# Wells Fargo Securities Europe, société anonyme

Pillar 3 Disclosure for the year ended December 2021

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# 1. Introduction

## 1.1 Objective

Wells Fargo Securities Europe S.A (**WFSE** or the **Firm**) was subject to the EU Capital Requirements Regulation (**CRR**) until 26 June 2021 at which point the new Prudential Framework for Investment firms came into effect. This is implemented through regulation (EU) 2019/2033 Investment Firm Regulation (**IFR**) and (EU) 2019/2034 Investment Firm Directive (**IFD**) which has been transposed into French law. WFSE is required to meet the requirements laid out in the IFR and IFD on the date of preparation of these disclosures.

This document is prepared in accordance with the disclosure requirements set out under Part Six of the IFR and WFSE's Pillar 3 Policy. The firm's Pillar 3 disclosures and policy are subject to a formal governance process and are reviewed and approved by the WFSE Board of Directors (**the Board**) on an annual basis or more frequently if required.

The qualitative and quantitative information in this document represent the position of WFSE as at 31st December 2021, and the rule framework applicable on that date. The quantitative disclosures in this document are calculated according to the approaches outlined in the IFR.

This document does not constitute a set of financial statements. The WFSE audited financial statements are prepared in accordance with the applicable French company law and accounting standards. Information contained in the WFSE 2021 audited financial statements may contain differences with the information in this document as the regulatory approaches may differ from accounting definitions.

## 1.2 WFSE Background

WFSE was officially registered and authorised to conduct business as an investment firm and commenced business during 2019.

WFSE's shareholders, EVEREN Capital Corporation (**EVEREN**) and Wells Fargo Central Pacific Holdings (**WFCPH**), are wholly owned, indirect subsidiaries of Wells Fargo & Company (**WFC**). The WFC group has total assets of $1.9 trillion as at 31 December 2021.

WFSE therefore remains a 100% subsidiary of WFC which prepares Pillar 3 disclosures on a consolidated basis.

As a result of this ownership structure WFSE, under Article 5 of the IFR must comply with the obligations laid down in Part Six on an individual basis.

WFSE is a Markets in Financial Instruments Directive II (**MiFID II**) compliant-entity, entitled to conduct investment business in all of the EU / EEA jurisdictions on a cross-border basis by exercising passport rights and its primary activities comprise:

- Sales of securities;
- Underwriting, distributing and dealing in debt securities;
- Providing corporate finance advice on securities, investments, mergers & acquisitions, capital and financing transactions, and similar transactions;
- Executing listed futures on behalf of clients (activity discontinued since February 2021).

# 2. Risk Governance

## 2.1 Introduction

The prudent taking of risk, in line with WFSE's strategy, is fundamental to its future growth. WFSE's business operations are based on conscious and disciplined risk-taking. Independent risk management, compliance and audit processes with proper management accountability are critical to the interests and concerns of our stakeholders. The business growth strategy benefits from areas where WFSE has deep domain expertise, strong client base and robust risk management and governance infrastructure.

The WFSE Board sets the tone by supporting a strong risk culture that guides how employees conduct themselves and make decisions. Every employee has a role to play in risk management, including establishing and maintaining WFSE's risk and control environment. The WFSE risk culture is supported by the following principles:

- Risk management policies that set out authorities and responsibilities for taking and managing risks;
- A clear risk appetite statement that sets out the types and levels of risk WFSE is prepared to take;
- Active monitoring of risks and taking mitigating actions where they fall outside accepted levels;
- Identification, analysis, and escalation of breaches of risk limits where repeated or unauthorised exceptions may result in disciplinary action; and
- Resilient risk controls that promote multiple perspectives on risk and reduce the reliance on single risk measures.
- Senior management expects employees to speak up when they see something that could cause harm to WFSE's customers, communities, employees, shareholders or reputation.

The Board oversees the risk appetite statement and risk profile of WFSE and ensures that business developments are consistent with the risk appetite and strategic goals.

The WFSE Statement of Risk Appetite (**SoRA**) is comprised of both qualitative and quantitative components and metrics which are monitored on a frequent basis. The SoRA is reviewed on at least an annual basis. The business strategy, key ratios, internal data and issues are used to ensure appropriate calibration of the thresholds.

The Board also reviews and endorses WFSE's risk management activities, which includes the establishment of policies for the control of risk. The Board receives information on the risk profile of WFSE, breaches of policy framework and external developments that may have some impact on the effectiveness of the risk management activities. It also approves significant changes to risk management policies and approves WFSE's SoRA annually.

The Board also ensures that the Wells Fargo risk culture remains strong and that controls are respected by staff. This is achieved by the Board setting clear expectations regarding appropriate behaviours; and implemented by WFSE's Senior Management through their leadership actions, communication and organisational governance.

The WFSE risk governance structure is made up of the committees outlined below, which aid senior management and the Board in the identification, assessment, monitoring and management of risk in the entity.

