Wells Fargo: Climate-Related Policy Engagement Overview

An investor briefing on Wells Fargo's climate and sustainable finance policy engagement in advance of its 2023 Annual General Meeting (AGM)

April 2023

Executive Summary

- On 25th April 2023, Wells Fargo investors will vote on a shareholder resolution requesting that the company “analyze and report to shareholders annually (at a reasonable cost, omitting confidential and proprietary information) on whether and how it is aligning its lobbying and policy influence activities and positions, both direct and indirect through trade associations, coalitions, alliances, and other organizations, with its public commitment to achieve net zero emissions.”

- This briefing provides an overview of Wells Fargo’s direct and indirect climate and sustainable finance policy engagement. It shows that, despite Wells Fargo stating top-line support for the goals of the Paris Agreement, the company has not aligned its policy engagement activities with this goal and has provided little disclosure of its climate and sustainable finance policy engagement.

- InfluenceMap’s analysis suggests that Wells Fargo’s direct climate policy engagement falls short of what is needed to advocate for robust, supportive public policies to achieve the goals of the Paris Agreement. Federal lobbying reports show that Wells Fargo lobbied on the Inflation Reduction Act and Build Back Better act, but there is no evidence of the company pushing for strong climate provisions within either bill.

- InfluenceMap has also assessed that Wells Fargo’s direct sustainable finance policy engagement appears to be misaligned with policymakers’ efforts to tackle climate-related financial risk and mainstream sustainability issues into financial decision-making. Wells Fargo has objected to the SEC’s proposed climate disclosure rule and has appeared unsupportive of policymakers’ efforts to incorporate climate risk into bank supervision. InfluenceMap’s profile of Wells Fargo’s climate policy engagement can be found here and InfluenceMap’s profile of Wells Fargo’s sustainable finance policy engagement profile can be found here.

- Wells Fargo is a member of several industry associations that display strategic and negative engagement with climate policy and sustainable finance policy globally, including the US Chamber of
Commerce, the Business Roundtable, and the Bank Policy Institute. The US Chamber and the Business Roundtable lobbied against the Build Back Better act and the Inflation Reduction Act, obstructing public policies designed to support decarbonization. All of these associations have objected to the SEC's proposed climate disclosure rule, a policy that would provide investors with information about companies' climate risks and greenhouse gas emissions. A detailed overview of these industry associations policy engagement is on page six.

- Wells Fargo has not published a review of its climate-related policy engagement activities in line with standards put forward by investors as part of the 2022 Global Standard on Responsible Climate Lobbying.

Explainer: Assessing Wells Fargo’s Engagement on Both ‘Climate Policy’ and ‘Sustainable Finance Policy’

For financial sector companies, InfluenceMap considers relevant policy to include both ‘real economy’ climate policy (e.g. carbon taxes, emissions trading, renewable energy targets) and climate-related financial regulation, often called sustainable finance policy (e.g. climate risk disclosure, taxonomies, changes to investor duties). InfluenceMap assesses these two key areas separately, leading to two sets of metrics for financial sector companies.
Background: Shareholder resolution on climate advocacy

Engagement with companies over their climate policy engagement is now firmly on the investor agenda on climate change. It is an integral part of the Climate Action 100+ (CA100+) investor-engagement process, which now has over 700 investor signatories with a total of $68 trillion in assets under management.

As a research partner to CA100+, InfluenceMap maintains a global system for tracking, assessing and scoring companies on their engagement with climate change policy against Paris-aligned benchmarks. This system currently covers around 450 companies along with 250 of their key industry associations.

InfluenceMap refers to the UN’s Guide for Responsible Corporate Engagement in Climate Policy as a guide for what constitutes engagement. This can include advertising, social media, public relations, sponsoring research, direct contact with regulators and elected officials, funding of campaigns and political parties, and participation in policy advisory committees.

This briefing provides an overview of Wells Fargo’s direct and indirect climate policy engagement in advance of the shareholder resolution at its 2023 Annual General Meeting (AGM), summarized in Table 1 below. This resolution will be voted on at Wells Fargo’s AGM on 25th April 2023.

Table 1: Key information for shareholder resolution at Wells Fargo’s 2023 AGM

<table>
<thead>
<tr>
<th>Resolution: Report on extent to which lobbying and public policy advocacy is consistent with net-zero goal</th>
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<tr>
<td><strong>Lead Filer:</strong> Sisters of St. Francis Charitable Trust</td>
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<td><strong>Proposal Summary:</strong> “Shareholders of Wells Fargo and Company request that the Board of Directors analyze and report to shareholders annually (at reasonable cost, omitting confidential and proprietary information) on whether and how it is aligning its lobbying and policy influence activities and positions, both direct and indirect through trade associations, coalitions, alliances, and other organizations, with its public commitment to achieve net zero emissions by 2050 including the activities and positions analyzed, the criteria used to assess alignment, and involvement of stakeholders, if any, in the analytical process.”</td>
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*The full resolution text is available here.*
Summary of Wells Fargo’s climate and sustainable finance policy engagement

InfluenceMap’s methodology, available on our website, uses seven publicly available data sources to gather evidence of company and industry association engagement on a range of climate-related and sustainable finance policy streams. Each item of evidence is scored against benchmarks based on the advice of IPCC science or the stated intentions of governments looking to implement the Paris Agreement. This process can result in hundreds of scored evidence items, providing a robust basis to assess the extent to which a company’s climate-related and sustainable finance policy engagement, and that of its industry associations, is Paris-aligned.

