Learning from the past, transforming for the future

Business Standards Report
Wells Fargo & Company

A message to our stakeholders

Wells Fargo is pleased to share this comprehensive Business Standards Report, which discusses our business practices and the many fundamental changes we have made — and continue to make — as we transform our company.

While we have a long and proud history, in September 2016 we announced settlements with the Consumer Financial Protection Bureau (CFPB), the Office of the Comptroller of the Currency (OCC), and the Office of the Los Angeles City Attorney over unacceptable retail banking sales practices that harmed customers. We acknowledge and apologize for these and other mistakes and have taken significant actions to improve our culture, make things right for customers who were harmed, transform our organizational structure and business practices, increase transparency, and strengthen risk management and controls.

A key part of our work has involved reviewing our businesses, functions, and practices; identifying the root causes of issues; making changes where needed; and — importantly — remediating customers for financial harm. We are putting the lessons we have learned into practice as we move forward.

Wells Fargo's top priority continues to be rebuilding trust with our team members, customers, community partners, shareholders, regulators, government officials, and other important stakeholders. We care deeply for all our stakeholders and are committed to building a better Wells Fargo for the future.

Of course, as has been the case for many years, everything Wells Fargo does starts with our vision — which is to satisfy our customers' financial needs and help them succeed financially. Our five values are enduring: what's right for customers, people as a competitive advantage, ethics, diversity and inclusion, and leadership. In 2017, we introduced six aspirational goals for our future — to be the financial services leader in customer service and advice, team member engagement, innovation, risk management, corporate citizenship, and shareholder value. We have established specific behavioral expectations, which are consistent with our values, that guide team members in going about their work — and we evaluate team members on how well their performance matches what we expect.

All of the actions described in this report are grounded in the recognition that our company has a responsibility to operate our business in an ethical and responsible manner.

Wells Fargo is a strong company with a history dating back to 1852, and we have overcome many challenges during that time. Today we are proud to build on that solid foundation, having learned from our mistakes and made fundamental changes as we continue our work. We have exceptional businesses and leaders supported by talented, dedicated team members. In short, we are a better company today, and we will be an even better company in the future.

Elizabeth A Duke

Elizabeth A. Duke

Chair, Board of Directors

Timothy J. Sloan

CEO and President

Dec. 31, 2018

HOW WELLS FARGO MAKES A DIFFERENCE

Wells Fargo understands the impact we have — and the important role we play — in the success of our customers, our communities, and our own team members. Here is a brief snapshot of our presence and some of the ways we make a difference.

Customers

Serve **1 in 3** U.S. consumer households.

Bank branches in more states, and **2x** as many markets, as our peers.(1)

Largest lender to small businesses.(2)

Largest home loan originator to **minority borrowers**.(3)

Serve as primary bank for **11%*** of U.S. middle-market customers.(4)

Provide corporate banking services to nearly **3 out of 4** Fortune 500 companies.(5)

**More than any other bank.*

Communities

Largest corporate cash donor among U.S. financial institutions.(6)

Second largest corporate cash donor among U.S. companies.(6)

Largest U.S. workplace employee giving campaign for **9th consecutive year**.(7)

Team members volunteered more than **2 million hours.** (2017)

Spent **$1.27 billion** with diverse suppliers. (2017)

Power **100%** of our global electricity needs with **renewable energy**.

One of the **largest corporate income taxpayers** in the U.S.

Team members

Employ approximately **1 in 600** working Americans.

44% of U.S. workforce is **ethnically/racially diverse**.

57% of **U.S. workforce is female**.

Invest approximately **$13,000 per team member** annually in benefits program.

Health care benefits cover approximately **500,000** individuals.

Human Rights Campaign Corporate Equality Index: **Perfect score (100%) for 15 consecutive years**.

Data as of Dec. 31, 2018, unless otherwise noted.

(1) U.S. markets defined as the largest Core Based Statistical Areas (CBSAs) by population. Metropolitan and Metropolitan statistical areas (metro and micro areas) are geographic entities delineated by the Office of Management and Budget (OMB). Major Metro internally defined as Metropolitan markets with more than 1 million population. Rural internally defined as counties within unassigned CBSAs. Counts as of 06/30/2017. (2) Community Reinvestment Act government data, U.S. in dollars, loans under $1 million 2017. (3) Home Mortgage Disclosure Act data, 2017. (4) Barlow Research Middle Market Data (4Q2016-3Q2018). Barlow Research determines primary bank market share by asking survey respondents the name of their primary bank. (5) Wells Fargo internal analysis, 12 months from March 2017 – February 2018. (6) *The Chronicle of Philanthropy* (2017 data). (7) United Way Worldwide (based on 2017 donations).

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IN THIS REPORT

Wells Fargo's Business Standards Report discusses our business practices and changes we've made to rebuild trust and transform our company. The report is divided into nine chapters that represent key focuses for our company. We also include specific examples of our business practices in the form of 21 case studies. These case studies represent:

- New business practices added during the past two years, labeled **"Taking action on what we learned."**
- Existing business practices we are continuing to enhance, labeled **"Building a better company."**

We understand that our work is not done, and you can continue to track our progress and obtain other information through our public filings and other disclosures and the many resources linked throughout this document. A listing of key Wells Fargo resources can be found on page 102.

EXECUTIVE SUMMARY

Please find below a summary of key highlights of the Business Standards Report.

- Wells Fargo has a long history of serving customers through trusted relationships and products and services that help customers succeed financially. We clearly broke that trust through unacceptable sales practices in our Community Bank and issues in other businesses. Our actions resulted in customer harm and caused significant damage to our reputation. We are sorry and are working hard to make things right.
- Through an independent investigation led by our Board, as well as third-party and other reviews conducted by the company, we identified root causes that contributed to retail banking sales practices issues and other matters.
- The causes included performance management and incentive programs and a high-pressure sales culture in the Community Bank that drove behaviors that were both inappropriate and inconsistent with our values; a decentralized business model that granted too much authority and autonomy to the Community Bank's senior management, de-emphasized corporate oversight, and encouraged deference to individual businesses; and certain control functions that often adopted a narrow "transactional" approach to issues as they arose.
- We've worked hard over the past two years to address the root causes of our mistakes, make things right for team members and customers, and lay the foundation for a better company. We understand that we have more work to do, and we're fully committed to rebuilding trust with all of our stakeholders.

Addressing root causes

- We eliminated product sales goals for retail bankers in our bank branches and call centers and changed their incentive, performance management, and recognition programs to focus on the customer experience and team (rather than individual) incentives, and the programs are governed by stronger oversight and controls.
- We centralized many control functions such as Corporate Risk, Human Resources, Finance, Technology, and Data to provide greater corporate oversight and consistency.
- We strengthened our overall focus on risk management, especially compliance and operational risk, through a more defined risk management organizational structure and framework, additional resources, and greater clarity on roles and responsibilities across our three lines of defense.
- Our Board of Directors has taken significant steps to strengthen and enhance its governance oversight and practices. These include changing Board composition, including adding new members with additional experience in areas such as financial services, risk management, and human capital management; reconstituting several Board committees; amending committee charters to enhance risk oversight and practices; and improving reporting and analysis provided to the Board.

Making things right for team members and customers

- Among the lessons we've put into practice: increased transparency and engagement with team members, customers, and other stakeholders.

  Team members. We sought feedback about our culture. Senior leaders traveled to meet with team members, and we received input through surveys, focus groups, and other means. This feedback, along with analysis and recommendations from independent third parties, led to many of the changes described in this report.

We increased our communications, including holding all-team town hall meetings with our CEO every other month; simplified our Vision, Values & Goals to focus on what's most important; enhanced our allegations process to address concerns about retaliation; and increased our investments in team members through additional training and development, raising the U.S. minimum base pay, adding more paid holidays, and granting restricted stock awards to about 250,000 team members. We now seek regular input on our culture and ways we can continue to improve.

Customers. We are committed to providing remediation to customers who were harmed by unacceptable retail banking sales practices and issues in other businesses and making things right. We also are focused on improving the customer experience across our businesses, offering new and more convenient ways to do business with us, and enhancing important functions such as monitoring, reporting, and escalating customer complaints. Much work is underway as we continue to care for customers, and we remain focused on delivering on our vision to satisfy their financial needs and help them succeed financially.

Building a better company

- Our businesses are focused on delivering excellent customer experiences through collaboration, simplification, and stronger risk oversight and controls. A new companywide Consumer Strategy, for example, provides a single strategy for how we serve consumers across our retail businesses in a way that recognizes customers' distinct needs and focuses on delivering personalized financial advice, cross-channel experiences, and timely issue resolution. In the past, our focus too often was product-centered, and we had too many different strategies to serve customers.
- We are driving innovation across our businesses to help customers manage their financial lives by providing services how, when, and where they choose. Innovation also is helping us be more productive, efficient, and customer-centric.
- To move forward with confidence that we have identified and addressed issues, we are looking across the company for areas of concern or areas in which we can improve. We are committed to fixing any issues that we identify and, if we've harmed customers, making things right. We will continue to keep our stakeholders informed of this work through our public filings and other disclosures. We can expect additional public interest as we resolve previously disclosed matters and continue our work to rebuild trust.
- We are continuing to deepen our understanding of human rights management throughout the company, including in our financing, where we've enhanced our due diligence for transactions with elevated environmental and social risks.
- Our work is guided by our Vision, Values & Goals, which capture the fundamental beliefs of our company. Our vision is foundational and is clearly focused on acting in the best interests of our customers to help them succeed financially. Our values express how we go about delivering on our vision, and our goals describe our aspirations and align priorities across our company. We have introduced a clear set of behavioral expectations that are aligned with our Vision, Values & Goals, and we measure performance against the expectations through a new common leadership objective that all team members now have as part of their performance plans.
- We will continue to put what we've learned into practice and look for ways to improve. We've put many metrics in place to monitor our progress, and we will continue to engage with our stakeholders — team members, customers, community partners, shareholders, regulators, government officials, and others — to seek their feedback and keep them informed.
- As we continue our transformation, we will build on the many changes we've put in place. We are a better company today than we were before the retail sales practices issues. And we will be an even better company in the future.

I.

Introduction

Wells Fargo has been in the service business since 1852, when customers trusted us to transport money and valuables via stagecoach during the California Gold Rush. In those days, we held a belief that "Our merchandise is courtesy, willingness, and human ability." Today, that belief still holds true in the vision of Wells Fargo: "We want to satisfy our customers' financial needs and help them succeed financially."

Our vision has guided us for years, even as we acknowledged that we didn't always live up to it. It is clear that we let down our customers and other stakeholders through unacceptable sales practices in our Community Bank and issues in other businesses. We understand the harm we caused to our customers; the trust we lost with our team members, customers, investors, and other stakeholders; and the significant impact to our reputation. We are sorry and know we have a responsibility to make things right.

We have made — and continue to make — fundamental changes to identify and remedy problems to prevent them from happening again. We are making things right for customers and team members, and we will continue to do so. All of this is aimed at creating a better, stronger Wells Fargo.

The purpose of this report is to detail what we've learned and what we've changed as we work to transform our company and rebuild trust. Specifically, the report examines:

Our culture, including our Vision, Values & Goals and our commitment to ethical behavior in our interactions with all of our stakeholders.

Our leadership and governance structure, including the actions we've taken — both by the Board of Directors and company — to improve oversight, reporting, and controls.

Our care for customers, including the work we are doing to help ensure exceptional customer experiences.

Our risk management structure and practices, including our transformative work to provide greater oversight of all risk-taking activities and a more comprehensive view of risk across the company.

Our commitment to greater transparency, including in the important relationships we have with investors, community groups, regulators, government officials, and other stakeholders.

This report's development — in response to a shareholder proposal from a group of shareholders led by the Interfaith Center on Corporate Responsibility (ICCR) — involved more than 175 leaders and team members and was guided and overseen by the Board, our CEO, and our Operating Committee, which is composed of executives reporting directly to our CEO. We thank ICCR and other key stakeholders, including team members, customers, and our Stakeholder Advisory Council, for their contributions to this report.

The purpose of this report is to detail what we've learned and what we've changed as we work to transform our company and rebuild trust.

II.

Identifying issues and addressing root causes

Following Wells Fargo's September 2016 regulatory settlements related to retail banking sales practices, we made our top priority the restoration of the trust we lost. We began with self-reflection — reviewing what happened so we could fully understand where things broke down, learn from our mistakes, make things right for customers who were harmed, and begin to rebuild trust.

Our commitment included a comprehensive investigation of our retail banking sales practices and related matters launched by our independent members of the Board. The independent directors retained the law firm of Shearman & Sterling LLP to assist in the investigation. The investigation process included more than 100 interviews with current and former managers, team members, members of the Board, and other relevant parties; the review of hundreds of additional interviews conducted by or on behalf of Wells Fargo with other team members; a comprehensive search of more than 35 million documents; and the retention of a forensic consulting and analytics firm. The Board disclosed the findings of its independent investigation in a report released publicly as part of our commitment to transparency. As described in the report, the investigation concluded that several causes contributed to the retail banking sales practices issues:

- We had performance management and incentive programs and a high-pressure sales culture in the Community Bank that drove behaviors that were both inappropriate and inconsistent with our values.
- We had a decentralized business model that granted too much authority and autonomy to the Community Bank's senior management, deemphasized corporate oversight, and encouraged deference to individual businesses (which housed their own key control functions, such as Risk and Human Resources). The culture of substantial deference accorded to the lines of business carried over into the control functions.
- Certain control functions often adopted a narrow "transactional" approach to issues as they arose. Tight control over information about the Community Bank also hampered the ability of control functions outside the Community Bank and the Board to accurately assess the problem and work toward a solution.
- As a result of our decentralization and lack of sufficient corporate oversight, we took too long to understand the seriousness and scope of the problems — so actions taken over the years to address the problems proved inadequate.

The Board also determined that its own actions could have been improved by challenging management to move toward the centralization of key risk and control functions earlier, insisting on receiving more detailed and concrete plans from management to address sales practices issues, and being more forceful with the CEO to make leadership changes more quickly.

In addition to the Board's independent investigation, we conducted other third-party reviews to examine our company culture and tools like the EthicsLine that team members use to report ethics-related situations or concerns. We looked across Wells Fargo — at our products, processes, and sales practices — and encouraged team members to inform us of anything that didn't seem right. When we found concerns, we investigated them thoroughly, worked to identify and address issues, and are remediating customers who may have been harmed. Findings from these evaluations supported many of the conclusions of the Board's independent investigation and helped drive decisions to address the issues and build a better company.

Board actions

Following the company's 2017 annual meeting of shareholders and in advance of its typical year-end timing, the Board conducted a comprehensive, third-party-facilitated self-evaluation that focused on Board composition; Board performance and effectiveness; Board materials and management reporting; Board committee structure and responsibilities; culture at Wells Fargo (including "the tone at the top"); and governance practices. Board Chair Betsy Duke met with institutional investors representing more than 35 percent of the company's outstanding common shares as part of Wells Fargo's long-standing annual investor engagement program. We also met with numerous other stakeholders to discuss our company's progress, including our environmental, social, and governance practices, policies, and disclosures.

In addition to the findings from its sales practices investigation, the Board identified several important learnings from its self-evaluation, stakeholder feedback, and other reviews. For example, the Board concluded that the prior membership structure of its Risk Committee, which previously was composed of the chairs of each of the Board's seven standing committees, did not promote sufficient refreshment of the Risk Committee's membership. In addition, the Board's risk oversight responsibilities in certain areas such as conduct risk, compliance risk, operational risk, and technology and information security risk were allocated in ways that resulted in unnecessary duplication among certain Board committees.

In response to these learnings, the Board took many actions to improve governance and oversight, including:

- Separated the roles of Board Chair and CEO, elected an independent Board Chair, and appointed Tim Sloan as CEO.
- Amended the company's bylaws to require that the Board Chair be an independent director.
- Took decisive compensation actions — totaling more than $180 million — to hold current and former executives accountable under the executive compensation program that the Board's Human Resources Committee put in place.
- Reviewed Board committee responsibilities and amended committee charters to enhance risk oversight, including conduct risk, compliance risk, operational risk, information security/cybersecurity risk, and technology risk.
- Engaged in a thoughtful Board refreshment process while maintaining an appropriate balance of new perspectives and experience on the Board, including the election of six new directors since 2017 who brought relevant experience consistent with the company's strategy and risk profile (financial services, risk management, technology, human capital management, finance and accounting, corporate responsibility, and regulatory experience).
- Changed the leadership and composition of key Board committees, including the Risk Committee and the Governance and Nominating Committee. For example, the Board restructured the Risk Committee's membership to include qualifications and experience in specific risk areas and enhanced the financial services compliance, operational, cybersecurity, and technology experience on the committee.
- Worked closely with management to enhance information flow and management's reporting to the Board. For example, the company provides regular updates to the Board's Risk Committee of specific conduct risks and to the Board's Human Resources Committee on matters related to team members, ethics, and company culture. We also have enhanced reporting of customer complaints to the Operating Committee and the Board's Risk Committee to provide more insight into customer complaints across the company and to identify and escalate emerging issues (page 40).

The Board continues to focus on making progress across key priorities as we work to transform Wells Fargo, meet the expectations of our regulators, and rebuild trust with our stakeholders.

Company actions

The company also identified many opportunities to improve based on findings from the Board's investigation; feedback from team members, customers, and other stakeholders; and its own reviews of sales practices and other issues. The company, with the support of the Board, has made a number of transformational changes that are addressed throughout this report. These include:

- Reviewed and strengthened our culture to create a more consistent team member experience.
- Recommitted to our customers by pledging to make things right for customers who experienced financial harm from unacceptable retail sales practices and improving our focus on customers across all of our businesses.
- Increased transparency with our stakeholders through additional engagement and disclosures.
- Eliminated product sales goals for retail bankers in our bank branches and call centers and changed their incentive, performance management, and recognition programs to focus on the customer experience and team (rather than individual) incentives — and the programs are governed by stronger oversight and controls.
- Enhanced our risk management organizational structure and framework around our three lines of defense, heightened our focus on compliance and operational risk, and invested in automation and technological tools to strengthen risk controls that improve our ability to identify emerging trends and risks. For example, our customers now receive an automatic notification when they open a new personal or small business checking account, savings account, or credit card.
- Centralized key enterprise control activities such as Human Resources, Finance, Technology, and Data to provide better and more consistent oversight and controls. We also created a conduct team to centralize the handling of internal investigations, EthicsLine, and other conduct-related activities.
- Implemented a robust "mystery shopper" program involving 15,000-18,000 bank branch visits per year. Our internal Community Banking Risk Management team completes hundreds of unannounced conduct risk reviews annually to ensure that customers only receive the products and services they requested.
- Increased the focus on risk in our Incentive Compensation Risk Management program and practices.

Making things right

Customers

From the start, we committed to make things right for customers who may have been harmed through unacceptable retail banking sales practices, regardless of when they occurred. We took a broad, comprehensive approach to identify any potential customer impact, including engaging a third-party consultant to review more than 165 million retail banking accounts opened between 2009 and 2016. We also reached out to approximately 40 million retail customers, and 3 million small business customers, asking them to contact us with any concerns about their accounts.

A guiding principle of our work has been to err on the side of our customers. For example, we refunded fees even when third-party data analysis could not definitively tell us whether an account was authorized by a customer or not.

In addition to working with customers directly to resolve issues related to unacceptable retail banking sales practices, we offered free mediation services and entered into a $142 million class-action settlement approved in 2018 to cover claims of our customers of unauthorized accounts dating back to 2002.

As noted earlier, we also are looking across the organization for any other areas or instances where customers may have experienced financial harm. If we identify any potential harm, we are committed to remediating customers and making things right.

Team members

To rebuild trust with our most valuable resource, our team members, we started by seeking more opportunities to obtain their feedback.

Our leaders held "listening tours" to meet in person with team members to hear their views, suggestions, and concerns. We increased the number of companywide CEO town halls with team members and added time for team members to ask questions and share thoughts. Individual leaders hosted virtual discussion sessions with team members companywide, using our internal platforms. We asked team members for feedback through regular "pulse surveys," focus groups, a companywide culture assessment, and surveys on specific topics such as benefits and ethics.

We also invited outside perspectives by engaging third-party experts to review team member feedback and make recommendations to improve our culture and enhance our focus on team members. This introspection has resulted in a number of enhancements to strengthen our culture:

- We made changes to create a more consistent culture, including increased transparency, clearer expectations, additional training, and a new streamlined version of our Vision, Values & Goals (page 13).
- We enhanced the EthicsLine intake process (page 22) to ensure that team members have a trusted and confidential way to report ethics concerns without fear of retaliation.
- We expanded training and professional development programs, including launching a new learning site for managers and team members focused on effective coaching and feedback (page 35).
- We developed our Speak Up and Non-retaliation policy and launched a program to encourage team members to raise their hands when they see something that concerns them (page 24).
- We made significant new investments in our team members, including enhancing our parental leave programs, raising the U.S. minimum base pay (and adjusting pay for team members whose pay was at or near the new minimum base pay), adding more paid holidays, and expanding restricted stock awards to all eligible team members. We continue to provide attractive benefits such as comprehensive health care, work-life balance programs, tuition reimbursement, and 401(k) matching contributions.
- We reinforced the concept that all team members, regardless of their role, are risk managers — emphasizing each team member's ownership and understanding of risk.

Identifying other issues and addressing problems

We understand that our work is not done and have continued to review areas across Wells Fargo to identify and remedy problems. We are taking a broad view — one of our learnings is that our focus was sometimes too narrow — to identify and address root causes. We are being transparent and open about what we find and are making things right for customers who were harmed.

Below are some of the issues we have previously disclosed in our public filings (this information is of third quarter 2018; please refer to our public filings and other disclosures for additional information and any updates). Many of these matters can be attributed to some of the same or similar root causes identified through the company's and the Board's investigation of retail banking sales practices issues — including our decentralized organizational structure and risk management and reporting practices — that we have addressed and continue to address.

Automobile lending business.
The company is reviewing practices concerning the origination, servicing, and/or collection of consumer automobile loans, including matters related to certain insurance products (page 68).

Mortgage interest rate lock extensions.
Following an internal review, the company determined that a rate lock extension policy implemented in September 2013 was, at times, not consistently applied, resulting in some borrowers being charged fees in cases where we were primarily responsible for the delays that made the extensions necessary (page 63).

Add-on products.
The company is reviewing practices related to certain consumer "add-on" products, including identity theft and debt protection products that were subject to an OCC consent order entered into in June 2015, as well as home and automobile warranty products, and memberships in discount programs.

Consumer deposit account freezing/closing.
The company is reviewing procedures regarding the freezing (and, in many cases, closing) of consumer deposit accounts after the company detected suspected fraudulent activity (by third parties or account holders) that affected those accounts.

Review of certain activities within Wealth and Investment Management (WIM).
The Board is conducting a review of certain activities within WIM, in response to inquiries from federal government agencies, to determine whether there have been inappropriate referrals or recommendations, including with respect to rollovers for 401(k) plan participants, certain alternative investments, or referrals of brokerage customers to the company's investment and fiduciary services business (page 77).

Fiduciary and custody account fee calculations.
The company is reviewing fee calculations within certain fiduciary and custody accounts in its investment and fiduciary services business, which is part of the Wealth Management business within WIM (page 77).

Foreign exchange business.
The company has substantially completed an assessment, with the assistance of a third party, of its policies, practices, and procedures in its foreign exchange business (page 80).

Mortgage loan modifications.
An internal review of the company's use of a mortgage loan modification underwriting tool identified a calculation error regarding foreclosure attorneys' fees affecting certain accounts that were in the foreclosure process between April 13, 2010, and Oct. 2, 2015, when the error was corrected. A subsequent expanded review identified related errors regarding the maximum allowable foreclosure attorneys' fees permitted for certain accounts that were in the foreclosure process between March 15, 2010, and April 30, 2018, when new controls were implemented. (page 64).

Recent regulatory actions

As a result of retail banking sales practices and certain of the other issues discussed above, the company is subject to several regulatory consent orders that require the Board and the company to take actions to, among other things, enhance the Board's governance and oversight of the company, improve the company's risk management program, including with respect to compliance and operational risk, and improve the company's management of remediation activities. Many of the actions and enhancements discussed in this report are responsive to requirements under these consent orders. The Board and the company are fully committed to addressing the requirements of our consent orders and other regulatory actions.

Wells Fargo values the relationships we have with our regulators and, as discussed under "Our relationships with investors, communities, and other stakeholders" (page 92), our goal is to engage in frequent and open communication with our regulators, anticipate regulatory issues, continue to self-identify issues, and self-correct and provide any remediation as quickly as possible.

Commitment to transparency

While we've made strong progress, we know there's more work to do. We understand the importance of transparency in engaging with all of our stakeholders and are committed to providing updates on our progress. We will continue to do this through enhanced disclosures and communications, which include our Progress Report, public filings, updates to our website, regular communications with team members, customer communications, meetings with key stakeholders, and more.

New Center of Excellence focuses on customer remediation

Our internal review showed that when customers experienced issues with Wells Fargo requiring remediation, different parts of the company handled similar situations differently. We determined that we needed a more consistent approach to managing customer remediation efforts. To achieve this, Wells Fargo formed the Customer Remediation Center of Excellence (COE) in December 2017. The COE is focused on four key outcomes:

Accountability.
Ensuring clear roles, responsibilities, and performance expectations for Wells Fargo team members related to issues that have negatively affected customers and for our leaders who oversee these team members.

Consistency.
Standardizing our approach to customer redress and communication across all products and businesses.

Accuracy.
Applying rigorous and consistent analytical practices to ensure affected customers are correctly and promptly identified and provided with comprehensive redress.

Capacity.
Investing in specialized teams dedicated to remediation efforts and providing them the resources they need to provide outstanding service to customers.

In 2018, the COE enhanced accountability by strengthening internal governance and reporting processes. That included creating an enhanced customer remediation policy that establishes the expectations and requirements for effectively managing customer remediation activities by aligning remediation practices across the company. The policy states that "Wells Fargo is committed to addressing customer impact in a high-quality, consistent, and timely manner — grounded in the importance of doing the right thing for customers, a concept Wells Fargo has embedded in its Vision, Values & Goals. This includes promptly remediating customers for any adverse impacts they experienced as a result of systemic issues within the company's control."

MAKING THINGS RIGHT WHEN CUSTOMERS HAVE AN ISSUE

WHAT We formed an enterprise Customer Remediation Center of Excellence.

WHY To provide greater consistency in the handling of customer remediation across businesses and improve reporting and issues resolution.

RESULT The COE is creating more consistency in managing customer remediations, leveraging best practices, improving communications, and providing greater visibility into remediation processes and governance.

The COE sponsors the Customer Remediation Governance Committee, which is composed of senior business leaders from across the company. This committee has direct oversight responsibility for the largest and most complex remediation efforts at Wells Fargo and establishes all policies and procedures governing remediation activities.

The COE also consolidates information about all remediations underway and generates frequent reports to Wells Fargo senior management and the Board. This has improved visibility into the remediation process and will help facilitate timely escalation of execution issues. These efforts represent a substantial improvement over the company's previously decentralized customer remediation model.

III.

Our culture

After extensive internal research that included surveys and other forms of team member feedback, Wells Fargo determined that its corporate culture — while admirably rooted in our traditional vision and values — was experienced differently by team members depending on where they worked and in what business. Based on these learnings, senior executives worked to identify actions we are now taking to foster a single companywide culture. The goals are to be clear in our expectations for leaders, managers, and team members and, ultimately, to improve the overall team member experience.

We define corporate culture as those basic assumptions and beliefs shared by team members that unconsciously produce collective behaviors. We are transitioning to a more customer-centric, One Wells Fargo culture that is guided by our Vision, Values & Goals, that is clear and consistent, that drives accountability, and which leaders and team members can articulate and live every day.

Our Vision, Values & Goals

Our culture is best expressed through *The Vision, Values & Goals of Wells Fargo*, a booklet that captures the fundamental beliefs of the company and was dramatically streamlined as the result of our culture review. The content is much more than just words on paper: The booklet expresses who we are, what we do, and how we act in caring for our stakeholders. Everything starts with our vision — "to satisfy our customers' financial needs and help them succeed financially." We deliver on our vision by building lifelong relationships, one customer at a time.

Our five values are the foundation of our culture and guide every action we take by articulating what's most important to us:

What's right for customers.
We place customers at the center of everything we do. We want to exceed customer expectations and build relationships that last a lifetime.

People as a competitive advantage.
We strive to attract, develop, motivate, and retain the best team members — and collaborate across businesses and functions to serve customers.

Ethics.
We are committed to the highest standards of integrity, transparency, and principled performance. We do the right thing, in the right way, and hold ourselves accountable.

Diversity and inclusion.
We value and promote diversity and inclusion in all aspects of business and at all levels. Success comes from inviting and incorporating diverse perspectives.

Leadership.
We're all called to be leaders. We want everyone to lead themselves, lead the team, and lead the business — in service to team members, customers, communities, and shareholders.

We bring our vision and values to life through six goals we adopted in 2017. We aspire to be the financial services leader in these six areas: customer service and advice, team member engagement, innovation, risk management, corporate citizenship, and shareholder value. The goals are described in detail later in the report.

Reinforcing our Vision, Values & Goals

In late 2017, we transitioned from a 37-page book about our vision and values to a streamlined, wallet-sized booklet that encompasses our Vision, Values & Goals. We redesigned the booklet to make it easier for all team members to keep our guiding principles top-of-mind as we build a better Wells Fargo for the future.

