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An Open Letter to the Shareholders of Wells Fargo:

WHY A VOTE OF NO CONFIDENCE IS NEEDED NOW

I write today to urge you to in effect cast a vote of 'no confidence' in those Wells Fargo board members who stood by and did nothing as employees defrauded millions of customer accounts over a period of 15 years.

Now is the time for shareholders to take the needed and judicious steps to restore the public's trust. To achieve this, I urge the removal of those who abandoned or dodged their fiduciary duty to protect the company's reputation, the value of its franchise, its obligation to shareholders and the personal savings Californians entrusted to it.

In large part, the wheels fell off the bank's trademark stage coach because its five-member Corporate Responsibility Committee, as well as its two longest-serving members, failed time and again to deal effectively with the metastasis of the company's internal culture of obduracy.

It is important to note the charter governing the Wells Fargo board's Corporate Responsibility Committee explicitly states that the committee is charged with monitoring the company's reputation generally as well as "…customer service matters and other metrics relating to the Company's brand and reputation."

So where was the committee? The bank's recently-exposed predatory practices have been eroding the company's brand and reputation since at least 2002.

In addition to the five members of this crucial committee, at least two other long-serving board members either knew about what was going on – or should have known simply by virtue of their tenure on the board. Either way they bear responsibility and shareholders are in a unique position to hold them accountable.

Investors and the banking public deserve a Wells Fargo governance team capable of detecting and preventing fraud. Especially fraud on such a massive scale that occurs right under management's nose.

Therefore, I respectfully call upon each shareholder to vote their shares at the annual Wells Fargo shareholders meeting on April 25, 2017 to oust those board members who served on the Corporate Responsibility Committee during this disgraceful period. The committee's members include Mr. Federico Pena, Mr. John D. Baker, Mr. Lloyd H. Dean, Mr. Enrique Hernandez, and Ms. Cynthia H. Milligan.

This vote also should apply to the two longest-serving members of the board who stood idly by during the entire 15 years in which Wells Fargo bred a culture allowing greed to consume integrity: Mr. Stephen W. Sanger and Ms. Susan G. Swenson.

I have asked my fellow board members of the California Public Employees' Retirement System and the California State Teachers' Retirement System – which collectively hold $2.3 billion in Wells Fargo equity securities – to vote to demand these resignations.

What happened within Wells Fargo is morally repugnant. But it is doubly reprehensible that this San Francisco-headquartered company -- which shares a long and intertwined history with the Golden State -- soiled its own nest by fleecing its home-state customers.

In the wake of Wells Fargo's recent disclosure that California was ground zero during a 15-year span of exploitive profiteering, I respectfully ask shareholders to support my call for a deeper investigative dive into its fraudulent behavior in California. Our state's oldest financial institution should also be held accountable for making whole those victimized individuals, as well as impacted communities. Specifically, shareholders should obligate Wells Fargo to do the following:

- Provide granular information about the number of consumers actually harmed, the concentration of those customers by branch location or zip code, and a detailed accounting of the compensation offered California customers to date.

- Certify on a quarterly basis that the bank is in compliance with the terms and conditions of the consent orders and the settlement with the Comptroller of Currency, the Consumer Financial Protection Bureau, and the Los Angeles City Attorney, respectively. To the extent that it cannot, it should itemize those areas of shortfall and how it plans to self-correct.

- Commission and fund a study by a respected consumer advocacy group to gather data and report on how banking institutions can better serve Californians, especially the unbanked and those communities which would greatly benefit from financial literacy. Perhaps such an undertaking will invite reflection on the hubris that was allowed to fester for so many years and worked itself so thoroughly into the company's business structure, from the upper echelons of management down to street-level customer dealings.

Finally, I would be remiss if I did not highlight the wanton inconsistency between Wells Fargo's latest marketing slogan, "On the side of customers," and the bank's continuing attempt to deny its victims their right to due process and fair reparations.

Instead of allowing its victims to have their day in court by allowing an independent judge or jury to review the facts and arrive at a verdict following an open trial, Wells Fargo is pushing customers seeking justice into private arbitration – a secretive process that frequently tilts in favor of corporations.

Being "on the side of customers" means putting customer interests first – ahead of the bank's own interests, even when it is inconvenient to do so. Wells Fargo's words of contrition drip with insincerity when, after creating up to two million sham accounts through identity theft, it argues the arbitration clauses included in the legitimate contracts customers signed to open bank accounts also cover disputes related to the false ones set up without their knowledge or consent.

Whose best interest is being served when Wells Fargo denies customers their legal rights based on something the customers never signed?

I ask that shareholders use their power to insist that Wells Fargo end their reliance on binding arbitration to shield themselves from legitimate claims that arose out of its fraudulent behavior.

My responsibility as California's banker is to model integrity and trust in the financial marketplace. I demand the same of my office's business partners, whom I not only compensate with public funds but upon whom California relies to meet its investment and borrowing needs.

I said in previous correspondence that I was heartened by Wells Fargo's public promise to "win back" the state of California's business.

Shareholders are now in a position to help accomplish this. I urge you against delaying any longer the fullest possible public reckoning.

It is overdue.

Sincerely,

JOHN CHIANG
California State Treasurer