

Investment Stewardship

Vote Bulletin: Chevron Corporation

Company	Chevron Corporation (NYSE: CVX)
Market and Sector	United States, Energy
Meeting Date	31 May 2023
Key Resolutions ¹	<p>Item 5: Rescind Scope 3 GHG Reduction Proposal</p> <p>Item 6: Adopt Medium-Term Scope 3 GHG Reduction Target</p> <p>Item 9: Report on Social Impact from Plant Closure or Energy Transition</p> <p>Item 10: Oversee and Report a Racial Equity Audit</p>
Key Topics	Corporate strategy, climate risk, human capital management
Board Recommendation	The board recommended shareholders vote AGAINST Items 5, 6, 9, 10
BlackRock Vote ²	BlackRock voted AGAINST Items 5, 6, 9, 10

Overview

Chevron Corporation (Chevron) is a globally integrated energy company headquartered in the U.S.

BlackRock Investment Stewardship (BIS) engages with companies to better understand how company leadership identifies and manages the material risks and opportunities in their business model that, in our assessment, can impact their ability to deliver durable financial performance for long-term investors like BlackRock's clients. We also engage to provide an investor perspective on corporate governance practices.

BIS has had multiyear engagements with Chevron during which we have discussed a range of corporate governance topics that, in our assessment, are important for long-term financial value creation, including board composition, corporate strategy, human capital management as well as the board's oversight of and management's approach to climate-related risk and opportunities.

Rationale for BlackRock's vote

Item 5: Rescind Scope 3 GHG Reduction Proposal (AGAINST)

¹ Chevron Corporation, "[2023 proxy statement](#)", April 12, 2023.

² BIS conducts proxy voting for those clients who authorize BIS to vote on their behalf. As part of BlackRock's Voting Choice program, eligible clients can have a say in the proxy voting process by selecting their own proxy voting policy or one of 14 available third-party policies. 47% (\$2.1 trillion of \$4.5 trillion) of our index equity assets are eligible to participate in Voting Choice, and clients representing 25% of the \$2.1 trillion in eligible assets are enrolled in Voting Choice. Currency shown in USD. Source: BlackRock. Data as of March 31, 2023.

BIS did not support this shareholder proposal which requested that the company rescind a 2021 shareholder proposal to reduce scope 3 emissions. The original proposal received 61% support in 2021, and the company subsequently took action to include scope 3 GHG emissions in certain of their metrics to help investors understand the company's value chain risk.

This shareholder proposal on the agenda at Chevron's May 2023 annual general meeting (AGM) requested that the company rescind a 2021 non-binding shareholder proposal asking the company "to reduce its Scope 3 emissions in the medium- and long-term future."³ Chevron's board recommended that shareholders vote against this proposal at the 2023 AGM.

The 2021 shareholder proposal passed with 61% support, and the company subsequently took action to include scope 3 greenhouse gas (GHG) emissions in certain of their metrics to help investors understand the company's evolving efforts to mitigate risk. From a governance standpoint, we view this as a responsible reaction to shareholder feedback.

From a climate risk management perspective, we found Chevron's approach to incorporating scope 3 GHG emissions into their Portfolio Carbon Intensity (PCI) targets to be a meaningful way for the company to reduce GHG emissions in their value chain while maintaining the integrity of their core business.⁴ The company states that their approach to scope 3 emissions, included in their PCI metric, "provides Chevron the flexibility to grow its Upstream and Downstream businesses provided it remains an increasingly carbon-efficient operator."⁵ This is contrary to the assertion in the proposal that the only response for an oil and gas company to scope 3 emissions reductions is through "substantially reducing consumer use of its products."⁶ In our view, reducing sales of company products is not the only means to achieving meaningful scope 3 reductions.⁷

On balance, the proponent's request to rescind a nonbinding shareholder proposal from two years ago, which subsequently passed and upon which the company has already taken action would not represent good corporate governance practice and therefore would not be in the best financial interests of our clients.

Item 6: Adopt Medium-Term Scope 3 GHG Reduction Target (AGAINST)

BIS did not support this shareholder proposal because the company has already taken actions that address the proponent's request given that they incorporate scope 3 emissions into their aforementioned PCI metric. Further, complying with the specific ask of the shareholder proposal may be unduly constraining on management's ability to set the company's long-term business strategy.

The shareholder proposal requested that Chevron "set a medium-term reduction target covering the greenhouse gas (GHG) emissions of the use of its energy products (Scope 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."⁸

In our commentary, "[Climate-related risk and the energy transition](#)," we discuss that as investors we find it helpful to be able to evaluate companies' assessments of their emissions across their value chain, or scope 3 emissions, where appropriate, and efforts to reduce them over time. A growing number of companies have

³ Chevron Corporation, "[2023 proxy statement](#)", April 12, 2023.

⁴ Chevron Corporation, "[lower carbon intensity of our operations](#)".

