

## stockholder proposal regarding report on climate lobbying (item 6 on the proxy card)

Shareholders request that the Board of Directors conduct an evaluation and issue a report within the next year (at reasonable cost, omitting proprietary information) describing if, and how, Chevron's lobbying activities (direct and through trade associations) align with the goal of limiting average

global warming to well below 2 degrees Celsius (the Paris Climate Agreement's goal). The report should also address the risks presented by any misaligned lobbying and the company's plans, if any, to mitigate these risks.

### Supporting Statement:

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According to the most recent annual "Emissions Gap Report" issued by the United Nations Environment Programme (November 26, 2019), critical gaps remain between the commitments national governments have made and the actions required to prevent the worst effects of climate change. Companies have an important and constructive role to play in enabling policy-makers to close these gaps.

Corporate lobbying activities that are inconsistent with meeting the goals of the Paris Agreement present regulatory, reputational and legal risks to investors. These efforts also present systemic risks to our economies, as delays in implementation of the Paris Agreement increase the physical risks of climate change, pose a systemic risk to economic stability and introduce uncertainty and volatility into our portfolios. We believe that Paris-aligned climate lobbying helps to mitigate these risks, and contributes positively to the long-term value of our investment portfolios.

Of particular concern are the trade associations and other politically active organizations that speak for business but, unfortunately, too often present forceful obstacles to progress in addressing the climate crisis.

As investors, we view fulfillment of the Paris Agreement's agreed goal—to hold the increase in the global average temperature to "well below" 2°C above preindustrial levels, and to pursue efforts to limit the temperature increase to 1.5°C—as an imperative. We are convinced that unabated climate change will have a devastating impact on our clients, plan beneficiaries, and the value of their portfolios. We see future "business as usual" scenarios of 3-4°C or greater as both unacceptable and uninvestable.

Two hundred institutional investors managing \$6.5 trillion recently wrote to Chevron, seeking information on how the company is managing this critical governance issue. Insufficient information is presently available to help investors understand whether Chevron works to ensure that its lobbying activities, directly, in the company's name, and indirectly, through trade associations, align with the Paris Agreement's goals, and whether Chevron takes any action to address any misalignments it has found. Chevron's reply was not responsive to this request.

Thus, we urge the Board and management to assess the company's climate related lobbying and report to shareholders.

## board of directors' response

Your Board recommends a vote AGAINST this proposal because your Board believes that a special report is duplicative. Chevron has a disciplined process for lobbying activities that is transparent through existing disclosures.

Chevron already discloses extensive information about its lobbying activities as well as its political contributions. In many cases, this disclosure goes beyond what is required by law. In addition, the company discloses a full list of trade associations with annual dues of more than \$100,000 wherein a portion of the dues may be used for lobbying. The associations on this list represent 96 percent of the Company's annual trade association expenditures.

Energy production, development and consumption is a critical public policy issue. Policy decisions can significantly affect Chevron's strategies, capital investments, operations and, ultimately, stockholder value. Opponents of Chevron's industry are well resourced to influence policy decisions in a manner that increases risk for Chevron. It is essential, therefore, for Chevron to exercise its fundamental right and responsibility to participate in the public policymaking process. Chevron does so by engaging with policymakers and expressing its views on pending policy proposals, by engaging in direct and indirect lobbying, and by participating in a diverse range of business and policy organizations that advocate positions supporting free markets and responsible energy legislation and regulation. In addition, Chevron exercises its right to participate in the political process by making contributions to candidates and entities supportive of the oil and gas industry and a reasonable regulatory environment.

Chevron shares the concerns of governments and the public about climate change risks. Chevron recognizes that the use of fossil fuels to meet the world's ever-growing energy needs is a contributor to rising levels of greenhouse gases ("GHGs") in the earth's atmosphere. Chevron believes that taking prudent, practical, and cost-effective actions to address climate change risks is the right thing to do.

Chevron supports a well-designed price on carbon as the primary policy tool to achieve GHG emissions reduction goals. This approach can best incentivize the most efficient and cost-effective emissions reductions while providing support to impacted communities and creating a level playing field that maintains economic competitiveness. To this end, Chevron works with governments and other stakeholders to develop climate policy that addresses

environmental goals while continuing to ensure critical access to affordable, reliable, and ever-cleaner energy. Chevron also engages through its various trade associations to ensure the development of well-designed climate policy. In doing so, Chevron works to ensure that such policy aligns with Chevron's Climate Principles of encouraging global engagement, striking a balanced and measured approach, supporting research and innovation, and providing transparency for consumers.

Chevron does not agree with all of the positions of every industry, trade or policy organization in which it participates. However, Chevron believes that through continuous participation with these organizations it has the best opportunity to influence their positions in a manner that aligns with the long-term interests of its stockholders. Engaging only with groups that already align with Chevron's positions would undermine the Company's ability to build and expand coalitions in support of its positions, including Chevron's support for well-designed climate policy.

Chevron adheres to the highest ethical standards when engaging in lobbying and political activities, ensures that such activities align with corporate goals, and complies with all laws and regulations governing lobbying activities and disclosure.

Your Board takes its fiduciary duties to stockholders very seriously. Chevron exercises its fundamental right and responsibility to participate in the public policymaking process across myriad public policy issues important to its business. We would not be fulfilling our fiduciary duty if we were to base our decisions on what a particular constituency believes the appropriate exercise of these fundamental rights to be. Such an approach would put the Company at a competitive disadvantage and would unnecessarily limit the benefits associated with Chevron's participation in the public policymaking process through engagement with a broad array of stakeholders.

Your Board is confident that the Company's lobbying and political activities – and association memberships – are aligned with Chevron's goals and the long-term interests of our stockholders. Your Board encourages you to review the extensive disclosures on our lobbying and political activities found on Chevron's website. We are confident you will agree that the Company's disclosures render the additional report called for in this proposal duplicative.

Therefore, your Board recommends that you vote **AGAINST** this proposal.