

**HEARING BEFORE THE UNITED STATES SENATE  
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS**

Testimony of Charles W. Scharf  
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September 22, 2022

Chairman Brown, Ranking Member Toomey, and Members of the Committee: Good morning. I am Charlie Scharf, and since October 2019, I have had the privilege of serving as the Chief Executive Officer and President of Wells Fargo and Company. I appreciate the opportunity to be here today and look forward to sharing with you the many ways in which we are working to transform our institution while supporting our customers, employees, and the communities we serve.

Wells Fargo is a different company today than when I arrived. During my tenure, we have driven a tremendous amount of change and progress and established a much stronger risk management and operational foundation. We have changed our leadership, changed our operating practices, and simplified our business. We have continued to build our risk and control infrastructure, continued to execute against our regulatory objectives and facilitated cultural change throughout our organization. And we have done all of this against the backdrop of the COVID-19 pandemic. Though we have much more to do, we have accomplished a great deal in a very challenging operating environment.

I am also proud of how we have used our strength during the pandemic to serve our customers, employees, and communities. We provided billions of dollars in Paycheck Protection Program (“PPP”) lending to America’s small businesses without fee compensation in 2020. Instead, we donated the approximately \$420 million in fees we would have earned from processing PPP loans to a fund we created called Open for Business. We partner with Community Development Financial Institutions (“CDFIs”) and non-profits across the country to distribute grants that help small business owners who struggled during the pandemic, with a focus on diverse-owned businesses. Additionally, last year alone, we helped more than half a million homeowners with new low-rate loans to either purchase a home or refinance an existing mortgage and closed billions of dollars in new commitments for affordable housing. We also increased average wages for U.S. hourly employees by nearly 25 percent over a five-year time period and, over the same time period, increased our investment in U.S. employee benefits by more than 20 percent.

Looking forward, Wells Fargo will continue to be a constructive partner in forging an inclusive recovery from the pandemic while focusing on our broad book of risk, control, and regulatory work. As I have said before, our communities benefit from a strong Wells Fargo, and we will continue to move forward with a goal to rebuild our bank to be among the best and most respected financial institutions in the country.

## I. Our Company and Our Transformation

***Our Company.*** Wells Fargo is a leading U.S. financial services company that proudly serves consumers, small businesses, middle-market companies, and large corporations. We partner with our customers to help them achieve their financial goals and with our communities to make a positive impact. We have approximately 64 million consumer banking and lending customers—representing approximately one in three U.S. households—and approximately 240,000 employees.

We are a trusted advisor and provide core banking services including deposits, capital (private and public access to debt and equity), payments, and investments through our four reportable operating segments: Consumer Banking and Lending; Commercial Banking; Corporate and Investment Banking;<sup>1</sup> and Wealth and Investment Management. We completed a strategic review of our businesses in 2020 that resulted in the sale or reduction of several of our businesses, so that we are properly focused on our core customers.<sup>2</sup>

We have bank branches in 25 of the largest 30 markets in the U.S. We also cover more rural markets than many other large banks. A Wells Fargo branch or ATM is within two miles of over half of the U.S. census households and small businesses in our footprint. We currently have about 4,600 branches,<sup>3</sup> with nearly 30 percent of them located in low- or moderate-income (“LMI”) census tracts. Our retail branch presence in rural and micro markets is more than 2.5 times that of our top two large bank competitors combined.<sup>4</sup> In parallel, as consumers increasingly shift their banking transactions to digital channels, at the end of 2021, we had 33 million digital active customers, up three percent from 2020, and we had 27.3 million mobile active users, up five percent from 2020.<sup>5</sup>

We currently have approximately \$1.9 trillion in assets, and we remain in a strong capital position, as confirmed by recent stress tests conducted by the Federal Reserve.<sup>6</sup> We are well-positioned to meet the needs of our business, customers, and communities by investing our

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<sup>1</sup> Corporate and Investment Banking delivers a comprehensive suite of advisory, capital markets, banking, and financial products and services to corporate, institutional, and government clients around the globe. The division includes a commercial real estate finance and capital markets platform, as well as investment banking, leveraged finance, mergers and acquisitions, equity and fixed income sales, trading, and research solutions for large and middle market companies.

<sup>2</sup> Wells Fargo has not recently engaged in any business merger and acquisition (“M&A”) activity and has no such M&A transactions pending.

<sup>3</sup> At year-end 2011, Wells Fargo had approximately 6,239 branches. At year-end 2001, Wells Fargo had approximately 3,021 branches. Please note, however, that the year-end 2001 number is a rough estimate, as the timeframe predates Wells Fargo’s merger with Wachovia. Wells Fargo closed 53 branches in 2012; 42 in 2013; 34 in 2014; 67 in 2015; 84 in 2016; 214 in 2017; 300 in 2018; 174 in 2019; 329 in 2020; and 268 in 2021. A map of Wells Fargo’s branches at year-end 2021 is included as Appendix B. Wells Fargo branch and ATM locations can also be found on our website at <https://www.wellsfargo.com/locator/>.

<sup>4</sup> Source: SNL Data (Dec. 31, 2021); Wells Fargo Branch Count (Dec. 31, 2021).

<sup>5</sup> Our physical presence will continue to be an important asset, but digital capabilities will become an ever more important complement in our business model, and our scale gives us an efficient platform to spend what is necessary, attract the necessary talent, and partner with third parties.

<sup>6</sup> See Wells Fargo & Company Annual Company-Run Dodd-Frank Act Stress Test Results Supervisory Severely Adverse Scenario, Wells Fargo (June 27, 2022), <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/stress-test-results/2022-annual-stress-test.pdf>.

excess capital back into our franchise, while also continuing to return excess capital to shareholders through dividends and share repurchases.<sup>7</sup> We recognize that this strength is bolstered by our national banking system and the benefits that our institution derives from federal programs, facilities, tax provisions, and public financial infrastructure, and we understand just how important these factors are as we move forward.

***Our Transformation.*** We began a process nearly three years ago to change our company's culture and priorities, and we have taken strong steps in that direction.

