Wells Fargo Securities Europe, société anonyme

Pillar 3 Disclosure for the year ended December 2022

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1. Introduction

1.1 Objective

Wells Fargo Securities Europe S.A[1] (**WFSE** or the **Firm**) has prepared this document in accordance with the disclosure requirements set out under Part Eight of the Capital Requirements Regulation (**CRR**) 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 2022. The quantitative disclosures in this document are calculated according to the approaches outlined in the CRR.

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 2022 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 2022.

WFSE therefore remains a 100% subsidiary of WFC which prepares Pillar 3 disclosures on a consolidated basis. These disclosures comply with WFSE's reporting obligations 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;

[1] Legal Entity Identifier (LEI) Code 549300AQWOOF7S8JFF80

2. Risk Governance

2.1 Introduction

WFSE recognises that effective risk management practices help WFSE better serve its customers, maintain and improve its position in the market, ensure the appropriate balance between achieving returns and mitigating risk, and protect its long-term safety, soundness, and reputation. 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. WFSE believes that independent risk management, compliance and audit processes with proper management accountability are critical to the interests and concerns of its 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 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;
- Breaches of risk limits are identified, analysed and escalated, and large, 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.

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 of WFC.

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 risk appetite 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.

2.2 WFSE Committee structure

Entity	Monthly	Quarterly	As required
WFSE Specific	• WFSE Executive Management Committee (ExCo) • WFSE Asset-Liability Committee (ALCO)	• WFSE Board • WFSE Regulatory Reporting Oversight Committee (RROC)	
EMEA Wide[2]	• EMEA ALCO • EMEA Operating Committee (EMEA OPCO) • EMEA Regional Risk and Control Committee (EMEA RRC) • EMEA New Initiatives Committee (EMEA NIC) • EMEA Clients Assets Steering Committee (EMEA CASS)	• EMEA CIB Markets Best Execution Council	• EMEA Underwriting Approval Committee (UAC) • EMEA Mergers and Acquisitions Capital Committee (E-MACC) • EMEA Remuneration Steering Group (ERSG) • EMEA Remuneration Risk Review Committee (ERRRC)

WFSE Board of Directors

The Directors of WFSE as at 31st December 2022 are listed under table 1:

Table 1 -WFSE Directors

Directors	No. Directorships
Daniel Thomas	3
Catherine Mineur (appointed 30 June 2022)	1
Rory Hudson	2
Simon Ennis	1

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.

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] 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.

2.3 WFSE Risk management program

WFSE risk governance is based on a "three lines of defence" governance model, where each line has a specific role and defined responsibilities and works in close collaboration with respect to the risk management program. WFSE's three lines of defence are organised as follows:

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 comprises WFSE's risk-generating activities, including all activities of its Business Groups and certain activities of its Enterprise Functions. 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 Control Executive team also sits in the Front Line, aligned to the LOBs. 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): The Permanent and Internal Control Key Function Holders (WFSE CRO and Chief Compliance & AML / CFT Officer) are responsible for risk management in the legal entity. These individuals are supported by the EMEA regional risk management group (EMEA Risk), which participates in all key business decisions and provides oversight of all activities in WFSE. 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.

The Permanent and Internal Control Key Function Holders inform business leadership and the WFSE Board of Directors to ensure effective understanding and management of risk within the WFSE legal entity. The goal is to ensure that the Board of Directors has the information and tools it needs to do the following:

- Understand, monitor and manage the risks in their businesses.
- Prioritize and mitigate deficiencies.
- Anticipate future problems.

WFC has a Corporate Risk group, its primary second line of defense led by the WFC Chief Risk Officer who reports to the Risk Committee of the WFC Board of Directors. To ensure that the risk management oversight of WFSE is conducted in line with the policies and procedures at the corporate level, various WFC Corporate Risk groups maintain a line of sight into WFSE activities with regard to risk management oversight. In EMEA, Corporate Risk conducts most of its oversight activities through the EMEA Risk team which also reports up through WFC Corporate Risk. EMEA Risk incorporates senior risk leaders representing their relevant risk areas across the region 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 the Banking Book.

