Richard M. Heimann (063607)
rheimann@lchb.com
Katherine C. Lubin (259826)
kbenson@lchb.com
Michael K. Sheen (288284)
msheen@lchb.com
LIEFF CABRASER HEIMANN & BERNSTEIN, LLP
275 Battery Street, 29th Floor
San Francisco, CA 94111-3339
Telephone: (415) 956-1000
Facsimile: (415) 956-1008

Attorneys for Co-Lead Plaintiff Fire & Police Pension Association of Colorado and Co-Lead Counsel

Maya Saxena (*Pro hac vice*)
msaxena@saxenawhite.com
Joseph E. White, III (*Pro hac vice*)
jwhite@saxenawhite.com
Lester R. Hooker (241590)
lhooker@saxenawhite.com
SAXENA WHITE P.A.
150 East Palmetto Park Road, Suite 600
Boca Raton, FL 33432
Telephone: (561) 394-3399
Facsimile: (561) 394-3382

[Additional Counsel on Signature Page]

Attorneys for Co-Lead Plaintiff The City of Birmingham Retirement and Relief System and Co-Lead Counsel

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

IN RE WELLS FARGO & COMPANY SHAREHOLDER DERIVATIVE LITIGATION This Document Relates to: ALL ACTIONS.	Lead Case No. 3:16-cv-05541-JST **EXHIBIT A: CORPORATE GOVERNANCE REFORMS** The Honorable Jon S. Tigar

I. Co-Lead Plaintiffs' Requested Corporate Governance Reforms

WHEREAS, beginning on September 29, 2016, separate Wells Fargo shareholders filed a series of putative shareholder derivative lawsuits in the United States District Court for the Northern District of California (the "Court") on behalf of themselves and derivatively on behalf of Wells Fargo & Company ("Wells Fargo" or "the Company" or the "Bank"), and against certain current and former officers and directors of Wells Fargo (the "Individual Defendants"),[2] alleging, among other things, that employees in the Company's Community Bank opened accounts without customer knowledge or authorization, and that the Individual Defendants breached their fiduciary duties to Wells Fargo in connection with these and other alleged improprieties.

WHEREAS, on February 24, 2017, Co-Lead Plaintiffs Fire & Police Pension Association of Colorado and The City of Birmingham Retirement and Relief System ("Co-Lead Plaintiffs") filed their Consolidated Amended Verified Shareholder Derivative Complaint (the "Complaint") in the Derivative Action. Dkt. No. 83.

WHEREAS, the Complaint alleged that "[t]he illicit account-creation scheme was not the product of a few rogue Wells Fargo employees. To the contrary, it was the natural and foreseeable outgrowth of a system [that] pressure[d] employees to meet unrealistic sales targets and thereby obtain bonuses." *Id.* at ¶ 20.

WHEREAS, the Complaint alleged that "Wells Fargo's proxy statements have consistently included—and, on the Board's recommendation, shareholders have invariably voted down—a stockholder proposal 'to adopt a policy to require an independent chairman.'" *Id.* at ¶ 119.

WHEREAS, the Complaint alleged that "Defendants failed to implement the requisite risk controls to prevent or detect Wells Fargo employees from signing up customers for millions of unauthorized checking accounts, credit cards, and other accounts and services." *Id.* at ¶ 321(f).

WHEREAS, the Complaint's Prayer for Relief sought a demand for judgment that included: "D. Directing Wells Fargo to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect the

[2] Capitalized terms not separately defined herein have the meaning ascribed to them in the Settlement Stipulation.

Company and its stockholders from a repeat of the damaging events described in this Complaint, including putting forward for a stockholder vote resolutions for amendments to the Company's by-laws or articles of incorporation, and taking such other actions as may be necessary to place before stockholders for a vote the following corporate governance policies:

- 1. a proposal to strengthen Board oversight and supervision of Wells Fargo's Community Banking sales practices;
- 2. a proposal to strengthen the Company's disclosure controls to ensure material information is adequately and timely disclosed to the SEC and the public;
- 3. a proposal to ensure that all Board members take appropriate action to rid the Company of its lawless culture, particularly in the Community Banking segment;
- 4. a proposal to strengthen the Board's supervision of operations and develop and implement procedures for greater stockholder input into the policies and guidelines of the Board; and
- 5. a proposal to permit the stockholders of Wells Fargo to nominate at least three candidates for election to the Board."

WHEREAS, during the pendency of the litigation and the negotiations that culminated in the Settlement, Co-Lead Plaintiffs requested that the five directors who did not receive the positive vote of a majority of the outstanding stock at the April 2017 annual shareholders meeting should not be re-nominated in 2018.

WHEREAS, during the pendency of the litigation and the negotiations that culminated in the Settlement, Co-Lead Plaintiffs requested that the Wells Fargo Board create a new "Retail Customer Protection Committee" whose charter would charge the Committee with oversight responsibility for retail sales practices and other elements of Wells Fargo's relationship with retail customers.

