Wells Fargo Asset Management (International) Limited

Pillar 3 Disclosures for the year ended 31 December 2020

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1. Introduction

1.1 Objective

Wells Fargo Asset Management (International) Limited (**WFAM(I)** or the **Firm**) is required to meet the requirements of the Financial Conduct Authority (**FCA**) Handbook and the requirements of the the EU Capital Requirements Regulation (**CRR**). Following the UK's exit from the EU, the transitional period set out in the withdrawal agreement ended on 31 Dec 2020. However, the EU rule framework continues to apply to WFAM(I) for the time being through the FCA "prudential standstill direction". A new prudential framework for investment firms (IFPR) is currently being consulted on by the FCA and is expected to apply to the firm from 2022.

This document is prepared in accordance with the disclosure requirements set out under Part Eight of the CRR , IFPRU 9 (prudential source book for investment firms) and WFAM(I)'s Pillar 3 policy. The firm's Pillar 3 disclosures and policy are subject to a formal governance process and are reviewed and approved by the WFAM(I) Board of Directors (the Board) on an annual basis or more frequently if required.

The qualitative and quantitative information in this document represents the position of WFAM(I) as at 31st December 2020. The quantitative disclosures in this document are calculated according to the standardised (i.e. non-modelled) approaches in the FCA Handbook and CRR where appropriate.

This document does not constitute a set of financial statements. The WFAM(I) audited financial statements are prepared in accordance with the applicable UK company law and accounting standards. Information contained in the WFAM(I) 2020 audited financial statements may contain differences with the information in this document as the regulatory approaches may differ from accounting definitions.

Please note that certain prior year comparative figures shown in the two tables in Section 8 (Remuneration) relating to Remuneration Expenditure and Deferred Remuneration have been subject to a restatement where marked. The originally published figures contained in last year's Pillar 3 disclosures (the 2019 year end WFAM(I) Pillar 3 disclosures) were understated due to an error in preparation.

1.2 WFAM(I) Background

WFAM(I) provides asset management services to institutional clients globally, specialising in the management of credit asset and fixed income portfolios, Multi Asset Solutions, and international distribution capabilities. As a limited license firm, WFAM(I) does not have permission to hold client money, deal on its own account, or manage money directly on behalf of retail clients. As at 31 December 2020 WFAM(I) has staff of 87 and AUM of $6.9BN.

WFAM(I) is a wholly owned subsidiary of Wells Fargo Asset Management Holdings LLC (WFAM LLC). WFAM LLC's ultimate parent is Wells Fargo & Company (WFC). WFAM(I) therefore remains a 100% subsidiary of WFC. As a result of this ownership structure WFAM(I), under Article 6(1) of the CRR, must comply with the obligations laid down in Part Eight to disclose Pillar 3 on an individual basis.

It was announced on 23 February 2021 that GTCR LLC and Reverence Capital Partners, L.P. signed a definitive agreement to acquire Wells Fargo Asset Management, which includes WFAM(I). The transaction is expected to close in the second half of 2021, subject to certain closing conditions. As part of the transaction, Wells Fargo will own a 9.9% equity interest and will continue to serve as an important client and distribution partner.

2. Risk Governance

2.1 Introduction

WFAM(I) believe that independent risk management, compliance and audit processes with proper management accountability are critical to the interests and concerns of our stakeholders. The business growth strategy benefits from areas where WFAM(I) has deep domain expertise, strong client base and robust risk management and governance infrastructure. The WFAM(I) risk culture is supported by the following principles:

- Risk management policies that set out authorities and responsibilities for taking and managing risks;
- A risk appetite statement that sets out the types and levels of risk WFAM(I) is prepared to take;
- Active monitoring of risks and take mitigating actions where they fall outside accepted levels;
- Breaches of risk thresholds are identified, analysed and escalated. Any large, repeated or unauthorised exceptions may result in disciplinary action.
- Resilient risk controls that promote multiple perspectives on risk and reduce the reliance on single risk measures.

