

Environmental and Social Risk Management

2015 Statement and Report



Together we'll go far



Responsible in all we do

Since our founding in 1852, we have focused on a few core principles: Putting our customers first and helping them succeed financially. Valuing and supporting our team members. Investing in our communities. Strengthening the economy. These principles form the foundation of [Wells Fargo's Vision & Values](#) and how we conduct business.

Risk management is central to what we do and Wells Fargo's Environmental and Social Risk Management (ESRM) statement is part of our commitment to managing risk at every level of our company. In addition to managing our own operations and supply chain to improve Wells Fargo's impact on the environment, we help our customers understand and manage risks associated with the environmental and social performance of their business. We believe that by understanding our customers and their financial needs, we are better able to identify and address risk at its source.

I. Environmental and Social Risk Management at Wells Fargo

We are in the risk management business

For more than 160 years, Wells Fargo has been in the risk management business. It's central to what we do, and it's never been more important than it is today. Effective risk management practices help us better serve our customers, maintain and improve our position in the market, and protect the long-term safety, soundness, and reputation of Wells Fargo.

Our enterprise-wide Environmental and Social Risk Management (ESRM) policy applies a consistent approach to understanding, assessing, and considering environmental and social risks in our decision making. The ESRM policy follows Wells Fargo's risk management approach. It is aligned with our statement of risk appetite, which defines the nature and level of risk that Wells Fargo is willing to take in pursuit of its strategic and business objectives. We want to grow the company, and will only do so in a way that supports our long-term goals and our ability to manage risk. Lines of business have primary accountability for managing risk, and the ESRM team serves as a second line of defense, providing enterprise oversight and "credible challenge" to business lines, and helping lines of business complete due diligence and implement ESRM policies and practices. A third line of defense is our internal audit team. We openly discuss and escalate identified risks throughout all levels and across all businesses within the organization.

For additional information about our commitment to environmental sustainability, please visit our 2015 [Corporate Social Responsibility Report](#)



The Wells Fargo Board of Directors' Corporate Responsibility Committee (CRC) has primary oversight for the ESRM policy, as it does for all the company's policies, programs and strategies regarding corporate responsibility matters, as outlined in the [committee charter](#).

We value long-term customer relationships

Wells Fargo invests in customer relationships that endure. Understanding customer and industry issues is a cornerstone of Wells Fargo's approach. It improves our credit decisions and helps us build stronger and more durable relationships over time. And it shows in our long-term financial performance.

Our approach to Environmental and Social Risk Management is based on our business model

Wells Fargo is organized for management reporting purposes into three operating segments: Community Banking, including thousands of retail banking stores; Wealth and Investment Management, providing a full range of wealth management, investment and retirement products; and Wholesale Banking, providing financial services to businesses and organizations. For more information on our business structure, see our Annual Report. The principles of ESRM are particularly applicable in our Wholesale business, where we provide commercial and corporate lending as well as investment banking services across a wide variety of industries.

Our model for ESRM is unique. Many banks initially developed their ESRM programs to address stakeholder concerns related to providing project finance for projects in developing countries. We have very limited history in project finance, and until a few years ago, we were primarily focused on serving U.S. customers.

With a view to make better credit and business decisions, our ESRM due diligence evaluates our customers' commitment, capacity and track record in managing environmental and social risks. We believe that by identifying and addressing the environmental and social impacts of our customers, we get a better understanding of their operations and long-term strengths. At the same time, our objective is to ensure that the financial services we provide do not facilitate unacceptable impacts on communities or the environment. Our process also helps protect Wells Fargo's reputation and provides our team members the clarity and tools they need to make informed decisions when growing relationships in sensitive industries.

We work to integrate ESRM into other business processes, too. For example, our new and modified product-approval process requires a thorough assessment of product impacts as well as an opportunity for the ESRM team to credibly challenge the assessment before product approval. In addition, we incorporated environmental and human rights factors into our enterprise-wide country risk rating index in 2015. The index is used to assess risks associated with a country prior to establishing a business presence, new customer relationship or product.

To ensure we address evolving best practices to support the success of our customers, we conduct ongoing reviews and updates of our ESRM practices and policies.

Environmental and Social Risks in Asset Management

Signatories to the United Nations-supported [Principles for Responsible Investment \(PRI\)](#) include the following Wells Fargo entities:

- [Wells Capital Management](#), the largest institutional manager within Wells Fargo Asset Management;
- [Nelson Capital Management](#), a Wells Fargo-owned asset management firm focused on socially responsible investing (SRI) portfolio strategies;
- [Rock Creek Group](#), a Wells Fargo-owned asset management firm with a long history of working on environmental, social, and governance (ESG) issues.

PRI signatories commit to incorporating ESG issues into investment decision-making, being active shareholders, and reporting annually on their activities and progress in implementing the principles.



