



JOHN CHIANG
TREASURER
STATE OF CALIFORNIA

October 17, 2016

Timothy J. Sloan
President and CEO
Wells Fargo & Company
P.O. Box 63750
San Francisco, CA 94163

Dear Mr. Sloan:

I am writing to congratulate you on taking over the reins of Wells Fargo Bank. Wells Fargo has a storied history as old and golden as California. The two grew up together during the pioneering Gold Rush era. Today the wheels have fallen off the bank's trademark stagecoach. Under your predecessor, a culture emerged that prioritizes sales quotas and profiteering over consumer service and basic decency.

I was heartened by your public promise to "win back" California's business and that of other states and municipalities which have, or are currently contemplating, severing ties with your bank. I want to believe you.

For decades, my office has relied on Wells Fargo, our oldest California-headquartered financial institution, as a partner in meeting the Golden State's investment and borrowing needs. I want to fully restore those ties.

To repair the broken trust, you will have to do much better than your predecessor's scripted words of contrition. Your customers deserve real and honest accountability. Mr. Stumpf offered no credible explanations and demonstrated no command of the root causes of how a culture emerged allowing greed to consume integrity. He stumbled on the following questions which all of your customers want answered:

- From your 6,300 branches to your executive suites and your boardroom, who promoted, enabled, or turned a blind eye to the growing tempest of relentless sales quotas?
- What policies, compensation incentives, performance criteria, and training protocols were at the heart of the cross selling abuses?
- What were the corrupting effects of the flawed incentive system?
- Does the Board accept any responsibility for the policies that led to this breakdown?
- Were there whistleblowers and how were they and their complaints treated?

915 Capitol Mall, Room 110, Sacramento, CA 95814 ♦ (916) 653-2995 ♦ Fax: (916) 653-3125
777 S. Figueroa Street, Suite 4800, Los Angeles, CA 90017 ♦ (213) 620-4467 ♦ Fax: (213) 620-6309

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- How did your internal controls, risk management operations, and independent oversight fail so miserably at catching the abuses before they fully metastasized?
- How could these consumer abuses go undetected and unaddressed until a combination of regulatory enforcement and public shame forced your hand?
- Why were low-level employees dismissed, while middle and executive level managers given passes?

Sadly, Mr. Stumpf's vision for how to restore the integrity of his bank was as feckless as his understanding of how Wells Fargo came to place self-interest before its customers. Other than platitudes and vagaries, he offered no wholesale reform proposals that would be transformative and disruptive to Wells Fargo's status quo way of doing business. The communities served by Wells Fargo -- as well as the thousands harmed by its wanton greed -- want to know:

- Will Wells Fargo claw-back all compensation (including base salary, benefits, and bonus incentives) paid to executives and managers who knew or should have known about these abusive consumer practices?
- Wells Fargo has publicly revealed that it split the CEO and chair positions, but what actions will be taken to make this split permanent and binding? Will there be a shareholder vote to affirm it?
- What changes will you be making to ensure there is better alignment between compensation and the safety and soundness of consumer accounts?
- Wells Fargo was required by regulators to hire an independent consultant to review its enterprise-wide sales practices and assess consumer harm. What recommended steps have been taken to date? What additional recommended steps have yet to be taken?
- Will you make available to your shareholders and customers all findings and recommendations developed during the course of any internal or 3rd party investigations into Wells Fargo cross-selling abuses?
- Will Wells Fargo be willing to develop an anonymous ethics reporting process and whistleblower protection program?
- How will you ensure that every individual and small business customer harmed by your bank will be made whole?
- In his testimony before Congress, Mr. Stumpf stated that he did not believe the controversy was reflective of a culture problem at Wells Fargo. Do you agree with this statement?

In deflecting and dodging questions like these, your predecessor proved that he was not -- and could never be -- the change agent leader Wells Fargo so desperately needs. I am rooting for you to do better.

However, given your 29-year tenure at Wells Fargo and the fact that you were groomed to replace Mr. Stumpf, many are already questioning whether Wells Fargo is still working from the same playbook. It is not unreasonable to wonder whether you are the change agent Wells Fargo needs to effectuate an about-face or if this is just a politically-expeditious move that will amount to no more than a shifting of the chairs on the Titanic.

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You can rebut this stinging skepticism and, at the same time, begin earning back your most profitable business relationships with the state of California by providing complete answers to the questions posed above. I look forward to hearing from you.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Chiang", is written over the typed name and title.

JOHN CHIANG
California State Treasurer