



## Corporate Political Activity

**Chevron**  
May 10, 2017

Ticker	Exchange	Meeting Date	Record Date	Annual Meeting Location
CVX	NYSE	5-31-2017	4-3-2017	Midland, Texas

Agenda	
Item	Proposal
1	MGT: Elect directors
2	MGT: Ratify selection of auditors
3	MGT: Advisory vote on executive compensation
4	MGT: Advisory vote on the frequency of future advisory votes on executive compensation
5	<b>SH: Report on lobbying</b>
6	SH: Report on anti-genocide policy
7	SH: Report on climate change strategy
8	SH: Report on climate change
9	SH: Independent chairman
10	SH: Nominate environmental expert to board
11	SH: Special meetings

**Si2 Briefing** [Corporate Political Activity](#)

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**Links** [Proxy Statement](#); [2016 Form 10-K](#); [Political Contributions and Lobbying](#); [Business Conduct and Ethics Code](#); [Governance and Ethics](#); [Public Policy Committee](#); [2015 Corporate Responsibility Report](#); [Si2 profile of Chevron](#) and selected state lobbying in [How Leading U.S. Corporations Govern and Spend on State Lobbying](#)

**Resolved Clause** Resolved, the stockholders of Chevron Corp. ("Chevron") request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Chevron used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. Chevron's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management's and the Board's decision making process and oversight for making payments described in sections 2 and 3 above.

For purposes of this proposal, a “grassroots lobbying communication” is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. “Indirect lobbying” is lobbying engaged in by a trade association or other organization of which Chevron is a member.

Both “direct and indirect lobbying” and “grassroots lobbying communications” include efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee or other relevant oversight committees and posted on Chevron’s website.

<b>Lead Proponent</b>	Philadelphia Public Employees Retirement System
<b>Vote History</b>	This is the sixth year in a row that this proposal has appeared on the Chevron proxy ballot. Support for the previous five proposals ranged from 23.2 percent (2012) to 27.9 percent (2015).
<b>Summary</b>	Chevron has a policy on direct corporate lobbying and provides full disclosure of federal lobbying expenditures as well as some state-level lobbying spending. It also has recently updated its policy to include a brief statement on trade association activity. However, it still falls short on full disclosure of trade association memberships, dues amounts and political and lobbying expenditures made by those associations using Chevron funds.

## I. Chevron and Political Activity

Chevron is an oil refining company engaged in providing numerous products and services through a host of subsidiary operations. It provides administrative, financial, management and technology support to domestic and foreign subsidiaries in the oil, chemical, mining, power generation and energy services. The company has operations throughout the world on all continents except Antarctica.

Financials			
(\$ millions)	2015	2016	% Change
<b>Total Revenue</b>	\$138,477	\$114,472	(17.3%)
<b>Net Income</b>	\$4,587	(\$497)	(110.8%)

Along with its affiliates, Chevron produced about 2.6 million barrels of oil-equivalent per day in 2016. Its net production of liquids and natural gas was highest in Asia in 2016 (730,000 barrels of oil equivalent per day), followed by the United States (691,000 barrels of oil equivalent per day) and Africa (376,000 barrels of oil equivalent per day). Production of crude oil and natural gas liquid was highest in the United States at 504,000 barrels per day, with Africa following at 339,000 barrels per day. Regional production levels for natural gas showed 2,375 millions of cubic feet per day in Asia (most heavily pulling from Thailand and Bangladesh) and 1,120 millions of cubic feet per day in the United States. The company and its affiliates have 66,158 gross productive oil wells and 12,898 gross productive gas wells.

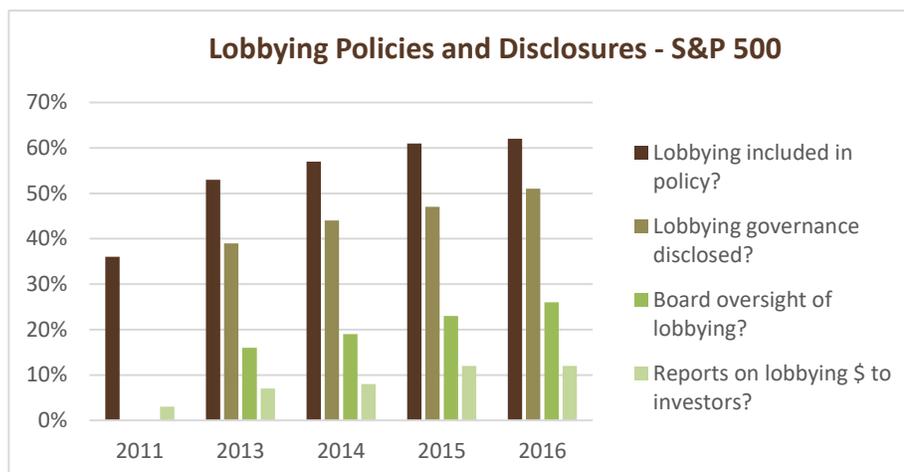
As of the end of 2016, Chevron and its affiliated companies had 11.1 billion barrels of oil-equivalent in net proved reserves, approximately 18 percent of which are located in the United States, 20 percent in Australia and 23 percent in Kazakhstan.