⁵ Chevron Corporation, "[Chevron approach to portfolio carbon intensity](#)".

⁶ Chevron Corporation, "[2023 proxy statement](#)", April 12, 2023.

⁷ The company offered, in its 2021 statement of opposition, that they are taking multiple approaches towards reducing Scope 3 emissions, including "[e]nabling customers to lower their emissions through increasing our renewable products, offering offsets, and investing in low-carbon technologies." Further, in the board's response to Item 6 on the 2023 ballot (addressed in more detail in the text), the company writes that "Chevron's PCI approach allows for flexibility and growth, incentivizes greater carbon efficiency for operations within Chevron's control, incentivizes production of lower carbon intensity fuels for customers, and is aligned with the interests of stockholders in higher returns and lower carbon."

⁸ Chevron Corporation, "[2023 proxy statement](#)", April 12, 2023.

started disclosing scope 3 emissions estimates, which provide important insight into the full carbon component of companies' goods and services. This further allows investors to evaluate the long-term risks and resilience of companies' value chains. However, we recognize that the methodology, accounting, assurance, and regulatory landscape for scope 3 emissions is complex, varied, and evolving, and understand that the scope 3 disclosures that companies are able to make will necessarily be on a good faith and best-efforts basis.

BIS did not support this shareholder proposal because Chevron has already incorporated scope 3 emissions into their PCI metric, including a target to reduce scope 1, 2 and 3 GHG emissions by more than 5% in 2028 from a 2016 baseline. Chevron is also targeting the reduction of carbon intensity by 35% across its upstream business by 2028 compared to 2016 and a goal of zero routine flaring of methane by 2030. The company also maintains a net zero aspiration for equity upstream scope 1 and 2 emissions.⁹

Chevron's broader climate-related risk reporting is, in our view, robust. In October 2021, Chevron published a Climate Change Resilience Report that outlines the company's approach to a transition to a low-carbon economy, including a scenario analysis incorporating the International Energy Agency's (IEA) Sustainable Development Scenario (SDS) and Net Zero Scenario.¹⁰ The report is aligned with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). In addition, in October 2022, Chevron published a methane report, which builds on Chevron's climate change-related reporting and provides specific information on the company's ongoing work to reduce methane intensity and improve methane emissions detection and measurement.¹¹

From the supporting statement of the shareholder proposal, it appears that the proponent is attempting to dictate the company's investment strategy.¹² In our view, this is unduly constraining on management's decision-making. As an investor on behalf of our clients, BlackRock relies on management teams to ultimately steer the corporate strategy that they deem most appropriate, with oversight from the board, to deliver durable, long-term financial returns. Moreover, Chevron's 2022 corporate sustainability report clearly highlights the company's strategic approach to its risk management and low-carbon transition opportunities, including investing \$2 billion in carbon reduction projects and \$8 billion in lower carbon investments by 2028.¹³ Accordingly, we did not support the shareholder proposal as it was not aligned with our clients' financial interests as long-term investors.

Item 9: Report on Social Impact from Plant Closure or Energy Transition (AGAINST)

BIS did not support this shareholder proposal because, in our assessment, Chevron is already providing disclosure regarding their approach to workforce continuity amid a transition to a low-carbon economy.

The shareholder proposal requested that the board issue "a report regarding the social impact on workers and communities from closure or energy transition of the Company's facilities, and alternatives that can be developed to help mitigate the social impact of such closures or energy transitions. The report should be prepared at reasonable cost, omitting proprietary information, and be available on the Company's website by the 2024 Annual Meeting of Shareholders."¹⁴

In our experience, companies that invest in relationships that are critical to their ability to meet their strategic objectives are more likely to deliver durable, long-term financial returns. By contrast, poor relationships may create adverse impacts that could expose companies to legal, regulatory, operational, and reputational risks. This is particularly the case regarding a company's workforce, as a significant number of companies

⁹ Chevron Corporation, "[Chevron's approach to upstream carbon intensity](#)."

¹⁰ Chevron Corporation, "[climate change resilience](#)", October 2021.

¹¹ Chevron Corporation, "[2022 methane report](#)."

¹² The proponent states "Changes in demand are as critical as changes in supply, but customers can only change sufficiently when key system players like Chevron offer alternatives at scale." Chevron Corporation, "[2023 proxy statement](#)", April 12, 2023.

¹³ Chevron Corporation, "[2022 corporate sustainability report](#)".

¹⁴ Chevron Corporation, "[2023 proxy statement](#)", April 12, 2023.

acknowledge the importance of their workers in creating long-term financial value. Consequently, when we engage with companies on how they navigate material climate-related risks and adapt to a low-carbon transition, this may include understanding how they are enabling the training, deployment, and advancement of programs that will support affected workers.