Internal Audit: Internal Audit is the third line of defence and is responsible for acting as an independent assurance function.

The WFSE Head of Internal Audit is part of the global (WFC) Wells Fargo Company Internal Audit department and has a reporting line to the EMEA Head of Internal Audit. The WFSE Head of Internal Audit is supported by WFC Internal Audit Department. WFC's Internal Audit function is led by the WFC Chief Auditor who reports to the Audit & Examination Committee of the WFC Board of Directors.

The Internal Audit function is leveraging policies, processes, controls, and systems maintained across the broader Wells Fargo organisation.

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. The ECA for regulatory reporting is Enterprise Control and Oversight (**ECO**). Risk Management in WFSE is subject to continuous review, improvement and augmentation as the business grows.

2.3.1 Environmental, Social and Governance Factors

The Group views environmental, social and governance factors (**ESG**) as global challenges that are likely to pose significant impacts for businesses and communities around the world. Our immediate focus is on enhancing our risk management framework to address the risks posed by climate change. The Company is committed to mitigating the impacts of climate change related to its activities and to partner with key stakeholders, including communities and customers, to do the same. The Company expects that climate change will increasingly impact the risk types it manages, and it continues to integrate climate considerations into its Risk Management Framework as its understanding of climate change and risks driven by it evolve.

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:

2.4.1 Credit and Counterparty Credit Risk

*C*redit 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.

2.4.2 Market Risk

Market Risk in WFSE is very limited due to the narrow business model, i.e. the back-to-back/riskless principal booking model and the fact that WFSE does not have any trading book positions. The only source of market risk is foreign exchange risk, which 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, by converting the non EUR currency positions into EUR;
- Daily reporting and monitoring of risks.

Market risk is monitored by the EMEA Market Risk Oversight (MRO) function which is responsible for the independent oversight of market risk in WFSE, including establishment and monitoring of risk limits to ensure market risks are appropriately sized. The market risk mandate is reviewed on an annual basis and is approved by the WFSE CEO and CRO. Additional daily oversight of the FX exposures is provided by the WFSE CRO, while quarterly review and oversight is provided by the WFSE Board of Directors.

2.4.3 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.

2.4.4 Model Risk

Model Risk is defined as the risk arising from the potential for adverse consequences from decisions made based on model output that may be incorrect or used inappropriately. Model risk impacts business processes across WFSE and can result in financial loss, poor business decisions, inaccurate financial or regulatory reporting, compliance issues, customer harm, or damage to the Firm's reputation.

Management of model risks

Models are tracked and managed consistently across the Group by the Corporate Model Risk (**CMoR**) team, who perform governance and validation activities for all models, including those used by WFSE, regardless of business group or geographical location. WFSE, in common with other EMEA regional entities, relies on specialist teams in the wider Wells Fargo Group to carry out model risk management services, including but not limited to:

- Model development;
- Model risk monitoring;
- Model governance and oversight; and
- Model testing and validation.

2.4.5 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 WFSE's activities.

WFSE has established a comprehensive operational risk management program which supports the identification, assessment and management of operational risks. Core components of the Enterprise operational risk program, which have been adopted within the entity, include:

- Internal controls program
- Risk event management
- Issue management
- Risk and Control Self-Assessment
- Independent Operational Risk Assessment, monitoring and oversight
- Operational risk review
- Operational risk scenario analysis and stress testing
- Measures and metrics, including risk appetite measures, key risk indicators and operational risk key indicators

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, reporting and escalation associated with the following risk types to WFSE senior management and Board of Directors.

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

2.4.6 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 and include:

- 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.
- Monthly liquidity stress testing is an integral part of WFSE's liquidity risk management practices, ensuring the entity operates within its liquidity risk tolerance.
- Liquidity risk appetite boundaries and other risk metrics are calibrated as part of the ILAAP process and are subject to regular monitoring.
- WFSE maintains a Contingency Capital and Funding Plan (**CCFP**) which can be activated in times of stress and details options available to restore the firm's liquidity position.
- Financial Assessment Level Framework used by WFC has been incorporated into WFSE's liquidity planning and monitoring processes. This framework shows how a stress develops and the early warning indicators are linked to different levels of assessment within this framework.