Our approach is aligned with international industry standards

We're committed to following industry best practices for managing environmental and social risk. Our ESRM policy is aligned with international industry standards and we are constantly evaluating which international standards are most relevant for Wells Fargo in the future. Our primary ESRM commitments:

- Carbon Principles - Wells Fargo adopted the Carbon Principles in 2008. The Carbon Principles require adopters to evaluate risks associated with greenhouse gas (GHG) emissions pertaining to transactions involving financing for coal-fired power plants in the U.S.
- Equator Principles - Despite our limited history in project finance, Wells Fargo adopted the Equator Principles in 2005 to support best practices in the financial services industry. The Equator Principles are a framework established by the industry to determine, assess, and manage social and environmental risks and impacts associated with large scale energy projects like power plants and dams. As a signatory we will provide loans and advisory services only to those projects whose borrowers can demonstrate their ability and willingness to comply with the Equator Principles requirements for categorizing, assessing, and managing environmental and social risks. Our internal ESRM policy requires customer relationship and investment teams to engage the ESRM team when a transaction is subject to the Equator Principles. Wells Fargo leverages the structure of the Equator Principles throughout our policy. In 2015, we participated in our first Equator Principles transaction (see side bar).

ESRM reporting

Our ESRM reporting is aligned with internationally recognized standards. In our reporting, we draw on the Financial Services Sector Disclosures under the Global Reporting Initiative G4 Sustainability Reporting Guidelines which have helped shape the scope of this statement and the specific key performance metrics.

Our ESRM reporting will continue to evolve as we seek to enhance the quality of our disclosure and provide more detailed information to align with increasing stakeholder expectations. Compared to our previous ESRM statements, this statement details key performance metrics that yield further insights into the implementation of our ESRM policy guidelines.

In 2015, we established systems to improve how we track transactions company-wide, which will allow us to understand how we manage environmental and social risk.

We understand our external stakeholders' desire for financial institutions to disclose the carbon risks related to their commercial portfolios. In 2013, Wells Fargo joined the global multistakeholder organization, the Advisory Group for the World Resources Institute/United Nations Environment Program for Financial Institutions Greenhouse Gas Sector Guidance. Based on the success

ESRM capacity

- Number of full-time ESRM team members: **3**
- Number of employees trained in the reporting year : **316** (we seek to train all applicable team members focused on covered industries)
- Types of training platforms: **live webinar and classroom**

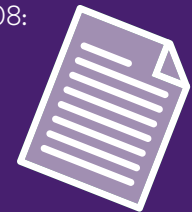
Carbon Principles

- Number of transactions requiring application in 2015:

0

- Project requiring application since 2008:

1



Equator Principles

Number of transactions requiring application during the 2015 reporting period	1
Sector	Infrastructure
Region	Americas
Country	USA
Country Designation	Designated
Independent Review	Yes
Category	B
Year	2015

of other sectors reporting emissions that an organization influences, but does not control, the group attempted to develop an accounting methodology for financial institutions to report “financed emissions” from lending and investing activities. The multi-stakeholder process revealed several challenges with this concept, including establishing a connection between financed emissions accounting and risk management in banking. In 2015, the group was renamed the Portfolio Carbon Initiative and shifted its focus to providing guidance on the Carbon Asset Risk initiative (the non-physical risks of climate change) and the Climate Strategies and Metrics project. We continue to participate in the Portfolio Carbon Initiative workstreams.

We engage with our stakeholders

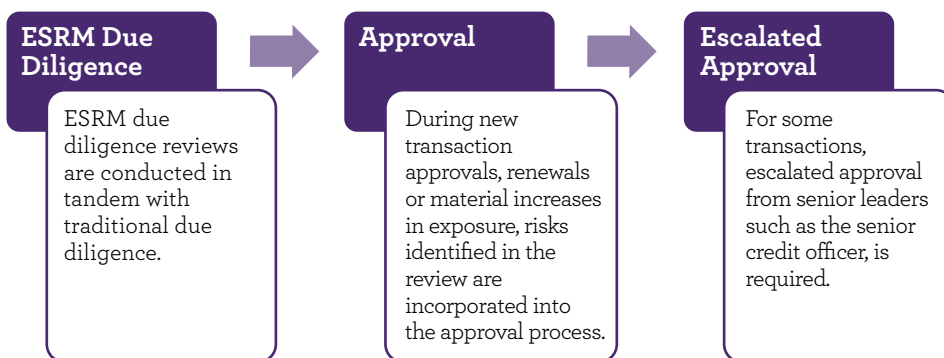
Connecting with communities and stakeholders is one of Wells Fargo’s strategic priorities. We understand the important role we play in the success of our communities. We reach out and connect with our stakeholders and communities to listen to their concerns and understand their expectations.