## 2.2 WFSE Committee structure

| | Monthly | Quarterly | As required |
|---|---|---|---|
| WFSE Specific | • WFSE Executive Management Committee (ExCo)<br>• WFSE Asset-Liability Committee (ALCO)<br>• WFSE Risk and Control Council | • WFSE Board<br>• WFSE Regulatory Reporting Oversight Committee (RROC) | |
| EMEA Wide[1] | • EMEA ALCO<br>• EMEA EXCO<br>• EMEA Operating Committee (EMEA OPCO)<br>• EMEA Regional Risk and Control Committee (EMEA RRC)<br>• EMEA New Initiatives Committee (EMEA NIC)<br>• EMEA Clients Assets Steering Committee (EMEA CASS) | • EMEA CIB Markets Best Execution Committee | • LIBOR Product Review Committee<br>• EMEA Underwriting Approval Committee (UAC)<br>• EMEA Mergers and Acquisitions Capital Committee (E-MACC)<br>• EMEA Ops Reg Change Steering Committee (ORCSC)<br>• EMEA Remuneration Steering Group (ERSG)<br>• EMEA Remuneration Risk Review Committee (ERRRC) |

### WFSE Board of Directors

The Directors of WFSE as at 31st December 2021 are listed under table 1:

**Table 1 -WFSE Directors**

| Directors | No. Directorships |
|---|---|
| Daniel Thomas | 3 |
| Nicholas Bennett | 1 |
| Rory Hudson | 2 |
| Simon Ennis (appointed 24 March 2021) | 1 |

WFSE selects its Board members in line with the Wells Fargo Group principles and procedures and in accordance with applicable legal and regulatory requirements regarding recruitment. The selection process aims to identify the best qualified candidates for a position, providing equal opportunity in all employment decisions and without regard to race, colour, gender, national origin, religion, age, sexual orientation, gender identity, disability, pregnancy, marital status or any other status protected by law.

The primary responsibility of the Board is to set the business objectives, risk strategies and profile for WFSE, to ensure WFSE's compliance with relevant internal policies and applicable laws, and to monitor WFSE's performance against these parameters.

[1] The EMEA Wide committees shown in the table above are Wells Fargo regional committees that include coverage of the WFSE legal entity along with other regional affiliate entities. The WFSE Board retains ultimate decision making control for WFSE.

The Board may determine that it is appropriate to delegate certain of its responsibilities and decision-making powers to ad-hoc or standing committees. The Board has established a governance structure that includes two legal entity specific committees, the ExCo and the ALCO. The ExCo is concerned with the day to day management of the company. The ALCO provides oversight of the balance sheet, funding, liquidity and capital of WFSE.

The Board oversee the management of material risks as they apply to WFSE, including credit/ counterparty credit risk, compliance risk, market risk, operational risk, and others. Further detail on the management of these risks can be found in section 2.4 (Sources of material Risk) of this document.

## 2.3 WFSE Risk management program

WFSE has three lines of defence, each with distinct responsibilities with respect to the risk management program:

**Front Line:** The Front Line identifies, assesses, manages, and mitigates risk associated with its activities and balances risk and reward in decision-making, while complying with laws, rules, regulations, and the risk management program. The Front Line is comprised of WFSE's teams that have profit and loss responsibility for their respective businesses or otherwise directly perform risk-generating activities. The Front Line is responsible for identifying, measuring, assessing, controlling, mitigating, monitoring, and reporting current and emerging risk exposures associated with its activities and operations.

The Business Controls team support the front line, and is aligned to the lines of business. This team ensures effective management of risks across the businesses, consistent with Corporate Risk programs. They understand risks facing the lines of business and coordinate with management and IRM on end-to-end business processes, provide consistent implementation of enterprise risk programs, aggregate analytics and reporting, and set consistent standards across the lines of business. In addition, control executives ensure accountability at the line-of-business level for direct implementation and execution of risk-related programs.

**Independent Risk Management (IRM)**: IRM establishes, implements, and maintains the risk management program under the direction of senior management, and oversees the Front Line's execution of its risk management responsibilities and independently credibly challenges Front Line risk decisions. IRM incorporates senior risk leaders representative of relevant risk areas across the Europe, Middle East & Africa region (EMEA) where the EMEA Regional Chief Risk Officer (EMEA RCRO) has overall regional oversight and responsibility of Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Compliance Risk, Reputation Risk, Model Risk, Strategic Risk and Interest Rate Risk. In addition, this structure is further enhanced by a network of control committees in order to provide governance, decision making and escalation.

IRM is responsible for maintaining an enterprise-wide view of current and emerging risk exposures (in aggregate both across WFSE and for individual risk types). Relevant risk data is leveraged from various company risk data systems as appropriate and follows internal guidelines. IRM is also responsible for developing, reviewing and implementing enterprise-wide risk management frameworks, policies, standards and procedures (specific to individual risk types and sub-risk types); and ensuring coordination and consistency in the application of effective risk management approaches.