The Board oversees the risk profile of WFAM(I) and ensures that business developments are consistent with the risk appetite and goals of WFAM, Wealth Investment Management (**WIM**), and WFC. WFAM(I) operates under the WIM Statement of Risk Appetite (SoRA). The WIM SoRA is comprised of both qualitative and quantitative components and metrics which are monitored on a frequent basis. The WIM SoRA is reviewed on at least an annual basis; the business strategy, key ratios, internal data and issues are used to ensure appropriate calibration of the thresholds.

The Board reviews and endorses WFAM(I)'s risk management activities, which includes the oversight and adoption of policies for the control of risk. The Board receives information on the risk profile of WFAM(I), breaches of the policy framework and external developments that may have some impact on the effectiveness of the risk management activities. It also approves significant changes to risk management policies and framework.

The Board also ensures that the Wells Fargo risk culture remains strong and that controls are respected by staff - this is achieved by the Board setting clear expectations regarding appropriate behaviours; and implemented by WFAM(I)'s Senior Management through their leadership actions, communication and organisational governance.

The WFAM(I) risk overview structure is made up of the committees outlined below, which aid senior management and the Board in the identification, assessment, monitoring and management of risk in the entity.

2.2 WFAM(I) Committee Structure

	Quarterly	**Monthly**
WFAM(I) Specific	WFAM(I) Board meeting	WFAM(I) Executive Committee (**ExCo**) meeting
	EMEA WFAM Risk Committee (**RC**)	
EMEA Wide (participation only)		
	EMEA Remuneration Steering Group (**ERSG**)	EMEA New Initiatives Committee (**EMEA NIC**)
	EMEA Remuneration Risk Review Committee	EMEA Risk & Control Committee
		EMEA Operating Committee
		EMEA Executive Committee
		EMEA Asset and Liability Committee
Line of Business (US)	WFAM Risk Committee (U.S.)	

2.3 WFAM(I) Board of directors

The Directors of WFAM(I) during 31st December 2020 are listed in the table below:

Director	
Nancy Wiser	Resigned as Director: 10th March 2021
Deirdre Flood	
Ross Pamphilon	Resigned as Director: 19th August 2020
Andrew Hunt	Resigned as Director: 17th March 2020
Jill Griffin	
Daniel Morris	

WFAM(I) selects its Board members in line with the Wells Fargo Group principles and procedures and in accordance with applicable legal and regulatory requirements regarding recruitment. The selection process aims to identify the best qualified candidates for a position, providing equal opportunity in all employment decisions and without regard to race, color, gender, national origin, religion, age, sexual orientation, gender identity, disability, pregnancy, marital status or any other status protected by law.

2.4 WFAM(I) Risk Management Program

WFAM(I) has three lines of defence, each with distinct responsibilities with respect to the risk management program:

Front Line: The Front Line identifies, assesses, manages, and mitigates risk associated with its activities and balances risk and reward in decision-making, while complying with laws, rules, regulations, and the risk management program. The Front Line comprises WFAM(I)'s risk-generating activities, including all activities of its Business Groups and certain activities of its Enterprise Functions. The Front Line is responsible for identifying, measuring, assessing, controlling, mitigating, monitoring, and reporting current and emerging risk exposures associated with its activities and operations.

The Business Control Executive team support the front line, and is aligned to the WFAM line of business. This team ensures effective management of risks across the businesses, consistent with Corporate Risk programs. They understand risks facing the lines of business and coordinate with management and Independent Risk Management **(IRM)** on end-to-end business processes, provide consistent implementation of enterprise risk programs, aggregate analytics and reporting, and set consistent standards across the lines of business. In addition, control executives ensure accountability at the line of business level for direct implementation and execution of risk-related programs.

Independent Risk Management (IRM): IRM establishes, implements, and maintains the risk management program and oversees the Front Line's execution of its risk management responsibilities and independently and credibly challenges Front Line risk decisions. IRM incorporates senior risk leaders representative of relevant risk areas across the EMEA region where the EMEA Regional Chief Risk Officer (**RCRO**) has overall regional oversight and responsibility of Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Compliance Risk, Reputation Risk, Model Risk, Strategic Risk and Interest Rate Risk, to the extent that they apply to WFAM(I). This structure is further enhanced by a network of control activities in order to provide governance, decision making and escalation.