As a way to express the importance of our fundamental beliefs and expectations, we've taken many steps to communicate and reinforce our Vision, Values & Goals with all team members. These include:

- Mailing a copy to all current team members and including the booklet in the orientation materials for new team members.
- Posting the booklet on the company's Teamworks intranet (which is accessible to all team members), as well as on wellsfargo.com externally.
- Providing resources that leaders and managers can use to address the Vision, Values & Goals in team meetings, such as frequently asked questions and discussion guides.
- Providing regular touchpoints for companywide discussion. For example, CEO Tim Sloan discusses at least one aspect of the Vision, Values & Goals in each of the six televised companywide town hall meetings he conducts every year, and he also provides updates in all-team-member emails distributed throughout the year with examples to help bring our Vision, Values & Goals to life.
- Incorporating our Vision, Values & Goals into mandatory annual Ethics training and including them at the beginning of every company presentation to keep them top-of-mind for all audiences.

Aligning what we say with how we act

To provide team members with clarity and consistency in putting our principles into practice, we introduced in early 2018 a clear set of behavioral expectations that are aligned with our Vision, Values & Goals. This was a first for Wells Fargo and intended to address one of our key learnings: Our history of decentralization sometimes resulted in different — and disconnected — workplace cultures across Wells Fargo. To create a consistent culture, we understood the need to be deliberate and intentional about defining and measuring how we expect team members to behave. The expectations apply to all team members, regardless of role or location, and are aligned with our five values.

We've included a full list of the behavioral expectations on page 15. Here are just a few examples:

- Under ***What's right for customers***, we expect team members to "Listen" and "Build trust." Listening to customers helps us understand their financial needs and goals — and then points the way to providing our best service and advice.
- Under ***People as a competitive advantage***, we want to "Encourage well-being." That's the logic behind our competitive pay and comprehensive benefits program and other forms of recognition.
- Under ***Ethics***, we expect team members to "Raise concerns." That's what's behind our "Raise Your Hand" program to speak up when we see something that doesn't seem quite right, without fear of retaliation. Making sure everyone is empowered in this way is a prudent risk management practice.
- Under ***Diversity and inclusion***, we expect each of us to "Encourage diversity of thought." Welcoming different perspectives as well as different backgrounds makes us a better company and a better place to work.
- And finally, under ***Leadership***, we expect that we will "Make decisions with a One Wells Fargo view."

We created the expectations using input from team members. To further ensure that our behavioral expectations are relevant to team members, we conducted several rounds of research with them and sought diverse perspectives from our team member affinity groups (known as Team Member Networks) and the Enterprise Diversity and Inclusion Council.

Promoting accountability at all levels of the organization

To help promote clear accountability and to measure performance against the expectations, our behavioral expectations are included in a common leadership objective that all team members have as part of their performance plans. This is another first for our company and means that everyone at Wells Fargo has tangible, measurable accountability for how they are putting our Vision, Values & Goals into practice.

The leadership objective will be used to manage performance, drive coaching and feedback, and influence how team members are compensated and rewarded.

Behavioral Expectations

	Team member expectations *(apply to everyone)*	**Manager expectations** *(additional for managers)*
What's right for customers	· Act with integrity and always do the right thing for the customer. · Listen to all customers, anticipate their unique needs, and work in partnership to achieve their goals. · Build trust and long-term relationships.	· Coach and enable team members to provide best-in-class service and guidance that will help customers succeed financially.
People as a competitive advantage	· Encourage well-being and celebrate success. · Recognize and leverage each other's contributions and talents. · Share best practices and embrace new ideas together. · Develop yourself and others.	· Attract, hire, and retain talent. · Connect the team to business priorities and share what's needed for success.
Ethics	· Know what's right and do what's right; if you don't know, ask. · Raise concerns and escalate early. · Take accountability for all actions and decisions made. · Be open, honest, and transparent.	· Foster a safe, ethical environment where team members feel comfortable sharing ideas and opinions, raising concerns, and escalating risks. · Hold yourself and your team responsible for achieving business results in alignment with our Vision, Values & Goals.
Diversity and inclusion	· Make sure that people feel included, valued, supported, and heard. · Recognize and address your own biases. · Seek, accept, and encourage diversity of people and thought.	· Cultivate a diverse and inclusive environment. · Intentionally build and engage a diverse team.
Leadership	· Inspire, engage, influence, and lead by example. · Proactively seek, give, and apply feedback. · Engage in courageous conversations. · Make decisions with a One Wells Fargo view.	· Know the business and effectively manage your team to maximize long-term shareholder value. · Motivate and enable team member performance through clear objectives and expectations, ongoing feedback and coaching, and written performance evaluations. · Model, encourage, and celebrate team member community involvement. · Capitalize on self-service resources and complete management activities timely and in compliance with policies and standards.

Promoting diversity and inclusion in every aspect of our business

Wells Fargo is committed to advancing diversity and inclusion across our workforce, in our thousands of local communities, and in our supply chain. This commitment has long been one of the five values to which our company is dedicated (page 13).

Our commitment to diversity starts with our Board, where Wells Fargo has been an industry leader for decades. More than half of the members of our Board are women and/or ethnically diverse (as of Jan. 15, 2019), and Board Chair Betsy Duke is the first woman to lead the Board of a major U.S. bank.

Our priorities and goals are set by our Enterprise Diversity and Inclusion Council, which is led by CEO Tim Sloan and composed of senior leaders from our businesses and functional areas. An example of a recent action: The council recommended additional funding and resources (which were approved) to accelerate the company's progress toward reaching its hiring goal for military veterans.

We define diversity as the unique combination of various dimensions that makes each of us different from and similar to others. Those dimensions can include — but are not be limited to — age, gender, ethnic heritage, race, physical or mental abilities, sexual orientation, values, religion/spiritual practice, income, family status, education, and geographic location.

Our goal for advancing diversity and inclusion is to help ensure people across our workforce, our communities, and our supply chain feel valued and respected, and have equal access to resources, services, products, and opportunities to succeed.

OUR 10 TEAM MEMBER NETWORKS

- Asian Connection
- Black/African American Connection
- Diverse Abilities
- Latin Connection
- Middle East
- My Generation
- Native Peoples
- PRIDE
- Veterans
- Women

THE WELLS FARGO TEAM

- 44 percent of our U.S. workforce is ethnically/racially diverse.
- 57 percent of our U.S. workforce is women.
- 8,400 team members self-identify as military veterans.

We focus primarily on three areas:

Team members.
We strive for policies and programs that attract, develop, engage, and retain the best team members. We continue to focus on building a diverse pipeline of candidates for positions at all levels of the company, including leadership positions, and promoting diversity and inclusion awareness through education and training.

Marketplace.
We integrate diversity and inclusion into the business decisions we make. We are focused on serving the needs of our diverse market segments and increasing our work with diverse vendors and suppliers. Our procurement spend with diverse suppliers for 2017 was 11.4 percent, and our goal is to spend 15 percent of our controllable procurement budget with diverse suppliers by 2020.

Advocacy.
We demonstrate leadership through our interactions in both the workplace and in our communities. This includes personal accountability for diversity and inclusion advocacy in areas such as training, mentoring, participation on multicultural boards, and other community engagement activities.

We deploy diversity and inclusion councils and teams at the business, regional, and local levels to help us implement programs and initiatives. We also have 10 internal Team Member Networks that are open to all team members as a way for them to connect, leverage, learn, build their skills, and impact business outcomes.

We produce a quarterly scorecard that tracks team member representation data and trends, our spending with diverse suppliers, completion rates on diversity and inclusion training, and other metrics.

Commitment to human rights

We recognize the role that corporations play in society, and we embrace our responsibility to respect human rights in our operations and through our business relationships. Many of the actions we've taken to rebuild trust, strengthen our culture, and enhance operational and conduct risk are critical components of a robust human rights risk management approach.

We publicly acknowledge our responsibility to respect human rights in our Statement on Human Rights, which guides our efforts in this area with key stakeholders, including:

Team members.
We strive to foster safe, inclusive, respectful, and fair workplaces, including building and maintaining sustainable work environments where discrimination and harassment are not tolerated. We provide equal employment opportunities for all qualified applicants and team members without regard to any status protected by applicable laws, and we take appropriate actions to ensure that our compensation for team members is fair and equitable. Building and sustaining a diverse and inclusive culture is an important way in which human rights are respected at Wells Fargo.

Consumers.
We are committed to building relationships with customers and providing them with meaningful products, advice, and guidance to ensure that they are able to make informed financial choices. We are dedicated to living by our responsible lending and servicing principles to foster best practices and ensure consumers are treated with respect. In addition to training team members on the principles, a team of compliance and legal professionals conduct fair and responsible lending reviews of complaints, new or modified products or lending policies, marketing campaigns, and lending transactions.

Business customers.
We recognize the critical economic importance of various industry sectors, including some that may have significant impacts on the environment and local communities. We believe organizations in such industries should operate in a responsible manner, complying with applicable legal requirements and with respect for human rights, local communities, and the environment. We conduct enhanced due diligence for corporate customers in identified sensitive industries, as described in our Environmental and Social Risk Management (ESRM) framework. You can learn more about our ESRM risk due diligence process on page 43.

The ESRM framework also discusses our companywide and line-of-business policies that prohibit credit and other services to any clients or activities where we become aware of evidence indicating forced labor, child labor, human trafficking, or any other type of modern slavery.

Suppliers.
We strive to work with suppliers whose values and business principles reflect their respect for human rights. We outline our expectations in our Supplier Code of Conduct.

Communities.
We promote human rights and enhance resiliency by using our financial and human capital to support economic development and improve quality of life in the communities where we live and work. Community investment is an important part of our business model, and we strive to provide resources, talent, and products for underserved communities in the areas where we do business.

Recent company actions

We recognize that respecting human rights is an ongoing effort and that we must regularly assess our practices and approaches in light of changing policies and business practices. In our most recent Corporate Social Responsibility materiality assessment (page 41), human rights was identified, among other matters, as having an increased impact to our company and our stakeholders.

Wells Fargo has taken key actions in recent years to enhance our focus on human rights, including:

2015

- Adopted our ESRM policy, which provides a consistent methodology that we use to understand, assess, and consider environmental and social risks in our lending and investments as part of our decision-making process.

2016

- Published our Modern Slavery Act Statement to meet our obligations under the U.K. Modern Slavery Act and underscore the important role that companies like ours can play in addressing this global human rights issue.

- Updated our Code of Ethics and Business Conduct (page 21) with references to team members' responsibilities relative to human rights, specifically as they relate to modern slavery, exploitation, and human trafficking.
- Updated our Supplier Code of Conduct to include Wells Fargo's expectation that suppliers respect human rights and comply with applicable laws to avoid modern slavery and human trafficking.
- Joined Shift's Business Learning Program to deepen our understanding of potential human rights impacts and formed internal working groups to identify opportunities for strengthening our management of human rights impacts. Shift is a nonprofit founded in 2011 to implement the United Nations' Guiding Principles on Business and Human Rights.

2017

- Adopted an Indigenous Peoples Statement (page 19) to strengthen our due diligence practices for transactions with customers whose operations may adversely impact indigenous communities.
- Established an external Stakeholder Advisory Council (page 92) that consists of experts and advocates focused on human rights, consumer rights, fair lending, the environment, civil rights, and governance.
- Launched our Speak Up and Non-retaliation policy (page 21) to encourage team members to identify and report any concerns they may have, including potential human rights issues.
- Established a central conduct team and made enhancements to our EthicsLine (page 22) to help identify and respond to potential human rights concerns quickly and more effectively.

2018

- Joined BSR's Human Rights Working Group (a cross-sectoral collaborative initiative of more than 40 global companies), established in 2012 to help companies implement the UN Guiding Principles on Business and Human Rights. In addition, we will continue to participate in Shift's Business Learning Program to strengthen our understanding and implementation of human rights issue management.
- Enhanced our capacity to identify and manage human rights risk in our lending and investments — including adding a social issues specialist with human rights legal expertise to the Environmental and Social Risk Management team.
- Developed and began to deploy human rights training within our Wholesale Banking businesses. Previously, human rights considerations were one component of the larger Wholesale Banking Credit Management Training for new credit analysts and associates.
- Published the results of our annual pay equity study on wellsfargo.com (page 25), following the information we published in March 2017 regarding our commitment to gender and racial/ethnic pay equity.
- Established working groups to consider relevant human rights issues related to consumers and investments, and refined the definition of "employment" to include contracted labor.
- Continued to strengthen our ethics and business conduct programs to deliver on our commitment to respect team members' human rights.

In progress

We know that deepening our understanding and management of human rights issues that are relevant to our business, operations, and culture is an ongoing journey. We are continuing to work on:

- Updating and developing human rights-related policies.
- Strengthening oversight of human rights issues in our supply chain, such as the manufacturing of promotional items, international construction projects, and contracted janitorial and landscaping services.
- Enhancing our understanding of potential and adverse human rights impacts through due diligence.
- Engaging with external, cross-sectoral, and industry-specific leadership groups to collaborate on advancing business and human rights efforts.

Additional due diligence focuses on vulnerable communities

Wells Fargo expects our corporate customers to operate responsibly by respecting human rights. We articulate this in our Human Rights statement, which emphasizes that companies we serve must carry out due diligence to avoid infringing on the rights of others and to address any adverse impacts as they arise.

Beyond our Human Rights statement, we recognize several vulnerable groups as being "historically disadvantaged," and we dedicate extra attention to understanding and caring for their unique concerns and perspectives. For example, as a result of issues that arose during the construction of the Dakota Access Pipeline — and following specific assessment findings — we enhanced our Environmental and Social Risk Management due diligence to include more focused research into whether indigenous communities were affected and properly consulted.

In 2017, we implemented an Indigenous Peoples Statement — developed in consultation with tribal leaders, indigenous stakeholders, and their representatives — to better communicate our commitment to indigenous peoples in general and, more specifically, to guide our decision-making for projects where proceeds of Wells Fargo financing may potentially impact Native American, Native Alaskan, or other indigenous communities. The statement also stipulates our approach to responsible finance, specifically:

- We recognize that governments have the central role to play in the approval of polices or projects that impact indigenous peoples, and we encourage our customers to collaborate in meaningful ways to manage the impacts and risks of their activities on these communities.
- We conduct due diligence in sensitive industries covered by this framework to ensure that our customers engage meaningfully and effectively with critical stakeholders and demonstrate a commitment to protecting community health, safety, and security; the environment; cultural identity; and the sacred lands and heritage of affected indigenous peoples. We have supplemented this due diligence with a heightened focus on potentially impacted indigenous communities and whether they have been afforded the opportunity for informed consultation and participation. For certain transactions, escalated approval from senior leaders is required.
- If we do not determine a company can effectively manage elevated environmental and social risks in its operations, we will decline participation in the transaction.
- For projects where we can identify that the use of proceeds may potentially impact indigenous peoples — specifically for project financing, project bridge loans, and corporate project financing transactions — we expect our customers to demonstrate alignment with the objectives and requirements of International Finance Corporation Performance Standard 7 on Indigenous Peoples, including with respect to circumstances requiring Free, Prior, and Informed Consent.

In general, Wells Fargo respects indigenous peoples' rights to determine their own way of life on their own lands, according to their time-honored cultures, traditions, and beliefs. We recognize the rights of these communities to meaningful and appropriate consultation regarding issues affecting their sacred lands and natural resources — traditionally owned or otherwise occupied and used — today and for future generations.

The way these important policies came about illustrates our commitment to listen to stakeholders who may be impacted by our lending and investing; it also illustrates our adherence to recognized global best practices in environmental and social risk management.

CASE STUDY: BUILDING A BETTER COMPANY

Our commitment to fighting human trafficking

One powerful action financial institutions can take to protect human rights is to follow the money trail of human trafficking — helping to identify and report suspected money laundering.

As outlined in Wells Fargo's Modern Slavery Act Statement, we recognize our role in preventing modern slavery and human trafficking both in our operations and in our supply chain.

According to estimates by the anti-slavery nonprofit Walk Free Foundation and the International Labour Organization, more than 40 million people are trapped in modern slavery worldwide. The trafficking and exploitation of women, children, and men is a highly profitable global business, generating illegal profits of $150 billion a year.

Wells Fargo's Financial Crimes Risk Management team works closely with law enforcement, nongovernmental organizations, and other banks to identify and report financial transactions that indicate human trafficking. For example, Wells Fargo participates in a global alliance led by the Thomson Reuters Foundation that recently launched a toolkit designed to help financial institutions fight human trafficking with financial data.

The toolkit, which is shared with financial institutions, law enforcement agencies, and other key stakeholders on a confidential basis, contains an extensive collection of case studies on human trafficking-related investigations. It also provides resources designed to help financial institutions detect suspicious patterns in financial transactions, customer data, and behavior that may be linked to human trafficking — and to report them to law enforcement (consistent with all applicable data privacy laws).

The toolkit is the product of the United States Banks Alliance, a multistakeholder working group convened in 2017 by the Thomson Reuters Foundation. The alliance has worked closely with the Financial Crimes Enforcement Network and includes Homeland Security Investigations, the Manhattan District Attorney's Office, and expert anti-trafficking nongovernmental organizations Polaris and Stop the Traffik.

We believe that financial institutions have the unique opportunity — and responsibility — to make a difference globally by working with law enforcement to follow the money trail that leads to criminal organizations such as human trafficking rings.

Our Code of Ethics and Business Conduct

In 2016, we updated Wells Fargo's Code of Ethics and Business Conduct to provide additional clarity and focus on the ethical behavior we expect of all team members and members of our Board. The code serves as an extension of our Vision, Values & Goals and is supported by underlying policies as well as by interactive online training that all team members complete annually. Members of the Board also acknowledge annually that they have read and understand their obligations under the Code of Ethics and Business Conduct.

It's critical for team members to understand our expectations and act in an ethical manner every day. Team members also need to be comfortable speaking up with no fear of retaliation if they have a concern or see something that does not seem quite right.

The code outlines responsibilities on topics such as:

- Dealing fairly with customers and others.
- Keeping confidential information safe and secure.
- Maintaining accurate and complete records.
- Being clear and candid in communications.
- Avoiding conflicts of interest.
- Exchanging only appropriate gifts and entertainment.
- Exercising sound judgment in incurring business expenses.
- Honoring our legal obligations.
- Using our assets wisely.
- Serving the greater good by supporting our communities, respecting human rights, and protecting the environment.

Speak Up and Non-retaliation policy

We learned through team member feedback that some team members were reluctant to raise concerns because of fear of retaliation. Described below are some of the actions we've taken to improve this situation, including enhancing our EthicsLine process. To provide additional clarity on our policies and set expectations, we published our Speak Up and Non-retaliation policy in 2017. It requires all team members to adhere to the Code of Ethics and Business Conduct and supporting policies, recognize unethical behavior, and report suspected unethical or illegal conduct. The policy also sets additional expectations for managers to guard against retaliatory conduct, watch for signs of retaliation, and report any conduct that may violate policies.

It's critical for team members to understand our expectations and act in an ethical manner every day.

Specifically, managers are expected to:

- Reinforce with their teams the company's commitment to values, high ethical standards, and the importance of reporting unethical or illegal conduct.
- Ensure any inappropriate, unethical, or unlawful behavior is properly reported.
- Regularly remind team members to report concerns immediately to the EthicsLine, Employee Relations Solutions, or a trusted supervisor or manager.

Enhanced EthicsLine process

The EthicsLine provides team members a confidential way to report inappropriate behavior or concerns about possible violations of unethical or illegal activity. Wells Fargo is committed to maintaining anonymity (when requested and as permitted by law) and confidentiality of team members throughout the allegation lifecycle. Information related to allegations is shared only with team members who have a business need to know and may also be shared with regulatory or law enforcement agencies.

The EthicsLine has been operated and staffed by a third-party vendor since its inception in 2004, and translation services are available. This process helps maintain team member confidentiality and preserves anonymity when requested.

Following concerns raised by team members about the EthicsLine, the company engaged a third party in late 2016 to conduct an end-to-end review of its processes regarding the intake, research, investigation, and disposition of allegations of team member misconduct. The assessment included focus groups and one-on-one conversations with team members and identified opportunities to strengthen processes to align with industry best practices, better identify trends to prevent potential issues, ensure consistency, and help team members feel supported.

Based on the independent review, we:

- Enhanced scripts used by our third-party EthicsLine intake representatives, reinforcing our commitment to protecting team members from retaliation.
- Formed a dedicated Employee Relations Solutions team to focus on issues raised through the EthicsLine.
- Created a process for third-party legal review of certain retaliation claims.
- Devised an Allegation Management policy outlining standard protocols across research and investigative teams.
- Deployed an Enterprise Allegations Platform to facilitate the consistent handling of allegations across the company and improve reporting and analysis.
- Enhanced our communications efforts (page 24) so that team members are kept well informed.
- Created a new third-party EthicsLine website to make it easier to submit a report online.
- Enhanced training to help managers foster open communications and respond appropriately when a team member raises a concern.

How the EthicsLine works

With enhancements noted

Step

1

A team member raises a concern by phone or online.
Enhancement: *Team members have access to an easy-to-use web portal.*

2

The concern is received by a third-party vendor to support confidentiality.
Enhancement: *EthicsLine messaging emphasizes confidentiality and commitment for protecting against retaliation.*

3

A Wells Fargo researcher is assigned to the report.
Enhancement: *A new platform facilitates the process.*

4

A report is created and assigned a number to facilitate anonymous response tracking.
Enhancement: *Team members can use this number to see if there are questions or to provide additional information.*

5

The report is researched.
Enhancement: *Standards help ensure that concerns are managed consistently.*

6

If a violation is substantiated, it is addressed in accordance with policy.
Enhancement: *The team member who raised the initial concern is notified when a case is closed and contacted to make sure there has not been any retaliation.*

A summary of the types of allegations and any trends is shared with management and the Board.
Enhancement: *Regular reporting provides companywide visibility to identify patterns and address issues.*

Raise Your Hand initiative encourages team members to report concerns

A third-party review of the EthicsLine process that team members use to report concerns showed some reluctance to participate. In response, we worked to improve the system, inform team members of these enhancements to build confidence in the tool, and increase awareness of the ways team members can raise a concern or complaint.

Awareness

- We launched an internal Raise Your Hand campaign to reinforce the importance of speaking up and raising concerns — whether regarding a possible ethics violation or a potential risk.
- We let team members know that they are encouraged to discuss matters with any manager with whom they feel comfortable, our Employee Relations Solutions team, or by contacting the confidential EthicsLine, where they can choose to remain anonymous to the extent allowed by law.
- Messaging emphasized that sound processes are in place at Wells Fargo to maintain confidentiality and properly research and address concerns.
- We added online information to help team members know what to expect when contacting the EthicsLine, including a video on how the EthicsLine works and what happens behind the scenes.
- We enhanced communications to keep team members better informed when they do raise a concern.

ENCOURAGING TEAM MEMBERS TO SPEAK UP

WHAT We launched an internal Raise Your Hand initiative and improved processes to help team members feel comfortable raising concerns.

WHY To inform team members of changes made to address their concerns about retaliation and encourage them to speak up and raise concerns.

RESULT We've seen an increase in team members offering suggestions and raising concerns, which is helping us identify and address issues earlier.

- We made sure that both the expectation to speak up and the assurance of non-retaliation are prominently featured in our Code of Ethics and Business Conduct training, with emphasis on preparing managers to respond appropriately and create a supportive environment where team members feel comfortable raising concerns.
- We now encourage leaders to reinforce Raise Your Hand messaging in their regular communications and to recognize team members for raising concerns.

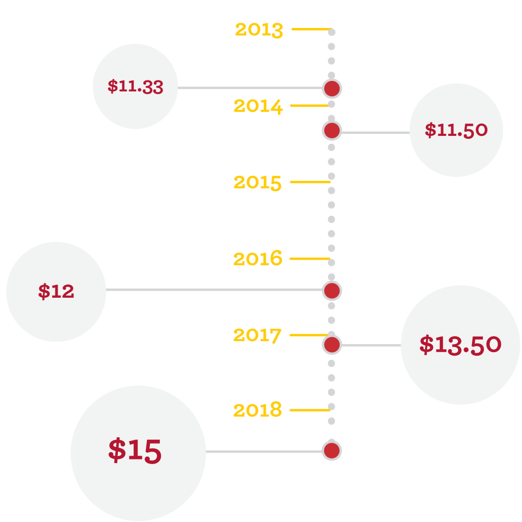
Competitive pay and benefits

Wells Fargo has long been committed to market competitive compensation, career-development opportunities, a broad array of benefits, and strong work-life programs. We regularly review our offerings and have closely done so in the past two years.

To ensure that our pay is competitive in the marketplace, jobs are priced against our competitors at least annually. We look across industries because our competition for talent extends beyond the financial services sector. We invest significantly in annual salary increases, promotions, and other types of increases for all roles at all levels across the company. For example, in addition to increases that result from annual performance reviews, each year approximately 40,000 team members receive promotions with additional salary.

We continue to raise our minimum hourly base pay, increasing it by 32 percent in recent years — from $11.33 in December 2013 to $15 in March 2018 (for certain roles and in some geographies, starting rates can be substantially higher than the minimum base pay level). This latest adjustment to $15 an hour increased pay for approximately 36,000 team members. Wells Fargo then carefully reviewed team members who were already making $15 an hour, or slightly above, to ensure that they were being paid appropriately based on their role. That resulted in approximately 50,000 pay adjustments for team members whose salaries were at or close to the new minimum hourly wage.

Wells Fargo Minimum Base Pay



Approximately 60 percent of Wells Fargo's noninterest expense represents compensation and benefits:

- Each year, we invest approximately $13,000 per team member in our benefits programs.
- Our health care benefits (medical, dental, vision) cover approximately 500,000 individuals.
- Ninety-nine percent of Wells Fargo's U.S. team members are eligible for benefits, including those in regular and part-time roles.
- Team members are able to enroll their spouses or domestic partners (regardless of gender) and eligible children in Wells Fargo benefits.
- The cornerstone of our financial benefits is our 401(k) plan, which provides a 100 percent match for every $1 team members contribute, up to 6 percent of team members' certified compensation. Team members received more than $1 billion in employer matching contributions in 2017.

Pay equity

We are committed to pay equity, and our company regularly engages a third-party consultant to conduct a thorough pay equity analysis, which relies on statistical models to compare the compensation of our team members to others in similar roles. Based on the results, we make adjustments where needed to ensure team members continue to be paid fairly and equitably.

Our company values and promotes diversity and inclusion in every aspect of our business and at every level of our organization. Our commitment to diversity starts with our Board (page 16), and we have a strong record of recruiting, promoting, and rewarding women at all levels of our company. As a result, a large percentage of our team members, officers, and managers are women.

We originally published the results of our annual pay equity analysis for 2017. For 2018, we expanded our analysis to include certain of our global locations and other elements of pay, including base pay, discretionary cash incentives, and long-term incentive awards. After accounting for factors such as role, tenure, and geography, the most recent results of our analysis show that female team members at Wells Fargo earn more than 99 cents for every $1 earned by their male peers.

Our team members who are people of color in the U.S. earn more than 99 cents for every $1 earned by their white peers.

The Board, through its Human Resources Committee, oversees the pay equity reviews and our other complementary human capital management practices, including talent management, succession planning, and diversity and inclusion initiatives, all of which are intended to ensure fairness in pay practices at Wells Fargo.

Compensation principles

Our company is committed to developing and executing incentive compensation arrangements that align with and reinforce our Vision, Values & Goals and comply with all applicable statutes and regulations. Our Incentive Compensation Risk Management (ICRM) program is intended to balance risk and financial reward in a manner that supports our customers, team members, and company. Compensation programs are designed in accordance with the following principles:

- Pay for performance by linking compensation to company, business line, and individual performance.
- Promote a culture of risk management consistent with our Vision, Values & Goals, and avoid unnecessary or excessive risk-taking.
- Attract, motivate, and retain people with the skills, talent, and experience to drive superior long-term company performance.
- Align team members' interests with shareholders' interests, and encourage behavior consistent with long-term shareholder value creation.

Executive compensation

Our Board holds senior management accountable through its performance management and incentive compensation structure and framework. This framework sets clear expectations for senior management that are aligned with our Vision, Values & Goals, strategic plan, risk appetite, and risk and control framework. The Board uses active engagement and credible challenge to set those expectations and assess whether they are followed.

The performance management and incentive compensation processes enable the Board to assess performance against set objectives, hold senior leaders accountable through compensation or other actions when those objectives are not met, and reward them when expectations are met or exceeded. The Board has strong tools to hold management accountable to these expectations, and it has the resolve to use its tools appropriately — including taking decisive action to address problems or concerns with the risk management performance of senior managers.

All senior executives in the top levels at the company (or approximately 800 leaders reporting to a member of the Operating Committee or to one of an Operating Committee member's direct reports) are subject to an annual performance objective framework. In 2018, Wells Fargo strengthened the performance objective framework for senior executives to include the company's leadership expectations and risk accountability as overlays. With the new framework, "how" something is achieved is given equal or greater consideration to "what" is achieved. Consistent with historical practices, how a leader leads and manages risk can reduce or eliminate incentive compensation for outcomes that are inconsistent with the Board's expectations. By design, performance against these expectations also can serve as a multiplier (up to 150 percent of the incentive compensation target) to recognize exceptional leadership or risk management and accountability. In addition to these expectations as to how leaders perform, the framework sets expectations relating to company performance; business line performance; and each leader's management of risk, day-to-day operations, and strategic initiatives.

The compensation structure for senior executives contains robust risk-balancing mechanisms that provide the Board and its Human Resources Committee with the tools to hold executives accountable for activities that have long-term risk horizons. The Human Resources Committee establishes a compensation design and structure that is weighted heavily toward long-term, performance-based equity that vests over three or four years, is contingent on longer-term financial performance and risk assessments, and has substantial holding requirements (including holding requirements for executive officers that extend beyond retirement) to further support strong risk management and accountability. The company also employs multiple clawback and forfeiture policies and provisions designed to encourage the creation of long-term, sustainable performance and discourage senior executives from taking imprudent or excessive risks that could adversely impact the company or harm customers. This includes the reduction or forfeiture of equity awards if the company or the executive's business group suffers a material failure of risk management.

Performance management

Performance management has a direct link to our pay-for-performance philosophy, with a focus on setting clear expectations for our team members and enabling ongoing coaching and performance conversations throughout the year. We view performance management as a key aspect of how we live our culture, and it helps bring our five values to life. Performance management provides each team member with the opportunity for personal responsibility, accountability, reward, and recognition.

