Elaine Chao's Scandal-Plagued Tenure On The Board Of Wells Fargo

Research By:

RPT RESTORE PUBLIC TRUST

ELAINE CHAO CASHED IN ON WELLS FARGO'S BOARD OF DIRECTORS, WHILE THE BANK RIPPED MILLIONS OF ITS CUSTOMERS

Summary

Between 2011 and 2017, Elaine Chao served on the Wells Fargo Board of Directors, a position for which she was compensated over $2.2 million (additionally, she will receive buyout payments until 2021). While on the board, Chao served on two committees – the Committee for Credit & Finance (2013 to 2016), which oversaw the bank's loan quality ratings, and the Committee for Corporate Responsibility & Finance (2011 to 2012), which oversaw the bank's political donations and reputational issues surrounding fair and responsible lending.

In 2016, the CFPB fined Wells Fargo $185 million for creating 3.5 million in fake deposit and credit card accounts without consumer knowledge or permission. Many of these accounts were created by targeting vulnerable groups of people, including those speaking little English, elderly customers with memory problems, and college students opening up their first accounts.

The scandal resulted in 5,300 layoffs throughout the company but protected the main executive responsible for the scandal (granting him a "golden parachute") and the board members tasked with company oversight, including Elaine Chao. According to reports, at least one employee tipped the company off about account fraud as early as 2005, and several hundred more had reported such fraud by 2010. One executive even admitted to knowing about the scandal since 2013. Not only did the company and its board not act on the matter, they actively retaliated against employees who spoke up.

What's worse: Chao did not just oversee one major scandal; she was a member of the board – and notably, committees tasked with oversight – during several scandals. Eventually, the Federal Reserve barred the bank from increasing in size until they had rectified problems stemming from several scandals that came to light during Chao's tenure.

But even after her resignation from the board in January 2017, Chao continues to reap the rewards, which her friends still on the board have made sweeter since her departure. In October 2018, the Wells Fargo's Board of Directors raised dividends per share. Chao currently receives stock compensation equivalents that track dividends on Wells Fargo stock, for which she will receive payouts until 2021. On the other hand, Wells Fargo will not finish paying back the 600,000 customers they have wronged until 2020.

ELAINE CHAO MADE OVER $2.2 MILLION AS A DIRECTOR ON WELLS FARGO'S BOARD

Summary: Between 2011 and 2017, Chao served on the Wells Fargo board – for which she was compensated over $2.2 million for her service. While on the board, Chao served on the Committee for Credit & Finance (2013 to 2016), which oversaw the bank's loan quality ratings, and the Committee for Corporate Responsibility & Finance (2011 to 2012), which oversaw the bank's political donations and reputational issues surrounding fair and responsible lending. See details below:

- 2011 to 2017: Chao served on the Wells Fargo Board.
    - 2013 to 2016: Chao served on the Wells Fargo Committee for Credit & Finance, which oversaw the bank's loan quality ratings and real estate lending policies.
    - 2011 to 2012: Chao served on the Wells Fargo Committee for Corporate Responsibility & Finance, which oversaw the company's political donations, charitable activities, and reputational issues surrounding fair and

responsible lending, including consumer lending.

- 2011 to 2017: Chao received over $2.2 million from Wells Fargo for her board service.

Elaine Chao Served On The Wells Fargo Board From July 2011 Through January 2017

January 2017: Elaine Chao Resigned From The Wells Fargo Board. " Our Board is actively involved in oversight of our Company and management, and in February 2017 we were pleased to welcome two new members to our Board, Karen Peetz and Ron Sargent. Each brings deep and relevant experience to Wells Fargo. We want to extend our thanks to Elaine Chao, who resigned from our Board in January upon her confirmation as U.S. Secretary of Transportation, and Susan Engel, who will retire from our Board at our 2017 annual meeting of stockholders, after many years of distinguished service." [Wells Fargo, 3/15/17]

As Of July 2011, Elaine Chao Was On Wells Fargo's Corporate Responsibility And Finance Committees. "This year we welcomed two new directors to our Board: Elaine L. Chao and Federico F. Peña. Ms. Chao, the former U. S. Secretary of Labor and the first Asian Pacific American woman to be appointed to a presidential cabinet, was elected effective July 1, 2011. She serves on the Board's Finance and Corporate Responsibility committees." [Wells Fargo, 2011]

Elaine Chao Served On Two Wells Fargo Board Committees – Corporate Responsibility, Finance And Credit, Finance. See details below:

Year	Committees
2016	Corporate Responsibility, Finance
2015	Corporate Responsibility, Finance
2014	Credit, Finance
2013	Credit, Finance
2012	Credit, Finance
2011	Credit, Finance

["Wells Fargo & Company Annual Report 2011," Wells Fargo, 2011; WELLS FARGO & COMPANY NOTICE OF ANNUAL MEETING OF STOCKHOLDERS, Wells Fargo, 3/15/12; WELLS FARGO & COMPANY NOTICE OF ANNUAL MEETING OF STOCKHOLDERS, Wells Fargo, 3/14/13; Elaine L. Chao, Wells Fargo, archived 04/05/14; Elaine L. Chao, Wells Fargo, archived 4/7/15; Wells Fargo & Company Notice of Annual Meeting of Stockholders, Wells Fargo, 4/26/16]

Chao Received Over $2.2 Million For Her Board Service To Wells Fargo

Elaine Chao Received $2,265,096 In Compensation For Her Service On The Board Of Wells Fargo, Including Over $710,000 The Year She Was Confirmed. See annual compensation details below:

Year	Total Compensation
2017	$710,846
2016	$312,002
2015	$291,027
2014	$267,035
2013	$265,005
2012	$253,006
2011	$166,175
Total	**$2,265,096**

[Elaine Chao Financial Disclosure, Office of Government Ethics, 5/15/18; Wells Fargo Schedule 14A, Securities and Exchange Commission, 2017; Wells Fargo Schedule 14A, Securities and Exchange Commission, 2016; Wells Fargo Schedule

