

## Racial Equity Audit Report

---

## Chevron Corporation

March 13, 2023

## Table of Contents

- Message from Loretta Lynch ..... 1
- Executive Summary ..... 2
- Scope and Methodology ..... 2
  - I. Scope ..... 2
  - II. Methodology ..... 3
- History & Overview of Chevron’s Commitment to D&I ..... 4
  - I. Organizational Structure ..... 5
  - II. Financial Commitment ..... 5
  - III. Chevron Leadership Commitment ..... 6
    - A. Board of Directors ..... 6
    - B. Management ..... 6
- Internal Equity Initiatives ..... 6
  - I. Employee Engagement ..... 6
    - A. D&I Training ..... 6
    - B. Employee Networks ..... 7
    - C. Employee Feedback and Complaints Process ..... 8
  - II. Workforce Diversity Efforts ..... 9
    - A. Aspirational Goals ..... 9
    - B. University Recruiting ..... 9
    - C. Additional Pipeline Efforts ..... 10
    - D. Talent Development ..... 11
      - 1. Leadership Development Programs ..... 11
      - 2. Sponsorship Program ..... 11
    - E. Performance Review ..... 11
    - F. Promotions ..... 12
    - G. Assessments ..... 13
- Supplier Diversity ..... 13
- External Community D&I Efforts ..... 14
  - I. Chevron’s 2020 Racial Equity Initiative ..... 14
  - II. Business Unit Community D&I Efforts ..... 15

III. Volunteerism..... 15

Conclusion..... 16

## Message from Loretta Lynch

The events of the last several years have empowered stakeholders—shareholders, employees, customers, and community members alike—to ask companies about their contributions to an equitable society. As a result, many companies have renewed and strengthened their commitment to diversity and inclusion (“D&I”), understanding the value that diverse backgrounds and viewpoints bring to their business.

The recent rise in shareholder proposals for companies to conduct racial equity and civil rights audits, however, seems to suggest that stakeholders want more. Not necessarily more D&I policies and programs, but rather more thoughtful consideration of the effects and impacts of the measures already in place. To be sure, an audit of this kind is no easy feat. I commend Chevron Corporation (“Chevron” or the “Company”) for leaning into this opportunity, for it requires honest evaluation of not just demographic data, but also the lived experience of those the policies and programs are designed to serve.

Importantly, Chevron has been actively committed to D&I for decades and that commitment comes from the top. Chevron has long supported employee networks, and actively recruited from Historically Black Colleges and Universities (“HBCUs”) and Hispanic Serving Institutions (“HSIs”). Chevron has also instituted a dedicated supplier diversity program. The Company strives to embed D&I considerations into every aspect of its business, including recruiting, talent development, performance review and promotion, community engagement, and procurement.

But just as importantly, Chevron knows that its commitment to equity cannot fully succeed without participation from all of its employees at every level. Indeed, many employees already volunteer their time and make meaningful contributions to Chevron’s D&I and equity goals; it is critical that the Company continue to acknowledge these efforts. Moreover, Chevron is on a path to create stronger structures that empower and support its middle-managers and other individual employees to actively work towards the Company’s stated D&I goals. The Company is committed to further developing and providing the necessary training, guidance, and incentives to aid employees in reaching the Company’s goals.

Establishing meaningful change is a journey, further complicated by the ever-changing social and political landscape, which may require addressing the varied needs of different communities. I am encouraged by Chevron’s efforts to navigate these interests and look forward to the Company’s continued progress.



## Executive Summary

Chevron's commitment to diversity, equity, and inclusion is carried out through its numerous internal and external efforts targeted at increasing and enhancing opportunities for members of historically marginalized communities. These efforts are comprehensive and exist in nearly every aspect of the business. In an effort to better understand its impact, Chevron undertook this voluntary audit both to highlight areas of progress and identify opportunities for growth.