Stakeholder engagement is also important from a governance perspective, and it supports our ESRM. Our stakeholder engagement helps us understand changing societal expectations on environmental and social topics that can create risk in our business. We apply the knowledge we build through engagement to our ESRM policies and practices.

II. ESRM Due Diligence Process

Through stakeholder engagement and industry expertise, we identify transaction types, customer activities and cross-cutting issues with heightened risks that could have potentially significant environmental and/or social impacts. In circumstances where we believe risks and impacts are material to the long-term success of companies or could have severe adverse impacts on the environment or communities, we perform industry-, issue-, or transaction-specific environmental and social risk due diligence to evaluate a customer’s commitment, capacity and track record as they relate to ESRM. We seek relationships with responsible businesses in every industry that we finance.

High-level procedural overview



ESRM due diligence review summary

Our ESRM progress in 2015 is summarized by the following metrics:

- Number of companies screened for environmental and social incidents using third-party risk analytics:

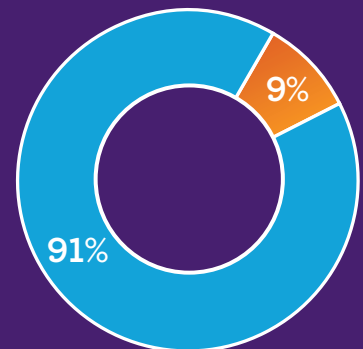
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- Percentage increase in the number of due diligence reviews performed by ESRM over previous year:

36%

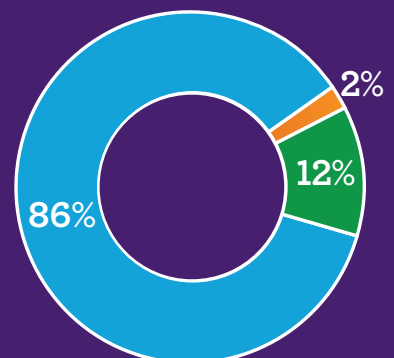
- Percentage of transactions reviewed by region using headquarters of client:

91% - US 9% - Canada or UK



- Percentage of transactions broken down into different risk ratings:

Low: 12% Medium: 86% High: 2%



Environmental and social risks exist across every industry to some degree. We use our ESRM Rapid Risk Screen to help identify risks for customers in industries for which we do not have detailed policies. The Screen identifies whether or not a customer or transaction has potential environmental or social risks that should be further evaluated. We use a General Client Environmental and Social Risk Questionnaire to evaluate a company's relevant commitment, capacity, and track record. If potential human rights risks are identified in the Rapid Risk Screen, or if human rights impacts are known or reasonably expected, we use the Wells Fargo Human Rights Due Diligence Questionnaire (see Human Rights section on page 14).

Internal training and engagement

Education and awareness-building is critically important to environmentally and socially responsible banking. We provide ESRM training and implement programs for team members supporting industries covered by our ESRM policy. Our programs are tailored to the needs of course participants, and include time for discussion. In addition, through our Wholesale Banking Credit Management Training, we address environmental and social issues, including respect for human rights. The credit management training program has been offered at Wells Fargo for more than 30 consecutive years, and its graduates include some of our highest-ranking credit officers.

III. Critical Industries and Activities

Energy and power

Wells Fargo provides financial services throughout the energy industry value chain, primarily in North America. We seek to understand the sector holistically and consider common themes and trends to deliver enhanced business value while managing our exposure to risk.

The Paris Agreement on climate change, announced in December 2015, set the stage for a new wave of possible policies and regulations to reduce GHG emissions in the power generation and transportation sectors. To manage risks, we perform sensitivity analyses on our customers and portfolios, and the analyses have intensified in the current* low commodity price environment. At the same time, we continue to increase our investments in solar and wind projects, and support our electric utilities customers as they work to meet increasingly stringent environmental regulations or to make investments in new technologies that make power more reliable, affordable, diverse, and community centric.

We engage with external stakeholders who encourage us to finance more clean energy and power and less fossil fuel-based energy and power. And, we are keenly aware of the respective risks and returns across different categories of energy and what this means for our portfolio in a changing energy landscape. As a result, we work to promote a dialogue on the real and perceived risks in these industries, encourage a deeper understanding of risks, and promote best practices for risk management.

**As of the date of this report, July 2016*

Oil and gas exploration and production

Wells Fargo provides financing for oil and gas customers across North America and the United Kingdom. Consistent with our approach to doing business with customers in other environmentally sensitive industries, we seek relationships with responsible oil and gas businesses.

