

April 30, 2018

Michael K. Wirth
Chairman of the Board and CEO
Chevron Corporation
6001 Bollinger Canyon Road
San Ramon, CA 94583-2324

Re: Investor Letter on Risks from Ecuador Litigation

Dear Mr. Wirth:

We congratulate you on your promotion this year to the role of Chairman of the Board and CEO of Chevron.

As shareholders that collectively represent \$109.44 billion in assets under management, we have a long history of successful dialogue with the Company. We wish to continue that tradition by inviting you and your new management team to an important conversation regarding the long-term interests of Chevron, its shareholders, and other key stakeholders.

One item of particular concern on our agenda is the risk posed by long-standing litigation over the acquired liability of Texaco pollution in the Ecuadorian Amazon. To further frame this aspect of our proposed dialogue, we have questions regarding the adequacy of management's disclosure of the risk to shareholders from the Ecuador litigation and whether our Company could benefit from exploring alternative approaches that might better protect future investor value.

We note that in Canada, Ecuadorian plaintiff communities have won three consecutive appellate court decisions in their attempt to attach Company assets to satisfy a \$12 billion¹ judgment against Chevron. Canada's [courts are currently considering](#)² whether to allow seizure of assets held by a wholly-owned Chevron subsidiary in Canada, an action which poses substantial risk to shareholders.

When Chevron acquired Texaco in 2001, it inherited significant legal, financial, and reputational liabilities stemming from pollution of the water and lands of communities in the Ecuadorian Amazon. As you know, for twenty years the affected communities brought suit against Texaco (and subsequently Chevron), and the case reached its conclusion in November 2013 when Ecuador's highest court confirmed a \$9.5 billion¹ judgment against Chevron.

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¹ \$9.5 billion original judgment, now \$12 billion including interest.

² See, for example: "Court sets aside cash order in Ecuadorians' appeal of Chevron decision: 'Impractical' to force plaintiffs to prove they don't have the money: appeals court", CBC News, Oct. 31 2017, <http://www.cbc.ca/news/indigenous/court-appeals-ecuadorians-cheveron-cash-1.4381020>

Instead of negotiating an expedient, fair, and comprehensive settlement with the affected communities in Ecuador, Chevron management pursued a costly legal strategy that has continued for more than two decades. Along the way, it appears that management has made significant missteps, including when it moved the case from New York to Ecuador. In failing to negotiate a reasonable settlement prior to the Ecuadorian high court's ruling, Chevron's Board of Directors and management exposed the Company to a substantial financial liability and risk to its operations. Finally, as shareholders, we must note with grave concern that prior management harassed and subpoenaed Chevron shareholders who questioned the prudence of the Company's legal strategy around the Ecuadorian matter.

Chevron is on record, in the sworn statements of one of its officers, testifying that the Company is at risk of "irreparable injury to [its] business reputation and business relationships" from any potential enforcement of the Ecuadorian court judgment. Chevron is also on record that such an injury to the Company "would not be remediable by money damages."³ Perhaps more concerning, Chevron's aggressive legal strategy and the deterioration of relations with affected communities in Ecuador threatens the Company's social license to operate in regions around the world where local authorities must routinely assess whether they wish to initiate or continue business dealings with Chevron.

Despite the appearance of significant liability and increasing risk with each of the Canadian lower court determinations, over time Chevron has not fully disclosed these risks in public filings or statements to shareholders. As a result, investors have petitioned the U.S. Securities and Exchange Commission to investigate whether Chevron may have violated securities law regarding potential misrepresentations or omissions of material information.

This has led shareholders to question whether the Company's leadership can properly manage the array of environmental and human rights challenges that it faces. In recent years, a significant and increasing number of shareholders have voted in support of corporate governance reforms designed to strengthen shareholder oversight of management. We note that a resolution that referenced management's mishandling of the Ecuador case and called for an independent board chair policy received the support of 39 percent of Chevron investors at the 2017 annual meeting. As a further indication of rising concern, this year investors submitted additional shareholder proposals that reference the Ecuador matter, which survived Company no-action requests and will appear in the 2018 proxy statement.

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³ Declaration of Chevron Deputy Comptroller Rex Mitchell in support of Chevron Corporation Motion for a Preliminary Injunction, filed 2/5/11, p. 4.

Mr. Wirth, as your ascension to top leadership represents the beginning of a new era in Chevron management, we believe it would set the right tone for you to broaden the existing conversation by engaging directly in constructive dialogue with investors. Toward that end, we invite you to arrange a meeting with the shareholders signed below to address the following issues, as well as any you may like to add to the agenda:

- The adequacy of the disclosure of risk to the Company's business and its operations from a full or partial enforcement of the \$12 billion⁴ Ecuador judgment. In particular, we would be grateful for an account of how Chevron reconciles its statements citing the possibility of "irreparable damage" to its business with the Company's past public statements to shareholders, which did not reference this risk.
- A reevaluation of whether seemingly endless litigation is in the best interests of shareholders or whether management could adopt a more productive approach, such as exploring an equitable settlement, to provide proper remediation for past environmental damages and better protection of future shareholder value.
- An examination of whether existing corporate governance arrangements and board structure promote sufficient oversight of the long-term challenges that face Chevron. These include the ongoing risk presented by the Ecuador litigation, the political and human rights risks affecting areas such as Nigeria and Myanmar, as well as the existential threat of climate change – a massive risk to Chevron's business which has already manifested and is set to intensify in the long run via regulation, energy price swings, and growing market uncertainty around the viability of fossil fuel investments.

In closing, we hope this message finds you well, enjoying the transition into your new role, and open to a new path forward in dialogue with shareholders. We would appreciate hearing from you with your thoughts, as well as an invitation to meet prior to the 2018 annual meeting of shareholders. Thank you.

Sincerely,



Bruce T. Herbert, AIF
Chief Executive
Investor Voice | Newground Social Investment



Pat Miguel Tomaino
Director of Socially Responsible Investing
Zevin Asset Management, LLC

All signatories listed on next page...

⁴ \$9.5 billion original judgment, now \$12 billion including interest.

Consortium that represents USD \$109.44 billion in total assets:

1. Zevin Asset Management (co-organizer)
2. Newground Social Investment (co-organizer)
3. Adrian Dominican Sisters, Portfolio Advisory Board
4. As You Sow
5. Azzad Asset Management
6. Calvert Research and Management
7. Congregation of St. Basil
8. Congregation of St. Joseph
9. Dana Investment Advisors
10. Daughters of Charity, Province of St. Louise
11. Dominican Sisters ~ Grand Rapids
12. Epic Capital
13. Folksam
14. Fonds de Solidarité FTQ
15. Franciscan Sisters of Perpetual Adoration
16. Horizons Sustainable Financial Services, Inc.
17. Impact Investors
18. JLens
19. JSA Financial Group
20. Mercy Health
21. Mercy Investment Services, Inc.
22. Northwest Coalition for Responsible Investment
23. Pension Plan of The United Church of Canada
24. Priests of the Sacred Heart, US Province
25. Reynders, McVeigh Capital Management
26. School Sisters of Notre Dame Cooperative Investment Fund
27. School Sisters of St. Francis
28. Seventh Generation Interfaith Coalition for Responsible Investment
29. Shareholder Association for Research and Education (SHARE)
30. Sisters of St. Francis of Philadelphia
31. Sisters of St. Francis Charitable Trust, Dubuque
32. Skye Advisors
33. Socially Responsible Investment Coalition
34. Stance Capital
35. Unitarian Universalist Association
36. United Methodist Women