WFSE Chief Risk Officer and Chief Compliance Officer are the IRM team members responsible for risk management in the legal entity. They are supported by the EMEA regional risk management team in execution of their responsibilities.

**Internal Audit**: Internal Audit is responsible for acting as an independent assurance function. The WFSE Head of Internal Audit is responsible for evaluating and improving the effectiveness of governance, risk management and control processes.

Each line of defence generates risk, and each line of defence is responsible for managing the risk it generates in accordance with the Corporate Risk Management Framework.

In addition to the three lines of defence, WSFE's control environment is further strengthened by Enterprise Control Activities (**ECA**), which are specialised activities performed within centralised Enterprise Functions with a focus on controlling a specific risk such as Data and Business Continuity Planning. Functions performing ECAs adhere to the Corporate Risk Management Framework and to the extent applicable, use the common risk tools and processes established by IRM.

Risk Management in WFSE is subject to continuous review, improvement and augmentation as the business grows.

Underpinning WFSE's risk management framework is a SoRA and a number of metrics which assist WFSE senior management and the Board in managing different types of risks to levels within established tolerances.

WFSE manages specific risk types according to a series of principles that are consistent with the overall

enterprise risk appetite.

To quantify these principles at a high level, we maintain a series of risk appetite metrics, along with associated objectives. These metrics measure and bind the amount of risk that WFSE is prepared to take. The metrics are complemented by a set of qualitative risk appetite statements. Performance of the listed metrics will be reported to the Board of Directors quarterly.

WFSE has established a Risk and Control Council to support, assist and advise senior management in carrying out its duty regarding Non-Financial and Financial Risks as well as Risk Programs, in accordance with Wells Fargo's Risk Management Framework.

The Council additionally supports all WFSE Lines of Business including Markets and Banking Capital Markets, as well as EMEA Senior Management (via the Regional Risk Committee) in carrying out their respective oversight responsibilities to provide a holistic view of the WFSE legal entity risks.

Further information about Wells Fargo global risk, capital and liquidity risk management approaches can be found by looking at the public disclosures of WFC on the investor relations site:

https://www.wellsfargo.com/about/investor-relations/

## 2.4 Sources of Material Risks and their Management

Key risk types are set out below, along with a summary of the risk management processes adopted:

### Credit and Counterparty Credit Risk

Credit Risk at WFSE arises from direct credit exposure to banks with which it has nostro deposit accounts and counterparty credit risk from securities sales activity (mostly settled on a T+2 delivery vs payment (DVP) (standard) settlement basis).

WFSE employs the following measures to mitigate Credit and counterparty credit risk (CCR):

- Strong credit underwriting and approval of exposures in accordance with the WFSE Counterparty Credit Risk Policy.
- Regular reporting and monitoring of risks.

Concentration risk is not a significant concern for WFSE given the short tenor of the securities buy/sell transactions and the granular nature of the overall portfolio, Concentration risks are mitigated by their consideration as part of limit approval processes and through their reporting and monitoring.

## Market Risk

Market Risk in WFSE is very limited due to the narrow business model. It arises from movements in currency exchange rates leading to revaluation impacts on assets and liabilities not denominated in WFSE's functional currency.

WFSE employs the following measures to mitigate Market Risk:

- Management of and hedging of currency exposures within set limits;
- Regular reporting and monitoring of risks.

## Compliance Risk

The risk resulting from the failure to comply with laws (legislation, regulation, and rules) and regulatory guidance and the failure to appropriately address associated impact, including to customers. Compliance risk encompasses violations of applicable internal policies, program requirements, procedures, and standards related to ethical principles applicable to the banking organisation, Includes Conduct risk and Financial Crimes risk.

WFSE employs the following measures to mitigate Compliance Risk:

- The execution of the compliance program is performed through a clearly articulated and well-defined three lines of defense construct, allocating responsibilities regarding compliance risk management between the front line, independent risk management, and Internal Audit;
- Maintenance of policies, procedures, and reference documents to manage compliance risks in support of its compliance program;
- Maintenance of regulatory obligations in a regulatory inventory;
- Reviews and challenge of compliance-related issue management activities;
- Testing and validation of compliance issues and risks to inform ongoing risk and control self-assessment activities;
- Regular reporting and monitoring of risks.

## Model Risk

The risk arising from the potential for adverse consequences from decisions made based on model output that may be incorrect or used inappropriately.

WFSE Model Risk is managed by the following processes:

- a Corporate Model Risk team perform governance and validation activities for all WFSE models, applying company wide policy and standards. These standards cover model implementation testing, change control, and periodic review and validation activities to ensure WFSE models are performing as intended.
- Model performance and significant findings are monitored through regular monitoring and reporting.

## Operational Risk

Operational risk is defined as the risk of loss or damage to WFSE, resulting from inadequate or failed internal controls, processes, people, and systems or from external events. Operational risk is inherent in all of the Company's activities and must be managed by all Company personnel. In order to define overall accountability for operational risk, the full spectrum of operational risk's (i.e. level two risks) are aligned to risk program coverage models consisting of three primary risk types operational, compliance and model.

