890,100
Landfill Space Saved (Cubic Yards)	669
Water Saved (Gallons)	1,557,675

Recycling Volumes in 2021	
Q1	118,620
Q2	126,030
Q3	112,080
Q4	88,320

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. 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 2021, we recycled approximately 20,000 pounds of e-waste across the enterprise, a 100% increase from 2020. We continually evaluate and assess our e-waste reduction initiatives to ensure that used electronics are properly collected, reused or recycled in an environmentally responsible manner.

During 2021, we continued to host a significantly higher number of paperless meetings through video conference for our employees and our Board of Directors. These actions resulted in a substantial reduction in paper waste, as well as a reduction in travel to meetings thereby minimizing our carbon footprint.

External Partnerships to Promote Environmental Sustainability



Pennymac does not have operations or projects that significantly impact critical habitats or any other areas with high recognized biodiversity value. We prioritize and recognize sustainable initiatives that have positive impacts on our environment. We provide solutions that champion the efficient use of resources and we are committed to protecting our planet. Through our partnership with One Tree Planted, we recognize the reduction of carbon dioxide (CO₂) emissions achieved by planting trees. Through our partnership, we will plant 45,000 trees in critical habitats throughout

North America. Trees are critical to the health of our environment as they help to purify the air, filter the water, prevent natural disasters and provide habitat for biodiversity. Reforestation is identified by scientists as one of the best solutions to the climate crisis and the trees planted as part of this program will support United Nations Sustainable Development Goals.

Energy Efficiency

Reducing energy consumption in our 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 (HVAC) and lighting to curb energy use when it is least required. We continue to explore opportunities to further improve our performance in this regard, including the installation of new energy efficient HVAC units. In 2021, we upgraded some of our existing energy management systems to benefit from the latest technologies thereby allowing us to more effectively manage 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 few years. Many of our office buildings have adopted the use of LED fixtures for exterior lighting. Our office building in Moorpark, CA generated 5.45% reduction in energy usage when switching to LED from fluorescent 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, Lakeview, CA, Moorpark, CA, and Summerlin, NV locations.

The table below details our energy consumption for select sites for the 2021 fiscal year.*

	Moorpark, CA	Fort Worth, TX	Summerlin, NV
Electricity Usage (kWh)	2,051,916	2,459,500	926,041
Natural Gas Usage (BTU)	21,092,000	10,184,074	9,532,000

* Data excludes properties where Pennymac does not have operational control. Data is calculated predominantly via utility bills via a third-party utility bill management system.

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, touchless water fixtures and faucets, hands-free flushing sensors and other water-reducing hardware. 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. Wherever possible, we choose buildings with sound wastewater management practices. We do not have any business operations outside of the United States and therefore do not use water outside of our primary domicile.

We are working with our distributed facilities teams to obtain invoices from local municipalities which will enable us to gather data and calculate total water usage amounts in all office locations, where such information is available.

Managing Our Climate and Environmental Risks

Pennymac originates, acquires and/or services mortgage loans across the United States. Our growth and success as a mortgage lender and servicer is dependent on our ability to properly price our portfolio of mortgage loans so that they reflect the long-term expected value of those assets including any expected losses related to climate and environmental risks, and that we take steps to mitigate such risks. In light of the increased focus on climate-related risks and the evolving regulatory environment in support of climate-related financial disclosures, Pennymac is committed to being responsive to the informational needs of our various stakeholders.

Recently, we engaged a mortgage and climate risk analytics firm to provide consulting services as part of our efforts to identify, assess and manage certain climate and environmental risks to our mortgage loan and servicing portfolio. This engagement will serve as the foundation in the development of our climate risk strategy and the incorporation of climate and natural hazard risk into our enterprise risk management framework while taking into consideration our commitment to fair lending compliance.

Climate-Related Physical and Transition Risks

There is an increasing concern over the risks of climate change and related environmental sustainability matters. The physical risks of climate change include rising average global temperatures, rising sea levels and an increase in the frequency and severity of extreme weather events and natural disasters, including floods, wildfires, hurricanes and tornados, and could impact 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 at this time 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 is also 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 financial condition or may even cancel policies due to increasing costs of providing insurance coverage in certain geographic areas. Additionally, climate change concerns could result in transition risk, which is risk attributable to the transition to a low-carbon economy. Changes in consumer preferences and additional legislation and regulatory requirements, including those associated with the transition to a low-carbon economy, could increase expenses or otherwise adversely impact our operations, businesses or customers.

Environmental Impact on Our Properties

Adverse weather conditions, climate change, man-made or natural disasters, pandemics, such as COVID-19, floods, droughts, fires and other environmental conditions could adversely impact properties that we own or that collateralize loans we own or service, as well as properties where we conduct business. In addition, such adverse conditions could impact the demand for, and value of, our assets, as well as the cost to service or manage such assets, or directly impact the value of our assets through damage, destruction or loss, and thereafter materially impact the availability or cost of insurance to protect against these events. Our corporate headquarters is located in Westlake Village, California and we have additional locations around the greater Los Angeles metropolitan area and elsewhere in the State of California. Many areas of California, including the immediate area around our corporate headquarters, have experienced extensive damage and property loss due to a series of large wildfires in the past several years. California and the other states in which we operate are also prone to other types of natural disasters.

In the event of a major earthquake, hurricane, or certain other catastrophic events, we may be unable to continue our operations and may endure significant business interruptions, reputational harm, delays in servicing our customers and working with our partners, interruptions in the availability of our technology and systems, breaches of data security, and loss of critical data, all of which could have an adverse effect on our future operating results. Certain types of losses, generally of a catastrophic nature that result from events described above such as earthquakes, floods, hurricanes, tornados, and pandemics, such as COVID-19, may also be uninsurable or not economically insurable. Factors such as environmental considerations also might make the insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Under these circumstances, the insurance proceeds received might not be adequate to restore our economic position with respect to the affected real property. Any uninsured loss could result in the loss of cash flow from, and the asset value of, the affected property, which could have an adverse effect on our business, financial condition, liquidity and results of operations.

The table below provides a description of the range of key climate-related risk considerations:

Risk	Description
Market	Physical and transition risk could have an adverse impact on the valuation of mortgage related assets, including the potential to trigger valuation adjustments where climate risk is not yet taken into consideration.
Credit	Climate risk drivers could lead to a reduction in the borrowers' ability to repay loans or our ability to fully recover the value of properties we own or that collateralize loans we own or service in the event of default. Counterparty financial performance and collateral values also could deteriorate as the transition and physical impacts of climate change become more prevalent.
Liquidity	Climate-related disruptions could have an adverse impact on the accessibility of the capital markets and costs of capital.
Operational	Increased severity of climate-related events could impact our office locations, business operations and systems, and key vendors.
Reputation	Changing market or consumer sentiment regarding actions to mitigate climate-related risks could result in increased reputational risk.
Policy and Legal	Widespread adoption of policy change and regulations around climate-related disclosures may lead to an increase in climate-related litigation.

