



MAC A0101-121  
420 Montgomery Street  
San Francisco, CA 94104

*Via Electronic Mail*

United States Senator Elizabeth Warren  
317 Hart Senate Office Building  
Washington, DC 20510

United States Senator Sherrod Brown  
713 Hart Senate Office Building  
Washington, DC 20510

United States Senator Jack Reed  
728 Hart Senate Office Building  
Washington, DC 20510

United States Senator Robert Menendez  
528 Hart Senate Office Building  
Washington, DC 20510

United States Senator Jeff Merkley  
313 Hart Senate Office Building  
Washington, DC 20510

September 19, 2016

Dear Senators:

This letter is in response to your letter asking whether Wells Fargo's Board of Directors will invoke Wells Fargo's authority to recover any of the compensation the Company has provided to its senior executives, including Carrie Tolstedt, our former Senior Executive Vice President of Community Banking. Wells Fargo appreciates the opportunity to respond to your questions.

**Background Regarding Ms. Tolstedt's Retirement, Stock Holdings, and Outstanding Compensation**

As an initial matter, we confirm that Ms. Tolstedt led Wells Fargo's Community Banking group from June 2007 to July 2016 and has been employed by Wells Fargo for 27 years. In July, Wells Fargo announced that she would retire at the end of the year and step down from her role as the head of Community Banking on July 31.

Wells Fargo is aware of various reports in the media regarding Ms. Tolstedt's compensation. To clarify, Ms. Tolstedt will not receive an award of approximately \$125 million in stock options and restricted stock upon her retirement. No incentive compensation was granted as a result of Ms. Tolstedt's retirement, and none of her equity awards will be "triggered" or otherwise increased or accelerated by her retirement. Ms. Tolstedt will not receive any severance payment as a result of her retirement.

Additionally, we would like to provide information regarding Ms. Tolstedt's stock holdings and outstanding compensation. As disclosed in our 2016 proxy statement, this falls into three categories: (a) Wells Fargo shares that Ms. Tolstedt owns outright and acquired during her 27-year career with the Company; (b) vested, but unexercised stock options granted in February 2008 and February 2009; and (c) unvested and unpaid restricted share rights and performance share awards granted between February 2014 and February 2016:

**Together we'll go far**



- (a) Ms. Tolstedt owns 960,175 shares of Wells Fargo stock that are currently worth approximately \$43.6 million, based on our September 16, 2016 closing stock price.
- (b) Ms. Tolstedt has vested, but unexercised stock options granted in February 2008 and February 2009 that are currently worth approximately \$34.1 million pre-tax based on our September 16, 2016 closing stock price and each award's exercise price.
- (c) Ms. Tolstedt has unvested and unpaid equity awards in the form of restricted share rights and performance share awards, granted between February 2014 and February 2016, with a current target value of approximately \$18.9 million pre-tax based on our September 16, 2016 closing stock price.

Please see Appendix A for additional details.

### **Performance-Based Vesting Conditions for Unpaid Equity Awards**

As your letter notes, the unpaid portion of the equity awards granted to our executive officers since 2013 are conditioned on and subject to performance adjustments, which include the right of the Board to cancel all or any unpaid portion of an award, if it determines that:

- (a) the executive has: (i) engaged in misconduct which has or might reasonably be expected to have reputational or other harm to the Company or any conduct that constitutes "cause"; or (ii) engaged in misconduct or committed a material error that causes or might reasonably be expected to cause significant financial or reputational harm to the Company or the executive's business group;
- (b) the award was based on materially inaccurate performance metrics, whether or not the executive was responsible for the inaccuracy;
- (c) the executive improperly or with gross negligence, including in a supervisory capacity, failed to identify, escalate, monitor, or manage, in a timely manner and as reasonably expected, risks material to the Company or the executive's business group; or
- (d) the Company or the executive's business group suffers a material downturn in its financial performance or suffers a material failure of risk management.

The Board may consider any factors it determines necessary or appropriate for purposes of making a determination whether a performance adjustment is appropriate and the amount of the adjustment based on the particular facts and circumstances.

### **Extended Clawback Provisions for Previously-Paid Incentive Compensation**

In addition, as referenced in your letter and disclosed in our 2016 proxy statement, Wells Fargo's Extended Clawback Policy applies to any bonus payment (such as previously-paid

annual incentive awards and vested equity awards) already made to our executive officers, if the bonus payment was based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria. The Board has the authority to make determinations with respect to the application of the Policy, including the value of the bonus payment, the amount of bonus payment (if any) that was based on materially inaccurate performance metric criteria, whether a performance metric criteria is material or materially inaccurate, and whether the inaccurate measurement of performance or application of performance to performance criteria is material. Under the Policy, if a bonus payment was based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria, the Company must exercise its rights to the fullest extent permitted, unless it would be unreasonable to do so.

### **Responses to Specific Inquiries**

The following responds to the specific questions and requests outlined in your letter:

#### **1. Will Wells Fargo take action to claw back any or all parts of Ms. Tolstedt's incentive awards that were triggered by her retirement or that she received in the form of annual bonuses in any prior years?**

No incentive compensation was granted as a result of Ms. Tolstedt's retirement, and none of her equity awards will be "triggered" or otherwise increased or accelerated by her retirement. As described above, the Board has the discretion to determine whether to cancel all or any portion of Ms. Tolstedt's unpaid restricted share rights or performance share awards under the performance-based vesting conditions within the applicable award agreements. The Board also has the authority to evaluate previously-paid incentive compensation, including prior annual incentive awards, under our Extended Clawback Policy. It will assess the relevant facts and circumstances, our award terms, and the Extended Clawback Policy to determine whether to cancel or clawback any incentive compensation.

