

Wells Fargo Securities International Limited

Pillar 3 Disclosures for the year ended
31 December 2023

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1. Introduction

1.1 Objective

Wells Fargo Securities International Limited (**WFSIL** or the **Firm**) is required to meet the requirements of the Financial Conduct Authority (**FCA**) Handbook and the requirements of the Basel Accords as implemented in the UK Investment Firms Prudential Regime (**IFPR**).

This document is prepared in accordance with the disclosure requirements set out under MIFIDPRU 8. The firm's Pillar 3 disclosures are subject to a formal governance process, with oversight from Independent Risk Management (**IRM**) and are reviewed and approved by the WFSIL Board of Directors (**the Board**) on an annual basis or more frequently if required. The disclosures in this document represent the position of WFSIL as at 31st December 2023.

This document does not constitute a set of financial statements. WFSIL's audited financial statements are prepared in accordance with applicable UK company law and accounting standards. Information contained in the WFSIL 2023 audited financial statements may contain differences with the information in this document as the regulatory approaches may differ from accounting definitions.

1.2 WFSIL Background

WFSIL is a private limited company incorporated under the laws of England and Wales with its head office and registered office located in London, United Kingdom. WFSIL is a wholly owned subsidiary of EVEREN Capital Corporation (the **Parent**), which in turn is wholly owned by WFC Holdings LLC (**WFCH**); WFCH is owned by Wells Fargo & Company (**WFC or the Group**).

The WFC group has total assets of \$1.9 trillion as at 31 December 2023.

WFSIL is a UK incorporated Investment Firm authorised and regulated by the FCA.

WFSIL conducts business primarily as a broker-dealer and delivers capital markets products and services to eligible counterparties and professional clients. WFSIL's activities include sales and trading of debt and equity products, provision of financial products that provide hedging of interest rate and foreign currency risks, secured funding and risk solutions as well as advising on mergers and acquisitions and capital markets transactions.

2. Risk Governance

2.1 Introduction

WFSIL is a standalone entity for FCA regulatory purposes and there is no UK or EEA regulated group. WFSIL has no subsidiaries or branches.

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

The WFSIL 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 WFSIL's risk and control environment. WFSIL's 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 WFSIL 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 WFSIL's customers, communities, employees, shareholders or reputation.

The Board oversees the risk appetite statement and risk profile of WFSIL and ensures that business developments are consistent with the risk appetite and strategic goals. The material risks generated by the business strategy and the arrangements in place to manage and mitigate them are set out section 2.4.

The WFSIL 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 WFSIL's risk management program and activities, which includes the establishment of policies for the control of risk. The Board receives information on the risk profile of WFSIL and external developments that may have some impact on the effectiveness of the risk management. It also approves significant changes to risk management policies and approves WFSIL'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 WFSIL's Senior Management through their leadership actions, communication and organisational governance.

The WFSIL 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 WFSIL Committee Structure

The committees listed below include certain regional Wells Fargo committees that have WFSIL management representation and may take decisions that impact WFSIL.

Figure 2.1 WFSIL Committee Structure

Monthly	Quarterly	As Required
<ul style="list-style-type: none"> • WFSIL Asset & Liability Committee (ALCO) • EMEA New Initiatives Committee (EMEA NIC) • EMEA Client Asset Committee (CASS) 	<ul style="list-style-type: none"> • WFSIL Board • WFSIL Board Risk Committee (BRC) • WFSIL Executive Committee (EXCO) • WFSIL Audit Committee • WFSIL Remuneration Committee (RemCo) • WFSIL Regulatory Reporting Oversight Committee (RROC) 	<ul style="list-style-type: none"> • WFSIL Nominations Committee (biannual) • EMEA Underwriting Approval Committee (EMEA UAC)

WFSIL Board of Directors

The Directors of WFSIL who held office during the year to 31st December 2023 and the number of directorships are shown below.

Figure 2.2 WFSIL Board of Directors

Director	Change in Year	Number of Commercial Directorships Held
Daniel Thomas		1
James O'Neill		1
John Langley		1
Malcolm Basing		4
Angela Henderson	Appointed 1st July 2023	4
Richard Place		1
Simon Ennis		1
Stephen Kingsley		3
Vanessa Bailey		4
Paola Bergamaschi Broyd	Resigned 31 January 2023	N/A

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

The Board may determine that it is appropriate to delegate certain responsibilities and decision-making powers to ad-hoc or standing committees. The Board has established the WFSIL Board Risk Committee (**BRC**) to assist with carrying out oversight of WFSIL's risk framework to ensure that risks are managed effectively. The BRC meets quarterly.

The BRC oversees the management of all key risk types as they apply to WFSIL, including credit and counterparty credit risk, market risk, liquidity and funding risk, operational risk, interest rate risk in the banking book, compliance risk and financial crimes risk. Further detail on the management of these risks can be found in section 2.4 of this document.