All team members have an established set of objectives reinforcing personal accountability and an opportunity for recognition and development. Team member annual performance objectives are aligned with business objectives and the company's behavioral expectations (page 15). Performance objectives are to be clearly written with criteria for success, as well as appropriately suited to the team member's role.

For example, objectives for team members engaging in direct selling or referral activity are informed by the following considerations:

Quality.
Sales growth measures are balanced, focusing on customer experience, retention, account usage, and long-term relationship building.

Behavioral.
Objectives include qualitative components and incorporate qualitative assessments to focus on how the results were achieved.

Timing.
Metrics should be long cycle in nature and able to measure value as demonstrated by customer behaviors over time.

Risk.
Strong risk management measures must be built into team members' performance objectives.

Discretion.
Management objectives related to customer experience emphasize observations and balanced judgment of team member performance.

Alignment.
Expectations are aligned between leaders and team members who report to them with a consideration toward mitigating customer harm and other conduct risk.

Throughout the year, managers are responsible for providing ongoing performance feedback and coaching on progress toward objectives. Team members also are encouraged to initiate conversations with their managers about performance. On an annual basis, managers complete a performance evaluation that provides each team member a performance summary for the year. It also provides a time for the team member and manager to discuss how the team member can improve performance.

Wells Fargo continues to fortify the performance management process and requirements as we collectively drive to a more consistent culture. Some of the recent enhancements include publishing an enterprise Performance Management policy, introducing the common leadership objective for team members (page 14), strengthening and centralizing monitoring processes, and migrating all team members to our enterprise Performance Management tool.

Incentive Compensation Risk Management (ICRM)

Our compensation principles, along with our Vision, Values & Goals, are supported by our ICRM program, which establishes the expectations and requirements related to the design and oversight of the incentive plans for team members. The program provides the governance framework, policies, risk management standards, and processes under which we manage incentive compensation risk. The program initially was focused on financial (credit, market, and liquidity) risk, and over time we have refined the program's scope to better reflect Wells Fargo's risk appetite and risk management goals and to meet evolving regulatory requirements. Our goal is to have the ICRM program account for all potential risk types, including risks related to misconduct and reputational harm.

The ICRM program framework has three main components supported by our overarching ICRM governance processes:

- Identification of roles covered by the ICRM program.
- Incentive compensation risk balancing.
- Governance, including monitoring and validation.

Roles

The ICRM program covers approximately 200,000 team members who are eligible to participate in an incentive plan. The program provides for heightened oversight for team members in roles that may be able, individually or as a group, to expose Wells Fargo to material risk, as well as roles that are subject to specific regulatory requirements, including:

- Executive officers.
- Senior roles with significant responsibility for taking, identifying, managing, or controlling risk within a line of business or corporate function.
- Groups of team members who, in the aggregate, may expose the organization to material risk or are subject to specific regulatory requirements.

For roles subject to heightened oversight, risk management is considered in developing team members' annual performance objectives, during the review of their compensation plans, and in conducting their annual performance evaluations — all to ensure that incentive award payouts reflect risk outcomes. In addition, for executives and select other members of senior management, the program includes balancing features that account for current and longer-term risk horizons. For these team members, we provide a combination of annual and long-term incentive awards that are subject to performance and forfeiture provisions, clawback policies, consideration of qualitative aspects of performance, and the discretionary ability to reduce payouts.

We believe our program provides an integrated approach to team member performance management, incentives, and incentive compensation risk mitigation. We have strengthened and emphasized risk accountability for all team members and are currently developing and implementing processes where misconduct will impact performance management and incentives more consistently across the company.

Incentive compensation risk balancing

Wells Fargo continues to enhance the rigor and structure of our approach to risk adjustment processes across incentive design and the potential for compensation impacts in an event of a risk issue. Our incentive design process ensures all incentive plans are designed and risk assessed to ensure balancing features and risk adjustments are incorporated into the plans. During this review, we assess risk balancing, compliance with laws and regulations, and any potential to encourage our team members to take unnecessary or inappropriate risks. Over the years, we have formalized and strengthened the enterprise incentive plan design process and made several enhancements, including:

- Development of sales practices incentive guidance to ensure our sales incentive programs do not encourage inappropriate behavior, the metrics are not easily manipulated, the goals are attainable, and risk and reward are properly balanced.
- Cross-departmental teams (Human Resources, Finance, Legal, Compliance, and Risk) assist in the design and review of incentive plans. This enhanced oversight has helped identify opportunities to simplify and streamline incentive plans.
- For a new plan, we conduct a risk assessment to evaluate the team member roles covered by the plan, the inherent risks of those roles, the plan's structure and risk-balancing features, and any additional controls in place. Ongoing plans are reviewed annually with respect to alignment with incentives for the right behaviors, new risks that have emerged, the existence of appropriate risk mitigation features, and compliance with applicable laws, regulations, and policies.
- For plans subject to heightened oversight, such as those covering material risk takers or individuals or groups who could pose sales practices risk, the plans are subject to additional and more detailed reviews.

With the establishment of the enterprise incentive plan design process, Wells Fargo has more effective reporting capabilities and visibility into the risks associated with incentive plans. This has led to an increase in the level of engagement from senior executives and committees who oversee the ICRM program with more meaningful discussions about how to effectively manage risks based on trends and to set expectations for the future.

To account for risk-adjusted compensation decisions, we've continued to enhance the following:

- Enterprise guidelines on the use of discretion for risk evaluation and compensation impact.
- More structured evaluation of risk outcomes as input to risk performance and compensation decisions.
- Strong focus on governance, including increased involvement by the Human Resources and Risk functions to help ensure consistent application of risk adjustment across the enterprise.
- Implementation of a formal monitoring and validation program, including more robust documentation and governance reporting.

Governance

The Board's structure, composition, and resources enable effective oversight of incentive compensation and performance management programs, and directors possess a level of expertise and experience in risk management and human resources practices, including compensation, in the financial services sector that is appropriate for the nature, scope, and complexity of our activities. The Board has delegated primary oversight of human capital management, culture, and ethics to its Human Resources Committee. This responsibility includes overseeing the overall compensation strategy of the company, the ICRM program, and the company's compensation plans, policies, and programs covering senior management.

Two internal management committees — the Incentive Compensation Committee and Enterprise Risk and Control Committee — oversee interconnected risk and compensation programs with a view to ensuring that risk management and accountability are connected with the company's incentive compensation programs.

The Incentive Compensation Committee is chaired by the Human Resources director and has responsibility for overseeing the ICRM program as it relates to the effective design and risk-balancing of broad-based compensation programs. In recent years, we have strengthened the Incentive Compensation Committee charter to clarify roles and responsibilities, set membership and meeting frequency, and establish requirements for reporting to the Human Resources Committee. In addition, reporting to the Incentive Compensation Committee has been strengthened to provide additional reporting and findings across the ICRM program.

Adapting our business model to changing customer preferences

As you will read later in this report, customer preferences — and the way they want to interact with us — are evolving. Customers tell us they want things like more self-service, simpler interactions, and more technology. We are responding by adapting our business model to become more streamlined and focused on the customer.

As a result of the accelerating adoption of digital self-service capabilities, changing business conditions, and operational excellence and efficiency, we expect headcount to decline by approximately 5 to 10 percent within the next three years. This decline would reflect displacements as well as not filling certain open positions resulting from normal team member attrition.

We take very seriously any change that involves our team members, and as always, we will be thoughtful and transparent, treating team members with respect. We have robust programs to make impacted team members aware of other job opportunities within Wells Fargo and to provide support as they transition to the next phase of their careers. And even as we become more efficient, Wells Fargo will remain one of the largest employers in the U.S.

Measuring our progress: Culture

We have made strong progress in building the kind of culture that our team members expect and deserve. We will assess the many practices put in place over the past two years and continue to enhance them. For example, our continuous listening program monitors team member engagement and experience and includes collecting feedback from team members through pulse surveys, focus groups, companywide assessments and surveys, and confidential exit surveys and interviews. In addition to listening to team members, we also are measuring attrition. In 2018, voluntary team member attrition improved to its lowest level in six years.

Among the enhancements we've made to our monitoring and reporting is the creation of a culture dashboard report that includes clear, concise, and actionable insights of companywide strengths and areas that may require attention. Trends tracked in the dashboard include key team member metrics such as attrition, tenure, training, and listening program results; diversity and inclusion; risk, audit, and compliance initiatives; issues escalation resolution; and progress on key culture initiatives. This dashboard is shared quarterly with the Operating Committee and the Board, including the Human Resources Committee. The data it contains is critical as we monitor the progress we are making to improve our culture and the team member experience.

IV.

Our goals

Our goals clearly state our aspirations for the future and prioritize our focus. We want to become the financial services leader in the following six areas:

1. Customer service and advice

Providing exceptional customer service and advice is key to building long-lasting, caring relationships with our customers and helping them succeed financially. We build strong relationships and deliver an exceptional experience for our customers by getting to know them, engaging in high-quality conversations to understand their financial needs, and collaborating with internal partners to help them achieve their goals. We strive to provide best-in-class service and guidance that will help our customers be successful. This is true whether we are working with an individual, a family, a small business, a growing company, or a global firm.

We strive to provide best-in-class service and guidance that will help our customers be successful.

Change for the Better

One of the ways we're improving and enhancing the customer experience is through the Community Bank's Change for the Better initiative (page 61), which includes new systems, processes, and tools that have empowered and enabled team members to better serve the needs of customers. Since September 2017, we've made transformative improvements in our branches across the U.S. to bring more simplicity, alignment, collaboration, and innovation to the customer experience and the team member experience. The changes we've introduced have simplified and streamlined complicated processes to make it easier for our bankers and tellers to talk to their customers, listen, ask questions, and meet customers' financial needs by offering them the right products and services or introducing them to the right partners.

Customer innovation

We're also making innovative changes for our customers to help them better manage their accounts by leveraging data and cutting-edge technology. For instance, our *Overdraft Rewind*SM service automatically "rewinds" any overdrafts that are covered by a direct deposit received by 9 a.m. local time the next day (page 74). In 2018, this service helped more than 2.3 million customers avoid overdraft charges. We also rolled out automatic real-time alerts to notify online banking customers by email when their account balances drop to zero or are negative. The automatic alerts build on the text and email alerts Wells Fargo has offered for a number of years, and they are having a big impact.

In 2018, we sent an average of more than 37 million zero-balance and customer-specific balance alerts a month — meaning we have 37 million opportunities for customers to avoid a negative outcome.

We believe the improvements Wells Fargo has made to help customers avoid overdrafts and fees are among the most customer-friendly in the industry. Ultimately, doing what's right for our customers helps us exceed their expectations and build lifelong relationships.

Focus on planning

In addition to helping our customers manage their accounts, we are focused on helping them save and plan for the future. We offer programs like Financial Conversations and *Hands on Banking®* that are designed to educate and help customers feel more in control of their finances (page 94).

In our Wealth and Investment Management business, we continue to focus on advice and planning capabilities to deliver better outcomes and experiences for customers. Whether customers are planning for retirement, saving for their first home, or taking steps to preserve wealth for the next generation, planning is a common thread. Ensuring every customer has a relevant financial plan helps our Wealth and Investment Management customers meet their financial goals. In the past 12 months, we have created or updated financial plans for 70 percent of our affluent and high net worth customers. According to research conducted during our 2017 Client Listening Program, the vast majority of customers with a plan feel they have the guidance necessary to succeed financially.

Financial Health Conversations program provides personalized guidance and support

Wells Fargo understands that customers are more likely to achieve financial success if they understand the steps they can take to establish healthy financial habits — including simple changes that make a big impact. Research shows that 57 percent of Americans are struggling financially[1], and 44 percent say they would not be able to cover a $400 emergency expense without selling something or borrowing money[2].

Financial Health Conversations program

Through Financial Health Conversations, specially trained phone bankers at Wells Fargo may provide customers with personalized guidance and support to help them increase their savings, manage their credit, and feel more in control of their finances.

Depending on the customer's need, the banker reviews the money flowing in and out of the customer's accounts each month. Then the banker works with the customer to develop a savings plan that may help the customer save more money each month — perhaps including setting a savings target and identifying areas where the customer could reduce spending.

Financial Health Conversations help customers set attainable goals so they can achieve "wins" they can celebrate — which in turn helps them stay committed to their plan. We also help customers strengthen their credit scores through education and action plan development.

Since the program began in 2015, phone bankers have conducted Financial Health Conversations with nearly 50,000 customers. Today, Financial Health bankers complete more than 400 Financial Health Conversations a week. We've received very positive customer feedback about the program in monthly surveys conducted by a third party.

We now are preparing to expand the program to additional Wells Fargo channels to provide access to even more customers.

OTHER FINANCIAL HEALTH RESOURCES

- In 2018, we introduced "predictive banking," an in-app feature that provides consumer and small business deposit and credit card customers personalized insights into their spending and opportunities to save.
- To improve credit transparency, we provided more than 70 million customers with free access to their FICO® Credit Score.
- In 2018, we launched a pilot of the *Greenhouse*℠ app by Wells Fargo — a mobile-first banking experience that combines consumer bank accounts with money management tools to help customers plan and save.
- Our innovative *Hands on Banking* program provides free financial education through classes, workshops, webinars, and websites, with a focus on reaching underserved communities (page 94).

1. *Consumer Financial Health Study, Center for Financial Services Innovation*

2. *Report on the Economic Well-Being of U.S. Households in 2016, Board of Governors of the Federal Reserve System*

2. Team member engagement

We want to be the industry's employer of choice — a place where people feel included, valued, heard, and supported; everyone is respected; and we work as a team. We want our team members to have an emotional connection and commitment to Wells Fargo. We want everyone to feel supported to do work that energizes them. And we want everyone to support — and care for — one another, our customers, and our communities.

As mentioned earlier, team member feedback has been essential in helping enhance our culture and improve the team member experience. Team members have shared their voices in a number of ways, including surveys, town halls, and two-way dialogue on our intranet and internal social media platforms.

Actions from team member feedback

To develop short- and long-term roadmaps and recommendations based on what we've heard from team members, a team of internal and external experts reviewed and synthesized more than three dozen surveys and almost 50,000 team member comments from stories on Teamworks (our intranet portal, which is accessible to all team members), leadership listening tours, and internal social media chats. Based on feedback, we've made a number of changes to help create a more consistent and compelling culture for team members, including:

Increased leadership visibility and transparency. CEO Tim Sloan increased his town hall forums with team members from quarterly to six times per year, in different Wells Fargo markets, and increased each town hall from an hour in length to 90 minutes. During these sessions — which are televised internally and livestreamed to computers — Sloan shares updates with team members and is joined by members of the Operating Committee and other senior executives to take team member questions live from the local audience and via video from all over the company.

Granted restricted share rights to approximately 250,000 team members in first quarter 2018. All eligible full-time team members in the U.S., and eligible team members outside the U.S., received the equivalent of 50 shares of Wells Fargo stock. All eligible part-time team members in the U.S. received the equivalent of 30 shares of Wells Fargo stock.

Idea Builder is a companywide tool that team members use to submit ideas and offer suggestions. In 2018, we received an average of 900 submissions per month. Coordinators review new ideas daily and assign them to appropriate areas within Wells Fargo for evaluation and disposition.

An idea recently implemented: making it easier for deaf customers to identify team members in our bank branches who are proficient in American Sign Language by adding that information to name tags and business cards. Enhancements planned for 2019 are intended to make Idea Builder even more user-friendly, allow team members to better track the status of their submissions, and improve reporting.

Raised the minimum hourly wage to $15 per hour for 36,000 U.S.-based team members in March 2018. For team members already at or close to the minimum hourly wage, the company reviewed their pay relative to the new $15 minimum. This additional review resulted in approximately 50,000 pay adjustments in April 2018.

Increased the number of paid holidays for team members from eight to 12, including adding personal holidays that can be used for religious, family, cultural, patriotic, community, or diversity observances.

A focus on solutions supports team member development

When team members are in the right jobs, spending time on the right things, leading well, feeling good about their contributions, fully using their skills, and learning new skills, they are able to do what is right for customers.

This philosophy is what guides Wells Fargo's $300 million annual investment in team member learning and development, which includes functional training, leadership and professional development, early talent programs, and tuition reimbursement.

We support team members in owning their own development. Underlying our approach is a belief that everyone is called to be a leader — that leadership is not the exclusive domain of senior executives.

All team members have access to leadership and professional development offerings such as instructor-led, virtual, and self-paced courses and programs, books and journals, videos, and on-the-job learning guidance through our Career & Development site. We also offer team members a self-guided learning experience called iDevelop, which enables them to build individual development plans to enhance their leadership capabilities. We provide a wide array of learning and development solutions that help team members grow through networking, experiences, coaching, feedback, and training.

TEAM MEMBERS PLAN THEIR DEVELOPMENT

In 2017, there were:

- Nearly 1 million visits to the Career & Development site.
- 620,000 visits to the iDevelop site.
- 50,000 development plans documented.

TEAM MEMBER DEVELOPMENT BY THE NUMBERS

In 2017, team members:

- Completed more than 90,000 leadership and professional development courses.
- Visited the Coaching 365 site 157,000 times.
- Logged 102,000 digital downloads of books and magazines from our Digital Publications repository.
- Checked out 24,000 books and periodicals from the Corporate Library.
- Viewed 72,500 TED Talks videos.

We make training accessible to all team members, including those in bank branches and call centers. Development resources for branch team members include a dedicated Learning and Development site that includes resources for every job family in bank branches. In 2018, we launched — primarily for new hires and those new to their positions — a Regional Bank Foundational Learning website that places various training resources from multiple lines of business in one place.

We also support managers. A new Manager Excellence learning program was introduced in 2018 to provide new managers a consistent foundation and understanding of what is expected and the tools and resources available to them. The program helps accelerate skills so that managers can focus on building high-performing and engaged teams. The new program has several components, including:

- Independent learning.
- Social communities and networking with peers.
- On-the-job assignments.
- Live webinars with internal subject matter experts (Employee Relations, compensation, and so on).

3. Innovation

Wells Fargo has a long history of innovating for customers.

For banks, being convenient once meant having a branch in the neighborhood. Then it was having an ATM on the corner. Next, it was providing access 24/7 — by phone, then online and mobile — and now it's providing services how, when, and wherever the customer chooses.

But innovation is not about the coolest new technology or about being "first." We are innovating because our customers are asking for it. Customers are looking for convenience and simplicity in how they connect with us and conduct their banking.

Innovation today

As mentioned earlier, interacting with customers in the moment, wherever they are, and when they need us, is changing the way we think about our channels and distribution. Mobile technology and digital commerce have escalated consumer demand for simple and fast money movement. And banks are well positioned to be the disruptor.

For example, *Zelle*®, the person-to-person payments network owned by multiple banks, made its debut in June 2017. *Zelle* enables customers to move money directly between participating U.S.-based bank accounts in real time, instead of first moving money to a separate account and having to wait for it to transfer to a bank account.

Beyond facilitating payments, we're also giving customers the ability to see and manage the connections they have to their Wells Fargo payment accounts through experiences like *Control Tower*SM, a consolidated view of a customer's Wells Fargo "digital financial footprint" (page 38).

Technologies like artificial intelligence and advanced authentication are enabling — at scale — the types of customer experiences that were not previously possible. New experiences like *Greenhouse* by Wells Fargo are leveraging these technologies to help make it easier for customers to save, spend, and plan.

Accelerating digital account acquisition is another focus. In late 2017, we successfully launched *Intuitive Investor*® for brokerage customers who may be new to investing or prefer a digital experience with access to financial advisors as desired (page 78). In the first quarter of 2018, we also introduced our online mortgage application (page 62), and we ended 2018 with online representing 30 percent of total retail mortgage applications in December.

Some of our best ideas for innovation come from team members

Team members play a crucial role in contributing to how we innovate and transform our business. We offer several internal programs and initiatives to make it easier for team members to share ideas and connect with key business leaders who can help make those ideas a reality, including:

Innovators Club.
A Wells Fargo community of more than 16,000 team members committed to identifying and supporting innovation.

iWeek.
An opportunity for team members all over the company to connect with other innovative thinkers for a week of activities aimed at thinking differently and discussing ways to better serve one another, our communities, and our customers. In 2018, more than 4,000 team members participated in iWeek.

Hackathons.
Internal collaboration forums where multifunctional teams design and prototype digital solutions that will benefit our customers or team members. In 2016, Wells Fargo implemented its first Accessibility Hackathon in which winners produced insightful recommendations and solutions to improve accessibility for tracking time in the workplace for team members who have low vision or are blind.

Leading the way to change

We are constantly looking ahead, exploring big ideas with innovators outside the company to help us shape future customer experiences. With Wells Fargo Startup Accelerator, we collaborate with early-stage companies and help them refine their potential breakthrough technologies for financial services and other applications. Since 2014, the program has received more than 2,400 applications from companies in more than 90 countries and now has 21 companies in its portfolio.

In addition, Wells Fargo Digital Labs — a team of product strategists, designers, and developers — researches and advances forward-thinking ideas to benefit customers. The team uses a test-and-learn model to explore new technologies and decide how the technologies might improve banking in the future. Ultimately, the goal is to make our customers' financial lives easier and better.

We also are making significant investments in new and emerging technologies that will help enable future experiences for customers and team members. Here are some examples:

- Artificial intelligence is becoming the "brain" of our experiences, automation, and fraud management.
- Advanced authentication makes security simpler and stronger and eliminates the need for knowledge-based authentication.
- Application Program Interfaces, or APIs, enable us to deploy Wells Fargo services in external environments and integrate third-party services in our environments.
- Robotics and process automation increase the efficiency of our back-end operations, eliminate redundant tasks for team members, and create more seamless experiences for customers.
- Our next-generation data infrastructure helps design services around customers' needs and behaviors.

We are constantly looking ahead, exploring big ideas with innovators outside the company to help us shape future customer experiences.

Innovative *Control Tower* provides a single view of your 'digital financial footprint'

Wells Fargo is innovating to deliver customer experiences that simplify personal finance. One way we're harnessing technology to rebuild trust is *Control Tower* — a single view of a customer's "digital financial footprint" that shows places their Wells Fargo card or account information is connected (such as recurring payments, third parties, and mobile wallets).

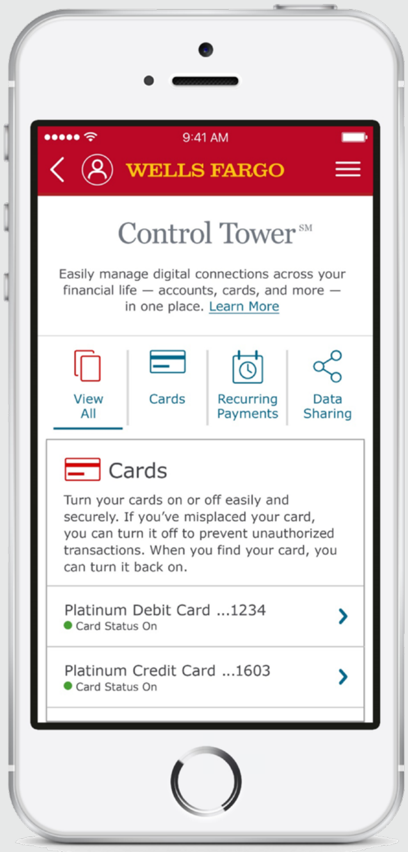
Wells Fargo's Virtual Channels team developed *Control Tower* based on feedback from customers. As consumers have discovered the convenience of online and mobile financial services, their digital lives have become increasingly complex, with payment information stored in numerous places, creating disorganization and potential financial discord.

By integrating a more comprehensive view of where their Wells Fargo cards and accounts are linked, *Control Tower* organizes customers' scattered financial information and enables them to more easily manage their personal finances from one single and secure place. In the future, the plan for this new experience is to provide customers control over which devices, apps, and companies have access to their account information via one central place inside the *Wells Fargo Mobile*® app — providing a convenient and secure place to manage their accounts and perform banking transactions. This will ultimately help customers understand and have greater control over where their Wells Fargo account data is shared.

A key tenet of Wells Fargo's innovation strategy is to provide new experiences, not for the sake of innovation but to improve our customers' lives. With the launch of *Control Tower,* we look forward to providing customers a new and improved digital experience that helps them succeed financially.

CONTROL TOWER

- Allows customers to turn Wells Fargo cards on or off, in one central place.
- Lets customers view recurring payments to their accounts.
- Reinforces our strategy to provide customers a seamless, comprehensive mobile payments and banking experience in a cluttered digital world.
- Launched to all Wells Fargo customers in fall 2018.



4. Risk management

While working to set a global standard in managing all forms of risk, we want to serve customers' needs and protect their assets, information, and privacy. The Board and senior executives are committed to delivering a risk management program that meets all stakeholders' expectations. This, coupled with the need to respond to the fluidity of the environment in which we operate, helps ensure that change and transformation are the risk management program's "new normal."

We have had a very strong record of managing market and credit risk. However, we have not always executed as well in compliance and operational risk, which contributed to our challenges in retail banking, mortgage, and auto lending. We have done a great deal of work to strengthen our compliance and operational risk since the sales practices issues, and we continue to refine and build upon this work in connection with outstanding consent orders with regulators.

We continuously monitor the environment and interact with regulators to identify new and emerging matters that impact our risk management program. We recognize that effective transformation and change management requires the active engagement and support of all our team members, senior management, and the Board.

Here are several ways we've transformed our risk management capabilities:

- As we have strengthened our risk management function, we identified specific talent needs and hired more than 3,200 team members from outside the company between 2016 and 2018, including a Chief Risk Officer, Chief Compliance Officer, and head of Regulatory Relations (a new position).
- In March 2018, we announced changes to how we organize ourselves to manage risk across our three lines of defense to help ensure our lines of business have the appropriate structure to understand and manage their risk and to provide clear stature and authority for our independent risk management function.
- In September 2018, we introduced an updated and expanded risk management framework, a foundational document detailing the company's revised approach to achieving a global standard in risk management. It defines how the company manages risk in a comprehensive, interconnected, and consistent manner.

The Board also has strengthened its oversight of risk management, including making the following changes to its Risk Committee: reconstituting the committee to include additional members with experience identifying, assessing, and managing risk exposure of large financial companies, consolidating oversight of Corporate Risk and companywide risk management activities under the committee, and forming two subcommittees to focus on compliance and technology risks (page 51).

We've also enhanced our reporting to the Operating Committee and the Board. For example, members of the Operating Committee receive weekly reporting on concerns team members bring to the attention of executives and Board members, as well as a monthly dashboard that includes analysis and commentary related to customer complaints. The company created a Conduct Scorecard that drives regular discussions with executives around conduct-related activity within their business and across the company. We also provide regular reporting to the Board on conduct, team member allegations, and customer complaint activity and trends.

All team members have a responsibility for managing risk, and we reinforce that expectation through ongoing communications and training, including our Code of Ethics and Business Conduct training (page 21) that all team members complete annually. The training provides interactive activities and guides team members through situations they may encounter. We extend learning beyond the annual course through videos, articles, discussion guides, and on-demand resources to help team members identify activities that may present a conflict and make the right choice when faced with an ethical dilemma.

The annual training and online resources include guidance for managers on their responsibilities to foster a safe, ethical environment where team members feel comfortable raising concerns and holding themselves and their teams responsible for achieving business results in alignment with the company's Vision, Values & Goals.

We have undertaken multiple transformative risk initiatives, including work related to our risk target operating state, compliance, operational risk, and regulatory consent orders. Collectively, these initiatives and other activities will result in a stronger and more integrated risk management program.

New Complaints Management model to provide greater clarity and an integrated view

Providing a consistent, simple, and timely experience is especially critical when Wells Fargo customers are dissatisfied with us or with one of our products or services. So we are moving to create a new operating model for complaints management across the company.

The new model includes deploying a Complaints Management Platform, which is now under development, and a newly designed customer complaints process to provide a more integrated view of customer complaints and a more consistent way of resolving customer issues. It also is designed to create stronger ties between front line operations and Independent Risk Management to help ensure consistent adherence to the Complaints Policy and the escalation of high-risk complaints.

We are developing processes and systems to help ensure that, regardless of where at Wells Fargo a complaint is raised, the complaint is both visible and handled consistently. For example, customers will be able to call our toll-free phone number with a complaint and later follow up at a bank branch — seamlessly.

Defining the interconnected functions

One feature of the model will be administration of the enterprise complaint process. The idea is to support individual complaint-handling resolution groups and complaint executive offices in facilitating consistency and effective implementation of complaint management processes. The model also will rely on strong connections and transparency among our three lines of defense: each business's front line, Independent Risk Management, and Audit Services:

- **Front line.** Perform day-to-day intake, distribution, research, escalation, and resolution of complaints — and also facilitate data analysis and reporting.
- **Independent Risk Management.** Provide complaints oversight and establish and oversee central policy standards, requirements, and adherence to the enterprise complaints program.
- **Audit Services.** Evaluate and validate the effectiveness of the complaint management processes across the front line and Independent Risk Management.

ENSURING CONSISTENCY IN HANDLING CUSTOMER COMPLAINTS

WHAT We are developing a new Enterprise Complaints Management model.

WHY To improve consistency in the handling of customer complaints across businesses and improve issues resolution, reporting, root cause analysis, and corrective action.

RESULT The model currently is in development with expected rollout to begin in fourth quarter 2019.

These separate and clearly defined functions will work to create, oversee, and validate an integrated complaints management platform designed to deliver a consistent and improved customer experience for all of our customers.

Improved data/analytics and reporting

We continue to enhance our reporting and root-cause analytics to provide our executives, Board members, and line of business leaders with more insights into customer complaints, including the identification and escalation of emerging issues or heightened risk. The enhancements include a monthly dashboard that provides the CEO and Operating Committee summary data, including commentary on trends, as well as regular reporting to the Board's Risk Committee of customer complaints across the company.