InfluenceMap’s online profile of Wells Fargo, including access to the underlying data which forms this assessment, can be found here for climate policy and here for sustainable finance policy. The analysis of Wells Fargo’s industry association relationships, including detailed profiles for each association, can be explored via the “Details of Relationship Score” tabs. An overview of this assessment is provided in Table 2 below.

<table>
<thead>
<tr>
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<th>Climate Policy</th>
<th>Sustainable Finance Policy</th>
<th>Explanation</th>
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<tbody>
<tr>
<td>Performance Band</td>
<td>C-</td>
<td>D+</td>
<td><strong>Performance Band (A+ to F)</strong> is a full measure of a company’s climate policy engagement, accounting for both its own engagement and that of its industry associations. A+ indicates full support for Paris-aligned climate policy, with grades from D to F indicating increasingly obstructive climate policy engagement.</td>
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<td>Organization Score</td>
<td>64%</td>
<td>57%</td>
<td><strong>Organization Score (0 to 100)</strong> expresses how supportive or obstructive the company is towards climate policy aligned with the Paris Agreement is, with scores under 50 indicating misalignment with the Paris Agreement.</td>
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<tr>
<td>Relationship Score</td>
<td>43%</td>
<td>43%</td>
<td><strong>Relationship Score (0 to 100)</strong> expresses how supportive or obstructive the company’s industry associations are towards climate policy aligned with the Paris Agreement, with scores under 50 indicating misalignment with the Paris Agreement.</td>
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<tr>
<td>Engagement Intensity</td>
<td>9%</td>
<td>12%</td>
<td><strong>Engagement Intensity (0 to 100)</strong> is a measure of the level of policy engagement by the company, with scores above 12 indicating active engagement, and scores above 25 indicating highly active or strategic engagement.</td>
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Summary of direct climate and sustainable finance policy engagement

InfluenceMap's analysis of Wells Fargo's direct climate and sustainable finance policy engagement is based on 63 independent data points, 59 of which have been logged since 2020. Under InfluenceMap's system, recent evidence is heavily weighted in the calculation of metrics, as explained in the methodology.

Wells Fargo has communicated high-level support for climate and sustainable finance policy. For example:

- In July 2021, Wells Fargo signed onto a joint letter directly advocating for policymakers to support net-zero infrastructure investments in the Biden administration infrastructure package.

- In an April 2020 Sustainable Investing article, Wells Fargo appeared supportive of European sustainable finance regulations, including disclosure policies and regulations on ESG funds.

Despite this high-level support, Wells Fargo has taken little action to encourage ambitious climate and sustainable finance policies, and in some cases has engaged negatively. For example:

- In June 2022 comment letter, Wells Fargo outlined objections to the SEC’s proposed climate disclosure rule, advocating for increased flexibility in Scope 3 emissions disclosure requirements.

- In March 2022, representatives from Wells Fargo, along with other members of the Bank Policy Institute, met with the Office of the Comptroller of the Currency (OCC) to discuss “challenges they foresaw” with the OCC’s draft Principles for Climate-Related Financial Risk Management for Large Banks.

Additionally, Wells Fargo lacks a transparent disclosure of its climate and sustainable finance policy engagement activities. For example:

- Federal lobbying reports show that Wells Fargo has engaged with policymakers on the Build Back Better act, the Inflation Reduction Act, and tax issues related to renewable energy. Wells Fargo has not disclosed the details of these engagements.

- In January 2022, Wells Fargo joined the Risk Management Association’s Climate Risk Consortium, a group that is “engaging with regulators and other key policy makers to help inform ongoing policy considerations” related to climate risk management. Wells Fargo has not disclosed the details of the Consortium’s policy engagement.

- In November 2022, the Wall Street Journal reported that CEO Charlie Scharf had a phone call with North Dakota Senator Cramer to discuss a bill that would “bar banks from discriminating against the fossil fuel industry.” Details of this engagement are unclear, and Wells Fargo has not reported on it.
Summary of indirect climate and sustainable finance policy engagement via industry associations

InfluenceMap’s platform tracks and analyzes the climate policy engagement of over 250 industry associations and the sustainable finance policy engagement of 30 industry associations, using the same benchmarks and scoring process applied to companies. This gives an assessment of each association’s engagement against Paris-aligned and government-based benchmarks. This section details InfluenceMap’s analysis of Wells Fargo’s key industry associations and governance processes.

