

Report of the Human Resources Committee on the Feasibility of Implementing a No Personal Fault Senior Executive Covenant

In 2017, Wells Fargo received a shareholder proposal asking the Board to issue a report assessing the feasibility, above and beyond matters of legal compliance, of requiring senior executives to enter into a covenant, integrated into employment, indemnification and/or compensation agreements, requiring senior executives to reimburse the Company for a portion of any fine or penalty imposed on the Company by regulators or courts for activities that posed a systemic risk or which were harmful to consumers, regardless of the senior executive's own personal fault (the "Covenant").

The Board, acting through its Human Resources Committee (to which the Board has delegated authority to oversee the Company's incentive compensation risk management program and practices for senior executives), has assessed the feasibility of implementing the Covenant. It determined that, with respect to matters other than legal compliance (as requested by the proposal), aspects of the Covenant may be technically feasible, but that implementing the Covenant is neither practicable nor appropriate for Wells Fargo for the reasons discussed below.

In considering the policy implications of the Covenant, the Human Resources Committee considered the Covenant in relation to our established compensation principles: (1) Pay for Performance; (2) Foster a Risk Management Culture; (3) Attract and Retain Top Executive Talent; and (4) Encourage Creation of Long-Term Stockholder Value. In particular, the Covenant is in contrast to the concept of linking compensation to individual performance (part of our Pay for Performance principle) because it does not contemplate individual accountability for the fine or penalty imposed. The Covenant also could make it more difficult to attract and retain skilled and experienced executive talent because executives could be penalized without connection to their own accountability and in a manner inconsistent with market practice.

The Committee also considered our existing clawback and forfeiture policies and provisions, which it believes address the concerns underlying the shareholder proposal while providing the Board of Directors appropriate flexibility to consider and promote executive accountability. The Company employs multiple clawback and forfeiture policies and provisions designed to (consistent with our Foster a Risk Management Culture compensation principle) encourage the creation of long-term, sustainable performance and to discourage our executive officers from taking imprudent or excessive risks that would adversely impact our Company or harm our customers. In 2016 and 2017, the Board took actions under our existing provisions to reduce and eliminate compensation based on the accountability of all those in senior management for the overall operational and reputational risk of our Company, directly in line with our Pay for Performance compensation principle.

The Committee also considered the legal implications of adopting the Covenant and determined that a covenant of the type contemplated by the shareholder proposal could raise material questions as to enforceability under local labor laws or as an impermissible penalty provision. The Committee noted that the question of whether any actual requirement would be enforceable in a given circumstance and given jurisdiction would be fact-specific.