



**Joseph M. Naylor**  
Vice President, Policy, Government and Public Affairs

July 20, 2016

Ms. Linnet F. Deily, Chair  
Mr. Enrique Hernandez, Jr.  
Gov. Jon M. Huntsman, Jr.

Public Policy Committee Meeting  
July 26, 2016

A meeting of the Public Policy Committee is scheduled for Tuesday, July 26, 2016, from 3:15 to 4:15 p.m. PDT, in room A4330 at Chevron's offices in Chevron Park.

The topics to be discussed during the meeting are as follows:

- Company and Chevron Employee Political Action Committee political contributions, direct and indirect lobbying expenditures, and policy priorities for 2016 and 2017; and
- U.S. legislative, regulatory, policy, and political developments and implications for and responses by the Company.

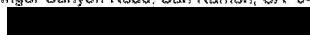
I am enclosing an agenda and pre-read materials for the meeting. Also enclosed is an updated PPC Issues Brief containing the more significant global public policy issues facing the company and country level summaries for Chevron's top 10 operating areas highlighting the policy and political landscape. You may also access these materials through Chevron's Boardbooks website.

Please let me know if you have any questions about the enclosed materials. I look forward to seeing you next week.

Best regards,  


Enclosures

cc: John S. Watson  
Mary A. Francis

Policy, Government and Public Affairs  
Chevron Corporation  
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**CHEVRON CORPORATION  
PUBLIC POLICY COMMITTEE**

**JULY 26, 2016, 3:15 – 4:15 P.M.  
ROOM A4330, CHEVRON PARK**

**AGENDA**

Time	Tab	Topic (Presenters)
<b>3:15 p.m.</b>	<b>1.</b>	<b>Minutes *</b> (Chair)  Review and approve the minutes of the March 29, 2016 Committee meeting.
<b>3:20 p.m.</b>	<b>2.</b>	<b>Political Contributions and Lobbying</b> (Lloyd Avram)  Discuss Company and Chevron Employee Political Action Committee political contributions, direct and indirect lobbying expenditures, and policy priorities for 2016 and 2017.
<b>3:35 p.m.</b>	<b>3.</b>	<b>U.S. Government Affairs Update</b> (Maria Pica Karp)  Discuss U.S. legislative, regulatory, policy, and political developments and implications for and responses by Company.
<b>3:50 p.m.</b>	<b>4.</b>	<b>Key Country Summaries</b> (Joe Naylor)  Discuss country level summaries for Chevron's top ten operating areas highlighting the policy and political landscape.
<b>4:05 p.m.</b>	<b>5.</b>	<b>Climate Change</b> (Joe Naylor)  Discuss proposed actions regarding stockholder proposal seeking additional disclosure on climate change risks.
<b>4:15 p.m.</b>		<b>Adjourn</b>

\* Items needing motion, second, and approval.

# **Tab 1**

# **Minutes**

**CHEVRON CORPORATION  
PUBLIC POLICY COMMITTEE  
MARCH 29, 2016**

**MINUTES**

A regular meeting of the Public Policy Committee of the Board of Directors of Chevron Corporation (“Corporation”) was held at the office of the Corporation in Houston, Texas, on March 29, 2016, at 2:53 p.m.

Members Present:

Linnet F. Deily, Chairperson  
Enrique Hernandez, Jr.  
Jon M. Huntsman, Jr.  
Carl Ware

Also present were Steve W. Green (Secretary), Wes E. Lohec, Joe M. Naylor, Mary A. Francis, and Kari H. Endries.

Ms. Deily called the meeting to order and the Committee proceeded with the agenda. The minutes of the joint meeting of the Committee and the Board Nominating and Governance Committee held on January 26, 2016, were reviewed and, on motion duly seconded, unanimously approved. The Committee also adopted the following resolution:

**RESOLVED:** That Joseph M. Naylor is hereby appointed Secretary to the Public Policy Committee of the Board of Directors of the Corporation, effective April 1, 2016.

Mr. Lohec provided an update on the Company’s approach to continuously improving its environmental stewardship. He identified key environmental issues that could affect the Company’s activities, including environmental performance, remediation, and environmental reserves and liabilities. His detailed report highlighted the Company’s environmental stewardship throughout an asset’s lifecycle and the Company’s core corporate environmental aspects.

Mr. Lohec discussed how the Company measures its environmental performance, including emissions, flaring and venting, and water management. His report continued with an update on the Chevron Environmental Management Company’s (EMC) management of asset remediation, site closures, and the reserve recognition process for environmental remediation liabilities. Mr. Lohec outlined mitigating actions taken by EMC to ensure its obligations are met in a safe, compliant, timely and cost-effective manner. Questions and discussion occurred throughout the presentation.

The Committee received a brief update on stockholder proposals to be voted on at the 2016 Annual Meeting of Stockholders and reviewed a revised board statement in response to a stockholder proposal that will be included in the Proxy Statement.

Mss. Endries and Francis and Messrs. Green, Lohec and Naylor left the meeting and the Committee met in executive session to conduct the Committee’s annual self-evaluation and plan its activities for upcoming meetings.

There being no further business, the meeting was adjourned.

Secretary

## **Tab 2**

# **Political Contributions and Lobbying**

## Policy, Government & Public Affairs: Political Contributions, Lobbying and CEPAC Chevron Board Public Policy Committee, July 26, 2016

Our strategy for both corporate and Chevron Employees Political Action Committee (CEPAC) contributions is to support candidates who share Chevron's philosophy of economic growth, job creation and development of oil and natural gas resources. We engage in lobbying to provide perspective on energy issues affecting the United States.

### Governance

- Political Compliance Education Program web-based training is deployed every two years for executives, management, employees and compliance coordinators; instructor-led training sessions are provided annually to employees who engage in more frequent political contributions and lobbying activities.
- Each year the Vice President, PGPA provides an assessment of the enterprise-wide risk associated with political contributions and U.S. lobbying activities. In 2015, risk level and control effectiveness were both rated "high"; business unit risk self-assessments for 2016 are due in the fourth quarter.
- In 2016, a Corporate Audit review affirmed that our compliance process vendor for political contributions had reasonable processes in place to ensure confidentiality, integrity and availability of Chevron information; the vendor was generally compliant with contract terms and conditions.
- Contributions from previous years are voluntarily disclosed and posted on Chevron.com.

