

# 2017 Performance Management & Rewards Summary of New Program

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## Overview

Performance Management and Rewards (“PM&R”) incorporates performance management, incentives and recognition to express to Community Bank team members what is expected of them, how their actions connect to business priorities and how Wells Fargo rewards them for performance against these expectations.

## Objectives

The overall objectives of PM&R are to align with Wells Fargo Vision and Values, reinforce our Culture of Caring, and support important business objectives including building engaging work environments, delivering exceptional customer experiences, growing and deepening lifelong customer relationships, all while effectively managing oversight and accountability, and maintaining the highest level of integrity and ethics.

## Design Principles

1. No product sales goals.
2. Performance will be based on customer service, branch primary customer growth (i.e. the growth of checking account customers that use Wells Fargo as their main financial institution) and not simply opening new accounts. Earning incentives will NOT depend on reaching sales goals.
3. Focus on the team, not just individuals. More metrics will be weighted towards team (branch) goals rather than individual goals.
4. Additional Oversight. There will be controls in place to monitor bad behavior, including more proactive monitoring and additional oversight at the regional and corporate level.
5. There will be periodic reviews and checkpoints to monitor any unintended outcomes or behavior prompted by the new compensation plan.

## New Aspects of the 2017 PM&R Program

The 2017 PM&R approach is different in several key areas from prior approaches. These include:

- **Primary Customer Growth and Feedback:** A larger allocation of incentives associated with direct customer feedback and growing the number of primary customer relationships
- **Longer Term:** Metrics that take a longer view of the customer relationship and incorporate exceptional customer experiences and retention
- **Adjusted Pay Mix:** A larger percentage of total compensation will be comprised of base pay versus variable incentives for most branch team members.
- **Team Oriented:** Entry level banker incentive compensation plans are based on team versus individual performance.
- **Balanced Judgment:** Management practices emphasize observations and balanced judgment of each team member’s performance.
- **Stronger Controls:** Additional centralized monitoring, reporting and controls in place to provide enhanced oversight of the sales process.

Community Banking is also leveraging a number of new business success metrics, which are measured at the branch and/or district level, into PM&R including:

- Primary Customer Growth – which measures the growth of customers that use Wells Fargo as their primary financial institution. A primary customer is one who has had a checking account for at least three months and uses it for everyday transactional needs.
- Household Relationship Balance Growth – which measures how Wells Fargo satisfies the customer’s broad financial needs.
- Branch Management Risk Score – which will provide insight on a variety of risks.
- Qualitative assessments - Performance evaluations will include more focus on teamwork, risk management and the “how” of accomplishing objectives.