We are in the process of building new capabilities, including speech and natural language artificial intelligence, to assist in the analysis of root causes and management of complaints. The new capabilities also will assist team members in resolving complaints by putting information at their fingertips to better serve customers.

5. Corporate citizenship

Our goal is to be the financial services leader in corporate citizenship by making positive contributions to every community we serve — through our products and services, operations and culture, and our many forms of philanthropy. We know our long-term success is directly linked to the success of our customers and the communities we serve. A strong, thriving economy is good for our communities, our business, and our shareholders.

As a global financial services company, we understand our role as a community partner and the positive impact we can have on society, local and global economies, and the environment. We also acknowledge our responsibility to minimize environmental and social risks as a result of our actions and those of our customers and partners. We are building from a strong foundation of success: We have a long history of investing in our team members, our communities, and sustainable business operations, yet we know that we have more work to do.

Our corporate social responsibility (CSR) priorities and goals

Three strategic priorities guide our work:

Diversity and social inclusion. Help ensure that all people feel valued and respected and have equal access to resources, services, products, and opportunities to succeed.

Economic empowerment. Strengthen financial self-sufficiency and economic opportunities in underserved communities.

Environmental sustainability. Accelerate the transition to a low-carbon economy and help reduce the impacts of climate change.

The Corporate Responsibility Committee of our Board of Directors has primary oversight for the company's policies, programs, and strategies regarding significant CSR matters, including human rights, environmental sustainability, community reinvestment, and supplier diversity. For each of our CSR priority areas, we established long-range goals to further integrate corporate responsibility across our products and services, business practices and culture, and philanthropy. And we assess our progress through a set of quantitative and qualitative key performance indicators. For example, in 2017, we:

- Exceeded our 45 percent carbon-reduction goal three years ahead of schedule.
- Met 100 percent of our global electricity needs with renewable energy.
- Spent 11.4 percent of our controllable procurement budget with diverse suppliers, and continue making progress toward achieving 15 percent of our procurement spend with diverse suppliers by 2020.

In addition, from 2015 through 2017, we built or improved 1,000 homes for low-income seniors, veterans, and families and provided $55 million in grants and capital to grow diverse small businesses.

Evolving our CSR priorities through stakeholder engagement

We took steps in 2017 to refresh our CSR priorities in light of changes to our business, new Board and executive leadership, and additional stakeholder feedback on current and emerging social, economic, and environmental trends.

To prioritize topics that are most relevant to our company and to our stakeholders, we conducted our third CSR materiality assessment since 2009. Our evaluation included a review of global standards, including the Global Reporting Initiative, the United Nations Sustainable Development Goals, the Sustainability Accounting Standards Board, and the Taskforce on Climate-related Financial Disclosures. We conducted a series of interviews with a diverse mix of internal and external stakeholders, including our Stakeholder Advisory Council (page 92). The results validated our existing priorities mentioned above, which will continue to drive our CSR strategy.

The assessment also highlighted issues that have increased in importance to our company and to our stakeholders, including ethical practices and culture, corporate governance, human rights, and climate change risk management. These topics are addressed in this report, and we are also working to integrate these findings into our overall CSR strategy and goals.

Re-imagining corporate philanthropy

Philanthropy plays a critical role in our CSR efforts, and today we are proud to be recognized as the No. 2 corporate cash giver in the U.S. and the top financial institution in overall giving, according to a ranking by *The Chronicle of Philanthropy* based on 2017 data. That said, we intend to do more to increase economic opportunities in low-income and underserved communities.

In December 2017, we announced a plan to target $400 million in donations to nonprofits and community organizations in 2018 — an increase of approximately 40 percent from 2017. We exceeded our target, donating more than $440 million to communities in 2018. Part of being a leader is to lead by example, so beginning in 2019, we will target 2 percent of our after-tax profits for corporate philanthropy, and we are encouraging other U.S. businesses to follow suit. As a result of our increased philanthropy, we are undergoing efforts to assess and enhance the structure of the Wells Fargo Foundation, including its governance, processes, and measurement tools to ensure we are making a meaningful impact.

Understanding and managing environmental and social issues associated with financing certain industries

Wells Fargo's commitment to strong environmental and social risk management (ESRM) supports both our companywide goal to be a leader in corporate citizenship and our work to continue rebuilding trust with our stakeholders.

We also recognize that business decisions made by our company or by our wholesale customers can have adverse impacts on communities and the environment. Our corporate ESRM framework establishes the methodology, expectations, and requirements for understanding, assessing, and considering environmental and social risks associated with our lending and investments (page 43). The framework has been incorporated into our credit, project-finance, investment banking, securities, and consumer finance risk policies and procedures. We update the framework as our understanding of environmental and social risks evolves, and we seek to adhere to global best practices with regard to managing environmental and social risk.

Our ESRM team, which is part of the Sustainability and Corporate Responsibility group in Stakeholder Relations, helps identify and perform due diligence on sectors and transactions that have elevated reputation and business risk because of environmental or social factors.

In 2018, more than 400 transactions were subject to ESRM enhanced due diligence requirements. On average, about 5 percent of the transactions reviewed annually by the ESRM team receive a high ESRM risk rating and are escalated for discussion and determination. The ESRM team also works with customers to consult on ESRM best practices and help customers understand our requirements and our commitment to responsible lending as well as current and emerging best practices for managing the risks in their industry. In addition, the ESRM team conducts a quarterly portfolio review to identify all in-scope relationships that require due diligence to ensure compliance with the ESRM policy.

Wells Fargo will seek opportunities to reduce or exit existing customer relationships or refrain from entering new relationships based on our ESRM due diligence, which considers ethical, environmental, social, financial, and other factors. For example, we are no longer increasing our credit exposure to coal mining companies or doing business with companies involved in mountaintop removal. In addition, our credit exposure to private prison companies has significantly decreased and is expected to continue to decline, and we are not actively marketing to that sector.

Education and awareness-building is critically important to environmentally and socially responsible banking. We provide training on environmental and social risk management and implement programs for team members who work with industries covered by our ESRM policy. In addition, in Wholesale Banking, we provide training that addresses environmental and social issues, including respect for human rights and the importance of climate change.

Transparency and reporting

We are committed to being transparent with key stakeholders about our progress and performance in the ways we integrate CSR and responsible growth into all we do. We provide updates on our progress to key stakeholders through our annual CSR report, which is available on the Goals and Reporting page of wellsfargo.com. Our most recent CSR report, published in Spring 2018, was prepared in accordance with global standards for CSR reporting.

In addition, we communicate on an ongoing basis about significant milestones, and other CSR matters, through channels such as wellsfargo.com, Wells Fargo Stories, ongoing ESRM reporting, and the Environmental, Social, and Governance Guide.

Wells Fargo's ESRM risk due diligence process

For new transactions or annual renewals of transactions in Wells Fargo's Wholesale Banking business, including project-finance, investment banking, securities, and credit transactions.

Step

1

Determine if the transaction requires ESRM risk due diligence. Transactions related to any of the following are subject to the ESRM review:

- Involve certain industries
  - *Oil and gas operations*
  - *Coal and metal mining*
  - *Arms and armaments*
  - *Consumer finance companies*
- Potentially impact Indigenous Peoples
- Are covered by the Equator Principles framework
- Represent elevated reputation or human rights risks such as private prisons, manufacturing, forestry, and chemicals

2

The ESRM team performs a detailed risk assessment:

- Analyzes publicly available information about the customer, industry, and transaction
- Examines third-party assessments on environmental and social (including human rights) risks related to the customer or transaction
- Engages in direct dialogue with the customer and other stakeholders as appropriate

3

Based on the risk assessment, the ESRM team assigns an environmental and social risk rating:
low risk, medium-low risk, medium risk, medium-high risk, or high risk

Low, medium-low, and medium risk rating:

- Transaction may move forward

Medium and medium-high risk rating:

- Transaction may move forward
- Transaction is placed on a corporate "watch list"
- Relationship Managers notify the ESRM team of any significant event or change in the risk profile of the client or transaction

High risk rating:

- Transaction is escalated to senior management for discussion and determination

Advancing environmental sustainability

We are working diligently through our lines of business, in our operations, and with stakeholders from the private and public sectors to help accelerate the transition to a low-carbon economy and reduce the impacts of climate change. Part of our strategy is to build sustainability more deeply into our business and operations. We also focus on advancing cleaner technologies and improving air and water quality around the world.

We support the principles of the Paris Climate Agreement, and we follow industry best practices in sustainability. We actively engage with the U.S. Green Building Council, eStewards, and the Climate Group's RE100. To help guide responsible financing in our lines of business, we are signatories of the Equator Principles, Green Bond Principles, and the UN Principles for Responsible Investing. We report annually on our risks and opportunities associated with climate change via CDP and in other disclosures available in our Environmental, Social, and Governance Guide on wellsfargo.com, and we have pledged to begin incorporating Taskforce on Climate-related Financial Disclosure recommendations in 2019.

Operational sustainability

We continue to make our operational footprint more sustainable, including reducing our real estate portfolio by more than 20 percent over the past 10 years to approximately 90 million square feet. In 2017, we began meeting 100 percent of our global electricity needs with renewable energy through the purchase of more than 2 million MWh of 2017 vintage Renewable Energy Certificates to supplement our own on-site solar generation. We are now working to meet the second part of our 2020 renewable energy goal, which is to transition to long-term contracts that fund new sources of green energy and significantly scale our onsite generation program.

Environmental financing

As one of the largest financers of renewable energy and clean technology, we are committed to supporting product innovation and new growth in these sectors. Since 2012, we have financed more than $82 billion in sustainable businesses and projects. In 2018, we announced a goal to provide $200 billion in sustainable financing by 2030, with more than 50 percent focused on renewable energy and clean technology (page 81).

SUSTAINABILITY GOALS BY THE NUMBERS

Since 2008, Wells Fargo:

- Reduced greenhouse gas emissions by 47 percent, meeting our 2020 carbon-reduction goal three years ahead of schedule.
- Achieved LEED certification across 28 percent of our total square footage in leased and owned buildings.
- Reduced water consumption by 59 percent, energy consumption by 36 percent, and waste stream by 33 percent.

Investing in a cleaner and more resilient future

Launched in 2014 with an initial $10 million commitment by the Wells Fargo Foundation, and expanded in 2017, the Wells Fargo Innovation Incubator is a $30 million philanthropic program supporting clean technologies focused on commercial buildings. The program, co-administered by the U.S. Department of Energy's National Renewable Energy Laboratory, gives certain technologies the opportunity to beta test within Wells Fargo's operations on their way to the commercial marketplace.

In addition, over the past 10 years we've been working with GRID Alternatives, the largest U.S. nonprofit solar developer, to bring solar power and job training to disadvantaged communities. In 2018, we co-founded the Tribal Solar Accelerator Fund with a $5 million commitment over three years to support solar energy projects and expand solar job opportunities on tribal lands.

Support for communities when disaster strikes

There's nothing like personal contact — a handshake, smile, and reassuring voice — in times of crisis. The Wells Fargo Mobile Response Unit and the Customer Assistance Recovery Effort (CARE) team help Wells Fargo deliver that personal contact and hands-on support when disaster impacts a community.

The Mobile Response Unit — a 75-foot, heavy-duty commercial vehicle based in Winston-Salem, North Carolina — is deployed during a disaster to take banking services directly to customers. Powered by self-contained generators, the unit has private offices and is equipped with computers and a cellular data feed with satellite backup. Specialized CARE team members on board are prepared to provide in-person assistance.

Since Hurricane Sandy in 2012, the Mobile Response Unit and CARE team have been deployed 23 times after tornadoes, hurricanes, wildfires, and other disasters — allowing 567 Wells Fargo team members to deliver disaster relief to more than 9,850 customers in their time of need.

Customer assistance options

Wells Fargo also takes steps to help customers and communities manage the task of rebuilding by reducing the worry associated with banking during times of crisis. For example, depending on the severity of the disaster, Wells Fargo will reverse late fees for our lending products — including credit cards, auto loans, personal loans, and lines of credit. We also may waive fees for customers using non-Wells Fargo ATMs. Ninety-day relief periods — during which payments, collections, negative credit reporting, and more are suspended — also may be available to customers in impacted areas.

Support for national and local relief efforts

In addition to mobilizing our team and supporting the banking needs of our customers, Wells Fargo supports broader relief efforts through a variety of means. In 2018 alone, we donated nearly $10 million in support of disaster relief, with half of the funds going to the American Red Cross for immediate needs and half distributed to local nonprofits to aid with recovery.

Taking care of our team

A top priority in any disaster is ensuring the safety and well-being of Wells Fargo team members. Our Employee Assistance Consulting group works to help them recover, including providing immediate emergency support, emotional counseling, and links to government aid. In addition, our own internal WE Care Fund grants emergency aid to team members facing disasters and other severe financial hardships. The employee relief program is funded by the Wells Fargo Foundation and team members who want to help colleagues in need.

DISASTER RELIEF BY THE NUMBERS

In 2018, Wells Fargo provided:

- $9.7 million in donations to assist communities with relief efforts.
- $34 million in fee waivers to impacted customers.
- $6 million in donations to the WE Care Fund to assist team members.

Team member volunteerism

Our team members also engage directly in disaster relief efforts. With the human toll from Hurricane Harvey growing by the minute, for example, Chase McKinney of Wells Fargo Auto became a citizen rescuer using his own boat. McKinney and two friends rescued 124 people from rising waters in Houston and another 22 in nearby Port Arthur, Texas. From sending care packages to American Red Cross relief workers to collecting nonperishable food for local food banks, the generosity of Wells Fargo team members helps communities rebuild.

Making a difference amid challenging times

We believe the work we do to help our customers succeed financially makes a difference every day. But we also recognize the opportunity to be at our best during the most challenging times. Being there to provide support to those that need it most is at the core of who we are as a company.

Customer Neal Williams, who visited the Mobile Response Unit after losing his home in Hurricane Florence, said, "For companies like Wells Fargo to actually show up and be here on ground zero with us face-to-face shows it's from the heart. That means everything."

6. Shareholder value

Our goal to create long-term shareholder value is last on our list because each of the other five goals contributes to it. We recognize that investors have placed trust in Wells Fargo, and we are focused on managing the company to achieve long-term value through a diversified business model, strong risk discipline, efficient execution, a solid balance sheet, and a world-class team.

Our diversified business model has enabled us to perform well through a variety of interest rate and economic cycles. We have industry-leading distribution, both physical and digital, and we serve more communities than any other bank in the U.S. We have a large customer base — serving one in three U.S. households — and an outstanding team dedicated and committed to caring for our customers and communities.

We have a valuable deposit franchise with $1.3 trillion in deposits as of Dec. 31, 2018, and we offer a broad product set at scale. We have strong credit discipline that has enabled us to perform well through numerous credit cycles. These strengths have enabled us to deliver consistent returns and build a strong capital position — and we remain focused on returning more capital to shareholders.

In June 2018, Wells Fargo received from the Federal Reserve a non-objection to our 2018 Capital Plan submission. The plan provides us the ability to increase our common stock dividend, subject to approval by the Board, and to repurchase up to $24.5 billion of gross common stock for the four-quarter period from third quarter 2018 through second quarter 2019. The shareholder returns included in the capital plan are approximately 70 percent higher than our previous four-quarter capital actions. In January 2019, the company increased its quarterly common stock dividend to 45 cents per share, as approved by the Board.

We are focused on becoming more efficient and effective and are making transformational changes to meet customers' evolving financial needs and improve operational excellence. This work includes simplifying operations, leveraging digital automation, divesting non-core businesses, and continuing to be more streamlined and efficient (page 47). The goal of these efforts is to build on our strong foundation to become even more customer focused, innovative, and better positioned for the future.

We recognize that investors have placed trust in Wells Fargo, and we are focused on managing the company to achieve long-term value.

Efficiency and effectiveness help us become more consistent

Simplifying our business offerings and efficiently serving customers are key to carrying out our customer-centric strategy to build a better Wells Fargo. Our efficiency and effectiveness work is focused on three areas: realigning our functional model, reimagining our work in the most efficient and effective way, and reinvesting portions of the efficiencies gained to help strengthen Wells Fargo.

Realigning

Our stakeholders expect us to manage expenses prudently and operate in the most efficient way. Among the initiatives we've implemented:

- **Centralization and optimization.** We've centralized enterprise functions such as Human Resources, Finance, and Marketing and aligned "like work" such as project management into Centers of Excellence. These efforts have resulted in greater standardization, more collaboration, and the elimination of redundancies.

- **Running the business.** We've realigned businesses to more efficiently serve customers and leverage digital automation, workforce location strategies, and buying power to drive continuous improvement.

- **Governance/controls.** We've developed guidelines and enhanced enforcement of controls and policies to drive down cost in key areas, such as travel, entertainment, and consulting.

Reimagining

Centralizing the organization created a clear line of sight into opportunities to reorganize how we do work in a way that creates long-term sustainability. Efforts include eliminating redundancies and lower value work, leveraging best practices, consolidating and streamlining processes, automating process at scale, rationalizing tools, and optimizing workforce locations.

Reinvesting

As we become more efficient and effective, we continue to reinvest in technology and innovation such as cybersecurity and data modernization to help us be more productive, responsive, and consistent in delivering exceptional customer experiences.

Wells Fargo also looks for opportunities to simplify and streamline business activities by exiting certain businesses and products that are considered to be non-core, lack scale, or do not align with our strategy. In the past two years, we have divested more than 10 businesses, including Health Benefits Services, Wells Fargo Insurance, and Shareowner Services. These opportunities enable us to be even more customer-focused in our core businesses.

V.

Leadership and corporate governance

The Board is committed to sound and effective corporate governance principles and practices. This commitment encompasses ongoing evaluation and improvement of the Board's oversight and governance practices and meeting the expectations of our regulators, including satisfying the requirements of the consent order we entered into with the Board of Governors of the Federal Reserve System on Feb. 2, 2018.

The Board has adopted Corporate Governance Guidelines to provide the framework for governance of the Board and the company. These guidelines address, among other matters, the role of the Board, membership criteria, director retirement and resignation policies, director independence standards, and information about Board committees and other policies and procedures, including the majority vote standard for directors, management succession planning, the Board's leadership structure, and director compensation.

The Board's Governance and Nominating Committee assists the Board in reviewing its Corporate Governance Guidelines annually as part of the Board's self-evaluation process. In addition, as reflected in its charter, the Governance and Nominating Committee assists the Board by identifying individuals qualified to become Board members and reviews and recommends to the Board nominees for director and Board committee leadership and membership. The Governance and Nominating Committee also regularly reviews Board committee oversight responsibilities and recommends changes to the Board for approval.

The Board recognizes that it must continue to strengthen and enhance its governance oversight. To support these efforts, the Board made significant changes to its composition, reconstituted several Board committees, amended committee charters to enhance risk oversight, and continued to work with senior management to improve the reporting and analysis provided to the Board. Many of these changes were informed by the Board's rigorous self-examination, which was facilitated by a third party in 2017, and reflected the feedback received from investors and other stakeholders.

The Board made significant changes to its composition, reconstituted several Board committees, amended committee charters to enhance risk oversight, and continued to work with senior management to improve the reporting and analysis provided to the Board.

Corporate governance framework

In February 2018, the Board amended its Corporate Governance Guidelines to more fully articulate the role of the Board and work it is doing to enhance governance and oversight practices. The following are fundamental aspects of the Board's governance framework:

Board Oversight of Strategic Plan, Risk Tolerance, and Financial Performance

- Reviewing, monitoring, and — where appropriate — approving the company's strategic plans, risk tolerance, risk management framework, and financial performance, including reviewing and monitoring whether the strategic plans and risk tolerance are clear and aligned and include a long-term perspective on risks and rewards that is consistent with the capacity of the company's risk management framework.

Board Composition, Governance Structure, and Practices

- Maintaining a Board composition, governance structure, and practices that support the company's risk profile, risk tolerance, and strategic plans, including having directors with diverse skills, knowledge, experience, and perspectives, and engaging in an annual self-evaluation process of the Board and its committees.

CEO and Other Senior Management Succession Planning and Performance

- Selecting, and engaging in succession planning for, the company's CEO and, as appropriate, other members of senior management.
- Monitoring and evaluating the performance of senior management, and holding senior management accountable for implementing the company's strategic plans and risk tolerance and maintaining the company's risk management and control framework.
- Monitoring and evaluating the alignment of the compensation of senior management with the company's compensation principles.

Board Oversight of Integrity and Reputation

- Supporting the stature and independence of the company's independent risk management (including compliance), legal, and internal audit functions.
- Reinforcing a culture of ethics, compliance, and risk management, and overseeing the processes adopted by senior management for maintaining the integrity and reputation of the company.

Board Reporting and Accountability

- Working in consultation with management in setting the Board and committee meeting agendas and schedules.
- Managing and evaluating the information flow to the Board to facilitate the Board's ability to make sound, well-informed decisions by taking into account risk and opportunities and to facilitate its oversight of senior management.

Board oversight

The business of Wells Fargo is managed under the direction and oversight of its Board. The Board carries out its oversight responsibilities directly and through the work of its committees. The Board delegates the conduct of business to the company's officers, managers, and employees under the direction of the CEO. The company's business activities are led by the management-level Operating Committee (composed of direct reports to the CEO, including the Chief Risk Officer and Chief Auditor, who report administratively to the CEO and functionally to the Board's Risk Committee and Audit and Examination Committee, respectively).

Board committees

The Board's committees report to the full Board and are currently composed solely of independent directors. Each Board committee has defined authorities and responsibilities for considering a specific set of risk issues, as outlined in its charter, and works closely with management to understand and oversee our company's key risks. A current copy of each committee's charter is available on our website, https://www.wellsfargo.com/about/corporate/governance.

The Board has established seven standing committees: Audit and Examination; Corporate Responsibility; Credit; Finance; Governance and Nominating; Human Resources; and Risk. The committees act on behalf of the Board. The Board appoints the members and chair of each committee based on the recommendation of the Governance and Nominating Committee.

The Risk Committee oversees companywide risks. The Board's other standing committees also have primary oversight responsibility for certain specific risk matters. The full Board receives reports at each of its meetings from the Board committee chairs about committee activities, including risk oversight matters, and the Risk Committee receives regular reporting regarding current or emerging risk matters in addition to other risk reporting.

Independent Board leadership

In 2016, the Board separated the roles of Board Chair and CEO of the company and elected an independent Board Chair. Taking into account feedback received from the company's investors, the Board also amended the company's bylaws to require that the chair be an independent director. Effective Jan. 1, 2018, the Board elected Betsy Duke, former member of the Federal Reserve Board of Governors, as independent chair. The Board believes that having strong independent board leadership in the form of an independent chair provides enhanced independent leadership and oversight for the company and the Board. In addition to an independent chair, the Board has a significant majority of independent directors, as well as independent Board committees.

Board refreshment

In recent years, the Board's succession planning focused primarily on the composition of the Board and its committees, upcoming retirements under our director retirement policy, succession plans for committee chairs, our commitment to Board diversity, and recruiting strategies for adding new directors. In its succession planning, the Board and the Governance and Nominating Committee consider the results of the Board's annual self-evaluation, as well as other appropriate information, including the types of skills and experience desirable for future Board members and the needs of the Board and its committees at the time in light of the company's strategy and risk profile.

The Governance and Nominating Committee is responsible for leading the director nomination process, which includes identifying, evaluating, and recommending candidates for election as new directors. The director nomination process includes annual evaluation of Board composition as part of the Board's succession planning; identification of a diverse pool of candidates using multiple sources; evaluation and assessment of and meetings with potential candidates; and recommendation of a potential director to the Board for approval.

The Board's refreshment actions over the past two years reflect a thoughtful and deliberate process that was informed by our company's engagement with shareholders and other stakeholders as well as the Board's annual self-evaluation and director nomination processes; the actions also maintained an appropriate balance of new perspectives and experience on the Board.

The Board elected six independent directors in 2017 and one independent director in 2019 who bring relevant experience consistent with our strategy and risk profile, including financial services, risk management, technology, human capital management, client services, business operations and process, consumer and retail marketing, finance and accounting, corporate responsibility, and regulatory experience. In addition, the Board continues to focus on the importance of maintaining Board diversity. As of Jan. 15, 2019, more than half of the members of our Board are women and/or ethnically diverse.

Board committee structure

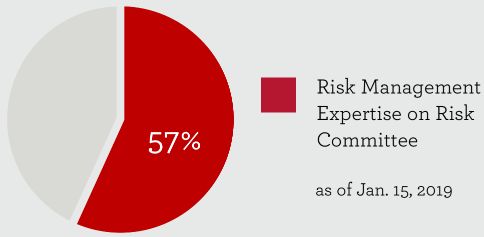
The Board has made significant changes to Board composition, reconstituted several Board committees, and amended committee charters to sharpen the focus of, and reduce duplication of, risk oversight. The changes were intended to allocate risk oversight responsibilities more effectively among Board committees to provide greater clarity for oversight accountability, increased visibility into management's performance addressing issues, and avoid duplication of efforts. Key changes made to committee risk oversight responsibilities include:

Risk Committee. The oversight of Corporate Risk and companywide risk management activities, including compliance risk, operational risk, and information security risk, was consolidated under the Risk Committee. Previously, certain of those risks were overseen by the Board's Audit and Examination Committee. Oversight of complaints and complaints management also was moved to the Risk Committee. Additionally, the Board and the Risk Committee recognized the need for more focused oversight of compliance and technology risks and in November 2017 formed two subcommittees:

- Compliance Subcommittee, to which the Risk Committee delegated its oversight of compliance risk, including approval of the company's annual compliance plan and monitoring the progress of the company's compliance implementation plan.
- Technology Subcommittee, to which the Risk Committee delegated its oversight of technology risk, information security (including cyber) risk, and data management risk.

Risk Expertise under Federal Reserve Standards

Four of seven directors on the Board's Risk Committee meet the Federal Reserve Board's risk management expertise standards.



Governance and Nominating Committee. This committee, along with the Corporate Responsibility Committee, has overseen the preparation of this business standards review and report in addition to its other oversight responsibilities.

Human Resources Committee. This committee's enhanced oversight responsibilities include human capital management, culture, and ethics. The Human Resources Committee continues to oversee Wells Fargo's incentive compensation risk management program, which was expanded to include a broader population of team members and incentive plans.

Finance Committee. The oversight of resolution and recovery planning was consolidated under the Finance Committee.

In addition, the Board reconstituted the membership of key committees, including the Risk Committee, Governance and Nominating Committee, and Human Resources Committee. For example, the Risk Committee previously was composed of the chairs of each of the Board's standing committees and was intended to provide coordinated coverage of all of the company's key risks without unnecessary duplication; however, that structure did not promote refreshment of the Risk Committee's membership. The reconstituted Risk Committee includes additional members with experience identifying, assessing, and managing risk exposures of large financial companies as provided in the Federal Reserve's Enhanced Prudential Standards for large U.S. bank holding companies. In addition, other members of the Risk Committee bring additional risk management experience in specific areas, including financial reporting and technology/cybersecurity.

Information flow and reporting to the Board

In addition to enhancing its corporate governance framework, the Board has made substantial enhancements to information flow and escalation of matters to the Board as well as the reporting and analysis provided by senior management. Board members continue to engage frequently with members of management outside of Board meetings to discuss, receive updates on, and learn more about the company's business, key risks, strategic direction, and performance, as well as the industry as a whole. The Board Chair and committee chairs are particularly focused on agenda planning for Board and committee meetings.

Agenda and meeting planning processes. The Board Chair and the committee chairs are focused on setting and prioritizing Board and committee meeting agendas. The Board Chair actively manages Board agendas to provide sufficient time for key business, strategy, risk, culture, and other discussions, and additional time for Board focus on strategic planning, risk appetite alignment, and talent planning. In addition, the Board has made changes to its meeting schedule, including to increase the length of regularly scheduled meetings, hold more in-person meetings, and provide sufficient time for executive sessions with the CEO, Chief Financial Officer, and General Counsel.

Feedback on Board and committee meeting materials. Board members provide regular feedback to management during and in between Board and committee meetings on the form, usefulness, and quality of meeting materials. In addition, the Board provided specific feedback to management following the Board's 2017 self-evaluation on needs to streamline Board materials and enhance the quality and use of meeting highlights summaries, executive summaries, dashboards, and plans with specific milestones and accountability to facilitate the Board's review and focus on key issues and monitoring of progress.

Enhancements to systems and management reporting capabilities. Fundamental to the Board's ability to receive the right information are changes Wells Fargo is making to its organizational structure, including to centralize enterprise functions such as Risk (including Compliance), Human Resources, and Finance, and to invest in technology and data capabilities to enhance management's ability to identify, assess, escalate, and report matters to the Board. The Board has set clear expectations for management that as issues are identified, they will be promptly escalated and reported to the Board and regulators.

Other interactions with members of management between meetings. Our directors regularly participate in calls and "deep dives" with management on particular matters, such as technology and cybersecurity.

Communications among Board members. The Board Chair and the committee chairs meet and speak regularly with each other and with members of management between Board and committee meetings, including to discuss meeting agenda planning, recent developments, escalated matters, and progress on key initiatives.

Meetings with customers. Directors meet with customers in several ways, including through organized events, branch or other office site visits, and during personal visits to bank branches.

Weekly updates on press coverage and current developments. Directors receive weekly or more frequent updates, as appropriate, on press coverage of the company and current events that relate to our business.

Board self-evaluation process: Comprehensive and annual

Each year, Wells Fargo's Board of Directors conducts a comprehensive self-evaluation to assess its own effectiveness, review governance practices, and identify areas for enhancement. The Board's annual self-evaluation also is a key component of its director nomination process and succession planning.

The Governance and Nominating Committee, in consultation with our Board Chair, reviews and determines the overall process, scope, and content of the Board's annual self-evaluation process.

As provided in its charter, each of the Board's standing committees also conducts a separate self-evaluation process annually led by the committee chair. The Board's and each committee's self-evaluation includes a review of the Corporate Governance Guidelines and its committee charter, respectively, to consider any proposed changes.