### Corporate Political Contributions

PGPA has strong governance policies, procedures and documentation in place to administer the compliance program supporting political contributions.

### Operational Excellence (OE) Process

- Strategy and budget reviewed annually by the Executive Committee.
- Each contribution receives internal management approval as well as internal and external legal review.
- Requests over \$5,000 for candidate, non-candidate and all Louisiana contributions require approval by the VP / GM Government Affairs and the VP, PGPA.

### Scope

- Contributions are predominantly U.S. based and provided to candidates, independent expenditure committees (IECs), trade association political action committees (PACs) and leadership PACs, political parties, and ballot measure campaigns. Chevron also provides nominal contributions to political party organizations in Australia and Canada.

### Privileged – First Amendment

### Privileged – First Amendment

### Privileged – First Amendment

### Chevron Lobbying Activity

We lobby ethically, transparently and in a non-partisan manner. We comply with all laws.

### OE Process

- Legal review of all Chevron lobbying contracts.
- Lobbying Tracker system maintains employee time and expense records for California and federal lobbying activities.
- Compliance questionnaires sent to certain employees to assess and record lobbying activities for jurisdictions other than California or federal candidates.

### Federal Lobbying

### Privileged – First Amendment

## Privileged – First Amendment

### State Lobbying

## Privileged – First Amendment

## Privileged – First Amendment

### Chevron Employees Political Action Committee (CEPAC)

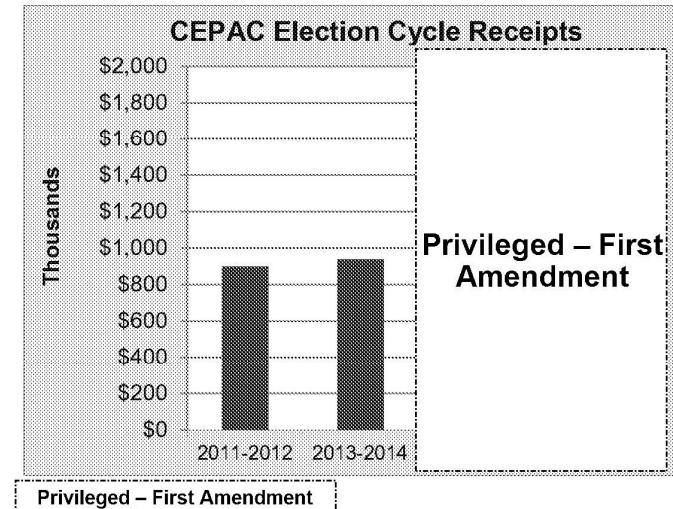
CEPAC provides federal/state candidate contributions in OH, OK, PA, TX, WV, and WY.

#### OE Process

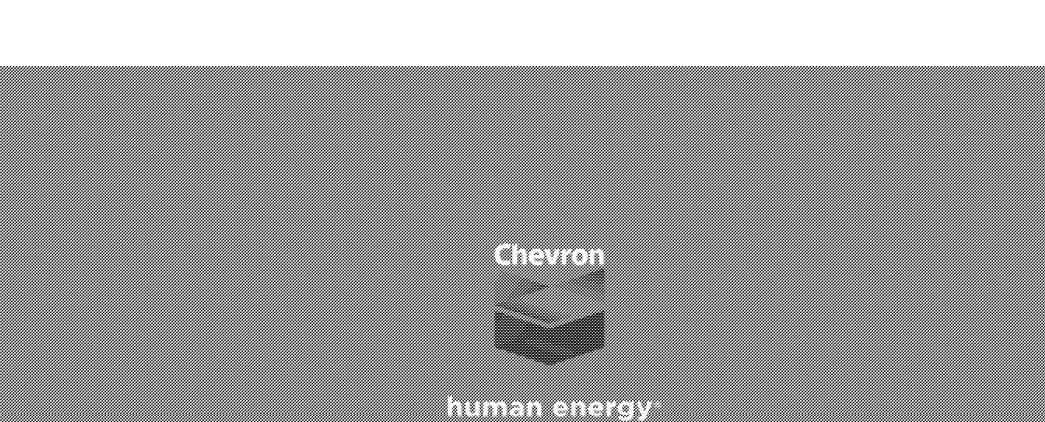
- CEPAC operates at the direction of an employee-led board of directors.
- CEPAC's board reviews strategy, budget, and federal and state candidate lists for each two-year election cycle.
- Each contribution receives legal review and CEPAC board approval.
- In accordance with CEPAC's growth plan and with legal support, an annual solicitation is conducted with eligible employees.

#### Scope

- Funds are provided to pro-industry federal and state candidates, leadership PACs and political parties where allowed by law. CEPAC is non-partisan.
- Funds are not provided to Presidential candidates.
- CEPAC currently has 750 members.



# **Slides Not Included in Director's Pre-read**



Chevron

human energy

# Political contributions, lobbying and CEPAC

Board of Directors  
Public Policy Committee

July 26, 2016

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CHEV-117HCOR-0127354

## Key topics

- Governance
- Political contributions
- Lobbying activity: direct and indirect
- Chevron Employees Political Action Committee (CEPAC)



# Governance

## Corporate contributions

- Strategy and budget reviewed annually by the Executive Committee
- Contributions require internal management approval and internal / external legal review
- Requests over \$5,000 for candidates, all non-candidate and Louisiana contributions require approval by VP / General Manager, Government Affairs and VP PGPA

## Lobbying

- Legal review conducted for all Chevron lobbying contracts
- Lobbying Tracker System maintains time and expense records for employee lobbying activities; data is used for California and Federal reports and company income tax return
- Distribute compliance questionnaire to employees and contract lobbyists to assess and record lobbying activities

*And for both contributions and lobbying activities ...*

- Training – instructor-led and web-based (Political Compliance Education Program or “PCEP”)
- Compliance Risk Assessment -- conducted on an annual basis to assess enterprise-wide risk level and control effectiveness

## CEPAC contributions

- Independent, employee-led board of directors supported by internal legal counsel
- Board reviews strategy, budget and candidate lists for each two-year election cycle
- Each contribution receives CEPAC board approval and internal / external legal review



## Political contributions

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## Direct lobbying: 2015 -2016

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Federal: key issues

Privileged – First Amendment

Privileged – First Amendment

State: key issues

### Privileged – First Amendment



## Indirect lobbying: 2015 - 2016

*Chevron holds membership in over 85 trade and industry groups that advocate on issues important to our business. In 2015, our lobbying allocations to the top 10 federal groups totaled*