We have a new management team and new board members who are transforming the company, including addressing historical issues. I believe they have the full set of capabilities necessary to do so. Seventy-seven percent of our Board members are new to the board since 2019,<sup>8</sup> and 11 of 16 Operating Committee members are new since I joined the company in October 2019. Additionally, over 50 percent of the senior-most people at our company, meaning those who are one level below the Operating Committee, are new to their roles, and a significant proportion of them were hired from outside the company.

The most significant part of our transformation is the enhancement and implementation of an appropriate risk and control framework across the company. It is our company's number-one priority, and we are moving forward to fulfill our obligations.

We are laser-focused on meeting our own expectations and those of our regulators. We work to have clear plans in place and clear owners for each of our regulatory deliverables. Our Operating Committee receives and regularly reviews detailed reporting on how we are progressing on those plans, and our executives are expected to be actively engaged in the details and accountable for getting the work done properly and timely.

Our ability to identify risk and control issues has also improved, and we have reached regulatory milestones. These include:

- The January 2021 termination of a 2015 consent order by the Office of the Comptroller of the Currency (“OCC”) related to the bank's Bank Secrecy Act/Anti-Money Laundering compliance program;
- The September 2021 expiration of a Consumer Financial Protection Bureau (“CFPB”) consent order issued in 2016 regarding the bank's retail sales practices;
- The OCC's December 2021 termination of a consent order issued in June 2015 regarding add-on products that the bank sold to retail banking customers before 2015; and

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<sup>7</sup> Information regarding Wells Fargo's capital and leverage ratios as well as the annual amount of share buybacks and dividend payments for the past ten years can be found in Appendix A and in our annual reports. (*See, e.g.*, Wells Fargo 2021 Annual Report (Mar. 1, 2022), <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2021-annual-report.pdf>).

<sup>8</sup> Excluding the Wells Fargo CEO, a non-independent director.

- The January 2020 expiration of a CFPB consent order issued in January 2015 regarding claims that the bank violated the Real Estate Settlement Procedures Act.

Despite achieving these and other milestones, we know we still have much more work to do. We need to fully implement the many plans we have developed, many of which require several years of work, and also demonstrate their sustainability. We have multiple checkpoints along the way before we turn the completed work over to our regulators for their review. All of this takes time.

An additional complexity is the number of issues and consent orders we are working through simultaneously, which translates into both a high volume of work and a significant number of interdependencies across multiple workstreams. We strive to complete the work accurately and timely, and while we continue to improve our execution, we realize that we remain at risk for setbacks before completion.

The reality is that, while I feel good about our progress since I joined the company, many of the consent orders that remain open have been outstanding for too long. The company has been too slow in building and implementing appropriate risk and control frameworks and in addressing legacy issues. As a result, in September 2021, the OCC assessed a fine and imposed a new consent order related to loss mitigation activities in our Home Lending business and insufficient progress in addressing requirements under a consent order the agency issued to us in 2018.<sup>9</sup> I can assure you that we are working to close our remaining gaps as quickly as possible. We know what work needs to be done, and we are committed to completing it; I believe that the quality of the talent and the processes we now have in place will enable us to ultimately place these issues behind us.

In sum, while we have made progress in strengthening our risk and control infrastructure, we still have several years of work to do to meet our own high expectations for risk management and our regulators'. We have outstanding litigation, regulatory matters, and customer remediations to resolve, and until our broad book of risk, control and regulatory work is complete, we remain at risk for setbacks.

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<sup>9</sup> In addition to this consent order, since 2020, Wells Fargo has:

- Agreed to pay \$35 million to settle charges brought by the U.S. Securities and Exchange Commission ("SEC") against Wells Fargo Clearing Services and Wells Fargo Advisors Financial Network in connection with investment recommendation practices;
- Agreed to pay \$3 billion to resolve federal investigations by the U.S. Department of Justice ("DOJ") and SEC into sales practices issues;
- Agreed to pay \$20 million to settle claims by the Maryland Attorney General regarding residential mortgage-backed securities between 2005 and 2009;
- Agreed to pay \$7.8 million to resolve an inquiry by the U.S. Department of Labor ("DOL") into certain hiring practices at particular Wells Fargo locations between 2010 and 2018;
- Agreed to pay \$72.6 million to settle claims brought by the DOJ related to historic foreign exchange pricing practices;
- Agreed to pay \$7 million to settle charges brought by the SEC against Wells Fargo Advisors related to the filing of suspicious activity reports;
- Agreed to pay \$145 million to resolve claims by the DOL related to Wells Fargo's handling of certain 401(k) transactions.

## II. Serving Our Customers

We must be customer-centric in how we approach our products and services. Our Office of Consumer Practices, an internal, consumer-focused advisory group that we launched in January 2021, is actively involved in this work and plays an important role in helping ensure our products, services, and business practices are fair and transparent.

*Fees.* With respect to fees, we have worked to embed the customer perspective more directly into our decision-making.<sup>10</sup> Most recently, in January, we announced new efforts to limit overdraft-related fees and give customers more options to achieve their financial goals. Our recent changes include:

- *Eliminated non-sufficient funds (“NSF”) fees:* Customers no longer pay a returned item fee to Wells Fargo if we return a check or electronic transaction unpaid because the customer does not have enough available funds in their deposit account to cover the payment.
- *Extra Day Grace Period:* With Extra Day Grace Period, customers have an extra business day to make deposits and avoid overdraft fees. If their available balance covers the prior business day’s overdraft items as of midnight Eastern Time, we waive the associated overdraft fees.
- *Early Pay Day:* We have begun introducing to consumer customers who receive eligible direct deposits the ability to access funds up to two days earlier than scheduled, minimizing the potential to incur overdrafts.
- *Eliminated transfer fees for customers enrolled in Overdraft Protection:* Customers enrolled in Wells Fargo’s Overdraft Protection service no longer pay a fee when funds from a linked account are used to cover transactions on the customer’s checking account.
- *New easy-access, short-term credit product:* To give consumers another option to meet personal financial needs, such as paying a bill or making a small purchase, Wells Fargo will offer qualifying customers a new, short-term loan of up to \$500. The loan and an upfront flat fee will be repaid through monthly installments. This new product is expected to be offered by the end of 2022.