**Risk Type Coverage**

Wells Fargo has identified and classified all operational risks that it faces as a result of its activities. The Operational Risk Business Oversight (**ORBO**) function, in partnership with Operational Risk type teams, executes oversight, associated with the following risk types that fall under the direct responsibility of the CORO (Chief Operational Risk Officer). They include:

| | |
|---|---|
| Business Continuity Risk | Information Risk Management |
| Data Management Risk | Information Security Risk |
| External Fraud Risk | Safety and Physical Security Risk |
| Fiduciary & Investment Risk | Technology Risk |
| Financial Reporting Risk | Third-Party Risk |
| Human Capital Risk | Transaction Processing and Execution Risk |

Operational Risk Management practices are continuously being enhanced and there is an ongoing programme to introduce improvements in the approach and execution adopted by WFSE.

## Liquidity Risk

The risk arising from the inability of WFSE to meet obligations when they come due, or roll over funds at a reasonable cost, without incurring heightened losses.

WFSE has in place a liquidity risk and limit framework which has a combination of qualitative and quantitative measures underpinning it. WFSE maintains liquidity resources sufficient to stay within limits during normal market conditions and periods of liquidity stress.

As at 31st December 2021, WFSE held liquid assets well in excess of the regulatory minimum. WFSE maintains an Internal Liquidity Adequacy Assessment Process (**ILAAP**) that provides an assessment of the level of liquidity necessary to hold against the risks to which it is exposed. Liquidity risk appetite boundaries are calibrated as part of the ILAAP process and these are subject to regular monitoring.

## Reputation Risk

The risk arising from the potential that negative stakeholder opinion or negative publicity regarding WFSE's business practices, whether true or not, will adversely impact current or projected financial conditions and resilience, cause a decline in the customer base, or result in costly litigation. Stakeholders include employees, customers, communities, shareholders, regulators, elected officials, advocacy groups, and media organisations.

WFSE has adopted the following processes to manage Reputational Risk, associated with its business:

- A Reputational Risk Council has been established that provides senior management a forum to which reputational risk items can be escalated and dispositioned appropriately.
- Guidance document has been published, and distributed to WFSE Business Divisions to ensure the staff members are aware of the items that require escalation.
- Key Reporting Indicators have been established and are reported and monitored regularly.

### Strategic Risk

The risk to earnings, capital, or liquidity arising from adverse business decisions, improper implementation of strategic initiatives or inadequate responses to changes in the external operating environment.

WFSE has adopted the following processes to manage Strategic Risk, associated with its business:

- The ICAAP provides an assessment of the level of capital necessary to hold against the risks to which it is exposed;
- The WFSE Strategic Planning process includes a risk assessment, both of which are are subject to a comprehensive risk review and challenge process, with key findings reported to management and Board as part of the plan approval process.
- SORA metrics and key risk indicators have been established for WFSE and are subject to regular monitoring and reporting.

### Environmental, Social and Governance Factors

Wells Fargo views environmental, social and governance factors (ESG) as global challenges that present significant impacts for businesses and communities around the world. Wells Fargo is committed to mitigating the impacts of ESG factors related to its activities and to partner with key stakeholders, including communities and customers, to do the same. Wells Fargo continues to develop its monitoring of ESG factors as risk drivers that may generate risk. Wells Fargo expects that ESG factors will increasingly impact the risk types it manages, and it will continue to integrate ESG factors into its risk management program as its understanding of such factors changes and risks driven by it evolve.

## 2.5 Adequacy of risk management arrangements

The Board believes that the risk management framework in place is adequate and proportionate given the size and complexity of the firm. The framework is embedded and guided by a clearly articulated tolerance for the type of risks faced via the SoRA, which itself is informed by a detailed, robust and regular assessment of material risks. Furthermore, ongoing governance forums allow monitoring of the inherent risk, management effectiveness and residual risk on a periodic basis. It also allows for breaches of qualitative or quantitative risk appetite and/or tolerances to be monitored in line with strategy and business model changes in a timely fashion.

The Board acknowledges that the current macroeconomic environment leads to some uncertainty, however they remain comfortable that the risk profile of the firm remains aligned with the business strategy and the risks posed are mitigated through the systems of controls and senior management oversight that have been implemented throughout the firm.

# 3. Capital Adequacy

Senior management reviews capital and liquidity level on an ongoing basis in the light of changing risk appetite, business needs and changes in the external business and regulatory environment. WFSE undertakes an Internal Capital Adequacy Assessment Process (ICAAP) at least annually which provides the Board with an assessment of its risks and the level of capital necessary to hold against these risks having considered mitigating factors.

The ICAAP uses stress tests that identify the additional impacts on the Firm's ability to meet its capital needs as a result of changes in the external environment, taking into account available management actions.

Capital adequacy risk appetite and early warning indicator boundaries are calibrated as part of the ICAAP process and these are subject to regular monitoring.