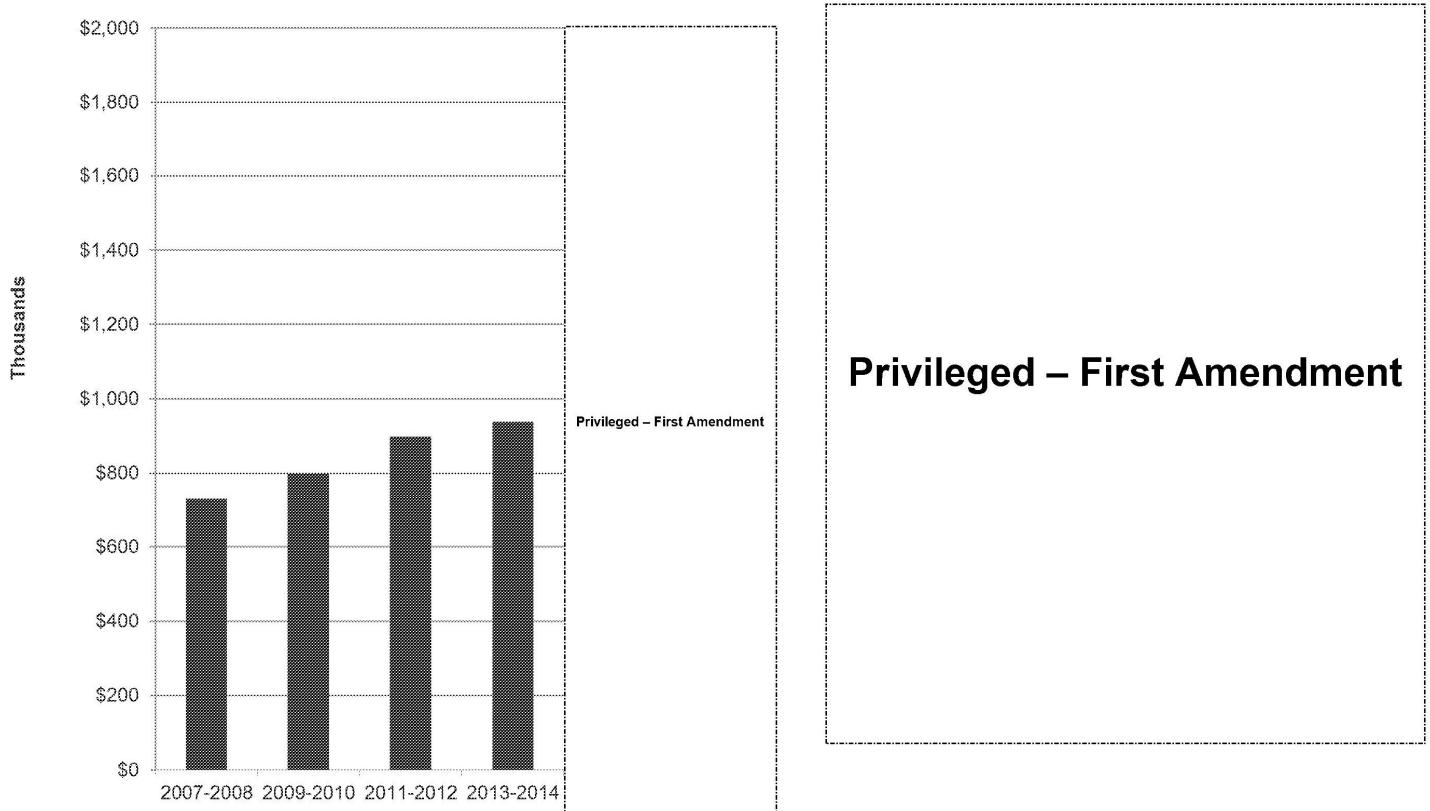
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## Privileged – First Amendment



# Chevron employees PAC (CEPAC)

## CEPAC election cycle receipts



*\*Current 2015-2016 projection*

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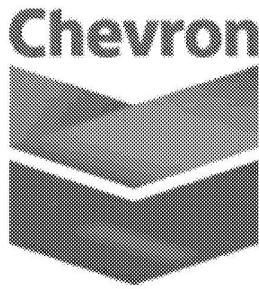
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## **Tab 3**

# **U.S. Government Affairs Update**



## **Global Issues, Social Investment, and Public Policy Update**

Board of Directors  
Public Policy Committee

July 26, 2016

Confidential – Restricted Access  
Public Policy Committee – July 2016

## Global Issues, Social Investment, and Public Policy Update Overview

This brief provides highlights of key global policy issues that can impact Chevron's business. The issues reviewed include: Human Rights; Revenue Transparency; Disclosure and Reporting; Stockholder Proposals on Climate Impact Assessment; UN Sustainable Development Goals; Social Investment; U.S. Politics and Policy; International Climate Policy Developments; Environmental Policy; Shale and Hydraulic Fracturing Activism; Sanctions; and Political Contributions and Lobbying. To manage this broad portfolio, we prioritize issues and apply issue management and stakeholder engagement processes to support the execution of advocacy strategies.

### **Human Rights**

*Chevron's Approach to Human Rights Management:* Chevron supports voluntary approaches that empower fit-for-purpose policies and processes such as the United Nations (UN) Guiding Principles on Business and Human Rights (UNGPs). Chevron's strategy is focused on continual improvement in our Human Rights Policy implementation and supporting processes, which will tighten alignment to the UNGPs and, as a result, help meet growing reporting obligations. Our policy's four focus areas align with the company's potential areas of concern: supply chain, security, community and employees.

### *United Nations Actions:*

Two working groups launched by the UN Human Rights Commission continue to advance competing initiatives to progress global protection of human rights. The Ecuador-led group promotes a binding treaty with unique obligations for and leverage over multinational enterprises, giving advantage to state-owned entities. This initiative is designed to strengthen the ability for plaintiffs to take multinational companies to international courts on human rights issues. Treaty rhetoric will increase prior to the group's October meeting.

Privileged – First Amendment

**Privileged – First Amendment**

*Government Action:* Chevron submitted its Responsible Investment in Myanmar report to the U.S. Department of State in May. Our next report is due July 2016, but may not be required if a proposal to raise the reporting threshold to \$5MM is approved.