14A, Securities and Exchange Commission, 2015; Wells Fargo Schedule 14A, Securities and Exchange Commission, 2014; Wells Fargo Schedule 14A, Securities and Exchange Commission, 2013; Wells Fargo Schedule 14A, Securities and Exchange Commission, 2012]

Chao Oversaw Maintenance Of Wells Fargo's Public Reputation And Their Political And Charitable Activities

ELAINE CHAO SERVED ON WELL'S FARGO'S CORPORATE RESPONSIBILITY FOR TWO YEARS

As Of July 2011, Elaine Chao Was On Wells Fargo's Corporate Responsibility And Finance Committees. " This year we welcomed two new directors to our Board: Elaine L. Chao and Federico F. Peña. Ms. Chao, the former U. S. Secretary of Labor and the first Asian Pacific American woman to be appointed to a presidential cabinet, was elected effective July 1, 2011. She serves on the Board's Finance and Corporate Responsibility committees." ["Wells Fargo & Company Annual Report 2011," Wells Fargo, 2011]

As Of March 2012, Elaine Chao Was On Wells Fargo's Corporate Responsibility Committee And Finance Committees. See details below:

Name	Audit and Examination Committee	Corporate Responsibility Committee	Credit Committee	Finance Committee	Governance and Nominating Committee	Human Resources Committee	Risk Committee
John D. Baker II	✓	✓	✓				
Elaine L. Chao		✓		✓			
John S. Chen						✓	
Lloyd H. Dean		✓	✓			✓*	✓
Susan E. Engel			✓	✓		✓	
Enrique Hernandez, Jr.	✓	✓		✓*			✓*
Donald M. James				✓		✓	
Mackey J. McDonald					✓	✓	
Cynthia H. Milligan		✓	✓*		✓		✓
Nicholas G. Moore	✓*		✓				✓
Federico F. Peña	✓						
Philip J. Quigley	✓		✓		✓		
Judith M. Runstad		✓*	✓	✓			✓
Stephen W. Sanger					✓*	✓	✓
Susan G. Swenson	✓				✓		

[WELLS FARGO & COMPANY NOTICE OF ANNUAL MEETING OF STOCKHOLDERS, Wells Fargo, 3/15/12]

WELLS FARGO'S CORPORATE RESPONSIBILITY COMMITTEE OVERSAW THE COMPANY'S POLITICAL DONATIONS AND CHARITABLE ACTIVITES

Wells Fargo's Corporate Responsibility Committee Oversees Wells Fargo's Political Activity. "The CRC shall oversee the Company's government relations and public advocacy policies and programs, and receive reports from management on political activities and contributions, including reports regarding the Company's political action committees." [Wells Fargo, 2/27/18]

Wells Fargo's Corporate Responsibility Committee Oversees Wells Fargo's Support Of Charitable Organizations. "oversee the Company's policies, programs, and strategies regarding social responsibility matters of significance to the Company and the public at large, including the Company's community development and reinvestment activities and performance, fair and responsible lending, government relations, support of charitable organizations, and environmental issues" [Wells Fargo, 2/27/18]

Wells Fargo's Corporate Responsibility Committee Oversees Wells Fargo's Reputational Issues Surrounding Fair And Responsible Lending, Including Consumer Lending. " The CRC shall oversee the Company's community development and reinvestment activities and performance, and shall review and discuss policies and reputational issues relating to the Company's fair and responsible mortgage and other consumer lending." [Wells Fargo, 2/27/18]

Wells Fargo's Corporate Responsibility Committee Is Generally Responsible For Maintaining Wells Fargo's Reputation With Stakeholders. "The CRC shall monitor the state of the Company's relationships with external stakeholders as a socially responsible organization, as well as the Company's reputation with its stakeholders. The CRC shall review and receive updates and reports from management on significant social and public responsibility matters of interest to the Company and its stakeholders, metrics relating to the Company's brand and stakeholder perception of the Company, and strategies for enhancing the Company's reputation among its stakeholders." [Wells Fargo, 2/27/18]

Chao Oversaw Wells Fargo's Risk Exposure And Existential Threats To Their Financial Health

ELAINE CHAO SERVED ON WELLS FARGO'S FINANCE COMMITTEE

As Of March 2012, Elaine Chao Was On Wells Fargo's Corporate Responsibility Committee And Finance Committees. See details below:

Name	Audit and Examination Committee	Corporate Responsibility Committee	Credit Committee	Finance Committee	Governance and Nominating Committee	Human Resources Committee	Risk Committee
John D. Baker II	✓	✓	✓				
Elaine L. Chao		✓		✓			
John S. Chen						✓	
Lloyd H. Dean		✓	✓			✓*	✓
Susan E. Engel			✓	✓		✓	
Enrique Hernandez, Jr.	✓	✓		✓*			✓*
Donald M. James				✓		✓	
Mackey J. McDonald					✓	✓	
Cynthia H. Milligan		✓	✓*		✓		✓
Nicholas G. Moore	✓*		✓				✓
Federico F. Peña	✓						
Philip J. Quigley	✓		✓		✓		
Judith M. Runstad		✓*	✓	✓			✓
Stephen W. Sanger					✓*	✓	✓
Susan G. Swenson	✓				✓		

[Wells Fargo, 3/15/12]

As Of April 2014, Elaine Chao Was On Wells Fargo's Credit And Finance Committees. [Elaine L. Chao, Wells Fargo, archived 4/5/14]

As Of March 2013, Elaine Chao Was On Wells Fargo's Credit And Finance Committees. [Wells Fargo, 3/14/13]

WELLS FARGO'S FINANCE COMMITTEE WAS RESPONSIBLE FOR OVERSEEING WELLS FARGO'S MARKET RISK, AND THEIR FINANCIAL HEALTH

Wells Fargo's Finance Committee Is Responsible For Overseeing Wells Fargo's Market Risk. "The Committee shall approve and periodically review, and recommend to the Risk Committee for its approval, the Company's market risk and interest rate functional framework and oversight policies, which outline management's governance structure, policies, processes, and roles and responsibilities for managing the Company's market risk and interest rate risk." [Wells Fargo, 11/28/17]