All lending relationships with companies engaged in the oil and gas industry are reviewed for environmental and social risks. Seeking a more comprehensive understanding of these risks, in 2015, the ESRM team selected 10 percent of our oil and gas customers engaged in unconventional hydrocarbon extraction for a deeper ESRM review (we define unconventional hydrocarbon extraction as hydraulic fracturing, offshore drilling, or operations in the Canadian oil sands or areas of Alaska and the Arctic). The team is working to review all customers engaged in unconventional hydrocarbon extraction for environmental and social risks, and ESRM risk assessments are considered in the transaction approval process.

The ESRM due diligence process is detailed and thorough. Across all sub-sectors of oil and gas exploration and production, we assess issues such as water risk, community support, stakeholder engagement, worker safety, governance and other topics. Each ESRM review is tailored to the activities and location of the customer.

Hydraulic Fracturing, Alaska/Arctic, Offshore and Oil sands

Together with external experts, we developed activity-specific due diligence processes to assess risk associated with customers involved in hydraulic fracturing, Alaska/Arctic, offshore and oil sands. For example, for clients involved in offshore operations, our due diligence includes an assessment of risks of spills and other impacts on sensitive marine habitats. For clients involved in Alaska/Arctic operations, our diligence addresses biodiversity as well as region-specific water risks. For clients involved in oil sands, we seek to understand a customer's approach to land reclamation, tailing ponds and waste management specific to oil sands. More details on our environmental and social risk due diligence for hydraulic fracturing is in the Issue Brief on page 7.

The ESRM team works with customer relationship and investment teams to balance our business objectives while mitigating environmental and social risks. In some cases, we engage our clients to understand their risk management practices. We monitor the changing risk landscape and revise our approach as necessary.

We also support industry and community organizations working to define responsible practices in the oil and gas industry. Through the Wells Fargo Environmental Grant program, we provide financial and business resources to community, academic and nonprofit organizations working to solve challenging environmental problems.

For example, we sponsored the Colorado State Natural Gas Symposium from 2012 through 2015. This symposium brings together stakeholders representing industry, academia, government, and environmental and community organizations. We also sponsored the 2015 Oil and Gas Cleantech Challenge, which focused on creating solutions for the industry's greatest technology needs.



Issue Brief: Hydraulic Fracturing in the U.S.

Why is it an issue?

Advancements in the drilling technique known as hydraulic fracturing (“fracking”) have fueled major growth in U.S. oil and gas development from shale over the past 15 years. From relatively no production 25 years ago, U.S. shale oil and gas production has increased tremendously in both relative and absolute terms. For example, shale gas represented five percent of total U.S. gas production in 2004, but increased to ten percent in 2007 and 56 percent in 2015, according to the U.S. Energy Information Administration. In total volume, U.S. shale gas production increased more than 1600 percent from 2004 to 2015. Oil production from U.S. shale has experienced a similar increase representing 49 percent of total U.S. crude oil production in 2015 and more than 10 percent of total global crude supply. Although development of this resource has helped usher in a new era of U.S. energy independence and employment, Wells Fargo recognizes the topic of fracking can be polarizing.

The economic benefits as well as the reduced greenhouse gas emissions of natural gas relative to coal are well understood. Yet governments, landowners, local communities, and environmental groups are concerned about perceived impacts of fracking on local water supplies, seismicity, transportation of water and other materials by truck, and methane emissions. Companies in this sector also find themselves in an increasingly challenging energy market due to a variety of pressures including declining energy prices, increasing federal and state regulation, and competition from other energy sources. These compounding challenges have put significant financial strain on companies with fracking operations which has resulted in reduced cash flows, credit downgrades, defaults and bankruptcies. Although energy prices are expected to rebound in 2016 and 2017,¹ regulatory and public concerns related to environmental and social issues are anticipated to persist.

What do we expect from companies we finance?

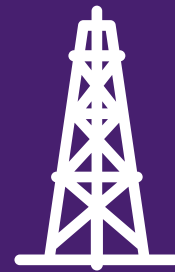
Our goal is to support our customers and help them succeed while managing our own credit and reputational risks. Wells Fargo has a specific due diligence questionnaire related to organizations using unconventional hydrocarbon extraction techniques. We evaluate a company’s commitment, capacity and performance related to environmental, safety and community issues. For some transactions, elevated credit approval is required. Our environmental and social risk assessment is one factor in approving the transaction or relationship. This means we expect our customers to maintain positive environmental, safety and community track records. We expect all clients to properly manage environmental and social issues that could pose risks to their operations.

¹ Energy Information Administration, http://www.eia.gov/forecasts/steo/pdf/steo_full.pdf

Oil and gas exploration and production

Customers selected by ESRM for further due diligence

10%



How do we engage clients?