#### **2. Will Wells Fargo take action to claw back any or all parts of any other senior executive's incentive compensation – including your own – as a result of the settlement with the CFPB and other entities?**

As noted, the Board is responsible for this decision. The Board will assess the relevant facts and circumstances, our performance-based vesting conditions for unpaid equity awards, and our Extended Clawback Policy for previously-paid incentive compensation awarded to our Chief Executive Officer and other senior executives, as appropriate.

#### **3. Has Wells Fargo conducted any internal assessment of whether the clawback triggers created in 2013 and described in Wells Fargo's proxy statements apply to Ms. Tolstedt's incentive compensation that were triggered by her retirement, or that she received in 2016 or earlier years for any reason? Has the Human Resources Committee conducted such an analysis? If so, please provide us with a copy of this assessment.**

No incentive compensation was granted as a result of Ms. Tolstedt's retirement, and none of her equity awards will be "triggered" or otherwise increased or accelerated by her

retirement. As noted, the Board will assess the relevant facts and circumstances, our performance-based vesting conditions for unpaid equity awards, and our Extended Clawback Policy for previously-paid incentive compensation.

**4. Were you or any other Wells Fargo senior executives aware of the company's potential liability for the creation of the false consumer accounts prior to Ms. Tolstedt's decision to retire? Were these matters discussed by you, by the Board of Director's Executive Compensation Committee, or by any other company officials in the context of the timing of her retirement or the compensation that she would receive as part of her retirement package? If so, please provide all communications regarding these discussions.**

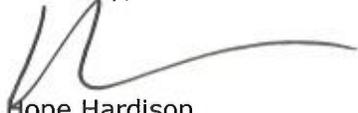
Senior management and the Board were aware of the pending litigation, investigations, and discussions with our regulators relating to sales practices when Ms. Tolstedt indicated her decision to retire. No incentive compensation was granted as a result of Ms. Tolstedt's retirement, and none of her equity awards will be "triggered" or otherwise increased or accelerated by her retirement. Ms. Tolstedt will not receive any severance payment as a result of her retirement. No consideration was given by Mr. Stumpf or the Board to providing incentive compensation or awards as a result of her retirement.

**5. Although Ms. Tolstedt has announced her retirement, she plans to stay at the bank through the end of the year. Will Ms. Tolstedt be eligible for another annual incentive award, performance share award, or other long-term equity incentive award despite her announced retirement? If so, does the Board plan on offering Ms. Tolstedt such compensation?**

Ms. Tolstedt is eligible to be considered for a 2016 annual incentive award. The Board is responsible for determining the amount of this award, if any, and will exercise its judgment and discretion to determine whether to decline to make an award.

I hope this information is responsive to your questions and requests.

Sincerely,



Hope Hardison  
Senior Executive Vice President  
Chief Administrative Officer  
Wells Fargo & Company

cc: Wells Fargo Board of Directors

## Appendix A

### Ms. Tolstedt's Stock Holdings and Outstanding Compensation

Based on the closing price of Wells Fargo common stock on September 16, 2016 of \$45.43 per share.

#### Shares of Wells Fargo Common Stock

As disclosed on a Form 4 dated July 29, 2016 filed with the U.S. Securities and Exchange Commission, Ms. Tolstedt held 4,830 shares directly, 937,377 shares through a trust, and 17,968 share equivalent units in the Wells Fargo ESOP Fund under the Wells Fargo & Company 401(k) Plan. Her reported holdings total 960,175 shares worth approximately \$43,620,750.

#### Vested, Unexercised Stock Options

Grant Date	Exercise Price Per Share	Number Outstanding	Intrinsic Value at \$45.43/share
2-26-2008	\$31.40	625,830	\$8,780,395
2-24-2009	\$13.05	782,288	\$25,330,485
<b>Total</b>		<b>1,408,118</b>	<b>\$34,110,880</b>

#### Unvested and Unpaid Restricted Share Rights (RSRs) and Performance Share Awards (PSAs)

Grant Date	Award Type	Number Outstanding (including dividend equivalents accrued to date)	Value at \$45.43/share	
2-25-2014	RSR	1,370	\$62,257	
7-22-2014	RSR	10,369	\$471,086	
2-24-2015	RSR	1,257	\$57,118	
7-28-2015	RSR	13,554	\$615,737	
Grant Date	Award Type	Target Number Outstanding (including dividend equivalents accrued to date)	Target Value at \$45.43/share	Number of Shares that May be Earned Based on Financial Performance Criteria
2-25-2014	PSA	127,987	\$5,814,460	0-150% of target number granted, plus dividend equivalents
2-24-2015	PSA	103,728	\$4,712,359	
2-23-2016	PSA	158,271	\$7,190,274	
<b>Total RSRs and PSAs</b>		<b>416,536</b>	<b>\$18,923,291</b>	

The stock options, restricted share rights, and performance share awards listed above are subject to applicable tax withholding.