Environmental and Social Impact Management Framework

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Introduction

Wells Fargo is unwavering in our commitment to building a strong risk and control culture, which includes implementing our Environmental and Social Impact Management Framework and our Environmental and Social Impact Management Policy. As a large financial institution serving commercial clients in many sectors, including some that may be associated with elevated environmental and/or social impacts, we recognize the importance of understanding the environmental and social implications of our business decisions.

Our Environmental and Social Impact Management Framework is designed to provide clarity and transparency to our stakeholders about how we approach the environmental and social impacts associated with certain financial relationships. It is intended to reflect key objectives from our Environmental and Social Impact Management Policy, which establishes expectations and requirements for identifying, assessing, and managing actual and potential environmental and social adverse impacts associated with our commercial clients and financings.

Environmental and Social Impact Management

Wells Fargo's Risk Management Framework, international standards, and best practices

Our Environmental and Social Impact Management Policy is aligned with the company's Risk Management Framework, which sets forth Wells Fargo's core principles for managing and governing risk. The Wells Fargo Risk Management Framework is approved by the Board's Risk Committee and reviewed and updated annually. Our approach recognizes that environmental and social issues have the potential to impact various risk types covered by our Risk Management Framework, including reputation risk, credit risk, and strategic risk.

The company has three lines of defense for managing risk: the Front Line, Independent Risk Management, and Internal Audit. Independent Risk Management, the company's second line of defense, maintains the Environmental and Social Impact Management Policy and provides oversight, challenge to, and independent assessment of the front line's execution of its Environmental and Social Impact Management responsibilities.

Our Environmental and Social Impact Management Policy applies globally to business groups with commercial clients for which Wells Fargo seeks to provide corporate advisory services, make corporate principal investments in, originate direct credit, or participate in underwriting of equity or debt capital markets offerings. Business groups, as part of the Front Line, are responsible for identifying in-scope clients and transactions, engaging with the Environmental and Social Impact Management team, escalating elevated risks as appropriate and reporting on Environmental and Social Impact Management Policy compliance periodically to Independent Risk Management. The Environmental and Social Impact Management team assists business groups in performing additional due diligence as necessary and provides education and awareness opportunities to increase employees' understanding of environmental and social issues and Wells Fargo's policy objectives.

We expect to update our Environmental and Social Impact Management Framework periodically, taking into account, among other things, stakeholder engagement and monitoring of environmental and social trends, best practices, international standards, and updates to the Environmental and Social Impact Management Policy.

Wells Fargo's approach to managing environmental and social impacts associated with our client relationships is informed by globally recognized standards and best practices, including:

a. Equator Principles[1]
b. United Nations Guiding Principles on Business and Human Rights (PDF) [1]
c. UK Modern Slavery Act (UK MSA) [1]
d. International Finance Corporation (IFC) Performance Standards[1]
e. Task Force on Climate-Related Financial Disclosures (TCFD) [1]

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Managing environmental and social impacts

Industries and activities with required additional environmental and social impact due diligence

Our additional due diligence approach is intended to provide a solid understanding and assessment of the environmental and/or social impacts associated with particular industries, including impacts of a specific client or transaction. That information, in turn, helps us better manage our business by mitigating potential risks. This approach is tailored to certain industries and activities, as described below.

Arms and Armaments

We conduct additional environmental and social due diligence on clients who manufacture, distribute, or sell arms and armaments. Through this due diligence, we assess various factors which may include relevant licensing and regulatory compliance, types of product offerings, operating procedures, reputation risk incidents, human rights issues, relevant international compliance, and implementation of applicable risk mitigation practices.

Consumer Finance

To address risks associated with providing commercial credit and certain support services to in-scope consumer finance businesses (for example, but not limited to, Indirect Auto Finance Companies, Direct Loan Finance Companies, FinTech Lenders/Servicers, and Mortgage Lenders/Brokers), we established the Consumer Compliance Risk Assessment (CCRA) function. CCRA conducts a review of prospective in-scope consumer finance clients in advance of providing commercial credit, and periodically of existing clients. This review is to evaluate the risks associated with the client's in-scope consumer finance activities and assess the state of the client's compliance management system. Findings from CCRA reviews are shared with the responsible business group and included in the credit analysis.

