



**Company: Chevron Corporation, United States**

**Meeting date: May 31, 2017**

**Proposal: Item 7: Stockholder Proposal Regarding Climate Change Stress Testing and Scenario Impact**

**Board recommendation: AGAINST**

## **Engagement leads to disclosure improvement at Chevron**

*In our recently published engagement priorities for 2017-18, BlackRock Investment Stewardship explained that, as a long-term investor, we are willing to be patient with companies when our engagement affirms they are working to address our concerns. However, our patience is not infinite - when we do not see progress despite ongoing engagement, or companies are insufficiently responsive to our efforts to protect the long-term economic interests of our clients, we will not hesitate to exercise our right to vote against management recommendations. Climate-related risks and opportunities are issues we have become increasingly focused on at BlackRock as our understanding of the related investment implications evolves. One of our five engagement priorities is encouraging disclosure on climate risk policies and practices, in line with the Task Force on Climate-related Financial Disclosures (TCFD).*

We highlight the recent case of Chevron Corporation (Chevron) as an example of how investors can use different tools, as appropriate to their investment approach, to communicate their perspectives to a company and drive towards constructive outcomes.

Chevron is a global energy company listed on the New York Stock Exchange (NYSE). BlackRock has been engaging in direct and private dialogue with Chevron over several years on a wide range of governance issues that we believe have long-term economic implications for investors. Chevron has also received many shareholder proposals over the years on a range of topics. At times, we have engaged the company on the issues raised in those proposals where we believe they relate to economic value drivers for the company. We have also engaged on other governance issues that were not raised through the shareholder proposal process.

In 2016, Chevron received a shareholder proposal requesting an annual report on the long-term impacts of possible climate change policy scenarios on the company's business. We engaged with management representatives in advance of the 2016 annual general meeting (AGM) to share our views and better understand the company's approach. We determined to support management and oppose the shareholder proposal, as informed by the company's existing disclosures and our understanding of the company's strategic planning practices that incorporate a host of climate-related risk considerations. Importantly, we observed an openness by the



company to continue evolving its management of, and reporting on, relevant climate-related risks. Also, we were advised of the willingness on the part of the board to make independent directors available to meet with us, as appropriate, to discuss these topics.

Nonetheless, the shareholder proposal received significant shareholder support. Following the 2016 AGM, we expanded our engagement with Chevron to include not only management representatives but also independent board directors. We had a wide-ranging discussion on adaptation to a low carbon economy, including the potential impacts of climate regulation on the energy sector, how technology may impact demand for energy, and the traits of a good board director in light of increasingly complex climate-related issues facing the company. We discussed the company's approach to accounting for, and disclosure of, proven reserves. We sought to understand how the company's accounting and disclosure requirements compare with the annual reporting cycle requested in the shareholder proposal. We also shared our view on the quality of Chevron's related disclosures and suggested areas for improvement.

The company had received a similar shareholder proposal related to climate scenario planning and reporting this year. In advance of the 2017 AGM, Chevron published a report, "[Managing Climate Change Risks, a Perspective for Investors](#)", which the company states is in response to some of its shareholders expressing interest in gaining greater insight into how Chevron manages climate change risks. We welcome this evolution in Chevron's reporting, which appears to have led the shareholder proponents to withdraw the proposal. **We commend the company for enhancing its disclosure as well as the shareholder proponents' pragmatic decision to withdraw because of the company's progress.**

We look forward to continuing our dialogue over time with Chevron and other companies on a range of issues of economic relevance, including but not limited to climate-related risks, and regardless of whether the companies have received a shareholder proposal.