



**Environmental Affairs**  
550 California St., 7<sup>th</sup> Floor  
San Francisco, CA 94104

[wellsfargo.com/environment](http://wellsfargo.com/environment)

April 30, 2010

Mary Ann Hitt  
Director, Beyond Coal Campaign  
Sierra Club  
85 Second St., 2nd floor  
San Francisco, CA 94105

Amanda Starbuck  
Director, Global Finance Campaign  
Rainforest Action Network  
211 Pine St., 5th floor  
San Francisco, CA 94104

Dear Ms. Hitt and Ms. Starbuck,

Thank you for sharing your concerns with us in your letter of April 14, 2010 to our CEO John Stumpf. Wells Fargo is committed to operating in an environmentally responsible manner, including in our lending practices. We do recognize the significant environmental and community impacts of the mining practice known as mountain top removal mining (MTR) that you raise in your letter.

Wells Fargo recently acquired a number of coal company relationships as a result of our combination with Wachovia. In the last few months we have had significant internal discussion about these relationships and how to deal with the environmentally impactful aspects of this business, particularly the practice of MTR. While we generally do not make public statements on client relationships or matters of regulatory or public policy, we can share with you some elements of our approach to lending to the coal mining industry that are relevant to the concerns you expressed in your letter:

- We have established a credit policy for mining transactions that calls for enhanced due diligence and an approval process involving the bank's most senior levels of credit approval authority.
- Our enhanced due diligence addresses the concerns raised in your letter, including the specific nature of the company's mining operations (including the extent of any MTR projects); the company's litigation and regulatory compliance track record and exposures; its track record relative to worker safety and environmental compliance; and the level of organizational infrastructure the company has dedicated to these concerns. In the course of completing this diligence we often engage in direct conversations with senior level environmental and/or operational representatives of our coal customers. This enhanced diligence process enables us to make an informed evaluation of the company's overall environmental stewardship as well as any other significant operational exposures.
- In the past year we completed a full portfolio review of our coal customers and enhanced due diligence on over two dozen mining companies.

- Regarding MTR mining, we have published internal guidance for our lending and credit personnel involved in coal mining transactions which states Wells Fargo's intention to disassociate itself from the practice of MTR.
- We are very selective about the customers with whom we engage in lending relationships, and have identified a limited number of "best-in-class" coal company relationships that we will maintain.
- While some of these customers are involved in winding down legacy MTR operations (which tend to be very long-lived assets with significant capital investment), our diligence indicates that none derives more than five percent of its current coal production from MTR mining. Furthermore, none is pursuing any new MTR projects.
- We have exited relationships with customers that continue to pursue MTR and/or do not meet our high standards for integrity, operational track record, worker safety and environmental stewardship.

In sum, we have developed and executed a rigorous policy and practice for lending transactions with coal mining customers which addresses the concerns raised in your letter.

We would also like to offer some comments on the plan you propose to "grading" financial institutions:

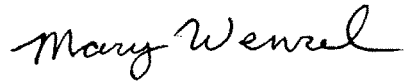
- As you may know, surface mining represents roughly a third to over a half of total coal production in the states of KY, TN, VA and WV. Given this, your criteria of 5% surface mining is an unrealistic threshold for coal companies active in Central Appalachia (and banks active in lending to them) until our nation has successfully diversified its sources of energy and curbed energy demand.
- Existing MTR activities were entered into by coal companies in good faith and in accordance with applicable laws and regulations. Furthermore, coal mining is highly capital intensive and mining operations typically have very long lives. Additionally, publicly traded coal companies have a fiduciary obligation to maximize shareholder returns on invested capital. It is appropriate to recognize the realities of these business drivers and focus on the orderly winding down of coal companies' MTR mining activities.
- We agree about the importance of financial institutions being more open and transparent in their approach to complex issues like these and expect to soon post on our website a more robust statement that will include many of the points we have made in this letter.
- We encourage you to incorporate these suggestions into your analysis of the financial industry's lending to the coal sector.

In closing, we believe our limited and declining MTR exposure, as well as our expanding leadership in supporting the transition to a cleaner economy through our environmental finance activities

(([https://www.wellsfargo.com/downloads/pdf/about/csr/reports/environmental\\_finance\\_report.pdf](https://www.wellsfargo.com/downloads/pdf/about/csr/reports/environmental_finance_report.pdf)) are both positive results of our relationship-driven approach to lending, which underpins our support for the coal mining industry, the U.S. energy sector more broadly, and our commitment to the environment.

We welcome additional conversations on these issues; please feel free to call with any additional questions or concerns.

Sincerely,

A handwritten signature in cursive script that reads "Mary Wenzel".

Mary S. Wenzel  
Director, Environmental Affairs  
Wells Fargo & Co.