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<sup>10</sup> A list of common services customers may use along with associated fees can be found on our website. See Consumer and Business Account Fees, Wells Fargo (June 2022), <https://www.wellsfargo.com/online-banking/service-fees/>. For a complete list of services, fees, fee waivers, and reimbursements that are available with their account, customers can consult the applicable Consumer Account Fee and Information Schedule and corresponding Addenda or the Business Account Fee and Information Schedule and corresponding Addenda. See Consumer Account Disclosures, Wells Fargo, <https://www.wellsfargo.com/online-banking/consumer-account-fees/>; Business Account Disclosures, Wells Fargo, <https://www.wellsfargo.com/biz/fee-information/>. According to public call reports from the Federal Financial Institutions Examination Council, in 2020 Wells Fargo collected \$1.281 billion in consumer overdraft-related service charges levied on those transaction account and non-transaction savings account deposit products intended primarily for individuals for personal, household, or family use, compared to \$1.414 billion in 2021 and \$715 million through June 2022.

These offerings build on other fee-related actions the company has taken over the past several years. For example, Clear Access Banking, which we introduced in September 2020, is a Bank On-certified consumer bank account that charges no overdraft fees. More than 1.5 million customers now have this type of account, as of the second quarter of 2022. We also do not assess overdraft fees in any of our accounts on transactions of \$5 or less, and we send more than 1.3 million balance alerts every day to help customers avoid overdrafts.

**Housing.** We know that housing affordability continues to be one of the top needs in our country. As a company, we use our resources to support affordable, multifamily housing in the U.S., in addition to acting as an active lender for affordable rental housing developments. We remain committed to supporting our customers and helping them achieve their homeownership goals. We are also focused on creating a path to stability and financial success for individuals and families, which is critical for making homes more attainable. That is why we committed \$1 billion in housing affordability philanthropy to increase housing supply and support housing options for renters and homeowners.

In 2021, we helped over 585,000 homeowners with new low-rate loans to either purchase a home or refinance an existing mortgage.<sup>11</sup> We also closed \$2.2 billion in new commitments for affordable housing under government-sponsored enterprise (“GSE”) and Federal Housing Administration (“FHA”) programs. As part of our NeighborhoodLIFT program, we donated \$5 million to help more than 300 LMI residents in Houston with home down payment assistance.

Additional information regarding our housing business, including details on our residential mortgage loan portfolio, can be found in our annual reports.<sup>12</sup>

**Small Business Lending.** We serve more than 10 percent of small businesses in the U.S. and provide easy-to-use products, tools, and resources for small business owners to help simplify their financial life. We provide personalized options by working with small business owners to develop a deep, long-term understanding of their business.

Our small business portfolio is comprised of numerous offerings, including checking, savings, credit card, line of credit, merchant services, treasury management, and commercial real estate financing solutions. We also lend to small businesses through the U.S. Small Business Administration 7(a) and 504 lending programs. Additionally, as detailed below, we provided

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<sup>11</sup> In 2020 and 2021 combined, Wells Fargo extended approximately 14,217 loans (including purchases and refinances) for properties with a value of less than \$100,000, inclusive of loans we originated and those we purchased through correspondent relationships.

<sup>12</sup> See, e.g., 2021 Annual Report, Wells Fargo (Mar. 1, 2022), <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2021-annual-report.pdf>. Wells Fargo services mortgages and home equity loans on its balance sheet; we also service mortgage loans on behalf of GSEs (i.e., Fannie Mae and Freddie Mac), the FHA, the United States Departments of Veterans Affairs and Agriculture, and private investors. Our correspondent lending channel sources and purchases standard Fannie Mae and Freddie Mac agency products, standard FHA and United States Department of Veterans Affairs products, and a jumbo product based on Wells Fargo’s credit standards from 700 financial institutions and independent mortgage bankers nationwide that provide home financing to consumers. The correspondent channel is strictly a business-to-business model and has no direct interaction with consumers.

billions of dollars in emergency lending to small businesses as they faced the challenges posed by the COVID-19 pandemic.

These products are used by approximately 3.4 million small business customers, who vary in terms of size, geography, and economic diversity. Our small business customers are located across the country, in all 50 states, the District of Columbia, and Puerto Rico. Over 88 percent have annual sales of less than \$500,000, with more than 60 percent having annual sales of less than \$100,000. Nearly 33 percent are located in majority minority census tracts and approximately 23 percent are located in LMI census tracts.

Wells Fargo collaborated with Community Reinvestment Fund USA and, in January 2022, launched the *Small Business Resource Navigator*, an online portal helping connect small business owners to potential financing options and technical assistance through CDFIs across the country. Since its launch, the *Small Business Resource Navigator* has connected small business owners, many from underrepresented communities, to nearly \$50 million in credit opportunities from CDFIs.

**Arbitration.** Last year, we removed confidentiality restrictions in Wells Fargo customer arbitration agreements that have them, thereby increasing the transparency of the arbitration process. Moreover, we updated all consumer arbitration agreements to provide for reimbursement of filing fees up to \$700 where the customer prevails. These changes follow our decision in 2020 to end the use of mandatory arbitration for employee claims of sexual harassment. We are committed to maintaining a thoughtful approach to resolving disputes fairly and efficiently.<sup>13</sup>

**Cybersecurity, Privacy, and Responsible Technology.** The financial industry and third-party service providers continue to be targets of various evolving and adaptive cyberattacks in an effort to disrupt operations, test cybersecurity capabilities, commit fraud, or obtain confidential, proprietary, or other sensitive customer information. Cyberattacks have also focused on targeting online applications and services, such as online banking. Wells Fargo continues to prioritize information security and the continued development and enhancement of our controls, processes and systems designed to protect our networks, computers, software and data from attack, damage, or unauthorized access. We are proactively involved in industry cybersecurity efforts and works with other parties, including our third-party service providers and government agencies, to continue to enhance defenses and improve resiliency to cybersecurity and other information security threats.

Likewise, we prioritize personal data privacy and support transparency in our information collection and use practices. We have strong safeguards in place to protect the information customers share with us.<sup>14</sup>

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<sup>13</sup> Wells Fargo uses arbitration agreements in its contracts with Wells Fargo Advisors clients. Additionally, our supply chain management teams include arbitration clauses in master agreement templates for the company's third-party vendors.

<sup>14</sup> Additional information on our use of consumer data can be found in our U.S. Consumer Privacy Notice. See U.S. Consumer Privacy Notice, Wells Fargo (Dec. 28, 2021), <https://www.wellsfargo.com/privacy-security/individuals/>.