WFSE maintains liquidity resources sufficient to stay within limits during normal market conditions and periods of liquidity stress. As at 31st December 2022, WFSE held liquid assets well in excess of the regulatory minimum.

2.4.7 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.

2.4.8 Strategic Risk

Strategic Risk is defined as 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.

Management of strategic risks

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

- The Internal Capital Adequacy Assessment Process (**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 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.

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 and Key Metrics

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 Key Metrics

	€'000
Item	**31-Dec-2022[3]**
Available own funds (amounts)	
Common Equity Tier 1 (CET1) capital	118,178
Tier 1 capital	118,178
Total capital	118,178
Risk-weighted exposure amounts	
Total risk exposure amount	89,951
Capital ratios (as a percentage of risk-weighted exposure amount)	
Common Equity Tier 1 ratio (%)	131.38%
Tier 1 ratio (%)	131.38%
Total capital ratio (%)	131.38%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)	
Total SREP own funds requirements (%)	8.00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)	
Capital conservation buffer (%)	2.50%
Institution specific countercyclical capital buffer (%)	0.04%
Combined buffer requirement (%)	2.54%
Overall capital requirements (%)	10.54%
CET1 available after meeting the total SREP own funds requirements (%)	120.84%
Leverage ratio	
Total exposure measure	137,997
Leverage ratio (%)	85.64%
Liquidity Coverage Ratio	
Total high-quality liquid assets (HQLA) (Weighted value -average)	53,396
Cash outflows - Total weighted value	5,574
Cash inflows - Total weighted value	74,460
Total net cash outflows (adjusted value)	1,393
Liquidity coverage ratio (%)	3832.11%
Net Stable Funding Ratio	
Total available stable funding	122,875
Total required stable funding	5,258
NSFR ratio (%)	2336.84%

[3] Prior year comparatives are not shown as these were prepared under Investment Firm Regulations (IFR) and are not a like for like comparison.

Table 3 - Overview of total risk exposure amounts ;

	Total risk exposure amounts (TREA)	Total own funds requirements
	€'000	**€'000**
Item	**31-Dec-2022**	**31-Dec-2022**
Credit risk (excluding CCR)	20,276	1,622
Of which the standardised approach	*20,276*	*1,622*
Counterparty credit risk - CCR	2,280	182
Of which the standardised approach	*2,280*	*182*
Settlement risk	0	0
Position, foreign exchange and commodities risks (Market risk)	0	0
Operational risk	67,395	5,392
Of which basic indicator approach	*67,395*	*5,392*
Total	**89,951**	**7,196**

4. 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.

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.

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 V (**CRD V**) 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). The EBA Guidelines on Sound Remuneration Policies dated 2 July 2021 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 V**), as transposed into French law, the "**Remuneration Requirements**") have been considered in developing the approach to remuneration. .

Remuneration is designed to ensure that WFSE, authorised and regulated by the "*Autorité de contrôle prudential et de résolution* (**ACPR**) and the "*Autorité des marchés financiers* (**AMF**) complies with the regulatory requirements under the Capital Requirements Directive V (**CRD V**) for the performance year 2022. It ensures that excessive risk taking is not encouraged within WFSE and to enable WFSE to achieve and maintain a sound capital base.

Governance

The WFSE Board is responsible for oversight of compliance with the remuneration elements of the regulatory requirements including annual approval of the WFSE remuneration policy (the Remuneration Policy), the WFSE Identified Staff list and risk review of Identified Staff. The Board is also responsible for oversight of compliance with the remuneration elements of the regulatory requirements set out in CRDV and related guidance.

The WFSE Board assess the remuneration framework at least annually to ensure that it properly considers all types of risks, including financial and non-financial risks, including those related to environmental, social and governance (**ESG**) issues. The WFSE Board will ensure that the overall WFSE Remuneration Policy is consistent with and promotes sound and effective risk management and is in line with the business strategy, goals, corporate culture and expectations, and the long-term interests of WFSE including considering the framework considering risk and capital-based scenarios with appropriate input from the WFSE and EMEA Risk functions.