Wells Fargo's Finance Committee Is Responsible For Overseeing Compliance With Regulatory Stress Testing. "Unless reviewed and approved by the Board, the Committee shall review and approve the Company's annual Capital Plan, Capital Management Policy and Standards, the Company-Wide Capital Stress Testing Policy and Standards, and the Internal Capital Adequacy Assessment Process Principles and Methodologies. The Committee shall oversee the operation of and receive reports on the Company's capital adequacy assessment, forecasting, and stress testing processes and activities." [Wells Fargo, 11/28/17]

Chao Oversaw Wells Fargo's Loan Quality Ratings And Real Estate Lending Policies

ELAINE CHAO SERVED ON WELLS FARGO'S CREDIT COMMITTEE

As Of April 2014, Elaine Chao Was On Wells Fargo's Credit And Finance Committees. [Elaine L. Chao, Wells Fargo, archived 4/5/14]

As Of March 2013, Elaine Chao Was On Wells Fargo's Credit And Finance Committees. [Wells Fargo, 3/14/13]

WELLS FARGO'S CREDIT COMMITTEE OVERSAW WELLS FARGO'S LOAN QUALITY RATINGS AND REAL ESTATE LENDING POLICIES

Wells Fargo's Credit Committee Is Responsible For Overseeing Wells Fargo's Loan Quality Rating. "The Committee shall oversee the administration and effectiveness of, and compliance with the Company's credit risk management framework and policies through the review of such processes, reports and other information as it deems appropriate, including those relating to the following…the Company's loan-quality rating and examination review process." [Wells Fargo, 11/28/17]

Wells Fargo's Credit Committee Is Responsible For Overseeing Wells Fargo's Real Estate Lending Policies. "The Committee shall perform such other credit-related activities as it deems appropriate or as may be required by applicable laws, rules or regulations, including activities relating to the following: • review of the Company's credit quality plan for the coming year; • approval of the Company's real estate lending policies." [Wells Fargo, 11/28/17]

FAKE ACCOUNT FRAUD: CHAO AND OTHER BOARD MEMBERS WERE ASLEEP AT THE WHEEL WHILE WELLS FARGO PREYED ON THE ELDERLY & IMMIGRANTS

Summary: Wells Fargo created up to 3.5 million fake deposit accounts, often targeting vulnerable consumers in the scam, and was ultimately fined $185 million by the CFPB. However, the scandal resulted in 5,300 layoffs throughout the company, while the main executive responsible for the scandal was given a "golden parachute." After the scandal, reporters, experts, and regulators agreed the board failed in their oversight duties. See details below:

- The CFPB fined Wells Fargo $185 million for creating 1.5 million fake deposit accounts and 500,000 fake credit card accounts, but the number was later revealed to be up to 3.5 million fake accounts that were created.
    - Wells Fargo targeted Mexican customers who spoke little English, elderly customers with memory problems, and college students opening their first accounts.
    - Wells Fargo retaliated against rank-and-file employees who blew the whistle on the bank's fraudulent activities.
    - Wells Fargo fired 5,300 employees and managers after the scandal came to light, but the bank allowed the main executive responsible retire with millions in stock options.
    - A Wells Fargo executive claimed to have known about the scandal as early as 2013, but other employees complained about account fraud in 2005 and, by 2010, hundreds had complained.
- The Wells Fargo board was tasked with oversight, but after the scandal, reporters, experts, and regulators agreed the board failed in their duties.

The U.S. District Court In San Francisco Named Chao As A Defendant In A Lawsuit That Resulted In A $240 Million Settlement Paid Out To Shareholders

Wells Fargo Received $240 Million From Insurers That Will Settle Several Lawsuits By Shareholders In Connection With The Unauthorized Accounts Scandal. "Wells Fargo & Co. will receive $240 million from insurers that will settle several lawsuits by shareholders in connection with the unauthorized-accounts scandal that rocked the San Francisco financial institution. The payments will be made on behalf of 20 bank officials, including Timothy Sloan, the chief executive; John Stumpf, the former CEO who resigned because of the controversy; and Carrie Toldstedt, the former head of Wells Fargo's community banking division, according to a filing Thursday in U.S. District Court in San Francisco." [Los Angeles Times, 3/2/19]

The U.S. District Court In San Francisco Named Elaine Chao As A Defendant. "Also among the officials named as defendants were current and former members of the bank's board of directors, including Transportation Secretary Elaine Chao, who served on the board from 2011 to 2017." [Los Angeles Times, 3/2/19]

Wells Fargo Created Up To 3.5 Million Fake Accounts, Leading To Nearly $200 Million In Fines In A "Blatant And Straightforward" Fraud

WELLS FARGO CREATED UP TO 3.5 MILLION FAKE ACCOUNTS, LEADING TO $185 MILLION IN FINES

September 2016: The CFPB Fined Wells Fargo $185 Million For Creating 1.5 Million Fake Deposit Accounts And 500,000 Fake Credit Card Accounts, Without Consumer Knowledge Or Permission. " September 2016: Wells Fargo's public woes kicked off with $185 million in fines from the CFPB, the Office of the Comptroller of the Currency, and the City and County of Los Angeles for the creation of 1.5 million fake deposit accounts and over 500,000 fake credit cards, all in customer names and without their permission. The bank had fired 5,300 low-level employees for creating these accounts under extreme sales pressure. This kind of sales pressure was known to cause similar issues at large banks, academic research had shown." [Yahoo Finance, 08/08/18]

It Was Later Revealed That 3.5 Million Fake Accounts Were Created In The Scandal. "March 2017: More fake accounts. A new estimate of 3.5 million fake accounts emerges, a figure 1.4 million higher than the initial estimates when the fake account scandal emerged. Wells Fargo said this number was unverified and hypothetical, but eventually says there may be up to 3.5 million accounts." [Yahoo Finance, 08/08/18]

WELLS FARGO’S TRANSGRESSIONS WERE “UNUSUALLY BLATANT”