Chevron’s earnings reflect low oil and gas prices during the year. Chevron’s 2016 Form 10-K says the price of crude oil has fallen significantly since mid-year 2014, reflecting persistently high global crude oil inventories and production. “The downturn in the price of crude oil has impacted, and, depending upon its duration, will continue to significantly impact the company’s results of operations, cash flows, leverage, capital and exploratory investment program and production outlook,” adds the 10-K. Chevron is

responding with reductions in operating expenses, including employee reductions, pacing and re-focusing of capital and exploratory expenditures, and increased asset sales. Chevron has 55,200 employees, down from 61,500 at this time last year.

### Lobbying Policies

The bar chart and the table below provide comparative data from Si2's benchmarking research and show how board oversight and company disclosure on lobbying and intermediary group memberships and spending has increased in the last five years in the S&P 500 Index. The table shows how the company's lobbying policy stacks up against companies in the index and in Chevron's sector, using data from Si2's 2016 survey of the S&P 500.



**Direct lobbying:** Chevron discusses its corporate lobbying activity on its [Political Contributions and Lobbying](#) webpage and in the company's [Business Conduct and Ethics Code](#). According to Chevron, "Public policy decisions often have significant implications for Chevron's current operations and future direction. Accordingly, Chevron exercises its fundamental right and responsibility to participate in the political process." The Business Conduct and Ethics Code also states that "Lobbying activities include both direct communication with public officials and providing support to any person who engages in such communication."

Corporate Lobbying Policies – Governance & Disclosure			
	Chevron	2016 Si2 Study Results	
		Energy Sector	S&P 500
<b>Governance</b>			
Board oversight of lobbying	Yes	38%	27%
Management transparency on lobbying?*	Yes	54%	51%
<b>Policies</b>			
Federal lobbying mentioned?	Yes	70%	62%
State lobbying mentioned?	Yes	46%	32%
<b>Intermediary Groups</b>			
Trade association policy?	Yes	65%	55%
Other non-profit policy?	No	30%	30%
Discloses any memberships?	Partial	54%	44%
Discloses any payments?	Partial	44%	32%
Prohibits use of company \$ for politics?	No	5%	7%
<b>Spending Disclosure to Investors</b>			
Federal lobbying \$ reported?	Yes	22%	12%
Any state lobbying \$ reported?	Yes	5%	3%

\*Identifies corporate officer(s) involved in decision-making.

Chevron also provides the following details on its public policy engagement:

Chevron is engaging the administration of U.S. President Trump and the U.S. Congress to provide perspective on the complexity of energy issues affecting the United States and the world. Our outreach includes recommendations on policy matters regarding the economy, energy, climate change, international issues, education, and research and development. For example, Chevron often files comments to proposed regulations from U.S. agencies like the Environmental Protection Agency (EPA) and the Department of Interior. Chevron also maintains strong relationships with policymakers in Congress and their staffs. In addition, Chevron holds memberships in organizations that provide expert perspective on many issues that can be valuable to elected officials and their staff (view a list of select memberships and organizations in our CR report). The goal is to help shape an effective and responsible U.S. energy policy.

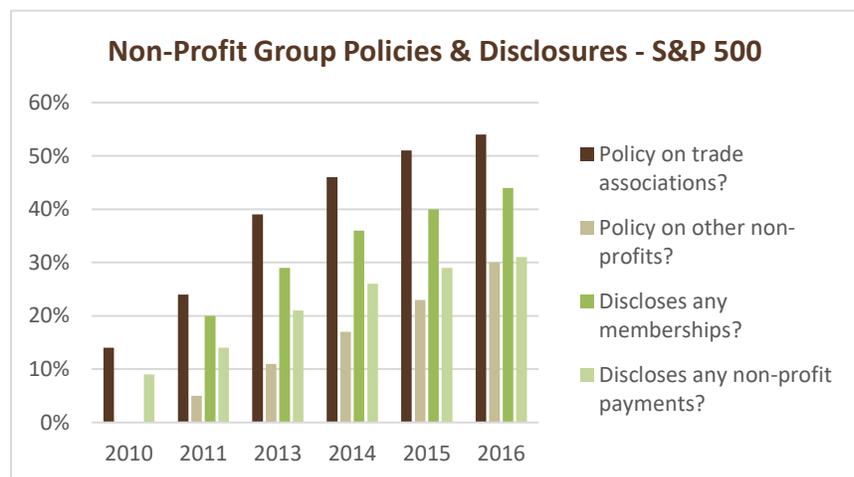
Lobbying is also briefly addressed in the [Governance and Ethics](#) section of the company's Corporate Responsibility website.

