Environmental and Social Risk Management Framework
Overarching Issues and Focus Areas

Climate Change

We recognize the growing concerns related to climate change. We agree that climate change represents one of the greatest challenges of our time, and we are committed to doing our part as outlined in our Climate Change Statement. Wells Fargo has strategies and goals in place throughout our business and operations that help us deliver on our public commitment to accelerate the transition to a low carbon economy. We also map out additional opportunities to address climate risk and support our customers as they transition to a low carbon economy. Moreover, we put mechanisms in place to minimize the impacts of climate change on our communities.

When financing customers, we integrate climate-change-related risks into our decision-making when those risks may potentially impact a customer’s long-term success. Risks and opportunities associated with the impacts of climate change, typically related to their activities and/or physical locations, vary by customer, so we evaluate climate risk on a case-by-case basis. 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, and rising sea levels. We consider the location of a customer’s operations when evaluating its business risks.

- **Regulatory risk.** Policy actions involving climate change continue to evolve. Their objectives generally fall into two categories: policy actions that attempt to constrain actions that contribute to the adverse effects of climate change, and policy actions that seek to promote adaptation to climate change. Examples include implementing carbon-pricing mechanisms to reduce greenhouse gas (GHG) emissions, encouraging shifts toward lower carbon emission sources, and encouraging the adoption of energy-efficient solutions. The risk associated with and financial impact of policy changes depend on the nature and timing of the policy change.

- **Transition risk.** As we transition to a low carbon economy, various financial risks are emerging. Changes in consumer demand or commodity prices, for example, may influence the value of a broad range of goods and services as costs and opportunities become evident. Other changes entail extensive policy, legal, and technology changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations, including financial institutions.

We use an industry-leading modular carbon risk tool for evaluating all regulated corporate utility borrowers engaged in the production, generation, transmission, and distribution of electricity, and/or the transmission and distribution of natural gas. The robust carbon tool accounts for general portfolio emissions, percentage of coal generation, as well as such risk factors as state-level demand risk, social cost of carbon, governance, and multi-level regulatory risks. The tool’s modularity permits us to customize our analysis for each customer (See “Carbon Asset Risk Project for Power and Utilities”).

Assessing and managing carbon risk in our lending is one way Wells Fargo supports the transition to a low carbon economy. We also leverage our businesses and our physical footprint to invest in and advance environmentally beneficial businesses, reduce environmental impacts of our operations, and support nonprofit organizations focused on innovation, education, and capacity building to address the impacts of climate change. A few examples of our progress in those areas:

- In 2018, we announced a $200 billion sustainable finance goal, which includes commitments to sector-leading transparency and disclosure.

- Wells Fargo has invested nearly $83 billion in environmentally sustainable businesses since 2012, including more than $12 billion in 2017 alone.

- Wells Fargo is a member of RE100, a collaborative, global initiative made up of companies committed to powering their organizations with 100 percent renewable electricity. In 2017, Wells Fargo achieved a significant milestone by meeting 100 percent of its global electricity needs with renewable energy via Renewable Energy Certificates. To meet the remainder of our renewable energy goal, our plan is to expand our on-site renewable generation and engage in long-term contracts that fund new sources of green power by 2020.
Wells Fargo demonstrates support for greater transparency and disclosure of risks and opportunities associated with climate change as a signatory, responder, and participant in the CDP Supply Chain Program — a program of the CDP (formerly the Carbon Disclosure Project).

- As a signatory with an interest in driving climate solutions, we encourage other companies to participate in annual CDP questionnaires.
- As a responder, we are leading by example. We’ve provided responses to CDP’s climate change questionnaire for more than a decade achieving top scores. Most recently we were recognized with a climate leadership score of A–.
- In 2018 we joined CDP’s Supply Chain Program to more deeply engage our suppliers on risks and opportunities associated with climate change. Our disclosures since 2010 are archived at www.cdp.net; our most recent response is also available within our Environmental, Social, and Governance Guide.