Wells Fargo’s Information and Cyber Security organization aims to protect Wells Fargo systems, networks, and customer data through the design, execution, and oversight of our Information Security Program (“ISP”). Wells Fargo and vendors, nonemployees, and third parties with access to our systems or sensitive information must adhere to the ISP’s policies, procedures, and requirements. ISP requirements comply with applicable laws and regulations and are informed by industry standards, including the National Institute of Standards and Technology Cybersecurity Framework and the International Organization for Standardization.

Employees with access to Wells Fargo’s systems or customer information are required to complete annual training on customer information protection and Gramm-Leach-Bliley Act 501(b) compliance. They are also required to abide by the Wells Fargo Code of Ethics and Business Conduct, including its provisions related to the treatment of confidential information. Additionally, we perform employee background checks, which we also require for nonemployees and third-party service providers who handle Wells Fargo’s customer information.

We also encourage customers to protect their accounts and customer information by offering security options like two-factor authentication and biometrics. We provide educational materials that encourage customers to create strong passwords, avoid suspicious links, keep their software updated, limit the personal information they share online, and use a screen lock on mobile devices. Our Wells Fargo online security center provides customers with resources to explore security options, spot scams, report fraud, and more to help keep their accounts and information secure.

Regarding emerging technologies, we continue to believe that their safe and responsible use has great promise for our industry. We believe, for example, that distributed ledger technology (“DLT”) could allow banks to offer greater efficiencies for our customers, and we are involved in related research and development to facilitate next-generation settlement services in a variety of areas. We recently began a pilot settlement service that will run on our internal DLT platform and allow us to complete internal book transfers of cross-border payments within our global branch network.

Relatedly, we continue to closely and actively follow developments around cryptocurrencies, and we are moving thoughtfully. We do not currently offer customers the ability to buy, sell, or hold cryptocurrencies directly, and we look forward to being a constructive partner with policymakers as you seek to set the rules of the road for these new products and technologies.

### **III. Supporting Our Employees and Increasing Diversity, Equity, and Inclusion at Wells Fargo**

Our employees are our most valuable resource, and we know that the progress we are making and the goals we achieve are thanks to their hard work and dedication. We continue to focus on making Wells Fargo an attractive place to work. We are also committed to creating a culture with broad representation of who we are, how we think, and how we make decisions; diversity, equity, and inclusion is a long-term commitment for our company.

We invest in our employees and their development through ongoing training, education, and coaching, and we seek to promote accountability for delivering one's best work while leveraging the distinct talents and experiences of our teams. We maintain a workplace where employees have access to multiple channels for sharing feedback and raising concerns openly, and where those concerns are addressed appropriately.

***Compensation and Benefits.*** We are committed to providing pay that attracts, motivates, and retains talent. In 2020, we raised our minimum hourly pay to \$15–20 based on employee location, and in January 2022, we again raised our minimum hourly pay to \$18–22 depending on role, location, and market condition.<sup>15</sup> In 2021, the median employee at Wells Fargo earned \$73,578, a nearly 12 percent increase since 2020.<sup>16</sup> We regularly examine our approach to compensation and recognize the impact inflation has on our employees.<sup>17</sup>

Increases to minimum wage and transparent compensation principles are in addition to other investments Wells Fargo has made to enrich compensation programs and enhance benefits offerings for employees. For instance, we offer a broad range of health plans to our employees to meet their varying needs. In 2022, we paid on average 85 percent of total annual healthcare premiums for our U.S.-based employees who earn less than \$45,000 annually.

As part of our ongoing commitment to our employees' health and well-being, we hired the company's first chief health officer. In this newly created role, our chief health officer will focus on how we can improve health and well-being for our employees, families, and communities we serve. Acknowledging the emotional and mental health challenges that were heightened during the pandemic, we launched "Let's Talk About It," a campaign to help maintain and support employee mental health with ongoing activities and resources working in tandem with our internal Employee Assistance Consulting team. Our well-being programs continue to encourage active participation in health by our employees to promote prevention and chronic disease management. In addition to the programs that we continue to offer to support our employees, starting in 2020, Wells Fargo has contributed up to \$1,000 per year to a health savings account for each eligible employee enrolled in a qualifying plan and earning less than \$100,000 annually. Also, employees enrolled in a qualifying Wells Fargo health plan can earn up to \$800 in health and wellness dollars deposited in their medical accounts by completing certain activities to improve their overall health and well-being.

In addition to these benefits, Wells Fargo makes an automatic 401(k) plan contribution of one percent of pay for those earning less than \$75,000 per year, in addition to matching employee contributions for up to six percent of annual pay. We further offer up to \$5,000 annually in tuition reimbursement for those employees looking to further their educational goals. We provide up to 16 weeks of paid parental leave as well as critical caregiving leave and financial assistance to support employees who need to find affordable backup care for their children or other loved

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<sup>15</sup> Minimum hourly pay for contract workers is currently \$15.

<sup>16</sup> This resulted in a ratio of CEO annualized total compensation to median employee estimated annual total compensation of 290 to 1.

<sup>17</sup> Our leaders are also held accountable by the company's compensation policies. Our most recent compensation policies are discussed in detail in our 2022 proxy statement. Notice of Annual Meeting and Proxy Statement, Wells Fargo (Mar. 14, 2022), <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2022-proxy-statement.pdf>.

ones. In addition, we expanded the coverage of our travel benefit to include reimbursement of transportation and lodging costs for abortion-related services in accordance with applicable law. We also offer benefits related to adoption.

***Diversity, Equity, and Inclusion (“DE&I”) at Wells Fargo.*** Having an inclusive environment in which differences and perspectives are respected and valued is both a business imperative and the right thing to do.

In November 2020, we created a new function at Wells Fargo – Diverse Segments, Representation, and Inclusion – whose leader reports directly to the CEO. The DSRI function is responsible for driving DE&I efforts for our employees and our communities, as well as leading initiatives to better serve customers from underserved communities.

Driving such efforts is a long-term commitment for us. It’s not a project. That means we have to monitor data on our progress on DE&I; do it in a detailed and continuous way; understand where there’s more work to do; and act on it.