OUR SOCIAL IMPACT



Promoting Responsible Lending

Transparency in Loan Products

We firmly believe that transparency of information in our loan products and services is a critical component in empowering our borrowers to make sound financial decisions. Our commitment to responsible lending includes a dedication to strict lending criteria to ensure that we only lend what our customers can afford to repay; responsible and transparent marketing of our products and services; supporting our customers in the event of financial difficulty by providing them with information and assistance; and working to improve the financial literacy and capability of our customers.

During the development of loan products and services, we engage with a number of internal and external stakeholders. We are committed to advancing equitable homeownership, empowering customers to take control of their finances, and promoting financial literacy and borrower education. Our senior management team, consisting of individuals from multiple disciplines throughout the organization such as Credit Risk, Correspondent Production, Third Party Origination, Consumer Direct Lending, Mortgage Fulfillment, Legal, and Mortgage Regulatory Compliance, meets regularly to discuss the development of loan products and services.

Customer Complaints

At Pennymac, we continue to focus on improving the customer experience by addressing the root causes of customer complaints. Insight into complaints offer a great opportunity for achieving consumer satisfaction, reducing costs, improving product and service quality, and ensuring regulatory compliance. Our proactive complaint management system is handled through dedicated complaint response teams and governed by corporate policy requirements and executive management oversight, all of which ensure consumer complaints are addressed in an efficient and effective manner. In addition to our steadfast commitment to resolving our consumer complaints, we also engage with our customers through an assortment of surveys soliciting feedback to offer us insight into ways we can further improve our dedication to the highest customer satisfaction.

Supporting Sustainable Homeownership

Homeownership is a critical driver of wealth creation and economic mobility for families and entire communities. At Pennymac, we are building the foundation of homeownership by enabling Americans to achieve and sustain their aspirations of home. For low- to moderate-income individuals and families, the journey to homeownership can be challenging and confusing. At Pennymac, we all work together toward the same goal: to build trust and quality in the home loan experience from beginning to end.

Low-Income and First-Time Homebuyers

Pennymac provides a number of resources and loan products for first-time homebuyers, homebuyers with compromised credit, and low-income buyers, including:

Fannie Mae's HomeReady®	Fannie Mae's RefiNow™
Improves housing affordability by offering low down payment options and flexible funding for down payments	Offers an affordable refinancing option to help reduce monthly housing costs
Freddie Mac's Home Possible®	Freddie Mac's HomeOne®
Offers low down payment options and credit flexibility for very low- to low-income borrowers	Offers qualified first-time homebuyers flexible financing with a low 3% down payment requirement
Affordable Products /Manufactured Housing	Community Seconds / Affordable Seconds
Offers loans for manufactured housing, which promotes affordable homeownership and equity building	Provides down payment assistance and allows up to 105% combined loan-to-value
FHA Home Loans	USDA Rural Development Loans
Offers below-average interest rates, easier credit requirements, and low down payments	Provides low- and moderate-income households the opportunity to purchase a home in eligible rural areas
VA Home Loans	
Offers low interest rates, no down payments and no monthly mortgage insurance premiums for eligible veterans	



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 with 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.

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.

External Partnerships to Promote Equitable Homeownership

During 2021, we joined the Home for All Pledge, a Mortgage Bankers Association (MBA) member company action pledge as part of our commitment to promoting and ensuring greater racial equity and inclusion in housing. As a member company, we signed the Home for All Pledge and committed to aligning with MBA's efforts to foster public policies and industry practices that promote and sustain minority homeownership and affordable housing and champion diversity, equity and inclusion in our workplace and in the mortgage industry.



Financial Literacy and Borrower Education

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 and ultimately is beneficial for the borrower, Pennymac and our industry as a whole.



VA Home Loans

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 2021, we provided over \$50 billion in financing to veterans. As the servicer for nearly 400,000 loans for veterans, service members and their family members, we ranked nationally as the #4 VA lender as of December 31, 2021 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 the Specially Adapted Housing Grant Program.

Green Mortgages

We partner with Freddie Mac to provide loans that meet the eligibility requirements of their GreenCHOICE Mortgages® program, which is committed to providing flexibility to finance energy and/or water efficiency home improvements. Green mortgage programs such as these are an important step in helping to reduce the financial burden associated with home utility costs, thereby increasing the financial resiliency of borrowers and enabling them to sustain homeownership.

We also partner with Fannie Mae to provide loans that meet the eligibility requirements of their HomeStyle® Energy Mortgage program, which is committed to providing borrowers with means for making upgrades to conserve energy, reduce utility costs and make their homes more resilient. These mortgages may be used for upgrades to energy and water systems including solar, property improvements for better resilience to natural disasters, new windows and doors, and to pay off other energy-related debt.

Advancing Economic Inclusion with Vendors

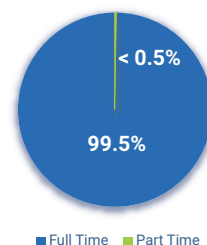
Vendor diversity is an integral component of our commitment to advancing diversity, equity, and inclusion at Pennymac. In 2021, Pennymac launched a vendor diversity outreach initiative to promote vendor participation that is reflective of the diverse communities where we live and operate. Our outreach efforts are designed to help Pennymac identify vendors that are at least 51% owned, operated and managed by individuals who are disabled; lesbian, gay, bisexual, transgender or queer (LGBTQ); minorities; service-disabled veterans; and/or women. We believe that creating a sustainable, diverse vendor base and an inclusive vendor process strengthens our supply chain, which in turn, improves quality, efficiency, and innovation, as well as supports business development in our communities.

Human Capital Management

At Pennymac, our people are our greatest asset and are the foundation of our continued growth and success. Our long-term growth and success is highly dependent upon our employees and our ability to maintain a diverse, equitable and inclusive workplace representing a broad spectrum of backgrounds, ideas and perspectives. We make it our goal to position our employees in roles that best suit them, while building their skills for optimal performance and customer satisfaction. This enables us to deliver the unparalleled expertise, best-in-class service, and innovative solutions our customers expect.

As of December 31, 2021, our workforce was just over 6,900 employees. In 2021, 99.5% of our workforce were employed in full-time positions. 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 talent acquisition and development, diversity, equity, and inclusion, culture management, employee wellbeing and safety, and community involvement.

2021 Workforce Analytics



Talent Acquisition

Pennymac's ability to attract and retain a diverse and talented workforce is critical to our sustainable growth and success. We have a highly experienced and specialized team of human resource professionals, led by our Managing Director, Chief Human Resources Officer, who are charged with executing on Pennymac's enterprise-wide workforce planning and talent acquisition strategies. We leverage a number of creative sourcing and automation tools and foster relationships with external technical, diversity and professional associations in order to proactively build and maintain a robust and high-potential candidate pipeline that enables us to meet our current and future workforce needs.

