BlackRock

Investment Stewardship

Vote Bulletin: Chevron Corporation

Company	**Chevron Corporation (NYSE: CVX)**
Market and Sector	United States, Energy
Meeting Date	25 May 2022
Key Resolutions[1]	**Item 3:** Approve, on an Advisory Basis, Named Executive Officer Compensation **Item 5:** Adopt Medium- and Long-term GHG Reduction Targets (Shareholder proposal) **Item 6:** Report on Impacts of Net Zero 2050 Scenario (Shareholder proposal) **Item 7:** Report on Reliability of Methane Emission Disclosures (Shareholder proposal) **Item 8:** Report on Business with Conflict-Complicit Governments (Shareholder proposal) **Item 9:** Report on Racial Equity Audit (Shareholder proposal)
Key Topics	Climate risk, social risk, human capital management
Board Recommendation	The board recommended shareholders vote FOR Item 3 and AGAINST all shareholder proposals, with the exception of Item 7 which it recommended shareholders support
BlackRock Vote	BlackRock Investment Stewardship voted AGAINST Items 5, 6, 8, 9 and FOR Items 3 and 7

Overview

Chevron Corporation (Chevron) is a global integrated energy, chemicals, and petroleum company, operating through the upstream and downstream segments.

BlackRock Investment Stewardship (BIS) has a long history of constructive engagement with Chevron where we have discussed a range of corporate governance and sustainable business matters that we believe contribute to the company's ability to deliver the durable, long-term shareholder returns on which our clients depend to meet their financial goals. This has included discussions on corporate governance topics such as board composition, director independence, and executive compensation, as well as the management of material climate risks and opportunities, which BlackRock believes can be important factors in companies' long-term prospects.

We welcome the steps that the company has taken in recent years to enhance the oversight, management, and disclosure of climate-related risks and opportunities, as well as to actively and openly engage with shareholders.

[1] Chevron, "2022 proxy statement".

In order to assess companies' strategies to navigate the energy transition, BIS engages with company leadership and, where we have authority to do so, votes proxies in the economic interests of our clients.[2] As discussed in our commentary, Climate risk and the global energy transition, BlackRock's stewardship approach is based on our fundamental role as a fiduciary to our clients. As the world transitions over the coming decades to a low-carbon economy, we are interested in hearing from the companies in which our clients are invested as to how they are assessing and managing the risks and opportunities arising from the decarbonization of the global economy, while also managing for a reliable energy supply and a just transition. We look for companies to demonstrate they have strategies in place that address and are resilient to a range of scenarios, including likely decarbonization pathways well below 2°C, as well as global ambitions to limit temperature rise to 1.5°C.

As investors, we understand that net zero pathways will not be linear or streamlined; the macroeconomic environment, including energy markets, is complex and volatile, and there is a great deal of regulatory and geopolitical uncertainty.[3] In this context, we believe the board and management are best positioned to determine what approach will best equip the company to navigate risks and opportunities in the context of the company's business model and sector. Thorough company disclosures allow investors to understand corporate climate action plans, track progress, and assess the strategic changes that a company may undertake to adapt their business models to respond to different energy transition scenarios.[4]

Rationale for BlackRock's vote

Item 3: Approve, on an Advisory Basis, Named Executive Officer Compensation (FOR)

BIS supported this management proposal. Given the company's disclosures and their ongoing efforts to increase transparency, BIS believes Chevron's Compensation Committee has shown effective oversight over the company's compensation program.

BIS discussed Chevron's executive pay policies with members of the leadership team to understand the alignment between the different components and Chevron's long-term strategy. Given the company's disclosures and their ongoing efforts to increase transparency, BIS believes Chevron's Compensation Committee has shown effective oversight over the company's compensation program, which includes its annual and long-term incentive plans. Where subjective evaluation and discretion has been used to determine ratings and resulting payouts for 2021, we believe that the company's Compensation Committee has exercised judgement in a manner generally consistent with shareholder interests.