IRM is responsible for maintaining an enterprise-wide view of current and emerging risk exposures (in aggregate both across WFAM(I) and for individual risk types). Relevant risk data is leveraged from various company risk data systems as appropriate and follows internal guidelines. IRM is also responsible for developing, reviewing and implementing enterprise-wide risk management frameworks (including the statement of risk appetite, this framework and second-line functional frameworks), policies, standards and procedures (specific to individual risk types and sub-risk types); reporting on risk appetite and inner and outer breaches; and ensuring coordination and consistency in the application of effective risk management approaches.

Internal Audit: . Internal Audit is responsible for acting as an independent assurance function.

Each line of defence generates risk, and each line of defence is responsible for managing the risk it generates in accordance with the Corporate Risk Management Framework.

In addition to the three lines of defence, WFAM(I)'s control environment is further strengthened by Enterprise Control Activities (**ECA**), which are specialised activities performed within centralised Enterprise Functions with a focus on controlling a specific risk such as Data and Business Continuity Planning. Functions performing ECAs adhere to the Corporate Risk Management Framework and to the extent applicable, use the common risk tools and processes established by IRM.

Risk Management in WFAM(I) is subject to continuous review, improvement and augmentation as the business evolves.

WFAM(I)'s risk management framework is underpinned by the WIM SoRA and the production and monitoring of metrics which assist WFAM(I) senior management and the Board in managing different types of risks to levels within established tolerances.

Further information about Wells Fargo global risk, capital and liquidity risk management approaches can be found in the public disclosures of WFC on the investor relations site:

https://www.wellsfargo.com/about/investor-relations/

2.5 Adequacy of Risk Management Arrangements

The Board believes that the risk management framework in place is adequate and proportionate given the size and complexity of the firm. The framework is well established, embedded and guided by a clearly articulated tolerance for the type of risks faced. Furthermore, ongoing governance forums allow the Board and EMEA WFAM RC to monitor the inherent risk, management effectiveness and residual risk on a periodic basis. It also allows for breaches of qualitative or quantitative risk appetite and/or tolerances to be monitored in line with strategy and business model changes in a timely fashion.

The Board acknowledges that the current macroeconomic and pandemic environment leads to some uncertainty however, they remain comfortable that the risk profile of the firm remains aligned with the business strategy and the risks posed are mitigated through the systems of controls and senior management oversight that have been implemented throughout the firm.

3. Capital Adequacy and Key Metrics

WFAM(I) undertakes an Internal Capital Adequacy Assessment Process (**ICAAP**) at least annually which provides the Board with an assessment of its risks and the level of capital necessary to hold against these risks having considered mitigating factors.

The ICAAP brings together the business and control functions in assessing the future risk and capital needs of the Firm. Capital and Liquidity metrics are monitored by the Board and EMEA WFAM RC on a quarterly basis. The ICAAP focuses on calibrating the additional capital required to be held under Pillar 2 of the FCA framework.

Pillar 2 includes an assessment of the incremental capital required over and above Pillar 1 to be held, across all risk types, Pillar 2 Additional own funds. This is designed to capture the deficiencies within the Pillar 1 rules and, as a result, ensure that WFAM(I) is adequately capitalised.

In addition, a Pillar 2 Buffer is assessed using stress tests that identify the additional impacts on the Firm's ability to meet its capital needs in an adverse environment over a three year period.

The latest ICAAP concluded that WFAM(I) is adequately capitalised. The table below sets out key ratios used to monitor capital adequacy:

	December 31, 2020 GBP'000	December 31, 2019 GBP'000
Own Funds		
Common Equity Tier 1 (CET 1)	71,506	84,139
Tier 1 Capital	71,506	84,139
Total Capital	71,506	84,139
Total risk weighted assets	117,807	112,135
Capital ratios		
CET1 ratio	60.70 %	75.03 %
T1 ratio	60.70 %	75.03 %
Total capital ratio	60.70 %	75.03 %

Combining the business activities of WFAM(I) LLC and WFAM(I) during the year resulted in an increase in the risk weighted assets and a reduction in the capital ratios.