WHEREAS, during the pendency of the litigation and the negotiations that culminated in the Settlement, Co-Lead Plaintiffs requested that the relevant part of the Wells Fargo internal audit process should be configured as "retail practices audit," and the senior manager leading this audit group should report directly to the proposed Retail Customer Protection Committee.

WHEREAS, during the pendency of the litigation and the negotiations that culminated in the Settlement, Co-Lead Plaintiffs requested that the Retail Customer Protection Committee shall receive prompt reports from senior managers on "Matters Requiring Immediate Attention" and

"Matters Requiring Attention" notices from banking supervisors that pertain to retail customer matters.

WHEREAS, during the pendency of the litigation and the negotiations that culminated in the Settlement, Co-Lead Plaintiffs requested that "Risk-Facing Board Committees"[3] should be given a specific mandate to conduct internal investigations using outside advisers and personnel as the Committees deem necessary.

WHEREAS, during the pendency of the litigation and the negotiations that culminated in the Settlement, Co-Lead Plaintiffs requested that the Chairman or Vice Chairman of the Board should have independent authority to initiate an internal investigation as he/she deems appropriate.

WHEREAS, during the pendency of the litigation and the negotiations that culminated in the Settlement, Co-Lead Plaintiffs requested that the "Risk-Facing Committees" shall arrange to receive quarterly reports from senior managers in appropriate parts of the Wells Fargo internal auditing and monitoring offices, in executive session, and that members of these Committees shall be specifically empowered to formulate questions to be addressed in these quarterly meetings or in-between quarters as they shall deem necessary.

WHEREAS, during the pendency of the litigation and the negotiations that culminated in the Settlement, Co-Lead Plaintiffs requested that an internal Ombudsman Program, managed by or under the direction of the senior manager of the Office of Ethics, Oversight, and Integrity, shall be established, providing an alternative channel for employees to address work-related concerns, including conduct inconsistent with Wells Fargo's policies, practices, values and standards.

II. Wells Fargo's Corporate Governance Reforms

NOW THEREFORE, Co-Lead Plaintiffs and Wells Fargo have agreed and acknowledge that facts alleged in the Derivative Action were significant factors taken into account by Wells Fargo in implementing the following corporate governance reforms:

In October 2016, the Board separated the roles of Board Chair and CEO. Weeks later, in November 2016, the Board acted to require that the Board Chair and Vice Chair, if any, be

[3] These committees include Audit and Examination, Risk, Human Resources, and the proposed Retail Consumer Protection.

independent, non-employee directors—a requirement unique among Wells Fargo's large banking peers.

Since 2017, nine directors of the Wells Fargo Board have departed. Seven new directors have joined the Board in that time. As of the Company's 2018 annual shareholder meeting in April, a majority of Wells Fargo's independent directors were new to the Company's Board.

In 2017 and 2018, the Board appointed new directors to serve on (and new leaders to chair) its key committees, including the Risk Committee, Human Resources Committee ("HRC"), and the Governance and Nominating Committee. The Board also revamped its governance and committee structure. In particular, the Risk Committee's oversight responsibilities were enhanced to focus on a key area of enterprise risk, with a new subcommittee formed for oversight of compliance, and its membership was reconstituted to include a majority of members (four) with experience identifying, assessing, and managing risk exposures of large, financial firms.

The Board and senior executive team have rebuilt the top-level management of Wells Fargo. Since 2016, the Company has appointed a new CEO and a new head of the Community Bank (the new head of the Community Bank now leads Consumer Banking, which includes the Community Bank, Home Lending, and Wells Fargo Auto), brought in a new General Counsel and a new Chief Risk Officer, and has made many other management changes, including establishing the new roles of Head of Stakeholder Relations and Head of Regulatory Relations.

In 2017, the Board approved a new policy limiting the number of public company boards on which its directors may serve. No director serves on more than three public company boards and Wells Fargo's CEO does not serve on any other public company board.

In March 2018, the Board reduced the threshold for calling a special shareholder meeting. Now, shareholders comprising 20% of the Company's outstanding common stock may call special meetings of shareholders (reduced from 25%), making it significantly easier for several of the Company's major investors to convene a special meeting.

The Board amended its corporate governance guidelines in 2018 to better reflect the role of the Board and work it is doing to enhance governance and oversight practices, including to reflect the Federal Reserve's proposed guidance on board effectiveness.

The Board took multiple actions to promote executive accountability by obtaining forfeitures or reductions of compensation totaling $122.5 million. In addition, upon his own recommendation, the Board awarded CEO Sloan no incentive compensation award for 2017.

The Company has implemented numerous new controls and enhanced many existing controls and customer feedback mechanisms (e.g., customer alerts and "mystery shopper" programs) to help ensure that account activity is authorized.