2.3 WFSIL Risk Management Program

The Board of Directors has overall responsibility for the establishment and oversight of WFSIL's risk management framework.

WFSIL has three lines of defence, each with distinct responsibilities with respect to the risk management programme: First Line of Defence, Independent Risk Management (**IRM**) and Internal Audit.

- The First Line of Defence 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 programme. The Business Control Executive team supports the First Line of Defence and is aligned to the lines of business.
- IRM as the Second Line of Defence, establishes, implements and maintains the risk management program under the direction of the BRC and senior management and oversees the First Line of Defence's execution of its risk management responsibilities and independently credibly challenges First Line of Defence risk decisions. The WFSIL Chief Risk Officer and Chief Compliance Officer are the team members responsible for independent risk management in the legal entity. They are supported by the EMEA regional risk management team in execution of these responsibilities.
- The Third Line of Defence, Internal Audit is responsible for acting as an independent assurance function.

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

WFSIL manages specific risk types according to a series of principles that are consistent with the overall enterprise risk appetite.

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/>

2.3.1. Environmental, Social and Governance Factors

The Group views Environmental, Social and Governance factors (**ESG**) as global challenges that are likely to impact its businesses and communities around the world. The immediate focus is on enhancing the risk management framework to address the risks posed by climate change. The Group is committed to mitigating the impacts of climate change related to its activities and partnering with key stakeholders, including communities and customers, to do the same. The Group 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 Risk

2.4.1. Credit and Counterparty Credit Risk

Credit Risk

WFSIL's principal sources of non-trading credit risk exposures arise from funding operations through the placement of cash with bank nostros. Some immaterial credit risk exposures also arise through other assets. None of the exposures are past due or subject to credit risk adjustments.

Counterparty Credit Risk

Counterparty credit risk (**CCR**) is defined as the risk that the counterparty to a transaction defaults or deteriorates in creditworthiness at any time before the final settlement of the transaction's cash flows. Activities that give rise to counterparty credit risk include trading in over-the-counter (**OTC**) interest rate and foreign exchange derivatives, repurchase and reverse repurchase agreements and securities trading.

Management of counterparty credit risk

WFSIL employs the following measures to mitigate CCR:

- Strong credit underwriting – all counterparty credit risk exposures are approved by designated credit officers in line with the Wells Fargo policies using the same level of credit discipline applied to other credit risks.
- Credit limit monitoring is undertaken by a centralised team in the US, whilst local credit risk oversight is provided by the EMEA Risk Group.
- Wherever possible WFSIL seeks to mitigate counterparty credit risks through netting arrangements, cross-collateralisation with loan collateral and daily collateral margining arrangements.
- Repurchase and reverse repurchase transactions are primarily secured by high quality liquid assets and cash, with the collateral management group responsible for managing the collateral.
- Where applicable, transactions are governed by trading documents, which contain credit terms approved by the risk officers. These must be established before the line of business is permitted to execute transactions against the counterparty.

Concentration risk

Concentration risk is the risk arising from having material exposures carrying common risk characteristics and which are sensitive to the same risk drivers. The assessment of concentration risk includes only counterparty related exposures. Other credit related concentrations resulting from holding inventory in asset backed securities and other credit securities are considered as part of the market risk management framework.

Management of concentration risk

In addition to the mitigants outlined above for CCR, WFSIL employs the following measures to mitigate and manage concentration risk:

- Single name concentration risk is managed within guidelines set out in the WFSIL CCR policy. The guidelines outline the Maximum Potential Future Exposure (**Max PFE**) per Counterparty as a % of the WFSIL's Capital depending on the counterparty credit quality (Borrower Quality Rating - BQR).
- The guidelines are reviewed and approved by the BRC and adjusted, if necessary, in response to changes in the operating environment and other strategic considerations.
- While there are no other formal concentration limits or guidelines, a separate approval on behalf of the legal entity by the EMEA Chief Risk Officer (or his/her delegate) of the exposures booked in WFSIL, within parameters outlined in the WFSIL Counterparty Credit Risk Policy, is required.
- In addition, as a part of the monthly counterparty credit risk reporting process the EMEA Risk Group reviews the concentration risks in the WFSIL portfolio.
- WFSIL is able to transfer counterparty credit risk to an affiliate via risk participation swaps, which allows WFSIL to manage counterparty credit risk and CVA volatility and comply with the single-name concentration guidelines.

WFSIL's exposure to the concentration risks associated with large indirect credit exposures, such as a single collateral issuer, is considered limited. WFSIL's exposure to wrong way risk where the exposure to a particular counterparty is directly and positively correlated with the probability of default of the counterparty due to the nature of the transactions with that counterparty or general market risk factors is also limited. These risks are taken into account in the approval process described above.

2.4.2. Market Risk

Market risk is the risk of possible economic loss from adverse changes in market risk factors such as interest rates, credit spreads, foreign exchange rates, equity and commodity prices. The material market risk factors for WFSIL are those associated with credit spread risk, rate risk and foreign exchange risk arising through holding inventory in corporate credit and securitised products.