The United Kingdom's Modern Slavery Act became effective in 2016. Chevron is required to produce our first annual statement in 1Q 2017.

Forty countries are in the process of implementing National Action Plans on Business and Human Rights. The U.S. plan is anticipated to be released prior to the November 2016 elections and will focus on reiterating and consolidating existing policy without adding new requirements.

*Voluntary Reporting Initiatives:* Ranking and rating human rights performance and demands for transparency continue. In November, Chevron is expected to be ranked against peers in the debut of the Corporate Human Rights Benchmark which was founded by socially responsible investors (SRIs) and human rights organizations.

*Emerging Activism:* In some jurisdictions, NGOs, communities and countries are linking human rights to climate change and hydraulic fracturing debates with the argument that industry impedes on human rights to environment, health and quality of life. Some are beginning to call for countries and companies that allegedly caused climate impacts to bear the cost of adaptation, migration and mitigation. The Philippines Commission on Human Rights is likely to soon hold hearings as part of an investigation into the responsibility of "Carbon Majors" for typhoon devastation and rising ocean levels. As Chevron was named a top Carbon Major and has operations in the country, the company could feature prominently in the coverage.

**Privileged – First Amendment**

Extractives Industry Transparency Initiative: Chevron maintains a leadership role in the Extractive Industries Transparency Initiative (EITI). The company has maintained a seat on the Global EITI Board since inception in 2003. Chevron's representative serves on the Board's policy committee and acts as an informal industry lead. Active participation at the global and country levels, as well as company-wide coordination within Chevron, are important for achieving compliance, maintaining commercial confidentiality, and minimizing expansion of scope and requirements. Chevron currently operates or has a non-operated working interest in 17 of the 51 EITI-implementing countries, including Indonesia, Kazakhstan, Nigeria and the United States, and has representatives on multi-stakeholder groups in five countries. Australia, Mexico and Thailand have each declared their intention to join EITI. Corporate Policy, Government and Public Affairs has established a revenue transparency coordination group to provide guidance to business unit practitioners for country-level EITI decision-making around reporting requirements and to ensure consistency of messaging and action across the enterprise.

Government Action: There are several legislative initiatives related to revenue reporting that are in various stages of implementation. The Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) instructed the Securities and Exchange Commission (SEC) to create a rule requiring extractive industry companies listed on a U.S. exchange to annually report payments made to all governments.

Privileged – First Amendment

## Privileged – First Amendment

On June 27, 2016, the final rule was published. The final rule is virtually identical to the December 2015 proposal.

Privileged – First Amendment

## Privileged – First Amendment

Privileged – First Amendment If there is no legal challenge to the new final rule, it will go into effect 60 days after publication in the Federal Register, and companies will be required to report in 2019 on 2018 data.

In June 2013, the EU revised its Accounting Directive to require large extractive companies registered in the EU to disclose payments made to all governments at a contract or lease level. The UK and Denmark transposed the directive into national law. The UK will report in 2016 on 2015 data; Chevron will report on Chevron North Sea Ltd assets. Reporting in Denmark will begin in 2017 on 2016 data.

Outside the EU, Norway has implemented revenue transparency legislation. In June 2015, Canada passed legislation that requires project level reporting, consistent with the EU definition. Reporting will begin in 2017 on 2016 data. The act will make public Chevron subsidiaries domiciled in Canada, including Thailand, Nigeria and Indonesia.

The overlapping legislative proposals raise the possibility that Chevron may have to report under multiple frameworks, leading to increased compliance costs.

Privileged – First Amendment

## Privileged – First Amendment

### Disclosures and Reporting

Stakeholder interest and expectations around companies' environmental, social and governance (ESG) performance and reporting are increasing, including among the investment community. Chevron publishes information about the company's ESG performance in a number of communications, including the annual *Corporate Responsibility Report Highlights* and on chevron.com.

Chevron's reporting is aligned with the indicators from the *Oil and Gas Industry Guidance on Voluntary Sustainability Reporting*, which is jointly produced by IPIECA, API and the International Association of Oil & Gas Producers (IOGP). For the

2014 and 2015 reporting cycles, Chevron reported fully to all indicators listed in the guidance, compared to 55% full reporting for the 2012 reporting cycle and 91% for the 2013 cycle. Chevron has increased its disclosures around water, personal and process safety, human rights, and workforce engagement and development.

### **UN Sustainable Development Goals (SDGs)**

Adopted last year by UN member states, the 2030 Agenda for Sustainable Development is gaining traction across the public and private sectors.

From July 11-20, 2016, the UN will convene a High Level Political Forum to discuss implementation and measurement of the SDGs, as well as lingering issues regarding the UN's governance of the agenda. Thus far, the UN has included the private sector in events and discussions on the SDGs; however, expectations are high among governments and civil society groups for companies to actively help countries achieve the goals. While expectations vary by country, there are some efforts in the global policy space to encourage or require companies to incorporate the SDGs into their ESG reporting process and to align their business practices to the goals.

The SDGs provide an opportunity for Chevron to showcase its leadership and contributions to sustainable development across nearly all the goals. Chevron included its position on the SDGs in the 2015 Corporate Responsibility Report, and remains actively engaged in discussions on the SDGs at the UN, U.S. government agencies, business associations, think tanks, and NGOs.

### **Global Social Investment Overview**

Chevron's global Social Investment (SI) spend has ranged from approximately \$200MM in 2010 to a high of \$274MM in 2013. The projected actual spend for 2016 is \$200MM, which is approximately 15% lower than 2015 actuals of \$233MM. This reduced level of activity is designed to maintain support for our operations by leveraging the strong partnerships and identity built over the last 5 years, while contributing to the company's cash flow objectives. For 2016, Thailand will increase investment to fund

the Thailand Partnership Initiative, designed to support Chevron's in-country concession extension strategy. Chevron continues to improve governance for SI, including work to advance measurement and evaluation (M&E). In early 2016, we implemented our M&E program for 2014-funded programs meeting the threshold for reporting. Eighty-seven percent (87%) met or exceeded their social impact target metrics, and 93% met or exceeded their SI objectives. Recent research confirms that Chevron's SI programs advance business objectives and establishes the company as a leader in corporate responsibility. This and other data associated with successes and shortfalls is shared among internal stakeholders companywide to inform future decisions and optimize our efforts.