- Wells Fargo has disclosed its membership to a list of industry associations on its corporate website. However, the company does not appear to have undertaken a review of its climate policy engagement, including an assessment of alignment with its industry associations on climate change. The *Global Standard on Responsible Climate Lobbying* - instigated by investors and launched in March 2022 - highlights the need for companies to publish a detailed annual review to ensure that its climate policy engagement (direct and indirect via industry associations) is consistent with the 1.5°C goal of the Paris Agreement.

- Wells Fargo holds membership to financial industry associations that have been negatively engaged on sustainable finance policy, including the *Bank Policy Institute*, the *Financial Services Forum*, and the *Securities Industry and Financial Markets Association (SIFMA)*. CEO Charlie Scharf is on the board of BPI and a Wells Fargo senior executive is on the board of SIFMA.

- Wells Fargo also holds membership to cross-sector associations that have been negatively engaged on climate change and sustainable finance policy, including the *US Chamber of Commerce* and the *Business Roundtable*. Wells Fargo is also on the board of the *California Chamber of Commerce* (CalChamber) which has been actively and negatively engaged on California climate policy (earning an ‘F’ grade in InfluenceMap’s climate change analysis).

- Detailed profiles for all Wells Fargo’s industry associations can be explored via the links in the following table or the “Details of Relationship Score” tabs on Wells Fargo’s *climate change* and *sustainable finance* profiles. Table 3 below gives an overview of key industry associations with examples of recent obstructive climate and sustainable finance policy engagement.
### Table 3: Evidence of recent climate policy engagement by Wells Fargo’s key industry associations

<table>
<thead>
<tr>
<th>Industry Association</th>
<th>Climate Performance Band</th>
<th>Sustainable Finance Performance Band</th>
<th>Examples of recent engagement</th>
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| Bank Policy Institute       | N/A                      | C-                                    | ● **Suggested** that climate change does not pose a threat to the stability of the financial system ([BPI blog, September 2022](#))  
● **Objected** to SEC climate disclosure rule, advocating for Scope 3 disclosure requirements to be narrowed and opposing scenario analysis disclosure requirements ([Comments to the SEC, June 2022](#))  
● **Opposed** California SB 260, a greenhouse gas emissions disclosure bill ([Joint Letter to California State Assembly, August 2022](#))  
● **Advocated** for flexibility in climate-related financial risk management guidelines ([Comments to OCC and FDIC, February 2022 and May 2022](#)) |
| Financial Services Forum    | N/A                      | D-                                    | ● **Objected** to SEC climate disclosure rule, not supporting Scope 3 emissions disclosure unless included in a public target, advocating for a longer period for implementation ([Comments to the SEC, June 2022](#))  
● **Urged** regulators to take a flexible approach when developing principles for climate-related financial risk management ([Blog post, February 2022](#))  
● **Opposed** a requirement to consider how climate risk management affects the broader economy, not supporting new regulations or reporting on climate risk ([Comments to FDIC, June 2022](#)) |
| US Chamber of Commerce      | E-                       | F                                     | ● **Opposed** the Inflation Reduction Act: ran ads to pressure Arizona Senators Sinema and Kelly to vote against the bill ([The Hill, February 2022](#))  
● **Criticized** the EPA’s proposal to set more stringent greenhouse gas standards for certain commercial vehicles ([Comments to EPA on HDV Standards, May 2022](#))  
● **Supported** the California Trucking Association’s legal case against California emissions regulations ([Amicus Brief, Chamber Litigation Center, November 2022](#))  
● **Opposed** the SEC’s climate disclosure rule and asserted that the SEC does not have the authority to promulgate it ([Comments to SEC, June 2022 and November 2022](#))  
● Supported the Trump-era rollbacks of shareholder rights and ESG investing ([Comments to SEC and Department of Labor, January 2020 and July 2020](#)) |
<table>
<thead>
<tr>
<th>California Chamber of Commerce (CalChamber)</th>
<th>F</th>
<th>N/A</th>
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- **Opposed** the California Crisis Act, which set an emissions reduction target of at least 90% below 1990s levels by 2045 (California Senate Floor Analysis, July 2021)
- **Opposed** California SB 1137, a bill to limit oil and gas production (*CalChamber Statement on Passage of Climate Change Proposal, September 2022*)
- **Opposed** Governor Newsom’s executive order that mandated all new cars and trucks sold after 2035 be zero-emission vehicles (*CalChamber blog, September 2020*)
- Opposed California greenhouse gas and climate risk disclosure bills (*California Senate Committee Environmental Quality Floor Analyses, March 2023*)