Management of market risk

WFSIL employs the following measures to mitigate and manage market risk:

- Market risk is monitored and reported by the EMEA Market Risk Oversight (**MRO**) function which is responsible for the independent oversight of market risk management policies and practices, monitoring and reporting on market risk exposures for WFSIL and identifying and monitoring current and emerging market risks.
- MRO maintains market risk mandates, which establish the market risk limits, policies and procedures at the WFSIL and desk level. In addition to developing market risk mandates and limits, MRO reports and monitors line of business adherence to the relevant market risk limits and reports and escalates market risk issues and limit triggers, as necessary.
- Quarterly review and oversight is provided by the BRC and the Board of Directors.
- Capital requirements are actively monitored and capital management information is reported on a monthly basis to the ALCO.

- WFSIL can also hedge market risk by booking back to back transactions with affiliates, primarily for customer derivative trades.
- There is a WFSIL market risk mandate with approved limits for total market risk exposure in WFSIL. In addition, each of the two material trading businesses (Credit Trading and Structured Products Group (**SPG**) Trading) has a mandate with approved limits on their individual market risk exposures. Mandates contain aggregate limits and limits on sensitivities and other risk measures.
- Aggregate limits are designed to control the overall portfolio risks and losses. They are set for Value at Risk (**VaR**), expected shortfall and stress scenarios. The VaR of the trading book represents the expected maximum loss given a specific confidence interval and time horizon under a general contemporaneous market condition. VaR is typically measured on a 1-Day or 10-Day horizon. VaR can be measured at different confidence levels, with the most common levels observed at 99% and 95% scale. Actual profit and loss outcomes are also monitored to test validity of the assumptions made in the calculation of VaR.
- WFSIL recognises that VaR measures of market price risk, considered in isolation, have limitations. It is for this reason that a wide range of other risk measurement techniques are used. The VaR figures disclosed above have the following limitations:
 - The historical data on which the calculations have been based may not reflect all the factors that are relevant to the estimation of VaR, give the correct weight to these factors, or be the best estimate of risk factor changes that will occur in the future.
 - Focusing on the maximum loss that is expected to be incurred 99% of the time says little about the smaller losses that are expected to be incurred more frequently, or the larger losses in excess of the VaR that are expected to be incurred 1% of the time.
 - All the VaR figures disclosed above are based on calculations performed at the end of each business day.

Management limits and early warning indicators on sensitivities and other risk measures are designed to facilitate and guide the trading management of WFSIL and its business units at a more granular level. Limits are set for interest rate risk sensitivity, credit spread sensitivity, foreign exchange exposure and default to zero. Exposures and limit utilisations are reported daily to senior management. Procedures for limit breaches are set out in the market risk mandates. The BRC is notified immediately of any significant breaches and all other breaches on a quarterly basis.

WFSIL employs the following measures to mitigate illiquidity risk in the trading book:

- Aged inventory reporting is performed on a monthly basis which is reviewed with the business units and presented at the ALCO meetings.
- Holding period limits are established in the mandates for Credit Trading and SPG Trading to provide additional insight on trading activity. Limits are set based on liquidity, depth of market and the strategy of the desk to identify possible liquidity impairments or unapproved trading activity.

2.4.3. Liquidity and Funding Risk

The risk arising from the inability of WFSIL to meet obligations when they come due, or roll over funds at a reasonable cost.

With regards to liquidity, the principal objective of WFSIL is to be able to fund its activities and enable its core businesses to continue to serve clients and generate revenues, even under adverse circumstances. WFSIL manages the maturities and diversity of its funding profile across markets, products and counterparties and seeks to maintain liabilities of appropriate tenor relative to its asset base.

Liquidity risk management principles are applied to meet local regulatory requirements in relation to liquidity. As WFSIL operates well above the minimum Individual Liquidity Guidance (**ILG**) (a transitional requirement under IFPR)) requirements applied by the FCA, its internal liquidity stress test (**ILST**), as well as the IFPR threshold requirement metric, it is judged to have a strong liquidity position, appropriate for the nature and scale of WFSIL's business.

WFSIL is funded by equity with additional funding provided by Group companies. WFSIL liquidity risk management principles are designed to meet local regulatory requirements and are in line with the Group's policies and procedures. WFSIL ALCO monitors and oversees WFSIL's liquidity position. Stress tests are carried out for the WFSIL on a daily basis and liquidity reporting is presented at the monthly ALCO meetings.

WFSIL undertakes an Internal Capital Adequacy and Risk Assessment (**ICARA**) at least annually which provides the Board with an assessment of the entity's risks (including liquidity risk) and the level of liquidity necessary to hold against these risks having considered mitigating factors.