### **Social Investment Approach**

2016 planned SI in the U.S. is ~\$100MM. Areas of significant planned investment internationally included: Nigeria-\$33MM, Eurasia-\$22MM, Thailand-\$8MM and Australia-\$6MM. In addition, large global and regional programs are continuing in 2016, such as the University Partnership Program-\$19MM, and Fuel Your School-\$6.5MM.

### **SI Focus Areas**

Chevron's global SI activity continues to bring greater focus and recognition for Chevron within the areas of health, education and economic development. For 2016, approximately 70% of Chevron's overall social investments globally are planned in these focus areas. This percentage remains flat with 2015.

*Health:* 2016 planned investments in health total more than \$20MM with a special emphasis on working with global partners to combat HIV/AIDS (including prevention of mother-to-child transmission) and sickle cell disease. In 2016, Chevron will continue to partner with Texas Children's Hospital, The Global Fund and PACT to fight these diseases. The 2016 investment of \$20MM is 33% reduction over 2015, designed to align with the current business environment while maintaining our leadership position in the area of global health.

**Education:** Chevron's 2016 SI strategy for education continues to involve playing a leadership role in improving STEM education through a holistic approach supporting awareness, curriculum, teacher training and advocacy. In 2016, Chevron plans to invest more than \$80MM in education worldwide, including \$19MM for K-12 STEM programs in the U.S., and the continuation of the aforementioned University Partnership and Fuel Your School programs. The planned 2016 spend of \$80MM is an 11% reduction over the 2015 plan. This reduction relative to global health and economic development spend reflects our prioritization of initiatives relative to community needs in our areas of operations.

**Economic Development:** Chevron's economic development continues to focus on training, job creation, and enhancing livelihoods in the communities where we operate. In 2016, Chevron plans to invest more than \$50MM globally with major Partnership Initiatives including Niger Delta (\$8MM), Thailand (\$5.7MM), Appalachia (\$3MM), Bangladesh (\$3MM), Richmond Economic Revitalization (\$2.5MM), and Atyrau Youth Development (Kazakhstan \$1MM). The 2016 plan of \$50MM globally is a 32% reduction over 2015. This plan may be further reduced as we respond to the business environment globally.

### **Global Public Policy Overview**

The political landscape remains active in the U.S. and abroad. The final year of the Obama Administration, the upcoming elections in the U.S., continued activism against our industry, and a sustained focus on climate change policy at home and abroad has resulted in an active political and policy landscape.

**Privileged – First Amendment**

**Privileged – First Amendment**

### **U.S. Political and Policy Landscape**

The presidential race has dominated the 2016 political landscape, due to the rise of non-traditional candidates. Senate Republicans must win virtually every contested seat to retain a majority, while House Republicans are likely to hold their majority. In the interim, the Obama Administration continues

cementing its climate and environmental legacy, including finalizing agency rulemakings and setting the groundwork that will accelerate or impede the next Administration's agenda.

At the state and local level, activism continues against industry. Ballot initiatives to impose bans on hydraulic fracturing, establish local control over oil and gas operations, and establish mandatory setbacks may confront us in 2016.

**U.S. Federal Climate Policy:** In connection with the December 2015 UN Paris Agreement, the Obama Administration continues to pursue a climate agenda to meet an emissions reduction target of 26-28% by 2025. This target is intended to be met through the Climate Action Plan (CAP), which envisions regulations on power plants, the oil and gas sector, and the transportation sector. All current and proposed regulatory initiatives will be needed to meet the U.S. emissions target. Various CAP initiatives are currently being, and will continue to be, heavily litigated.

**Clean Power Plan:** The Supreme Court in February issued a stay on the Environmental Protection Agency's (EPA) Clean Power Plan (CPP), halting implementation of the rule. Legal challenges will be heard by the full D.C. Circuit Court of Appeals in September 2016, likely paving the way for a Supreme Court ruling on the rule in 2018.

Although the rule is stayed, EPA continues to work behind the scenes with supportive states on implementation. Industry remains active in the litigation and with EPA on select implementation issues. When finalized, the CPP can affect natural gas demand for electricity generation and the cost of electricity for our facilities. Chevron

**Privileged – First Amendment**

**Privileged – First Amendment**

**Methane:** In June 2016, EPA published final rules to reduce methane and volatile organic compound emissions from the oil and gas sector, impacting all

new and modified sources.

Privileged – First Amendment

## Privileged – First Amendment

**Privileged – First Amendment** EPA also published a draft request to gather emissions information about existing sources in order to draft an existing source rule in 2017. States (e.g., CA, CO, PA, OH, and WY) continue to draft and implement state-level methane regulations. The Department of the Interior (DOI) may develop offshore methane reduction rules; timing is unclear. In January, the DOI's Bureau of Land Management (BLM) released proposed rules to reduce methane emissions on federally-owned and tribal lands. Chevron and trade associations submitted formal comments.

Privileged – First Amendment

## Privileged – First Amendment

**RFS: The Renewable Fuel Standard (RFS)** **Privileged – First Amendment** On November 30, 2015, EPA finalized volume standards for 2014-2016 and proposed 2017 volumes on May 18, 2016. In both rulemakings, EPA used its waiver authority to reduce the mandated volumes of renewable fuel to address advanced biofuel supply and E10 blendwall limitations.

**Privileged – First Amendment**

**Privileged – First Amendment** EPA's use of its waiver authority regarding the E10 blendwall is being litigated, resulting in sustained program uncertainty.

Privileged – First Amendment

## Privileged – First Amendment

*California Climate Policy:* California continues to pursue

**Privileged – First Amendment**

**Privileged – First Amendment** AB32, the state's Global Warming Solutions Act. In 2015, Governor Brown issued an Executive Order establishing an aspirational 2030 goal of reducing GHG emissions by 40% from 1990 levels, which has yet to be authorized by the Legislature. Regardless, the Governor and the state's Air Resources Board (ARB) are continuing efforts to pursue the 2030 goals by strengthening and extending existing programs under AB32 via an update of the Scoping Plan.

On April 19, 2016, the California's Legislative Counsel opined that only the Legislature (not the Governor or ARB) has the authority to set goals to achieve GHG reduction targets lower than those authorized through AB32. Under the current AB32 cap and trade program, the state continues to collect billions of dollars annually in revenue stemming from the auction of carbon allowances. Pending litigation claiming that the collection of the auction revenue is an illegal tax adds significant uncertainty to the future viability of auction funded projects.