Further, BIS recognizes the steps forward made in the Chevron executive compensation program in 2021, notably adding a relative capital productivity metric (Relative Return on Capital Employed Improvement) to the long-term incentive plan, and adding Energy Transition as a pillar of the annual incentive plan. We believe that those metrics, combined with Relative Total Shareholder Return in the long-term incentive plan and financial results, capital management, and operating & safety performance in the annual incentive plan, provide a reasonable suite of metrics that support long-term shareholder value creation.

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[2] Voting on our clients' behalf, when authorized to do so, is one of our core Stewardship responsibilities. Without exception, our decisions are guided by our role as a fiduciary to act in our clients' long-term financial interests. We aim to be a supportive, long-term focused shareholder who takes the context in which a company operates into consideration and makes voting decisions to advance our clients' interests. We make climate-related voting decisions after carefully assessing companies' risk oversight and mitigation, alongside their disclosures detailing how climate risk and opportunity are integrated into their strategy and plans.

[3] BlackRock Inc., "Managing the Net-Zero Transition", February 2022.

[4] We recognize that companies cannot deliver the energy transition in isolation. A range of stakeholders, including policy makers and consumers, have a role to play to ensure a better equilibrium between supply and demand, given the global economy's current dependence on traditional energy sources and the parallel need to invest in cleaner energy alternatives and other technologies. In our engagements we may also discuss how companies see their role in achieving that equilibrium.

While Chevron has made efforts to enhance the structure of their program and provide additional disclosure, BIS encouraged the company to consider providing additional information in the future on their annual incentive program, such as specific performance levels that would result in threshold, target and maximum payouts for their quantitative metrics and additional disclosure around the evaluation criteria for qualitative metrics.

Item 5: Adopt Medium- and Long-term GHG Reduction Targets (AGAINST)

BIS did not support this shareholder proposal because we believe the company has appropriately responded to shareholder concerns by setting scope 1, 2 and 3 GHG reduction targets. At this time, we believe the company has demonstrated through their disclosure the appropriate oversight and mitigation of scope 3 emissions and we recognize the progress Chevron has made on this topic. We also acknowledge the current complexities surrounding scope 3 emissions targets for the oil and gas industry in particular.

The shareholder proposal requested that the company "set and publish medium- and long-term targets to reduce the [GHG] emissions of the Company's operations and energy products (Scope 1, 2, and 3) consistent with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C."[5]

At Chevron's 2021 AGM, BIS supported a similar shareholder proposal requesting that the company reduce the greenhouse gas (GHG) emissions of their energy products (scope 3) in the medium- and long-term[s]."[6] The proposal passed with nearly 61% of shareholder support.[7] While we recognized the company's efforts to address climate risks and opportunities in their business, we believed that supporting the resolution in 2021 could further accelerate the company's progress on climate risk management. Our voting on our clients' behalf, where so authorized by them, signals our support for — or concerns about — a company's approach and will always be undertaken with the appropriate consideration of our clients' long-term economic interests as their fiduciary.[8]

This year, we did not support this proposal in recognition of the progress and the updates to their strategy that Chevron has made to position their business model for the energy transition, including through developing its Portfolio Carbon Intensity (PCI) Metric as well as the continued focus on scope 1 and 2 emissions reduction targets. In October 2021, Chevron announced new targets on scope 1 and 2 carbon intensity emissions of 35% across its upstream business by 2028 compared to 2016 levels. The company also announced a new 2050 net zero aspiration for equity upstream scope 1 and 2 emissions consistent with the goals of the Paris Agreement. Furthermore, after the similar proposal mentioned above passed at the 2021 AGM, Chevron updated their climate-related disclosure and specifically addressed scope 3 emissions.[9] Chevron is now incorporating scope 3 emissions within the PCI metric and has disclosed a reduction target of more than 5% in carbon intensity from a 2016 baseline by 2028 across the full value chain, including from the use of sold products (scopes 1, 2 and 3 emissions).[10]

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[5] Chevron, "2022 proxy statement".