2.4.4. Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book (**IRRBB**) is the risk that market fluctuations in interest rates could cause a loss to WFSIL's earnings and/or capital. In WFSIL, the banking book positions are used to fund the trading book positions of the business units. Interest rate risk for all trading book positions is considered under market risk and is not included in this section.

Banking book exposures include:

- Short term securities financing transactions, to source liquid assets and manage excess liquidity, via repos and reverse repos.
- Short-term intra-group funding (i.e., senior unsecured funding from EVEREN). This funding is available in the most appropriate tenor for balance sheet requirements, typically nine months.
- Cash balances, held in nostro accounts, arising from normal funding activities.
- Client financing (secured lending in the form of repos/ reverse repos)

Management of interest rate risk

WFSIL employs the following measures to mitigate and manage interest rate risk:

- The trading desks perform the active management of interest rate risk related to their trading positions.
- The interest rate expense from the banking book positions is allocated to the business units through the internal funds transfer pricing mechanism.
- IRRBB management principles are designed to meet local regulatory requirements and are in line with the Group's policies and procedures.
- The WFSIL ALCO monitors and oversees IRRBB positions in line with WFSIL's risk appetite and limits.
- Interest rate risk metrics and thresholds are reported and presented at the ALCO on a monthly basis. These metrics are also reviewed and challenged by Balance Sheet, Interest Rate, and Investment Portfolio risk.
- IRRBB is measured and reported in terms of risk to Economic Value of Equity (**EVE**), and Earnings at Risk (**EaR**)/Net Interest Income (**NI**) Stress, with measures of loss shown under a series of different stress scenarios.
- WFSIL possesses the ability to hedge banking book interest rate risk through balance sheet management.

2.4.5. Compliance Risk

Compliance Risk, (which includes Financial Crimes Risk) is the risk of legal or regulatory sanctions, material financial loss or reputational damage resulting from a failure to comply with laws, regulations, rules, standards and codes of conduct.

Management of compliance risks

The Wells Fargo Enterprise Compliance Program Policy outlines how the Group identifies, assesses, controls, measures, monitors, and reports compliance risks, and through which it provides compliance training. The

Compliance Program encompasses a series of Compliance Program elements which are both applicable to the Compliance department and to the First Line of Defence.

The First Line of Defence is responsible for identifying, managing and controlling the compliance risks arising from its activities

The EMEA Compliance Team as part of IRM supports the management of compliance risk arising in relation to WFSIL by implementing and maintaining the Compliance Program. It does this through:

- a. Providing advice, recommendations, oversight of and challenge to the First Line of Defence businesses, functions and the legal entity.
- b. Assisting the First Line of Defence in the adherence to applicable laws, regulations, policies and standards of conduct and by actively encouraging business behaviour that is transparent, prudent and dependable; and
- c. Independently overseeing the identification, measurement, assessment, monitoring, aggregation, and reporting of compliance risks in alignment with the Risk Management Framework.

Compliance matters are escalated through the WFSIL Executive Committee and the EMEA Risk and Controls Committee (which exercises responsibility and provides independent oversight for policies, processes and controls relating to all aspects of risk and compliance for the region) to the WFSIL Board Risk Committee.

2.4.6. Financial Crimes Risk

Financial Crimes risk is the risk that WFSIL may be used for purposes connected to criminal activity and encompasses primary elements of Anti-Money Laundering, Sanctions, Anti-Bribery & Corruption, and Anti-Tax Evasion. The risk may result from inadequate or failed internal controls, processes, people and systems or from external events. WFSIL is required to comply with regulatory requirements stemming from local and international laws and regulations including UK FCA requirements.

Wells Fargo manages Financial Crimes risk through a defined and integrated risk program and the efforts of the First Line of Defence, IRM, and Internal Audit. The Financial Crimes Risk program is established by Global Financial Crimes Program policy and implemented in WFSIL by the UK Financial Crimes Compliance Program Methodology, which also incorporates the requirements of relevant UK legislation and regulation.

Financial Crimes Risk is managed through processes, procedures, systems, and controls designed to prevent and detect financial crimes risk. These will include Risk Assessment, Customer Due Diligence, Transaction Monitoring, Sanctions Screening, Suspicious Activity Reporting, Training, Outsourcing and Governance.

2.4.7. Operational Risk

Operational risk is defined as the risk of loss or damage to WFSIL, resulting from inadequate or failed internal controls, processes, people and systems or from external events. Operational risk is inherent in all of WFSIL's activities.

Management of operational risks

Wells Fargo has established a comprehensive, enterprise-wide Operational Risk Management programme, which supports the identification, assessment and management of operational risks.

Wells Fargo has identified and classified all operational risks that it faces as a result of its activities. The Operational Risk Business Oversight function, in partnership with Operational Risk type teams, executes appropriate oversight, reporting and escalation, associated with the operational risk sub-types (Business Resiliency and Disaster Recovery Risk, Change Management Risk, Data Management Risk, Fiduciary and Investment Risk, Financial Reporting Risk, Fraud Risk, Human Capital Risk, Information Management Risk, Information Security Risk, Safety and Physical Security Risk, Technology Risk, Third-Party Risk and Transaction Processing and Execution Risk) to WFSIL senior management and the Board of Directors.

