



THE SISTERS OF ST. FRANCIS OF PHILADELPHIA

January 31, 2018

Ms. Betsy Duke
Chairperson of the Board
Wells Fargo Company
420 Montgomery St.
San Francisco, CA 94104

Timothy J. Sloan
Chief Executive Officer
Wells Fargo Company
420 Montgomery St
San Francisco, CA 94104

RE: FOLLOW-UP ON WELLS FARGO'S BUSINESS STANDARDS REVIEW AND REPORT

Dear Ms. Duke and Mr. Sloan,

The purpose of our conference call with Anthony Augliera and his team on December 14, 2017 was to hear an update from Wells Fargo on your plans for conducting the Business Standards Review and to give additional input for developing this Business Standards Review. We believe it was time well spent.

We thank Wells Fargo for sharing the document providing an overview of the governance structure and initial focus areas of the Business Standards Report that the bank has agreed to prepare following our shareholder resolution.

We recognize this is a historic opportunity for Wells Fargo; we have long encouraged the bank to undertake this work, and are glad to hear that it is underway. While it sounds like there is positive momentum and commitment to undertake this process, we are writing to follow up and emphasize some of the key points we raised during the conversation.

STRENGTHENING THE REVIEW PROCESS

We have reviewed the document that the bank has shared with our group and are encouraged to note that the bank's leadership will be engaged in this process, that the bank has established an operating committee to oversee it, and that each line of business and staff function will be represented as well.

We stress the importance of *meaningful* processes, and encourage the bank to take the time that is necessary to make this worthwhile and to do it with *purpose*.

Of primary importance is that this will be a **transformative** process for Wells Fargo that sparks new conversations, helps instill a meaningful commitment to ethics, and to a culture that puts the customer and society first within the company. To that end, as the bank moves forward, we hope that the undertaking of the process has significant stature and reflects this importance.

The cross-functional nature of many of the ethics and culture issues facing the bank requires that there is ownership and leadership from each of its critical business functions: from business units to risk management to communications to human resources to government relations. We believe that a steering committee with business responsibility for execution of the commitments and findings of the review is essential to instilling meaningful change and enhanced business standards.

In this regard, we are encouraged to see from the governance structure document that the process will involve cross-functional participation. However, we would like to get an assurance that the leadership of this process will, indeed, come from the top. Following the call on December 14, we were concerned that this would be a project of the communications team; that different units would work on different parts, and that the report would be a compilation of the results of various discrete projects. We also were concerned that the kind of cross-functional ownership we have described above might not be part of the approach and that the whole process might not be as complete, comprehensive, and systemic as we believe necessary based on experience. In our engagements with other banks, a comprehensive cross-functional process was an opportunity to break down silos within the company and to undertake a systemic initiative. We hope this opportunity is not lost at Wells Fargo. We expect this process to take no less than a year based on experience with other banks that faced less severe controversies compared to Wells Fargo.

Furthermore, based on the overview of the initial focus areas, it is not yet clear to us how the bank will address the key issues that we raised in the shareholder proposal. Addressing each of these elements will be essential to rebuilding trust, reducing risk, and demonstrating integrity. Also it will ensure that this report is a piece of an ongoing process that reflects the company's values and ensures transparent disclosure of controversies that have yet to come to light. Therefore, we ask the bank to clarify which areas will focus on each specific issue, namely:

1. Analysis of the impacts on the bank, its reputation, customers, and investors of the continuing scandals;
2. Identification of the systemic cultural and ethical root causes of recent scandals, including at the board level;
3. A framework to address the issues and embed systems throughout the company, including changes already implemented, establishment of grievance mechanisms, and plans to strengthen corporate culture and instill a commitment to high ethical standards at all employee levels;
4. Key performance indicators to evaluate the effectiveness of changes instituted over time;
5. A commitment to ongoing and regular disclosure of progress;
6. Description of how the identified issues will be factored into employee and executive incentive and compensation decisions.

A further **key** opportunity will be to bring a human rights lens to the Business Standards Review. If the practices that have led to controversies had been considered from a stakeholder rights perspective at an earlier stage, it is possible that some of the controversies could have been avoided; for example, in relation to Indigenous rights, cross-selling, mortgages, private prisons, auto-loans, and executive compensation. We also urge the bank to critically examine and end its practice of forced arbitration as a distinct part of this process, given extensive evidence that

handling consumer claims individually and in secret hides misconduct from shareholders and the public and hampers efforts to hold Wells Fargo accountable. We believe that these measures further incorporate a transformative process, a long-term company-wide effort, a reflective opportunity to acknowledge past mistakes, restore justice, and rebuild trust.

We are pleased that we will have multiple opportunities to provide input throughout the process, but note that this aspect of the process was not covered in the material we received.

We commend Wells Fargo for the good work it is doing. We encourage the bank to have a collaborative, transparent process that engages customers, workers and other key stakeholder groups, including the Stakeholder Council. We are hopeful that the bank's leadership will remain fully invested throughout the process, and will be available throughout to receive input from shareholders and other stakeholders.

NEXT STEPS

Again, we thank Wells Fargo for its response to the request to specify who will have responsibility for the review process across its critical business functions. However, to fulfill the requests made at the December 14 meeting, we ask Wells Fargo to provide a Terms of Reference with the following additional information:

- a clear timeline for subsequent steps, including consultations with our group and other stakeholders (i.e., customers and employees) and opportunities to give input, up to and including the release of the report;
- a detailed positioning of the key issues raised in the shareholder proposal in relation to the identified focus areas, which we raised earlier.

We also seek confirmation that Wells Fargo will make a public commitment to undertake a comprehensive Business Standards Review and Report responding to our shareholder proposal request, whether in the proxy statement or through another communications channel.

This additional information will be a key input to help us determine our next steps relating to the shareholder proposal calling for the Business Standards Review. We therefore ask for a response from Wells Fargo by February 15, 2018.

We look forward to receiving the requested information and to continued engagement throughout this process.

Respectfully yours,



Nora M. Nash, OSF
Director, Corporate Social Responsibility

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ICCR Financial Leadership team with Wells Fargo
Proposal Co-filers

cc: Anthony Augliera, Corporate Secretary
Hope Hardison, SEVP, Senior Administrative Officer
Mary Mack, Head of Community Banking
Jon Campbell, EVP, Head of Corporate Social Responsibility