The table below sets out key ratios used to monitor capital adequacy:

**Table 2 - WFSE Own Funds and Capital Ratios**

| | 31 Dec 2021 Euro'000s | 31 Dec 2020 Euro'000s |
|---|---|---|
| **Own Funds** | | |
| Common Equity Tier 1 (CET1) | 121,122 | 119,699 |
| Tier 1 Capital (T1) | 121,122 | 119,699 |
| Total Capital | 121,122 | 119,699 |
| | | |
| **IFR Capital ratios** (*See note 1)* | | |
| CET1 to capital requirements ratio | 2,454% | |
| T1 to capital requirements ratio | 2,454% | |
| Total capital to capital requirements ratio | 2,454% | |
| | | |
| CET1 Ratio (Using RWA equivalent; *See note 2*) | 196% | 111% |

**Note 1:** IFR Capital ratios are calculated as a capital measure (CET1; T1 or Total Capital) divided by the own funds requirements under IFR (set out below in section 4).

**Note 2:** A ratio based on an RWA equivalent (calculated as IFR own funds requirement divided by 8%) has also been presented to allow for year on year comparison. WFSE's ratio has improved year on year primarily due to the changing prudential regime whereby IFR yields a lower own funds requirement than CRR.

# 4. Own Funds

The following table reconciles the regulatory own funds to the audited financial statements:

### Table 3 - WFSE Own funds and reconciliation to financial statements

| | | 31 Dec 2021 Euro'000s | |
|---|---|---|---|
| | **Regulatory own funds** | **Financial statements** | **Reconciling items** |
| CET1 Capital: Instruments and reserves | | | |
| Paid up capital instruments | 148,877 | 148,877 | — |
| Retained earnings | (27,755) | (27,755) | — |
| Other reserves | — | — | |
| **CET1 capital before regulatory adjustments** | **121,122** | **121,122** | **—** |
| CET1 capital: Regulatory adjustments | — | | — |
| **Total regulatory adjustments to CET1** | **—** | | **—** |
| **CET1 capital after regulatory adjustments** | **121,122** | **121,122** | **—** |
| **Total own funds** | **121,122** | **121,122** | **—** |

### Capital Instruments main features

The table below sets out WFSE's capital instruments and capital ratios:

### Table 4 - Own Funds

| | 31 Dec 2021 Euro'000s |
|---|---|
| **CET1 capital: instruments and reserves** | |
| Capital instruments and the related share premium accounts | 148,877 |
| of which: Capital instruments[2] | 148,877 |
| Retained earnings | (27,755) |
| **CET1 capital before regulatory adjustments** | 121,122 |
| CET1 capital: regulatory adjustments | |
| **CET1 capital** | 121,122 |
| **Tier 1 capital** | **121,122** |
| **Total capital (TC = T1 + T2)** | **121,122** |

[2] Capital instruments are fully comprised of issued and fully paid up ordinary share capital

# 5. Capital Requirements

WFSE calculates its Pillar 1 capital requirements under the IFR. The table below sets out how WFSE's Pillar 1 own funds requirement is calculated. Fixed overhead requirement is the limiting factor. 2020 year end capital requirements were calculated under requirements laid down in the CRR. These are not directly comparable to the IFR calculations and, therefore, have not been disclosed below. Please refer to the 2020 WFSE Pillar 3 disclosures for these figures.

**Table 5 - Capital Requirements**

| | 31 Dec 2021 EUR'000 |
|---|---|
| **Own Funds requirement** | **4,936** |
| Max of: | |
| *Permanent minimum capital requirement* | *750* |
| *Fixed overhead requirement* | *4,936* |
| *Total K-Factor Requirement* | *624* |
| ***Risk to client*** | ***0*** |
| *Of Which: Client money held - Segregated* | *0* |
| ***Risk to market*** | ***0*** |
| ***Risk to firm*** | ***624*** |
| *Of Which: Trading counterparty default* | *130* |
| *Of Which: Daily trading flow - Cash trades* | *494* |

# 6. Remuneration

WFSE's ultimate parent company, Wells Fargo & Company ("**Wells Fargo**") has developed enterprise-wide remuneration policies and practices, namely the Wells Fargo Incentive Compensation Risk Management Policy, Performance Management Policy and other key policies ("**Corporate Policy and Practices**"). The WFSE Remuneration Policy together with the Corporate Policy and Practices set out the remuneration policy for WFSE. The WFSE Chief Executive Officer ("CEO") has responsibility to oversee the implementation of the Wells Fargo remuneration policies and practices in WFSE.

In previous years the WFSE Board delegated the oversight of the implementation of the remuneration policy, compliance with the remuneration code for all WFSE employees, including Identified Staff, to the EMEA Remuneration Committee (ERC). Remuneration is regulated in articles L511-57 to L511-88 of the French Financial and Monetary Code as completed by the French Order dated on 3 November 2014.

The WFSE CEO provides oversight of remuneration matters on behalf of the WFSE Board, including the WFSE Identified Staff list and their risk assessment. The board are responsible for annual approval of the WFSE Remuneration Policy (the "Remuneration Policy").

