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Mr. Rick Tadder
Management Services Director/Treasurer
City of Flagstaff
211 W. Aspen Ave.
Flagstaff, AZ 86001

Dear Mr. Tadder,

The purpose of this Community Letter is threefold:

- 1) Respond to the Citizen Petition about Wells Fargo lending practices for fossil fuels; describe our approach to Environmental, Social, and Governance (ESG) factors.
- 2) Detail our long-term partnership with the City; highlight our understanding of the City's operations/processes
- 3) Highlight our community involvement; approach to affordable housing

Wells Fargo's approach to fossil fuels and ESG

In May, we announced our CO2eMission, our net-zero and target-setting methodology for aligning our financial portfolios to the temperature goals of the Paris Agreement and setting interim, emissions-based targets to guide that alignment.

Wells Fargo believes that climate change is one of the most-urgent environmental and social issues of our time. And we have committed to aligning our activities to support the temperature goals of the Paris Agreement. To this end, last year, we set a goal of net-zero greenhouse gas emissions by 2050. This goal includes client emissions attributable to our financing.

When we announced our net-zero goal, we committed to setting interim targets for the Oil & Gas and Power sectors. We announced those targets May 4, 2022, including:

- Oil & Gas: reduce absolute financed emissions by 26% from a 2019 baseline by 2030

- Power: reduce the emissions intensity of our power portfolio by 60% from a 2019 baseline by 2030

We expect to publicly report on the progress made against the targets for the Oil & Gas and Power sectors and plans to set additional targets for other key emitting sectors.

Meanwhile, we will support our clients throughout the energy transition by:

Reaching our net-zero ambition is all about working with our clients via:

- Providing capital needed to adjust to evolving industry dynamics
- Supporting the innovation ecosystem that is bringing new low-carbon technologies and business models to market
- Advocating for policy initiatives that advance the U.S. objective of meeting the goals of the Paris Agreement.

Wells Fargo has been a leading financial partner to traditional energy companies as well as the renewable energy sector for many years. We value our relationships with our energy and power clients in the U.S. And we are one of the largest lenders and investors in renewable energy and clean technologies. We will continue to support our clients in this industry as they provide the fuel that powers society today and respond to the evolving market, and as they invest in clean technology innovation and solutions.

Our complete CO₂eMission Methodology Report and Executive Summary are posted publicly here: <https://sites.wf.com/co2emission/>

Regarding ESG, Wells Fargo has an ongoing process to assess and prioritize ESG topics that are most relevant to our company and our stakeholders. That process is published publicly here: <https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/environmental-social-governance-report.pdf>

At Wells Fargo, we regularly monitor ESG trends to inform our ESG strategy, goals, and reporting priorities. We have been conducting formal ESG materiality assessments periodically since 2009 to identify topics most important for ESG purposes.

Our most recent ESG materiality assessment included substantial research in light of the significant, recent changes in our business and heightened stakeholder feedback about current and emerging socioeconomic and environmental trends. This research included an evaluation of global standard expectations, including the Global Reporting Initiative (GRI), the United Nations Sustainable Development Goals (SDGs), the Sustainable Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD).

As part of our most recent ESG materiality assessment, we interviewed internal and external stakeholders, including more than 30 Wells Fargo leaders and subject matter experts from across the company, and members of our external Stakeholder Advisory Council. We also included input from stakeholders representing Wells Fargo customers and employees, ESG investors, government, media, NGOs, and financial peers.

We continue to develop new ESG goals and frameworks to address the themes and topics generated by the ESG materiality assessment

Partnership with the City of Flagstaff

Wells Fargo Bank has been the City of Flagstaff's banking services partner for over 35 years (since 1986). Our partnership is both collaborative and inclusive. We share the City's visions and values, and we take a proactive approach to thoroughly understanding the City's current and future goals. We continually look for new and innovative ways to partner with the City to achieve these goals.

As your primary banking partner, Wells Fargo provides innovative solutions and forward thinking to position the City for the future. With our robust resources and industry specific expertise, your dedicated Relationship Manager and Treasury Management Consultant provide insight on how cities are evolving to the ever-changing bank environment and identify how we can continue to improve Flagstaff's daily operations.