Chevron retained the law firm, Paul, Weiss, Rifkind, Wharton & Garrison LLP ("Paul, Weiss") to conduct an audit of Chevron's racial equity and D&I initiatives, including the Company's efforts in response to the death of George Floyd and the impact of the pandemic on the lives of Black Americans. The audit included a review of Chevron's policies and practices, along with stakeholder interviews relating to Chevron's (1) overall commitment to D&I; (2) internal equity initiatives; (3) supplier diversity efforts; and (4) external equity initiatives. Four thematic observations emerged from this review and our recommendations set forth in this report reflect and respond to these observations:

**Communication.** Chevron has demonstrated considerable commitment and resources to racial equity and D&I; however, not all of Chevron's efforts have been effectively communicated throughout the Company. To achieve maximum success, all employees must know about the Company's racial equity and D&I initiatives and also understand the value that D&I adds to Chevron.

**Engagement.** Chevron offers a number of opportunities through which employees can engage with the Company's D&I efforts. While there is significant engagement from senior leadership, this commitment has not been as uniformly evidenced below the ranks of senior management. Creating opportunities for participation and individual accountability are integral for the Company to achieve its D&I goals.

**Measuring & Tracking.** As a matter of course, Chevron conducts assessments of a number of its efforts to ensure equitable practices and identify opportunities for improvement. Some of its racial equity and D&I initiatives, however, are new. To ensure impact, Chevron will need to construct a measurable definition for what success is for each initiative. This will help the Company establish relevant key performance indicators and thereby track, measure, and monitor progress towards Company goals.

**Leveraging Resources.** Chevron has made substantial investments in programming and partnerships that have already significantly contributed to its D&I goals. However, not all of these programs and partnerships have been fully optimized. Chevron should find ways to further leverage its already existing and considerable resources to help meet its D&I goals.

Chevron's overall approach to its D&I and racial equity efforts has been significant, thoughtful, and intentional. The Company, nevertheless, understands that there is room for further improvement. Chevron remains dedicated to finding opportunities to foster diversity, equity, and inclusion both within its workforce and for the communities with which it engages.

## Scope and Methodology

### I. Scope

As part of the 2022 proxy, Chevron received a shareholder proposal requesting that Chevron's Board of Directors commission and publicly disclose the findings of an independent racial equity audit "analyzing if, and how, Chevron's policies and practices discriminate against or disparately impact communities of color." In particular, the proposal requested that the report "clearly identify, and recommend steps to eliminate, business activities that further systemic racism, environmental injustice, threaten civil rights, or present barriers to diversity, equity, and inclusion (DEI)." The proposal further urged that "[i]nput from impacted workers, community members, customers, or other relevant stakeholders should inform the audit and report."

Although the racial equity audit proposal did not ultimately succeed, Chevron engaged in discussions with a number of shareholders to solicit feedback about the proposal and D&I-related issues in general. Based on that feedback, Chevron retained Paul, Weiss to conduct a voluntary audit of Chevron's U.S. D&I efforts using a racial equity lens and examine the alignment of those efforts with the Company's overall goals and the impact on employees and communities of color.

In determining the scope of the audit, Paul, Weiss recognized that Chevron has done significant work relating to racial equity and D&I. Particularly, in 2020, the Company announced a strategic racial equity initiative in response to the death of George Floyd and the impact of COVID-19 on Black Americans. This initiative focused on four pillars: education, job creation, talent and leadership development, and community and small business partnerships. Many of the Company's announced efforts centered on addressing barriers to racial equity in the U.S.

For purposes of the audit, it made sense to leverage the substantial work already done by Chevron and for Paul, Weiss to assess the progress made by the Company through those efforts. Accordingly, this audit focused on Chevron's current equity efforts relating to its U.S. workforce, with a priority focus on race. Paul, Weiss also undertook a review of Chevron's current external community efforts in the U.S. applying an equity lens.

While the scope of Paul, Weiss's audit aligns with the primary focus of the unsuccessful shareholder proposal, it is not intended to address every issue enumerated in that proposal. For example, by its own acknowledgment, the proposal recognized that the report should exclude "information relevant to any pending legal proceeding or threatened proceeding of which Chevron has notice" and "confidential and proprietary information." To that end, this report does not address pending or threatened legal proceedings; it also excludes discussion of legally privileged or other confidential matters, including those related to personnel.