New York Times: "Wells Fargo's Transgressions Were Unusually Blatant And Straightforward." "But Wells Fargo's transgressions were unusually blatant and straightforward, which contributed to the still-mounting public outcry. This time, there were no exotic financial instruments, complicated trades or complex mortgage trickery. The bank's misdeeds were fundamentally simple: Under intense pressure to meet aggressive sales goals, employees created sham accounts using the names -- and sometimes, the actual money -- of the bank's real customers. And in some cases the customers did not discover the activity until they started accumulating fees." [New York Times, 10/13/16]

New York Attorney General: The "Cross-Selling" Wells Fargo Bragged About Was "Built On Sales Misconduct." "For years, Wells Fargo touted its ability to sell customers multiple products, an industry practice known as 'cross-selling.' The bank regularly pointed to this sales success in its earnings reports as a way to grow revenue and retain customers. But Underwood's office slammed Wells Fargo for failing to disclose to investors that its cross-sell prowess was 'built on sales practice misconduct.'" [CNN, 10/22/18]

Wells Fargo Preyed On The Elderly, First Time Banking Customers, And Non-English Speakers In Their Fake Account Fraud, Drawing Comparisons To Actual Predators

WELLS FARGO PREYED ON THE ELDERLY, FIRST TIME BANKING CUSTOMERS, AND NON-ENGLISH SPEAKERS IN THEIR FAKE ACCOUNT SCANDAL

Wells Fargo Often Targeted Mexicans Who Spoke Little English, Elderly Customers With Memory Problems, And College Students Opening Their First Accounts In Their Sham Account Scandal. "Wells Fargo won't be putting the scandal over sham accounts behind it any time soon. Emerging evidence that the victims of the scandal were often the bank's most vulnerable customers -- including Mexicans who spoke little English, elderly people with memory problems and college students opening their first accounts -- has added fresh fuel to the fire." [New York Times, 10/21/16]

- **Ana Bárbara, A Mexican Music Star, Sued Wells Fargo Saying A Bank Employee Created Sham Accounts To Take $400,000 Of Her Money, Stealing Statements From Her Mailbox To Cover Their Tracks.** "Ana Bárbara, a Mexican music star who lives in Los Angeles, sued Wells Fargo in June, saying a bank employee had created sham accounts and credit lines in her name and taken out more than $400,000 of her money. To cover his tracks, the employee regularly stopped by Ms. Bárbara's house and stole Wells Fargo statements from her mailbox, according to her lawsuit." [New York Times, 12/6/16]

ONE FORMER EMPLOYEE LIKENED IT TO LIONS HUNTING ZEBRAS

One Wells Fargo Employee Said These Practices Were "'Like Lions Hunting Zebras…They Would Look For The Weakest, The Ones that Would Put Up The Least Resistance." "Mexican immigrants who speak little English. Older adults with memory problems. College students opening their first bank accounts. Small-business owners with several lines of credit… 'The analogy I use was that it was like lions hunting zebras,' said Kevin Pham, a former Wells Fargo employee in San Jose, Calif., who saw it happening at the branch where he worked. "They would look for the weakest, the ones that would put up the least resistance.'" [New York Times, 10/21/16]

Wells Fargo Rank And File Employees Were Retaliated Against For Blowing The Whistle And Suffered A Hostile Work Environment Because Of The Sales Environment

One Employee Drank Hand Sanitizer To Deal With Anxiety Caused By Working At Wells Fargo, Another Developed Shingles. "Wells Fargo won't be putting the scandal over sham accounts behind it any time soon…Former employees told The New York Times about their experiences of working at Wells Fargo: One described how she started drinking hand sanitizer to ease her anxiety about the work she had to do there. Another said she developed shingles." [New York Times, 10/22/16]

November 2016: Wells Fargo Allegedly Retaliated Against Whistleblowers Who Revealed The Fake Accounts Scandal. "They just keep coming. Wells Fargo, already reeling from a scandal over fake accounts and a settlement over home appraisal overcharges, has been hit with yet more accusations. The latest? Former employees say the bank used termination notices to retaliate against attempts to blow the whistle on its fraudulent activities." [New York Times, 11/05/16]

Wells Fargo Gave An Executive A Golden Parachute While Freezing Severance Pay For Rank And File Employees Fired As A Result Of The Scandal

Wells Fargo Fired 5,300 Employees And Managers After The Fake Accounts Scandal, But Let The Main Executive Responsible Retire With Millions In Stock Options. "In connection with the 'widespread illegal practices,' Wells Fargo has also fired 5,300 employees and managers, with one notable exception: the executive in charge. Instead of bearing any responsibility for this scandal, Carrie Tolstedt, the divisional senior vice president for community banking who supervised the 6,000 retail branches where the wrongdoing took place, is retiring, taking with her millions in stock and options." [New York Times, 9/15/16]

Rank And File Wells Fargo Employees Laid Off After The Fake Accounts Scandal Were Prohibited From Receiving Severance Pay. "For more than 400 employees recently laid off by Wells Fargo, the aftermath of the bank's scandal over sham accounts has had an unexpected consequence: The bank is prohibited from paying the severance it owes them. In mid-November, Wells Fargo's federal regulator, the Office of the Comptroller of the Currency, imposed additional restrictions on the troubled bank. The rules, part of which are intended to curb golden parachute packages, limit what payments Wells Fargo is permitted to make to terminated employees without explicit regulatory approval…Former employees at all levels of the company, from rank-and-file branch workers to corporate executives, are affected by the hold. Wells Fargo's severance packages typically run from six weeks of pay to as long as 16 months, depending on the employee's length of service." [New York Times, 1/31/17]

Wells Fargo's Executives Claim To Have Found Out About The Scandal In 2013, But They Should Have Known – And Maybe Did Know – Much Earlier

