

Report on Incentive-Based Compensation and Risks of Material Losses

A lesson from the financial crisis was that employees at large banks, not just top executives, can make decisions that may affect the stability of our portfolio companies and the economy. In response, Congress directed federal regulators to examine the financial incentives of all bank employees—not just executives—whose actions can threaten the safety of individual banks or the banking system itself.

Section 956 of the Dodd-Frank Act requires federal regulators to promulgate disclosure requirements relating to “the structures of all incentive-based compensation arrangements ... that could lead to material financial loss.” A Notice of Proposed Rule Making and Request for Comment released by the SEC in 2016 states, “Well-structured incentive-based compensation arrangements can promote the health of a financial institution by aligning the interests of executives and employees with those of the institution’s shareholders and other stakeholders. At the same time, poorly structured incentive-based compensation arrangements can provide executives and employees with incentives to take inappropriate risks that are not consistent with the long-term health of the institution and, in turn, the long-term health of the U.S. economy.” Basel III, the global banking regulatory reform standard, urges banks to identify material risk takers other than executives and disclose their fixed and variable remuneration.

Although Wells Fargo discloses the compensation of named executive officers, it does not disclose information regarding the compensation of other employees who could expose our company to material losses. Because investors, like regulators, have significant interests in understanding risks that could expose Wells Fargo to material losses, Wells Fargo should disclose this information to its shareholders.

RESOLVED:

Shareholders request that the Board prepare a report, at reasonable cost, disclosing to the extent permitted under applicable law and Wells Fargo’s contractual, fiduciary or other obligations (1) whether the Company has identified employees or positions, individually or as part of a group, who are eligible to receive incentive-based compensation that is tied to metrics that could have the ability to expose Wells Fargo to possible material losses, as determined in accordance with generally accepted accounting principles; (2) if the Company has not made such an identification, an explanation of why it has not done so; and (3) if the Company has made such an identification, the:

- (a) methodology and criteria used to make such identification;
- (b) number of those employees/positions, broken down by division;
- (c) aggregate percentage of compensation, broken down by division, paid to those employees/positions that constitutes incentive-based compensation; and
- (d) aggregate percentage of such incentive-based compensation that is dependent on (i) short-term, and (ii) long-term performance metrics, in each case as may be defined by Wells Fargo and with an explanation of such metrics.

The requested report would provide shareholders with important information concerning incentive-based compensation that could lead employees to take inappropriate risks that could result in material financial loss to our company.