In addition, several of the issues identified in the proposal, including those relating to Chevron's emissions, political spend, and impacts on Indigenous Peoples, have already been the subject of significant reporting and response by Chevron. In the recently released 2022 Methane Report and its annual Corporate Sustainability Report ("CSR"), Chevron set out, at length, its commitments and targets relating to the environment and climate change, including in the communities where it operates. Chevron's Operational Excellence Management System and Enterprise Risk Management processes put into action the Company's value of protecting people and the environment. In its policies relating to the Lobbying and Trade Association, Engaging with U.S. Public Officials, Government Affairs Oversight, and Political Contributions, Chevron sets out strong governance structures and transparency requirements it follows in its political spending and lobbying efforts. Chevron also publishes a five-year history of corporate political and CEPAC (Chevron Employees Political Action Committee) contributions and federal and state lobbying disclosures. Finally, in its Human Rights Policy and dedicated website, Chevron sets out its commitment to human rights, and its contribution to the U.N. Sustainable Development Goals in the communities where the Company operates around the world, including those of Indigenous Peoples.

The proposal also mentions Chevron's donations to organizations that fund police-related activities. Although the details of Chevron's social investments to a variety of community-based organizations are outside the scope of Paul, Weiss's audit, as noted, Paul, Weiss examined aspects of Chevron's social investments, particularly those relating to its external racial equity initiatives. These are further addressed below in the body of the report.

## II. Methodology

Paul, Weiss undertook a thorough and systematic review of the policies and practices of Chevron within the scope of this audit. Paul, Weiss considered a variety of factors in assessing Chevron's equity efforts. Examples of some of the criteria it used to guide its audit include:

- Chevron's stated commitment and messaging related to D&I.
- The adequacy of Chevron resources to implement its equity efforts.

- The intended impact of implementation of Chevron’s policies, practices or initiatives, and Chevron’s efforts in tracking that impact.
- Consistency and continuity in the implementation of Chevron’s equity efforts.
- Chevron’s receptibility to feedback regarding its policies, practices, and initiatives.

Paul, Weiss reviewed an extensive number of documents. Those materials included demographic data, policies, strategic presentations, programming descriptions and summaries, assessments, business division charters, training resources, and employee surveys and results.

Paul, Weiss conducted extensive interviews of employees, many of them several times. Those interviewed included stakeholders in the policies and programs being implemented to address D&I as well as those impacted by the implementation. Paul, Weiss found all the employees we spoke with to be transparent about their efforts and experiences, and thoughtful about their suggestions for improvement.

Paul, Weiss also spoke to several organizations with which Chevron has partnered to further its external racial equity efforts. Chevron coordinated but did not participate in those discussions. The individuals at these organizations freely shared their experiences working with Chevron and helpfully provided thoughts on enhancing the relationship.

Throughout Paul, Weiss’s work, Chevron was highly responsive, cooperative, and ensured access to everything needed to conduct this audit in a comprehensive, accurate, and timely manner. We thank our internal points-of-contact in this effort.

## History & Overview of Chevron’s Commitment to D&I

Chevron was founded in 1879 in California, originally as the “Pacific Coast Oil Company.” In the last 140 years, Chevron has grown into a global energy company. Chevron has a decentralized structure. It is organized around major reporting lines, such as Oil, Products & Gas, New Energies, and Strategy, Policy & Development; and consolidated corporate-level departments, such as Finance, Law, and Human Resources. Chevron has approximately 38,000 employees worldwide, with nearly 20,000 employees in the U.S.

D&I is embedded in the history of the Company and extends beyond racial equity efforts. For example, in 1997, Chevron became the first major oil company to extend domestic partner benefits to its employees. Chevron’s continuing commitment to LGBTQ+ rights has earned it a 100% rating on the Human Rights Campaign Equality Index for 17 consecutive years. Chapters of Chevron’s employee networks started two decades ago. Some of its social investments in underrepresented communities date back to the 1970s.