The Governance and Nominating Committee has continued to enhance the form and scope of the Board's self-evaluation process based on director feedback, best practices, experience, and regulatory expectations. Enhancements in recent years include:

- **Use of one-on-one discussions** to obtain candid feedback from each director on the Board.
- **Evaluation of the individual contribution of each director** to the Board and its committees.
- **Additional requests for targeted feedback on specific topics,** such as culture, lessons learned, and best practices (including those observed by our directors through other board service).
- **Amendment of the Corporate Governance Guidelines in 2018** to specify, among other things, that the self-evaluations include:
    - Consideration of best practices with respect to committee refreshment and committee chair rotations in connection with the Governance and Nominating Committee's and the Board's annual review of Board member committee assignments and committee chair positions.
    - Annual assessment of the most effective format for the Board's and each committee's self-evaluation and that the Board may determine to engage a third party to facilitate the evaluation periodically.

ASSESSING BOARD EFFECTIVENESS

WHAT The Board enhanced its self-evaluation process.

WHY To obtain candid feedback from directors on overall Board performance and effectiveness and individual director performance and identify enhancement opportunities.

RESULT The self-evaluation process has helped inform many of the Board's changes in recent years to improve oversight and governance practices.

Key components of the Board's annual self-evaluation process include:

- Review and approval of an evaluation survey form by the Governance and Nominating Committee, which is sent to each director to request feedback on various topics.
- Holding individual discussions with each director to obtain candid feedback.
- Discussing the results of the evaluation in an executive session of the Board without members of management present.
- Providing feedback from the self-evaluation to management on areas for improvement and implementing changes.

In addition, in 2018 the Board recognized the importance of conducting the Board and each committee's self-evaluations during the same time of year to coordinate consideration of the results and allow the Board to conduct a more holistic assessment of its performance and effectiveness, including relating to its work and oversight through committees.

VI.

Commitment to customers

Two major components of our transformation are learning from our challenges and becoming more customer-focused than ever before. These are core to our unified enterprise strategy to deliver excellent customer experiences through collaborating across business lines, simplifying our businesses and offerings, and strengthening our risk oversight and controls.

Our long-standing commitment to understand our customers' financial needs and to help them achieve their financial goals has been foundational to our business since 1852.

Our Consumer Strategy

Two learnings from our recent challenges are that — although Wells Fargo has a long history of helping customers — our focus in the past too often was product-centered, and we've had too many different strategies to serve customers. For example, we had a bank branch strategy, a mortgage strategy, an investment strategy, and so on.

In the past two years, we have evolved toward an enterprise Consumer Strategy, which looks at how we serve consumers across all of our retail business lines and products in a way that recognizes their distinct needs. As a result, we now have a single strategy for how we want to meet the needs of our customers, collaborating across businesses to provide offerings that allow customers to engage with us how, when, and where they choose. We designed our strategy based on customer research, analyzing current businesses in the context of shifting industry dynamics and reviewing competitive trends.

Our strategy is guided by what our customers tell us they want:

- Simplicity, ease, and speed.
- Transparency, security, and control.
- Relevant advice and guidance.
- Convenience and access, wherever and however they choose.
- Differentiated value that recognizes their unique needs.

Based on customer input and our research, we are pursuing a two-pronged approach to our Consumer Strategy. The first is to elevate the baseline experience for all our customers to meet their rapidly evolving expectations. Second, and building on that work, we are enhancing our focus on defined consumer segments to ensure we meet the unique needs that matter most today and over time.

Elevating the baseline experience

We are focusing on five key areas:

- Providing ***relevant and personalized financial advice***, delivering guidance through an integrated experience supported with the right products and services.
- ***Personalizing the transaction and borrowing experience***, empowering customers with options that are in line with their priorities and transactional needs.

- Offering ***simple and intuitive digital and cross-channel experiences*** that are consistent and centered on customer needs.
- ***Delivering timely issue resolution*** and improving our ability to prevent issues that are harmful to customers.
- Providing ***optimized offerings with transparent pricing***, ensuring product offerings are simple and customer-centric with easy-to-understand terms.

Differentiating in ways that matter to customers

All our customer segments are important — but because they have different needs, we have distinct strategies for each one.

Mass market. Our mass market drives volume and scale as the largest segment. Our priority is to elevate the overall customer experience, focusing on simple and intuitive digital experiences in all channels.

Student. Our student segment establishes a foundation for lifelong relationships, building on strong parental relationships and helping students achieve financial independence.

Emerging affluent. Our emerging affluent segment is the basis for future affluent relationships, and our focus is on offering education, guidance, and solutions to help them achieve their goals.

Affluent. Our affluent segment is an area with strong growth opportunity, consisting of customers with more complex financial needs. We emphasize providing relevant and personalized financial guidance, creating exceptional experiences regardless of channel and needs.

High net worth. Our high net worth segment is a growing population with complex, multigenerational needs. We're well positioned to meet those needs through the breadth and depth of our services.

Small business. Small businesses are the engine of U.S. economic growth. The majority of our small business customers have a personal relationship with Wells Fargo, and we want to focus on making it easier for them to manage their finances and achieve their business goals.

By understanding our customers across product lines and engaging them throughout their journey, we can anticipate their needs and proactively help them with financial decisions as they progress. We will then be in a better position to serve their needs today and in the future. For example, the needs of our student customers will grow and evolve over time — students will begin working, perhaps become homeowners, and eventually could have investment needs. In August 2018, we eliminated monthly service fees for *Teen Checking*SM and Everyday Checking for young adults to help our younger customers transition into financially stable adults.

Expanding access to financial products and services

More than 63 million people are outside of the mainstream financial system in the U.S., which means they are relying on high-fee alternatives and are not able to access basic financial needs like savings accounts, credit cards, or even a credit score.

We work with a wide range of community organizations and government agencies to expand access to safe and affordable financial products and services and improve the financial health and capabilities of low- and moderate-income individuals and families.

For example, we are working with the Cities for Financial Empowerment Fund (CFE Fund) to help underserved communities gain quality banking access from local, regional, and national financial institutions. We've committed $2 million over four years to CFE Fund's "Bank On" program and to launch the Bank On Fellowship that will support locally-led coalitions of nonprofits, governments, and other partners to improve banking access for residents.

We also are working with the CFE Fund and other nonprofits to improve the financial capability of American families through financial counseling and coaching initiatives. In 2017, Wells Fargo donated more than $20 million to nonprofits, including the CFE Fund, National Association for Latino Community Asset Builders, Local Initiatives Support Corporation, and others, in support of financial capability programs. In addition, we collaborate with school districts, government agencies, and nonprofits in underserved communities to deliver our *Hands on Banking* financial education program (page 94).

Access to financial services

We offer a full range of fair, affordable, and responsible products and tools to help unbanked and underbanked individuals and families access the financial mainstream. For example, the *Wells Fargo Opportunity Checking*® account has given millions of customers a "second chance" to re-establish a banking relationship and access convenient tools and services that can help them manage day-to-day financial needs.

The *Wells Fargo EasyPay*® Card is a reloadable, prepaid card that offers a simple, convenient way to manage money, has no overdraft fees, and meets the Bank On National Account Standards. And we provide services like *Overdraft Rewind* and automatic zero-balance alerts (page 74) that help customers better manage their accounts and avoid fees.

Our mobile-first *Greenhouse* by Wells Fargo experience (page 72) is designed to help students and others who are new to banking, people who have several income sources, or those who are paid irregularly. Currently in pilot, the *Greenhouse* app does not allow overdrafts, so customers can't spend more than they have in their accounts.

To help create sustainable housing, our *your*First Mortgage℠ product offering provides a low down payment and a closing cost credit for eligible customers who complete HUD-approved homebuyer education or counseling programs, and eliminates a number of the eligibility barriers that consumers often encounter when applying for similar product offerings. And our LIFT programs have helped thousands of consumers — especially in diverse communities — achieve homeownership through down payment assistance, homebuyer education, and other support (page 63). We also have made substantial commitments to increase homeownership in the African American and Hispanic communities (page 95).

For small businesses, the Wells Fargo Works *for Small Business*®: Diverse Community Capital program provides grants and capital to Community Development Financial Institutions serving diverse-owned businesses that may not qualify for conventional bank loans.

Our businesses

Wells Fargo operates four primary business groups:

- **Consumer Banking**
- **Payments, Virtual Solutions, and Innovation (PVSI)**
- **Wealth and Investment Management (WIM)**
- **Wholesale Banking**

Consumer Banking

Wells Fargo's Consumer Banking businesses — Community Banking, Home Lending, and Wells Fargo Auto — are at the center of our efforts to rebuild trust. In addition to unacceptable sales practices in the Community Bank, issues in our home lending and auto businesses showed a need to transform the way we serve our customers and clients.

To effect transformational change, Wells Fargo's Community Banking, Home Lending, and Wells Fargo Auto businesses were brought together at the end of 2017. The Consumer Banking organization is focused on innovating and transforming our business with the customer at the center, better enabling customers to engage with us how, when, and wherever they choose through a broad suite of financial products and services.

Community Banking serves more than 70 million consumer and small business customers through a distribution network consisting of retail branches, ATMs, and online and digital channels. In addition to offering financial products and services to consumers and small businesses through approximately 5,500 retail banking branches and more than 13,000 ATMs in 36 states and Washington, D.C., Community Banking includes teams responsible for delivering specialized support for segments of customers with unique needs.

The affluent customer segment team prepares bankers in our branch network with the knowledge and skills to understand those customers' unique needs and make appropriate introductions to partners that can serve them.

Our Personal Lending Group offers and services personal loans and lines of credit as well as private student loans. The group also maintains a robust set of free financial education tools available through wellsfargo.com.

In addition to supporting skills development for bankers in our branch network, our dedicated small business teams offer and service lending products and business payroll. A relationship management team serves larger small business clients with more complex needs. For health care practitioners interested in running their own practice, Wells Fargo Practice Finance provides specialized financing and resources to help dentists, veterinarians, physicians, and optometrists buy, equip, expand, and refinance their practices.

Supporting students at the educational institutions we serve and employees from businesses of all sizes, the Wells Fargo *At Work*SM program is a financial education benefit offered at no cost to those clients. It provides in-person financial consultations and workshops, online training modules for all stages of life, tools for tracking spending and savings, support for company initiatives, and a comprehensive curriculum including budgeting, debt management, credit monitoring, and retirement planning tailored to the needs of each individual.

Community Banking also is responsible for developing and delivering an exceptional customer and branch experience, executing our retail banking branch distribution strategy, and advancing our Consumer Strategy through work to improve the baseline experience for all customers, as well as strategic oversight of the customer segments mentioned earlier.

Wells Fargo Home Lending is the largest home mortgage lender and servicer in the U.S., funding one of every nine loans and servicing one of every seven loans. In 2018, we helped more than 582,000 homeowners purchase or refinance their homes, and we provide mortgage servicing for more than 8 million customers.

Wells Fargo Auto is a direct and indirect vehicle finance lender offering consumers vehicle financing options and providing auto dealers the products they need to help them manage the business side of their dealerships.

We hold No. 1 positions across many consumer and small business areas, including retail deposits, debit card transaction and purchase volume, small business lending, mortgage lending and servicing, and consumer mobile banking. We are also the largest private student lender among commercial banks in the U.S. Though we're pleased to be an industry leader, our primary goal is delivering for our customers. Our market positions are an outcome of great work by team members who are committed to serving our customers.

We're proud of the work we do, but we know we can do more. And we're working hard every day to help our organization better meet the needs of our customers, communities, and other stakeholders.

Community Banking

We've come a long way in our journey of rebuilding trust and we continue to take important steps forward. We've instituted a large number of transformational changes within Community Banking to address unacceptable sales practices and become more customer-centric.

One of the first and most impactful steps we took was a necessary one: We eliminated product sales goals for retail bankers in our bank branches and call centers and changed their incentive, performance management, and recognition programs. These changes were designed to focus on the customer experience and team (rather than individual) incentives, and the programs are governed by stronger oversight and controls. But we didn't stop there. We brought in new Community Bank leadership and restructured the team, enhanced our risk oversight and controls, and invested in coaching and training for team members. All this and more gives us renewed focus on our customers and our team members. Our transformation is focused on the following areas:

Customer-centric innovation

In addition to our Consumer Strategy work to improve the customer experience, an important step on our journey to rebuild trust was to create Change for the Better (page 61). Through Change for the Better, we've made meaningful, long-term changes that are helping reshape the Wells Fargo experience for our customers, while making it easier for team members to take greater care of them. Change for the Better's overarching themes center on team member empowerment; simplified policies, processes, and tools; improved alignment and collaboration; and the development of innovative tools and strategies to better service customers.

We've introduced customer-centric activities that elevate and enhance the baseline experience for customers and reinforce with team members the importance of engaging with customers — having high-quality conversations with them to better understand their financial needs and collaborating with partners across Wells Fargo for a more holistic approach in meeting those needs.

Phase One improvements were introduced late in 2017 at Community Banking leadership conferences for more than 800 leaders. The enhancements included:

- A new fee refund protocol and a service protocol to improve the customer and team member experience, reduce risk, and provide more consistency.
- Redesigned Teller Customer Experience and Banker Customer Experience processes that provide bankers and tellers a simplified approach to having more meaningful conversations with customers.
- More concise, targeted, and meaningful "huddle meetings" for branch team members.
- Enhanced leadership activities to simplify and support a relationship-based approach to coaching.

Phase Two improvements began rolling out in the first quarter of 2018 and continued throughout the year. The improvements included:

- A new Customer Relationship View platform that provides bankers and managers with tools and resources to support proactive customer outreach and build stronger relationships with customers.
- A peer-to-peer Onboarding Partnership that's designed to promote successful integration of new team members into the Wells Fargo culture and branch community.
- A new activity management framework consisting of customer-centric activities along with guidance and training to help managers and team members have collaborative conversations to ensure team members are focused on the right activities to support customers.
- A new learning and training program that supports team members through various phases of their careers at Wells Fargo.
- A Branch Partner Strategy guide for how branch team members and partners elsewhere at Wells Fargo can work together effectively.

Enabled team member success

In January 2017, we rolled out our new Performance, Management & Rewards program to branch team members to address one of the root causes of our sales practices issues: performance management and incentive programs that drove behaviors inconsistent with our values. In alignment with our strengthened Incentive Compensation Risk Management program (page 27), the incentive compensation component of Performance, Management & Rewards puts the focus squarely on the customer experience, includes greater oversight and controls than ever before, and helps foster an engaging environment where team members feel motivated and empowered to achieve high performance while providing an exceptional customer experience.

Key incentive aspects of the new Performance, Management & Rewards program include:

No product sales goals. Retail bankers who serve customers in bank branches and call centers are instead focused on the customer experience.

Primary customer growth and feedback. A larger allocation of incentives is associated with growing primary customer relationships and obtaining direct customer feedback.

Longer-term view. Metrics in the plan take a longer-term view of customer relationships and incorporate the quality of customer experiences and customer retention.

Balance of performance. Incentive plans include a balance of team and individual performance.

Greater participation. With the elimination of product sales goals, a significantly higher percentage of team members have the opportunity to consistently earn incentive pay under the compensation plan.

Stronger oversight, governance, and risk controls. Better monitoring and controls have been put in place at the local, regional, and corporate levels to monitor behavior.

We've also invested heavily in coaching and training for team members and managers because we believe when our team members feel properly supported, engaged, and confident in their skills, they are more effective leaders and are able to provide an even better experience for our customers. For all Change for the Better improvements, existing team members have completed extensive training sessions, and new-hire training has been enhanced to reflect the improvements.

One of the ways the Community Bank is committed to supporting leaders is by offering coaching and leadership training. In 2018, more than 7,500 branch managers and partners completed "Coaching in the Moment" training in locations across the U.S. and "Situational Leadership II" virtually. In addition, all district managers and above completed a course called "Coaching and Feedback in the Moment." The training introduces a coaching approach to better help managers build their skills and learn how to integrate coaching into their day-to-day leadership.

All of these changes are centered on the idea of creating an environment where team members feel motivated and engaged, and customers know that we are serving them, not ourselves.

Increased oversight and controls

We have invested heavily in risk management to address past issues and help ensure that we have the right oversight and controls in place to monitor and identify any potential matters that need to be addressed. Among the actions we've taken:

- Developed the Branch Supervision program designed to provide "near real time" branch analytics and daily oversight of activities. Technology supporting the program leverages behavioral modeling, text analytics, and artificial intelligence to proactively identify potentially inappropriate team member behaviors in bank branches.
- Significantly increased risk reviews in bank branches to monitor and assess team member transactions, key risks, banker knowledge, and customer experience. During 2017, we completed more than 450 unannounced conduct risk reviews to evaluate retail branch sales and service activities to ensure customers received only the products and services they requested.
- Transitioned our Branch Control Review process from scheduled visits to unannounced visits while improving review quality and focus.
- Strengthened Raise Your Hand (page 24) to help ensure all of our team members are engaged in oversight and accountability and feel comfortable and protected speaking up when they see something that doesn't seem right or when they have an idea about how to help reduce risk.

- Developed, as part of the Performance, Management & Rewards program, a Branch Risk Score that increases the transparency of conduct and operational risk to branch team members and has compensation impacts to branch managers for unsatisfactory results.

We also recognize that how we are organized matters. Having the right leaders in the right positions will help us move forward and create the customer-centric culture and environment we want in Community Banking. As a result, we simplified and streamlined Community Banking's leadership structure by eliminating a layer of management, which brought senior leaders closer to customers and front-line team members, improved efficiency and risk management, and allowed us to ensure we have the best leaders for our team.

Specialized teams — Personal Lending, Practice Finance, Small Business, Affluent, and Wells Fargo At Work — have adapted their approaches and structures to support changes made in the branches. They also continue to be committed to responsible lending. For example, Wells Fargo's private student loans are fully underwritten, which means private loan debt is supported by an "ability to repay" determination and a majority of these loans have a cosigner. Students and families are also supported before and after their loan decision with useful and timely information, transparency, and financial education. As a result, there is only a 2 percent delinquency rate for Wells Fargo private student loan customers, compared with an estimated 30 percent for federal student loans. For the 2 percent of our customers who encounter difficulty during their repayment years, we offer a number of supportive measures such as grace periods, forbearance, and a loan modification program. We also offer loan forgiveness in the event of the student's death or total and permanent disability.

Change for the Better redefines the bank branch business model

Eliminating product sales goals and creating a new incentive plan for retail bankers were important changes, but they were just the beginning of a long journey of transformational change for Community Banking.

Change for the Better touches every aspect of our Community Banking business. It was created to help redefine our business model to deliver exceptional customer and team member experiences — through new systems, processes, tools, and training designed to empower the team and introduce simplicity, alignment, collaboration, and innovation.

Approach

In late 2016, we assembled a project design team of 20 leaders from across the company to create a strategic plan for Change for the Better. We recognized that this kind of change required feedback from those closest to customers, so field representatives were actively engaged. The design team relied on team member feedback through phone interviews, online surveys, and a series of listening tours that were conducted across the U.S. Many of the improvements we implemented are grounded in best practices that have occurred across our regions.

Improvements

The first set of Change for the Better improvements were implemented in branches in September 2017, and Phase Two improvements rolled out throughout 2018.

CHANGE FOR THE BETTER BY THE NUMBERS

- Introduced 14 Change for the Better improvements.
- Created 11 work streams involving 400 team members.
- 884 leaders attended Change for the Better leadership conferences.
- 7,500 branch managers and partners completed leadership training.
- More than 800,000 hours were invested in learning and development to support Change for the Better.

RESHAPING THE WELLS FARGO BRANCH EXPERIENCE

WHAT We introduced new systems, processes, tools, and training to improve the way we serve customers in bank branches.

WHY To enhance the bank branch experience for our team members and customers.

RESULT Team members feel more empowered and better able to meet customers' needs.

All the changes were focused on being more responsive and delivering an experience that is quicker and more seamless for customers and team members.

For customers, we made changes to improve the financial conversation between customers and bankers by making it more focused on customer needs and put policies and processes in place so customers can get their questions answered and problems resolved quickly. For team members, we introduced new coaching and training models, empowered them to take ownership and handle customer issues on the spot, and gave them tools to have more genuine conversations.

Risk management also was a key priority. For example, by simplifying and standardizing our processes, we can ensure our customers all across the U.S. get a consistent experience.

Customer and team member feedback

Feedback has been an important contributor to the overall success of Change for the Better. We collected feedback throughout the implementation process with quarterly surveys and a series of listening tours with team members. A dedicated mailbox also was created to enable team members to share their feedback.

Overall feedback was positive. Branch team members shared that the new tools and resources make it easier to connect with their customers and provide a more personal and genuine experience.

In addition, team members feel empowered. A team member from Alaska stated, "It makes me feel that I am valued and my opinion matters."

Home Lending

Since 2009, the Wells Fargo Home Lending team has provided more than 12.7 million homeowners with loans to either purchase a home or refinance an existing mortgage. We are the largest mortgage lender and servicer in the U.S., and while we are proud to be an industry leader, our success is measured by the difference we make for our customers and the communities we serve.

We have both the opportunity and an obligation to work with partners, investors, and stakeholders to lend responsibly and to help support and advance sustainable homeownership for all communities. This means not only delivering exceptional service to our customers, but also being engaged and present in the communities we serve, investing in homeownership growth, and doing our part to lead and inform the housing policy debate to cultivate a landscape that expands responsible access to credit.

Buying a home is one of the most significant and long-lasting financial decisions a consumer will ever make, and our team works every day to make that process as simple, straightforward, and beneficial as possible. We believe deeply in the role homeownership plays both in creating wealth and strengthening communities, and we are committed to making homeownership a reality for more Americans.

Evolving for our customers

We are continuing to transform our home lending business to be more customer-centric and to meet our customers' evolving needs. We're listening to our customers, learning from what they tell us, and using that knowledge to help us improve. For example, our customers expect simplicity, ease of use, and excellent service — when, where, and how they choose. So we're streamlining the mortgage process through innovation, and we've realigned our retail sales team to focus on the customer experience and connect more deeply with the communities we serve.

Innovating to provide a digital, streamlined customer experience

Technology and data — combined with dedicated and experienced team members — are playing key roles in simplifying and streamlining the mortgage customer experience, especially for existing customers. Our customers expect us to know them and understand their needs, and technology and data are helping us deliver on those expectations and serve customers the way they want to be served.

Based on customer feedback, in early 2018 we launched the digital online mortgage application, which combines the power of Wells Fargo source data with a digital interface to create a "you know me" experience that is compelling for current Wells Fargo customers. When a Wells Fargo customer logs into the online mortgage application, the customer won't be asked to provide certain information that we already have in our database. The online mortgage application is integrated with our sales team, giving customers the option to engage with a specialist at any point during the process.

Technology also helps us enhance the customer experience by streamlining labor- and time-intensive processes like data and document collection, enabling our team to devote more time to hands-on customer service. Aided by innovative technologies like source data and the online mortgage application, our team can have more valuable conversations with customers, spend more time discussing what they need, and ultimately help them make educated and informed decisions about homeownership.

Focusing on delivering exceptional customer experiences

As our digital capabilities expand, we're also honing our focus on serving customers through the industry's largest distributed sales team. One of Wells Fargo's key differentiators is our ability to combine the power of technology with the strength of our team to provide customers the choice and level of service they expect, and we are taking steps to maximize that strength by organizing our team around the distinct needs of the communities we serve.

In 2018, we realigned our retail sales team to remove management layers, drive greater efficiency, and strengthen our customer focus by helping leaders stay as close to the customer as possible. In addition to creating a dedicated position to oversee the team, we created a new market manager role to consolidate what previously were two levels of management and help tailor our outreach and service to local markets around the U.S. Nearly 50 market managers were selected in the first half of 2018, ensuring that our team is positioned to connect more directly with customers and deliver service tailored around a community's distinct needs.

The Home Lending team's alignment with Community Banking and our companywide Consumer Strategy are aiding in our efforts to help more Wells Fargo customers succeed financially through homeownership. By working in partnership in new and deeper ways with Community Banking, we are advancing Wells Fargo's efforts to align around customers' needs instead of around product lines, with a focus on delivering service that helps our customers throughout their financial journey. We are meeting customers where they are — whether that's in a bank branch, face-to-face with a home mortgage consultant, over the phone, or online — and focusing every day on leveraging all of the strengths of the Wells Fargo enterprise to deliver an exceptional customer experience.

Advancing sustainable homeownership

Our work to advance sustainable homeownership reflects our view of homeownership as a pathway to financial success, a source of stability for communities, and a key driver of the U.S. economy. To help communities recover from the housing crisis and as part of our focus on assisting vulnerable communities, Wells Fargo joined forces with national nonprofit NeighborWorks® America, its local affiliates, community-based nonprofits, and city officials to create a suite of LIFT programs (*NeighborhoodLIFT®, CityLIFT®, and HomeLIFT℠*). Since 2012, the programs have combined down payment assistance, home lending, homebuyer education, and other support to help create nearly 20,000 homeowners in 66 communities (page 95).

We also are advancing homeownership among first-time homebuyers and low- and moderate-income consumers through product offerings like *your*First Mortgage, which was developed in cooperation with Fannie Mae and Self-Help. That program is designed to open the door to homeownership for more consumers by offering a low down payment and a closing cost credit for eligible customers who complete HUD-approved homebuyer education or counseling programs. More than 50,000 Wells Fargo customers have used the *your*First Mortgage program since its launch in 2016.

Addressing issues and making things right for customers

As part of our commitment to identify and remedy any issues, we are closely monitoring activities across all of our businesses. Described below are issues we identified that we are addressing. We are sorry that these errors occurred, have made changes to prevent them from happening again, and are remediating customers for financial harm. The information below is as of third quarter 2018 (please refer to our public filings or other disclosures for any updates).

Mortgage interest rate-lock extensions. In October 2017, Wells Fargo announced plans to reach out to all Home Lending customers who paid fees for mortgage rate-lock extensions requested from Sept. 16, 2013, through Feb. 28, 2017, and to provide refunds, with interest, to customers who believe they should not have paid those fees. A rate-lock extension provides a borrower an extension on the period of time for which a quoted mortgage loan interest rate is valid.

We are sorry that these errors occurred, have made changes to prevent them from happening again, and are remediating customers for financial harm.

The plan to issue refunds followed an internal review that determined our rate-lock extension policy implemented in September 2013 was, at times, not consistently applied, resulting in some borrowers being charged fees in cases where the company was primarily responsible for the delays that made the extensions necessary. Effective March 1, 2017, we changed how we manage the mortgage rate-lock extension process by establishing a centralized review team that reviews all rate-lock extension requests for consistent application of the policy.

Although we believe a substantial number of the rate-lock extension fees during the period in question were appropriately charged under our policy, we have issued refunds and interest to substantially all of our customers who paid rate-lock extension fees during the period in question because of our customer-oriented remediation approach. While our remediation plan remains subject to regulatory approval, we believe we have substantially completed the remediation process.

Mortgage loan modifications. An internal review of the company's use of a mortgage loan modification underwriting tool identified a calculation error regarding foreclosure attorneys' fees affecting certain accounts that were in the foreclosure process between April 13, 2010, and Oct. 2, 2015, when the error was corrected. A subsequent expanded review identified related errors regarding the maximum allowable foreclosure attorneys' fees permitted for certain accounts that were in the foreclosure process between March 15, 2010, and April 30, 2018, when new controls were implemented. Similar to the initial calculation error, these errors caused an overstatement of the attorneys' fees that were included for purposes of determining whether a customer qualified for a mortgage loan modification or repayment plan pursuant to the requirements of government-sponsored enterprises (such as Fannie Mae and Freddie Mac), the Federal Housing Administration, and the U.S. Department of Treasury's Home Affordable Modification Program. Customers were not actually charged the incorrect attorneys' fees.

As a result of these errors, taken together and subject to final validation, approximately 870 customers were incorrectly denied a loan modification or were not offered a loan modification or repayment plan in cases where they otherwise would have qualified. In approximately 545 of these instances, after the loan modification was denied or the customer was deemed ineligible to be offered a loan modification or repayment plan, a foreclosure was completed. We have contacted a substantial majority of the approximately 870 affected customers to provide remediation and the option also to pursue no-cost mediation with an independent mediator. Attempts to contact the remaining affected customers are ongoing. Also, our review of these matters is ongoing, including a review of our mortgage loan modification tools.

Helping people stay in their homes when faced with financial hardship

Sustainable homeownership starts with responsible lending and underwriting that helps ensure both access to credit for qualified buyers and a stable servicing portfolio. Wells Fargo has a strong track record in this area. Ninety-six percent of customers in our servicing portfolio are current on their mortgage payments, and our foreclosure and delinquency rates are well below industry averages.

But our obligation to customers doesn't end after a loan is originated, and our team is committed to aiding customers facing financial hardships or life changes that impact their ability to make mortgage payments.

We work hard to keep our customers in their homes when they encounter financial difficulties — even if they've asked for help before. We encourage our customers to talk with us as soon as these difficulties emerge. Our home lending specialists are trained to listen to customers so that we can better understand their unique financial situation and apply that understanding to provide the best support possible. We engage with customers directly, and we also work in close partnership with housing counseling organizations that often serve as the first point of contact for customers who are experiencing financial hardship.

After we speak with customers facing financial hardships, we send them a packet to explain the options available to them. Customers who face long-term hardships are assigned a home preservation specialist who acts as a single point of contact for the customer.

In every case, our goal is to keep people in their homes. Here are some of the options that we offer:

- **Forbearance.** A forbearance plan temporarily suspends or reduces the amount of the customer's regular monthly mortgage payment if a life event is expected to decrease a customer's cash-on-hand in the near future. Most often, it is used in times of temporary hardship, like unemployment.
- **Repayment plan.** If a customer falls behind on payments because of a temporary hardship, but is now in a better position financially, a repayment plan may provide a manageable way to catch up.