WELLS FARGO'S EXECUTIVES CLAIMED TO HAVE FOUND OUT ABOUT THE SCANDAL IN 2013…

While Wells Fargo's Executives Claims To Have Found Out About The Scandal In 2013, One Employee Claims They Blew The Whistle As Early As 2005. "Wells Fargo said its top executives learned in 2013 that some employees were systematically creating illegal accounts to meet sales goals. But former employees who tried to blow the whistle on the fraudulent activity years earlier tell a different story. 2005 Julie Tishkoff, an employee in the Bay Area, makes internal complaints to Wells Fargo about account fraud she observed." [New York Times, 10/12/16]

…BUT A WELLS FARGO EMPLOYEE COMPLAINED ABOUT ACCOUNT FRAUD AS EARLY AS 2005…

2005: A Wells Fargo Employee Complains Internally About Observed Account Fraud. "Wells Fargo said its top executives learned in 2013 that some employees were systematically creating illegal accounts to meet sales goals. But former employees who tried to blow the whistle on the fraudulent activity years earlier tell a different story. 2005: Julie Tishkoff, an employee in the Bay Area, makes internal complaints to Wells Fargo about account fraud she observed." [New York Times, 10/12/16]

- **Wells Fargo's Board Received Regular Updates About The Bank's Internal Complaints About Sales Practices Since 2005.** "Wells Fargo's board of directors received 'regular' reports since 2005 warning that most of the bank's internal ethics hotline complaints and firings were linked to sales violations." [CNN, 4/24/17]

…AND HUNDREDS MORE COMPLAINED BY 2010…

2008 To 2009: Other Employees Complain About Unethical Sales Practices, Including The Creation Of Fake Accounts. "2008 Yesenia Guitron and Judi Klosek, two Wells Fargo employees in Northern California, first say they observe account fraud occurring. 2009 Ms. Guitron and Ms. Klosek complain to Wells Fargo's ethics hotline about false accounts created by colleagues. 2009 Six fired employees in Montana sue Wells Fargo, complaining about unethical practices and sales 'gaming.' The case is settled in 2011." [New York Times, 10/12/16]

The OCC Found That Wells Fargo Had 700 Internal Complaints About Sales Tactics As Early As 2010, Yet The Board Claims Were Never Informed. "That's according to a recent investigation by the nation's federal bank regulator. The same Office of the Comptroller of the Currency report also revealed that as early as 2010 there were some '700 cases of whistleblower complaints' about Wells Fargo's sales tactics. Wells Fargo's board of directors 'was never informed of 700 whistleblower complaints,' a spokesman for the board told CNNMoney." [CNN, 4/24/17]

…AND ANOTHER HAD BEEN RETALIATED AGAINST FOR COMPLAINING…

2011: One Manager In California Notifies Her Manager That Bankers Are Fraudulently Opening Accounts And Is Fired Soon After. " 2011 Claudia Ponce de Leon, a manager in Pomona, Calif., notifies her district manager that bankers in her branch are falsifying bank documents and fraudulently opening accounts. Soon after, she is fired for 'inappropriate conduct,' and files a Department of Labor complaint alleging that she was fired for whistle-blowing. The complaint is still pending." [New York Times, 10/12/16]

…AND STILL WELLS FARGO WAITED THREE YEARS TO CHANGE THE SALES GOALS THAT THEY KNEW WERE LEADING TO FRAUD

Wells Fargo's Executives Learned Their Sales Goals Were Creating A Climate That Led To Fake Accounts As Early As 2013. "Wells Fargo said its top executives learned in 2013 that some employees were systematically creating illegal accounts to meet sales goals. But former employees who tried to blow the whistle on the fraudulent activity years earlier tell a different story. 2005 Julie Tishkoff, an employee in the Bay Area, makes internal complaints to Wells Fargo about account fraud she observed." [New York Times, 10/12/16]

2016: Wells Fargo Drops Aggressive Sales Goals That Employees Said Led To Illegal Accounts Being Created. "2016 The bank said it would drop the aggressive sales goals that employees said led to illegal accounts being created. It first said that it would end those goals by Jan. 1, 2017, but subsequently changed the date to Oct. 1, 2016." [New York Times, 10/12/16]

The Wells Fargo Board Failed In Their Duties, Making The Scandal Worse, Turning A Blind Eye To The Behavior

REPORTERS, EXPERTS, AND REGULATORS SAID THAT WELLS FARGO'S BOARD FAILED IN THEIR OVERSIGHT DUTIES…

Lawrence Summers: "It Is Pretty Clear That The Wells Fargo Board Has Manifestly Failed In Its Duties Of Supervision." "This all came to mind when the terms of the Federal Reserve's punishment of Wells Fargo was announced last Friday. Wells will not be permitted to grow its assets until it is deemed under control, and four of its directors will be leaving the board…It is pretty clear that the Wells Fargo board has manifestly failed in its duties of supervision." [Washington Post, 2/6/18]

Scott Stringer, NYC Comptroller: "This Scandal Was The Result Of A Serious Oversight Failure By Wells Fargo's Board, And The Directors Responsible Need To Be Held Accountable." ""This scandal was the result of a serious oversight failure by Wells Fargo's board, and the directors responsible need to be held accountable,' NYC Comptroller Scott Stringer said in a statement." [CNN, 4/24/17]

CNN: "From Top Management To Wells Fargo's Board Of Directors, Everyone Turned A Blind Eye To These Issues." "From top management to Wells Fargo's board of directors, everyone turned a blind eye to these issues. There's evidence now that some of this was flagged as early as 2004 to management." [CNN Business, 4/19/17]

One Expert Found That Wells Fargo's Board Made The Scandal Worse For Having Failed To Provide Adequate Oversight. "For these reasons, shareholder advisory firm Institutional Shareholder Services believes Wells Fargo's board actually make the scandal worse. The firm slammed Wells Fargo's board for having 'failed' over several years to provide the tough oversight that should have 'mitigated the harmful impact of the unsound retail banking sales practices.'" [CNN, 4/24/17]

…AND WELLS FARGO'S BOARD RECEIVED REGULAR UPDATES ON INTERNAL COMPLAINTS SINCE 2005…

Wells Fargo's Board Received Regular Updates About The Bank's Internal Complaints About Sales Practices Since 2005. "Wells Fargo's board of directors received 'regular' reports since 2005 warning that most of the bank's internal ethics hotline complaints and firings were linked to sales violations." [CNN, 4/24/17]