In furtherance of our commitment to attracting and developing the next-generation of mortgage industry professionals, we maintain the Pennymac Corporate University (PCU) Rotational Program. The PCU Rotational Program includes full-time Financial Services Analyst roles, in which participants from diverse backgrounds have the opportunity to learn and develop in different areas of the business. Approximately 77.4% of our 2021 PCU Rotational Program participants were women and/or underrepresented minorities.

Talent Development

Talent development is a critical component of the employee experience in 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 2021, approximately 200 mentor/mentee pairs participated in the Enterprise Mentor Program.

During 2021, we maintained a customized mentor program, specifically designed for women in our Production Sales division. This program provided women in sales who are early in their careers with exposure to senior leadership in the Production Sales division, as well as training on a range of educational topics in support of their continued growth, development and advancement 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 strong pipeline of diverse executives who will deliver on future business growth. Our succession planning tools and processes are designed to address organization capability issues through the ongoing evaluation of leadership depth and succession capability. Succession planning components include talent reviews, executive development plans (EDP), and other tools to evaluate key talent and identified successors and to ensure a sustainable talent bench for the Chief Executive Officer role and all Managing Director and Senior Managing Director roles. On an annual basis, a succession plan is developed for all roles identified as key positions which is reviewed and approved by the executive leadership team and human resources. These plans are also reviewed by our Board of Directors.

During 2021, we created succession plans for approximately 51 roles. Through succession readiness assessments, we also identified approximately 290 successors, approximately 49% of which are diverse employees.

Mandatory Training

All full-time equivalent employees are required to complete certain training courses, including Fair Lending Compliance; Privacy in the Mortgage Industry; Regulatory Compliance for Mortgage Lenders; Avoiding Unfair, Deceptive, or Abusive Acts or Practices (UDAAP) Violations; Data Security; Ethical Practices; Mortgage Fraud and Anti-Money Laundering (AML); Preventing Discrimination and Harassment; Microaggressions in the Workplace; Safety, Security, and Business Continuity; Active Shooter Preparedness; Insider Trading and Code of Conduct Acknowledgement, 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. The average completion rate during 2021 for mandatory compliance courses was 97.4% 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 Managing Director, Chief Human Resources 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, Equity, and 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 diverse, equitable and inclusive culture through customized programs and initiatives designed to attract, develop and engage a highly talented and performance-focused workforce. We recognize the value of having a workforce that leverages diversity of backgrounds and experiences, including all racial and ethnic identities, gender identities and sexual orientations, ages and abilities, national origins and other differences that make our employees unique and valuable to Pennymac. 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.

Diversity, Equity, and Inclusion Policy

Our Diversity, Equity, and Inclusion Policy was established to define the program requirements that support the pursuit and realization of all enterprise-wide diversity, equity, and inclusion objectives. Diversity, Equity, 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, equitable, 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 embed diversity, equity, and inclusion objectives across all aspects of the employee lifecycle and experience, whether it is recruitment, selection and retention, compensation and benefits, professional development and training, promotions, transfers, employee engagement programs, layoffs or terminations.

Diversity, Equity, and Inclusion Council

During 2021, we launched our Diversity, Equity, and Inclusion (DEI) Council with the goal of providing strategic guidance on enterprise-wide diversity, equity, and inclusion initiatives that are designed to drive positive social impact in our workplace and in the communities where we live and operate. This commitment starts with our executive leadership team. Our Chairman and CEO is the executive sponsor of the DEI Council and is charged with driving accountability of the DEI Council, setting the tone at the top and providing strategic influence and oversight to ensure organizational alignment and business impact. Other members include executive leaders from diverse backgrounds and various departments across the organization. We are also held accountable to our Board of Directors, which has responsibility regarding our ESG program and initiatives. Most importantly, our employees are fostering an inclusive culture that will help us innovate, collaborate and create more effectively and equitably.

2021 Diversity, Equity, and Inclusion Goals and Workforce Demographics

During 2021, we established a leadership and key performance indicator (or KPI) goal to increase the representation of women and underrepresented minorities in management positions above the 2020 fiscal year end level. This leadership and KPI goal was 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.

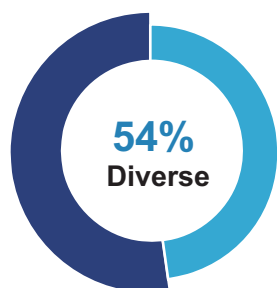
	White	Black or African American	Hispanic or Latino	Asian	American Indian/Alaskan Native	Native Hawaiian or Other Pacific Islander	Two or more races	Not Specified	Female	Total
Executive/Senior-Level Officials and Managers ⁽¹⁾	78.0%	4.0%	4.0%	14.0%	0.0%	0.0%	0.0%	0.0%	18.0%	50
First/Mid-Level Officials and Managers ⁽²⁾	55.6%	10.2%	16.5%	13.4%	0.0%	0.5%	2.6%	0.7%	45.8%	1,634
Professionals	37.6%	3.9%	8.4%	43.2%	0.0%	0.3%	5.6%	1.1%	28.7%	359
All Other ⁽³⁾	38.7%	20.6%	25.5%	8.5%	0.0%	0.5%	4.9%	0.9%	55.7%	4,903
Total	42.9%	17.2%	22.3%	11.5%	0.0%	0.5%	4.3%	0.8%	51.7%	6,946

(1) Includes CEO, 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

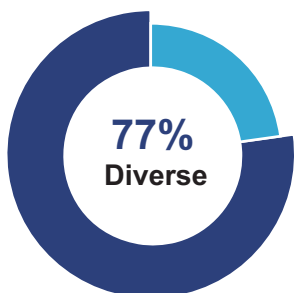
Racial, Ethnic and Gender Diversity - Management Level ⁽¹⁾



2%
increase
since 2020

32% Racially and Ethnically Diverse
36% Women

Racial, Ethnic and Gender Diversity - Company-Wide



57% Racially and Ethnically Diverse
52% Women

(1) Includes Vice President and above roles

Business Resource Groups (BRGs)

As part of our continued efforts to advance a more diverse, equitable and inclusive workforce, Pennymac maintains six formally recognized and company supported BRGs. Our employee-led BRGs play an essential role in our efforts to attract, develop, and engage an increasingly diverse workforce and they support our organizational efforts to leverage diverse thinking, generate innovative ideas, and advance community projects that align with Pennymac's culture, A.R.E. core values, vision and mission. Through our BRGs, employees are empowered to build connections, broaden their view on diversity, equity, and inclusion, discuss common issues and concerns, and engage in networking, mentorship, and career development opportunities.

