

ENGAGEMENT FACTSHEET

Wells Fargo

ENGAGEMENT RATIONAL

The company faces significant concerns related to its internal governance of sales practices, especially from 2007 to 2016 when it became embroiled in a scandal relating to the creation of more than two million false accounts by employees who were under intense pressure to meet sales targets. Former employees came forward alleging that the company had fired whistleblowers who raised concerns even earlier than 2011. In spite of these signs, the company did not act decisively to stamp out the problem, and the creation of false accounts to meet sales goals continued.

BACKGROUND

We were concerned about the company's corporate culture and wanted to get better insight into how they are dealing with the aftermath of the controversy. On Sept. 27, 2019, Wells Fargo's Board of Directors named Charles W. Scharf as new CEO and president. Scharf is now focused on fixing past wrongs, operating with the highest standards of excellence and integrity, and moving the company forward for customers, employees, and communities.

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THEME FOR ENGAGEMENT

- x Sales practices and corporate culture

ENGAGEMENT OBJECTIVES

- x We initiated an engagement in 2020 to get a better understanding on how the company mitigates the controversy triggered by the false accounts, and whether the new CEO is enacting culture change and living up to the commitment of the Purpose of the Corporation.

MILESTONE



DEVELOPMENT



ENGAGEMENT RESULTS

- x We initially reached out to the Investor Relations team in April 2020 and also held a follow-up call in November 2021 with the Head of Sustainability and VP Investor Relations and their teams.
- x The new CEO has been expanding his leadership team with external hires to further build the company's operations and controls, including a lead control executive to oversee control personnel across the enterprise, and a strategy and operations planning leader. [New risk management expertise has been insourced.](#)
- x The company contracted an agency to survey and get more input from customers on their sales practice and customer experience. A consolidated Enterprise Complaints Management Office has been established in 2019.
- x The company states that where sales objectives are detailed in success criteria, they must be reasonable, attainable, measurable within a defined time frame, and not in conflict with serving the customer's needs.
- x Where allowed by local law, employees can raise concerns anonymously.
- x [We recognize that the above points are necessary steps in a multi-year change process that, in combination with a new policy framework, clear KPI's, implementation of these KPIs, continued follow-up and transparency to all stakeholders, should reestablish faith that the culture and risk attitude has changed within the firm.](#)
- x [The company can only make limited external disclosures due to tight regulatory oversight.](#)

NEXT STEPS

- x Inquire about the audit of policies covered in the Code of Conduct (Team Member Manual).
- x Monitor the implementation of the culture change [and regulatory requirements imposed by the FED](#) and reconnect with the company in 2022.
- x Keep track of the shifting focus from CSR to strategic sustainability initiatives (in line with the Climate Change issue brief and other commitments).



COMPANY

Wells Fargo

COUNTRY

USA

SECTOR

Financial Services

MARKET CAP

Large cap

ISSUE

Sales practice / corporate culture

MATERIALITY

Following the controversies around the sales targets that led to the opening of over 2 million fake bank accounts and a stressful corporate culture, we believe there is a strong need for the company to address this.

MSCI ESG RESEARCH

ESG Rating: CCC