The WFSE Board will ensure the adequacy of any information provided to the shareholders (Everen) on remuneration policies and practices, on any proposed higher maximum level of the ratio between fixed and variable remuneration. The variable component of remuneration for Identified Staff may not exceed 200% of the fixed component of total remuneration.

No amendment to or exception from the WFSE Remuneration Policy can be made without the express approval of the WFSE Board.

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.

WFSE's Remuneration Policy and the Corporate Policies and Practices are designed to be gender neutral. Accordingly, assessments of performance and incentive compensation outcomes are not affected or determined by an employee's gender.

WFSE does not pay variable remuneration through vehicles or methods that facilitate non-compliance with the obligations set out in the Remuneration Requirements.

WFSE only offers buyouts to new joiners on an exceptional basis. Any such buyouts for Identified Staff are determined in accordance and compliance with the Remuneration Requirements, align with the long- term interests of WFSE and Wells Fargo more generally, and are subject to suitable retention, deferral, and performance and clawback arrangements.

Guaranteed variable remuneration is not part of WFSE's remuneration approach and is discouraged in keeping with the Corporate Policy and Practices. If any guaranteed payments are offered on an exceptional basis, EMEA HR will ensure adherence to the provisions of applicable regulations, including application of deferral and clawback arrangements as required.

The WFSE Board ensures that any early termination payments reflect performance achieved over time, do not reward for failure or misconduct, are made consistent with appropriate risk management and is in line with the framework set out in the Corporate Policy and Practices.

Wells Fargo's and WFSE's pension policies are in line with business strategy, goals, expectations and long-term interests. WFSE does not provide discretionary pension benefits to employees.

Total Remuneration

For the purposes of the WFSE Remuneration Policy, remunerati*on* 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: Payments or benefits that meet the criteria set out in the EBA Guidelines which include being permanent, transparent, non-revocable and without consideration of any performance criteria. 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. To the extent a functional job title is not available Enterprise HR will determine an appropriate match until a functional job title is identified.

Variable Remuneration: An incentive opportunity is determined 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 goals.

Total variable remuneration is generally contracted where subdued or negative financial performance of WFSE or the business group 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.

Performance Management

WFSE has clear and verifiable mechanisms for measuring performance, with risk adjustment applied thereafter. The Corporate Policy and Practices provides for consideration of:

- financial (company and Business Group) performance and individual performance;
- financial and non-financial metrics including those related to ESG; and
- the linkage between compensation and compliance within the context of WFSE and Wells Fargo's policies, guidelines and risk appetite, business strategy, corporate culture and expectations, long-term interests of WFSE, and the specific regulatory requirements in France.

Assessments of financial performance for WFSE, its businesses or individuals, are based principally on profits. Non-financial metrics for WFSE include adherence in general with regulation in France and, where appropriate, other relevant overseas regulatory requirements and effective risk management. Certain non-financial metrics may override metrics of financial performance, as appropriate.

WFSE's remuneration arrangements are based on the principle that a multi-year framework (in the context of expectations set out by the ACPR and EBA Guidelines) must be considered in the assessment of an Identified Staff member's variable remuneration so that the assessment process is appropriately based on longer-term performance and where appropriate, to ensure that the actual payment of performance-based components of remuneration is spread over a multi-year period which takes account of the underlying business cycle firm and risks.

Risk Management

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 ex ante risk report of considerations over and above the mechanisms within incentive plans to the EMEA Remuneration Risk Review Committee (**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.

Conflicts of Interest

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 are groups that must remain independent from the business as they provide support, monitoring or control for the business. Methods used for determining the variable remuneration of control functions do not compromise employee'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 goals.

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.

Variable Annual Incentives[4]

Identified Staff are subject to the terms of Wells Fargo's incentive compensation plans – as summarised in the Corporate Policies and Practices. Variable remuneration paid to Identified Staff whose variable remuneration does not (a) exceed €50,000; and (b) represent more than one third of their total annual remuneration (the "de minimis threshold") must satisfy all of the following requirements:

Bonus Cap: The variable component of remuneration for Identified Staff may not exceed 200% of the fixed component of total remuneration.