Currently our partnership provides the following solutions:

- **Deposits:** To ensure the City receives the maximum benefit from its deposits, we continually work together to identify the best deposit strategies and ensure that those deposit strategies remain relevant with the ever-changing rate environment.

In addition, Arizona Revised Statutes Title 35, Public Finances § 35-1207, provides that, "Collateral for public deposits required collateral shall be one hundred two percent of public deposits less any applicable deposit insurance."

Wells Fargo Bank maintains a public funds deposit collateralization program which is specifically designed to satisfy all applicable statutes and regulations governing public funds deposits. Our dedicated Public Funds Collateral Management team is committed to providing seamless collateralization of your public fund deposits in excess of FDIC insurance coverage. See attached document that outlines the practices and procedures of Wells Fargo

- **Fraud Controls:** To protect the City from unauthorized electronic debits and fraudulent check writing, we provide essential controls to prevent transactions from clearing, while providing notice to City staff of these attempts. Additionally, we have numerous resources to provide you

with the latest trends on fraud threats and best practices to protect City funds. These resources can include annual fraud training sessions, either on-site or virtually through a webinar series.

- Collections: Wells Fargo provides not only standard branch deposits, but innovative tools to deposit funds timely while providing constituents more ways to pay for City services
 - Electronic Lockbox: This allows for utility payments to be accepted electronically versus a mailed-in paper check, providing funds faster to the City while also giving timely credit to the constituent's utility account.
 - Smart Safe: With an onsite smart safe, the City can securely collect and deposit cash on site, receiving credit prior to the scheduled armored car pickup. This allows for the City to report collections sooner, reduce risk, and eliminate daily armored card pickups
 - Image Cash Letter: This solution allows the City, through your cashiering system, to collect checks onsite, posting payments in real time. At the end of the day, all collections are included on a data file to Wells Fargo that electronically credits the City.
 - Desktop Deposit: For miscellaneous collections, staff can deposit funds on site utilizing a desktop scanner through our online banking portal. By using this solution, the City can deposit funds as soon as they are received and reduce trips to the branch.
- Disbursements: In addition to standard check writing, Wells Fargo provides ways for the City to pay its employees and vendors electronically:
 - Payroll: The City utilizes direct deposit services for payroll
 - Vendors: With ACH (also known as Electronic Funds Transfers), the City can pay vendors electronically, removing the risks involved with paper checks. Additionally, the City and Wells Fargo have had numerous discussions over the course of our partnership about improving the Accounts Payables process.
 - Wires: Our robust wire initiation tool through our online portal provides security around the initiation and approval of large payments sent out by the City. These controls include Citywide, account, and user-specific limits. For business continuity, the City also has voice wire services, allowing approved City staff to initiate over-the-phone payments, utilizing a unique PIN to send payments during emergencies or system outages.
- Reporting Tools: The City has many types of collections and disbursements, which require robust search and reporting capabilities:
 - Online Reporting Tools: Today, Wells Fargo provides daily activity, returned item, and transaction-specific reporting along with robust search and image-viewing tools to assist with ADHOC research and monthly bank reconciliation.
 - Automated Receivables: A daily receivables file for utility payments is provided to the City helping avoid manual keying and assist with posting payments accurately and timely.
 - Deposit Location Reporting: With a unique location identifier on different department's deposit tickets, we provide location-specific information for deposits. This allows for

- funds to be allocated appropriately and timely, which also helps with accurate monthly reconciliations
- Paid Check File: To aid in timely reconciliation of cleared checks, Wells Fargo delivers a paid check file. This import file is uploaded directly to the City's accounting system to provide quick reconciliation of paid check items and further improve the monthly reconciliation process.

In addition to the business solutions we currently provide, your Wells Fargo team participated in an Ethnography study (of various City departments) and, most recently, a Business Process Review of your Accounts Payable processes. These were an in-depth study and review that provided valuable insight into the City's processes. It also provided us with a live document to work from that can be modified in the future to remain relevant with the evolving environment. In addition to your dedicated team, the study results provided valuable information to other Wells Fargo team members who have intimate knowledge of the City's specific processes.