4. Own Funds

The following table reconciles the regulatory own funds to the audited financial statements of 31 December 2020:

	December 31, 2020		
	Regulatory own funds GBP'000	Financial statements GBP'000	Reconciling items GBP'000[1]
CET1 Capital: Instruments and reserves			
Paid up capital instruments	129,051	129,051	—
Retained Earnings	(69,266)	(69,020)	(246)
Other reserves	11,721	10,812	909
CET1 capital before regulatory adjustments	**71,506**	**70,843**	**663**
CET1 capital: Regulatory adjustments			
Total regulatory adjustments to CET1	**—**	**—**	**—**
	—	—	—
CET1 capital after regulatory adjustments	**—**	**—**	**—**
Total own funds	**71,506**	**70,843**	**663**

[1] Difference is due to the figures in the finalised financial statements not being available until April 2021. The "Regulatory own funds" column contains the figures that were submitted to the regulator for December 2020. No regulatory resubmission was made based on materiality.

WFAM(I) has issued 1,000,000 1p ordinary shares fully paid up. Other reserves consists of a capital contribution reserve and a capital redemption reserve. The table below sets out WFAM(I)’s capital and risk weighted assets based on Pillar 1 capital requirements.

	December 31, 2020 GBP'000	December 31, 2019 GBP'000
CET1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	129,051	129,050
of which: Capital instrument	*10*	*10*
Retained earnings	(69,266)	(55,605)
Accumulated other comprehensive income (and any other reserves)	11,721	10,694
CET1 capital	71,506	84,139
Total own funds	71,506	84,139
Total risk-weighted assets	117,807	112,135

5. Capital Requirements

Pillar 1 capital requirements for credit and market risk are assessed under standardised approaches. As a limited licence firm WFAM(I) is not required to calculate a Pillar 1 requirement for operational risk. The table below sets out WFAM(I)’s Pillar 1 capital requirements by risk type.

	December 31, 2020 GBP'000		December 31, 2019 GBP'000	
	RWA	Capital Requirements	RWA	Capital Requirements
Market risk	416	33	2,358	189
Credit, Counterparty and Settlement risk	19,941	1,595	21,886	1,751
(A) Sum of Credit and Market Risk	20,357	1,628	24,243	1,939
(B) Fixed Overhead Requirement (FOR)	117,807	9,425	112,138	8,971
Pillar 1 total (Greater of A and B)	**117,807**	**9,425**	**112,138**	**8,971**

6. Credit Risk

Credit risk is deemed material as WFAM(I) is exposed to credit risk through cash placements and deposits with affiliates. Credit risk also arises on other sundry receivables. The receivables typically relate to management fees. None of WFAM(I)'s assets are encumbered.

The following tables provide a breakdown of WFAM(I)’s credit risk exposure:

	December 31, 2020 GBP'000			December 31, 2019 GBP'000		
	Exposure value	RWA	Capital requirement	Exposure value	RWA	Capital requirement
Credit risk	**84,624**	**19,941**	**1,596**	**96,356**	**21,885**	**1,751**
Claims on institutions and corporates with a short-term credit assessment	80,854	16,171	1,294	93,088	18,618	1,489
Other items	3,770	3,770	302	3,268	3,268	261

7. Market Risk

Market risk is defined as the risk of possible economic loss from adverse changes in market risk factors such as interest rates, credit spreads, foreign exchange rates, equity and commodity prices, and the risk of possible loss due to counterparty risk.

WFAM(I) is exposed to foreign exchange risk through holding non-GBP assets and liabilities and incurring non-GBP income and expenses. WFAM(I) typically does not hedge such exposure but it is mitigated by swift fee collection and payment to minimise any exposure arising. WFAM(I) monitors non-GBP exposures and converts the balances to GBP if required. Pillar 1 capital requirements are calculated under the standardised rules as detailed in the table below.

