Egan-Jones Proxy Services

Research Report

Company		Ticker Symbol	CUSIP
WELLS FARGO & COMPANY		WFC	949746101
Guideline	**Meeting Date**	**Record Date**	**Date Published**
Standard	04/28/20	02/28/20	04/17/20

(delivered to most major institutional investors and parties interested in proxy matters)

Our recommendations are received by most major investors.

Meeting Information	
Meeting Type	Annual
Meeting Date	04/28/20
Record Date	02/28/20

Items & Recommendations

We recommend that clients holding shares of WELLS FARGO & COMPANY vote:

Item	Egan-Jones Recommendation	Management Recommendation
1A - 1L – Election of Directors	FOR, WITH EXCEPTION OF Donald M. James, Ronald L. Sargent, Maria R. Morris, and Wayne M. Hewett	FOR ALL
2 – Advisory Vote on Executive Compensation	AGAINST	FOR
3 – Ratification of Auditor	AGAINST	FOR
4 – Shareholder Proposal - Approval of By-Law Amendments	FOR	AGAINST
5 – Shareholder Proposal - Report on Incentive Compensation and Risks of Material Losses	FOR	AGAINST
6 – Shareholder Proposal - Report on Global Median Pay Gap	FOR	AGAINST

Considerations and Recommendations

Egan-Jones' review centered on the Proposals in the context of maximizing shareholder value, based on publicly available information.

Governance Rating Score Summary

The Egan-Jones Governance Rating is based upon data sourced from FactSet Research Systems Inc., the company's public filings, reputable news sites, as well as other regulatory disclosures such as those found at the SEC and FASB

Ticker	**WFC**
Company name	**Wells Fargo & Company**

Board Rating

Item	**TRUE/FALSE**
CEO and Chairman Separate	TRUE
Annual Director Elections	TRUE
All Classes of Stock Have Equal Voting Rights	TRUE
Compensation Committee with All Independents	FALSE
Audit Committee with All Independents	TRUE
Nominating Committee with All Independents	FALSE
Non-binding Compensation Vote on Agenda	TRUE
Majority Independent Directors on Board	TRUE
Over-boarded CEO Director	FALSE
Over-boarded Board Chair	FALSE
Over-boarded Non-CEO Director	FALSE
Major cyber security breach	FALSE
Failure to implement sufficient carbon risk plan	FALSE
Other financial or operational risk control failure	FALSE
Other serious reputational risk failure by the Board	FALSE
Version	VER 2.10 12/15/2017
Sub Total	80.00
Performance Adjustment	0.00
Total	80.00
Final Board Score	***Good***

Compensation Rating

CEO Total Comp($)	23,000,000
CEO Salary ($)	2,500,000
TSR (%)	-0.34
Market Capitalization ($M)	215,333.40
Wealth Creation ($M)	-736.61
Wealth Creation/CEOPAY	0.00
Raw Score (pre adjustments)	Needs Attention
Final Score	***Needs Attention***
Rating Model Version	VER 3.10 12/15/2017
High CEO Total Compensation	Negative Adjustment
CEO Salary Under $1 Million Limit	No Adjustment
Other Adjustments:	No Adjustment

Audit Rating

Audit Fees	45,607,000
Total Fees	57,181,000
Non-Audit Fees exceed 50%	FALSE
Auditor has served for seven or more years	TRUE
Raw Score	Neutral
Version	VER 1.11 12/15/2017
Final Score	***Needs Attention***

Governance Rating

Overall Score	***Needs Attention***

Cyber Security Risk Rating

The Egan-Jones Cyber Risk Ratings helps stake holders assess the security posture (health) of covered entities. EJPS analysts use the SecuritiesScorecard platform to ascertain the company's Score which is incorporated into the EJPS Proxy Research Report. The methodology utilized for determining the Score can be found at http://ejproxy.com/media/documents/Egan-Jones_Proxy_Services_Cyber_Risk_Rating.pdf. For additional questions or comments please contact research@ejproxy.com or +1-844-495-5244 x1102.