We currently maintain the following BRGs:



Heritage and Inclusion Months

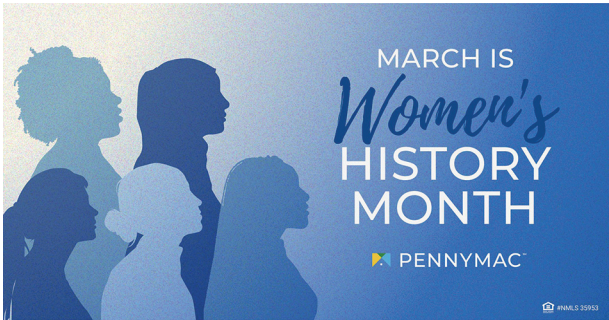
Beyond our day-to-day efforts to attract increasingly diverse talent that represents the communities where we live and serve, we also actively promote initiatives to develop and engage our employees and create an inclusive environment where everyone feels empowered to participate, valued, respected, supported, 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 heritage and 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 invest time to celebrate Dr. King’s life and legacy through reflection, action, and service – to better understand the full breadth and depth of his work and to reexamine our individual and collective roles in driving positive social impact in the communities where we live and operate.



During Black History Month, we take time to celebrate, along with the members of our BOLD BRG, the innumerable contributions and achievements that Black Americans have made in the United States. Through a number of activities, we also drive awareness and education of the experiences of Black Americans. During Black History Month, we launched the Bold & Inclusive Conversations series, the first session of which was entitled “Let’s Talk About Race.” These sessions are held on a quarterly basis to provide a welcoming space to drive awareness, understanding, empathy and meaningful action through dialogue. We also hosted a Racial Equality Challenge where our employees came together to advance their understanding of racial equality while raising funds for charitable organizations

During Women’s History Month, we honor the remarkable accomplishments and contributions of women in the United States and around the world. Beyond commemoration, we take time to drive discussions around economic inclusion and equity for all women with prioritized efforts around promoting equitable hiring practices, closing the gender pay gap, and increasing the representation of women in senior leadership in the mortgage finance industry and across all professions. In celebration of International Women’s Day, we joined our wEMRG BRG in hosting a Wear Purple Day. We also supported our wEMRG BRG in its signature Women’s History Month virtual event entitled “Celebrating Women at Pennymac” which spotlighted women leaders at Pennymac who are also trailblazers in our industry as a whole.



During 2021, we also recognized Juneteenth, the oldest nationally celebrated commemoration of the ending of slavery in the United States. This day holds increased significance, especially for our Black and African American employees. We have fully committed to recognizing this as an official company holiday by closing our Pennymac offices in observance of Juneteenth National Independence Day.

Pennymac also celebrates LGBTQ Pride Month and, in 2021, hosted our second virtual *runPennymac: Pride 5K Challenge*, which enabled over 200 Pennymac’ers to virtually bond and show their pride and support in a safe and socially distant manner. In addition to celebratory activities and in support of our Pennymac PRIDE BRG and LGBTQ employees and allies, we committed to providing educational resources and materials around the use of gender pronouns, why they matter and how our employees can help create a more inclusive and respectful workplace.



During National Veterans and Military Families Month, we take time to celebrate and express our gratitude for our veterans and military family employees such as Sylvester Sison, a U.S. Navy Veteran whose commitment to our customers is delivered by a values-oriented team approach. In 2021, we also partnered with our SERVE BRG to sponsor a Virtual Veterans Day Celebration, which included a moment of silence, a Presentation of the Colors ceremony, the recital of the Pledge of Allegiance and a special Thank You Veterans video. We also hosted a *runPennymac: Veterans 5K Challenge*.

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

Culture Management

At Pennymac, Culture Management is one of many ways we demonstrate our commitment to our employees. We sponsor a number of initiatives year round to foster a community that exemplifies our Accountable, Reliable, and Ethical (A.R.E.) core values.

Culture Management Initiatives

Our Culture Management Team led a number of corporate activities during 2021 to support employees, including Employee Appreciation Day in March 2021, which consisted of workforce communications and the distribution of Pennymac-branded stainless steel tumblers. We also coordinated a number of remote activities during the pandemic, including virtual contests to drive employee engagement and promote a sense of togetherness. These activities included an Acts of Kindness contest, an Earth Day contest, an Independence Day contest, a Halloween contest, and a Holiday Recipe contest. In addition, Pennymac's Culture Management Team partners with vendors across the country to offer national and local employee discounts to employees throughout the year. At several office sites, Pennymac also has local and divisional culture representatives who participate in Associate Culture Teams and other forums that have been established to drive increased employee engagement across the company.

To further engage employees, Pennymac's Culture Management team launched a one-stop resource in 2021 to provide new hires with an easy-to-navigate location on the company's intranet, known internally as Pennymac Central, where staff can obtain answers to frequently asked questions.

Throughout the year, Pennymac also recognizes employees who celebrate their milestone anniversaries. To show our appreciation, we provide employees reaching their 5- and 10-year service anniversaries with milestone gifts.

Rewarding Innovation



Through Pennymac's My Two Cents program, we encourage employees to take an active role in identifying and recommending solutions, and react quickly to changing environments. This program is designed to promote innovative suggestions and thoughtful ideas, and to award employees (up to the vice president level) who submit recommendations for increasing efficiencies, decreasing costs, and driving growth at Pennymac. Submitted ideas are evaluated based on merit and, if approved, the employee may receive a financial reward.

Peer-to-Peer Recognition

We also host Pennymac Perks, a company-wide, points-based platform that facilitates peer-to-peer and manager-to-employee recognition and awards. Certain leaders are provided with a budget to recognize eligible employees with financial rewards, which may be redeemed for gift cards, hotel stays, or Pennymac-branded merchandise. Some employees can also award non-financial awards, known as perks, to reinforce exemplary behavior. Furthermore, in partnership with the Pennymac Perks platform, Pennymac launched a Pennymac Store in 2021, enabling all employees and contractors to purchase Pennymac-branded merchandise and apparel for personal use via their own credit cards.



Also in 2021, we expanded our VIP (Very Inspiring Pennymac'er) Program that drives peer-to-peer recognition of employees who go above and beyond in understanding their internal customers' needs. In addition to recognizing individuals who embody what it means to focus on the internal customer, the program now recognizes teams that work together internally to demonstrate the behavioral standard: Customers First, and Always.

Employee Health and Wellbeing

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 Short Term Disability 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 integrated wellness program that offer employees opportunities and incentives to create healthy habits and reach their highest levels of well-being. Our goal is to encourage and commit to long-term healthy change in how we live, work, exercise, and eat. 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 and their immediate family members, free of charge, with access to a wide array of resources and support, including the following:

- Confidential Counseling
- Parenting & Childcare Resources
- Financial Coaching
- Identity Theft Resolution
- Legal Consultation
- Eldercare and Caregiver Solutions
- Self-Help and Resiliency Resources
- Face-to-Face Counseling

Counselors are available 24 hours a day, 7 days a week, for confidential assistance.