We conduct ESRM due diligence for any client whose revenue is substantially derived from fracking. We engage with our customers in this industry to ensure they are addressing both real and perceived community and environmental impacts. Our assessment covers material environmental and social issues including impacts on water, air, transportation, and community. If an issue is identified during due diligence, we reach out to the client to understand mitigating measures and monitor implementation. We believe engaging with responsible customers and clients leads to stronger credit quality, better long-term relationships, and improved shareholder value.

What do we see among our clients who are succeeding?

In our experience, clients who are more likely to succeed in these challenging times typically have engaged in two common behaviors in the management of environmental and social concerns:

- (1) They have made a commitment to leading performance standards that reinforce a culture of continuous improvement with respect to the safe and environmentally responsible development of shale resources;
- (2) They have maintained transparency and open dialogue with Wells Fargo and local stakeholders.

How does this lead to better outcomes for clients, Wells Fargo and the communities we serve?

We recognize that many of our external stakeholders have concerns about companies engaging in practices that they believe may impact the environment and human health. We understand specific concerns about the environmental and community impacts associated with hydraulic fracturing. As a major financial institution, Wells Fargo has a responsibility to consider and manage these impacts. Clients who manage environmental and social impacts well are more likely to reduce their operating, financial, legal and reputational risks which translate into better business outcomes for all parties. Ultimately, this helps to preserve natural capital (e.g., clean air and water), minimize the risk of safety incidents that could damage life and property, and contribute to economic prosperity.

Electricity generation

Our economy is dependent on reliable, affordable and diversified electricity supplies to fuel our economic growth and ensure community prosperity. Policy makers, regulators and communities are showing an increasing desire for a cleaner electricity mix - including renewables like solar and wind - to meet these objectives. In 2015, approximately 32.8 percent of the generating capacity in the U.S. was from renewable and zero-carbon sources, the highest level on record. The balance was driven by fossil fuels with 33.2 percent attributed to coal, 32.7 percent natural gas, and 1.3 percent petroleum and other fuels.

Wells Fargo provides financial services to regulated utilities (electric, gas and water) and unregulated power producers, including renewable energy developers. Most of these customers are based in the U.S. Our focus in this sector, as with all our customers, is long-term and relationship-oriented. Our customer relationship and investment teams are industry experts, keenly aware of evolving market forces that could impact our customers, and therefore our portfolio. From tracking renewable portfolio standards and other regulatory concerns to the impact of fuel prices within the industry and for consumers, our bankers understand the risk landscape and engage with customers to understand their respective approaches to risk management and operating responsibly.

We follow a comprehensive due diligence process for our power and utilities transactions including the guidelines set forth in the Carbon Principles, which Wells Fargo adopted in 2008 (see page 3). Our analysis carefully assesses environmental, social, regulatory, financial and reputational risks associated with the operations of customers and prospective customers alike. In addition, an annual carbon assessment is completed on our entire electric utility portfolio to understand the risk profile of our customers given current and future GHG regulations. The recent extension of the Renewable Investment Tax Credits and Production Tax Credits provides the needed policy certainty to help ensure continued investment in clean energy alternatives.

With the ongoing industry shift to cleaner sources of energy, we will continue to support our customers in the power and utilities industries as they work to embrace changing market dynamics and regulatory requirements. Wells Fargo will continue to grow our investment in renewable energy. Through our Power and Utilities Group, we have relationships with customers who collectively own more than 30 percent of the solar and wind facilities across the U.S.

Wells Fargo makes equity investments in solar and wind projects in addition to our traditional customer lending. Our investment approach is relationship-based. We select leading, high-quality, trusted developers and work with them on multiple projects. Our Renewable Energy and Environmental Finance team invests in U.S.-based, renewable energy projects that comply with local and federal environmental regulations. This team also performs careful technical due diligence on the manufacturers of the solar panels we use in our projects including an evaluation of any human rights and/or environmental impacts that may occur during the manufacturing of the components. In 2015, projects owned in whole or in part by Wells Fargo produced 10 percent of U.S. solar photovoltaic and wind energy generation.

Electricity generation

- Projects owned in whole or in part by Wells Fargo generated **10%** of solar and wind energy produced in the U.S. in 2015



- Percentage of electric utility customers undergoing annual carbon risk assessment: **100%**

- Percentage of solar and wind electricity generation in the U.S. owned by Wells Fargo Power & Utilities customers: **>30%**



Issue Brief: Impacts of climate change regulation on regulated utility companies

Why is this an issue?

As issues around climate change continue to dominate headlines, electric utility companies are facing numerous urgent demands from multiple stakeholder groups. In addition to responding to the needs and interests of investors, customers and community groups, electric utility companies must navigate an increasingly complex landscape of regulations at the local, state and federal level. Increasingly, this means fulfilling requirements for state-mandated renewable portfolio standards, federal clean air requirements, and energy conservation programs. At the same time, they are continuing to fulfill their mandate to provide reliable, affordable, diversified, and community-centric utility service to their customers.