The Company ended product sales goals for retail banking team members in branches and call centers, and implemented new compensation and performance management programs in the Community Bank focused on the customer experience. The Company also raised the minimum hourly wage for U.S.-based team members and enhanced benefits.

The Company and the Board enhanced oversight of risk, including conduct risk and compliance risk, by, among other things, strengthening and enhancing the Company's Board-approved risk management framework and emphasizing the role of risk management when setting corporate strategy and by further rationalizing and integrating certain risk management organizational, governance, and reporting practices.

Beginning with the 2017 evaluation and continuing through the present, the Board engaged former Securities and Exchange Commission Chairwoman Mary Jo White, senior partner with Debevoise & Plimpton LLP, to facilitate the Board's annual evaluation process. Ms. White has advised the Board and each committee concerning their self-evaluations, including to assess reforms made by the Board since 2016.

The Company has and continues to formalize its training programs for directors, including training and onboarding for new directors, and has documented those processes and training plans in writing.

The Company has updated Board reporting structures, including committee charters, in the wake of the Improper Sales Practices issues to include the type of reporting contemplated by Co-Lead Plaintiffs' proposals, including reporting in executive sessions. The Audit and Examination Committee (A&E Committee) and Risk Committee are the principal recipients of regularly scheduled reports of this sort and those reports are received or discussed when appropriate, in sessions not attended by senior management. (*See, e.g.*, Risk Comm. Charter, at 2; A&E Comm. Charter, at 2-3.) In addition, the full Board receives reporting on conduct and culture matters at least twice per year.

The Board has taken numerous steps to promote more active monitoring of Company culture, including those outlined in the Company's 2018 Proxy Statement. These steps include focusing on oversight of key employee ethics matters in the HRC and enhancing the HRC's oversight to include human capital management and culture. The Company has also put in place new reporting programs so that the Board receives reporting on various actions taken by the Company to assess, strengthen, and measure the Company's culture, including a Company-wide "culture assessment survey" conducted in 2017.

The Board amended its committee charters in 2017 to transfer oversight of employee ethics matters to the HRC, and enhanced the HRC's oversight to include human capital management and culture. In addition, the HRC and the full Board are receiving reporting on culture and ethics matters. The Board's Risk Committee formed a Compliance Subcommittee, which meets monthly to oversee compliance risks, and the Risk Committee's charter was amended to provide that it oversees the risk components of the Company's culture, as well as the conduct risk oversight function. Both the Risk Committee and its Compliance Subcommittee receive extensive reporting on conduct and compliance risk, respectively.

Wells Fargo created a Conduct Management Office which includes the Offices of Sales Practices Oversight, Ethics Oversight, and Complaints Oversight, Internal Investigations, and Bribery and Corruption Governance. The Conduct Management Office improves upon the prior corporate structure in two key ways: (1) it is a centralized unit outside the control of any business line that has a direct reporting line to the Risk Committee and the Board through the Chief Risk Officer, who is to provide periodic reports on matters that include the Office's area of responsibility; and (2) it focuses on conduct management and sales practices issues—the Office's core mission is to educate, prevent and investigate sales and related conduct issues.

Wells Fargo's Internal Audit Group designated a senior audit manager for conduct and/or sales practices-related matters.

Wells Fargo centralized staff groups throughout the Company, including Finance, Marketing, Communications, Human Resources (including compensation and employee relations) and Compliance, now report into their central control groups rather than into the lines of business that they support.

Wells Fargo expanded the Risk Committee's oversight responsibilities to include oversight of the new Conduct Management Office and enterprise-wide conduct risk and risk culture in addition to overseeing the enterprise risk management framework, the Corporate Risk function, and key risks identified by management.

Wells Fargo expanded the Human Resources Committee's oversight responsibilities to include human capital management, culture, Code of Ethics and Business Conduct, implementation and effectiveness of ethics, business conduct, and conflicts of interest program (including training on ethical decision-making and processes for reporting and resolution of ethics issues), and Wells Fargo's expanded incentive compensation risk management program.

Wells Fargo expanded the A&E Committee's oversight responsibilities for legal and regulatory compliance to include the Company's compliance culture. The A&E Committee will continue to oversee the operational risk program and all operational risk types, including conduct risk, as well as complaints and allegations related to accounting, internal accounting control, and audit matters.

Prior to Wells Fargo's implementation of several of these corporate governance reforms, the Parties engaged in mediation efforts during which Co-Lead Plaintiffs proposed a resolution of this matter that included proposals of certain of these corporate governance reforms. Co-Lead Plaintiffs and Wells Fargo have agreed and acknowledge that these reforms have conferred significant benefits to Wells Fargo and agree that these remedial corporate governance reforms confer a benefit to Wells Fargo of $20 million.