**Board oversight:** According to Chevron's [Charter of the Public Policy Committee](#), it is charged with annually reviewing "the policies and procedures and expenditures for the Corporation's political activities including political contributions and direct and indirect lobbying."

**Management transparency:** Chevron states that "Prior to engaging in lobbying activities, any employee or director must obtain guidance from their local Policy, Government and Public Affairs (PGPA) manager."

**Grassroots lobbying:** The company does not address grassroots activity.

**Indirect lobbying:** The bar chart at right provides comparative data from Si2's benchmarking research and shows how company disclosure on corporate indirect lobbying has grown in the last several years. Si2's review of S&P 500 companies' indirect spending governance practices in 2016 shows that 54 percent of these companies disclosed at least some form of policy on corporate trade association activity, up from 14 percent in 2010.



**Involvement with trade groups and other non-profit organizations:** The company's policies very briefly address the subject of trade association activity.

**Policy**—References to trade association activity include:

- Chevron's lobbying is comprised of the direct activities of our employees and consultants, and the indirect activities of our trade associations.
- Chevron holds memberships in organizations that provide expert perspective on many issues that can be valuable to elected officials and their staff.

**Membership and payment disclosure:** In its [2015 Corporate Responsibility Report](#), Chevron discloses a list of 13 memberships in trade associations, but not any other tax-exempt organizations that may spend money on lobbying. Chevron does not disclose any dues or payments to those organizations or the subset of those dues and payments used for political and lobbying expenditures.

However, in its [2016 Political Contributions Report](#), Chevron discloses a \$1 million contribution to the U.S. Chamber of Commerce. In the proxy statement, Chevron says, “Itemized in each report are the contributions to all candidates, organizations, and committees as well as the ballot measures that received contributions designated specifically for political involvement.” Therefore, it appears that the \$1 million contribution was made expressly for political involvement and was above and beyond any dues paid to the group by Chevron. In 2015 the company made a similar disclosure of a \$500,000 contribution to the same group. (See below for more on the company’s involvement with intermediary groups that spend on lobbying.)

### Lobbying Expenditures

Available information from the public record on the company’s lobbying shows it has spent \$43 million at the federal level in the last five years. These amounts may include contributions disbursed through intermediaries.

**Company disclosure of lobbying activities:** The company also independently discloses federal lobbying expenditures on its website by providing copies of its [quarterly lobbying disclosure forms](#) from the previous year (2016). In addition, Chevron provides copies of its [quarterly lobbying disclosure reports](#) for the State of California which show that in 2016 the company spent \$3 million on lobbying in that state alone. However, the company does not disclose whether California is the only state in which it lobbies.

Chevron Federal Lobbying Expenditures 2012-2016	
Year	Federal Lobbying Expenditures
2012	\$9,550,000
2013	\$10,530,000
2014	\$8,280,000
2015	\$7,200,000
2016	\$7,470,000
<b>Total</b>	<b>\$43,030,000</b>
Federal expenditures provided by the Center for Responsive Politics through their website <a href="http://OpenSecrets.org">OpenSecrets.org</a> . Quarterly lobbying reports are available at the <a href="#">Senate Office of Public Records</a> .	

In addition, the company provides links to relevant federal and California government disclosure websites.

### Involvement with Trade Associations & Other Intermediaries

As stated above, Chevron discloses a payment to the U.S. Chamber of Commerce in its [2016 Political Contributions Report](#) and a list of 13 memberships in trade associations in its 2015 Corporate Responsibility Report. However, it does not disclose any information on other tax-exempt organizations that may spend money on political campaigns and does not disclose the amounts of those dues used for political and lobbying expenditures (except for the \$1 million payment to the U.S. Chamber of Commerce for political activity). Dues paid by the company help underwrite a percentage of each association’s political and lobbying expenses. (See table for available data.)