- We have been participating in the Task Force on Climate-related Financing Disclosures (TCFD) project since its inception in December 2015, and we are currently developing a methodology to implement TCFD’s recommendations for more efficient and effective climate-related disclosures.

- Through our philanthropic investments, Wells Fargo supports nonprofits, universities, and community organizations focused on environmental sustainability and education, the development and commercialization of clean technologies, and strengthening community resilience. Our goal is to provide $65 million in support to such organizations between 2016 and 2020.

**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 expectations. Expectations for companies to proactively manage and mitigate human rights-related risks are increasing as external stakeholders — from regulators to nongovernment organizations (NGOs), customers to team members — expect transparency in how companies address these issues throughout their value chain.

In anticipation of increased scrutiny and higher potential risk, our focus is now on moving from policy development to committed implementation.

Wells Fargo’s human rights commitment is explicitly approved at the senior-most level of the business as documented in the Wells Fargo & Company Board of Directors Corporate Responsibility Committee (CRC) 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.”

Our responsibility to respect human rights is acknowledged publicly in the Statement on Human Rights that guides our efforts in this area with all stakeholders. We have been leveraging existing resources to make incremental progress on our human rights risk management approach in these focus areas: employment, supplier engagement, communities, customers and investments, and related international disclosure requirements.

- **Employment.** Wells Fargo is committed to safe, inclusive, and respectful workplace practices. We have increased our enterprise focus on issues associated with potential human rights risk and have recently implemented enhancements such as our Speak-Up and Non-Retaliation policies.

- **Supplier engagement.** Wells Fargo published a Supplier Code of Conduct clarifying the expectations of our vendors, and 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. Several processes are now in place to monitor contract compliance and capture opportunities specific to human rights.

- **Communities.** We invest our financial and human capital with community and nonprofit organizations to enhance quality of life in the communities where we have a business presence and preserve the natural environment.
Customers and investments. We are dedicated to fair and responsible lending and servicing principles to foster best
practices and ensure consumers are treated with respect. In 2017 we expanded the scope of our ESRM policy coverage and
enhanced our due diligence in certain sectors to include more focused analysis involving human rights impacts, specifically to
assess whether vulnerable and indigenous communities are impacted and properly consulted. In our investments, we seek to
work with companies focused on understanding and tackling the difficult social and human rights issues they face in their
operations, and a stewardship focus guides our engagement with company managements and voting proxies, as we leverage
our ownership rights to affect improvement on Environmental, Social and Governance (ESG) issues.

International disclosure requirements. New laws and regulations focused on ending human trafficking, modern slavery, and
other practices require compliance from a variety of companies and sectors, including financial services firms. In 2017 Wells Fargo
published a statement in compliance with the United Kingdom’s Modern Slavery Act, reflecting the efforts the company has
made to ensure that its operations and supply chain are free from modern slavery and human trafficking. We will continue
to be transparent about our commitments and implementation as global legislation in the area evolves.

The Wells Fargo ESRM process includes performing our own human rights due diligence 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 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.

We have continued our commitment to respecting human rights in our operations by joining the Shift Project’s Business Learning
program in 2016. Through this program we are deepening our understanding of potential human rights impacts by engaging with
experts, academics, and companies implementing the United Nations Guiding Principles on Business and Human Rights. We also
formed three working groups to identify opportunities for strengthening our approach to managing human rights impacts across
our focus areas.

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 Framework, we include discussion of how we assess the human rights risks associated with certain sectors
and clients, and we are committed to continuing and improving upon these practices. We expect all of our business to operate in a
manner that respects human rights. Respecting human rights is a continuing effort, and in the spirit of continuous improvement, we too
are working to improve our efforts to manage any actual or potential adverse human-rights impacts throughout our value chain.