2.4.8. 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 WFSIL and can result in financial loss, poor business decisions, inaccurate financial or regulatory reporting, compliance issues, customer harm, and / 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 WFSIL, regardless of business group or geographical location. WFSIL, 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.

2.4.9. Reputation Risk

Reputation Risk is the risk arising from the potential that negative stakeholder opinion or negative publicity regarding Wells Fargo'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 and is therefore a material risk.

The Reputation Risk Policy explains that products, services, transactions, investments, customer or client segments, public disclosures of information, and business initiatives, practices and processes (collectively, "business activities") may present elevated levels of Reputation Risk to Wells Fargo. Due to the perception-based nature of Reputation Risk, it is difficult to define all situations that pose Reputation Risk and should be escalated.

Reputation Risk can arise at the start of a new business activity (e.g., new client onboarded, new product offering) and throughout BAU (e.g., periodic Know Your Customer (**KYC**) review, a specific type of transaction proposed/executed, negative media coverage, changes in stakeholder or public perception). Some scenarios may be within WFSIL's control, such as the products/services offered to clients or the transactions executed, but others may be outside of the Firm's immediate control, such as the actions/activities of clients, customers, third parties, and employees.

The identification, assessment, and escalation of Reputation Risk is part of WFSIL's day to day business activities.

2.4.10. 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

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

- WFSIL operates under a Board-approved five-year strategic plan that is subject to a thorough IRM review and credible challenge process;
- Business goals and targets set out by management are quantified as objectives in the Budget/Business Plan;
- The Board receives quarterly progress reports (budgeting controls) with comparison and explanation for differences between the budget figures and actual results;

- If needed, the Board can define the actions to correct deviations or change the business goals to take account of factors such as earnings volatility or failure to achieve strategic objectives;
- The EMEA NIC provides an official forum where all proposed new products/initiatives, post-implementation reviews, material changes to existing products/initiatives, and Product Portfolio Monitoring Reviews impacting the EMEA region are presented for awareness, challenge, and formal approval.
- WFSIL ICARA provides an assessment of the level of financial resources necessary to hold against the relevant and material risk exposures, to absorb unexpected losses in an adverse stress scenario, and to support planned future business growth in line with the WFSIL Strategic Plan. These are achieved through the combination of calibration of both internal capital requirements and capital early warning levels.
- SoRA metrics and key risk indicators have been established for WFSIL 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 given the size and complexity of the Firm. The framework is well established, embedded and guided by a clearly articulated tolerance for the type of risks faced via the WFSIL SoRA, which itself is informed by a detailed, robust and regular assessment of material risks. Furthermore, ongoing governance forums allow the Board and BRC to monitor 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 it remains 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 levels on an ongoing basis in the light of changing risk appetite, business needs and changes in the external business and regulatory environment. WFSIL undertakes an ICARA 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 ICARA 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 ICARA process and these are subject to regular monitoring. The latest ICARA concluded that WFSIL is adequately capitalised.

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

Figure 3.1 Capital Adequacy Ratios

Capital Adequacy		
USD Millions	Amount	
Item	31-Dec-23	31-Dec-22
OWN FUNDS	1,165.7	1,196.2
Tier 1 Capital	1,165.7	1,196.2
Capital Requirements	136.6	117.7
Capital Surplus	1,029.1	1,078.5
Leverage¹		
Leverage exposure	5,151.0	3,154.4
Leverage ratio	22.63 %	37.92 %

4. Own Funds

The following table shows the composition of regulatory own funds.

Figure 4.1: Composition of Regulatory Own Funds (OF1)

Composition of Regulatory Own Funds				
	USD Millions	Amount		
Ref ²	Item	31-Dec-23	31-Dec-22	Cross reference to table below
1	OWN FUNDS	1,165.7	1,196.2	
2	TIER 1 CAPITAL	1,165.7	1,196.2	
3	COMMON EQUITY TIER 1 CAPITAL	1,165.7	1,196.2	
4	Fully paid up capital instruments	540.0	540.0	SE1 - Called up share capital
5	Share Premium	645.4	645.4	SE2 - Capital Contribution
6	Retained earnings	(17.3)	12.8	SE3 - Profit & loss account
19	CET1: Other capital elements, deductions and adjustments	(2.4)	(2.0)	Prudent Valuation

¹ Leverage ratio risk appetite boundary are calibrated as part of the ICARA process and these are subject to regular internal monitoring. There is no leverage ratio regulatory minimum for WFSIL under IFPR.