Private Prison Companies and Immigrant Detention Centers

We acknowledge the heightened risks inherent to private prisons and immigrant detention centers, including adverse human rights impacts, regulatory complexities, and ethical considerations. To address risk of financing companies that own or operate private prisons, including immigrant detention centers, we conduct additional due diligence to assess various factors, which may include human rights and forced labor issues, regulatory compliance, reputation risk incidents, health and safety, and implementation of applicable risk mitigation practices.

Mining Operations

We recognize the significant environmental, social, legal, regulatory, reputational, and other impacts and risks facing the mining industry. Our tailored approach to assessing risks of financing coal and metal mining clients includes, but is not limited to, their ability to mitigate risk associated with impacts on community, human rights, Indigenous Peoples, tailing ponds, climate impacts, water and waste management, health and safety, natural resources and biodiversity, and sensitive geographies.

Oil and Gas Operations

Wells Fargo provides financing for oil and gas clients primarily based in North America and Europe. Due to the heightened environmental and social risk inherent in the oil and gas industry, we have developed an additional due diligence approach for clients in this industry.

For example, we apply additional due diligence to clients engaged in the following extraction techniques or geographies:

- *Hydraulic fracturing*. For clients involved in fracking, we seek a deeper understanding of material environmental and social issues including impacts on water, air, land, and communities, including Indigenous Peoples.
- *Alaska Arctic region*. For clients with operations in Alaska Arctic region, our due diligence aims to understand concerns that stakeholders may have with clients' operations and how clients manage stakeholder engagement. Impacts assessed include Indigenous Peoples, climate-related considerations, ecosystems and biodiversity impacts, and region-specific water risks.
- *Oil sands*. For clients involved in oil sands, we seek to understand their approach to community engagement, including Indigenous Peoples, land reclamation, tailings ponds, and waste management specific to oil sands.
- *Offshore*. For clients involved in offshore operations, our due diligence includes understanding their approach to exploration and production techniques, risk of spills, occupational health and safety practices, and impacts on sensitive marine habitats.
- *Midstream*. For clients involved in midstream operations, our due diligence includes an assessment of risks of leaks or spills and other ecological impacts. In addition, our due diligence includes understanding the company's approach to engaging affected communities and other stakeholders in areas of operations.

Screening for potential environmental and social risks in other sectors

Environmental and social impacts exist in many industries. Our Environmental and Social Impact Pre-Screen Questionnaire Tool is designed to help business groups identify impacts that may not otherwise be covered by specific requirements in our Environmental and Social Impact Management Policy. The tool helps the Front Line identify whether a client or transaction has elevated potential for environmental or social impacts that should be further evaluated. For clients or transactions identified by the business groups with actual or potential environmental or social adverse impacts related to human rights or Indigenous Peoples issues, business groups are required to engage subject matter experts within Wells Fargo for additional due diligence and assistance in evaluation of these clients or issues as appropriate.

Prohibited activities

Our Environmental and Social Impact Management Policy outlines certain commercial transactions and relationships Wells Fargo's business groups may not knowingly engage in. These restrictions are developed in line with Wells Fargo's existing risk management processes. Based on Wells Fargo's assessment of credit, operational, strategic, and reputational risks, as well as important environmental and social impact considerations, Wells Fargo does not knowingly engage in the activities listed below.

Coal

Wells Fargo will not provide new direct credit, capital markets origination or corporate advisory services to, or make corporate principal investments in, clients deriving the majority of their revenues from the extraction of coal.

Wells Fargo will not provide new direct credit, capital markets origination, or corporate advisory services to, or make corporate principal investments in, coal mining companies deriving the majority of their revenues from mountaintop removal coal operations.