The purpose of the WFSE Remuneration Policy is to ensure that WFSE (as authorized and regulated by the "*Autorité de contrôle prudential et de résolution* ("**ACPR**") and the "*Autorité des marchés financiers* ("AMF")) complies with the principles and requirements applying to investment firms regarding remuneration as set out in the Capital Requirements Directive IV ("**CRD IV**") as transposed into French law by means of Ordinance (Ordonnance) n° 2014-158 of February 20, 2014 (the Ordinance), Decree (Décret) n° 2014-1316 of November 3, 2014 (the Decree), and several ministerial orders (Arrêtés) of November 5, 2014 (the Orders). For the purposes of clarity, the EBA Guidelines on Sound Remuneration Policies dated 21 December 2015 and other relevant materials produced by the EBA (the "**EBA Guidelines**" and together with the requirements that relate to remuneration in the EU Capital Requirements Directive, as amended from time to time ("**CRD IV**"), as transposed into French law, the "**Remuneration Requirements**") have been considered in developing this policy. In light of the midyear introduction of the Investment Firms Regulation/Directive ("**IFR/D**"), WFSE has applied the CRDIV remuneration rules in respect of remuneration for the entire 2021 performance year, following agreement with the ACPR.

The Remuneration Policy is designed so that excessive risk taking is not encouraged within WFSE and to enable WFSE to achieve and maintain a sound capital base.

## Governance

The WFSE CEO has delegated responsibility from the board to oversee the effective implementation and application of the Remuneration Policy and remuneration practices of the Company and ensure that the Company rewards individuals fairly and responsibly. The Corporate Policy and Practice applies to WFSE employees and subject to those requirements, the CEO is responsible for the review and oversight of the remuneration of WFSE staff.

The WFSE Board is responsible for:

a. reviewing and monitoring WFSE's strategy as it relates to remuneration design for Identified Staff including a review of the structure of incentive compensation so that it aligns with appropriate risk-taking;

b. reviewing the methodology used to determine WFSE Identified Staff as determined by the Wells Fargo EMEA Remuneration Steering Group ("ERSG") and overseeing and approving the list of WFSE Identified Staff on an annual basis;

c. approving the total annual amount of performance related pay/incentives for WFSE Identified Staff roles employed by WFSE and under the supervision of the Board (including line by line assessment of annual performance and compensation data).

d. satisfying itself from time to time, and in any event on a not less than annual basis, that the WFSE remuneration policies meet French regulatory requirements;

e. determining the WFSE Remuneration Policy and reviewing and approving it on an annual basis;

f. in determining the Remuneration Policy, to take into account all factors which it deems necessary or desirable, including relevant legal and regulatory requirements, promoting sound and effective risk management, considering the Company's risk appetite and ensuring that WFSE's remuneration practices and arrangements reward people fairly and responsibly, align with appropriate levels of risk-taking and WFSE's business strategies, objectives, values and the long-term interests of WFSE;

g. supervising the application of WFSE's remuneration policies and remuneration practices, including the WFSE Remuneration Policy for WFSE's Identified Staff, reviewing regulatory reports and required public disclosures on remuneration and internal reports on the effectiveness of variable remuneration arrangements;

h. providing performance feedback for Key Function Holders which will serve as an input to the standard Wells Fargo performance management and compensation process.

i. considering any other matter referred to it by the ERSG, as appropriate;

## Remuneration Philosophy and Structure

### Remuneration Philosophy

WFSE's remuneration policy and framework is consistent with Wells Fargo's key compensation principles:

a. **Pay for performance.** Compensation is linked to company, business line, and individual performance, including meeting regulatory expectations and creating long-term value consistent with the interests of shareholders.

b. **Promote effective risk management.** Compensation promotes effective risk management and discourages imprudent or excessive risk-taking.

c. **Attract and retain talent.** People are one of WFSE's competitive advantages. Therefore, compensation helps attract, motivate, and retain people with the skills, talent, and experience to drive superior long-term company performance.

### Remuneration Structure

For the purposes of this WFSE Remuneration Policy, *remuneration* consists of all forms of payments or benefits made directly by, or indirectly but on behalf of, WFSE in exchange for professional services rendered by WFSE staff. Total remuneration of WFSE staff, including Identified Staff, may comprise a mix of fixed remuneration (i.e. base salary, fixed allowances – including role-based allowances, non-discretionary pension and other benefits) and variable remuneration (i.e. annual and deferred incentives).

