

Shareholder Proposal

Chevron Corporation Climate Change Stress Testing and Scenario Impact Assessment

Co-filed proposal

Lead filers – Wespath Investment Management & Hermes EOS

RESOLVED: Shareholders request that by the Annual Meeting of Stockholders in 2018, Chevron Corporation (Chevron), with board oversight publishes an annual assessment of long-term portfolio impacts to 2035 of plausible climate change scenarios, at reasonable cost and omitting proprietary information. The report should explain how capital planning and business strategies incorporate analyses of the short- and long-term financial risks of a lower-carbon economy. Specifically, the report should outline impacts of multiple, fluctuating demand and price scenarios on the company's existing reserves and resource portfolio—including the International Energy Agency's "450 Scenario," which sets out an energy pathway consistent with the internationally recognized goal of limiting global increase in temperature to 2 degrees Celsius.

SUPPORTING STATEMENT

Climate change, and actions to mitigate and adapt to it, will meaningfully affect the demand for, and costs associated with, finding, extracting, refining and selling carbon-based fuels, therefore impacting shareholder value.

Recognizing the economic and political risks associated with climate change, the probability of strong climate change-related policy action has increased since the Paris Agreement reached at the United Nations Framework Convention on Climate Change Conference of the Parties (COP21) in December 2015. COP21 concluded with 195 countries agreeing to keep global temperature increase "well below" 2 degrees Celsius, and pursuing efforts to limit it to 1.5 degrees Celsius. Significantly, the two largest greenhouse gas emitters globally, the United States and China, ratified this agreement in 2016. Investors require better transparency on the resilience of Chevron's portfolios under different scenarios based on these and likely future developments.

Chevron has recognized in its Securities and Exchange Commission filings and sustainability reporting that policies, regulations and actions that place a price on greenhouse gas emissions—or affect the supply and demand for hydrocarbons—could have a significant impact on its business. The increasing likelihood of public policy action and viability of technological advancements aimed at addressing climate change make it vital that Chevron provide investors with more detailed analyses of the potential risks to its business, under a range of scenarios. While Chevron provides some indication that "consideration of greenhouse gas issues, climate change related risks and carbon pricing risks are integrated into its strategy, business planning, risk management tools and processes," it has not presented sufficiently detailed analyses of how it stress tests its portfolio of new and existing projects under various carbon-constrained scenarios.

NEI INVESTMENTS

505 – 1111 West Georgia Street | Vancouver, BC | V6E 4M3

T: 604.633.0615 F: 604.633.0619 TF: 1.866.888.0615

www.NEInvestments.com

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This contrasts with Chevron's competitors, including:

- Ten oil and gas companies announcing their shared ambition to limit the global average temperature rise to 2 degrees Celsius (Oil and Gas Climate Initiative);
- Shell, BP, and Statoil endorsing the "Strategic Resilience for 2035 and Beyond" shareholder resolutions that received almost unanimous support in 2015; Suncor endorsing a similar resolution with overwhelming support in 2016;
- ConocoPhillips and Total testing capital planning decisions against multiple carbon-constrained scenarios and disclosing the results.

Publication of the requested report will demonstrate that Chevron is strategically planning to remain competitive in a carbon-constrained future and generate continued value for shareholders.

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