	December 31, 2020 GBP'000		December 31, 2019 GBP'000	
	Exposure value	Capital requirement	Exposure value	Capital requirement
Market risk				
Foreign exchange	416	33	2,357	189

8. Remuneration

WFAM(I)'s parent company, WFC has developed enterprise-wide remuneration policies and practices, namely the Wells Fargo Incentive Compensation Risk Management (**the Corporate Policy**) and related practices (**Corporate Practices**). In addition, the WFAM(I) Chief Executive Officer (**CEO**) has responsibility to oversee the implementation of the Wells Fargo remuneration policies and practices in WFAM(I).

In previous years the WFAM(I) Board delegated the oversight of the implementation of the remuneration policy, compliance with the remuneration code for all WFAM(I) employees, including Identified Staff, to the EMEA Remuneration Committee (**ERC**).

The WFAM(I) CEO provides oversight of remuneration matters on behalf of the WFAM(I) Board, including the WFAM(I) Identified Staff list and their risk assessment. The Board are responsible for annual approval of the WFAM(I) Remuneration Policy (the Remuneration Policy)

The Remuneration Policy is designed to ensure that WFAM(I) (as regulated by the FCA) complies with the principles and requirements of the Remuneration Code set out in the FCA Handbook and the Remuneration Rules set out in the FCA Handbook (together, **the Code**).

The Remuneration Policy is designed so that excessive risk taking is not encouraged within WFAM(I) and to achieve and maintain a sound capital base

Governance

The WFAM(I) CEO has delegated responsibility into the Board to oversee the effective implementation and application of the Remuneration Policy and remuneration practices of the Company and ensure that the Company rewards individuals fairly and responsibly. The Corporate Policy and Practice applies to WFAM(I) employees and subject to those requirements, the CEO is responsible for the review and oversight of the remuneration of WFAM(I) staff.

The CEO is sponsored by and operates under delegated authority from the WFAM(I) Board and is responsible for:

a. reviewing and monitoring WFAM(I)'s strategy as it relates to remuneration design for Identified Staff including a review of the structure of incentive compensation so that it aligns with appropriate risk-taking;
b. reviewing the methodology used to determine WFAM(I) Identified Staff as determined by the Wells Fargo EMEA Remuneration Steering Group (**ERSG**) and overseeing and approving the list of WFAM(I) Identified Staff on an annual basis;
c. approving the total annual amount of performance related pay/incentives for WFAM(I) Identified Staff roles employed by WFAM(I) and under the supervision of the Board (including line by line assessment of annual performance and compensation data).

The WFAM(I) Board is responsible for:

a. satisfying itself from time to time, and in any event on a not less than annual basis, that the WFAM(I) remuneration policies meet UK regulatory requirements;
b. reviewing the Remuneration Policy annually and determining the WFAM(I) Remuneration Policy;
c. determining the Remuneration Policy, to take into account all factors which it deems necessary or desirable, including relevant legal and regulatory requirements, promoting sound and effective risk management and ensuring that WFAM(I)'s remuneration practices and arrangements reward people fairly and responsibly, align with appropriate levels of risk-taking and WFAM(I)'s business strategies, objectives, values and the long-term interests of WFAM(I);
d. considering any other matter referred to it by the ERSG as appropriate;

Remuneration Philosophy and Structure

Remuneration Philosophy

The foundation of Wells Fargo's approach, and in turn WFAM(I)'s approach, to remuneration is based on four remuneration principles:

a. Pay for performance. Remuneration should be linked to company, line of business and individual performance.

b. Promote a culture of risk management. Remuneration should promote a culture of risk management consistent with Wells Fargo's Expectations and should not encourage unnecessary or excessive risk-taking.

c. Attract and retain talent. People are Wells Fargo's competitive advantage, so remuneration should help attract, motivate and retain exceptional people at Wells Fargo.

d. Encourage creation of long-term stockholder value - Use of performance-based long-term stock awards with meaningful and lasting share retention requirements to encourage sustained stockholder value creation; while mitigating compensation-related risk

Remuneration Structure

For the purposes of the Remuneration Policy, "remuneration" consists of all forms of payments or benefits made directly by or indirectly but on behalf of, WFAM(I), in exchange for professional services rendered by WFAM(I) staff. Remuneration can be divided into:

a. fixed remuneration (payments or benefits that meet the criteria set out in the EBA Guidelines which include being permanent, transparent, non-revocable and without consideration of any performance criteria); and

b. variable remuneration (additional payments or benefits that are not fixed).

