



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

MICHAEL S. GIBSON
DIRECTOR, DIVISION OF SUPERVISION AND
REGULATION

February 2, 2018

Stephen Sanger

Re: *Accountability as Lead Independent Director of Wells Fargo & Company Board of Directors*

Dear Mr. Sanger:

The Federal Reserve Board is issuing this letter to you with respect to your tenure as lead independent director of the board of directors of Wells Fargo & Company (WFC) from 2012 to 2016. As lead independent director, you had a responsibility to lead other non-executive directors in forming and providing an independent view of the state of the firm and its management.

In the past year and a half, it has emerged that there were many pervasive and serious compliance and conduct failures ongoing during your tenure as lead independent director. These include the sales practices that led to the issuance of the Consent Orders from the Office of the Comptroller of the Currency and Consumer Financial Protection Bureau in 2016. Due to the scope and severity of these compliance and conduct failures, the Federal Reserve has also issued a cease-and-desist order (“Order”) against WFC requiring, among other things, that WFC strengthen board oversight of the firm and senior management. The Order also imposes limits on WFC’s growth until substantial progress on implementing the requirements of the Order has been achieved.

The Order is addressed to the current WFC board. However, the Board is issuing this letter to you because of your role as lead independent director during the time period many of these problems occurred. To fulfill that role, you needed to have sufficient information from firm management to understand and assess problems at the firm. This would require robust inquiry and demand for further information about the serious compliance problems that were occurring at the firm.

You were made aware of sales practices and other compliance issues while you were lead independent director. However, you did not appear to initiate any serious investigation or inquiry into the sales practices problems or put a proposal to do so to the WFC board. In addition, you did not appear to lead the independent directors in pressing firm management for more information

and action, even after you were aware of the seriousness of the problems. This lack of inquiry and lack of demand for additional information are not consistent with the duties and responsibilities of the Lead Director as described in the firm's Corporate Governance Guidelines between 2013 and 2016. For example, those guidelines provide that the Lead Director will facilitate communication between the WFC board and senior management, including advising WFC's Chairman and CEO of the WFC board's informational needs and approving the types and forms of information sent to the WFC board.

The Federal Reserve Board has been troubled by the sales practice abuses at WFC, and the ongoing disclosures of misconduct in other areas. A lead independent director is appointed to serve the interests of the firm and, to that end, provide an alternative view of, and (when necessary) check on, executive directors of the board and the management of the firm. Your performance in that role is an example of ineffective oversight that is not consistent with the Federal Reserve's expectations for a firm of WFC's size and scope of operations.

Sincerely,

/s/

Michael S. Gibson