It also means that we have to communicate our progress transparently. To that end, in June of this year, we published our inaugural DE&I Report, which details our results on our internal and external DE&I efforts.<sup>18</sup>

Additionally, last week we announced that we will commission an external, third-party racial equity audit. The assessment will include input from both internal and external stakeholders and focus on elements of Wells Fargo’s efforts to serve diverse communities and promote a diverse workforce. Commissioning this work is a critical next step in reinforcing our commitment to racial equity and closing the wealth gap in this country. DE&I is an imperative at Wells Fargo, and we consistently strive to measure our progress and hold ourselves accountable. This important work will build on our efforts to lead in all aspects of DE&I in our company and in the communities we serve.

Overall, our global workforce is approximately 53 percent female and 47 percent male. In the United States, approximately 55 percent of our employees are white and 45 percent are racially or ethnically diverse. Our Board of Directors is 36 percent female and 29 percent racially or ethnically diverse. Our Operating Committee is approximately 19 percent female and 25 percent racially or ethnically diverse.

Of the approximately 140 executives that report directly to a member of the Operating Committee, 50 percent are female, and 30 percent are racially or ethnically diverse. Moreover, we have executives who are racially or ethnically diverse leading many of the largest businesses and functions within Wells Fargo, including Home Lending, Operations, Branch Banking, Small Business, Strategy, Digital & Innovation, Auto Finance, Human Resources, and Consumer Lending/Diverse Segments, Representation & Inclusion. Among these diverse leaders, Black

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<sup>18</sup> Diversity, Equity, and Inclusion at Wells Fargo – Colleagues, Customers, and Communities, Wells Fargo (Revised July 2022), <https://www08.wellsfargomedia.com/assets/pdf/about/corporate/diversity-equity-inclusion-report.pdf>.

executives lead all but Human Resources and Consumer Lending/Diverse Segments, Representation & Inclusion.

Building an organization where employees can grow their career is a key strategy for Wells Fargo. This starts with our robust summer internship programs across the company where we welcome close to 2000 summer interns and full-time analysts annually who come from high school, college, and graduate school with the goal of converting student interns into full-time hires upon their graduation. The programs focus on attracting and converting to full-time hires a highly diverse talent pool; 84 percent of the full-time offers were to diverse candidates (61 percent ethnically diverse and 44 percent female).

Looking more broadly at our hiring, in 2021, overall U.S. external hiring volume went up by 17 percent compared to 2020. Over the same time period, external hiring of individuals from racially or ethnically diverse populations increased by 27 percent, and female external hiring increased 23 percent. Additionally in 2021, with respect to hiring for executive positions,<sup>19</sup> approximately 38 percent of external executive hires were racially or ethnically diverse, compared to 25 percent in 2020; approximately 15 percent of all external executive hires were Black/African American, which is more than triple the number from 2020; and approximately one-third of all internally promoted executives were racially or ethnically diverse. Further, approximately 53 percent of all internally promoted executives were women. Also in 2021, for hiring for positions with annual compensation of \$100,000 or above, more than 42 percent of hires were racially or ethnically diverse, a five-percentage-point increase over 2019 when I arrived at the company, and more than 47 percent of hires were women.

We have in place numerous programs focused on diverse talent development. For example:

- The Building Organizational Leadership Diversity (“BOLD”) program is designed to provide mentorship and sponsorship to employees primarily four and five levels below the CEO. In addition, the BOLD program helps develop and increase visibility and mobility of high-potential talent within Wells Fargo.
- Wells Fargo created its Glide–Relaunch program specifically to connect with individuals seeking a return to work after a prolonged period of time. It recognizes that a variety of life events—such as the birth of a new baby, medical treatment and recovery, or taking care of an ailing family member—may lead a person to step away from the workforce. In some cases, people find it difficult to re-enter the workforce because of the gap on their resume. Purposefully designed for professionals with at least seven years of experience, its eight-week “returnship” allows Glide–Relaunch participants to step into their roles with the support necessary to make a smooth transition back into employment. Since the program’s inception in 2020, the company has supported 115 individuals through the program, 94 percent of whom are from historically underrepresented groups, and has an 88 percent conversion rate from the program to full-time employment with Wells Fargo.

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<sup>19</sup> Executive positions are defined here as managers one to three levels down from the CEO, who are not in administrative roles, and where the midpoint of the pay range is greater than or equal to \$100,000 per year.

- Our companywide Operating Committee Diversity Sponsorship program currently serves 42 participants, all of whom are diverse along racial, ethnic, or gender lines and each spends time monthly with their respective Operating Committee member sponsors. Participants have varying degrees of leadership responsibility. These sponsors get to know the program participants, understand their professional aspirations, and provide personalized support to accelerate readiness for expanded roles and opportunities.
- Open to all employees, Wells Fargo’s 10 Employee Resource Networks (“ERNs”) are organized by individuals connected by a shared background, experience, or other affinity. ERNs were formed to elevate and increase visibility of historically underrepresented groups. With the support Wells Fargo provides its over 64,700 ERN members participating in one or more groups, and the programming they create, ERNs also play a key role in recruiting and retaining talent. ERNs are also dedicated to helping employees with professional growth and education, community outreach, business development, and customer insight.
- We invest in a variety of development programs to support employees in professional skills development, as they onboard to their role, develop in their role, and as they build skills and capabilities for their future roles. Employees are able to access learning and development resources across our Develop You platform, and these are in-person training and virtual classroom opportunities as well as self-paced online learning. We had 5,400 participants in our facilitated professional development courses this year. 560,000 enrolled and participated in self-paced professional development training in the last year. Our learning and development topics range from on-boarding, credit skills, product knowledge, and software development to coding, digital fluency, diversity and inclusion, manager effectiveness, compliance and risk training, and many more.

Beyond our own workforce, we also strive to support and increase use of diverse suppliers. Our annual spend with diverse suppliers in 2021 was over \$1.3 billion, representing 13 percent of total procurement spend and marking Wells Fargo’s eighth consecutive year of spending more than \$1 billion with certified diverse suppliers.

We also launched our Diverse Asset Managers Initiative, a multi-year plan to invest internal assets with asset managers who are from diverse backgrounds, including minority populations and women, while increasing visibility and building capacity in diverse-owned asset management firms. The company launched the initiative in 2021 with \$300 million and intends to expand it to \$1 billion in 2022. Wells Fargo is also engaging with a network of nonprofit organizations, such as the National Association of Securities Professionals, the National Association of Investment Companies, and the Association of Asian American Investment Managers to address systemic and structural issues that operate as barriers to diverse asset manager inclusion.