² Reference numbers are aligned to the template format prescribed in MIFIDPRU8 Annex 1R

Figure 4.2: WFSIL's Balance Sheet as in the Published Financial Statements³

	USD Millions	Financial Statements Balance Sheet		Cross Ref OF1
Ref		31-Dec-23	31-Dec-22	
	ASSETS			
A1	Cash at bank and in hand	203.7	190.1	
A2	Trading assets	1,375.6	1,294.2	
A3	Securities borrowing and reverse repurchase agreements	3,139.3	1,287.5	
A4	Debtors	399.6	695.1	
TA	Total assets	5,118.2	3,466.9	
	LIABILITIES			
L1	Trading liabilities	1,072.1	798.1	
L2	Securities lending and repurchase agreements	1,730.9	598.5	
L3	Creditors	1,147.1	872.1	
TL	Total liabilities	3,950.1	2,268.7	
	Net assets	1,168.1	1,198.2	
	SHAREHOLDERS EQUITY			
SE1	Called up share capital	540.0	540.0	4 - Fully paid up capital
SE2	Capital contribution	645.4	645.4	5 - Accumulated other
SE3	Profit & loss account	(17.3)	12.8	6 - Retained earnings
TSE	Total Shareholders' Equity	1,168.1	1,198.2	

Capital Instruments main features

CET1: As of 31 December 2023, 539,917,000 ordinary shares of \$1 each and 50,000 ordinary shares of £1 each fully paid shares were issued to affiliates within the Group.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the WFSIL shareholders. The ordinary shares rank pari passu in all respects.

Additional value adjustments relate to a prudent valuation adjustment.

There are no current or foreseen material practical or legal impediments to the repayment of liabilities due among WFSIL and its Parent.

Below is a table showing the main features of capital instruments:

³ Figures presented in USD Millions to be consistent with published audited Financial Statements

Figure 4.3: Capital Instruments Main Features Table

Item	Equity	Other reserves
Issuer	WFSIL	WFSIL
Unique identifier	—	—
Governing law(s) of the instrument	English law	English law
Public or Private Placement	Private	Private
Regulatory Treatment		
Instrument type (type to be specified by each jurisdiction)	Ordinary shares	Capital contribution and retained earnings
Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	\$540.0m	\$628.1m
Nominal amount of instrument	\$540.0m	
Issue Price	\$1 ⁴	—
Accounting classification	Shareholders equity	Shareholders equity
Perpetual or dated	Perpetual	Perpetual
Original maturity date	No maturity	No maturity
Issuer call subject to prior supervisory approval	No	No

⁴ As of 31 December 2023, 539,917,000 ordinary shares of \$1 each and 50,000 ordinary shares of £1 each fully paid shares were issued to affiliates within the Group.

5. Capital Requirements

The table below sets out WFSIL's Pillar 1 capital requirements.

Figure 5.1: Pillar 1 Capital Requirements

USD'000	Amount	
Item	31 Dec 2023	31 Dec 2022
K-Factors		
Assets Under Management (K-AUM)	–	–
Client Money Held (K-CMH) (segregated)	56	25
Client Money Held (K-CMH) (non-segregated)	–	–
Assets Safeguarded and Administrated (K-ASA)	–	–
Sum of K-AUM, K-CMH and K-ASA	56	25
Daily Trading Flow (K-DTF) (cash trades)	4,482	3,983
Daily Trading Flow (K-DTF) (derivatives)	113	457
Client Orders Handled (K-COH) (cash trades)	–	–
Client Orders Handled (K-COH) (derivative trades)	–	–
Sum of K-DTF and K-COH	4,595	4,440
Net Position Risk (K-NPR)	66,673	63,006
Clearing Margin Given (K-CMG)	–	–
Trading Counterparty Default (K-TCD)	65,243	50,258
Concentration Risk (K-CON)	–	–
Sum of K-NPR, K-CMG, K-TCD and K-CON	131,916	113,264
TOTAL K-FACTORS	136,567	117,729
Fixed Overhead Requirements		
Fixed Overhead Requirements (FOR)	36,454	30,976

6. Remuneration

Governance

WFSIL's ultimate parent company, Wells Fargo & Company has enterprise-wide remuneration policies and practices, namely the Wells Fargo Incentive Compensation Risk Management (the **ICRM**) Policy, Performance Management Policy and related practices (**Corporate Policies**). In addition, the WFSIL Remuneration Committee (**RemCo**) has responsibility to oversee the implementation of the Wells Fargo remuneration policies and practices in WFSIL. The EMEA Remuneration Policy together with the Corporate Policies comprise the remuneration arrangements for WFSIL.

The WFSIL RemCo consists of no fewer than two members, all of whom shall be non-executive directors. Members are appointed by the Board.

The WFSIL RemCo meets at least four times per year and on an ad hoc basis as many times as it considers necessary to discharge its responsibilities.