…BUT WELLS FARGO'S BOARD TRIED TO CAST BLAME ON C-SUITE MANAGEMENT

Wells Fargo Board Of Directors Report: The CEO Was Mainly To Blame, And Failed To Appreciate The Substantial Reputational Risk To Wells Fargo The Scandal Created. "This is the report of the Independent Directors of the Board of Wells Fargo & Company on their investigation of sales practices at the Community Bank… The former Chief Executive Officer, relying on Wells Fargo's decades of success with cross-sell and positive customer and employee survey results, was too slow to investigate or critically challenge sales practices in the Community Bank. He also failed to appreciate the seriousness of the problem and the substantial reputational risk to Wells Fargo." [Wells Fargo, 4/10/17]

DURING CHAO'S TENURE OVERSEEING WELLS FARGO, THE COMPANY WAS PLAGUED WITH SCANDALS

Summary: During Chao's tenure on Wells Fargo's board, the bank was plagued with scandals, leading to the Federal Reserve barring the bank from increasing their size until they had rectified problems stemming from their scandals. These scandals included:

- In September 2016, Wells Fargo was fined $20 million by the Office of the Comptroller of the Currency (OCC) for improperly repossessing cars of servicemembers, while Chao was tasked with overseeing their lending policies.
- In December 2016, Wells Fargo allegedly signed customers up for insurance products they did not purchase, pulling premiums from customer accounts without customer knowledge or permission.
- In December 2016, Wells Fargo failed its Living Will Test, showing they could not unwind in the event of bankruptcy, while Chao oversaw their market risk and existential health.
- From 2010 to 2015, Wells Fargo accidentally foreclosed on nearly 400 customers after a software glitch denied them loan modifications, while Chao oversaw their real estate lending policies.
- Between 2012 and 2017, Wells Fargo charged 570,000 auto loan borrowers for insurance they did not ask for or need, setting aside $80 million to compensate victims.
- In 2015, Wells Fargo agreed to pay $24 million in penalties and $10.8 million in restitution to resolve claims that they received kickbacks for steering mortgages to a title company.

Wells Fargo Improperly Repossessed Soldiers' Cars While Chao Oversaw Their Consumer Lending Practices

WELLS FARGO WAS FINED $20 MILLION FOR IMPROPERLY REPOSSESSING CARS OF SOLDIERS…

September 2016: Wells Fargo Was Fined $20 Million By The OCC For Improperly Repossessing Cars Of Servicemembers. "September 2016: Improperly repossessing service members' cars. The Department of Justice slapped Wells Fargo's wrist for improperly repossessing the cars of members of the military. The bank did not limit interest rates to 6% (as is required by law), failed to tell courts the borrowers were active-duty when it asked for evictions, and failed to obtain court papers prior to repossessing cars. The bank ended up paying $20 million in fines to the OCC and made restitution of over $10 million to wronged service members." [Yahoo Finance, 8/8/18]

- **OCC: The Alleged Behavior Of Repossessing Servicemember Cars Occurred Between 2006 And 2016.** "The OCC found that between approximately 2006 and 2016, the bank violated three separate provisions of the SCRA. The bank failed to: (i) provide the 6-percent interest rate limit to servicemember obligations or liabilities incurred before military service; (ii) accurately disclose servicemembers' active duty status to the court via affidavits prior to evicting those servicemembers; and (iii) obtain court orders prior to repossessing servicemembers' automobiles. The $20 million penalty reflects a number of factors, including the duration and frequency of violations, the financial harm to the servicemembers, deficiencies and weaknesses in the bank's SCRA compliance program and ineffective compliance risk management. The penalty will be paid to the U.S. Treasury." [Office of the Comptroller of the Currency – Press Release, 9/29/16]

…WHILE CHAO OVERSAW THEIR LENDING POLICIES

As Of July 2011, Elaine Chao Was On Wells Fargo's Corporate Responsibility And Finance Committees. "This year we welcomed two new directors to our Board: Elaine L. Chao and Federico F. Peña. Ms. Chao, the former U. S. Secretary of Labor and the first Asian Pacific American woman to be appointed to a presidential cabinet, was elected effective July 1, 2011. She serves on the Board's Finance and Corporate Responsibility committees." [Wells Fargo, 2011]

As Of March 2012, Elaine Chao Was On Wells Fargo's Corporate Responsibility Committee And Finance Committees. See details below:

Name	Audit and Examination Committee	Corporate Responsibility Committee	Credit Committee	Finance Committee	Governance and Nominating Committee	Human Resources Committee	Risk Committee
John D. Baker II	✓	✓	✓				
Elaine L. Chao		✓		✓			
John S. Chen						✓	
Lloyd H. Dean		✓	✓			✓*	✓
Susan E. Engel			✓	✓		✓	
Enrique Hernandez, Jr.	✓	✓		✓*			✓*
Donald M. James				✓		✓	
Mackey J. McDonald					✓	✓	
Cynthia H. Milligan		✓	✓*		✓		✓
Nicholas G. Moore	✓*		✓				✓
Federico F. Peña	✓						
Philip J. Quigley	✓		✓		✓		
Judith M. Runstad		✓*	✓	✓			✓
Stephen W. Sanger					✓*	✓	✓
Susan G. Swenson	✓				✓		

[WELLS FARGO & COMPANY NOTICE OF ANNUAL MEETING OF STOCKHOLDERS, Wells Fargo, 3/15/12]

Wells Fargo's Corporate Responsibility Committee Oversees Wells Fargo's Reputational Issues Surrounding Fair And Responsible Lending, Including Consumer Lending. " The CRC shall oversee the Company's community development and reinvestment activities and performance, and shall review and discuss policies and reputational issues relating to the Company's fair and responsible mortgage and other consumer lending." [Wells Fargo, 2/27/18]