Company Involvement with Trade Associations						
Organization	Chevron				Most Recent IRS Data	
	On Board	Member	2016 Contributions <sup>#</sup>		Total Dues	Political Spending*
			Dues	Political*		
American Petroleum Institute		X	ND	ND	\$130.4 mil.	\$99.4 mil.
American Fuel and Petrochemicals Manufacturers Assoc.	X	X	ND	ND	\$17.6 mil.	\$2.3 mil.
Business Roundtable		X	ND	ND	\$33.2 mil.	\$17 mil.
National Assn. of Manufacturers		X	ND	ND	\$58.4 mil.	\$17.3 mil.
U.S. Chamber of Commerce		X	ND	\$1 mil.	\$165.1 mil.	\$62.5 mil.

\*Political and lobbying expenses non-deductible under Internal Revenue Code Section 162(e)1.

**Memberships:** Some business groups have taken positions at odds with public policy initiatives supported by leading institutional investor activists and corporate reformers. Organizations supported by Chevron that may advocate for positions at odds with the company include the National Association of Manufacturers and the U.S. Chamber of Commerce (*A more detailed description of controversies about the group appears in Si2's Briefing Paper on Corporate Political Activity, pp. 30-33*).

### ***Ties to the American Legislative Exchange Council***

The [Center for Media and Democracy](#) (CMD), through its website [ALEC Exposed](#), reports that Chevron has been involved with the [American Legislative Exchange Council](#) (ALEC) for at least the last several years. CMD states that the company has been a sponsor of the ALEC Annual Conference in 2015, 2014, 2012 and 2011; as well as a member of the group's Energy, Environment and Agriculture Task Force. CMD suggests that the company is currently involved with ALEC, as well, but the precise nature of Chevron's current relationship with ALEC, if any, is unclear. (*More on ALEC and its corporate partners is in Si2's Briefing Paper on Corporate Political Activity, pp. 34-37*).

## **II. Proponent Position**

The proponent believes that without disclosure of the company's lobbying policies, procedures and expenses, shareholders cannot adequately assess the use of corporate funds and the risks that such spending may impose. In addition, the resolution asserts that without enhanced disclosure, the company may be inadvertently supporting communications, causes or policy objectives through trade association lobbying that do not coincide with the company's long-term interests and may pose risks to company shareholders.

The proponent is particularly concerned that Chevron does not disclose any information on its trade association activities or its ties to other tax-exempt groups that write or endorse model legislation – like the American Legislative Exchange Council.

*(Additional information on the proponent position appears in Si2's [Briefing Paper on Corporate Political Activity](#).)*

## **III. Management Position**

Chevron opposes the proposal and states that it already publicly discloses extensive information on lobbying activities. It goes on to say that energy, and its production, development, deployment and consumption, "is one of the most important public policy issues today, both domestically and internationally" and that public policy decisions on that and other issues can have a dramatic impact on the company. Therefore, "Chevron exercises its fundamental right and responsibility to participate in the political process" and "ethically and constructively advocates positions on proposed policies that will affect the Company's ability to realize strong financial returns while meeting the world's growing demand for energy."

As for trade association activity, the company states that it may not agree with all positions by associations that it supports, but that it believes that "the aggregate positions of these associations promote the interests of its stockholders."

Chevron provides a brief overview of the policies and procedures that govern lobbying, which are discussed in detail above.

The company states that it files its federal lobbying reports on a quarterly basis and provides a copy of those reports for the previous year as well as copies of its lobbying reports filed in the State of California. The company also notes that it provides links to both the U.S. government and California lobbying disclosure websites.

Chevron states that its political activities are “aligned with its stockholders’ long-term interests” and encourages shareholders to visit the company’s website to review all the materials provided. As a result of its current level of disclosure, Chevron believes that the requested report is unnecessary.

#### IV. Analysis

For a general analysis of the issues raised by corporate lobbying, please see Si2’s [Briefing Paper on Corporate Political Activity](#). The following is specific to Chevron.

##### **Key Points at Issue**

- Do shareholders have enough information about Chevron's lobbying activities?
- Do the company’s grassroots lobbying activities expose its shareholders to unnecessary risks?

**Best practices:** Chevron’s policies and procedures address direct corporate lobbying and have been recently updated to briefly touch on trade association activities. The company discloses provisions for board oversight of direct corporate lobbying, as well as information on the management governance of such activities.

**Disclosure:** Chevron provides information on federal and California lobbying expenditures on its website by linking to its quarterly disclosure reports from the previous year and directing shareholders to the relevant U.S. government and State of California disclosure websites. However, the company does not say whether it has engaged in any state lobbying outside California. Therefore, while the disclosure of some state-level lobbying expenditures is well ahead of most companies in the S&P 500, it is impossible to tell if Chevron has disclosed all such lobbying activity.