[6] Chevron, "2021 proxy statement".

[7] Chevron, "Form 8-K", May 26, 2021.

[8] We recognize that some of our clients may take a different view, and more of our clients are interested in having a say in how their index holdings are voted. Beginning in 2022, BlackRock is taking the first in a series of steps to expand the opportunity for clients to participate in proxy voting decisions where legally and operationally viable. To do this, BlackRock developed new technology and worked to enable a significant expansion in proxy voting choices for more clients. For more information see: https://www.blackrock.com/corporate/about-us/investment-stewardship/proxy-voting-choice

[9] Chevron, "climate change resilience". October 2021.

[10] See previous footnote.

We recognize that the issue of scope 3 emissions is complex, particularly for the oil and gas industry. In our commentary, Climate risk and the global energy transition, we describe our view that scope 3 emissions are a major global societal issue and, for companies where they are material, the prospect of future policy change could affect the economic viability of their business models.

For these reasons, we believe that Chevron has appropriately responded to shareholder concerns by setting scope 1, 2 and 3 GHG reduction targets, and the company's enhanced disclosure provides sufficient information. Therefore, in our view support for this proposal was not warranted.

Item 6: Report on Impacts of Net Zero 2050 Scenario (AGAINST)

BIS did not support this shareholder proposal given the company's existing practices and disclosures. BIS also recognizes the sophistication and depth of the scenario analysis that the company has already provided.

The proposal requests that the Board "provide an audited report addressing how application of the assumptions of the [International Energy Agency's] IEA's Net Zero by 2050 pathway would affect the assumptions and estimates underlying its financial statements, including its long-term commodity and carbon prices, remaining asset lives, existing and future asset retirement obligations, capital expenditures, and asset valuations (impairments)."[11]

As mentioned above, in October 2021, the company published an updated Climate Change Resilience Report, which is aligned with the Task Force on Climate-related Financial Disclosures (TCFD).[12] The report describes Chevron's approach to the global energy transition and includes analysis to test the resilience of the company's portfolio against the IEA's Sustainable Development Scenario (SDS) and Net Zero Scenario (NZE 2050). Specifically, the report discusses how the company's current portfolio would perform from a financial viability perspective under the IEA NZE 2050 scenario, as well as any changes the company would need to make in order to fully comply with the scenario.

Chevron's Corporate Audit department conducted a non-rated assurance review of the NZE 2050 scenario analysis and determined that the analysis was conducted in accordance with established internal process and emerging external guidance. Chevron regularly analyzes alternative scenarios to stress-test the company's portfolio and integrates those insights to help the company remain competitive and resilient in various operating environments.[13]

Based on our analysis of Chevron's reporting, we believe that the updated disclosure is robust and provides sufficient information as to how their business plans can accommodate a range of transition pathways. This combined with clearly disclosed capital investments in strategic low carbon ambitions that play into the company's strengths allows investors to understand the company's position and make more informed investment decisions.

For these reasons, we believe that Chevron has appropriately responded to shareholder concerns, and the company's enhanced disclosures provide sufficient information on which to assess the company's assumptions, strategic thinking, and management and board oversight. Therefore, in our view, support for this proposal was unnecessary.

[11] Chevron, "2022 proxy statement".

[12] Chevron, "climate change resilience". October 2021.

[13] Chevron, "2022 proxy statement".

Item 7: Report on Reliability of Methane Emission Disclosures (FOR)

BIS supported this shareholder proposal – in line with the company's recommendation – because we share the Board's view that this is a material issue for Chevron that could impact the company's ability to generate long-term, durable value. We believe that shareholders would benefit from more fulsome information on methane emissions, which the company is planning to provide in forthcoming disclosures.