Company Name	WELLS FARGO & COMPANY
Domain	wellsfargo.com
SSC Letter Grade	B
SSC Industry	financial services
Application Security	D
Cubit Score	A
DNS Health	D
Endpoint Security	A
Hacker Chatter	A
IP Reputation	A
Network Security	A
Information Leak	A
Patching Cadence	A
Social Engineering	A

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Minimum Factor Grade	D
EJP Qualitative Adjustment	None
Final Score	***Some Concerns***
Cyber Security Scoring Engine Version	2.0.1 - EJP

Items 1A - 1L

Election of Directors

Director Name	Nominee	Key Committee Membership	Attendance (<75%)	Position CEO/Chair	Director Since	Diverse director	Classification	Footnotes	EJP reco
	1	2	3	4	5	6	7	8	
DONALD M. JAMES	Yes	C;N	No		2009		Affiliated Outside Director	F6;F18	WIT
SUZANNE M. VAUTRINOT	Yes	N	No		2015	Yes	Independent Outside Director		
RONALD L. SARGENT	Yes	A;C;N	No		2017		Independent Outside Director	F18	WIT
JUAN A. PUJADAS	Yes		No		2017	Yes	Independent Outside Director		
CELESTE A. CLARK	Yes	N	No		2018	Yes	Independent Outside Director		
MARIA R. MORRIS	Yes	C	No		2018	Yes	Independent Outside Director	F18	WIT
THEODORE F. CRAVER, JR.	Yes	A	No		2018		Independent Outside Director		
WAYNE M. HEWETT	Yes	C;N	No		2019	Yes	Independent Outside Director	F18	WIT
CHARLES H. NOSKI	Yes	A;N	No	NON EXECUTIVE CHAIRMAN	2019		Independent Outside Director		
CHARLES W. SCHARF	Yes		No	CHIEF EXECUTIVE OFFICER AND PRESIDENT	2019		Inside Director		
RICHARD B. PAYNE JR	Yes		No		2019		Independent Outside Director		
STEVEN D. BLACK	Yes		No		N/A		Independent Outside Director		

Footnotes # Egan-Jones Explanation

F6 Affiliation - Over-tenured director - Member of a Key Board committee

According to Egan-Jones' Proxy Guidelines a director whose tenure on the Board is 10 years or more is considered affiliated, except for diverse nominees. We believe that key Board committees namely Audit, Compensation and Nominating committees should be comprised solely of Independent outside directors for sound corporate governance practice.

F18 Member of the Compensation Committee and the Company earns a compensation score of Some Concerns or Needs Attention

Egan-Jones' Proxy Guidelines state that the Compensation Committee should be held accountable for such a poor rating and should ensure that the Company's compensation policies and procedures are centered on a competitive pay-for-performance culture, strongly aligned with the long-term interest of its shareholders and necessary to attract and retain experienced, highly qualified executives critical to the Company's long-term success and the enhancement of shareholder value.

Item 2

Advisory Vote on Executive Compensation

Recommendation:

After taking into account both the quantitative and qualitative measures outlined below, we believe that shareholders cannot support the current compensation policies put in place by the Company's directors. Furthermore, we believe that the Company's compensation policies and procedures are not effective or strongly aligned with the long-term interest of its shareholders. **Therefore, we recommend a vote AGAINST this Proposal.**

Background:

At Egan-Jones Proxy Services we review a number of factors, both qualitative and quantitative in nature, before issuing a recommendation regarding the advisory vote on executive compensation. These include total CEO compensation, company performance, and any past issues with compensation.

The sum total of our quantitative look at compensation can be found in the compensation corporate governance grade we give this company. Generally and absent other negative factors, a score of *Neutral* or higher in compensation merits a positive "say-on-pay" vote. This Company has earned a grade of ***Needs Attention*** in compensation and thus, has failed to pass our quantitative tests.

Our qualitative review of this Company's compensation has identified one minor issue, the CEO's salary at $2,500,000 exceeds $1 million. While this issue is not sufficient to trigger a negative vote alone, it does impact the Company's overall compensation score, we would recommend the board investigate and consider alternative means of compensation for the CEO and any other covered NEOs who exceed this limit in the future.

This advisory vote is not binding. Although non-binding, the Compensation Committee will consider the outcome of the advisory vote when making future decisions regarding the executive compensation programs.

**See scoring details on the top of the report.*

Item 3

Ratification of Auditor

Recommendation:

At Egan-Jones Proxy Services we review relevant factors, both qualitative and quantitative in nature, before issuing a recommendation regarding the ratification of appointment of independent auditors. We believe that auditor rotation every seven years, a ratio of non-audit fees and total fees not exceeding 50%, a lack of significant and material disciplinary actions taken against the Company's Auditor and any financial interest of the auditor in or association with the Company are the minimum criteria that should be taken into consideration in ensuring the auditor's independence.

The sum total of our evaluation can be found in the Auditor Rating we give this auditor. Generally and absent other negative factors, we suggest a score of ***Neutral*** or higher. This audit firm has earned a grade of ***Needs Attention*** and thus, has failed to pass our model.

After taking into account both the quantitative and qualitative measures outlined below, we believe that shareholders should not support the ratification of the auditors. **Therefore, we recommend a vote AGAINST this Proposal.**

**See scoring details on top of the report.*

Background:

While ratification of auditors is one of the most common proposals submitted to shareholders it should not be overlooked. After employing the most qualified directors and CEO, to manage and grow the company, having equally experienced auditors should be next in importance. Reliable auditors are critical to ensuring shareholders receive accurate and timely reports of the Company's financial performance.