Required federal disclosure forms provide information on the issues and legislation the company lobbies about as well as which federal legislators or committees are contacted. But, since a public repository of all state level lobbying expenditures does not currently exist and state disclosure regimes vary, this means it is difficult, if not impossible, to accurately determine how much the company spends in the states on lobbying. Efforts to compile such information take extensive time and labor and do not yield easily comparable information. (See Si2’s [recent report on state lobbying for a profile of the company’s spending in six states where the most lobbying occurs.](#))

As for trade association activity, Chevron discloses only the briefest of policies. However, it has added a partial list of trade association memberships to its most recent Corporate Responsibility Report. It also lists the U.S. Chamber of Commerce in its annual political contributions disclosure because the company made an extra payment to the group expressly for political involvement. Other than that disclosure, the company does not provide any information to shareholders on annual dues or other payments made to trade associations or the amounts of Chevron dues and payments used for political and lobbying expenditures.

While trade associations do not routinely report lobbying expenditures as a percentage of member’s dues to individual members, they do provide each company with a breakdown of total political-related expenditures—which includes both political contributions and lobbying. The company therefore already receives this information and legally must report it to the Internal Revenue Service, and it could provide shareholders with specific information on how much of its dues are going to political expenses without incurring significant additional expense.

**Relationships with trade associations and other politically active non-profit groups:** Chevron's relationship with the U.S. Chamber of Commerce may prompt concern among some shareholders given the views held by the Chamber on climate change and other contentious issues.

On its [Climate Change](#) webpage, the company states that it shares the public's concern about climate change and the planet and acknowledges that "GHGs contribute to an increase in global temperature." The company also provides a report on its [Climate Change Policy Principles](#), which are:

- **Principle One:** Reducing greenhouse gas emissions is a global issue that requires global engagement and action.
- **Principle Two:** Policies should be balanced and measured to ensure long-term economic, environmental and energy security needs are all met, costs are allocated in an equitable, gradual and predictable way and actions consider both GHG mitigation and climate change adaptation.
- **Principle Three:** Continued research, innovation and application of technology are essential to enable significant and cost-effective mitigations to climate change risks over the long term.
- **Principle Four:** The costs, risks, trade-offs and uncertainties associated with GHG reduction and climate change adaptation efforts and policies must be transparent and openly communicated to global consumers.

The company webpage also provides a report on its [Greenhouse Gas \(GHG\) Management Activities](#), its approach to [Managing Climate Risks](#), its [Renewable Energy Initiatives](#) and its strategies to increase [energy efficiency](#). Also provided on the company website is an independent review of its [GHG Emissions Inventory](#). Chevron also points out that it is a participant in the annual CDP Climate Change questionnaire and that its overall score of 99 in 2015 was the highest of all integrated oil and gas competitors.

Given Chevron's line of business, no one would be surprised about the company's views on GHG reduction policies and goals. It says it supports taking "a measured approach" to addressing climate change—not dissimilar to the stated views of the U.S. Chamber of Commerce. For those who believe a more robust approach to cutting reliance on petroleum-based fuels is in order, the relationship and views of both the company and the Chamber, as expressed in their lobbying efforts, is probably a matter of concern—which can be addressed in part by a vote on the pending proposal. This relationship between the company and the Chamber is probably of considerably less concern for those who share the two entities' views on what sort of action to take regarding climate change.

Some also may be concerned with Chevron's ties to the American Legislative Exchange Council, given that's group's controversial positions. Yet other shareholders may see benefits the company gains through its ALEC relationship. All may want to weigh any benefits against the reputational costs associated with the group's extreme positions, although many of the companies that have ended their ties have been retailers with high profile consumer brands directly vulnerable to public stigma, not energy sector companies such as Chevron.

**Summing up:** In short, the company has a policy on direct corporate lobbying and provides full disclosure of federal lobbying expenditures as well as some state-level lobbying spending. It also has recently updated its policy to include a brief statement on trade association activity. However, it still falls short on full disclosure of trade association memberships, dues amounts and political and lobbying expenditures made by those associations using Chevron funds.

### ***Voting Considerations***

**Voting in favor:** Investors may want to vote in favor of this proposal to underscore to management that current publicly available information provides an inadequate view of company lobbying. They may think that more information is vital for properly assessing risks associated with lobbying, including in the states and at the grassroots, and they may have concerns about reputational damage that can come from ties to controversial groups.

**Voting against:** Investors may decide to vote against the resolution because they think there is enough information available from the company and other sources about its lobbying, and that current disclosure laws are adequate. Some also may vote against because they consider corporate lobbying immaterial (either monetarily or from a public relations perspective). Finally, some also may believe that the company should participate in the political arena through lobbying to pursue its interests, and those of its shareholders.