## Privileged – First Amendment

### International Climate Policy Developments

From November 30 to December 12, 2015, the UN Framework Convention on Climate Change (UNFCCC) held the 21<sup>st</sup> session of the Conference of Parties (COP21) in Paris, France. COP21 culminated in the 'Paris Agreement,' which iterates an overarching goal of limiting global temperature rise to 2°C above pre-industrial levels, and notes a 1.5°C aspirational goal, to be achieved through non-binding emissions targets with limited enforceable reporting provisions. The Paris Agreement will replace the Kyoto Protocol, beginning in 2020.

Out of the world's 193 countries, 187 filed some form of an emission reduction goal or target, referred to as "Intended Nationally Determined Contributions" (INDCs). These INDCs cover ~99% of global emissions and ~99% of global population. Chevron has operations or interests in about 28 countries that have submitted INDCs. It is unclear if or how most countries will meet their INDCs. As jurisdictions consider policies and implementation actions to pursue to achieve their INDC goals, Chevron will work with policymakers to inform specific policy proposals in alignment with our Climate Change Policy Principles (available at: <https://www.chevron.com/corporate-responsibility/climate-change/policy-principles>).

On April 22, 2016, the Paris Agreement was opened for signature, which is a first step in the UN's two-step process for countries to provide their final

endorsement of the Paris Agreement. As of June 14, 2016, 177 countries have signaled their intention to pursue final endorsement through their own domestic processes. The Obama Administration has indicated that it will rely on its executive authority to provide a final endorsement of the Paris Agreement. COP22 will take place in Marrakech, Morocco on November 7-18, 2016. Additional national actions regarding climate are described below.

**Australia:** In July 2014, the Australian Parliament officially repealed its carbon tax. The Government's "Direct Action" policies are still in development, as it continues to implement its Emissions Reduction Fund. Australia's current target is 26-28% reduction by 2030 from 2005 levels. Newly elected Prime Minister Turnbull plans no near-term significant changes to the climate agenda underway, which is on a course to set a baseline and credit scheme in July 2016. A baseline and credit scheme resembles a cap-and-trade scheme, with key differences (e.g., a focus on emission intensity vs. emissions).

**Canada:** Varying climate and clean energy programs continue to accelerate in Canada under the Liberal majority government lead by Justin Trudeau. Alberta, British Columbia (BC), Ontario and Quebec lead with existing or new carbon pricing policies. In addition, in March 2016, the United States and Canada signed an MOU that provides that the two countries will each aim to achieve methane emission reductions of 45% by 2025. Canada is expected to issue its federal regulations to implement this goal in 2017. This may create jurisdictional tension with the provinces (BC and Alberta) that already regulate methane. In general, the Canadian landscape could lead to increased regulatory stringency, increased costs and time delays on projects.

**South Africa:** South Africa plans to introduce a \$12 per metric ton national carbon tax and is developing sector specific GHG standards. Implementation has been delayed to 2017. Such a tax would likely have a significant impact on the Cape Town refinery.

**Kazakhstan:** Although Kazakhstan has adopted a broad-based Emissions Trading Scheme (ETS), it has been suspended until 2018. To date, the ETS has not required any emission reductions from industry. It may add benchmarking and auctions in its next phase of its ETS program in 2016-2020.

**China:** China has pledged a 60-65% carbon intensity reduction from 2005 levels in order to curb CO<sub>2</sub> emissions and to increase renewable energy usage to about 20% by 2030. The government has also announced plans to initiate a national ETS by 2017 that would cover the power, iron and steel, chemicals, building materials, pulp and paper, and nonferrous metals sectors. It remains unclear if China will achieve these ambitious goals.

### **Environmental Policy**

Concurrent with the CAP, the Administration is pursuing an environmental agenda through regulations that expand existing authority and ratchet down standards. Environmental regulations that will impact Chevron are described below.

**Waters of the U.S.:** In June 2015, EPA issued a final rule to expand its jurisdiction over "Waters of the U.S." Various industries, from agriculture to energy, opposed the rule as regulatory overreach and have filed a series of lawsuits. The 6<sup>th</sup> Circuit Court of Appeals has issued a stay against the rule. Litigation may not be finally resolved until 2018 or 2019.

### **Privileged – First Amendment**

**Ozone:** On October 1, 2015, EPA lowered the national ozone standard from the previous level of 75 parts per billion (ppb) to 70 ppb, which may lead to new emission reduction requirements for Chevron operations in parts of the South and West beginning in 2018.

### **Privileged – First Amendment**

### **Privileged – First Amendment**

Well Control Rule: On April 29, 2016, as part of the post-Macondo safety improvement initiative, DOI's Bureau of Safety and Environmental Enforcement (BSEE) finalized new requirements for blowout preventers, drilling margins and other well controls measures for offshore drilling operations.

The final rule potentially carries significant increases in operation costs, limitations for drilling certain well configurations and permitting delays.

#### Privileged – First Amendment

Endangered Species Act: The DOI's Fish and Wildlife Service (FWS) continues to work through a court mandate to address whether over 1,000 species should be listed as threatened or endangered under the Endangered Species Act (ESA) by 2018.

#### Privileged – First Amendment

**Shale and Hydraulic Fracturing Activism**  
Driven by NGOs and anti-fracking activists, concerted efforts continue to delay or ban oil and natural gas development at the local, state, and federal levels. Specific actions within Chevron's operating areas include: a ballot initiative this November in Monterey, California to ban fracking

and other "extreme oil extraction methods"; opposition attempts to challenge Texas House Bill 40, which affirms that the state has exclusive jurisdiction to regulate oil and gas operations thus prohibiting local-level hydraulic fracturing bans; and attempts to qualify statewide ballot initiatives in Colorado this year that seek to ban or restrict hydraulic fracturing.

#### Privileged – First Amendment

#### Sanctions

There does not appear to be an imminent threat of new or additional U.S. sanctions from Congress or the Administration beyond those in place. However, we remain mindful that sanctions are a key policy tool and continue to monitor global developments.

Cuba: In an effort to normalize relations with Cuba, the Administration announced further measures to ease travel and trade restrictions ahead of President Obama's historic visit in March 2016. No diplomatic action has been taken to resolve property settlement claims to date. Chevron continues to monitor this issue given a claim related to a Texaco refinery seized by Cuba in 1960.