Exhibit 1 -Fees

	Current Fiscal Year		Prior Fiscal Year
Audit Fees	$ 45,607,000		$ 44,577,000
Audit Related Fees	$ 4,143,000		$ 5,639,000
Non Audit and Tax Fees	$ 7,431,000		$ 7,433,000
Total Fees	$ 57,181,000		$ 57,649,000

Exhibit 2- Fees

	Relevant Ratios		Note
Total Fee Increase/Decrease	-0.8%		
Non-Audit Related Fees divided by Total Fees (Current FY):	13.0%		Should not be higher than 50%

Board Auditor Choice: **KPMG, LLP**

KPMG, LLP is a PCAOB (Public Company Accounting Oversight Board) registered auditor. Public records show that there have been disciplinary actions taken against this firm and its employees; however, we do not believe this to be unusual for such a large company with numerous employees, in most of these cases.

Nevertheless, we note that on August 2017, KPMG has agreed to pay more than $6.2 million to settle charges that it failed to properly audit the financial statements of Miller Energy. The SEC 2017 order (Securities and Exchange Act of 1934 Release No. 81396 / August 15, 2017) finds that KPMG and John Riordan, CPA engaged in improper professional conduct and caused Miller Energy's violation of Section 13(a) of the Securities Exchange Act and Rules 13a-1 and 13a-13. During its fiscal 2010, Miller Energy acquired certain oil and gas interests located in Alaska (the "Alaska Assets") for an amount the company estimated at $4.5 million and then subsequently reported those assets at an inflated value of $480 million in its fiscal 2010 financial statements. KPMG and Riordan agreed, without admitting or denying the findings, to pay the fine and penalty, respectively. Also, Riordan was suspended from appearing or practicing before the SEC as an accountant, which includes not participating in the financial reporting or audits of public companies. The SEC's order permits Riordan to apply for reinstatement after two years.

Item 4

Shareholder Proposal - Approval of By-Law Amendments

Recommendation:

After evaluating the provisions and tenets of the proposal, we determined that the proposed resolution contemplated thereby is advisable, substantively and procedurally fair to, and in the best interests of Company and its shareholders. **We recommend a vote FOR for this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests the Board of Directors amend the bylaws to require that any amendment to bylaws that is approved by the board shall be subject to a non-binding shareholder vote as soon as practical unless such amendment is already subject to a binding shareholder vote.

It is important that bylaw amendments take into consideration the impact that such amendments can have on reducing the accountability of directors and managers and/or on limiting the rights of shareholders. For example, Directors could adopt a narrowly crafted exclusive forum bylaw to suit the unique circumstances of the company.

A proxy advisor recently adopted a policy to vote against directors who unilaterally adopt bylaw provisions or amendments to the articles of incorporation that materially diminish shareholder rights.

Improving the corporate governance is important when the stock price is lower than it was 5-years ago and the Chairman, Elizabeth Duke, received the highest negative of any Wells Fargo director in 2019.

The directors could be neutral on this proposal to obtain feedback from shareholders without interference. However if the directors oppose this proposal then it would be useful for the directors to give recent examples of companies whose directors took the initiative and adopted bylaws that primarily benefitted shareholders.

Item 5

Shareholder Proposal - Report on Incentive Compensation and Risks of Material Losses

Recommendation:

We believe that approval of the proposal will provide the shareholders and the Company with a beneficial information on potential material losses due to incentive-based compensation awarded to its employees. After evaluating the details pursuant to the shareholder proposal and in accordance with the Egan-Jones' Proxy Guidelines, **we recommend a vote FOR this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests the Board to 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 and how 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.

Item 6

Shareholder Proposal - Report on Global Median Pay Gap

Recommendation:

We believe that approval of the proposal is necessary and warranted in the Company. Pay disparities by gender in companies, in the view, could bring operational risks and reputational damage that is detrimental to shareholder value. After evaluating the details pursuant to the shareholder proposal and in accordance with the Egan-Jones' Proxy Guidelines, **we recommend a vote FOR this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests Well Fargo to report on the company's global median gender/racial pay gap, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. The report should be prepared at reasonable cost, omitting proprietary information, litigation strategy and legal compliance information.

The gender pay gap is defined as the difference between male and female median earnings expressed as a percentage of male earnings (Organization for Economic Cooperation and Development).

A report adequate for investors to assess company strategy and performance would include the percentage global median pay gap between male and female employees across race and ethnicity, including base, bonus and equity compensation.

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