Chevron provides clear disclosure regarding how they approach workforce continuity, stakeholder engagement, training, and development in light of a transition to a low-carbon economy. Notably, Chevron's 2021 Climate Change Resilience Report and 2022 Sustainability Report discusses their approach to strategy, operational continuity, financial resilience, and human capital management.¹⁵

Chevron also has clear policies and practices in place to identify and manage potential risks associated with the company's impact on key stakeholders. Chevron has a robust and systematic approach to human rights, and engagement of Indigenous Peoples and the communities in which the company operates.¹⁶ The company also participates in the Just Transition Task Force with Ipieca, a global oil and natural gas association to advance environmental and social performance across an energy transition.¹⁷

In our assessment, Chevron's approach to managing the impact of a low-carbon transition on their key stakeholders is aligned with advancing the long-term financial interests of our clients and well explained in their disclosures. We therefore determined it was not necessary to support the shareholder proposal.

Item 10: Oversee and Report a Racial Equity Audit (AGAINST)

BIS did not support this shareholder proposal because in our assessment, Chevron's policies and actions on diversity, equity, and inclusion largely address the issues of focus in the shareholder proposal, which was confirmed by the independent racial equity audit the company voluntarily undertook in the last year.

The shareholder proposal requested that the board "commission and publicly disclose the findings of an independent racial equity audit, analyzing the adverse impacts of Chevron's policies and practices that discriminate against or disparately impact communities of color, above and beyond legal and regulatory matters. 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), both internally in its workforce and externally in impacted communities. Input from impacted workers, community members, customers, and other relevant stakeholders should inform the audit and report."¹⁸

As a fiduciary, we view proposals asking companies to undertake a racial equity assessment, or equivalent, through the lens of mitigating economic and reputational risk that could impact long-term financial value creation on behalf of our clients. As with other shareholder proposals, we analyze each on a case-by-case basis, considering the company's policies, practices, and disclosures, as well as the balance between the costs and benefits of undertaking a third-party assessment.

A similar proposal on the agenda of Chevron's 2022 AGM received roughly 48% support. In response, Chevron engaged former U.S. Attorney General Loretta Lynch of the law firm Paul Weiss to conduct an audit of Chevron's policies and practices to support DEI at the company.¹⁹ The resulting report was published on Chevron's

¹⁵ Chevron Corporation, "climate change resilience", October 2021, and "2022 corporate sustainability report", 2023.

¹⁶ Please see previous footnote.

¹⁷ Ipieca, "Accelerating a just transition". The task force shares best practices and information to help "support the oil and gas industry's participation in international collaboration to transition to a lower-carbon world in a way that's just and fair for workforces, communities, and consumers." According to Ipieca, efforts to achieve a just transition should, among other things: "Respect the rights of communities and workforces, including in global supply chains; Address impacts on those who currently depend on the oil and gas industry for jobs and energy, or benefit from its social investments; Address impacts of new types of business that reduce carbon and develop renewables; Promote long-term opportunities for decent work and sustainable livelihoods."

¹⁸ Chevron Corporation, "2023 proxy statement", April 12, 2023.

¹⁹ Chevron Corporation, "Racial Equity Audit Report, Chevron Corporation", March 13, 2023.

website in March 2023.²⁰ Key findings are discussed in the report and, notably, the overarching observation was that Chevron has demonstrated considerable commitment and resources to racial equity, diversity and inclusion internally as well as in their community engagement and procurement processes. The report also provides several suggestions on where resources and engagement efforts could be better communicated to allow for greater participation by employees.²¹ In addition, Chevron's 2022 Sustainability Report builds on these insights and highlights how the company "pursues the talent of underrepresented groups, including women and minority groups, through programs and partnerships."²²

In our assessment, the report published in March and the company's underlying policies and practices as evidenced through Chevron's disclosures, demonstrate the robustness of the approach they take to DEI. The report sought by the proponent would not, in our view, provide shareholders with an enhanced understanding of either the risks or robustness of Chevron's internal or external approach to DEI. BIS, therefore, determined that support for the proposal would not be in our clients' financial interests as long-term investors.

²⁰ Chevron Corporation, "[diversity and inclusion, enabling human progress](#)"; Chevron Corporation, "[Racial Equity Audit Report](#)," March 13, 2023.

²¹ Chevron Corporation, Racial Equity Audit Report, March 13, 2023. The audit included a review of Chevron's policies and practices, along with stakeholder interviews relating to Chevron's (1) overall commitment to D&I; (2) internal equity initiatives; (3) supplier diversity efforts; and (4) external equity initiatives. Among the initiatives Chevron has in place, Chevron's 2022 [corporate sustainability report](#) highlights how the company pursues the talent of underrepresented groups, including women and minority groups, through programs and partnerships, including through relationships with universities and diversity associations, refreshed external careers website, twenty-one country pages to highlight the company's diversity and inclusion efforts and attract multigenerational talent around the globe, as well as an intern program serving Chevron's early-career talent pipeline.

²² Chevron Corporation, "[2022 Sustainability Report](#)."

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 as appropriate. 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-related 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.²³

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 durable, 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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²³ 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.