Risk Management and Considerations

All Wells Fargo incentive compensation plans are required to have at least one or more of the following core balancing features based on the employee's ability to control or influence risk taking and the time horizon of the risks taken. Certain of these risk-adjustment features were also used for prior performance years.

a. Disqualifying Events: Incentive opportunity will be nullified or reduced according to disqualifying factors and consideration of other material factors covering individual and corporate performance thresholds and compliance with ethics, risk and general employment standards.

b. Discretionary Risk Objectives: All or a portion of the incentive compensation opportunity is based on manager judgment to allow for discretion in payout amount according to performance against a discretionary risk objective. This balancing feature is currently a key component of the incentive compensation program applicable to most Wells Fargo Identified Staff.

c. Maximum Payout Limits: Limits the upside to discourage additional risk taking beyond an appropriate level of tolerated risk. The limits can apply to the aggregate pay opportunity (such as in the case of the Wells Fargo discretionary annual bonus plans including the plan applicable to most Wells Fargo Identified Staff) or by risk metric.
d. Extended Performance Measurement Periods: Incentive compensation based on risk outcomes measured over more than 12 months.
e. Deferrals: Payouts are deferred for periods greater than 12 months until risk outcomes are known, and payments adjusted by performance and risk metrics.
f. Clawback: Clawback provisions if, after payment of the incentive compensation, it is determined that such payment resulted from malus or violated any applicable law, rule or regulation.

The assessment of performance used to calculate variable remuneration components or pools of variable remuneration components includes an adjustment for all types of current and future risks so that incentive compensation arrangements are appropriately risk-balanced and also take into account the quality of financial results as appropriate based on the particular level and role of the individual within the firm. The allocation of the variable remuneration components within Wells Fargo takes into account all types of current and future risks.

Staff engaged in control functions (i.e., Risk and Compliance, Internal Audit, Human Resources, Legal, Finance, Accounting and Tax) are independent from the business units they oversee, have appropriate authority, and are remunerated adequately to attract qualified and experienced staff and are paid in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Fixed and variable components of total remuneration are periodically reviewed to ensure an appropriate balance and that the fixed component represents an appropriate proportion of the total remuneration to allow the operation of a fully-flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

Payments related to the early termination of a contract must reflect performance achieved over time and be designed in a way that does not reward failure.

Wells Fargo staff members are prohibited from undertaking personal hedging strategies or taking out remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Entering into contracts to hedge against exchange rate risk associated with the issuance of shares in foreign currency (e.g. US dollars) is permitted but WFC will not be counterparty to the contract.

Additional Requirements applicable to Identified Staff

WFAM(I) is classified as proportionality level 3 under the FCA's finalised guidance known as the General guidance on proportionality: The IFPRU Remuneration Code (SYSC 19A). This classification is based on WFAM(I) being an IFPRU 50k investment firm.

Variable remuneration paid to Identified Staff must satisfy all of the following requirements:

- Bonus Cap. The variable component of remuneration may not exceed 100% of the fixed component of total remuneration except where the shareholders or owners or members of an institution approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided that the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration. Wells Fargo obtained approval from the relevant shareholder bodies for an increase to the higher maximum level of the ratio in 2017.
- Deferral Requirement. At least 40% of the variable remuneration paid must be deferred over at least three to five years, with awards vesting after a minimum of one year and no faster than on a pro-rata basis. For Identified Staff whose total variable remuneration is of a "particularly high amount," at least 60% of variable remuneration must be deferred over at least three to five years, with awards vesting after a minimum of one year and no faster than on a pro-rata basis. For these purposes, the PRA/FCA has advised that variable remuneration of £500,000 annually is set as the threshold for a payment to be of a "particularly high amount" although the UK Governing Bodies will consider whether lesser amounts should also be considered to be "particularly high amounts" taking account, for example, whether there are significant differences between Identified Staff in the levels of variable remuneration paid. In addition, for Identified Staff who are senior managers (i.e. approved by the PRA and FCA to provide a designated senior manager function) variable remuneration must be deferred for a period of seven years, with awards vesting after a minimum of three years and no faster than on a pro-rata basis. The length of the deferral period must be established in accordance with the business cycle, the nature of the business, its risk and the activities of the Identified Staff individual in question.
- Contingent Capital Requirement. At least 50% of variable remuneration (whether paid upfront or deferred) must be paid in shares, share-linked instruments or equivalent non-cash instruments (i.e., "Contingent Capital"). Any Contingent Capital award is subject to minimum transfer retention periods.
- Performance Adjustment (**Malus and Clawback**). Wells Fargo shall ensure that any variable remuneration, including a deferred portion, is paid or vests only if it is sustainable according to the situation of Wells Fargo as a whole, and justified according to the performance of Wells Fargo, the business unit and Identified Staff individual concerned. Accordingly, Wells Fargo has the ability to reduce awarded but unvested deferred variable remuneration (including both share-based and cash-based components) and/or to clawback vested deferred variable remuneration in situations Wells Fargo determines a malus event has occurred. Malus events include, at a minimum, situations where:
    a. Wells Fargo has been required to materially restate any significant financial statement covering any part of the year for which the award was granted;
    b. any portion of the Identified Staff team member's award was based on any materially inaccurate financial statement or any other materially inaccurate performance criteria;

c. Wells Fargo has determined that the Identified Staff team member committed misconduct or a serious error in the performance of the Identified Staff team member's job;

d. Wells Fargo has determined that the Identified Staff team member's business unit and/or Wells Fargo has experienced a material downturn in financial performance;

e. Wells Fargo has determined that the Identified Staff team member's business unit and/or Wells Fargo has experienced a material failure of risk management;

f. Wells Fargo considers it is necessary to do so in order to comply with any laws, regulatory requirement or guidance by which it is bound;

g. Wells Fargo and/or the Identified Staff team member's business unit incurred significant increases in its economic and regulatory capital base;

h. any regulatory sanctions have been imposed where the Identified Staff team member's conduct contributed to the sanction; or

i. matters comparable in severity and materiality to those set out in (a) to (h) above (relating to the team member's behaviour and/or impact on Wells Fargo) such as, but not limited to, a violation of Wells Fargo policies or Code of Ethics and Business Conduct.

Remuneration Expenditure

Note 8 of the WFAM(I) 2020 financial statements contains aggregate information on remuneration.

The following table shows remuneration paid to 2020 WFAM(I) Identified Staff who are remunerated for their services to WFAM(I). Variable remuneration[2] for 2020 performance was paid or awarded in 2021.

Remuneration Type	2020 GBP'000 Identified Staff	2019 Restated[3] GBP'000 Identified Staff
Total Remuneration	**8,183**	**6,169**
of which		
Fixed Remuneration	2,787	1,877
CRD IV Variable Remuneration	3,664	2,157
of which:		
- short term cash	3,530	1,377
- short term equity	—	38
- long term cash	134	57
- long term equity	—	685
Non CRD IV Variable Remuneration	1,733	2,135
Number of Identified Staff	**10**	**7**

[2] WFAM(I)'s classification means that some CRDIV provisions can be disapplied.

[3] The comparative figures relating to the 2019 year end have been subject to a restatement. The originally published figures in the prior year 2019 year end Pillar 3 disclosures were understated due to an error in preparation.

Deferred Remuneration

The following table provides a summary of deferred remuneration for 2020 WFAM(I) Identified Staff who are remunerated for their services to WFAM(I).

Remuneration Type	2020 GBP'000 Identified Staff	2019 Restated[4] GBP'000 Identified Staff
Total Outstanding deferred remuneration as at 31 December 2020	**3,108**	**4,174**
of which:		
- Vested	0	0
- Unvested	3,108	4,174
Awarded in year to 31 December 2020	1,866	1,771
Paid out in year to 31 December 2020	2,193	1,838

One Identified Staff in WFAM(I) received a severance payment in 2020.

The information contained in these disclosures has not been audited and does not constitute a financial statement of WFAM(I) or WFC.

[4] Restated, see footnote 3 above