Both components of remuneration (fixed and variable) may include monetary payments or benefits (such as cash, equity, or equity-linked instruments) or non-monetary benefits (such as health insurance, fringe benefits etc.). Ancillary payments or benefits that are part of a general, non-discretionary, Wells Fargo-wide policy and pose no incentive effects in terms of risk assumption are not covered by this WFSE Remuneration Policy. There is a clear distinction in the criteria for setting fixed remuneration and variable remuneration:

**Fixed Remuneration:** Wells Fargo sets a base salary target for each job, considering local market survey data, the skills and experience required for the job, and the appropriate proportion of variable compensation. An appropriate, competitive base salary range is then identified. Generally, employees are paid a rate of base salary within the identified range for the job, considering their individual skills and experience. Based on market pricing analysis of external market data surveys, Corporate Human Resources determines the remuneration structure, factoring differences in remuneration levels due to geographic locations. To the extent a functional job title is not available Corporate Human Resources will determine an appropriate match until a functional job title is identified.

**Variable Remuneration:** An incentive target is set for most jobs and is informed by market data and careful consideration is given so that the mix of remuneration (fixed and variable) does not provide total cash compensation in excess of the job's Total Compensation maximum (or other risk appropriate) limit. Variable Remuneration outcomes are also determined by the performance measures and risk adjustments set out in the Corporate Policies and Practices as well as individual performance outcomes measured against performance objectives. The WFSE HR team use these targets to support equitable and appropriate pay recommendations to WFSE management and other key compensation decision-makers.

Further detail on determining Fixed and Variable remuneration is found in the Corporate Policies and Practices. WFSE sets an appropriate ratio and ensures there is an appropriate balance between the fixed and variable components of total remuneration. As such:

- The level of fixed remuneration is sufficiently high to allow a fully flexible policy, including the possibility to pay no variable remuneration component.
- The ratio of variable to fixed remuneration for each Identified Staff is capped at 200%.
- Typically, the remuneration of independent control functions is predominantly fixed, to reflect the nature of responsibilities.

Total variable remuneration is generally contracted where subdued or negative financial performance of WFSE or the business unit in which the employee works occurs, considering current remuneration and any reductions in previous payouts. In addition, variable remuneration may be affected:

- If payment or vesting is not sustainable according to the financial position of WFSE,
- If total proposed variable remuneration may limit the ability to strengthen the capital base of WFSE, or By the individual's performance against their objectives for the relevant performance period.

## Risk Management and Considerations

Performance measures are specifically adjusted for risk considerations and allocation of incentive spend is directly related to this.

In particular, at the EMEA-wide level, the EMEA Chief Risk Officer presents an annual assessment of risk considerations over and above the mechanisms within incentive plans to the ERRRC. The ERRRC provides updates (and, if relevant, recommendations) to the WFSE Board on the outcome of its assessments throughout the year. This would include *ex-ante* assessment of current and future risks and the timing and likelihood of receiving potential future revenues.

WFSE's remuneration practices are designed to avoid conflicts of interest with clients and regulatory obligations, in particular with regard to using profit-based measures to determine financial performance of both the individual and business units and the assessment of non-financial performance. In alignment with the Wells Fargo Risk Management Framework, employees of WFSE's control functions (Compliance, Risk, Finance and Internal Audit) are independent from the business units they oversee, have appropriate authority, and paid in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control. Methods used for determining the variable remuneration of control functions do not compromise staff's objectivity and independence. To assure this, Wells Fargo has adopted a corporate standard applicable to the incentive compensation arrangements for control functions, the key features of which are as follows:

- All incentive-eligible control function employees must be subject to the Wells Fargo Bonus Plan. They are not eligible for incentive compensation under any other incentive compensation arrangement, including any which relate to business performance.
- Control functions may not have a financial performance objective unless it is related to expense management, business strategy, or risk mitigation activities.

All WFSE incentive plans, including those with sales incentive targets, have robust risk management controls and are subject to the employee meeting risk and compliance objectives. All WFSE employees are prohibited from undertaking personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. They are also subject to the EMEA Personal Account Dealing Policy, which requires them to declare personal dealing accounts for themselves and connected persons and attest annually that they have declared all such accounts and the necessary steps are taken to ensure that all associated trades are monitored.

## Additional Requirements applicable to Identified Staff[3]

Variable remuneration paid to Identified Staff must satisfy all of the following requirements:

- Bonus Cap. The variable component of remuneration may not exceed 100% of the fixed component of total remuneration except where the shareholders or owners or members of an institution approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided that the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration.
- Deferral Requirement. At least 40% of the variable remuneration paid must be deferred over at least three to five years, with awards vesting after a minimum of one year and no faster than on a pro-rata basis. For Identified Staff whose total variable remuneration is of a "particularly high amount," at least 60% of variable remuneration must be deferred over at least three to five years, with awards vesting after a minimum of one year and no faster than on a pro-rata basis. For non- UK regulated entities total variable pay in excess of the higher of GBP 500,000 or EUR 500,000 converted as at the euro/sterling exchange rate published on the European Commission's website as at December in the year for which variable pay is awarded, 60% of the Identified Staff team member's total variable pay shall be deferred. The length of the deferral period must be established in accordance with the business cycle, the nature of the business, its risk and the activities of the Identified Staff individual in question.
- Contingent Capital Requirement. At least 50% of variable remuneration (whether paid upfront or deferred) must be paid in shares, share-linked instruments or equivalent non-cash instruments (i.e., "Contingent Capital"). Any Contingent Capital award is subject to minimum transfer retention periods.
- Performance Adjustment ("Malus and Clawback"). Wells Fargo shall ensure that any variable remuneration, including a deferred portion, is paid or vests only if it is sustainable according to