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 packages 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
- Tuition reimbursement to invest in our employees' future career growth and help further their skills, knowledge, and competencies through higher education (*announced in 2021*)
- Up to 12 weeks of paid parental leave per birth, adoption, or foster care placement, available to full time employees who are new parents, including birth mothers, fathers, adoptive parents, and foster care placements (*announced in 2021*)

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

Workplace Safety

With the significant level of growth in our number of employees across the enterprise that we experienced during 2021, our commitment to the health and safety of our employees continues to be one of our highest priorities for our Safety & Security Team. Our goal is to equip our employees with the resources necessary to ensure a safe, healthy, secure and happy working environment, including the following:

- Emergency Action Plan
- Injury and Illness Prevention Program
- Emergency Maps and Assembly Points
- Physical Access Control Policy and Procedures
- Physical Threats Policy and Procedures

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 2021, approximately seven workplace accident cases were reported, 45 employees completed ergonomic training, and 18 employees filed workers compensation claims. There were no reports of work- related fatalities or occupational diseases.

Philanthropy and Community Engagement

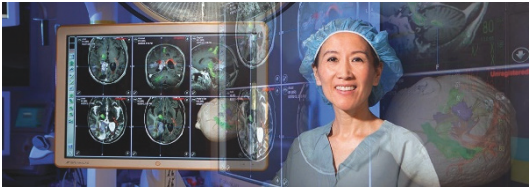
The Pennymac Corporate Philanthropy Program is governed by a philosophy of giving that prioritizes the support of causes and issues that are important in our local communities, and drives a culture of employee engagement and collaboration throughout our organization.

Strategic Approach to Philanthropy

Our Corporate Philanthropy Program consists of three components: Employee Matching Gifts, Charitable Donations and Corporate Sponsorships. We take a strategic approach to charitable giving and prioritize five philanthropic focus areas: Community Development and Equitable Housing, Financial Literacy and Economic Inclusion, Human and Social Services, Health and Medical Research, and Environmental Sustainability. Within these focus areas, we are able to

drive progress to support a number of issues that have impacted underserved and underresourced communities, including equitable housing, housing insecurity and homelessness, food insecurity and hunger, disaster recovery and child and family services.

Our Community Impact



In 2021, after the passing of Stanford L. Kurland, the Founder and former Chairman and CEO of Pennymac, we committed to making a donation to The UCLA Foundation – Brain Tumor Center in Mr. Kurland’s honor. Donations made by Pennymac’sers were matched by the Kurland Family Foundation. To honor his legacy, a total of \$250,000 was donated to The UCLA Foundation – Brain Tumor Center, which will help support brain cancer research. In addition, we committed to hosting the 2022 Stanford L. Kurland Memorial Golf Classic to raise funds that will benefit the UCLA Foundation – Brain Tumor Center.



During 2021, 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.



As part of our GivingTuesday campaign, we donated over \$600,000 to local charitable organizations identified by site leaders from our offices all across the United States. This donation represented a 100% increase from last year’s donation. These funds were provided to local charities that had significant meaning to the employees across our many office sites.

Further, we donated approximately \$2.5 million in additional funds to nearly 70 charitable organizations that align with our philanthropic focus areas. A few of those charitable oraanizations are hiahlighted below:



Employee Matching Gift Program

In December 2021, we announced to our employees that we would be launching the Pennymac Matching Gifts Program to encourage them to become personally involved in the well-being of the communities where we live and operate. Our Matching Gifts Program provides company matching funds to nearly 70 preferred eligible charitable organizations that align with our A.R.E. core values, vision, mission and philanthropic focus areas. To maximize the impact of our employees' charitable giving, we will match, dollar for dollar, individual donations made by eligible employees to our preferred eligible charitable organizations, up to a maximum match amount of \$2,000 per employee per year.

Volunteerism



During 2021, Pennymac's executive leadership team gathered for the 2022-2024 Strategic Plan offsite meeting, during which our leaders assembled homeless care packages for Martha's Village & Kitchen, one of the largest providers of homeless services in the Coachella Valley and Riverside County, providing families, children and individuals with a variety of housing, education and support services so that they are empowered to transform their lives with dignity.

We support our local office site in their efforts to engage in philanthropy through a number of initiatives. In our Tampa and Plano office sites, for example, our employees organized school supply drives to provide a bright start to the school year for local teachers and students. Across those offices, team members donated school supplies and monetary donations to benefit local school districts.



For the last couple of years, members of our Tampa Associate Culture Team have helped support Feeding Tampa Bay's Trinity Café. Trinity Cafe is a free, full service restaurant for those in need of a healthy meal. Feeding Tampa Bay is a non-profit organization focused on providing food to over 1 million food insecure families in the 10-county area of West Central Florida. Our employees gathered on a Saturday to assemble approximately 200 meals for the local Tampa community. Our employees are committed to driving positive social impact in the communities where we serve and they wholeheartedly embrace our collective philosophy of giving.

Our Phoenix office site was also active in 2021, raising funds and collecting items for St. Mary's Food Bank, a local charitable organization that works tirelessly to feed hungry families throughout Phoenix and nine other Arizona counties.

Our Phoenix office site also organized a pet supply and donation drive for Lost Our Home Pet Rescue, a local organization that is committed to rescuing abandoned pets and ensuring they get the care and the homes they need and deserve.



Sponsorships and Affiliations

Pennymac has established memberships and/or affiliations with a number of organizations focused on diversity, equity, and inclusion, including the following:



NAMMBA is dedicated to the enrichment and betterment of women and minorities working in the mortgage industry. Pennymac supports NAMMBA's effort of empowering women and underrepresented minorities to broaden their leadership skills and create an impact in their communities.



American Mortgage Diversity Council

The **AMDC** provides a platform for the collaboration of mortgage industry leaders for the advancement of diversity and inclusion dialogue. The organization develops and provides tools and strategies to foster a greater understanding and appreciation of diversity of thought, experience, and backgrounds.



Catalyst

Catalyst is committed to driving change with preeminent thought leadership, actionable solutions and a galvanized community of multinational corporations to accelerate and advance women into leadership – because progress for women is progress for everyone.



The **National Urban League** is dedicated to advancing economic empowerment in order to elevate the standard of living in historically underserved urban communities. Our support helps provide financial stability, job opportunities, better education, access to healthcare, and fair affordable housing.

Company Recognition

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



Pennymac was one of 11 nationwide mortgage servicers named as a recipient of the 2021 Servicer Total Achievement and Rewards™ (STAR™) Program, which annually recognizes mortgage servicers for competency, capacity, and overall performance and for dedicated efforts to support and facilitate equitable and sustainable access to homeownership. Participants are evaluated annually across three categories: General Servicing, Solution Delivery, and Timeline Management. This year, Pennymac has been recognized for our outstanding General Servicing and Solution Delivery.