The shareholder proposal requested a report "analyzing a critical climate change concern, the reliability of Chevron's methane emission disclosures."[14] Chevron's board recommended that shareholders support this proposal given the significance of this issue for the company. We note that the Board states that, while it disagrees with some statements included in the shareholder proposal, on balance it views reducing methane emissions intensity as an important issue and is committed to advancing the accuracy and reliability of the company's methane emissions reporting.

Currently, as is required by regulation, Chevron follows the Environmental Protection Agency's (EPA) protocols for methane emissions reduction and reporting. The company is also taking a number of steps to improve the measurement of methane emissions, including by progressing methane detection and direct measurement through the Global Methane Detection Campaign, which focuses on scaling up proven and emerging methane detection technologies and modes of deployment such as satellites, aircraft, and drones, with the goal of improving detection of methane emission sources. In addition, Chevron is partnering with various industry, academic and environmental organizations to improve the technology and protocols for direct measurement of methane.

Later this year, Chevron plans to release an update to the company's methane strategy which will address methane detection, direct measurement quantification, and disclosure, including how detection technologies have advanced, how they can inform emission reduction strategies, and the challenges and uncertainties of current direct measurement technology. We welcome this forthcoming disclosure and Chevron's responsiveness on a topic we agree is material to the company and the sector. For these reasons, BIS voted, in line with the Board's recommendation, to support the proposal.

Item 8: Report on Business with Conflict-Complicit Governments (AGAINST)

BIS did not support this shareholder proposal based on our assessment that it is overly prescriptive in nature and unduly constraining on management. BIS believes that the company has appropriate policies and frameworks in place to oversee and manage this particular risk.

The proposal requested that the company "publish a report six months following the 2022 annual general meeting, omitting proprietary information, and prepared at reasonable cost, evaluating the feasibility of adopting a policy of not doing business with governments that are complicit in genocide and/or crimes against humanity as defined in international law."[15]

BIS voted against this proposal as, on our assessment, it is overly prescriptive, specifies an unduly constraining timeline for publication of the requested report, and strays into micromanagement of business decisions that we do not believe to be the domain or responsibility of shareholders.[16] In particular, we do not believe it is reasonable to ask the board to publish a report six months following the 2022 meeting with the scope of

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[14] See previous footnote.

[15] See previous footnote.

[16] As discussed in our paper, 2022 climate-related shareholder proposals more prescriptive than 2021, BIS is not supportive of shareholder proposals that do not promote long-term shareholder value and/or are unduly prescriptive. Without exception, our decisions are guided by our role as a fiduciary to act in our clients' long-term economic interests.

"adopting a policy of not doing business with governments that are complicit in genocide and/or crimes against humanity." BIS does not believe it is shareholders' position to tell companies what their strategies should entail.

Furthermore, in the supporting statement to the proposal, the proponent notes that Chevron "holds equity in one of the largest investment projects in Myanmar (Burma) and that the Yadana gas field and pipeline that has generated billions of dollars for the Myanmar military junta." However, on January 21, 2022, Chevron announced its intention to exit Myanmar stating, "we intend to conduct our exit in a planned and orderly manner, and while doing so, we will continue to meet our commitments and support the humanitarian needs of local communities."[17]

Chevron also has policies and frameworks in place to oversee and manage human rights risks which are in turn overseen by the Board.[18] Chevron has disclosed a commitment to human rights through various disclosures, including their Human Rights Policy[19], Operational Excellence Management System[20], and Business Conduct and Ethics Code[21]. The company has in place, under their Global Security function[22], a methodology for identifying operations that are in conflict-affected and other high-risk areas. When Chevron identifies a conflict-affected area, they conduct an enhanced review of potential security-related human rights risks as part of the security risk assessment program. In their 2021 sustainability report[23], the company discusses this program as well as management's oversight, and addresses grievances in Bangladesh and Equatorial Guinea.

For the above reasons, we consider the proposal to be overly prescriptive, covering topics already managed by the company, and therefore not in the long-term economic interests of our clients. As a result, BIS did not support this proposal.