HOME PRESERVATION BY THE NUMBERS

- We've modified more than 1 million mortgages and provided nearly $9 billion in principal forgiveness since 2009.
- Since 2009, we've participated in more than 2,000 home preservation outreach events, including 410 of our own Wells Fargo Home Preservation Workshops, where Wells Fargo team members traveled to local communities to meet directly with customers facing financial hardships to discuss their options.

- **Loan modification.** If a customer can't afford the current mortgage because of a financial hardship and wants to stay in the home, we may be able to change certain terms of the loan — such as the interest rate or the time allowed for repayment — to make payments more affordable. There are multiple loan modification programs available that offer different options for borrowers in different situations, but all are meant to help people keep their homes when facing a significant hardship.

If a customer can't keep the home, the home preservation specialist will work with the customer to identify options other than foreclosure — such as a "short sale" or deed in lieu of foreclosure — because we view foreclosure as a last resort. If a Wells Fargo-serviced property has to be vacated, we will work with the customer to provide relocation assistance and work with local governments and community groups to preserve neighborhoods, maintaining the home's condition through regular yard maintenance, property inspections, painting, and other needed repairs. No matter what, we want to do what's best for each customer. Part of that means being there for them and their communities when they face challenges.

Continued on page 66.

Helping people stay in their homes when faced with financial hardship (Cont.)

Short- and long-term financial hardships can be caused by an unexpected life event, loss of income/employment, and other changes in circumstance.

When a customer misses a payment, an account resolution specialist reaches out to the customer:

When hardship happens

If there is a short-term hardship:

- The customer may promise to pay or accept a short-term repayment plan to resolve the hardship.

- Wells Fargo stops collection calls when a plan is in place.

If there is a long-term hardship:

- A single point of contact is assigned to discuss modification options.

- The contact assists the customer with the modification application process, monitors payments, and communicates with the customer.

- Online tools are available to help the customer track the status of the modification.

When the necessary documents and information are provided, we typically are able to work out a modification for approximately seven out of ten customers.

For questions or to discuss options, customers should call our Home Mortgage Servicing Center at 1-877-742-6092.

Wells Fargo Auto

Wells Fargo Auto is part of Consumer Banking and is one of the leading auto lenders in the U.S. for new and used vehicles. We've been in business for more than half a century and today serve 3 million auto loan customers and 11,000 dealers. Wells Fargo's auto lending business is in the midst of a comprehensive transformation aimed at improving the customer experience (both dealer and consumer), increasing our focus on the customer, managing risk, and creating a sustainable model for the future.

We are making fundamental changes to address past issues in auto lending and build a business, team, and culture positioned to serve customers well into the future.

One of the most visible signs of this transformation is the rollout of a new name: Wells Fargo Auto. The new name is more than branding; it is an outward reflection of our commitment to serve both consumers and auto dealers.

Combining indirect and direct auto lending

In November 2017, we announced plans to combine indirect and direct auto lending into one team — a step that reflects our redoubled focus on being connected to our customers, no matter how they come to us. This change is designed to build capabilities (including new digital capabilities) to better serve consumers' needs and make their experience with us more consistent.

Centralization and standardization

Wells Fargo Auto has centralized back-office business functions to create greater consistency and manage risk. A key component of the centralization process was the consolidation of 57 Regional Business Centers — completed in March 2018 — and the creation of four regional hubs. This pillar of the transformation simplifies change delivery, reduces operational risk, leverages enterprise infrastructure and standards, improves consistency, increases career development opportunities for team members, and creates economies of skill and scale by co-locating similar functions.

In-market customer relationship management

While back-office functions were centralized, Wells Fargo Auto is maintaining distributed, in-market dealer-facing service. For example, sales and relationship teams will be kept close to our dealer customers throughout the U.S., ensuring that even as we become more efficient through consolidation and centralization, the level of hands-on, market-specific service we deliver to our customers will remain high.

We are making fundamental changes to address past issues in auto lending and build a business, team, and culture positioned to serve customers well into the future.

Culture and leadership realignment

Our work to address past issues and build a sustainable model for the future has included significant focus on our culture and internal leadership. We have taken a holistic approach to create an open, transparent, and inclusive environment where team members are empowered and feel informed.

Under new leadership, Wells Fargo Auto has been undergoing a functional realignment aimed at managing risk and creating clear accountabilities across the team. We have increased our investment in the operational risk management function and have committed to providing team members with opportunities to engage with leaders via town halls, internal social media channels, a Transformation Council consisting of 50 Auto leaders, participation in the enterprise Raise Your Hand program, and more. Senior executives also are spending more time in the field with team members, and we are empowering decision-making deeper within the organization. The result is enhanced accountability and a focus on doing what's right for customers.

Credit and pricing automation

We also have addressed credit risk by beginning to automate some credit and pricing processes. This has led to significantly greater transparency for both dealer and consumer customers while also enabling us to operate within the enterprise tolerance for credit risk. Automation has helped us streamline funding, reducing the complexity of the process and the time it takes to fund a loan. This is good for dealers and consumer customers, and it also benefits our team.

Innovation

While much of our transformation is about building a stable foundation, we are capitalizing on emerging opportunities through technology and innovation. Customers expect seamless integration of platforms between their bank and the auto dealership, and we are investing in technologies that make that integration smoother. We also are developing full eContracting capabilities and advancing our consumer focus with a digital, direct-to-consumer platform that integrates dealer inventory.

Addressing issues and making things right for customers

The company is reviewing practices concerning the origination, servicing, and collection of consumer automobile loans, including matters related to certain insurance products. The information below is as of third quarter 2018 (please refer to our public filings or other disclosures for any updates).

- In July 2017, the company announced it would remediate customers who may have been financially harmed because of issues related to automobile collateral protection insurance (CPI) policies purchased through a third-party vendor on their behalf (based on an understanding that the borrowers did not have physical damage insurance coverage on their automobiles as required during the term of their automobile loans). The practice of placing CPI had been previously discontinued by the company. Commencing in August 2017, we began sending refund checks and letters to affected customers through which they may claim or otherwise receive remediation compensation for policies placed between Oct. 15, 2005, and Sept. 30, 2016.

- The company has identified certain issues related to the unused portion of guaranteed automobile protection waiver or insurance agreements between the dealer and, by assignment, the lender, which will result in refunds to customers in certain states.

A Center of Excellence focused on members of the military and their families

On July 20, 2018, the federal Office of the Comptroller of the Currency announced it was lifting a consent order regarding Wells Fargo's service to members of the military and their families. Specifically, Wells Fargo successfully completed the requirements to comply with a September 2016 order related to the Servicemembers Civil Relief Act (SCRA), a law intended to ease the financial burdens on service members while they are on active duty. The lifting of the order is in large part attributable to actions we took to create an SCRA Center of Excellence that centralizes the SCRA work that takes place across the company.

Milestones in establishing the SCRA Center of Excellence

- We staffed the Center of Excellence with experts who focus exclusively on providing the appropriate SCRA benefits and protections to service members.
- We made significant changes to processes, including daily and quarterly searches of the Defense Department's Defense Manpower Data Center database to identify customers who are on active duty as well as customers who have a change in military status.
- In 2017, Wells Fargo proactively provided interest rate benefits to 19,000 new service members without making them apply or provide their military orders (which would otherwise be required by the SCRA).
- We have delivered remediation funds to service members as required under the OCC consent order. Refund amounts varied based on a customer's individual situation but generally included refunds of fees, adjusted balances, or other monetary relief.
- Although we have reduced SCRA violations, when we find errors we take steps to address them and make things right, and we continue to work with the Department of Justice to resolve the final outstanding consent order related to the SCRA.

IMPROVING SERVICE TO SERVICE MEMBERS

WHAT	We created a Servicemembers Civil Relief Act Center of Excellence.
WHY	To improve our service to members of the military and their families.
RESULT	Enhanced ability to provide the appropriate SCRA benefits and protections to service members.

Support for service members and veterans

Wells Fargo's support for members of the military and veterans reaches beyond our work on SCRA. Other ways we support this important community include:

- Donated more than 350 homes, valued at more than $55 million, to veterans throughout all 50 states since 2012.
- Donated more than $47 million to military- and veteran-related nonprofits since 2012.
- Hired more than 8,300 veteran team members and participated in more than 1,050 military job fairs since 2012. More than 200 Wells Fargo team members are on military leave at any given time.
- Provided team members with development, mentoring, leadership engagement, networking, and community outreach opportunities through our Veterans Team Member Network, which has more than 7,300 members in 31 chapters.
- Launched *Hands on Banking* for Military, a free financial education program that has been viewed by more than 440,000 service members since July 2013.
- Sponsored the donation of more than 15 payment-free vehicles to veterans since 2015 through the Military Warriors Support Foundation's Transportation4Heroes program for wounded veterans and Gold Star spouses.

Measuring our progress in Consumer Banking

The transformational changes we've made and continue to make in Consumer Banking have garnered positive feedback from our customers and team members, and we are optimistic that we can build on this momentum as we continue our journey.

We are using many metrics to measure results and track progress, including customer loyalty and branch visit satisfaction and account activity. More than 318,000 branch customer experience surveys were completed during fourth quarter 2018, with both "Customer Loyalty" and "Overall Satisfaction with Most Recent Visit" scores up from the prior quarter and reaching a 24-month high in December 2018.

Primary consumer checking customers (customers who have a checking account with Wells Fargo that they use regularly for deposits, purchases, and payments), for example, have grown year-over-year for five consecutive quarters, as of Dec. 31, 2018. This is an indication that we're establishing meaningful and long-term relationships with customers, and more customers are using Wells Fargo as their main financial institution. We continue to see improvements in primary customer retention, and growth in new checking customers overall is being driven by digital. Approximately 90 percent of our consumer checking customers do not pay a monthly fee, which is consistent with our goal of having more primary consumer checking customers.

Teller and ATM transactions have declined, reflecting continued customer migration to virtual channels, while digital secure sessions have increased. These results reflect the changes we're making in our business to best meet the evolving needs of customers. As part of our branch optimization strategy, we are planning to decrease our Community Bank branch network to approximately 5,000 locations by the end of 2020.

In Home Lending, our efforts to improve the mortgage experience through innovation and technology are resonating with customers. The online mortgage application has grown rapidly since launching in early 2018 — in December 2018, 30 percent of total retail mortgage applications were submitted online. We're also measuring our progress by tracking net loyalty metrics that show where we're exceeding our home lending customers' expectations and how we can continue to improve.

Payments, Virtual Solutions, and Innovation (PVSI)

We created PVSI in October 2016 to accelerate Wells Fargo's digital transformation so we can better serve our customers and stay ahead of their changing expectations. PVSI brings together Wells Fargo's payments businesses that manage:

- Consumer and small business checking, savings, and debit card offerings.
- General purpose, co-brand, and private label credit cards, as well as our loyalty and rewards programs.
- Treasury management services for our Wholesale customers.
- Payment processing services for businesses of all sizes.

In addition, PVSI includes:

- Virtual Channels, which provides digital, phone, and chat services for customers.
- Operations, which supports our payments businesses with check processing, account reconciliations, wire transfers, cash services, lockbox services, fraud prevention and claims, print and image services, ATM operations, legal order processing, and deposit operations.
- Innovation, a major catalyst of change and champion of emerging technologies across the company.

In total, our PVSI businesses touch virtually every Wells Fargo customer. By bringing these businesses together, we are able to leverage many strengths of Wells Fargo — our large consumer scale, deep relationships, leading positions in payments, and an engaged digital customer base — to drive transformational change.

Innovating for our customers

Digital is fast becoming the preferred channel for many of our customers. At the end of 2018, we had more than 29 million digital (online and mobile) active customers, and that number is growing. Three-quarters of all of our customer interactions are through our digital channels. Customers are viewing their balances, sending money, depositing checks, paying bills, and more — all digitally.

PVSI is driving innovation across the company by investing in emerging technologies and leveraging our digital channels and assets so we can make digital banking faster, easier, smarter, and safer for our customers. We are guided by the voice of our customers. They tell us they want us to:

- Make things simple, easy, and fast.
- Provide transparency and control.
- Enable them to move money and make payments instantaneously.
- Help them make the right financial decisions in the moment, and over time.
- Offer convenient access to our services when they need them, wherever they are.
- Ensure we keep up with the pace of innovation they are seeing in their daily lives.

In response, PVSI is focused on making it fast and easy for customers to start a relationship with us or open a new account digitally, providing best-in-class digital payments, delivering personalized advice when and where customers need it, and giving customers easy access and connections to their accounts and information.

Digital account opening experiences

Consumers increasingly prefer to start a relationship or open an account digitally. Today, we offer fast, easy, and secure digital account opening experiences for deposits, mortgage, credit card, and merchant services. Our digital account opening experience for our most popular checking accounts takes minutes from the time a customer starts the application until the account can be used. We also have a streamlined digital application for eligible small merchants who want to process card payments through Wells Fargo Merchant Services. Merchants can select their equipment and complete the application in minutes, and in most cases, receive a prompt response. Upon approval, merchants' selected processing equipment is set for delivery.

Digital payments

Making and receiving payments is central to our customers' financial lives. We offer customers a range of credit cards to accommodate their needs and preferences — from building credit history and purchasing big-ticket items to getting cash back on purchases and earning rewards. The newest card in our lineup, the Wells Fargo Propel American Express® Card, complements our customers' lifestyles by providing more value for the things they already do. It offers rewards on activities like travel, transit, eating out, ordering in, and popular streaming services.

We support a wide variety of mobile wallets so customers can use their Wells Fargo credit and debit cards to make mobile payments, and they can use the *Control Tower* function (page 38) to track and control the digital connections they've established to their cards and accounts.

We integrated the *Zelle* person-to-person service into our mobile app so customers can send payments in minutes to friends, family, and people they know and trust with a U.S.-based bank account. For businesses, we offer push-to-card disbursement, which enables a company to send payments almost instantly to a customer's debit card.

With our forthcoming Pay with Wells Fargo experience, we are organizing our mobile app interface around what our customers do the most — make payments. Customers will have convenient access to commonly used payment tools like *Zelle*, mobile wallets, bill pay, transfers, and mobile deposits — before they sign in to the app. And we plan to enable customers to use Pay with Wells Fargo to quickly and easily donate to a charity of their choice.

Customer-centric tools and personalized advice

Many customers look to us to help them gain insight into, control over, and skill in managing their money. In addition to providing services like *Overdraft Rewind* and automatic zero-balance alerts (page 74) that help customers better manage their accounts and avoid fees, we are leveraging technologies like artificial intelligence to provide personalized advice and guidance in the moment.

The predictive banking tool in the *Wells Fargo Mobile* app continuously looks at a customer's cash flow patterns to generate timely, personalized pointers and insights.

For example, we let customers know when they may need to transfer funds so they don't overdraw their accounts and we bring to their attention out-of-pattern spending in a particular category or merchant. Other features, like interactive quizzes, help customers increase their awareness of how they are spending their money.

Our mobile-first *Greenhouse* by Wells Fargo experience will provide even more financial support to customers who need it, like students and others who are new to banking, people who have several income sources, or those who are paid irregularly. The *Greenhouse* app encourages customers to become more hands-on with their finances by providing interactive help with allocating money for bills and day-to-day spending, as well as in-the-moment notifications. It also provides safeguards. For instance, the *Greenhouse* app is designed to not allow overdrafts, so customers can't spend more than they have in their accounts.

> We are making investments in a number of next-generation technologies for use across the enterprise, for all of our businesses, at scale.

Easy access and connections

Customer expectations for how they want to interact with us are influenced by the technologies, like smartphones, they use in their daily lives. For example, many customers prefer texting to talking, so we offer messaging technology to give customers a fast and familiar way to interact with us.

We are introducing Wells Fargo Banking Assistant in our mobile app as one option for our customers who prefer texting to talking. The Banking Assistant is a chatbot that can respond to certain customer servicing requests and frequently asked questions. If a customer has a more complex need, the Banking Assistant can make a seamless handoff to a banker or direct the customer to call us. This experience enables us to interact with customers on their time, and through their preferred communication channel.

We're also leveraging our customers' always-on connection to their smartphones to create simple and easy experiences for our customers across all channels — like using our mobile identity management platform at our ATMs and branches.

- Customers can access our ATMs without their debit or ATM card. They can request a one-time access code from our mobile app to gain access to any Wells Fargo ATM or, at Wells Fargo ATMs that display the "contactless" symbol, they can use their debit card in a supported mobile wallet and their PIN.
- PIN pads that display the contactless symbol in our branches enable customers to use their debit card in a supported mobile wallet to authenticate with their phone.

These innovations aren't limited to consumers. Through our *CEO Mobile*® service, business customers can make and approve payments, make deposits, manage commercial cards, and monitor accounts from almost anywhere.

Investing in new and emerging technologies

Powering all of our digital experiences is our platform for innovation. We are making investments in a number of next-generation technologies for use across the enterprise, for all of our businesses, at scale.

One area of focus is our identity management platform, which is helping make authentication simpler for customers and more secure across all of our channels and processes.

Artificial intelligence (AI) is another important technology that is powering many of the personalized experiences we provide. Our predictive banking tool, *Intuitive Investor*, and the *Greenhouse* app all leverage AI to deliver personalized insights and advice. We also use AI inside Wells Fargo to help us better detect and prevent fraud and help team members with complex servicing tasks.

Application Programming Interfaces (APIs) make it easier for customers to connect with us. For example, an API allows customers to apply for a Wells Fargo credit card account through third-party sites where they may be researching credit card features and offers. And our Wells Fargo Gateway APIs make it easy for business customers to integrate our banking services directly within their own business systems and daily workflows.

Our goal with these investments is to make banking faster, easier, and safer in whatever channel our customers choose to engage with us — in person at a branch, with a phone call, or digitally through a mobile device or computer.

Measuring progress in PVSI

We measure progress in a number of ways. In our payments businesses, new experiences and continuous improvements to our products and services help keep our customers engaged as seen through increased balances, transaction volumes, and digital channel usage.

Since we launched *Zelle*, we've seen steady increases in person-to-person transaction volumes. And customers also continue to increase their use of remote deposit capture through our mobile app.

We also look at the pace of customer adoption of new experiences we bring to market. We design every experience around the needs of our customers, and then we test them with team members and customers to gather feedback and make refinements before a full rollout. That helps to ensure we are delivering experiences customers need and value.

Our goal with these investments is to make banking faster, easier, and safer in whatever channel our customers choose to engage with us — in person at a branch, with a phone call, or digitally through a mobile device or computer.

Helping customers avoid overdrafts and fees

In a digital world, customers expect more transparency into their account activity and access to real-time information to help them better manage their money. So we have introduced deposit account features that help customers avoid overdrafts and fees.

Overdraft Rewind

Many customers told us that they were frustrated when they incurred an overdraft the day before their next paycheck was electronically deposited into their account. So we created *Overdraft Rewind*, a feature that automatically includes the amount of the payday direct deposit in a reevaluation of the prior day's transactions that resulted in an overdraft or returned or nonsufficient funds item fee and may reverse the corresponding fee. This feature reverses overdrafts that are assessed on customers' accounts at a vulnerable time: the day before their payday direct deposit is received, when their account balances may be low.

With *Overdraft Rewind*, the bank does not charge overdraft or insufficient funds fees if a covering direct deposit is received by 9:00 a.m. local time the next day. Customers do not need to take any action to receive the benefit.

In 2018, *Overdraft Rewind* helped more than 2.3 million customers avoid overdraft charges.

Automatic zero-balance alerts

In June 2017, we launched zero-balance alerts to automatically notify online banking customers by email if their account balances dropped to zero or below, providing additional help to avoid overdraft fees. These intraday zero-balance alerts give customers a chance to make a deposit or transfer funds from another account to stay ahead of a potential overdraft.

The automatic alert expands on the variety of text and email alerts that customers have been able to enroll in for a number of years. In 2018, we sent an average of more than 37 million zero-balance and customer-specific balance alerts per month, providing our more than 29 million digital (online and mobile) active customers with an important money management tool.

Overdraft fees

In 2017, Wells Fargo eliminated overdraft fees for any transaction of $5 or less. The new per-transaction threshold complements the bank's existing policy of not charging an overdraft fee if a customer's available balance and ending account balance is overdrawn by $5 or less and no items are returned for nonsufficient funds at the end of nightly processing. It is intended to help customers avoid overdraft fees that would otherwise result from small transactions.

Wealth and Investment Management (WIM)

Wealth and Investment Management is one of the leading providers of financial and investment services in the U.S. More than 30,000 team members manage savings, investments, and retirement assets for 7 million individuals and institutions.

WIM serves an important role in the economy by helping people grow and invest their wealth and savings — for their own benefit, for their family's, and for society's. From our perspective, supporting clients is our duty. We focus on developing deep personal relationships with clients and getting to know their risk tolerance. As a result, we're better positioned to protect and grow our clients' hard-earned savings so they can pursue their life goals.

WIM offers a range of services through five core businesses that have combined client assets of nearly $2 trillion: Wells Fargo Advisors (our retail broker/dealer), Institutional Retirement and Trust, Wells Fargo Asset Management, Wells Fargo Private Bank, and Abbot Downing (our boutique family-office offering). In addition, Wells Fargo Investment Institute supports WIM by providing market research and analysis to help construct and inform client portfolios.

Transforming our business

Today our business is facing some major changes — including demographics, technology, competition, and regulation — that are shaping how we'll support clients in the future. We're seeing a demographic shift of tectonic magnitude: Aging baby boomers are giving way to Gen X and millennials, and our clients and prospects are growing increasingly diverse. New technologies are continuing to disrupt the industry, competitors that have adopted new technologies are winning a growing share of the market, and the regulatory environment is increasingly challenging and complex.

For WIM to grow, better serve our clients, compete in today's dynamic environment, and reach our full potential, we've committed to transforming our business. We will do so by implementing changes that simplify how we work, enhance risk management, and increase investment in technology and intellectual capital.

Key focuses for our transformation are:

- Simplifying our front-line client businesses.
- Implementing common operations and processes.
- Streamlining product delivery to improve service and reduce operational risk.
- Investing in technology and digital capabilities.
- Concentrating on core businesses, superior investment strategies and solutions, and outstanding client service.

To enhance the control environment and bring issues to successful closure, we continue to focus on:

- Centralizing, simplifying, and automating operations and controls.
- Ensuring compliance with policies and procedures, with clear roles and ownership.
- Ensuring new or modified products and processes do not introduce manual complexity and the potential for new issues.
- Engaging key stakeholders at the outset and in all stages of issue remediation.

Forming deep relationships with clients

Ensuring every client has a relevant financial plan helps them meet their financial goals. That's why we've created or updated financial plans for 70 percent of our affluent and high-net-worth clients over the past year. Planning is a common thread for all our clients — whether they're preparing for retirement, saving for their first home or their children's education, or taking steps to preserve wealth for the next generation. This focus on advice and planning capabilities helps us deliver better outcomes and a better client experience.

Our team members seek to establish long-term relationships with clients that deepen over time as we meet their evolving financial and life needs. Recent efforts to enhance client relationships include providing the right service based on clients' needs and recruiting the next generation of advisors.

Giving clients the right service for their needs. Investors have different needs, and various wealth levels have different levels of complexity. With this in mind, Wells Fargo Private Bank is implementing new approaches that will enable it to more effectively support clients at various wealth levels. Regardless of their level, all Wells Fargo Private Bank clients receive support from a primary account manager, and we bring in specialists based on the client's specific needs and the financial complexity of their situation.

Recruiting next-generation financial advisors. The best way to serve our clients is to know our clients. The average financial advisor (FA) is nearing retirement, and more than one-third of U.S. financial advisors are planning to leave the business over the next 10 years. WIM has addressed this looming advice shortage with next-generation advisor models that have strong retention. Recruiting and retaining new advisors — in addition to our veteran advisors who perform an equally essential service — means both newer and more experienced advisors can get to know their clients well and maintain relationships that endure. We also believe it's important that our team members reflect the clients we serve, so WIM has developed recruiting strategies to hire diverse team members. In fact, 40 percent of our next-generation FAs are female or ethnically diverse.

Increasing quality of advice

Our advice is grounded in research and analysis from Wells Fargo Investment Institute (WFII) and is supported by our proprietary investing tool *Envision*®. We've taken actions in recent years to increase the quality and consistency of advice with asset allocation guidance designed by WFII, ongoing performance monitoring, and periodic rebalancing. Specific steps include:

Aligning teams to improve consistency. To ensure our clients have access to the best thinking and best resources from across WIM, we've moved all investment teams that were formerly housed within WIM business lines into WFII or Wells Fargo Asset Management (WFAM). By bringing together similar functions, our teams have access to, and can deliver to clients, more consistent advice. We also have greater consistency around processes, policies, and risk-management oversight, leading to a better client experience.

Applying goals-based planning. Clients are significantly more likely to grow wealth if they're saving toward specific goals they're passionate about. So in Wells Fargo Advisors, we start with the basics. First we get to know our clients; then we make financial plans based on clients' unique goals. We use the *Envision* tool to combine goals-based advice with sophisticated statistical modeling. The process is easy for clients to understand and helps them prioritize to achieve important life goals — without undue financial sacrifice or overexposure to risk.

Developing investment solutions to meet client needs. Within WFAM, we're accelerating innovations in portfolio management. We're adding capabilities in multi-asset solutions, factor-based strategies, and alternative- and private-market offerings to better support the investing needs of our clients.

Delivering technology and innovation for clients

As people do more online and expectations continue to evolve, clients have come to expect a simple, intuitive, and innovative experience. We're committed to giving clients advice and information in the way they want by adapting and innovating.

Service anytime, anywhere. Because clients today want service anytime, anywhere, we're exploring ways to leverage technology to better meet their needs.

Client Dashboard. The recently enhanced Client Dashboard used by Wells Fargo Advisors gives FAs a complete view of a client's household in one place, the moment the client calls. By putting client information front and center, the FA can have more engaged and informative conversations that focus on the client's long-term financial goals and investment plans.

Intuitive Investor. We've coupled advice and technology with *Intuitive Investor* (page 78), a program created with the next generation of investors in mind. It enables new investors to start building a financial future by taking the guesswork and complexity out of investing. Providing a simplified, low-cost option lets new investors build an appropriate diversified portfolio with $10,000. Clients answer a few questions online; we then recommend one of several investment portfolios to match their needs and monitor the portfolio's performance.

"What if . . . ?" scenarios. Our new *Envision* Scenarios product puts planning in clients' hands by giving them an online tool to pose "What if . . . ?" questions and see impacts of choices on their financial picture.

Enhancing transparency and trust

Transparency, security, and trust are things clients rightfully expect. Two ways we're working to increase trust are managing referral activity and adopting consistent client standards.

Managing client referrals. Team members in Community Banking, Wholesale Banking, and WIM partner to meet the full range of client needs. To ensure referrals are in the best interest of the customer, communication and training resources are provided so team members know when it's appropriate to make referrals for additional services. In addition, we have in place governance structures — which include committee, compliance, and legal reviews — to ensure activities are monitored, documented, and handled consistently.

Adopting consistent client standards. To ensure we consistently offer a high-quality experience and engagement for clients across all asset levels, financial planning conversations are being structured around a four-part "client standards" process: plan, invest, document, and review.

Addressing issues and making things right for customers

The information below is as of third quarter 2018 (please refer to our public filings or other disclosures for any updates).

Review of certain activities within Wealth and Investment Management. A review of certain activities within WIM being conducted by the Board, in response to inquiries from federal government agencies, is assessing whether there have been inappropriate referrals or recommendations, including with respect to rollovers for 401(k) plan participants, certain alternative investments, or referrals of brokerage customers to the company's investment and fiduciary services business. The review is ongoing.

Fiduciary and custody account fee calculations. The company is reviewing fee calculations within certain fiduciary and custody accounts in our investment and fiduciary services business, which is part of the Wealth Management business within WIM. We have determined that there have been instances of incorrect fees being applied to certain assets and accounts, resulting in both overcharges and undercharges to customers. These issues include the incorrect setup and maintenance in the system of record of the values associated with certain assets. Systems, operations, and account-level reviews are underway to determine the extent of any assets and accounts affected, and root cause analyses are being performed with the assistance of third parties. These reviews are ongoing and, as a result of reviews to date, we have suspended the charging of fees on some assets and accounts, notified affected customers, and are continuing our analysis of those assets and accounts. The review of customer accounts is ongoing to determine the extent of any additional necessary remediation, including with respect to additional accounts not yet reviewed, which may lead to additional accruals and fee suspensions.

Measuring progress in WIM

As we focus on building a better experience and satisfying our clients' evolving expectations, we're monitoring our progress to ensure intended outcomes are being delivered. We see, for example, that *Intuitive Investor* is helping us reach and meet the needs of next-generation investors: nearly two-thirds are Gen X, millennial, or Generation Z.

It's also important that we be a leader in diversity as our clients become increasingly diverse. This can be seen in our next-generation advisor programs, as the average next-generation FA is 32 years old (versus 57 for the general FA population), 48 percent are ethnically diverse, and 36 percent are female (versus 85 percent white and male). At the same time, we're retaining 80 percent of these new advisors versus the industry average of 20 percent.

In addition, the vast majority of WIM clients with an *Envision* plan say they feel they have the guidance necessary to succeed financially, which supports our focus on building plans that meet our clients' goals. We have seen that well-allocated portfolios aligned to clients' investment objectives outperform portfolios that are not well allocated.

Intuitive Investor combines online service and phone-based advice

The needs and expectations of investors are constantly evolving. The next generation of investors — those who are young and tech-savvy — often prefer to do research and make investments online instead of, or in addition to, seeking advice from a financial advisor. More experienced investors similarly are increasingly moving to web-based options.