Pennymac was recognized by HousingWire as one of the top 100 most innovative technology companies serving the mortgage and real estate industries. This TECH100 award highlights companies that continue to make housing more sustainable by improving borrower experience, increasing sustainability and efficiency, and bringing elasticity to mortgage origination and servicing processes.



Pennymac was recently named by NerdWallet as the Best Mortgage Lender for FHA Loans. For this award, Pennymac was evaluated along with nearly 60 mortgage lenders, including the majority of the largest U.S. mortgage lenders by annual loan volume (lenders had to have at least a 1% market share), lenders with significant online search volume and those that specialize in serving various audiences across the country. NerdWallet rated them on criteria including rate transparency, loan types offered, ease of application and more.

Employee Recognition

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

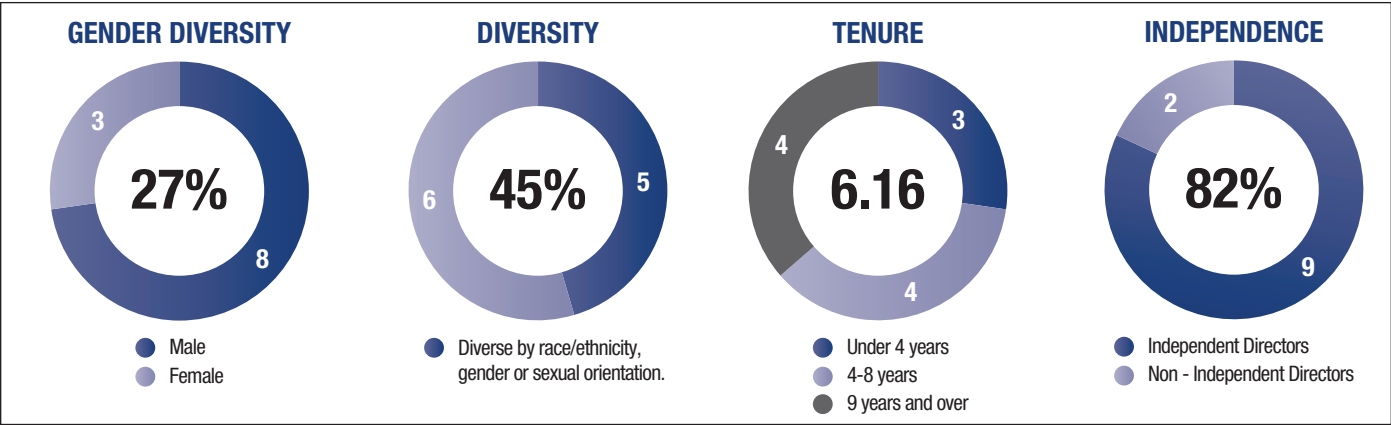


OUR GOVERNANCE IMPACT

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.



Board Skills



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. Our Amended and Restated Bylaws provide for a majority voting standard for uncontested director elections and plurality voting standard for contested director elections.	✓ Independent Lead Director. The independent directors of our Board elected Jeffrey A. Perlowitz as our independent lead director for a three year term that expires in February 2025.
✓ Director Resignation Policy. Our Corporate Governance Guidelines include a requirement that any director nominee who fails to receive a majority vote, if required, for election or re-election will promptly tender his or her resignation to the Board.	✓ Board Refreshment. We have robust processes to identify, evaluate and select qualified director candidates and we regularly assess the size and composition of the Board. We added three board members since 2019.
✓ 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.	✓ Regular Executive Sessions. Our independent directors meet privately on a regular basis. Our independent lead director presides at such meetings.
✓ 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).	✓ Regular Board Evaluation. The Nominating and Corporate Governance Committee sponsors an annual self-assessment of the Board's performance as well as the performance of each committee of the Board.
✓ 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.	✓ Annual Elections. Our Board is not classified and, therefore, we conduct annual elections for all directors who serve on our Board.

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 capable of identifying and executing 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 these 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 board members. In addition, three directors self-identify as representing underrepresented racial, ethnic and sexual communities, including one director of Indian/South Asian heritage, one director of Middle-Eastern/North African heritage and one director of gay, lesbian, bisexual or transgender orientation. 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. In addition, we believe we are in compliance with California’s board diversity requirements.

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:

Committee	Primary Risk Oversight Responsibility
Audit	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.
Compensation	Our Compensation Committee focuses on oversight of our 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.
Finance	Our Finance Committee focuses on risks relating to our Company’s liquidity and capital resources and our investment policies and strategies.
Nominating and Corporate Governance	Our Nominating and Corporate Governance Committee focuses on risks associated with proper board governance, including the independence of our directors and the assessment of the performance and effectiveness of each member and Board Committee, as well as risks associated with corporate sustainability and ESG practices. The Nominating and Corporate Governance Committee has specific oversight responsibility relating to our corporate sustainability and ESG practices, including environmental stewardship, human capital management (including diversity, equity, and inclusion, talent management, culture, and employee engagement), community involvement and corporate governance.

Committee	Primary Risk Oversight Responsibility
Related Party Matters	Our 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.
Risk	Our 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 climate risk and cybersecurity and data privacy risk. Our Risk Committee, as well as other members of the Board, receive quarterly updates from the Company's Chief Information Officer on the overall cybersecurity and data privacy risk environment including our enterprise-wide cybersecurity risk assessment results and key initiatives.

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 long-term success and ultimate sustainability; 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 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. The executive compensation program was weighted toward long-term equity awards and performance-based incentives, rather than toward annual base salaries, in order to ensure that a significant portion of compensation is tied to Company and stock performance and to maximize retention. We continue to assess the compensation elements for our executive officers, including our named executive officers, and are committed to ensuring that our executive compensation program remains generally consistent with market practices and focused on long-term performance.

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

Human Rights

Our Statement on Human Rights describes the basis of our responsibility to respect human rights and the approaches and processes we use to implement it. Equally, we expect our vendors to recognize and uphold human rights as reflected in our Statement of Vendor Ethics. 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, equity, 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 in observance and support of those inalienable rights that are inherent to all human beings.

Code of Business Conduct and Ethics

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 directors, officers and employees, and we expect the same level of ethical business conduct from our vendors as described in the following section. 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 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 Chief Executive Officer and Senior Financial Officers are available on our website at www.ir.pennymacfinancial.com.

Statement of Vendor Ethics

We maintain a Statement of Vendor Ethics, which describes both legal and social responsibility requirements for all of our vendors. Vendors, in their activities, are required to operate in full compliance with applicable laws, rules and regulations of the jurisdictions in which they operate. We are fully aware of the responsibility we bear towards our stakeholders. Thus, we have given ourselves a strict set of ethical business standards to guide us in our business activities. We expect all of our vendors to adhere to the same ethical standards, as it relates to a number of factors including anti-bribery, anti-corruption, anti-money laundering, confidentiality, human rights, non-harassment and non-discrimination, fair wages and benefits, health and safety, forced labor, human trafficking and slavery, child labor, wage and hour laws, and environmental and social sustainability.