Wells Fargo Signed Customers Up For Insurance Products They Didn't Ask For And Forcibly Collected Premiums

December 2016: Wells Fargo Allegedly Signed Customers Up For Insurance Products They Did Not Purchase, Pulling Premiums From Customer Accounts Without Customer Knowledge Or Permission. "Wells Fargo has a partnership with Prudential to sell a low-cost life insurance policy to the bank's retail customers. After news of the Wells Fargo settlement in September, Prudential ordered an internal review of its dealings with the bank, to make sure nothing was amiss with the joint endeavor. A lot was amiss. According to three former managers in Prudential's corporate investigation division, Wells Fargo employees appeared to have signed up bank customers for Prudential insurance without the customers' knowledge or permission. In some cases, they even arranged for monthly premium fees to be withdrawn from their customers' accounts." [New York Times, 12/9/16]

- **Wells Fargo Had A Partnership With Prudential To Sell Life Insurance.** "Wells Fargo has a partnership with Prudential to sell a low-cost life insurance policy to the bank's retail customers. After news of the Wells Fargo settlement in September, Prudential ordered an internal review of its dealings with the bank, to make sure nothing was amiss with the joint endeavor. A lot was amiss. According to three former managers in Prudential's corporate investigation division, Wells Fargo employees appeared to have signed up bank customers for Prudential insurance without the customers' knowledge or permission." [New York Times, 12/9/16]

Wells Fargo Failed Its Living Will Test While Chao Was Responsible For Overseeing Their Market Risk And Existential Health

WELLS FARGO FAILED ITS LIVING WILL TEST…

December 2016: Wells Fargo Failed Its Living Will Test, Showing They Could Not Unwind In The Event Of A Bankruptcy. "December 2016: Wells Fargo fails its 'living will' test. U.S. regulators restricted Wells Fargo's size after it failed a 'living will' test, a requirement that big banks must show how they would unwind in the event of a bankruptcy." [Yahoo Finance, 8/8/18]

…WHILE CHAO OVERSAW THEIR MARKET RISK AND EXISTENTIAL HEALTH

As Of April 2014, Elaine Chao Was On Wells Fargo's Credit And Finance Committees. [Elaine L. Chao, Wells Fargo, archived 4/5/14]

As Of March 2013, Elaine Chao Was On Wells Fargo's Credit And Finance Committees. [Wells Fargo, 3/14/13]

Wells Fargo's Finance Committee Is Responsible For Overseeing Wells Fargo's Market Risk. "The Committee shall approve and periodically review, and recommend to the Risk Committee for its approval, the Company's market risk and interest rate functional framework and oversight policies, which outline management's governance structure, policies, processes, and roles and responsibilities for managing the Company's market risk and interest rate risk." [Wells Fargo, 11/28/17]

Wells Fargo's Finance Committee Is Responsible For Overseeing Compliance With Regulatory Stress Testing. "Unless reviewed and approved by the Board, the Committee shall review and approve the Company's annual Capital Plan, Capital Management Policy and Standards, the Company-Wide Capital Stress Testing Policy and Standards, and the Internal Capital Adequacy Assessment Process Principles and Methodologies. The Committee shall oversee the operation of and receive reports on the Company's capital adequacy assessment, forecasting, and stress testing processes and activities." [Wells Fargo, 11/28/17]

Chao Oversaw Wells Fargo's Residential Lending When A Computer Glitch Led To 400 Accidental Foreclosures

WELLS FARGO ACCIDENTALLY FORECLOSED ON NEARLY 400 HOMES…

2010 To 2015: Wells Fargo Accidentally Foreclosed On Nearly 400 Customers After A Software Glitch Denied Them Loan Modifications. "Nearly 400 Wells Fargo customers lost their homes when they were accidentally foreclosed on after a software glitch denied them the ability to modify their mortgages as they sought federal aid, the bank disclosed in a regulatory filing late Friday. The bank apologized and has set aside $8 million to compensate those affected by the glitch, which occurred from 2010 to 2015…Wells Fargo said the software mistake miscalculated customers' eligibility for mortgage modifications. The error caused about 625 customers to be denied loan modifications they sought from a federal program to help homeowners avoid foreclosures." [CNBC, 8/7/18]

…WHILE CHAO OVERSAW THEIR REAL ESTATE LENDING POLICIES

As Of April 2014, Elaine Chao Was On Wells Fargo's Credit And Finance Committees. [Elaine L. Chao, Wells Fargo, archived 4/5/14]

As Of March 2013, Elaine Chao Was On Wells Fargo's Credit And Finance Committees. [Wells Fargo, 3/14/13]

Wells Fargo's Credit Committee Is Responsible For Overseeing Wells Fargo's Real Estate Lending Policies. "The Committee shall perform such other credit-related activities as it deems appropriate or as may be required by applicable laws, rules or regulations, including activities relating to the following: • review of the Company's credit quality plan for the coming year; • approval of the Company's real estate lending policies." [Wells Fargo, 11/28/17]

Chao Oversaw Wells Fargo While They Charged More Than Half A Million Borrowers For Insurance They Did Not Want Or Need

CHAO OVERSAW WELLS FARGO WHILE THEY CHARGED MORE THAN HALF A MILLION BORROWERS FOR INSURANCE THEY DID NOT WANT OR NEED…

2012 To 2017: Wells Fargo Charged 570,000 Auto Loan Borrowers For Insurance They Did Not Ask For Or Need, Setting Aside $80 Million To Compensate Victims. "Last year, Wells Fargo & Co. disclosed that it charged 570,00 auto-loan borrowers for insurance they did not ask for or need. That practice ran from 2012 to 2017. About $80 million was set aside by the bank for refunds and to compensate victims." [CNBC, 8/7/18]

January 2017: Elaine Chao Resigned From The Wells Fargo Board. " Our Board is actively involved in oversight of our Company and management, and in February 2017 we were pleased to welcome two new members to our Board, Karen Peetz and Ron Sargent. Each brings deep and relevant experience to Wells Fargo. We want to extend our thanks to Elaine Chao, who resigned from our Board in January upon her confirmation as U.S. Secretary of Transportation, and Susan Engel, who will retire from our Board at our 2017 annual meeting of stockholders, after many years of distinguished service." [Wells Fargo, 3/15/17]

