

Wells Fargo & Company

2018 annual meeting of shareholders

# *Proxy statement*

# Letter to our Shareholders from our Chair and our Chief Executive Officer

March 14, 2018

**Dear Fellow Shareholders,**

Thank you for your continued support of Wells Fargo during 2017. Our top priority remains rebuilding the trust of our shareholders, customers, team members, communities, and regulators. We continue to make the changes necessary for Wells Fargo to become better, stronger, and more customer-focused than ever before. We are focused on achieving our six aspirational goals — for Wells Fargo to be *the* financial services leader in customer service and advice, team member engagement, innovation, risk management, corporate citizenship, and shareholder value. At the same time, the board and senior management are committed to satisfying the requirements of the consent order that we agreed to with the Board of Governors of the Federal Reserve System on February 2, 2018.

As part of our transformation, Wells Fargo is committed to a thorough review of the products we offer and the internal procedures we use to get things done. When we uncover anything that may be questionable, we address it and remediate any customers who may have been financially harmed. To strengthen Wells Fargo's corporate culture, we are listening to our team members and inviting outside reviewers to help identify enhancements so we can make sure our culture is consistent across the organization. We continue to make investments in our team, including raising the minimum wage base range for U.S.-based, entry-level team members to \$15 an hour and enhancing benefits. Team member turnover is at its lowest level since 2013.

As we look ahead, we remain focused on understanding our customers' financial needs and helping them succeed financially. To deliver excellent customer experiences, we are investing in data, technology, operations, and risk management so team members have the tools they need to meet customers' needs. We have enhanced the branch experience for customers and accelerated our pace of innovation so we can create new kinds of lasting value for consumers and businesses. We will continue to make changes to strengthen Wells Fargo, and we firmly believe that the quality of our team members, our diversified business model, nationwide franchise, and investment in innovation, along with our commitment to our six goals, will generate long-term value for our investors.

The board recognizes that it must continue to strengthen and enhance its governance oversight. To support these efforts, the board made significant changes to board composition, reconstituted several board committees, amended committee charters to enhance risk oversight, and continued to work with senior management to improve the reporting and analysis provided to the board. Many of these changes were informed by the board's rigorous self-examination, which was facilitated by a third-party in 2017, and reflected the feedback received from our investors and other stakeholders.

On behalf of our board of directors and management team, we are pleased to invite you to attend our 2018 Annual Meeting of Shareholders on April 24, 2018, at 10:00 a.m., Central Daylight Time, at the Des Moines Marriott Downtown, 700 Grand Avenue, Des Moines, Iowa, 50309. A notice of the meeting and our 2018 Proxy Statement containing important information about the matters to be voted upon and instructions on how you can vote your shares follow this letter.

**Your vote is important to us.** Please vote as soon as possible even if you plan to attend the annual meeting. Thank you for your interest in and support of Wells Fargo.

Sincerely,



**Elizabeth A. Duke**  
Chair, Board of Directors



**Timothy J. Sloan**  
CEO and President

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## Shareholder Proposals

- our Company launched its external Stakeholder Advisory Council in December 2017 to deepen our understanding of important issues relevant to our Company and its stakeholders, including serving the financial needs of underserved communities, diversity and social inclusion, and environmental sustainability.

Our Company's governing documents allow our Board to call special meetings of shareholders when it is in the best interests of our shareholders to do so. Those governing documents, along with Delaware corporate law and other applicable regulatory requirements, also serve to protect shareholder interests by requiring many important matters to be submitted for a shareholder vote at a meeting. These matters include certain large stock issuances, certain mergers, the adoption of equity-based compensation plans, and advisory say on pay votes. Our Company's existing By-Law provision giving shareholders a meaningful right to call special meetings, coupled with our Company's strong independent Board leadership and corporate governance practices, our investor engagement program, and existing corporate and regulatory requirements regarding shareholder meetings, appropriately balance the shareholder right to call special meetings of shareholders with our shareholders' interest in avoiding burdens associated with unnecessary special shareholder meetings called by a small group of shareholders.

### **Item 4** **Shareholder Proposal – Special Shareowner Meetings**

Our Board recommends that you vote **AGAINST** this proposal.

## **ITEM 5 – SHAREHOLDER PROPOSAL – REFORM EXECUTIVE COMPENSATION POLICY WITH SOCIAL RESPONSIBILITY**

Jing Zhao, 1745 Copperleaf Ct., Concord, CA 94519, the holder of 60 shares of our common stock, has advised us that he intends to introduce the following resolution at our 2018 annual meeting:

### **Resolution**

Resolved: shareholders recommend that Wells Fargo & Company engage multiple outside independent experts or resources from the general public to reform its executive compensation policy with social responsibility.

### **Supporting Statement**

A socially responsible executive compensation policy is essential to corporate social responsibility. Wells Fargo does not have a compensation committee. "The HRC [Human Resource Committee] retained FW Cook to provide independent advice on executive compensation matters for 2016." (2017 Proxy Statement, p.59). It is obvious that a paid consulting firm cannot provide any independent voice which the company does not want to hear. For example, Apple Inc. wasted the company money to hire a consulting firm to advise Apple to award the same \$1,000,000 salary, the same \$20,000,105 stock and the same \$4,000,000 non-equity incentive plan compensation each in 2015 to its five named executive officers. The current Wells Fargo executive compensation policy is not socially responsible, as shown from the case of the forfeited \$41 million from the former CEO. It does not include social elements beyond the narrow market consideration, such as the rising of the CEO-worker pay ratio, to measure the executive compensation.