Although its implementation has been temporarily stayed by the U.S. Supreme Court, the current version of the U.S. EPA's Clean Power Plan (CPP), provides detailed insights into potential future federal regulatory requirements that are likely to apply to U.S. regulated utilities. At Wells Fargo, we will work with and support our customers as they navigate these changes while diligently managing any credit risk that results.

What do we expect from companies we finance and how do we engage clients?

We expect our utility clients to be proactive on the issues of climate change and carbon emissions regulation. We expect them to have developed programs and processes to assist in managing uncertainty, anticipating regulatory action, and adapting to changing economic and regulatory forces.

We keep an open dialogue with our clients in order to share our perspectives on risks and requirements associated with potential future regulations and other issues that are critical to their success, and we seek to deeply understand their philosophies and strategies for meeting the requirements of all stakeholders. We also help clients develop the financial flexibility to invest in new technologies and diversify their generation portfolios in order to comply with regulatory mandates and meet their own voluntary goals for reducing GHG emissions.

What do we see among our clients who are succeeding and how does this lead to better outcomes for Wells Fargo and the communities we serve?

Successful clients have realized that planning for a range of possible federal, state and local regulatory scenarios has allowed them to be more agile overall and keep pace with competitors, regulators and consumer demands. They have been evolving their respective generation mixes, decommissioning older coal-fired plants, converting others to gas, developing processes for accelerating or

decelerating plans based on regulatory action, and engaging their customers in conservation efforts. Some clients have set voluntary GHG reduction goals in preparation for future requirements, and they work toward these goals through capital investment programs. These types of efforts position our clients well for compliance with potentially stricter future regulations, and they represent significant investments that can strain cash flows or increase earnings volatility if they are not thoughtfully and strategically planned and supported by state utility regulators.

Our longstanding mission is to satisfy our customers' financial needs and help them succeed financially, and our success to date is rooted in a sense of collaboration, respect and community that characterizes all of our client relationships. We know that for our electric utility clients, the regulatory landscape is evolving quickly, and compliance with anticipated regulations may require capital investment.

Doing what is right for our customers and communities is a core value at Wells Fargo. To support our regulated utility clients in their efforts to provide responsible, reliable and affordable utility service to their customers and communities, Wells Fargo is committed to helping them succeed as they navigate an ever-changing regulatory environment and drive toward a cleaner energy future.

Mining

Coal mining

Wells Fargo has limited exposure to the coal mining industry. Since 2011, market and regulatory forces have led to a new paradigm for U.S. coal producers. The amount of electricity produced from coal declined from 50 percent in 2005 to 36 percent in 2015, and the Dow Jones U.S. Coal Index, which captures the largest listed coal companies, fell more than 85 percent from 2010 to 2015. Proposed regulations to address climate change and other impacts across the coal lifecycle are projected to significantly impact the economics of coal-fired power generation and the coal mining industry.

We engage with industry experts as well as community organizations to maintain a deep understanding of specific environmental and social risks associated with coal mining, which has influenced our credit and capital markets decisions. Wells Fargo has and will continue to limit and reduce our credit exposure to the coal mining industry. As a relationship-based bank, our clients place their trust in us. We will continue to support our existing coal mining customers with capital markets expertise and other products in some circumstances, to help them manage the changing economics.

We recognize the elevated community concerns associated with the practice of mountaintop removal coal mining techniques, and we have limited and declining credit exposure to companies using these practices. According to the U.S. Energy Information Administration, coal production from mines with mountaintop

removal (MTR) permits has declined since 2008, more than the downward trend in total U.S. coal production. Total U.S. coal production decreased about 15 percent from 2008 to 2014, while mountaintop removal decreased 62 percent during this period. Wells Fargo does not directly finance mountaintop removal coal mining projects, nor do we extend credit or facilitate capital markets transactions to coal producers engaged primarily in MTR mining.

Industry-specific environmental and social risk due diligence is conducted by our customer relationship and investment teams in partnership with our ESRM team on all credit and capital markets transactions involving clients in the coal mining industry, and coal mining credit transactions require approval by Wells Fargo's senior credit authorities. Together we assess a company's commitment, capacity and track record on issues including worker safety, GHG, water and air impacts, human rights and stakeholder relations.

Metal mining

Mining of metals provides basic materials for our society. At the same time, metal mining can also have significant environmental, community, and health impacts. We recognize the significant environmental, legal, regulatory, community, and reputation risks facing the metal mining industry. In addition to our standard environmental and social risk due diligence evaluating a company's commitment, capacity and track record, our specific approach to assessing risks of metal mining customers covers issues such as stakeholder engagement, worker safety, contractor performance, tailings disposal, water impacts and human rights.