Iran: On January 16, 2016, the International Atomic Energy Agency (IAEA) verified Iran met its obligations under the terms of the Joint Comprehensive Plan of Action (JCPOA) between Iran and the P5+1 nations (U.S., UK, France, China, Russia and Germany). Under the terms of the JCPOA, the IAEA's verification triggered "Implementation Day" and the lifting of nuclear-related sanctions on Iran. On the same day, the U.S. Department of Treasury, Office of Foreign Asset Controls (OFAC) released a number of documents that provide guidance to U.S. companies and the general public on the implementation of the JCPOA and the nuclear-related sanctions relief.

Nothing in the January 16 OFAC documents fundamentally changes Chevron's analysis that U.S. companies' ability to re-engage with Iran commercially is very limited. The U.S. sanctions lifted pursuant to the JCPOA are "secondary sanctions" targeting foreign (non-U.S.) companies doing business with Iran. Lifting secondary sanctions enables foreign companies to do business with a wide variety of Iranian entities identified in the JCPOA, subject to few restrictions, without fear of designation under the sanctions. U.S. "primary" sanctions remain in force and continue to prohibit U.S. persons from engaging in most types of business with Iran or with Iranian entities.

*Russia:* Sporadic reports of violence continue in eastern Ukraine, and concerns remain that the Minsk Agreements will not be fully implemented. EU sanctions must be renewed every six months, and renewal of sectoral sanctions is timed to coincide with Minsk implementation. There is a strong probability that the EU will continue its sanctions against Russia through the end of 2016, but there are indications that resolve to continue measures is weakening among some EU member states. In light of other domestic and global issues, Russia sanctions are not on the top of the agenda for the Administration and Congress. However, should the EU ease sanctions by the end of 2016, this could result in a misalignment with the U.S., undermining the U.S. strategy to stay in lock-step with the EU. Any roll-back of Russia sanctions will be politically difficult in the U.S.

**Privileged – First Amendment**

**Privileged – First Amendment**

**Privileged – First Amendment** To date, sanctions have not had an adverse impact on Chevron's operations in the region.

### **Political Contributions and Lobbying**

Chevron participates in the political process domestically and internationally through corporate contributions and the Chevron Employees Political Action Committee (CEPAC). The primary objective of the company's contributions is to identify and support candidates who share Chevron's philosophy of economic growth, job creation, and development

of oil and natural gas resources. Chevron complies with the letter and spirit of all laws governing political contributions and lobbying. We voluntarily disclose our activities on Chevron.com.

The political contribution and lobbying activities of corporations continue to draw scrutiny from media and activists in the U.S. Chevron discloses its contributions and lobbying activities in accordance with all laws. Our annual contributions are minor relative to those expended by wealthy individuals and trade unions during election cycles. Chevron also contributes to independent expenditure committees (IECs) as they are an increasingly important vehicle. Chevron has again contributed to the Congressional Leadership Fund (CLF) and is also supporting a new committee this election cycle: the Senate Leadership Fund (SLF). In addition, Chevron is contributing to several IECs in California during 2016.

**Privileged – First Amendment**

### **Privileged – First Amendment**

*Governance:* The Political Compliance Program governs all political contributions and U.S. lobbying activities. Audits have affirmed that the program has strong governance policies and procedures in place. Web-based training is deployed every two years. In 2015, approximately 10,000 Chevron employees and contractors received this training. Instructor-led training is deployed annually to employees who engage in more frequent political contributions and lobbying activities. In 2015, approximately 300 employees received this training. Each year the Vice President, PGPA provides an assessment of the enterprise-wide risk associated with political contributions and U.S. lobbying activities. In 2015, the risk level and control effectiveness were both rated "high" by the VP PGPA.

*Political Contributions:* Chevron's corporate contributions are predominantly U.S.-based. They are provided to candidates, IECs, trade association

political action committees (PACs) and leadership PACs, political parties, and campaigns on ballot measures. Chevron also provides nominal contributions to political party organizations in Canada and Australia. For 2016, Privileged – First Amendment

**Privileged – First Amendment** Budgets can vary widely from year-to-year, driven by the number and type of elections, political dynamics and supplemental funding requests to oppose or support ballot measures.

Lobbying Expenditures: Chevron engages in direct and indirect lobbying activities. The company lobbies directly through employee lobbyists in its federal and state offices as well as contract lobbyists. Chevron also lobbies indirectly through its national, regional and state industry and trade associations. Chevron holds membership in over 85 associations that lobby on our behalf.

### **Privileged – First Amendment**

#### Chevron Employees Political Action Committee:

CEPAC operates independently under the governance of a board of directors comprised of Chevron employees. The CEPAC board reviews strategy, budget, and federal and state candidate lists for each two-year election cycle. CEPAC currently provides contributions to state candidates in OH, OK, PA, TX, WV, and WY. CEPAC has approximately 750 members

Privileged – First

### **Privileged – First Amendment**

### **Privileged – First Amendment**

# **Slides Not Included in Director's Pre-read**



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# U.S. legislative and regulatory policy developments

Board of Directors  
Public Policy Committee

July 26, 2016

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# Agenda

- U.S. federal landscape
- U.S. state landscape
- International landscape



# U.S. federal landscape

## White House focus on legacy as partisanship continues



### Policy outlook

- Embedded regulatory framework
- Ongoing litigation

### Climate action plan (CAP)

- Clean Power Plan (CPP) uncertainty prompts some states to act, others to hold
- Methane now CAP's centerpiece
- Renewable Fuel Standard reform ongoing, but unlikely

### Environment and safety

- Ozone final rule lowered threshold, pursuing implementation flexibility
- Offshore well control rule finalized, seeking legislative remedy

## U.S. state landscape

### Activism ongoing risk to our business



#### Battle ground for access and local control

- Activists continue to challenge at the grassroots level
- Hydraulic fracturing safety remains flashpoint
- Access, infrastructure, local control are targets
- Legislatures remain energy policy “test kitchens”

#### State landscape active in 2016



#### Privileged – First Amendment

#### Chevron advocacy response

#### Privileged – First Amendment



# International landscape

## An evolving geopolitical landscape



### Foreign policy

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- Campaign rhetoric creates uncertainty
- U.S. influence impacted by transition