Building capacity and expertise with high-potential diverse suppliers is another way the company deepens its vendor relationships. Wells Fargo’s capacity-building programs give its suppliers access to a broad range of tools and resources. Through specialized workshops and seminars, it works with them on enhancing their business plans, increasing their ability to define and communicate their strategic direction, retooling their competitive position, and strengthening the

effectiveness of their communications strategies. One of Wells Fargo's most successful capacity-building programs is the Bunker Labs Breaking Barriers Workshop Series, created to facilitate business growth and support within Asian, Asian American, Black, African American, Hispanic, Latino, and women veteran and military spouse communities. In just eight weeks, these entrepreneurs get the business tools, resources, capital opportunities, and mentorship needed to help expand their businesses. The Bunker Labs Breaking Barriers Workshop Series demonstrates how investing in diverse suppliers with significant funds and meaningful programming can facilitate both business growth and social change.

#### IV. Our Approach to Managing Risk and Environmental and Social Impact

**Risk.** Our top priority is to strengthen our company by building an appropriate risk and control infrastructure. Wells Fargo manages a variety of risks that can significantly affect our financial performance and our ability to meet the expectations of our customers, shareholders, regulators, and other stakeholders. Our risk management framework sets forth the company's core principles for managing and governing its risk. It is approved by the Board's Risk Committee and reviewed and updated annually.

Senior management sets the tone at the top by supporting a strong culture that guides how employees conduct themselves and make decisions. The Board holds senior management accountable for establishing and maintaining this culture and for effectively managing risk. Senior management expects employees to speak up when they see something that could cause harm to the company's customers, communities, employees, shareholders, or reputation. Our performance management and incentive compensation programs are designed to establish a balanced framework for risk and reward under core principles that employees are expected to know and practice. The Board, through its Human Resources Committee, plays an important role in overseeing the company's performance management and incentive compensation programs. Effective risk management is a central component of employee performance evaluations.

A detailed discussion of our approach to managing various types of risk can be found in our annual report.<sup>20</sup>

**Environmental and Social Impact.** As a large financial institution serving commercial clients in many sectors, including some that may be associated with elevated environmental and/or social impacts, we recognize the importance of understanding the environmental and social implications of our business decisions. Our Environmental and Social Impact Management ("ESIM") Framework<sup>21</sup> is designed to provide clarity and transparency to our stakeholders about how we approach the environmental and social impacts associated with certain financial relationships. It is intended to reflect key objectives from our Environmental and Social Impact Management Policy, which establishes expectations and requirements for identifying, assessing,

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<sup>20</sup> See 2021 Annual Report, Wells Fargo (Mar. 1, 2022), <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2021-annual-report.pdf>.

<sup>21</sup> Environmental and Social Impact Management Framework. Wells Fargo (August 2022), <https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/environmental-social-impact-management.pdf>.

and managing actual and potential environmental and social adverse impacts associated with our commercial clients and financings.

Our ESIM Policy is aligned with the company's Risk Management Framework, which sets forth Wells Fargo's core principles for managing and governing risk. Our approach recognizes that environmental and social issues have the potential to impact various risk types covered by our Risk Management Framework, including reputation risk, credit risk, and strategic risk. Accordingly, we are working to integrate climate into our Risk Management Framework, including risk identification, risk appetite and measurement, risk reporting, scenario analysis, and risk policies and governance.

In addition, we understand that climate change is one of the most urgent environmental and social issues of our time. Wells Fargo is committed to aligning our activities to support the goals of the Paris Agreement and helping transition to a net-zero carbon economy. Our goal is to achieve net-zero greenhouse gas emissions by 2050, including our Scope 1, Scope 2, and Scope 3 financed emissions. To meet this goal, we are taking a comprehensive view of how to address climate change, looking across our business and financial portfolios, reducing the impact of our operations, and driving resiliency in our communities.

We have also committed to deploy \$500 billion in sustainable finance between 2021 and 2030. Additionally, in 2021, we launched the Institute for Sustainable Finance to support clients and communities in the transition to an equitable, low-carbon economy. The Institute intends to advance science- and market-based research, help drive innovation in clean-tech and financial solutions, and work to improve community resiliency.

We issued our first sustainability bond in 2021, named the Inclusive Communities and Climate Bond, which raised \$1 billion in capital aimed toward projects that support housing affordability, socioeconomic advancement and empowerment, and renewable energy. In August, we announced our second of these bonds in the amount of \$2 billion that will finance projects and programs supporting housing affordability, economic opportunity, renewable energy, and clean transportation. Five broker-dealers whose owners include people of color, women, and service-disabled veterans joined Wells Fargo Securities, LLC to serve as bookrunners for the issuance. They, along with 19 additional broker-dealers whose owners are also from underrepresented groups, will receive 75 percent of the underwriting fees from the transaction.

In the fourth quarter of 2021, we joined the Net-Zero Banking Alliance ("NZBA"), an industry-led leadership group designed to foster collaboration and support banks in aligning their financing with the goal of achieving net-zero greenhouse gas emissions. And, earlier this year, we announced our interim targets for reducing greenhouse gas emissions attributable to our financing activities in the Oil & Gas and Power sectors, in accordance with NZBA guidelines.<sup>22</sup> We expect to publicly report on progress made against these targets, and to set additional targets for other key emitting sectors.

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<sup>22</sup> See Wells Fargo Announces Interim Greenhouse Gas Reduction Targets for Oil & Gas and Power Sectors (May 4, 2022), <https://newsroom.wf.com/English/news-releases/news-release-details/2022/Wells-Fargo-Announces-Interim-Greenhouse-Gas-Reduction-Targets-for-Oil--Gas-and-Power-Sectors/default.aspx>.

## V. Investing in Our Communities, Promoting Financial Inclusion, and Serving as a Source of Strength Through COVID-19

We are committed to supporting the communities and populations we serve.