Agriculture, forestry and fisheries

Wells Fargo has been the leading agricultural lender in the U.S. among commercial banks for 18 consecutive years. Our dedicated agriculture industry team is unique in the industry. It includes more than 15 agriculture consultants, analysts and an agriculture economist responsible for assessing and managing risks specific to agriculture, forestry and fisheries.

The consultant team works in conjunction with our agriculture lenders to serve Wells Fargo's portfolio of customers including livestock farmers; fisheries; vegetable, fruit, and nut growers; grain merchandisers; food processors; greenhouse nurseries; and timber growers and processors.

One social risk unique to this sector is food safety. Producers are proactively implementing food safety protocols and governments are adopting more stringent food safety regulations, which is shifting the focus from responding to contamination to prevention. Companies must manage this risk well. Foodborne illnesses are a risk to people and public health, can damage consumer trust in the industry, and can quickly become a reputation risk to our customers.

Another social factor our agriculture consultants work to understand is the customer's labor practices, including its approach to contract labor.

Our agriculture consultants also assess a wide variety of environmental risks. We need to understand how our customers meet wastewater and other environmental regulations where they operate. We conduct water

Coal and metal mining

- Number of transactions reviewed: **23**

assessments to ensure our customers have sufficient water supply to grow their crops, feed their animals or operate their business. During periods of drought, we conduct portfolio-wide analyses to understand the impacts on our customers and our portfolio.

Our consultants' analysis is tailored to the specific risks associated with particular activities and regions. Drought and extreme weather events impact agriculture customers in different ways depending on their location and operations. We may conduct a deeper analysis into water availability for customers operating in an arid region, whereas we may need to understand a customer's flood mitigation strategy if they are operating in a flood prone area.

In addition to environmental and social risks associated with their operations, understanding our customers' unique supply chain issues are critical to risk assessment. We stay abreast of industry trends and engage with our clients to understand how they will meet evolving customer and stakeholder expectations.

Increasingly, grocers, food and beverage companies, and restaurants are requiring their suppliers to adhere to elevated standards for animal welfare, water risk, sustainable fisheries or other sustainability-related matters. They are increasingly asking for certifications, scores and sustainability improvement plans from their suppliers. Additionally, consumers are increasingly calling for greater transparency from businesses in the agriculture, forestry and fisheries sectors.

We engage with our customers to share stakeholder viewpoints and market trends, and we include our assessment of their approach to these types of issues in our risk documentation. For fish or food importers, for example, our customers should know and be able to trace the provenance of their products. In the forestry sector, risk consultants discuss forest management policies and practices with our clients, along with any efforts to engage third-party organizations that certify businesses for responsible practices in forest management, protection of water resources, biodiversity, and community engagement. And for customers who import lumber, we screen for compliance with the Lacey Act, legislation that bans trade in illegally sourced wood products.

IV. Overarching Issues

Certain issues cut across many lines of our business. Climate change and respect for human rights are two that are constantly developing based on numerous factors, and we assess for these risks whenever relevant.

Climate change

We recognize the growing concerns related to climate change, and we are committed to doing our part as outlined in our [Climate Change Statement](#).

When financing customers, we integrate climate change-related risks into our decision-making when the risks are material and have the potential to impact a customer's long-term success. Risks and opportunities associated with the

impacts of climate change vary by customer, and are typically related to their activities and/or physical locations, so we evaluate each customer accordingly. Risk categories we consider include, but are not limited to:

- **Physical risk:** Physical risks are location-specific – examples include exposure to shifting precipitation patterns, large scale weather disasters, rising temperatures, rising sea levels, etc. – so we consider the location of a customer’s operations when evaluating their business risks.
- **Regulatory risk:** Risks from increased regulatory oversight drives the “stranded asset” hypothesis, which asserts that the long-term viability of fossil fuel firms is at risk because a material proportion of their proven reserves will need to be left in the ground due to future regulatory policies limiting carbon emissions. We incorporate regulatory risk into our evaluation of any industry likely to be impacted by climate-change related regulation, including power and utilities.
- **Transition risk:** In addition to regulatory and physical risks, changes in technologies and consumer demand may impact companies during the transition towards a lower carbon economy. Our relationship model gives us a deep understanding of our customers’ ability to manage these risks.

Human rights

Wells Fargo recognizes that governments have the duty to protect human rights, and our company has a responsibility to respect human rights. Respecting human rights is an ongoing effort, and we regularly assess our practices and approaches in light of changing global policies, business practices and consumer expectations.

Wells Fargo’s human rights policy commitment is explicitly approved at the most senior level of the business as documented in the Wells Fargo & Company Board of Directors [Corporate Responsibility Committee Charter](#). “The CRC shall oversee the Company’s policies and programs related to environmental sustainability, human rights, and other social and public matters of significance to the Company, including the Company’s supplier diversity initiatives.”

