SIERRA CLUB FOUNDATION

THE FOUNDATION FOR A HEALTHY PLANET.

Resolved: Shareholders request that the Board of Directors adopt a policy by the end of 2022 committing to proactive measures to ensure that the company's lending and underwriting do not contribute to new fossil fuel development, consistent with fulfilling the United Nations Environmental Program Finance Initiative (UNEP FI) recommendations to the G20 Sustainable Finance Working Group, and the International Energy Agency (IEA)'s Net Zero Emissions by 2050 Scenario (NZE), for credible net zero commitments.

**Supporting Statement**

The Wells Fargo (WFC) loan portfolio is heavily exposed to borrowers beset by climate risk; WFC discloses, for example, more than $40 billion of unpaid loan balances relating to properties located in flood zones.[1] Moreover, WFC acknowledges in its 2020 CDP Climate Change questionnaire that "[i]f emerging regulations and policies impact customers' operating environments negatively, the bank could be exposed to revenue erosion which could lead to lower capital ratios through decreased retained earnings or asset quality decay."[2] Finally, recent movement toward tying bank capital reserve requirements to loan-book climate risk by the European Central Bank and Bank of England affect WFC's operations in those regions.

WFC is a member of the Net Zero Banking Alliance (NZBA), for which our CEO committed to align with pathways consistent with a maximum temperature rise of 1.5 degrees Celsius above pre-industrial levels, utilizing decarbonization scenarios from "credible and well-recognized sources."[3]

However, membership in the Alliance does not necessarily equate with alignment with global climate goals. The UNEP FI, which convenes the NZBA, published an Input Paper to the G20 Sustainable Finance Working Group which defines credible net zero commitments of financial institutions, including: "A financial institution establishing a net-zero commitment should begin aligning with the required assumptions and implications of IPCC 1.5°C no/low overshoot pathways as soon as possible….All no/low overshoot scenarios indicate an immediate reduction in fossil fuels, signaling that investment in new fossil fuel development is not aligned with 1.5°C."[4] Another of the world's most credible sources, the IEA, in its NZE scenario, states that "no fossil fuel exploration is required and no new oil and natural gas fields are required beyond

---

[1] https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/goals-performance-data.pdf, at 29.

[2] https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/climate-change-information-request.pdf, at 22.

[3] https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-NZBA-Commitment-Statement.pdf

[4] https://g20sfwg.org/wp-content/uploads/2021/10/2021-UNEP-FI.-Recommendations-for-Credible-Net-Zero-Commitments.pdf, at 15.

those that have already been approved for development."[5] WFC has restricted financing for new coal operations and Arctic drilling, but has no policy to halt financing any new oil and gas exploration and development. The Banking on Climate Chaos report shows WFC as the fourth-highest financier of companies expanding fossil fuels.[6]

WFC faces two associated problems: first, its prominence in asserting climate leadership flies in the face of its actions, creating reputational risk from accusations of greenwashing; second, underwriting or lending to projects which are unneeded under the UNEP FI recommendations or IEA NZE scenario potentially loads stranded assets onto its balance sheet or those of its customers. In this regard, investors need to know that WFC's lending and underwriting policies are consistent with its own net zero commitment.

[5] https://iea.blob.core.windows.net/assets/88dec0c7-3a11-4d3b-99dc-8323ebfb388b/WorldEnergyOutlook2021.pdf, at 100.
[6] https://www.ran.org/wp-content/uploads/2021/03/Banking-on-Climate-Chaos-2021.pdf, at 38.



2101 Webster Street, Suite 1250, Oakland, CA 94612 • [T] (415) 995-1780 • [F] (510) 208-3140 • sierraclubfoundation.org