Wells Fargo Advisors launched *Intuitive Investor* in November 2017 with this in mind. It simplifies investing by using sophisticated technology and our investing intellectual capital to offer a convenient digital experience at a low cost. The process involves:

- ***Learning about the customer.*** Investors answer a few online questions about their investment needs, time horizon, and tolerance for risk.
- ***Recommending a portfolio.*** We recommend one of nine portfolios, based on research from Wells Fargo Investment Institute.
- ***Monitoring the account.*** We monitor and manage the portfolio to help it stay on track.
- ***Offering advice.*** When investors have questions or want guidance, they can call a team of financial advisors.

Intuitive Investor is an offering that can support clients of all asset levels within Wells Fargo by:

- ***Providing an entry point*** for investors who are referred from other parts of the company.
- ***Establishing relationships*** with investors who will potentially transition to full-service Wells Fargo Advisors clients in the future.
- ***Fulfilling the needs of clients*** who prefer digital advice instead of or in addition to full-service advice.

KEY POINTS ABOUT *INTUITIVE INVESTOR*

- 62 percent of investors are Gen X, millennial, or Generation Z.
- 80 percent have been with Wells Fargo for more than seven years but hadn't previously invested with us.

Wholesale Banking

Wholesale Banking provides financial solutions to businesses with annual sales generally greater than $5 million, primarily located in the U.S. With more than 27,000 team members, the business serves middle-market businesses, corporations, financial institutions, institutional investors, and municipal, state, and local governments. With a presence in specific international markets, Wholesale also serves the global financial needs of its U.S. customers as well as select multinational companies doing business in the U.S.

Wholesale operates five major lines of business: Wells Fargo Commercial Banking; Commercial Capital; Commercial Real Estate; Corporate and Investment Banking; and Investment Portfolio.

The business provides traditional commercial loans and lines of credit, letters of credit, asset-based lending, equipment leasing, international trade facilities, and trade financing as well as collection services, foreign exchange services, investment management, institutional fixed income sales, interest rate, commodity, equity risk management, digital mobile products such as the *CEO*® portal, corporate trust fiduciary services, and investment banking services.

Evolving landscape

Wholesale's operating model is evolving to better organize around customer needs; optimize investments in products, services, and delivery capabilities; drive efficiencies; and continue to enhance risk management. We are simplifying our business model by promoting centralization of shared services, standardization, process optimization, consistency, transparency, and accountability.

Wholesale continues to identify thoughtful alignments and efficiencies across the business. In 2018, we introduced a new organizational structure that aligns similar businesses and functions. These changes include establishing Commercial Banking to combine Business Banking, Government and Institutional Banking, and Middle Market Banking. In addition, we created Corporate and Investment Banking, which brings together Corporate Banking, Financial Institutions Group, and Wells Fargo Securities. The new structure strengthens how we operate, enhances overall risk management, and improves the customer experience.

Focus on risk

Wholesale continues to strengthen its risk management and enhanced due diligence efforts. Risk management is a fundamental part of how we manage our business, and we expect all team members to be proactive about risk management. We do not enter new business or take on material new risks without establishing the appropriate risk management infrastructure, processes, and tools, as well as hiring experienced risk managers to ensure we conduct business in a controlled manner. Wholesale's risk management approach includes appropriate protocols for addressing new or emerging risks, including those brought on by new products, services, or technology.

Integrating Environmental and Social Risk Management (ESRM)

We recognize that business decisions and those of our Wholesale customers can potentially or actually have adverse impacts on communities and the environment. We believe that for certain industries and activities, it is imperative that we consider the environmental, social, and human rights impacts of our lending and investments along with the traditional financial risk.

The company's ESRM framework (page 42) details our commitment to align with ESRM best practices and standards, our comprehensive due diligence process, our focus on customer engagement, assignment of risk rating and escalation, reporting and disclosure, and internal training and awareness-raising.

Deepening customer relationships

We are committed to deepening existing customer relationships and acquiring new relationships by delivering products and services that best address customer needs. We aim to deliver an exceptional customer experience by enhancing our capabilities and programs to provide experiences that are easy, proactive, and valuable — by building, upgrading, or acquiring new products and solutions that serve customers, deepen relationships, provide competitive advantages, and address any gaps in offerings. This includes expanding digital services so customers can access the platform to conduct their business where, when, and how they choose.

We formed the Wholesale Customer Excellence program in 2017 to proactively improve the customer and team member experience and reduce risk. The Wholesale Customer Excellence team is establishing a complaints management program that is centered on gathering insights from client complaints and team member feedback to improve both experiences. The team is developing capabilities — including a centralized complaints escalation team, quality assurance, and reporting and analytics — to support the Wholesale lines of business and the enterprise focus on customer complaints (page 40).

Addressing issues and making things right for customers

The information below is as of third quarter 2018 (please refer to our public filings or other disclosures for any updates).

Foreign Exchange business. We have substantially completed an assessment, with the assistance of a third party, of policies, practices, and procedures in our foreign exchange business. The foreign exchange business is in the process of revising and implementing new policies, practices, and procedures, including those related to pricing. Our review of affected customers is ongoing to determine the extent of any additional remediation for customers who may have received pricing inconsistent with commitments made to those customers.

Measuring progress in Wholesale Banking

Wholesale succeeds by actively listening to our customers and delivering products, services, and advice to help them achieve their financial goals. We want to strengthen existing customer relationships and acquire new ones through proactive relationship development, focusing on key customer segments and geographies, and collaboration across the lines of business. We also will continue to invest in developing innovative products and services that best meet the evolving needs and expectations of our customers, team members, and other stakeholders.

In addition, as we continue to strengthen our Customer Excellence program, we are developing a series of metrics that will support Wholesale's focus on building and maintaining long-term customer relationships and managing risk. For example, we are developing tools and reports that will provide a collective overview of customer feedback, whether through direct complaint feedback or customer surveys. We will use this feedback to develop new strategies and experiences for continuous improvement in our customer interactions and team member engagement. In addition, the business is establishing success metrics for the newly formed Wholesale Executive Office for escalated and service complaints to help ensure we have a robust compliance and operational risk function.

We want to strengthen existing customer relationships and acquire new ones through proactive relationship development, focusing on key customer segments and geographies, and collaboration across the lines of business.

Delivering on our $200 billion commitment toward sustainable financing

In April 2018, Wells Fargo announced that we will provide $200 billion in financing to sustainable businesses and projects by 2030, with more than 50 percent of the financing focused on companies and projects that directly support the transition to a low-carbon economy, including clean technologies, renewable energy, green bonds, and alternative transportation.

The remainder of the financing will support companies and projects focused on sustainable agriculture, conservation, recycling, resource management, and other environmentally beneficial activities. As part of the announcement, we committed to provide clear communications about the types of transactions that account for the $200 billion commitment, disclose the carbon intensity of our credit portfolio, and report on the social, environmental, and economic impacts of our lending.

Today, Wells Fargo is one of the largest energy lenders in the U.S. — to both conventional and renewable energy providers. Our Renewable Energy & Environmental Finance group has been providing tax equity financing to solar and wind energy development since 2006, providing the strategic capital necessary to help stimulate strong growth in the sector. The group has grown to 32 professionals with decades of experience in the renewable energy industry. In 2017, 7.9 percent of all solar photovoltaic and wind energy generated in the U.S. came from facilities owned wholly or in part by Wells Fargo.

In addition to tax equity investments in renewable energy, we support our power and utility customers as they add renewable energy to their generation portfolios through advice and guidance, debt financing, and green bonds.

Our Clean Technology Commercial Banking group continues to expand as we help customers achieve their long-term financial goals by providing a full suite of banking services combined with in-depth industry knowledge. Our customers include businesses that specialize in electric and low-emission vehicles; energy production, including solar, wind, and biomass; smart grid applications; and water efficiency. The team partners with relationship managers in the agricultural industry and other sectors to share how clean technology can enhance their customers' operations and profitability.

We believe it is important to take an ecosystem approach to support clean technology. We will continue to work to advance new technologies through customer engagement by providing financing and other services, testing and adopting new technologies within our footprint, and delivering philanthropic support to leading accelerators, incubators, and universities focused on clean technology development and entrepreneurship.

VII.

Risk management and controls

Risk framework

Wells Fargo's Board has ultimate responsibility to provide oversight for our three lines of defense and the risks we take as a company. The Board carries out its risk oversight responsibilities directly and through the work of its standing committees, which all report to the full Board.

In addition, the company has established management-level governance committees to support its leaders in carrying out their risk management responsibilities. Each governance committee has a defined set of authorities and responsibilities along with clear escalation paths and risk-reporting expectations. The governance committee structure is designed to enable understanding, consideration, and decision-making of significant risk and control matters at the appropriate level of the company and by the appropriate mix of executives.

Core principles and elements of the Risk program

As we work toward achieving our goal to be a leader in risk management, we are committed to continuously promoting a comprehensive, robust, effective, and forward-looking Risk program that not only reflects the size and business mix of our company but also is incorporated in the daily decisions and actions of team members. We engage third parties to provide expertise on regulatory and industry practices when developing risk policies and procedures.

To achieve our risk management objectives, we follow certain principles that we expect to guide daily decision-making:

Long-term relationship focus. We want to establish long-term relationships with our customers. We build trust by getting to know our customers and understanding their wants and needs and by providing them access to the appropriate products and services to help meet their financial goals. By understanding customers and their financial needs, we take on only as much risk as is necessary to efficiently, effectively, and prudently serve our customers.

Accountability. Risk is everyone's business. With risk so embedded in our business process, we manage our risks as close to their source as possible. Business leaders are accountable for understanding their processes and managing the risks in their business groups, and team members are accountable for managing the risks that cross their desks.

Risk philosophy. We take prudent risks. Control, profitability, and growth always come in that order of priority. Our business model rests on the principle that prudent risk management provides the only avenue to long-term profitability and growth. We manage for the long term — so the effectiveness of our risk management takes priority.

Environment of inclusiveness and candor. Because risk is everyone's business, every team member's contributions and perspectives are valuable. Throughout all levels and across all business groups, we encourage open discussion and timely escalation of risks. This includes constructively challenging peers and managers as necessary and sustaining an environment that encourages credible challenge.

We have identified certain elements that are required for the Risk Management program to be effective, including:

- A strong culture that emphasizes each team member's ownership and understanding of risk. This culture must cultivate an environment that expects and promotes robust communication and cooperation among its three lines of defense and supports identifying, escalating, and addressing current and emerging risk issues.
- A companywide statement of risk appetite that guides business and risk leaders as they manage risk on a daily basis. The statement of risk appetite must describe the nature and magnitude of risk we're willing to assume in pursuit of our business and strategic objectives — consistent with capital, liquidity, and other regulatory requirements — by defining both qualitative and quantitative parameters for individual risk types.
- A risk management governance structure, including escalation requirements and a committee structure that provides comprehensive oversight of the risks we face and our risk management activities. The structure must promote escalation, decision-making, and reporting of risks at the appropriate levels of the company, including the Board and its committees as appropriate.

The three lines of defense

Wells Fargo uses three lines of defense for risk management. The first line of defense — the front-line teams in our various businesses and certain activities of our enterprise functions — is accountable for assessing and effectively managing all associated risks for their groups. The second line of defense — Independent Risk Management — is Corporate Risk, which provides independent oversight of risk-taking activities. The third line of defense — internal audit — is Wells Fargo Audit Services, which provides independent assurance.

Although each line of defense has its own distinct risk management responsibilities, effective risk management requires the three lines of defense to use an integrated approach through the risk management lifecycle. In addition to the three lines of defense, the company's control environment is further strengthened by enterprise control activities, which are specialized activities performed within centralized enterprise functions with a focus on controlling a specific risk.

First line of defense: The front line

The front line comprises the company's risk-generating activities, consisting of the company's four primary business groups and certain activities of our enterprise functions. The front line is responsible for identifying, measuring, assessing, controlling, mitigating, monitoring, and reporting current and emerging risk exposures associated with its activities and operations.

To oversee the risk management activities of each business and monitor the fulfillment of the front-line responsibilities, each of the four primary business groups, — Consumer Banking; Payments, Virtual Solutions, and Innovation; Wealth and Investment Management; and Wholesale Banking — has a dedicated control executive. Each enterprise function also has a control executive. These leaders sit within the front line and report to and are accountable to business group and enterprise function leaders. Control executives also collaborate with Corporate Risk and provide information with respect to risk management, especially concerning the management of risk types.

The front line's primary responsibilities include:

Planning. Incorporates risk considerations into business and strategic decision-making to promote appropriate balancing of risk and reward. It establishes written procedures and processes, including front line statements of risk appetite that comply with companywide risk expectations. The front line consistently promotes a strong culture by maintaining appropriate staffing levels and providing ongoing training.

Identifying and assessing. Identifies and assesses risks generated by its activities and reports these risks in accordance with enterprise risk programs. It aggregates risks arising from its activities and, if boundaries or limits are triggered, escalates in accordance with companywide expectations.

Controlling and mitigating. Designs and implements risk mitigation strategies and controls that effectively mitigate risks and appropriately address the requirements of applicable statutes, regulations, and risk-governing documents. It complies with the companywide issues management program, including escalating issues where required.

Monitoring and reporting. Develops and implements risk monitoring and risk reporting processes. On an ongoing basis, the front line monitors and reports on its risk concentration, current and emerging risks, and risk appetite. It aggregates the results of its monitoring efforts, evaluates findings, reports on results, and escalates where necessary.

Testing and validating. Designs and executes a control effectiveness assurance program with respect to the controls the front line owns. It provides reporting on quality assurance activities to Independent Risk Management and reviews testing results to develop and implement appropriate corrective actions.

Second line of defense: Independent Risk Management (IRM)

IRM provides the second line of defense and consists of the Corporate Risk enterprise function. IRM establishes, implements, and maintains our Risk Management program under the direction of the Board's Risk Committee and senior management. IRM is accountable for independently overseeing the identification, measurement, assessment, monitoring, aggregation, and reporting of risks. IRM also oversees the front line's execution of its risk management responsibilities.

IRM provides senior management, the Risk Committee, and the Board an independent perspective of the level of risk to which we are exposed and helps identify areas that may become a significant strategic or reputational risk for Wells Fargo.

Our Chief Risk Officer (CRO) reports directly to the Board's Risk Committee (and administratively to the CEO), and is responsible for establishing the strategic direction and execution of the company's risk management activities. Although the CRO sits within IRM, the CRO's responsibilities extend across IRM and the front line to ensure the company's risk management priorities and objectives are met. The CRO also is expected to promote a strong culture, specifically focusing on risk management components, communicate effectively with our internal and external stakeholders, and consider emerging risk issues and their potential effect on our aggregate risk profile.

IRM's primary responsibilities include:

Planning. Provides credible challenge to the front line with respect to business decisions and strategic initiatives to promote the appropriate balance and consideration of risk and reward, as well as our conservative approach to risk. IRM updates the company's risk management framework and designs and implements enterprise risk programs. IRM challenges the appropriateness of front-line decision-making and, if it is not satisfied with a front-line decision or supporting rationale, IRM may request additional analysis of the business decision or a modification of the proposed front-line action. IRM may also escalate such disagreements to the appropriate risk leaders or governance committees.

Identifying and assessing. Maintains a companywide view of current and emerging risks by aggregating risk information across the company. IRM also oversees the enterprise risk identification and assessment processes, including their impact on our financial and operational soundness. IRM provides credible challenge with respect to the front-line risk identification and assessment approach and outputs.

Controlling and mitigating. Establishes expectations for front-line controls. It provides credible challenge and advice with respect to front-line mitigation strategies and controls, as well as actions to address gaps in control design or effectiveness. IRM escalates significant issues in accordance with our escalation policy.

Monitoring and reporting. Establishes and maintains companywide risk monitoring and risk reporting strategies. It challenges and approves front-line monitoring activities. IRM aggregates risk monitoring results at the company level, evaluates findings, and identifies opportunities to improve risk programs.

Testing and validating. Establishes and oversees control effectiveness program expectations with respect to the front line. IRM establishes and maintains independent testing programs.

Third line of defense: Internal audit

Wells Fargo Audit Services provides the third line of defense, delivering independent and objective internal audit services such as assessments and credible challenge regarding the company's governance, risk management, and controls.

Through its work, Audit Services:

- Conducts tests and provides conclusive reporting regarding the health of the company's risk management, governance, and internal control structure.
- Proactively advises management on risks, management practices, and controls in the design and implementation of new business products, services, and processes; systems development; operational changes; and strategic initiatives.

Audit Services adheres to the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors. In addition, the internal audit department uses COSO's (Committee of Sponsoring Organizations of the Treadway Commission) Internal Control Integrated Framework and COBIT (Control Objectives for Information and related Technologies), where appropriate, when evaluating the effectiveness of risk management at Wells Fargo.

Our Chief Auditor reports directly to the Board's Audit & Examination Committee (and administratively to the CEO) to ensure independence and objectivity. Audit Services is organized into functional teams that focus on Wells Fargo lines of business or key risk areas.

We have made organizational changes to create a stronger and more effective Audit Services organization that is positioned to respond to changes in the company's organization, risk profile, industry trends, emerging risks, and regulatory expectations. We've created the following new groups or realigned activities as follows:

- The Consumer Banking Audit Team, a consolidated consumer-focused audit group, enables a more customer-centric and integrated audit approach across all consumer lines of business and enhances our ability to identify risks and inconsistent consumer practices and application of laws and regulations.

  This group also has responsibility for reviewing the company's Customer Remediation Center of Excellence (page 12), as well as coordinating related audit work performed by line of business audit teams around consent orders and the company's risk target operating state to ensure comprehensive audit coverage.
- The Enterprise Risk Management Audit team is responsible for Strategic Enterprise Risk Management, Regulatory Relations, and Management/Board-level governance, including the review of the risk management framework, the company's risk target operating state, consent orders, and other regulatory matters.
- A dedicated audit resource is aligned to the company's conduct risk management activities, which are covered by enhanced coverage strategies.
- A Capital and Model Risk Management Audit team is responsible for Basel, Capital Adequacy Process, and Model audit coverage, through the centralization of resources previously allocated across other audit teams.
- A Shared Services Audit Team, which includes Data Analytics & Innovation resources, provides shared testing services across Audit Services.
- An expanded leadership team provides enhanced strategic focus and oversight and improves our organization's effectiveness, ensuring comprehensive assessment and coverage of key risks.

Audit Services seeks to enhance its policies and practices to improve coverage of key risks through continuous improvement activities, internal assessments, comparison to industry best practices, and regulatory feedback.

Audit Services has made several enhancements, including:

Regulatory focused activities

Enforcement actions. Our enforcement action audit work helps ensure management is appropriately responsive and corrective action plans are adequately designed, with testing to help ensure deliverables meet regulatory expectations.

Regulatory Matters Requiring Attention (MRA) validation. Audit Services is involved in monitoring the timely response to regulatory MRAs, including credible challenge to management corrective actions, monitoring of progress against established milestones, and where appropriate, validating that the completed corrective actions align with our commitments and address the underlying risk.

Customer remediation. Audit Services performs validation of top risk customer remediation efforts to help ensure the enterprise is appropriately defining, identifying, notifying, and making things right for any harmed customers. The team is currently building out a Remediation Coverage Program responsible for developing guidance for Audit Services teams to help ensure consistent, timely, and comprehensive remediation audit coverage.

Enterprise risk initiatives. Audit Services engages in and monitors enterprise risk initiatives by credibly challenging implementation plans, timelines, and staffing; testing and reporting on key milestones and deliverables; and validating corrective actions for effectiveness and sustainability. This includes efforts related to the Risk target operating state, enterprise compliance and operational risk programs, conduct management, and other high-priority programs.

Branch audits. The Consumer Banking Audit team conducts annual unannounced audits of bank branches, participates in select reviews by Conduct Risk Review, and conducts audits of branch-related oversight functions such as mystery shopping, regional services, branch control review, and the Sales and Service Conduct Oversight team.

Escalations

Wells Fargo has developed consistent principles for escalation to help ensure timely and effective escalation of issues meeting the threshold for escalation. Such issues — referred to as “escalated matters” — include circumstances that have the potential for significant adverse impact to the company’s customers, businesses, team members, shareholders, or other stakeholders.

The following principles are foundational to our escalation approach:

- Emphasis on speed of escalation over complete development of all relevant information to facilitate prompt mitigation in a disciplined manner.
- Use of consistent taxonomy and definitions to facilitate aggregation and reporting.
- A defined and documented escalation pathway (both horizontally across businesses and risk types and vertically up to the Board) based on the nature and severity of risk.
- Defined roles and responsibilities across the entire enterprise and the Board with the expectation and awareness that all lines of defense have an obligation to escalate.
- The taking of appropriate mitigation actions with respect to escalated events commensurate with the risk posed to the company, and where escalated events are associated with a corresponding issue, application of the company’s Issue Management Policy and expectations.

Escalation criteria specific to risk types and enterprise risk programs are documented by the relevant IRM risk program owners, in alignment with these escalation principles.

Risk appetite

Corporate Risk develops our enterprise statement of risk appetite in the context of our risk management framework. As part of Wells Fargo’s risk appetite, we maintain metrics along with associated objectives to measure and monitor the amount of risk that the company is prepared to take. Actual results of these metrics are reported to the Enterprise Risk and Control Committee on a quarterly basis as well as to the Board’s Risk Committee. Our operating segments also have business-specific risk appetite statements based on the enterprise statement of risk appetite. The metrics included in the operating segment statements are harmonized with the enterprise level metrics to ensure consistency where appropriate.

Business lines also maintain metrics and qualitative statements that are unique to their line of business. This allows for monitoring of risk and definition of risk appetite deeper within the organization. The Board’s Risk Committee reviews and approves the enterprise statement of risk appetite annually, and the Risk Committee also actively monitors the risk profile relative to the approved risk appetite.

Enhanced controls for third-party service provider oversight

The Third-Party Risk Management program is focused on governance and oversight of Wells Fargo's third-party service providers. The program provides tools and processes to help businesses identify, evaluate, mitigate, and manage third-party related risks to protect Wells Fargo and our customers. We've made many enhancements to the program in recent years, including:

- Implemented enhanced risk assessment testing, monitoring, and reviews for our third-party service providers.
- Aligned the risk rating scale for third-party service providers with our enterprise risk ratings, which facilitates risk aggregation and reporting and broadens the scope of required risk management activities.
- Implemented recovery and resolution planning processes to help ensure resolution contract terms are added to third-party agreements and assessments of essential third parties are conducted.
- Instituted complaints management review and remediation processes to bring visibility to third-party complaints and actions to address identified issues.
- Partnered with Human Resources to create and integrate performance objective requirements for team members with third-party risk responsibilities into Wells Fargo's Performance Management Framework.
- Strengthened reporting to support continued monitoring and oversight of third-party compliance, including additional reporting to the Board's Risk Committee.

Certain enterprise functions with key control responsibilities: Finance

The Finance Group drives financial management for the enterprise and maintains and enhances risk and financial controls. The team partners with our businesses and functional areas to provide strategic counsel, simplified processes, streamlined tools, and innovative ideas that drive greater financial performance.

Key functions include Finance and Controllers, Corporate Treasury, Corporate Development, Data Management and Insights, Customer Remediation Center of Excellence, Enterprise Shared Services, Business Process Management, and Corporate Strategy.

Finance and Controllers

The Finance functions construct, evaluate, and communicate information that leaders use to understand the company's financial performance and to make informed business decisions. The functions consist of Enterprise Finance, which is responsible for the development and management of the Finance Centers of Excellence (COEs), and Business Finance, which oversees the creation of finance strategy and business support for Wells Fargo businesses and functional areas.

> The Finance group drives financial management for the enterprise and maintains and enhances risk and financial controls.

In the past year, we have established five Finance COEs focused on: cost allocation and analytics, expense forecasting and analysis, reporting and analytics, revenue forecasting and analysis, and finance applications strategy and support. The Finance COEs use a strategic consulting model that provides organizational alignment around critical functions and consistent oversight of finance roles, processes, and tools. The Finance COEs:

- Provide consistent and common forecasting, reporting, and allocations processes.

- Develop finance self-service solutions to support leaders across the organization.
- Manage the strategy for finance applications and tools.

The Business Finance team is the liaison between Enterprise Finance and business leaders. This team provides strategic financial advice and guidance to leaders based on the reporting from the COEs. This enables Wells Fargo to serve internal clients consistently and reduces the risk of inconsistent financial reporting.

The Controllers Division delivers subject matter expertise, counsel, governance, and oversight for Wells Fargo's system of internal controls over financial reporting. The company provides financial, capital, and liquidity information to the Board, management-level governance committees, bank regulatory agencies, and other external stakeholders that require accurate and timely information supported by well-controlled books and records that are compliant with applicable accounting principles and regulatory reporting requirements. The completeness, accuracy, and reliability of our financial information is supported by the company's system of internal controls over financial reporting, which is based on COSO's Internal Controls Integrated Framework (a widely accepted internal control model against which companies and organizations manage risk and assess their systems of internal control).

Effective governance and oversight of the company's Internal Controls Integrated Framework is further supported by active involvement from leaders; a clear organizational structure and reporting lines; well-defined roles and responsibilities; enforced accountabilities; report and disclosure preparation standards designed to ensure complete, accurate, timely, and easily understood reporting; and procedures, controls, and tools to facilitate governance and management of reporting, including risk assessment, control activities, and monitoring, reporting, and escalation processes.

Corporate Treasury

Treasury plays an essential role in Wells Fargo's overall risk management in three primary areas: liquidity, capital, and interest rate risk. The team develops and manages capital and liquidity strategies to help ensure appropriate financial resources are available to support Wells Fargo's strategic objectives and protect against potential financial stresses. It also oversees the company's stress tests, which are intended to help identify and quantify potential future risks and the financial impacts of stress scenarios. In addition, Treasury monitors the company's interest rate risk and develops and implements strategies to help ensure exposure to changing interest rate environments can be safely managed.

As a part of Treasury, the Recovery & Resolution Program Office (RRPO) leads the company's efforts to reduce the potential for significant disruption to financial markets in the event severe financial stress affects the company. The RRPO also helps ensure the company maintains its institutional readiness to continue serving customers in such circumstances. The RRPO works with partners across the company to prepare, review, and maintain comprehensive recovery and resolution plans; embed resolvability considerations into the routine management of the company; and enhance companywide engagement and accountability for recovery and resolution planning. These activities are subject to review and challenge from Independent Risk Management.

As part of our commitment to maintaining a resilient financial profile, Wells Fargo dedicates significant resources to support the RRPO and its federated model of recovery and resolution planning to help ensure that the company, in the event of severe financial stress, would not pose systemic risk to the financial system.

Enterprise Shared Services (ESS)

Enterprise Shared Services brings together a number of enterprise functions that help lead, deliver, and govern services and transformation initiatives across the company. ESS functions help deliver companywide consistency via policies, methodologies, accountabilities, skill sets, and tools. The team's scope includes project management, global services, operational resiliency, corporate properties, and corporate security to help drive operational excellence and cultural change across the company.

The Operational Resiliency team helps ensure that Wells Fargo maintains the legal structure and services necessary to thrive in an ever-evolving operating environment and properly navigate any unforeseen or adverse scenarios. The team identifies and inventories the functions we perform across the enterprise, including the people, facilities, third parties, systems, and intellectual property that go into performing each activity. This helps to identify what is most critical for business continuity and recovery and resolution purposes.

The Enterprise Portfolio Management Office provides a consistent and holistic approach to program and project management. Its mandate is to establish the enterprise project management policy, methodology, and quality review process; maintain the project management system of record; and revise relevant job family titles and performance objectives.

Business Process Management

Providing a clear vision of how process excellence can simplify and enhance the team member and customer experience, this team drives our efforts to create a consistent approach to business process management across Wells Fargo and is establishing process as one of the company's key assets along with people, technology, and data.

Corporate Strategy

Each year, Wells Fargo develops a companywide strategic plan that establishes the strategic priorities necessary to achieve our Vision, Values & Goals. The process is driven by Corporate Strategy, which works closely with the lines of business and enterprise functions to develop and update the strategic plan. Specifically, business lines and functional areas are asked to identify their most significant opportunities, challenges, and risks along with their strategies to address them over the ensuing three-year period. The strategic planning process is integrated with risk management, financial forecasting, capital planning, and liquidity risk management to help ensure that strategic decisions assess and mitigate risks, evaluate impacts and potential execution hurdles, and consider companywide perspectives.

Human Resources (HR)

The HR function supports strong business performance by ensuring that the company has the right leaders and talent to meet business objectives. HR helps drive team member engagement by providing a consistent, compelling team member experience across the company, simplifying HR so that team members can stay focused on meeting the needs of our customers.

All HR team members are called on to fulfill HR's responsibilities as a control function. Through strategic partnership with the businesses, HR team members identify and help mitigate HR risk in the lines of business and across the enterprise. HR also establishes key controls, monitoring, and reporting that aligns with HR end-to-end processes.

Organization

The HR team includes more than 4,000 team members. Over the past several years, we have centralized our HR structure and transformed its operating model to better support our businesses and improve how we deliver HR services to team members at Wells Fargo in a consistent and compelling way.

Consulting teams within HR serve as strategic partners to business groups and functional areas across the enterprise. They consult on, develop, and execute robust human capital plans that help Wells Fargo achieve its goals. Working in partnership across HR teams, the consulting function creates holistic and forward-looking HR plans. HR consulting team members also serve as a control function, providing a strong risk management perspective to business leaders across the company in support of their human capital planning needs.

In addition, the enterprise HR centers of expertise teams are responsible for strategy, design, implementation, and adoption of their services to support Wells Fargo businesses and enterprise functions. This includes enabling managers to lead and coach team members through hiring, onboarding, and engagement and providing core services such as benefits, compensation, and payroll.

Governance and enhanced controls

The centralized HR function provides a horizontal view of identifying, escalating, and resolving talent risks across the company. We have created a consistent Human Capital Planning Process with a common set of metrics for each line of business, improving our ability to proactively identify and address key business risks. We have made recent enhancements to enable HR to be a strategic partner for the business and enhance controls, including:

- Invested in technology and innovation initiatives related to the recruiting process to drive toward consistent enterprise processes.
- Enhanced reporting to the Board's Human Resources Committee to include human capital management, culture, Code of Ethics and Business Conduct, and implementation and effectiveness of the company's ethics, business conduct, and conflicts of interest program, including training on ethical decision-making and processes for reporting and resolution of ethics issues.