***Promoting Financial Inclusion and Addressing Racial and Economic Equality.*** Wells Fargo offers and continues to develop products and services to advance inclusion in the financial system. Today, a disproportionate number of America's seven million unbanked households are Black, Hispanic, and Native American community members. We recognize this and are working with national and community partners to help unbanked households gain access to affordable banking services, which is a crucial step toward achieving financial stability and prosperity.

We are a longtime leader in the housing finance industry. Between 2017 and 2021, Wells Fargo helped more than 425,000 Black and Hispanic families achieve their homeownership goals with \$110 billion in financing. Since 2019, Wells Fargo has donated more than \$390 million to help address the housing affordability crisis in the country including supporting available and affordable rentals, homeownership and housing stability. Further, over the most recent decade (2011–2020), Wells Fargo helped as many Black families purchase homes as the next three largest bank lenders combined, and in 2020, when including loans originated and loans purchased from correspondent sellers, Wells Fargo funded twice as many loans overall to Black customers as the next largest bank funder.

We have also undertaken a number of other significant efforts since 2020 to boost homeownership in minority and LMI communities:

- We offer our Dream.Plan.Home. low-down-payment mortgage and closing cost assistance program for LMI borrowers with affirmative outreach to LMI communities and communities of color.
- We provide significant grants in connection with the NeighborWorks LMI down payment assistance program, NeighborhoodLIFT. Since 2012, Wells Fargo has invested \$548 million in NeighborhoodLIFT and other LIFT programs to help more than 25,800 individuals and families buy homes through 82 program launches by providing homebuyer education and down payment assistance. These efforts collectively seek to close the homeownership gap in key markets.
- In June, we announced our Growing Diverse Housing Developers program, a \$40 million grant initiative focused on expanding the growth and success of real estate developers of color, including Black- and Latino-owned firms. Launched in collaboration with Capital Impact Partners, Low Income Investment Fund, Raza Development Fund, and Reinvestment Fund, Growing Diverse Housing Developers aims to increase the supply of homes that are affordable across the country. Working together, these four CDFIs have selected 39 developers of color to take part in the four-year program. Participants will have access to lower-cost, flexible capital, as well as the training, mentors, and resources needed to accelerate the production of multifamily and mixed-use housing development projects.

- In April, we announced a new initiative to help advance racial equity in homeownership across the country, including the development of a unique refinance mortgage Special Purpose Credit Program (“SPCP”) to help eligible minority homeowners whose mortgages are serviced by Wells Fargo (starting with Black homeowners) lower their interest rates and subsidize closing costs. This program, which is designed to improve racial economic equity gaps for minority homeowners, goes beyond the usual lending programs and puts Wells Fargo’s own money to work refinancing minority families’ homes.
- We are also expanding our partnerships with the National Urban League and UnidosUS to broaden community outreach efforts for this and other programs, provide homebuying readiness and counseling, and work to eliminate systemic obstacles that prevent many Black and Hispanic customers from achieving their homeownership goals.
- We committed \$60 million through the Wells Fargo Foundation to Wealth Opportunities Restored through Homeownership (“WORTH”) grants projected to support 40,000 homeowners of color in eight markets that have significant homeownership gaps between white and minority families. WORTH grants will run through 2025 and will fund public-private partnerships that develop and implement plans to address the root causes of those homeownership gaps.

In addition to this work, last year we launched our Banking Inclusion Initiative, a 10-year program to help unbanked individuals gain access to affordable, mainstream, digitally enabled transactional accounts, which are a meaningful entry point to fully participating in the economy and achieving financial stability. The initiative is focused on reaching unbanked communities and, in particular, helping remove barriers to financial inclusion. It also will assist those who are underbanked or underserved such as individuals who may have a bank account yet continue to use high cost, non-bank services.

The initiative is centered on three areas:

### **1. Increasing Access to Affordable Products and Digital Solutions**

- Wells Fargo is increasing awareness and outreach about its low-cost, no overdraft fee accounts, which are noted above.
- Wells Fargo continues to deepen its existing relationships with Black-owned minority depository institutions (“MDIs”) to support their work in the communities they serve, including outreach efforts and providing the option for their customers to withdraw cash from Wells Fargo’s ATMs and incur no Wells Fargo fees.
- Wells Fargo is broadening its collaboration with Cities for Financial Empowerment Fund and local Bank On coalitions to pilot new strategies and approaches that help overcome barriers to banking access in several markets with high concentrations of unbanked households.

## **2. Making Financial Education and Advice Accessible**

- Teaming with Operation HOPE, Wells Fargo has begun launching HOPE Inside centers within diverse and LMI neighborhoods across the U.S., starting with Greater Atlanta, Houston, Los Angeles, Oakland, and Phoenix. These centers are designed to foster inclusion through financial education workshops and free one-on-one coaching to help community members take control of their finances and build their credit scores.
- Wells Fargo is working with the Historically Black Colleges and Universities (“HBCUs”) Community Development Action Coalition to provide 16 HBCUs and Minority Serving Institutions access to Our Money Matters, a comprehensive financial wellness initiative for college students of color, who disproportionately face greater financial challenges and college debt.
- Wells Fargo is working with the National Bankers Community Alliance to make Our Money Matters available to the customers of 15 MDIs that are members of the National Bankers Association.
- With nearly 30 percent of its branches in LMI community census tracts, Wells Fargo will introduce a new program within LMI neighborhood branches that will be designed around the needs of the diverse communities it serves. The branches will feature redesigned spaces created to deliver one-on-one consultations, improve digital access and offer financial health seminars, and through these efforts, will help build trust. Employees in these branches reflect the diversity and cultures of the communities and offer in-language service.

## **3. Convening a National Unbanked Task Force**

- Recognizing the difficulty of addressing the unbanked issue in the U.S., Wells Fargo formed a National Unbanked Advisory Task Force that works with us in developing solutions to bring more people into the banking system from underserved communities, while also providing feedback on the initiatives implemented to date and helping determine the best ways to measure success. The task force includes leaders from Hope Enterprise Corporation, League of United Latin American Citizens, Native American Finance Officers Association, National Association for the Advancement of Colored People, National Bankers Association, National Community Reinvestment Coalition, National Congress of American Indians, National Urban League, and UnidosUS.

Wells Fargo also actively participates in the OCC’s Roundtable for Economic Access and Change (“Project REACH”), which focuses on removing barriers to financial inclusion and providing greater access to credit and capital. We chair the REACH Homeownership Working Group.