Wells Fargo will not provide project financing or other forms of asset-specific financing associated with the expansion of an existing, or development of a new, coal mine, or development of a new coal-fired power plant. Coal-fired power plants utilizing carbon capture and sequestration technology will be considered on a case-by-case basis.

Projects in Alaska Arctic region in scope of Equator Principles

Wells Fargo will not provide project-specific direct financing in the Alaska Arctic region for projects that fall within the scope of the Equator Principles.

Modern slavery, servitude, forced or compulsory labor (including child labor), and human trafficking

Wells Fargo will not provide direct credit, capital markets origination or corporate advisory services to, or make corporate principal investments in, clients where we have evidence of modern slavery, servitude, forced or compulsory labor (including child labor), and/or human trafficking.

Key themes & focus areas

Human Rights

Wells Fargo recognizes our responsibility to respect human rights in our operations, products, and services. Our efforts are guided by the United Nations Universal Declaration of Human Rights[2] and the United Nations Guiding Principles on Business and Human Rights (PDF).[2] Wells Fargo's Human Rights Statement (PDF) outlines our human rights efforts.

Indigenous Peoples

Wells Fargo has been serving American Indian, Alaska Native, and Native Hawaiian communities in the U.S. for more than 60 years. In March 2017, we developed an Indigenous Peoples Statement (PDF) guided by the best practices and principles stipulated within International Finance Corporation Performance Standard 7 in partnership with tribal leaders, Indigenous stakeholders, and their representatives. It articulates our commitment to Indigenous communities and helps guide our decision-making for transactions where Indigenous communities can be impacted.

Climate Change

We believe that climate change is one of the most urgent environmental and social issues of our time. In March 2021, we set a goal of achieving net zero greenhouse gas emissions — including our operational emissions and client emissions attributable to our financing — by 2050 as well as a number of other sustainability-related goals. We engage with the community and our peers in several forums on topics ranging from climate-related risks to sector-specific transition planning, including the UN-convened Net-Zero Banking Alliance, the Center for Climate-Aligned Finance, and the Taskforce on Climate-related Financial Disclosures.

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Biodiversity and Ecosystems

We recognize the critical importance of biodiversity and are mindful of the impacts associated with its loss. We also understand that protecting and conserving biodiversity, maintaining ecosystems, and managing living natural resources are important factors for global sustainability. We continue to consider ways to evaluate client actions that we may become aware of with potentially adverse consequences to biodiversity or ecosystems.

Conclusion

Environmental and social issues increasingly impact everyone, including our clients and communities. Understanding environmental and social impacts is an important element of our commitment to managing risk at Wells Fargo.

We will continue to engage with stakeholders, identify emerging risks and impacts, and evaluate best practices to help ensure that our Environmental and Social Impact Management Framework and Policy reflect evolving environmental and social risks associated with the clients and communities we serve.

The information provided in this document reflects Wells Fargo & Company's approach to assessing environmental and social considerations in certain industries and/or transactions. The information included herein is current as of the date of publication and is subject to change without notice. Wells Fargo does not purport to update any information in this document. Additionally, this document provides general information regarding a number of Wells Fargo's policies, procedures, and positions. Although this document aims to reflect the general position of Wells Fargo, the policies, procedures, and positions discussed herein may be subject to approved exceptions.

Forward-looking statements

This document contains forward-looking statements about the company's future financial performance and business. Because forward-looking statements are based on our current expectations and assumptions regarding the future, they are subject to inherent risks and uncertainties. Do not unduly rely on forward-looking statements as actual results could differ materially from expectations. Forward-looking statements speak only as of the date made, and we do not undertake to update them to reflect changes or events that occur after that date.

For more information about factors that could cause actual results to differ materially from expectations, refer to our reports filed with the Securities and Exchange Commission, including the "Forward-Looking Statements" discussion in Wells Fargo's most recent Quarterly Report on Form 10-Q as well as to Wells Fargo's other reports filed with the Securities and Exchange Commission, including the discussion under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021, available on its website at www.sec.gov.