### Sanctions

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- Risk of sanctions persists (Russia, Iran)
- Difficulty in easing sanctions (Cuba, Myanmar)

### Trade

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- Outlook uncertain on key trade agreements

# Discussion

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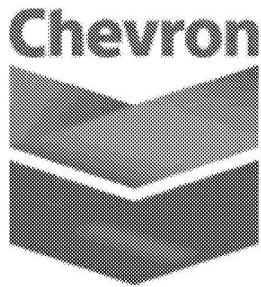
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## Tab 4

# Key Country Summaries



**Public Policy Issues Brief  
Government Affairs**

Major Global Issues  
Key Country Summaries

Board of Directors  
Public Policy Committee

July 26, 2016

## KEY COUNTRY SUMMARIES

### Financial and Operating Statistics

	Net PP&E & Equity Investment (12/31/2015) <sup>1</sup>		3-Year C&E (2016-2018)		Upstream Production OEG (MBD, 2015)		Net Income (2015) <sup>2</sup>	
	<u>\$B</u>	<u>%</u>	<u>\$B</u>	<u>%</u>	<u>Net OEG</u>	<u>%</u>	<u>\$B</u>	<u>%</u>
1. United States	63.3	29.4	24.4	33.8	720	27.5	(2.4)	-
2. Australia								
3. Nigeria								
4. Canada								
5. Angola								
6. Kazakhstan								
7. Thailand								
8. Indonesia								
9. United Kingdom								
10. South Korea								
<i>All Other</i>								
<b>Total</b>								

**Redacted – Business Confidential (competitive financial information) (non-U.S.)**

1. Investment reflects Book Value (not Fair Value)
2. Net Income includes interest and foreign exchange impacts, as well as operational earnings

The data contained in the chart and following one-pagers has not changed materially since the July 2015 update.

## United States

### **Major Projects/Resource Plays**

- Diverse upstream and downstream and chemical assets
- San Joaquin Valley California (heavy oil resources)
- Gulf of Mexico (shelf and deepwater)
- West Texas / SE New Mexico (shale, tight and conventional resources)
- Appalachian (shale resources)

### **Environment**

In the final months of President Obama's term, the White House is continuing an aggressive agenda designed to cement the President's climate change and environmental legacy and build upon pledges made at the 2015 UN Climate Change Conference (COP21). As the November elections approach, the political landscape is highly polarized on energy and climate issues. The top two presidential candidates offer distinct visions on climate and energy policy. Presumptive Republican nominee Donald Trump has publicly questioned the science behind climate change and has vowed to "rein in" U.S. participation in the COP21. Presumptive Democratic nominee Hillary Clinton endorsed COP21 and pledged to reduce U.S. oil consumption by a third, cut methane emissions by 40-45% and boost energy efficiency.

### **Domestic Legislative/Regulatory Risk**

The Obama Administration is using its remaining months to finalize key rulemakings related to the Climate Action Plan, safety and other environmental issues, as well as initiate potential future rulemakings with information collection requests. The Obama Administration's embedded framework could accelerate or impede the incoming Administration's regulatory agenda. On the Climate Action Plan front, the Supreme Court's stay of the Clean Power Plan may have motivated the White House to seek more stringent methane rules for new and existing sources through EPA and the Bureau of Land Management (BLM) in order to demonstrate continued commitment to GHG reductions. While this Administration did not pursue GHG regulations for the refining sector, refineries could be the next target for GHG regulations. On safety front, the Administration finalized its post-Macondo well control rule, which does not generally improve the safety of offshore oil and gas development beyond that provided by existing industry standards, rather it increases cost and may prevent some planned deepwater wells from being drilled. Litigation continues on several key Obama Administration rulemakings such as the Clean Power Plan and the Waters of the U.S. Justice Scalia's replacement could shift the ideology of the Court and subsequently impact future environmental litigation. Chevron advocacy

**Privileged – First Amendment**

## **Privileged – First Amendment**

### **External Stakeholders/Shareholder Action**

## **Privileged – First Amendment**

### **Geopolitical Risk**

The Administration's foreign policy agenda remains dominated by (1) the crises in the Middle East and the fight against the Islamic State; (2) the rebalance to Asia, which included the President's well-received trip to Japan and Vietnam in May but is offset by rising tensions with China; and (3) EU issues, including the likelihood of extended Russia sanctions through the remainder of 2016. Although the Administration continues efforts to garner support for congressional ratification of the Trans-Pacific Partnership (TPP), the politicization of trade policy on the presidential campaign dims the outlook for its near-term approval. The U.K. vote to leave the EU has dimmed the outlook for further progress on the Transatlantic Trade & Investment Partnership (TTIP).

### **Revenue Transparency**

The U.S. submitted its first Extractive Industries Transparency Initiative (EITI) report in December 2015, and may seek compliant status in 2017 following the release of the second report in December 2016. Tax reporting will be required for EITI compliance. The Securities and Exchange Commission released the final Dodd-Frank rule on June 27, 2016.

**Privileged – First Amendment**

**Redacted – Business Confidential (non-U.S.  
operation risk analysis)**

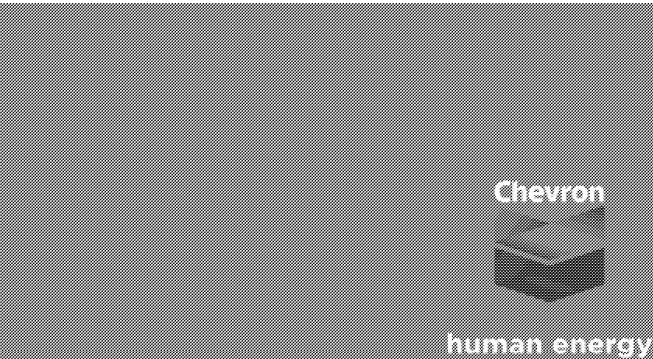
## Tab 5

# Climate Change

**Privileged – ACP/WP**

**Privileged – ACP/WP**

# **Slides Not Included in Director's Pre-read**



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# Climate change impact assessment proposal

Board of Directors  
Public Policy Committee

July 26, 2016

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# Agenda

## **Privileged – ACP/WP**

## Investors and climate activism

**Privileged – ACP/WP**

## Climate scenario proposals and responses

**Privileged – ACP/WP**

# **Chevron's climate change impact assessment proposal response plan**

**Privileged – ACP/WP**

# Discussion

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