[3] The definition of 'Identified staff' includes any individual who meets any of the criteria set out in Articles 3 to 5 of Commission Delegated Regulation (EU) No 604/2014 (criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile).

the situation of Wells Fargo as a whole, and justified according to the performance of Wells Fargo, the business unit and Identified Staff individual concerned. Accordingly, Wells Fargo has the ability to reduce awarded but unvested deferred variable remuneration (including both share-based and cash-based components) and/or to clawback vested deferred variable remuneration in situations Wells Fargo determines a malus event has occurred. Malus events include, at a minimum, situations where:

a. Wells Fargo has been required to materially restate any significant financial statement covering any part of the year for which the award was granted;
b. any portion of the Identified Staff team member's award was based on any materially inaccurate financial statement or any other materially inaccurate performance criteria;
c. Wells Fargo has determined that the Identified Staff team member committed misconduct or a serious error in the performance of the Identified Staff team member's job;
d. Wells Fargo has determined that the Identified Staff team member's business unit and/or Wells Fargo has experienced a material downturn in financial performance;
e. Wells Fargo has determined that the Identified Staff team member's business unit and/or Wells Fargo has experienced a material failure of risk management;
f. Wells Fargo considers it is necessary to do so in order to comply with any laws, regulatory requirement or guidance by which it is bound;
g. Wells Fargo and/or the Identified Staff team member's business unit incurred significant increases in its economic and regulatory capital base;
h. any regulatory sanctions have been imposed where the Identified Staff team member's conduct contributed to the sanction; or
i. matters comparable in severity and materiality to those set out in (a) to (h) above (relating to the team member's behaviour and/or impact on Wells Fargo) such as, but not limited to, a violation of Wells Fargo policies or Code of Ethics and Business Conduct.

## Remuneration Expenditure

The following table shows remuneration paid to 2021 WFSE Identified Staff who are remunerated for their services to WFSE[4]. Variable remuneration for 2021 performance was paid or awarded in 2022.

| | 31 Dec 2021 Euro' 000s | | | 31 Dec 2020 Euro' 000s | | |
|---|---|---|---|---|---|---|
| | Senior Management | Other | Total | Senior Management | Other | Total |
| **Total Remuneration** | **2,684** | **197** | **2,881** | **2,989** | **176** | **3,165** |
| of which: | | | | | | |
| Fixed Remuneration | 1,747 | 129 | 1,876 | 1,944 | 120 | 2,064 |
| Variable Remuneration | 937 | 68 | 1,005 | 1,045 | 56 | 1,101 |
| of which: | | | | | | |
| - short term cash | 281 | 20 | 301 | 353 | 17 | 370 |
| - short term equity | 281 | 20 | 301 | 297 | 17 | 313 |
| - long term cash | 187 | 14 | 201 | 198 | 11 | 209 |
| - long term equity | 187 | 14 | 201 | 198 | 11 | 209 |
| **Number of Identified Staff** | **6** | **1** | **7** | **7** | **1** | **8** |

## Deferred Remuneration

The following table provides a summary of deferred remuneration for 2021 WFSE Identified Staff who are remunerated for their services to WFSE[5].

| | 31 Dec 2021 Euro' 000s | | | 31 Dec 2020 Euro' 000s | | |
|---|---|---|---|---|---|---|
| | Senior Management | Other | Total | Senior Management | Other | Total |
| Total Outstanding deferred remuneration as at 31 December | 632 | 36 | 668 | 544 | 6 | 549 |
| of which: | | | | | | |
| - Vested | - | - | - | - | - | - |
| - Unvested | 632 | 36 | 668 | 544 | 6 | 549 |
| Awarded in year to 31 December [6] | 656 | 47 | 703 | 692 | 39 | 731 |
| Paid out in year to 31 December | 683 | 29 | 712 | 429 | — | 429 |
| *No performance adjustments were applied to deferred awards in 2021* | | | | | | |

No severance or sign-on payments were made to Identified Staff in 2020.

1 Identified Staff received total remuneration of between €1m and €1.5m.

No Identified Staff received total remuneration in excess of €1.5m.

The information contained in these disclosures has not been audited and does not constitute a financial statement of WFSE or Wells Fargo.

[4] For Identified Staff employed by other Wells Fargo entities, remuneration has been pro-rated to reflect WFSE service. For Identified Staff employed by WFSE, remuneration has been included from their hire date.

[5] Deferred remuneration may relate to compensation awarded by other Wells Fargo entities.

[6] Includes short-term equity, long-term cash and long-term equity from the 2021 Total Variable Compensation (TVC) award, based on the principle "which parts of the TVC are subject to restrictions".