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, 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: (i) oversight by senior management and our Board of Directors to ensure that our compliance culture, guidance, and resources are appropriate; (ii) a compliance program to ensure that our policies, training and monitoring activities are complete and comprehensive; (iii) a complaint management program to ensure that consumer complaints are appropriately addressed and that any required actions are implemented on a timely basis; and (iv) 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.

Anti-Money Laundering and Fraud Prevention

Pennymac is firmly committed to compliance with all applicable anti-money laundering (AML) laws and regulations, as well as the detection and prevention of mortgage fraud. We have established an Anti-Money Laundering Compliance Program ("AML Program") that incorporates a Customer Identification (Know Your Customer) Program, and is designed to comply with the USA Patriot Act of 2001, as well as other applicable laws and regulations relating to the prevention of money laundering and terrorist financing.

The AML Program provides for:

- Policies, procedures, and a system of internal controls designed to ensure ongoing compliance with applicable AML and economic laws and regulations;
- Designation of AML compliance officers who are responsible for coordinating and monitoring day-to-day compliance with the AML Program for their businesses;
- Procedures for independent testing for compliance with the AML Program and applicable laws;
- Anti-money laundering training for appropriate personnel; and
- Appropriate risk-based measures for monitoring transaction activities of customer accounts.

We have also implemented policies and procedures designed to comply with the prohibitions and restrictions mandated by the Office of Foreign Asset Control (OFAC) and all other sanctions laws and regulations applicable in the jurisdictions in which we operate. Our OFAC Program includes the scanning of borrower names against Specially Designated Nationals and Blocked Persons (SDN) lists which is designed to prevent Pennymac from entering into mortgage loan transactions with sanctioned individuals.

Enterprise Risk Management

Enterprise Risk Management Framework

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, including cybersecurity, related to our business, assets, and liabilities.

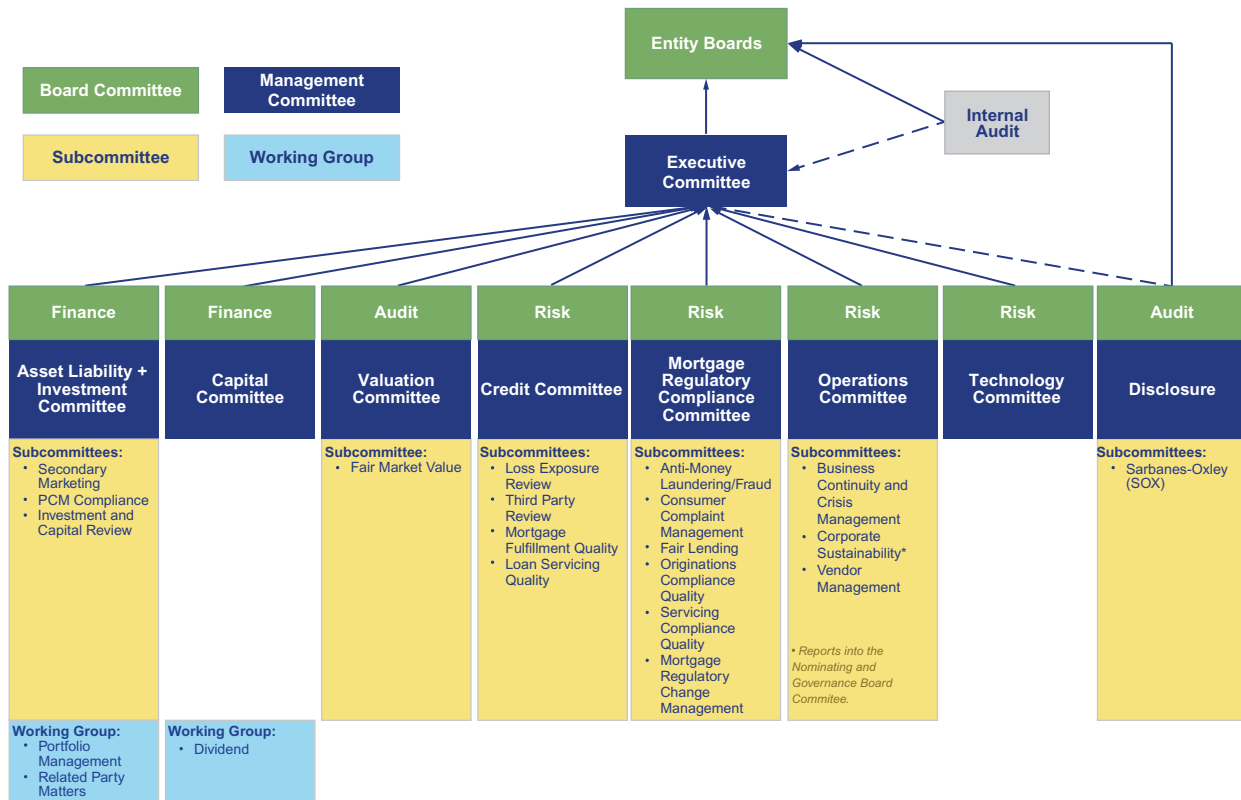


Important objectives of risk management are to ensure oversight, risk assessment, policy and procedure, and monitoring activities are functioning as designed and to ensure there is a culture that supports risk awareness and the documentation of controls.

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.

Board and Management Committee Governance

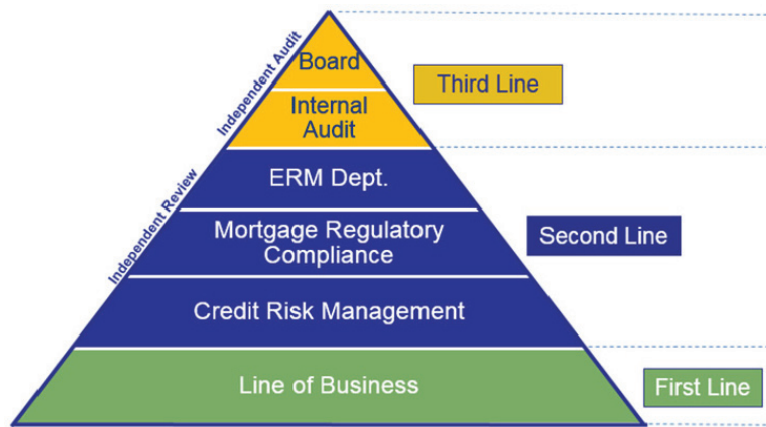
Our current governance structure is provided below:



Three Lines of Defense

We use “Three Lines of Defense” to support our ERM Framework. These Lines of Defense are comprised of:

- The First Line, which includes the Revenue and Support Divisions.
- The Second Line, which includes Credit Risk Management, Mortgage Regulatory Compliance, ERM Department, and the Management Committees.
- The Third Line, which includes Internal Audit and the Entity Boards.