Item 9: Report on Racial Equity Audit (AGAINST)

BIS did not support this shareholder proposal because on our analysis, the language and intent appear to be inconsistent. As a result, in our view, support for the proposal is not in the best long-term economic interests of shareholders.

The proposal requested that the Board "commission and publicly disclose the findings of an independent racial equity audit, analyzing if, and how, Chevron's policies and practices discriminate against or disparately impact communities of color. The report should clearly identify, and recommend steps to eliminate, business activities that further systemic racism, environmental injustice, threaten civil rights, or present barriers to diversity, equity, and inclusion (DEI). Input from impacted workers, community members, customers, or other relevant stakeholders should inform the audit and report. The report should exclude confidential and proprietary information, as well as information relevant to any pending legal proceeding or threatened proceeding of which Chevron has notice."[24]

As part of our fiduciary approach, BIS considers a range of factors that can affect the long-term financial performance of the companies in which we invest on behalf of clients. We look to companies to assess and

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[17] Reuters, "Chevron says it plans to exit from Myanmar gas project", January 2021.

[18] Chevron's Public Policy and Sustainability Committee assists the full Board in fulfilling its oversight of risks that may arise in connection with the social, political, environmental, human rights, and public policy aspects of Chevron's business and the communities in which it operates. Chevron, "2022 proxy statement".

[19] Chevron, "respect for human rights is rooted in our values and applies wherever we do business".

[20] Chevron, "operational excellence management system".

[21] Chevron, "business conduct and ethics code".

[22] Chevron, "2021 Sustainability Report".

[23] See previous footnote.

[24] Chevron, "2022 proxy statement".

report on the potential impacts of their business operations and how they consider the interests of their key stakeholders — employees, suppliers, customers, and communities — in their decision-making. In our experience, companies that build strong relationships with their key stakeholders are more likely to meet their own strategic objectives, while poor relationships may create adverse impacts that could expose companies to legal, regulatory, operational, and reputational risks and jeopardize their long-term success.

While we acknowledge that racial equity audits can be beneficial for companies in addressing material risks and opportunities, and have been largely supportive of them, we were concerned about the nature of this request. The supporting statement for the shareholder proposal includes claims and assertions that appear to be unsubstantiated and potentially inaccurate. These factors undermine the request for a racial equity audit and distract from the purpose of such a report.

Currently, Chevron has undertaken numerous initiatives which, in our view, demonstrate a commitment to promoting diversity and inclusion and a respect for human rights. In 2021 Chevron continued to expand its human capital management, DEI and racial equity disclosures and commitments. Some examples include: through Chevron's Employee Assistance Program (EAP) program, offering confidential licensed mental health professionals to employees; its collaboration with the American Petroleum Institute's Diversity, Equity and Inclusion working group to lead a workstream with Opportunity@Work in order to recruit talented individuals from less traditional educational backgrounds and promote diversity; and Chevron's $15 million pledge to support the Black community in the United States to address barriers to equity, to name several.

On human rights, the company continued conducting assessments of potential impacts, identifying mitigations and engaging with appropriate external stakeholders. Chevron continued to implement their Stakeholder Engagement and Issues Management (SEIM) process, through which they educate employees about culture and the company's responsibilities in relation to respecting human rights. Also in 2021, to educate their workforce, the company provided human rights training to more than 5,400 employees and contractors – including personnel who joined Chevron as part of the Noble Energy acquisition.

In light of Chevron's focus on their impact on stakeholders, in combination with the language of the supporting statement of the proposal, which we believe contains potentially inaccurate and unsubstantiated claims about the company, we did not believe support for this proposal was warranted or in our clients' interest as long-term shareholders. For these reasons, BIS did not vote in favor of this proposal.

About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability (ESG) risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public voting guidelines and informed by our analysis of company disclosures and, where relevant, our engagements.[25]

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with sustainable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our website. For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

Want to know more? blackrock.com/stewardship

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Prepared by BlackRock, Inc.

[25] As detailed in our Global Principles, proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.