The community also benefits from these studies through enhanced communication transparency when, for example, using the City's website or interfacing with City employees. It provides a crucial vehicle for accountability and integrity which the community deserves and expects. It allows leadership to continue providing excellence to the community they serve while carrying out the City's mission of providing quality of life for all.

Lastly, with our nationwide Government Banking team, we have an array of resources to provide best practices, success stories, and innovative solutions to municipalities of all sizes.

Wells Fargo has the knowledge and expertise to continue providing the solutions that the City of Flagstaff will need to continue growing and prospering. We are proud to be your partner.

Community involvement and housing affordability

Wells Fargo takes pride in being a part of the Flagstaff community since 1895. Today, 24 of our employees live or work in Flagstaff, representing Consumer and Small Business Banking, Commercial Banking, Wealth and Investment Management, and Human Resources.

In Flagstaff, here's how our support has taken shape in recent years: Between 2019 and 2022, we have contributed almost \$1,148,000 to Flagstaff nonprofits and other charities supporting local neighborhoods and businesses, with our highest priority on financial health and housing affordability. Recipients include:

- Coconino County Community College Foundation
- Flagstaff Family Food Center
- Flagstaff Shelter Services

- Habitat for Humanity of Northern Arizona
- Housing Solutions of Northern Arizona
- Red Feather Development Group
- Rural Community Assistance Corp.
- United Way of Northern Arizona
 - In 2022 we provided a Disaster Relief grant to United Way to support their volunteer efforts to fill sandbags for flood mitigation and to clean up debris from homes that have been damaged and/or destroyed by fires and floods.

In Coconino County in that same period, our contributions to nonprofits totaled more than \$1,657,000, also with housing affordability and financial health as our top priorities. In addition to the organizations above, other nonprofit grant recipients include:

- Change Labs
- Earn to Learn
- Grand Canyon Conservancy
- Museum of Northern Arizona
- National Forest Foundation

Statewide in Arizona, more than 15,240 Wells Fargo employees work in Arizona at 226 locations. In 2020, our most recent data available, Wells Fargo Commercial Banking funded more than 20,600 loans for \$974.4 million. Meanwhile our Home Mortgage business made 7,738 loans for \$2.475 billion. Our Community Development Lending totaled 30 loans for \$73.4 million. In addition, in 2022, our Arizona employees contributed nearly \$532,000 to nonprofits in the state and volunteered nearly 39,000 hours.

Our approach to housing affordability centers on our belief that there is a global shortage of affordable housing for low- and moderate-income communities, and high housing costs have only amplified growing economic inequity. Our goal is to support solutions that allow people to have a safe and affordable place to call home, which is the foundation for wellness, dignity, and economic opportunity. Our strategies are focused on keeping people in their homes, opening pathways to homeownership, increasing initiatives that drive supply of affordable homes, and advancing innovation and transformation on the ground in local communities.

These efforts help to advance racial equity to create a future where everyone should have a quality place to live. In 2020, we helped keep more than 200,000 people housed in the U.S. through efforts focused on advancing housing affordability solutions and relief. Since 2019, nearly \$274 million has been allocated toward our \$1 billion housing affordability commitment through 2025. Highlights of our commitment include:

- In 2020, Wells Fargo and Enterprise Community Partners launched a \$20 million Housing Affordability Breakthrough Challenge to uncover the most innovative, scalable, and viable ideas for increasing housing affordability. The competition awarded six grants across the U.S. of more

than \$2 million each, in addition to providing two years of technical assistance to help turn the grantees' scalable concepts into reality.

- In collaboration with Habitat for Humanity and Rebuilding Together, we funded more than 400 home build projects across the U.S. in 2020, enabling low- and moderate-income families to become first-time homeowners, making repairs so seniors and veterans can safely stay in their homes, revitalizing neighborhoods, and championing advocacy work that helps people meet basic shelter needs.
- Through our NeighborhoodLIFT program, we collaborate with NeighborWorks® America and local charitable organizations to support sustainable homeownership and help advance neighborhood stability by delivering down payment assistance to low- and moderate-income people to complete HUD-approved homebuyer education.

We hope the details above provide information and resources for the Flagstaff community to better understand our approach to energy, serving as the City's bank, and our community involvement in Flagstaff, Coconino County and the state of Arizona. Please let me know if you need more information.

Thank You,



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