The WFSIL RemCo provides oversight of remuneration matters on behalf of the WFSIL Board, including annual review of the EMEA remuneration policy (the **Remuneration Policy**) for approval by the Board, the WFSIL Identified Staff list and risk review of Identified Staff. The WFSIL RemCo is also responsible for oversight of compliance with the remuneration elements of the regulatory requirements set out in the IFPR and more specifically, the MIFIDPRU Remuneration Code and related guidance.

The Remuneration Policy is designed to ensure that WFSIL authorised and regulated by the FCA complies with the regulatory requirements under the IFPR in the FCA's MIFIDPRU Remuneration Code (SYSC 19G) (**MIFIDPRU Remuneration Code**) which will apply from the performance year 2022.

The Remuneration Policy is designed to ensure remuneration policies, procedures and practices are consistent with and promote sound and effective risk management, do not encourage excessive risk-taking and to enable WFSIL to achieve and maintain a sound capital base.

The WFSIL Audit Committee reviews the WFSIL remuneration disclosures included in the Annual Financial Statements for compliance with the relevant regulatory requirements.

The RemCo assesses 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 ESG issues. The RemCo ensures that the overall EMEA Remuneration Policy is consistent with and promotes sound and effective risk management, considering WFSIL's risk appetite and is in line with the business strategy, goals, corporate culture and expectations, and the long-term interests of WFSIL including considering the framework in light of risk and capital-based scenarios with appropriate input from the EMEA risk functions.

The RemCo ensures the adequacy of any information provided to the Board on remuneration policies and practices, including on any proposed higher maximum level of the ratio between fixed and variable remuneration. Under the IFPR, WFSIL continues to apply the bonus cap of 200% of fixed pay for existing Identified Staff. However given the requirement to include variable pay buy outs for new hires in the bonus cap calculation for the year of grant, WFSIL applies an exceptional variable remuneration ratio of 400% of fixed pay, applicable to WFSIL Identified Staff in the first year of hire. After the first performance year of employment, the ratio reduces to 200% of fixed pay in line with existing Identified Staff.

The RemCo is responsible for oversight of the process for determining and approving the list of Identified Staff, those whose professional activities have a material impact on WFSIL's risk profile or the assets WFSIL manages in accordance with WFSIL's approach to the qualitative and quantitative criteria of the FCA Handbook, the MIFIDPRU Remuneration Code and the Identified Staff Traceability Matrix.

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

Remuneration Philosophy and Structure

Remuneration Philosophy

The EMEA Remuneration Policy and framework is consistent with Wells Fargo's key compensation principles:

- (a) Pay for performance. Compensation is linked to WFC, 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 WFSIL's competitive advantages. Therefore, compensation helps attract, motivate and retain people with the skills, talent and experience to drive superior long-term WFC performance.

The EMEA 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 individual's gender.

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

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

Guaranteed variable remuneration is not part of WFSIL'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.

In accordance with the MIFIDPRU Remuneration Code, the EMEA HR function 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. Any severance payments to Identified Staff, are made in compliance with the requirements of SYSC 19G.6.7R and 19.6.12R of the MIFIDPRU Remuneration Code. WFSIL's approach to determining termination payments is in line with the framework set out in the Wells Fargo Corporate Policy and Practices.

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

Total Remuneration

For the purposes of the EMEA Remuneration Policy, "remuneration" consists of all forms of payments or benefits made directly by or indirectly but on behalf of, WFSIL, in exchange for professional services rendered by WFSIL staff. Total remuneration of WFSIL 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 (direct) monetary benefits (such as health insurance or fringe benefits). 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 the EMEA Remuneration Policy.

There is a clear distinction in the criteria for setting fixed remuneration and variable remuneration:

- (i) **fixed remuneration:** Wells Fargo sets a base salary range for each job, considering local market survey data, the skills and experience required for the job, and the appropriate proportion of variable compensation. 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;
- (ii) **variable remuneration:** An incentive opportunity 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 goals;

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

- if payment or vesting is not sustainable according to the financial position of WFSIL,
- if total proposed variable remuneration may limit the ability to strengthen the capital base of WFSIL; or
- by the individual's performance against their goals for the relevant performance period.

Performance Management

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

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

Assessments of financial performance for WFSIL, its businesses or individuals, are based principally on profits. Non-financial metrics for WFSIL include adherence in general with regulation in the UK and, where appropriate, other relevant overseas regulatory requirements and effective risk management. Certain non-financial metrics may override metrics of financial performance, as appropriate. Further detail on the financial and non-financial metrics used to determine performance and variable pay are contained in the compensation section of the Proxy Statement.

WFSIL's remuneration arrangements are based on the principle that a multi-year framework (in the context of expectations set out by the FCA) 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. For WFSIL, the EMEA Chief Risk Officer presents an annual 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 WFSIL RemCo on the outcome of its assessments throughout the year.

Conflicts of Interest

WFSIL'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 including those measures related to ESG.