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 and Crisis Management Subcommittee, which consists of senior leaders from Enterprise Operations, Executive Management, Information Technology, and representatives from each of 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

We have not experienced any cyber breaches in the last three years. Protecting sensitive data is of paramount importance to our operations. We have dedicated information security and privacy organizations that work to continually improve upon protecting our systems, processes, and data. Our 24/7 teams monitor robust safeguards across our enterprise to protect sensitive data from theft and address cyber threats. We believe in protecting sensitive borrower data as if it were our own, deserving of dignity and respect.

The mission of our Information Security Program is to operate a collaborative organization dedicated to partnering with business and technology stakeholders to reduce cyber risk. Our goal is to execute an intelligent organization that sets strategy and priorities based on the best data available about enterprise risk. Cyber threats are always evolving and our program strives to stay ahead of where we need to be.

Leadership and Governance

Our Chief Information Security Officer and Corporate Privacy leadership both report to the Risk Committee of our Board of Directors. Risk assessment metrics thresholds and threat profile statuses are reported up to the Board of Directors on a monthly basis. The management committees that oversee cybersecurity are comprised of cross-functional executive leaders to ensure oversight from across our business stakeholders.

Technology Advancements

The increased prevalence of the ransomware vector has underscored the need to keep pace with our adversaries. Our information security team employs sophisticated cyber prevention, monitoring, and response technologies to defend

against modern threats. From our software supply chain assurance through data security through our cloud infrastructure protections, we are continually identifying and prioritizing the hardening of our attack surface. We employ leading edge extended detection and response capabilities coupled with advanced big data analytics to dynamically prioritize response capabilities and gain deep insights to our enterprise as it evolves.

Privacy and Data Security

Our culture of governance is foundational to our privacy and data security programs. Our program is based on standards derived from National Institute of Standards and Technology (NIST) and the International Organization for Standardization (ISO). This ensures our data governance protocols maintain alignment with industry standards and best practices. All of our capabilities are reinforced by our Corporate Privacy Program, which establishes policies and procedures to protect consumer and employee privacy, as well as drive enterprise-wide awareness.

Privacy and Data Security Training and Development

Privacy and data security is everyone's business, especially for Pennymac as sensitive data is core to our customer-facing business. Ensuring that we arm employees and colleagues with the knowledge to make the right data handling decisions is critical to protecting our sensitive information. Our program consists of annual training sessions for cybersecurity and privacy in addition to regular training, infographics and videos to frequently impress the importance of the subject enterprise wide. Additionally, we make significant investments in our information security team training through technical and leadership training, conferences, hands-on simulations, participation in communities of practice, and technology bootcamp sessions.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) INDEX DISCLOSURE

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. (NYSE: PFSI) 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, 2021. 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

(1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial		FN-MF-000.A	
ORIGINATED MORTGAGES		December 31, 2021	
(Dollars in thousands)		Number	Value (\$)
Residential		298,021	80,514,010
Commercial		1	968
Total		298,022	80,514,978

(1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial		FN-MF-000.B	
PURCHASED MORTGAGES		December 31, 2021	
(Dollars in thousands)		Number	Value (\$)
Residential		822,124	177,604,698
Commercial		–	–
Total		822,124	177,604,698

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 RESIDENTIAL LOANS BY FEATURES AND FICO SCORE (Dollars in thousands)	FN-MF-270a.1			
	December 31, 2021			
	FICO ≤ 660		FICO > 660	
	Number ⁽¹⁾	Value (\$)	Number ⁽¹⁾	Value (\$)
Hybrid or option ARM	4	1,296	1	196
Higher rate	3	319	2	378
Prepayment penalty	–	–	–	–
Other residential mortgages	2,557	489,540	3,128	613,155
Total	2,564	491,155	3,131	613,729

(1) Represents residential mortgage loans held by PennyMac Loan Services, LLC (our Servicer).

(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 RESIDENTIAL MORTGAGE MODIFICATIONS (Dollars in thousands)	FN-MF-270a.2			
	December 31, 2021			
	FICO ≤ 660		FICO > 660	
	Number	Value (\$)	Number	Value (\$)
Modifications ⁽¹⁾	45,061	8,683,615	44,527	9,414,873
Foreclosures	1,157	154,237	60	5,589
Short sales or deeds in lieu	192	31,847	113	22,907

(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

FN-MF-270a.3

Refer to Note 16 – *Commitments and Contingencies* (pgs. F-60 to F-61) of the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 for disclosure of material legal proceedings.

Description of remuneration structure of loan originators

FN-MF-270a.4

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 productivity, timely submission of loan applications, and compliance with service and regulatory requirements.

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		FN-MF-270b.1		
TOTAL ORIGINATED RESIDENTIAL LOANS AND HOME EQUITY LINES OF CREDIT BY MINORITY AND CREDIT SCORE		December 31, 2021		
(Dollars in thousands)		Number ⁽¹⁾	Value (\$)	LTV
Minority				
Credit score ≤ 660		11,208	\$2,839,827	83.76%
Credit score > 660		54,944	\$16,205,767	74.97%
Non-Minority				
Credit score ≤ 660		13,163	\$2,971,141	81.33%
Credit score > 660		98,847	\$27,313,191	72.98%
Not Provided				
Credit score ≤ 660		1,520	\$417,911	81.91%
Credit score > 660		15,332	\$5,095,942	72.56%
Total		195,014	\$54,843,779	

(1) Represents residential mortgage loans originated through our consumer direct lending and broker direct lending channels only.

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

FN-MF-270b.2

Refer to Note 16 – Commitments and Contingencies (pgs. F-60 to F-61) of the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 for disclosure of material legal proceedings.

At Pennymac, we make our credit decisions based on the creditworthiness of our applicants pursuant to our Corporate Fair Lending, Fair Servicing, and Fair Marketing Policy, a culmination of fair lending related laws such as the Equal Credit Opportunity Act; the Fair Housing Act; the Home Mortgage Disclosure Act; the Americans with Disabilities Act of 1990; and Unfair, Deceptive or Abusive Acts or Practices (known as UDAAP), which is also approved by our Mortgage Regulatory Compliance Committee and reviewed by our Board of Directors, and which prohibits 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 (including 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, or an applicant's status as a victim of domestic violence or any other impermissible factor.

These requirements are integrated into 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

(1) Number and (2) value of mortgage loans in 100-year flood zones

FN-MF-450a.1

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.

(1) Total expected loss (EL) and (2) Loss Given Default (LGD) attributable to mortgage loan default and delinquency due to weather related natural catastrophes, by geographic region

FN-MF-450a.2

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.

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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.

