**REPORT ON BUSINESS STANDARDS REVIEW**

Wells Fargo 2018

In September 2016, Wells Fargo admitted establishing millions of unauthorized bank accounts leading to investigations, fines, refunds to customers, litigation, and a $185 million settlement with the Consumer Financial Protection Bureau.

Considering the recurrent consumer fraud, shareholders who had long engaged the bank on business ethics and culture filed a proposal requesting a comprehensive business standard review, renamed by the bank as “retail banking sales practices” in its 2017 proxy statement.

Proponents recognize steps the company has taken in response to the sales practices scandal, including disclosing findings of the board’s independent investigation and corrective actions, such as changes to organizational structure, executive compensation, incentives, and risk oversight. However, the company’s focus on the sales practices scandal in isolation does not address the new examples of fraud and the present need for a systemic and holistic business standard review.

While the bank has engaged outside culture experts, it has not committed to publish the findings of the experts’ review, remediation plans and progress, to demonstrate effectiveness of this engagement.

Recent revelations, including the discovery of up to 1.4 million additional fraudulent accounts, and further scandals involving unscrupulous sales practices, such as unnecessary and costly insurance for auto loan customers, charging improper mortgage fees, and unauthorized online bill pay enrollments, only reinforce our concerns about systemic ethical, cultural, and business risks.

Long-term, large-scale consumer frauds have resulted in significant financial penalties and reputational repercussions that have undermined the confidence of customers, investors, and the public. This has led to loss of accounts and business relationships impacting shareholder value.

Investors and customers lack assurance that the bank has a clear understanding of the root causes of these business failures and believe that effective accountability mechanisms are necessary to mitigate future risks.

**Resolved:**

Shareholders request that the Board publish a comprehensive report by October 2018 on the root causes of past and present fraudulent activities, plans to address them, and how progress will be measured, and disclosed. The report should omit proprietary information and be prepared at reasonable cost.

**Supporting Statement:**

Shareholders believe a full accounting of the systemic failures allowing unethical practices to flourish are critical to rebuilding credibility with stakeholders and strengthening risk management systems going forward.

We recommend that the review and report address the following:

1. An analysis of the impacts on the bank, its reputation, customers, and investors of these continuing scandals;
2. Identify the systemic cultural and ethical root causes of recent scandals, including at the board level;
3. A framework to address these issues and embed systems throughout the company, including changes already implemented, establishment of grievance mechanisms, and plans to strengthen corporate culture and instill a commitment to high ethical standards at all employee levels;
4. Key performance indicators to evaluate the effectiveness of changes instituted over time;
5. A commitment to ongoing and regular disclosure on progress;
6. Description of how the identified issues will be factored into employee and executive incentive and compensation decisions.