In alignment with the Wells Fargo Risk Management Framework, employees of WFSIL's control functions are groups that must remain independent of 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 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:

- a. 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.
- b. Control functions may not have a financial performance objective unless it is related to expense management, business strategy, or risk mitigation activities.
- c. The independent non-executive directors of the WFSIL Board are not eligible for awards of variable remuneration.
- d. All WFSIL 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 WFSIL 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

Identified Staff are subject to the terms of Wells Fargo's incentive compensation plans – as summarised in the Corporate Policies and Practices. The categories of individual Identified Staff in WFSIL and the criteria used to capture them, is contained in the Identified Staff Traceability Matrix. Variable remuneration paid to Identified Staff whose variable remuneration does (a) exceed £167,000; and (b) represent more than one third of their total annual remuneration (the "**de minimis threshold**") must satisfy all of the following requirements:

- (a) Bonus Cap. The variable component of remuneration for Identified Staff may not exceed 200% of the fixed

component of total remuneration, or 400% in the case of new joiners for the first performance year only;

- (b) Deferral Requirement. Per the terms of the Identified Staff Incentive Payout Structure, at least 40% of the variable remuneration paid will be deferred for a period of between 3 and 5 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 delivered in Restricted share units is subject to a retention period of at least 12 months (or 6 months for any awards deferred over a period of 5 years or more for Identified Staff who are not members of the Management Body or Senior Management). Interest and dividends are not required to be included in the variable component of the variable to fixed remuneration ratio. At least 60% of variable remuneration awards made to Identified Staff are deferred if variable remuneration is greater than GBP500,000 per the terms of the Identified Staff Incentive Payout Structure.
- (c) WFSIL 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 where WFSIL determines a malus event has occurred. Malus events are detailed in the EMEA Malus and Clawback Policy.

Clawback applies for at least 7 years from the date of grant of the award or, if longer, such other period required by the Remuneration Requirements. The 7-year period may be extended to up to 10 years, in the case of FCA/PRA Senior Managers or other members of senior management who Wells Fargo considers equivalent to FCA/PRA Senior Managers (the employee will be notified of any such extension).

The WFSIL RemCo 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.

Remuneration Expenditure

Note 4 of the WFSIL 2023 financial statements contains aggregate information on remuneration. The following table shows remuneration paid to 2023 WFSIL Identified Staff who are remunerated for their services to WFSIL. Variable remuneration for 2023 performance was paid or awarded in 2024.

For the 2023 performance year, there were no employees in WFSIL with a variable pay award that was below the de minimis threshold and therefore the principles in (a) to (c) above applied to WFSIL Identified Staff in management roles.

Figure 6.1: WFSIL Remuneration Expenditure

	USD'000			
	31 Dec 2023			
	Identified Staff			
Remuneration Type	Senior Management	Other	Other Staff	Total
Total Remuneration	7,317	11,758	32,336	51,411
of which:				
Fixed Remuneration	3,637	5,210	18,807	27,654
Variable Remuneration	3,680	6,548	13,529	23,757
of which:				
Cash	1,840	3,274	9,868	14,982
<i>Upfront</i>	736	1,726	9,868	12,330
<i>Deferred</i>	1,104	1,548	–	2,652
Shares / RSRs	1,840	3,274	3,661	8,775
<i>Upfront</i>	736	1,726	–	2,462
<i>Deferred</i>	1,104	1,548	3,661	6,313
Number of Staff	9	13	107	129

Three Identified Staff received total remuneration of between US\$1m and US\$1.5m.

Three Identified Staff received total remuneration in excess of US\$1.5m.

Guaranteed Variable Remuneration and Severance Payments

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 2023.

Figure 6.2: Guaranteed Variable Remuneration and Severance Payments

	USD'000			
	31 Dec 2023			
	Identified Staff			
Remuneration Type	Senior Management	Other	Total	# of staff
Guaranteed Variable Remuneration	–	–	–	–
<i>Sign-on</i>	–	–	–	–
Severance payment	1039	–	1039	2
<i>Highest amount</i>	528	–	528	1

Deferred Remuneration

The following table provides a summary of deferred remuneration for 2023 WFSIL Identified Staff who are remunerated for their services to WFSIL.

Figure 6.3: Deferred Remuneration

	USD'000		
	31 Dec 2023		
	Identified Staff		
Remuneration Type	Senior Management	Other	Total
Deferred Remuneration from previous years	6,325	5,868	12,193
<i>Vested in 2023</i>	<i>1,825</i>	<i>2,134</i>	<i>3,959</i>
<i>Vesting after 2023</i>	<i>4,500</i>	<i>3,734</i>	<i>8,234</i>
Deferred Remuneration vested in 2023	1,825	2,134	3,959
<i>Vested / paid</i>	<i>1,825</i>	<i>2,134</i>	<i>3,959</i>
<i>Not vested / paid because of performance adjustment</i>	<i>–</i>	<i>–</i>	<i>–</i>

The information contained in these disclosures has not been audited and does not constitute a financial statement of WFSIL or WFC.