- Implemented Quarterly Integrated Operating Reviews with Operating Committee members leveraging key Human Capital Metrics. These metrics are being piloted and adjusted to ensure they are providing leaders with imperative human capital insights that help them identify risks proactively, make informed decisions, and spot positive and negative trends quickly.
- Established a centralized Employee Relations team to resolve workplace disputes and investigate allegations of discrimination, retaliation, and harassment, including referrals from the EthicsLine.
- Implemented an enterprise Talent Management System allowing for consistency in team member development plans and a common talent review process with a cross-business lens.
- Implemented new enterprise performance management standards as the next step in our efforts to strengthen goal setting, manager coaching, and feedback.
- Introduced a single Enterprise HR Transaction Matrix, creating a common approach and set of approvals for critical HR transactions across the company.
- Created a Human Capital Risk Council to oversee the management of the risks generated by Wells Fargo's HR activities and exposures identified in Wells Fargo's Risk Coverage Statement.
- Enhanced HR's partnership and collaboration with HR Risk and Compliance to conduct risk mapping, risk assessment, and monitoring of key risk indicators within the HR function.

Succession planning and pipeline development

Our talent planning philosophy is focused on managing team members to ensure we are well positioned to meet the needs of today and the future. The increasingly competitive business landscape, our goal to increase diversity in our leadership ranks, and a need to prepare for retirements all mean that we must have a rigorous process in place to build credible succession plans.

Our ongoing talent review cycle is a business process that enables leaders to identify successors for critical roles, understand how prepared a potential successor is to assume those roles, create development plans and implement actions to support leadership readiness, and make progress toward sufficiently diverse representation in the pipeline. Every year, the CEO meets with Operating Committee members to review succession plans, discuss top talent, and plan for strategic and intentional moves for key leaders in the company. The talent plan also is reviewed and discussed with the Human Resources Committee and the full Board annually.

We purposefully move leadership talent within and across lines of business and disciplines to build broader enterprise experience and perspective. These moves also create opportunities to expand leaders' networks and increase their knowledge of the company. This approach to talent movement helps us build a pipeline of leaders who have a comprehensive enterprise view in addition to deep operational expertise.

Legal Department

The Legal Department provides timely, expert legal advice and services to all Wells Fargo businesses and control functions. The department works in partnership with groups across the enterprise, including front-line businesses, enterprise functions, Independent Risk Management, and Wells Fargo Audit Services, to identify, mitigate, and manage existing and emerging legal, regulatory, and reputational risks. The department's structure provides a clear alignment by line of business and enterprise functional areas to work horizontally across Wells Fargo and address the company's complex legal and regulatory environment.

Lines of business and enterprise functional areas are supported by dedicated Deputy General Counsels and related teams. These teams are Consumer Banking; Corporate Governance & Securities; Employment; Enterprise Functions; Enterprise Risk, Regulatory & Audit; Global Commercial & Securities; Litigation, Regulatory Enforcement & Investigations; Operations, Recovery & Resolution Planning, and Comprehensive Capital Analysis & Review; and Wealth and Investment Management.

Client-focused enhancements

The Legal Department has made several key changes to strengthen its control and risk management capabilities over the past two years, including:

- Consolidating overall support for Consumer Banking under a single Senior Deputy General Counsel.
- Adding new Deputy General Counsels and repositioning existing Deputy General Counsels to create enhanced alignment by line of business and enterprise functional areas. In particular, the Enterprise Risk, Regulatory & Audit Division was created to strengthen the Legal Department's support of risk management, regulatory relations, and the audit functions by providing a dedicated focus for these areas. The division also will coordinate legal support for implementation of consent orders to ensure consistency and provide subject matter expertise in connection with regulatory enforcement actions.
- Establishing a shared set of performance objectives — including risk objectives — to ensure that all team members in the department understand the behaviors that are expected of them.

The Legal Department is also working on enhancing its internal reporting to better identify potential risk management opportunities.

Alignment with Corporate Risk and Audit

The Legal Department is closely aligned with the company's independent risk management functions, including Compliance and Operational Risk. The department works closely with Corporate Risk in the development of corporate risk programs and policies, as well as in the application of those programs and policies in the businesses and enterprise functions. The groups have been enhancing their communication and partnership in support of the company's risk management efforts to promote compliance with laws and regulations, as well as risk management at the company generally. For example:

- As mentioned above, the creation of the Enterprise Risk, Regulatory & Audit Division.
- The development of communication protocols between Compliance and the Legal Department.
- Managing legal third-party service providers through the enterprise Third-Party Risk Management program.
- Optimizing the use of outside legal firms and consultants.
- Providing enhanced risk, relationship, and cost management.

Technology

Wells Fargo has long been committed to the integrity of our customers' information and the systems we use to run our company. Technology and information security are at the heart of what allows us to satisfy our customers' financial needs and help them succeed financially. Almost everything we do is touched by the technology and security professionals who develop and protect our systems.

We recently announced an organizational change to combine our Enterprise Information Technology (EIT) and Enterprise Information Security (EIS) teams under a new technology leader who will report directly to our CEO and join our Operating Committee.

EIT is responsible for managing all aspects of the company's technology, including its strategy, systems, and safety and soundness. EIS provides cybersecurity risk management, focused on information security strategy, identity and access management, security engineering, line-of-business engagement, and cyber defense and monitoring.

This organizational change is intended to further accelerate our efforts to simplify Wells Fargo's technology environment, strengthen our security capabilities, mitigate risk, and enhance our ability to meet our business and regulatory commitments.

The new technology leader, who joins Wells Fargo in April 2019, will set direction and drive accountability for technology and information security programs across the company — with a specific focus on risk management and adherence to policies and regulatory requirements.

VIII.

Our relationships with investors, communities, and other stakeholders

Wells Fargo engages with a wide range of stakeholders, and over the past several years, we have been diligently working to enhance those relationships.

One example: We formed a Stakeholder Relations Group in July 2017 to foster a more integrated approach to engaging with stakeholders. The group includes Corporate Communications; Corporate Philanthropy and Community Relations; Government Relations and Public Policy; Investor Relations; and Sustainability and Corporate Responsibility. Focused on rebuilding trust and strengthening relationships with our stakeholders in an integrated way, Stakeholder Relations works in partnership with other groups within the company to build and execute a comprehensive, fully integrated stakeholder relations program and enables us to better coordinate activities across all of our key stakeholder groups.

In addition, the company created the Stakeholder Advisory Council in 2017 to provide external insight and feedback to the Board and senior management. The council is composed of representatives of stakeholder groups that are especially important to the company, including groups focused on human rights, consumer rights, fair lending, the environment, civil rights, and governance. The council, which represents a diverse range of perspectives and experiences, is focused on deepening the company's understanding of key current and emerging issues relevant to both the company and its stakeholders, including serving the financial needs of underserved communities, diversity and social inclusion, and environmental sustainability. This group helps ensure that we gain a strong understanding of a broad range of perspectives and are taking those perspectives into account.

Members of the Stakeholder Advisory Council:

- **Michael Calhoun,** president, Center for Responsible Lending
- **Mindy S. Lubber,** CEO and president, Ceres
- **Marc H. Morial,** CEO and president, National Urban League
- **Janet Murguía,** CEO and president, UnidosUS
- **Sister Nora Nash,** director of Corporate Social Responsibility for the Sisters of St. Francis of Philadelphia, a member of the Interfaith Center on Corporate Responsibility
- **Anne Sheehan,** former director of Corporate Governance, California State Teachers' Retirement System (CalSTRS)
- **John Taylor,** president & CEO, National Community Reinvestment Coalition

Investors

The Board also listens to and collects feedback from investors in other forums. Since 2010, we have had an investor outreach program with independent director participation to help us better understand the views of our investors on key corporate governance topics. In addition to engaging with our largest institutional investors, we have enhanced the way we engage with additional investors and stakeholders to hear their perspectives. The candid feedback we receive during these meetings is important and helps us define priorities, assess progress, and enhance our corporate governance practices and disclosures each year.

Following our 2017 annual meeting, members of the Board, including Board Chair Betsy Duke, contacted our largest institutional investors and engaged with institutional investors representing more than 35 percent of our company's common stock. The Board also met with numerous other stakeholders to discuss Wells Fargo's progress as well as corporate governance and environmental and social governance practices, policies, and disclosures.

The Board's engagement with our investors is coordinated with our Corporate Secretary's office and our Stakeholder Relations group and occurs throughout the year, with active outreach to institutional investors and meetings with investors and other stakeholders upon their request. The feedback we receive from these meetings is shared with the full Board and senior management. The Board conducts a comprehensive self-evaluation (page 53) and reviews our governance practices at least annually and uses investor and other stakeholder feedback to identify areas for potential enhancements to our policies, practices, and disclosures.

Based on shareholder feedback, the Board has taken a number of actions over the past several years to increase shareholder rights and enhance its structure. For example, in March 2018 we lowered the threshold required for shareholders to call special meetings from 25 percent ownership of our common stock to 20 percent. In addition, we adopted proxy access in 2015 with a 3 percent/three-years ownership threshold.

Senior management and members of our Investor Relations team also meet with investors and analysts on a regular basis and participate in investor conferences to provide updates on company progress, financial performance, and business results. Since 2010, we have hosted an Investor Day every other year in which senior management spends a full day updating analysts and investors about Wells Fargo. Approximately 125 buyside and sellside analysts attend Investor Day, which we also broadcast live on our website. Following the sales practices issues, we held an off-cycle Investor Day in 2017 as part of our commitment to transparency.

Our communities

We use a range of mechanisms for engaging in dialogue with nonprofits, community organizations, advocacy groups, industry groups, and nongovernmental organizations to help us understand their perspectives on current and emerging issues, respond to significant matters, and ensure we are having a positive impact on communities in which we do business. The feedback we receive helps us develop new business practices, policies, and products to better serve and care for our customers and communities.

Team members are critical to our community engagement efforts. We encourage our team members to be actively involved with nonprofits and the causes they care about. We provide a variety of opportunities to support them, including two paid days a year for volunteering on projects with nonprofits or schools. Today about one-third of our entire company participates in business resource groups, including Volunteer Chapters, Green Teams, and Team Member Networks (page 16). Our workplace giving campaign has been named by United Way Worldwide as No. 1 in the U.S. for nine consecutive years (2009–17).

Community engagement and collaboration

The long-term success and resiliency of our communities, and our business, depends on our ability to collaborate internally and across the public and private sectors to create sustainable solutions that meet local needs. We work with a range of stakeholders to promote inclusive economic opportunities, expand access to financial products and services, increase financial capability, and improve financial stability in underserved and diverse communities. The constructive and candid feedback we receive from our stakeholders is important and has informed many of our initiatives over the years.

Here are a few examples:

Creating sustainable homeownership: We're very proud of our partnership with NeighborWorks® America, community-based nonprofits, and city officials to revitalize low- and average-income neighborhoods through our LIFT programs, which provide down payment assistance, home lending, homebuyer education, and other support (page 95). In 2018, *NeighborhoodLIFT* expanded with a

$75 million commitment that includes special parameters for military service members and veterans, teachers, law enforcement officers, firefighters, and emergency medical technicians, in recognition of the service they provide to their communities.

Supporting diverse small businesses. We work with external organizations to provide technical assistance, access to capital, and other development opportunities to help support the growth of diverse-owned business. For example, the Wells Fargo Works *for Small Business®*: Diverse Community Capital program provides grants and capital to Community Development Financial Institutions serving diverse-owned businesses that may not qualify for conventional bank loans.

Developing diverse suppliers. We recognize that a diverse supplier base enhances our supply chain and generates efficiency and innovation for the benefit of our customers and communities. We focus on developing and expanding Wells Fargo's diverse supplier pipeline through programs such as the Wells Fargo Scholarship Fund for Diverse Businesses, a collaboration with the Tuck School of Business at Dartmouth University that provides scholarships to certified minority-, women-, veteran-, LGBTQ-, and disabled-owned business entrepreneurs.

Strengthening opportunities for military veterans. We seek to enable long-lasting, sustainable housing for veterans, assist active duty members with career transition, and provide financial education and resources for military families who are facing financial hardships (page 69). For example, we collaborated with Scholarship America to develop the Wells Fargo Veterans Scholarships and Wells Fargo Veterans Emergency Grants programs to help veterans and spouses of disabled veterans complete post-secondary education or vocational training and succeed in civilian life.

Improving financial capabilities. *Hands on Banking/El futuro en tus manos®* is a free, engaging, non-commercial financial education program in English and Spanish that provides individuals with the knowledge, skills, and confidence needed to make informed financial decisions. We work with school districts, government agencies, and nonprofits to provide workshops and drive awareness of the program, with a focus on reaching underserved communities. And we've worked in partnership with nonprofits such as the National Foundation for Credit Counseling to create customized *Hands on Banking* programs for military veterans, seniors, and entrepreneurs to address their unique financial education needs.

Building resilient communities. Traditionally, underserved and low- and moderate-income communities are the most vulnerable to natural disasters and other tragedies. Through our Resilient Communities Grant program, a collaboration with the National Fish and Wildlife Foundation, we are helping cities enhance and protect natural habitats to help prepare for, withstand, and recover from natural disasters.

The Wells Fargo Foundation

Wells Fargo is one of the largest corporate cash donors in the U.S., supporting thousands of national and community-based nonprofits annually through the Wells Fargo Foundation. The Wells Fargo Foundation Board of Directors, which includes senior executives from across the company, is responsible for providing oversight and management of Wells Fargo's philanthropy as well as approving enterprise-level grants.

Through the Wells Fargo Foundation, we direct approximately 50 percent of our corporate philanthropy to initiatives that align with our three strategic Corporate Social Responsibility priorities: diversity and social inclusion, economic empowerment, and environmental sustainability (page 41). The remaining philanthropic contributions are allocated to local market teams and may support the three priorities or other specific community needs and opportunities.

Our local markets are supported by Wells Fargo Community Relations and Community Development officers who engage and build relationships with community-based nonprofits, city officials, government agencies, and others in the public and private sectors to deliver grants, volunteers, capital, credit, financial education, and more to stabilize and strengthen low- and moderate-income neighborhoods and address other issues of mutual concern. Wells Fargo's Community Lending and Investments team also plays a critical role in supplying capital — including debt and equity — to underserved businesses and communities in support of Wells Fargo's commitment to economic development, job creation, and affordable housing.

LIFT programs, other efforts advance homeownership among diverse customers

Wells Fargo views homeownership as a pathway to financial success, a source of stability for communities, and a key driver of the U.S. economy. We are working with stakeholders and partners from across the housing finance sector to help consumers — especially in diverse communities — achieve homeownership, and we are committed to being there for our customers if they encounter financial hardship (page 65).

LIFT

NeighborhoodLIFT, CityLIFT, and *HomeLIFT* are distinct programs that complement each other with a common purpose to create sustainable homeownership. Through the LIFT programs, Wells Fargo has committed more than $430 million of down payment assistance, housing counseling, and homebuyer support and education to help accelerate the housing market recovery. The *NeighborhoodLIFT* program is the single largest corporate philanthropic effort of its kind in Wells Fargo's history and is funded by the Wells Fargo Foundation.

Diverse lending commitments

In recent years, Wells Fargo has announced lending commitments to increase homeownership in the African American and Hispanic communities.

The African American commitment — launched in 2017 in partnership with the NAACP, the National Urban League, and the National Association of Real Estate Brokers — entails plans to lend $60 billion to qualified African American consumers for home purchases by 2027, and an additional $15 million to promote financial education and counseling.

The Hispanic Wealth Initiative, launched in 2015 with the National Association of Hispanic Real Estate Professionals, includes a projected $125 billion in mortgage originations and $10 million to support financial education and counseling programs in the Hispanic community by 2025.

Both commitments also include an effort to increase diversity within the Wells Fargo Home Lending sales team.

LIFT PROGRAMS: PARTNERSHIP IN ADVANCING HOMEOWNERSHIP

In addition to our diverse lending commitments, thousands of low- and moderate-income homebuyers have been helped since the unique LIFT initiative was launched in 2012 by Wells Fargo and NeighborWorks® America.

Wells Fargo's more than $430 million investment has:

- Provided for LIFT events in 66 communities.
- Created nearly 20,000 homeowners.
- Delivered homebuyer education to more than 60,000 customers.
- Committed $33 million to community initiatives.

Through the end of 2018, our diverse lending commitments already have helped more than 170,000 African American and Hispanic individuals purchase a home. One of these homeowners is Athena Emerson, an African American veteran, widow, and single mother who had rented homes and apartments. Home Mortgage Consultant Greg Jackson assisted Emerson every step along the path to homeownership, helping her qualify for and obtain a mortgage guaranteed by the Department of Veteran Affairs, connecting her with a real estate agent, and following up on all the details. The work paid off. Emerson, who is 57, now lives happily and proudly in the first home she has ever owned.

Other stakeholders

Regulators

Our main federal regulators include the Federal Reserve Board, the OCC, the Federal Deposit Insurance Corporation, and the CFPB. There also are other federal, international, state, and local agencies that regulate and examine Wells Fargo, such as the Financial Crimes Enforcement Network, the Securities and Exchange Commission, and the U.S. Department of Housing and Urban Development.

Since the 2008 financial crisis, regulatory expectations have heightened significantly, and enforcement activity has increased in volume and severity. Changes to existing laws, rules, and regulations have resulted in increased compliance requirements and expectations.

We acknowledge that we have not always met the expectations of some of our regulators in recent years and are working hard to address regulatory matters and rebuild trust.

Members of our Board and senior executives are meeting more frequently with regulators to address concerns and seek input. In 2018, we formed a new Regulatory Relations group within Corporate Risk designed to provide dedicated resources to meet our regulatory commitments and obligations across the company and to better manage our regulatory relationships and engagement.

The enterprise Regulatory Relations group will provide oversight and credible challenge to the business lines and enterprise functions to help ensure that we are executing on the commitments that we've made and responding in a timely manner. In the new "hub and spoke" model, each business line and enterprise function will have a regulatory relations coordination function. This will help ensure the front line is accountable for managing its regulatory relations and engagement and adhering to enterprise policy.

To track our progress on regulatory engagement, we are enhancing metrics and other measures such as requests from regulators on matters requiring attention, self-identification of issues, timeliness of any remediations, and closures of public enforcement actions.

Ultimately, it is our goal to engage in frequent and open communication with our regulators, anticipate regulatory issues, continue to self-identify most of the issues we have, and self-correct and provide any remediation as quickly as possible.

Government officials

Government Relations and Public Policy is charged with leading the work across all Wells Fargo lines of business and enterprise functions to determine and advocate for the company's public policy positions that support and advance the company, industry, and economic soundness of the U.S. The team devises collaborative and integrated efforts that support Wells Fargo's goals consistently and transparently.

As the internal and external environments evolved over the past few years, so has our approach to government relations. It was clear that we needed to broaden the focus to better establish and coordinate the determination of Wells Fargo's public policy positions; communicate about company advancements, products, and services; and generally deepen relationships with all levels of government leaders, trade groups, think tanks, the academic community, and non-government organizations active in public policy. Accordingly, we created a new Government Relations and Public Policy group to integrate several previously separate functions and to drive a holistic approach that enables the company to speak with a more unified voice on public policy, federal agency, legislative, and political matters.

In 2017, four new areas of practice were added — Public Policy, Government Agency Affairs, External Relations, and Political Programs. The new construct enables Wells Fargo to be more effective in shaping public policy at all levels of government and better position the company in a challenging and rapidly evolving political environment.

The Public Policy team primarily works with Wells Fargo's leaders to establish consistent and prioritized positions on public policy matters. Government Agency Affairs deepens and maintains relationships with the executive branch of the federal government including the White House and cabinet agencies, and federal regulators on non-supervisory matters. Engagement and outreach to trade associations, think tanks, academics, and policy-focused non-governmental organizations is managed by External Relations. And Political Programs evaluates and provides guidance to Wells Fargo leaders on the political environment and campaigns in addition to developing a transparent and strategic approach for managing Wells Fargo's Political Action Committees.

In addition, the Federal Government Relations team and the team conducting State and Local Government Relations were reorganized and consolidated as part of the Government Relations and Public Policy group. The centralization of these teams integrates the company's advocacy efforts, increases the understanding of the key issues facing the U.S., and maximizes Wells Fargo's reach at all levels of government.

Government Relations and Public Policy is accountable to maintain and improve the company's reputation and increase government-related stakeholders' understanding of Wells Fargo — through an improved quality and level of consistent information about how we serve customers, how we live our culture, and how we perform for our stakeholders (which include government officials, trade associations, think tanks, and non-governmental organizations invested in public policy).

Under the direction of Government Relations and Public Policy, Wells Fargo participates in the public policy arena on a wide range of issues that may impact the company and our business lines. We utilize on-staff government relations professionals, contract lobbyists, and trade associations to monitor and provide comment on proposed legislation and regulation that may affect how we serve our customers. Government Relations and Public Policy must approve any use of company funds for lobbying. All federal lobbying activities are disclosed under the Lobbying Disclosure Act (LDA), which requires that reports be filed quarterly with the United States Congress. The LDA reports are available for review on the U.S. House and Senate websites.

While trade groups often determine industry public policy consensus, our participation in these groups comes with an understanding that we may not always agree with every position taken. Decisions about our involvement with trade groups are made by the line of business managers and local bank leadership in conjunction with Government Relations and Public Policy.

We prohibit trade associations and groups of which we are a member from using our corporate funds for campaign and election activities. We inform these organizations of our policy prohibiting the use of membership dues and fees for contributions to candidate committees, independent expenditure committees, or other direct or indirect contributions to election campaigns, and expect them to adhere to it. We are not members of any tax-exempt organization in the U.S. that is primarily organized to write, endorse, or promote model legislation.

IX.

Our focus on continuous improvement

Wells Fargo is transforming into a better company that is more focused on customers than ever before — with strengthened risk management and controls, streamlined processes, an enhanced team member experience, and a simplified organization.

Guided by our Vision, Values & Goals, we are making steady progress in fixing what went wrong, improving our culture, listening to and acting on feedback from stakeholders, examining our day-to-day business practices, and being transparent about the issues we uncover as well as our responses. We also are committed to doing more to support the thousands of communities where we do business.

In short, we are putting into practice everything we have learned. As we move forward on our long-term transformation, we are committed to building on the many changes we've put in place over the past two years. We have many metrics (page 99) in place to track our progress, and we will continue to keep stakeholders informed.

We have learned from our mistakes, and we will maintain and enhance many of the improved practices that have helped us reach this point in our journey — seeking feedback from many stakeholders, making whole customers who were harmed, listening closely to team members, inspecting our business practices, asking tough questions of ourselves, treating our customers as they expect to be treated, communicating transparently, and holding ourselves accountable.

We are confident that the changes we have made — and continue to make — along with the controls and safeguards we've put into place, have addressed the root causes of our sales practices and other issues and will prevent them from happening again.

While we cannot promise that we will never find another issue at our company, we can commit to this: When we discover something that needs to be addressed, we will take ownership, move quickly to remedy what needs to be repaired, make things right for customers, and communicate with our stakeholders — even if we are early in the process and don't yet have all of the answers. We can expect additional public interest as we resolve previously disclosed matters and continue our work to rebuild trust.

As we continue our transformation, we will continue to focus on relationships with external stakeholders, including investors, community partners, government officials, and regulators. We understand the important roles that these stakeholders have in the success of our company, and we are committed to seeking and acting on their input and keeping them informed.

We also will continue to enhance our culture to improve the team member experience. We will continue to inform team members and seek their input through many forums, including CEO town halls and leader meetings, team member surveys, focus groups, and team member comments on our internal communications platforms. The changes we are making are designed to ensure that all team members experience the same Wells Fargo — no matter where they are located or what part of the company they work in.

Importantly, we remain committed to placing customers first as we move forward. Everything we do starts with our vision to satisfy our customers' financial needs and help them succeed financially. We are making changes to improve our service to customers and providing innovation to deliver added convenience, security, and simplicity.

While we have made strong progress in our efforts to rebuild trust, our work to improve Wells Fargo will never be done. We will always look for ways to get better — that's what great companies do — and we pledge to continue building a better, stronger company for all of our stakeholders.

Measuring our progress

We look at a variety of internal metrics, many of which are publicly disclosed, to measure our progress. Below are some examples. We also track a number of third-party rankings that you can find on our Wells Fargo Today quarterly fact sheet.

Goals	Internal metrics
Customer service and advice	· Primary consumer checking customer growth* · Customer loyalty branch survey scores* · Overall satisfaction with most recent visit branch survey scores* · Financial Health Conversation volume · Percent of Wealth and Investment Management clients with an *Envision* plan · Complaints volume · Number of zero-balance and customer-specific balance alerts sent to customers to help them manage their accounts*
Team member engagement	· Team Member Experience survey · Pulse surveys · Exit surveys · Completion of training courses* · Percent of diverse workforce* · Voluntary team member attrition*
Innovation	· Accounts opened digitally* · Digital (online and mobile) active customers* · Customer usage of new technologies (*Zelle*, online mortgage application, etc.)* · Pipeline of innovation in proofs of concept or pilots*
Risk management	· Number of outstanding regulatory matters · Volume of self-identified issues · Non-performing assets* · Net charge-offs* · Liquidity coverage ratio* · Common Equity Tier 1 capital* · Issues escalation resolution · Number of Environmental Social Risk Management (ESRM) due-diligence reviews*
Corporate citizenship	· Corporate philanthropic donations* · Team member donations and volunteer hours* · Mortgage originations with low- and moderate-income households* · Loans to diverse small businesses* · Percent of reductions in greenhouse gas emissions, water and energy consumption, waste diversion* · Total investments in sustainable financing* · Amount spent with diverse suppliers*
Shareholder value	· Return on equity (ROE)* · Return on average tangible common equity (ROTCE)* · Revenue growth* · Expense targets* · Capital return to shareholders*

*Previously disclosed publicly

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Appendix: Resources

Corporate

Building a Better Wells Fargo
(https://stories.wf.com/betterbank#)

History of Wells Fargo
(https://www.wellsfargo.com/about/corporate/history/)

Online Newsroom
(https://newsroom.wf.com/)

Progress Report
(https://www08.wellsfargomedia.com/assets/pdf/commitment/progress-report.pdf)

Wells Fargo Stories
(https://stories.wf.com/?cid=vty)

Wells Fargo Today Quarterly Fact Sheet
(https://www08.wellsfargomedia.com/assets/pdf/about/corporate/wells-fargo-today.pdf)

Corporate Responsibility

Climate Change Statement
(https://www.wellsfargo.com/about/corporate-responsibility/environment/climate-change-statement/)

Corporate Social Responsibility Goals and Reporting
(https://www.wellsfargo.com/about/corporate-responsibility/goals-and-reporting/)

Environmental and Social Risk Management
(https://www.wellsfargo.com/about/corporate-responsibility/environmental-social-risk-management/)

Environmental, Social, and Governance Guide
(https://www.wellsfargo.com/about/investor-relations/environmental-social-governance-guide)

Human Rights Statement
(https://www.wellsfargo.com/about/corporate/human-rights-statement/)

Indigenous Peoples Statement
(https://www.wellsfargo.com/about/corporate-responsibility/indigenous-peoples-statement)

Modern Slavery Act
(https://images.newsletters.wellsfargointernational.com/Web/WellsFargoInternational/%7B2d467440-3f6b-4f50-9db8-d650ead3531d%7D_ModernSlaveryActStatement_fnl.pdf?elqTrackID=4181edad05584 dc3af45c8d4ac5bff87&elqaid=789&elqat=2)

Responsible Energy Financing
(https://www.wellsfargo.com/about/corporate-responsibility/responsible-energy-financing/)

Culture and Business Practices

Code of Ethics and Business Conduct
(https://www08.wellsfargomedia.com/assets/pdf/about/corporate/code-of-ethics.pdf)

Diversity and Accessibility
(https://www.wellsfargo.com/about/diversity/)

Fair and Responsible Lending and Servicing
(https://www.wellsfargo.com/help/consumer-credit-lending-principles/)

Government Relations and Public Policy
(https://www.wellsfargo.com/about/corporate-responsibility/government-relations/)

Operational Sustainability
(https://www.wellsfargo.com/about/corporate-responsibility/environment/)

Privacy and Security
(https://www.wellsfargo.com/privacy-security/)

Supplier Code of Conduct
(https://www08.wellsfargomedia.com/assets/pdf/about/corporate/supplier-code-of-conduct.pdf)

Supplier Diversity
(https://www.wellsfargo.com/about/diversity/supplier-diversity/)

Supply Chain Management
(https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/gri-supply-chain-indicators.pdf)

Vision, Values & Goals of Wells Fargo
(https://www.wellsfargo.com/about/corporate/vision-and-values/)

Appendix: Resources, cont.

Leadership and Governance

Board Committees and Charters
(https://www.wellsfargo.com/about/corporate/governance/)

By-Laws
(https://www08.wellsfargomedia.com/assets/pdf/about/corporate/governance-by-laws.pdf)

Corporate Governance
(https://www.wellsfargo.com/about/corporate/governance/)

Corporate Governance Guidelines
(https://www08.wellsfargomedia.com/assets/pdf/about/corporate/governance-guidelines.pdf)

Executive Officers
(https://www.wellsfargo.com/about/corporate/governance/)

Shareholders

Annual Report and Proxy Statements
(https://www.wellsfargo.com/about/investor-relations/annual-reports/)

Economic Commentary
(https://www.wellsfargo.com/com/insights/economics/)

Investor Events and Presentations
(https://www.wellsfargo.com/about/investor-relations/events/)

Investor Relations
(https://www.wellsfargo.com/about/investor-relations/)

Wells Fargo SEC and Other Regulatory Filings
(https://www.wellsfargo.com/about/investor-relations/filings/)