Furthermore, our [Statement on Human Rights](#) guides our efforts in this area by stakeholder group. Some elements include:

- **Team members:** We are committed to [safe, inclusive, and respectful workplace practices](#). Our [Code of Ethics and Business Conduct](#) identifies the responsibilities our team members have to support efforts to eliminate modern slavery, exploitation and human trafficking abuses, and to more broadly do their part to protect the rights and dignity of everyone with whom we do business. Team members are specifically asked to report any suspicion or evidence of human rights abuses in our operations or those of our business partners. Our EthicsLine is a service through which complaints, concerns, and violations can be reported anonymously to Wells Fargo or its board of directors through third-party interview experts. Team members can reach the EthicsLine by phone or online 24 hours a day, seven days a week. We encourage team members to speak up and raise concerns to their manager, to our human resources team or via the EthicsLine, and we do not tolerate retaliation against team members who report concerns in good faith. We are committed

to investigating potential violations and dealing with each report fairly and reasonably.

- **Suppliers:** Our [Supplier Code of Conduct](#) outlines our expectations for ethical business practices, environmental stewardship, diversity, and human rights. We strive to engage only with suppliers whose values and business principles demonstrate a respect for communities and individual human rights in all areas of their businesses.
- **Communities:** We generously invest our financial and human capital with community and nonprofit organizations in order to enhance quality of life in the communities where we have a business presence and preserve the natural environment upon which we all rely.
- **Customers:** We are dedicated to living by [fair and responsible lending](#) and servicing principles to foster best practices and ensure consumers are treated with respect.

In addition to our enterprise-wide human rights framework, the ESRM process includes performing our own research and analyzing third-party environmental, social and governance research. We take allegations of human rights abuses seriously. When our research uncovers such allegations or they are brought to our attention, we engage with our customers to understand their risk management approach, and we actively monitor developments over time. When there are different viewpoints on an allegation, we document the views and their sources, and we use expert judgment to assess the situation. In cases where we become uncomfortable with a relationship — for financial, ethical or other reasons — we seek opportunities to exit.

Wells Fargo clients represent nearly every sector of the economy, and we understand that human rights risks exist in many areas of business. Throughout this report, we have discussed how we assess the human rights risks associated with certain sectors and clients, and we are committed to continuing and improving upon these practices.

V. ESRM and Relationship-Based Banking

We are in the relationship business.

For more than 160 years, our relationship-based banking model has helped us satisfy our customers' financial needs and helped them succeed financially. Our relationships with our customers are built, first and foremost, on trust, which we know we need to earn every day. With that trust, we gain unique access to and insights on our customers and their activities, and we keep this information confidential to ensure the sustainability of our banking model and the flow of critical information that informs our decision-making.

In the areas of climate change, respect for human rights, and other high-profile social, environmental and political issues, shifting public opinion may lead to additional risks for customers. We believe our relationship-based banking model along with our environmental and social risk due diligence process substantially mitigate these types of risks, because our processes emphasize a deep understanding of our customers activities, the political environment in which they operate, and trending social and environmental concerns.

2015 Key Performance Indicators Index

I. Environmental and Social Risk Management at Wells Fargo p.3

1. Number of full-time ESRM team members: 3
2. Number of employees trained 2015: 316
3. Types of training platforms: live webinar and classroom
4. Number of transactions requiring application of the Carbon Principles in 2015: 0
5. Number of transactions requiring application of the Equator Principles during the 2015 reporting period: 1

II. ESRM Due Diligence Process p.4

1. Number of companies screened for environmental and social issues by third party risk analytics: 300
2. Percentage increase in the number of due diligence reviews performed by ESRM over previous year: 36%
3. Percentage of transactions reviewed by region using headquarters of client: 91% - US, 9% - Canada or UK
4. Percentage of transactions broken down into different risk ratings (when risk ratings are given): Low: 12%, Medium: 86%, High: 2%

III. Critical Industries and Activities p.5

Oil and gas exploration and production:

1. Percentage of oil and gas exploration and production customers selected by ESRM for further due diligence: 10%

Electricity generation:

1. Percentage of solar and wind energy generation in the U.S. owned in whole or part by Wells Fargo in 2015: 10%
2. Percentage of electric utility customers undergoing annual carbon risk assessment: 100%
3. Percentage of solar and wind electricity generation capacity across the U.S. owned by Wells Fargo Power & Utilities Group customers: >30%

Mining:

1. Number of transactions reviewed: 23

For more information, please visit Wells Fargo's Corporate Responsibility website: <https://www.wellsfargo.com/about/csr/>

Email esrm@wellsfargo.com with your comments and questions.