This work is further bolstered by the multiple choices we offer customers, including those who are not digitally connected, to conveniently access financial services and advice. We have an extensive ATM network and offer no-fee access for customers at approximately 12,000 ATMs for various banking services, including withdrawing cash, transferring funds, checking account balances, and making deposits. Wells Fargo ATMs offer banking in English, Spanish, Chinese, Hmong, French, Korean, Russian, or Vietnamese and meet the requirements of the Americans with Disabilities Act.

We provide 24/7, multi-lingual customer service over the telephone through our automated system as well as through our customer service representatives. This allows customers to get assistance with common needs, including asking questions about account balances and transaction history or initiating transactions like account transfers or stop payments.

***Our Response to the COVID-19 Pandemic.*** We undertook significant efforts to support consumers and small businesses during the COVID-19 pandemic. We supported the PPP by funding roughly 280,000 loans totaling approximately \$14 billion, working with clients of all sizes to provide flexibility and assistance where needed; in particular, we were an industry leader in working with smaller businesses to get them the support they required. In addition, we extended forbearance options for over 1 million mortgage customers since the start of the COVID-19 pandemic. We also deferred payments and waived fees for more than 3.7 million consumer and small business accounts to help people during these challenging times and processed approximately \$90 billion in federal stimulus payments. Further, from May 2020 through 2021, we paused for at least 60 days the collection of negative balances existing at the time federal stimulus payments were deposited to consumers' accounts.<sup>23</sup> Additionally, we cashed federal stimulus payment checks for non-customers in our branches—with no fees charged.

After the CARES Act was signed into law, the government paid fees to those who administered PPP loans. As noted, Wells Fargo felt strongly that these funds were best used to help small businesses stay open and support employment during the pandemic—not to generate income for our bank. We were pleased to be able to use our resources to support PPP without fee compensation in 2020. In July 2020, we announced our Open for Business fund, a roughly \$420 million initiative we created with the gross processing fees we would have earned from processing PPP loans we funded in 2020.

We created this fund to give back to communities, particularly small businesses, with a focus on those in underserved areas. The COVID-19 pandemic has made it difficult for entrepreneurs to keep their doors open, retain employees, and rebuild. Through our Open for Business Fund, we have provided capital, technical support, and long-term resiliency programs to nonprofits that serve small businesses. We did so in partnership with CDFIs and local nonprofits across the nation, allowing for the funding to occur at a highly local level.

We fulfilled our Open for Business commitment in 2021. Our total philanthropic giving in 2021, including Open for Business dollars and Wells Fargo Foundation giving, was \$615 million.

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<sup>23</sup> Where Wells Fargo acted as garnishee and received third-party garnishment orders with respect to stimulus payments, our practice was to follow federal and state guidance.

***Investments in MDIs and CDFIs.*** Wells Fargo has provided \$2.6 billion in funding to support CDFIs between 2011 and 2021, including our work through the Open for Business Fund. Wells Fargo invested in CDFIs and MDIs in multiple ways, including the Wells Fargo Diverse Community Capital (DCC) program. This is a multi-year \$175 million program to empower diverse small business owners with access to capital and technical assistance by teaming up with CDFIs to support borrowers in all 50 states; the District of Columbia; and Puerto Rico. The Diverse Community Capital program awardees provided \$2.9 billion in financing and 2.6 million hours of technical assistance, enabling entrepreneurs to sustain more than 369,000 jobs. In 2021, Wells Fargo reached full funding of the \$175 million program commitment.

In May 2021, we fulfilled our March 2020 commitment to invest \$50 million in 13 African American MDIs. With these investments, Wells Fargo aims to provide more than capital, but also forge long-term partnerships with MDIs by offering access to a dedicated relationship team that works with each MDI on financial, technological and product development strategies to help each institution strengthen and grow. In addition, Wells Fargo is making its ATM network available to customers of these 13 MDIs to provide the option to withdraw cash from our ATMs and incur no Wells Fargo fees.

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In conclusion, I want to express my sincere gratitude to everyone at Wells Fargo who has continued to serve our customers, each other, and our communities through these challenging times. I appreciate their dedication and resiliency as we have worked to make Wells Fargo better. While we still have much more to do, our foundation is stronger, our business is more focused, we are driving cultural change, and the talent and management process changes we have made are making a positive impact. I remain incredibly optimistic about our future.

Thank you, and I welcome your questions.

**Appendix A**  
**Wells Fargo Capital & Leverage Ratio, Dividend, and Stock Repurchase Data 2011 – 2021<sup>24</sup>**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Common Equity Tier 1 Capital Ratio	11.35%	11.59%	11.14%	11.74%	12.28%	11.13%	11.07%	11.04%	10.82%	10.12%	9.46%
Tier 1 Capital Ratio	12.89%	13.25%	12.76%	13.46%	14.14%	12.82%	12.63%	12.45%	12.33%	11.75%	11.33%
Total Capital Ratio	15.84%	16.14%	15.75%	16.60%	17.46%	16.04%	15.45%	15.53%	15.43%	14.63%	14.76%
Tier 1 Leverage Ratio	8.34%	8.32%	8.31%	9.07%	9.35%	8.95%	9.37%	9.45%	9.6%	9.47%	9.03%
Supplemental Leverage Ratio <sup>25</sup>	6.89%	8.05%	7.07%	7.7%	8.0%	7.5%	7.7%	–	–	–	–
Common Stock Dividends	\$2.4 b	\$5.0 b	\$8.4 b	\$7.9 b	\$7.7 b	\$7.7 b	\$7.6 b	\$7.1 b	\$6.1 b	\$4.7 b	\$2.5 b
Common Stock Repurchased	\$14.5 b	\$3.4 b	\$24.5 b	\$20.6 b	\$10.7 b	\$7.9 b	\$8.9 b	\$9.2 b	\$5.1 b	\$3.9 b	\$2.4 b

<sup>24</sup> All data reflected here appears in Wells Fargo's public annual reports.

<sup>25</sup> In April 2014, federal banking regulators finalized a rule that enhances the supplemental leverage ratio requirements for bank holding companies, like Wells Fargo, and their insured depository institutions. Wells Fargo began reporting its SLR calculations in its 2015 annual report.

Appendix B: Branch Map

