Below is an excerpt from a report prepared for the Public Policy Committee:

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Extractive Industry Transparency Initiative

Chevron maintains a leadership role in the Extractive Industries Transparency Initiative (EITI). The company has held a seat on the Global EITI Board since its inception in 2003. Chevron currently operates or has a non-operated working interest in 17 of the 51 EITI-implementing countries, including Indonesia, Kazakhstan, Nigeria and the U.S., and has representatives on multi-stakeholder groups in six 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. The SEC published its second attempt at a final rule on June 27, 2016. The final rule is similar to the August 2012 rule, which a Federal Court vacated as a result of American Petroleum Institute (API) litigation.

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Privileged – First Amendment It is unclear at this time how the new Trump administration will respond to the Dodd-Frank legislation.

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. Chevron North Sea Ltd. submitted its UK report in November 2016 on 2015 data. Reporting in Denmark will begin in 2017 on 2016 data; it is expected that Chevron's partner Maersk will report as the operator.

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 require Chevron to report on 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 and potentially confusion by the public due to inconsistent reporting of financial information to meet different government requirements. **Privileged – First Amendment**

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Additionally, the OECD has designed a set of 13 actions with the intention of preventing "Base Erosion and Profit Shifting" (BEPS), in response to the changes in the global financial system, resulting from globalization and the digital economy. Country by Country reporting is one of those actions and will occur under a framework agreed to by OECD countries. Chevron's country-by-country report will be filed with the U.S. government beginning with the 2016 fiscal year. It is anticipated that the IRS will share this information confidentially with other tax jurisdictions, including information on cash taxes paid, revenues, before-tax profits and a list of the company's legal entities.

Disclosures and Reporting

Stakeholder interest and expectations around companies' environmental, social and governance (ESG) performance and reporting are increasing, including among the investment community. This is particularly true for reporting on climate-related issues.

Chevron's ESG reporting approach is to provide information voluntarily that reflects the company's salient risks and performance and respond to stakeholder needs, Privileged – First Amendment

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Chevron publishes information about the company's ESG performance in a number ways, 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). Additionally, Chevron has established a formal process for identifying and prioritizing ESG issues for reporting, which is governed by Chevron's Global Issues Committee.

For the 2016 reporting cycle, Chevron will focus on a core set of issues in the *2016 Corporate Responsibility Report Highlights*, including serious incident and fatality prevention, addressing climate change, respecting human rights, managing water resources and creating prosperity through direct and social investment. Chevron will also report new indicators related to greenhouse gas management.

Emerging Trends

There is some movement among mainstream investors and investment activists towards the inclusion of expanded ESG reporting in financial filings. Two organizations, the Sustainability Accounting Standards Board (SASB), a non-governmental organization, and the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD), which was stood up under the G-20, are rapidly advancing the development of voluntary, financially-oriented standardized ESG disclosures. The frameworks are connected by leadership, general approach and ideals and appear to be getting attention from large and influential institutional investors.

In addition, in April 2016, the SEC released a concept paper seeking comment on potential revisions to SEC disclosure requirements, including a section on "Disclosure of Information Relating to Public Policy and Sustainability Matters," which explicitly sought feedback on the sufficiency of issuer climate reporting.

API submitted comments to the SEC in support of the traditional definition of materiality as set forth by the U.S. Supreme Court, and urged the SEC to consider any new disclosure requirements, including those related to ESG issues, in the context of that definition. The comments also asked that the SEC fully weigh the incremental costs of any new disclosure requirement and assess potential benefits from the perspective of the reasonable investor, as opposed to that of special interest groups. The letter specifically urged the SEC not to adopt additional prescriptive rules for disclosure of ESG-related information under Regulation S-K. Chevron also submitted a separate letter to the SEC in support of these positions. Chevron instead supports voluntary reporting on ESG issues.

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