Deferral Requirement. At least 40% of the variable remuneration paid will be deferred for a period of at least 4 years and at least 50% of any variable remuneration (deferred or non-deferred) for Identified Staff comprises shares, share-linked instruments or equivalent non-cash instruments. All variable remuneration to Identified Staff is subject to a retention period of at least 12 months (or 6 months in certain scenarios). Restricted share units awarded to Identified Staff do not attract reinvested dividend equivalents until vesting. At least 60% of variable remuneration awards made to Identified Staff are

[4] 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).

deferred if variable remuneration is greater than GBP500,000 per the terms of the Identified Staff Incentive Payout Structure.

WFSE Board is responsible for overseeing that any variable remuneration awarded to Identified Staff, including any deferred portion, is paid or vests only if it is sustainable according to the situation of WFSE as a whole, and justified according to the performance of WFSE, the business group and Identified Staff member concerned. The WFSE Board shall approve performance adjustment policies (including the EMEA Malus and Clawback Policy), including the triggers under which malus adjustments or clawback would take place and may decide to delay vesting of any deferred variable remuneration where an employee is the subject of an ongoing disciplinary or regulatory investigation at the time such variable remuneration is due to vest. Further detail is available in the EMEA Malus and Clawback Policy.

Clawback applies for a multiple year period, from the date of award to all variable remuneration awarded to Identified Staff where, in accordance with the Remuneration Requirements and related regulation and guidance, where there are conduct, fitness and probity, misbehaviour or material error issues or, where the employee is involved in a material failure of risk management of WFSE or the employee's relevant business unit.

Remuneration Expenditure

The following table shows remuneration paid to 2022 WFSE Identified Staff who are remunerated for their services to WFSE[5]. Variable remuneration for 2022 performance was paid or awarded in 2023.

EUR'000	**31 Dec 2022**		
	Identified Staff		
Remuneration Type	Senior Management	Other	Total
Total Remuneration	**2,895**	**0**	**2,895**
of which:			
Fixed Remuneration	1,418	0	1,418
Variable Remuneration	1,477	0	1,477
of which:			0
short term cash	411	0	411
short term equity	348	0	348
long term cash	359	0	359
long term equity	359	0	359
Number of Identified Staff	**9**	**0**	**9**

[5] Only Identified Staff employed by the entity have been included in the reporting. Where appropriate, remuneration has been pro-rated to reflect WFSE employment and Identified Staff status.

EUR'000	31 Dec 2022
High earners (remuneration categories)	# of ID-staff
from €1.0m to €1.5m	0
from €1.5m to €2.0m	0
from €2.0m to €2.5m	0
from €2.5m to €3.0m	0
from €3.0m to €3.5m	0
from €3.5m to €4.0m	0
from €4.0m to €4.5m	0
from €4.5m to €5.0m	0

The following table shows a sub-section of the total remuneration reported above. The table highlights guaranteed variable remuneration awarded and severance payments made for Identified Staff during 2022.

EUR'000	**31 Dec 2022**			
	Identified Staff			
Remuneration Type	Senior Management	Other	Total	# of staff
Guaranteed Variable Remuneration	760	0	760	1
Sign-on	*760*	*0*	*760*	*1*
Severance payment	0	0	0	0
Highest amount	0	0	n/a	n/a

Deferred Remuneration

The following table provides a summary of deferred remuneration for 2022 WFSE Identified Staff who are remunerated for their services to WFSE[6].

EUR'000	**31 Dec 2022**		
	Identified Staff		
Remuneration Type	Senior Management	Other	TOTAL
Total Outstanding deferred remuneration as at 31 December	**521**	**0**	**521**
of which:			
Vested	0	0	—
Unvested	521	0	521
Awarded in year to 31 December[7]	1,065	0	1,065
Paid out in year to 31 December	312	0	312
No performance adjustments were applied to deferred awards in 2022			—

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

[6] Deferred remuneration may relate to compensation awarded by other Wells Fargo entities.
[7] Includes short-term equity, long-term cash and long-term equity from the 2022 TVC award, based on the principle "which parts of the TVC are subject to restrictions".