As Of July 2011, Elaine Chao Was On Wells Fargo's Corporate Responsibility And Finance Committees. " This year we welcomed two new directors to our Board: Elaine L. Chao and Federico F. Peña. Ms. Chao, the former U. S. Secretary of Labor and the first Asian Pacific American woman to be appointed to a presidential cabinet, was elected effective July 1, 2011. She serves on the Board's Finance and Corporate Responsibility committees." [Wells Fargo, 2011]

…AND MANAGEMENT WAS AWARE OF THE ISSUES AT THE TIME

Wells Fargo's Executive Risk Management Committee Was Alerted To Issues In The Auto Insurance Program In April And July 2012. "Wells Fargo executives were warned that the bank's auto insurance program was harming customers four years before it was shut down, according to a lawsuit…Members of Wells Fargo's executive risk management committee were alerted in April and July 2012 to 'critical issues' about the insurance program known as collateral protection insurance, or CPI, a complaint unsealed by a judge on Monday alleges." [CNN Business, 11/7/18]

Wells Fargo's Former Chief Administrative Officer, Former General Counsel, And Former Chief Risk Officer Allegedly Knew Of The Issues Before They All Retired. "The lawsuit alleges that other executives informed of the auto insurance problems include former chief administrative officer Pat Callahan, former general counsel James Strother and former chief risk officer Michael Loughlin. Those executives, all of whom retired over the past three years, could not be reached for comment." [CNN Business, 11/7/18]

Wells Fargo Paid Millions In Penalties For Receiving Kickbacks For Steering Mortgages To A Title Company

Wells Fargo Agreed To Pay $24 Million In Penalties And $10.8 Million In Restitution To Resolve Claims That They Received Kickbacks For Steering Mortgages To A Title Company. "Wells Fargo and JPMorgan Chase have agreed to pay more than $35 million combined to resolve claims that loan officers at the two banks received kickbacks in exchange for steering mortgage borrowers to a Maryland title company…Wells Fargo has agreed to pay $24 million in civil penalties and $10.8 million to consumers affected by the scheme." [Associated Press, 1/22/15]

- **Genuine Title, The Company At Issue In the Wells Fargo Scheme, Was In Business From 2005 Until 2014.** "In a complaint filed in federal court, the CFPB and Maryland allege that the Maryland-based title company's executives and the named loan officers traded cash and marketing services in exchange for mortgage referrals…Genuine Title was a Maryland-based title company that offered real estate closing services from 2005 until it went out of business in April 2014." [CFPB, 4/29/15]

Wells Fargo’s Scandals Led The Fed To Bar Them From Growing

The Federal Reserve Barred Wells Fargo From Increasing Their Size Until They Felt Satisfied That Wells Fargo Had Rectified Problems Stemming From Recent Scandals. "Wells Fargo asked to pay out 141 percent of the earnings that Barclays' analysts expect it to generate over the next 12 months, the highest of the bunch. The Fed, as punishment for a string of scandals, has told Wells Fargo that it cannot increase the size of its balance sheet until the Fed is satisfied that the bank has rectified its problems. As a result, Wells Fargo appears to be paying out capital it might otherwise have used to finance a greater amount of loans. Its payout ratio in 2017 was 99 percent, according to Barclays." [New York Times, 6/29/18]

ELAINE CHAO’S FRIENDS ON THE WELLS FARGO BOARD INCREASED MONEY SHE WILL RECEIVE WHILE FAILING TO REPAY CUSTOMERS THEY WRONGED

Summary: In October 2018, the Wells Fargo Board of Directors increased dividends per share. Chao is continuing to receive stock compensation equivalents that track dividends on Wells Fargo stock until she receives her full payout in 2021. On the other hand, Wells Fargo will not finish paying customers they have wronged until 2020.

THE WELLS FARGO BOARD OF DIRECTORS INCREASED DIVIDENDS PER SHARE

October 31, 2018: Wells Fargo's Board Of Directors Raised Dividends To 43 Cents Per Share. "Wells Fargo raises dividend to 43 cents per share. The board of directors for Wells Fargo & Co. has declared a quarterly dividend of 43 cents per share. The dividend is payable Dec. 1 to shareholders registered as of Nov. 9." [Winston Salem Journal, 10/31/18]

ELAINE CHAO’S BOARD COMPENSATION ROSE WITH DIVIDENDS UNTIL SHE RECEIVED HER FULL PAYOUT IN 2021…

Elaine Chao Will Receive Stock Compensation Equivalents That Track Dividends On Wells Fargo Stock Until She Receives Her Stock Payouts. "Wells Fargo & Company…Pursuant to the terms of the company’s Directors Stock Compensation and Deferral Plan – Stock Award Deferrals, I will receive a stock payout for my deferred stock compensation (all of which is fully vested at the time of grant) based on various elections I have made each year that I have served on the Board. I will continue to receive deferred stock compensation equivalents, which track dividends on the company’s common stock until I receive the stock payout." [Office of Government Ethics, 7/5/18]

Elaine Chao Won't Receive Her Full Stock Payout From Wells Fargo Until March 2021. "Wells Fargo and Company…The approximate portion of my remaining deferred stock compensation to be paid out is as follows: March 2018 – 56%; March 2019 – 30%; March 2020 – 7%; and March 2021 – 7%." [Office of Government Ethics, 7/5/18]

…AND WELLS FARGO WON’T FINISH PAYING CUSTOMERS THEY HAVE WRONGED UNTIL 2020

Wells Fargo Said It Will Not Finish Paying Back 600,000 Customers Wrongly Charged For Auto Insurance Products Until 2020. "Wells Fargo & Co will not finish paying back the estimated 600,000 customers it wrongly charged for auto insurance until at least 2020, the bank said in a letter to U.S. lawmakers seen by Reuters." [Reuters, 10/29/18]