Indigenous Peoples [New]

Wells Fargo has been serving American Indian, Alaska Native, and Native Hawaiian communities in the U.S. for more than 50 years.
We have dedicated team members focused on serving these communities with products, services, and financial education programs
tailored to help tribal governments, tribal enterprises, and tribal members succeed financially. In March 2017, we developed an
Indigenous Peoples (IP) Statement in partnership with tribal leaders, indigenous stakeholders, and their representatives. It articulates
our commitment to indigenous communities and helps guide our decision-making for transactions where indigenous communities
can be impacted. The statement also stipulates our approach to responsible finance, specifically:

- We recognize that governments have the central role to play in the approval of polices or projects that impact Indigenous
  Peoples, and we encourage our customers to collaborate in meaningful ways to manage the impacts and risks of their
  activities on these communities.

- We conduct due diligence in sensitive industries covered by this framework to ensure that our customers engage meaningfully
  and effectively with critical stakeholders and demonstrate a commitment to protecting community health, safety, and security;
  the environment; cultural identity; and the sacred lands and heritage of affected Indigenous Peoples. We have supplemented
  this due diligence with a heightened focus on potentially impacted Indigenous communities and whether or not they have
  been afforded the opportunity for informed consultation and participation. For certain transactions, escalated approval from
  senior leaders is required.

- If we do not believe a company can effectively manage elevated environmental and social risks in their operations,
  we will decline participation in the transaction.
For projects where we can identify that the use of proceeds may potentially impact Indigenous Peoples, specifically for project financing, project bridge loans, and corporate project financing transactions, we expect our customers to demonstrate alignment with the objectives and requirements of International Finance Corporation (IFC) Performance Standard 7 on Indigenous Peoples, including with respect to circumstances requiring Free, Prior and Informed Consent.

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

Stakeholder Engagement [New]

We actively 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, and we strive to listen to their concerns and understand their expectations.

Stakeholder engagement is also important from a governance perspective, and it supports our ESRM approach. 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.

We encourage stakeholder engagement commitments and practices among our customers, because we believe that it is the basis for building strong, constructive, and responsive relationships that are essential for our customers’ success. According to current best practices in stakeholder engagement (see IFC Performance Standard 1), stakeholder engagement is an ongoing process that may involve, in varying degrees, the following elements: stakeholder analysis and planning, disclosure and dissemination of information, consultation and participation, handling grievances, and ongoing reporting to the affected communities. All of these elements are examined in the ESRM due diligence process described in this framework, but the level stakeholder engagement may vary considerably depending on the sector and the level of associated impacts.

Reputation Risk [New]

Reputation risk is inherent in all of our activities, and managing that risk is critical to Wells Fargo’s success. A loss of stakeholder trust in Wells Fargo’s competence or integrity could affect Wells Fargo’s ability to establish new relationships or services or to continue servicing existing relationships. Wells Fargo is committed to improving its reputation by rebuilding trust with stakeholders, satisfying our customers’ financial needs, and helping them succeed financially.

In the course of doing business and executing its strategy, stakeholders (including team members, customers, potential customers, noncustomers, shareholders, regulators, elected officials, advocacy groups, and the media) expect Wells Fargo to manage reputation risk, including:

- Aligning business practices, products and services, and team member behavior with Wells Fargo’s Vision, Values & Goals.
- Where possible, proactively identifying, assessing, mitigating, or managing reputation risk before events materialize.
- Proactively managing and monitoring materialized reputation events and Wells Fargo’s reputation efficiently and effectively.

Emerging Risk [New]

Effective management of various types of risk is rooted in a companywide culture at Wells Fargo driven by our Vision, Values & Goals. We are fully committed to establishing, maintaining, and continually updating a sound risk management program governing our activities. Apart from the industries that currently fall under the ESRM Policy as indicated in this framework, if, based on our research, we believe a particular issue or risk requires due diligence for the matter and potentially in future transactions, the ESRM team will develop tools to ensure due diligence for that industry is conducted in a consistent, effective, and efficient manner. The ESRM team is responsible for identifying, assessing and escalating emerging environmental and social risks, and our lines of business also are responsible for developing processes to identify and escalate, where appropriate, emerging environmental, social, and reputation risks.

Please e-mail esrm@wellsfargo.com with any questions or feedback.