"A man must always live by his work, and his wages must at least be sufficient to maintain him." (Adam Smith, *The Wealth of Nations* "Book 1 Chapter 8 Of the Wages of Labour," 1776.) However, citing Economic Policy Institute, the Wall Street Journal reported: "The ratio has ballooned since the 1970s: The bosses of America's 350 largest companies made on average 276 times the money of their rank-and-file subordinates in 2015, up from 30 times in 1978." ("CEO-Worker Pay Ratio Generates Outrage—And Some Insight" by Stephen Wilmot, July 6, 2017) Furthermore, "Summary compensation tables massively understate what executives earn and don't tell investors what they need to know." "In 2015—the last year for which full data is available—the average pay of the 500 highest-paid U.S. executives was \$17.1 million according to fair-value estimates, but \$32.6 million according to realized pay." ("Better Ways to Measure Your Boss's Pay" by Stephen Wilmot, July 4, 2017.) This rising trend of inequality is not only socially immoral but also economically unsustainable.

For the purpose of this proposal, the HRC has the flexibility to select multiple independent experts or sources and social elements, such as the CEO-worker pay ratio of Wells Fargo and the average employee's pay, the minimum wage, and jobless rate of America. For example, Intel accepted my advice and organized three meetings to receive true independent insights from outside experts (including an UN officer, a federal officer, an Australian professor, a British journalist, an activist, NPO researchers, a lawyer, and shareholders) to review its human rights principles and employee's code of conduct policy.

## Position of the Board

**Our Board recommends a vote AGAINST this proposal, which is identified as Item 5 on the proxy card, for the following reasons:**

- **Our executive compensation program is designed to pay for performance and encourage long-term shareholder value;**
- **In evaluating executive performance and determining executive compensation, the HRC considers a variety of factors, including ethical considerations, diversity and inclusion, executive accountability, and other social responsibility issues;**
- **The Board's Human Resources Committee is comprised of independent directors and seeks independent advice; and**
- **We are committed to paying our team members fairly and consistent with social responsibility.**

Our executive compensation program is designed to be aligned with our four compensation principles discussed in the *Compensation Discussion and Analysis* section of this proxy statement, including paying for performance and encouraging the creation of long-term shareholder value. In alignment with these principles, the HRC, which has Board oversight responsibility for executive compensation matters, considers a wide variety of factors in evaluating executive performance and determining executive compensation, including ethical considerations, diversity and inclusion, executive accountability, and other social responsibility issues. In addition, as reflected in our Company's six Goals, we believe that being a good corporate citizen helps to drive the creation of long-term shareholder value. To that end, we are committed to making every community in which we do business better through philanthropy, advancing diversity and inclusion, creating economic opportunity, and promoting environmental sustainability. Additional information regarding our corporate social responsibility initiatives can be found at <https://www.wellsfargo.com/about/corporate-responsibility/>.

The HRC is comprised of independent, experienced directors and it may retain or obtain guidance from legal counsel, compensation consultants, and other advisors as it deems appropriate. The HRC currently retains FW Cook as its independent compensation consultant. The HRC has engaged FW Cook to (i) advise the HRC on the design and effectiveness of our executive compensation program, including so that our compensation structure is appropriate to support our business and risk management objectives, (ii) provide advice on a range of external market factors that might affect our executive compensation program, and (iii) provide observations about our compensation program generally and about management's recommendations to the HRC regarding the amount and form of compensation for our executives.

The HRC's executive compensation decisions are further informed by our engagement with our shareholders, customers, team members, and other stakeholders. The HRC considered recent shareholder feedback through the Company's annual say on pay vote in the HRC's decision to maintain the overarching framework for our named executives' compensation. Our executive compensation program also continues to be one of the topics that our Chair and members of management discuss with our investors each year as part of our investor engagement program. Additional details on our investor engagement program are provided under *Our Investor Engagement Program* in this proxy statement.

Moreover, we are committed to paying our team members fairly, and consistent with social responsibility. We offer a total compensation package, including salary, benefits, and incentive pay opportunities, that is competitive with those offered by our key competitors in the businesses and markets in which we operate. Our compensation programs support attracting, motivating, and retaining people with the skills, talent, and experience to drive sustainable, long-term company performance. We invest significantly in annual salary, promotional, and other types of increases for roles at all levels of our Company, while providing a broad array of benefits and career development opportunities for team members.

We believe that our compensation programs, combined with our Corporate Citizenship goal to make a positive contribution to communities through philanthropy, advancing diversity and inclusion, creating economic opportunity, and promoting environmental sustainability, address the concerns raised by this proposal.

### **Item 5 Shareholder Proposal – Reform Executive Compensation Policy with Social Responsibility**

Our Board recommends that you vote **AGAINST** this proposal.