Chevron is well aware of the negative impact to a company when it fails to establish and meet a strong commitment to racial equity in the workplace. In 1996, Texaco Inc., a company Chevron acquired in 2001, entered into one of the largest settlements at that time of a racial discrimination lawsuit following the disclosure of secret recordings of senior Texaco executives denigrating Black workers.

Today, Chevron’s commitment to D&I is succinctly summarized through The Chevron Way, which reflects Chevron’s core values. Its first value is Diversity and Inclusion: “We learn from and respect the cultures in which we operate. We have an inclusive work environment that values the uniqueness and diversity of individual talents, experiences and ideas.” True to those words, Chevron has increasingly embedded D&I concepts in various aspects of its business strategy and workforce management over the years. Indeed, D&I considerations are included in the Company’s Business Conduct & Ethics Guide and Human Rights Policy. The Company also shares its progress publicly in its annual CSR. Chevron’s efforts have been externally recognized by media outlets such as Forbes and leading diversity organizations, including the National Society of Black Engineers, the Asia Society, Catalyst, and the EDGE Certified Foundation.

In assessing the Company's overall commitment to D&I, we reviewed Chevron's D&I structure, financial commitment, and dedicated leadership. We found each to provide a strong foundation to support Chevron's D&I goals.

## I. Organizational Structure

The Office of Diversity, Inclusion, and Ombuds ("DIO") is responsible for Chevron's global D&I efforts.<sup>1</sup> It develops, executes, and coordinates strategies to create and sustain an inclusive culture. DIO sits within the Human Resources ("HR") organization. The Chief Diversity and Inclusion Officer ("CDIO") reports directly to the Chief Human Resources Officer ("CHRO").

DIO does not, however, own all D&I efforts at Chevron. DIO works with other HR global programs known as Centers of Excellence or Expertise ("COE") to develop strategic programming across the HR function. Although there is no formal reporting structure between DIO and other HR teams, DIO has a strong cross-functional relationship with these teams and other groups across Chevron. Other Chevron HR teams often reach out to DIO for guidance on their own D&I efforts. In recent years, Chevron has increased resources devoted to D&I efforts by adding headcount to DIO and developing a new role related to talent acquisition in the HR team focused on diversity, the Global Talent Acquisition Diversity Manager. It is imperative that Chevron continues to assess its D&I resource needs and how best to deploy those resources to ensure its D&I commitments are realized throughout the Company, particularly as the Company adopts additional D&I initiatives and programs.

In addition, to support D&I efforts throughout Chevron's organization, DIO has dedicated Diversity Business Advisors ("DBA") who are responsible for supporting business units with their D&I goals. In addition to the DBAs, each business unit also has a diversity advisor tasked with helping with the day-to-day implementation and furthering of that business unit's D&I efforts. The DBAs host quarterly and one-on-one meetings with the business unit diversity advisors to assess progress and business needs. The business unit diversity advisors are chosen by the business unit. They hold other full-time positions and volunteer for this role.

Chevron considers D&I efforts to be a Company-wide endeavor. To recognize the D&I efforts of executives, employees, Employee Networks (discussed further below), business units, and corporate level departments, DIO bestows annual awards for extraordinary contributions.

## II. Financial Commitment

Chevron invests significant funds in both internal and external efforts as part of its D&I strategy. For example, in 2020, Chevron pledged an additional \$15 million in social investment dollars as part of its racial equity initiative.

Internal D&I efforts are funded through HR. D&I social investment efforts (external) are funded through Corporate Affairs. Business units work with Corporate Affairs to identify economic development and educational initiatives, which often focus on community-facing organizations serving people of color.

### Recommendation

Although Corporate Affairs tracks social investment dollars, Chevron may want to consider how to monitor its core D&I initiatives (many of which are discussed below) in a way that would enable it to systematically understand and assess the connection between investment and impact.

---

<sup>1</sup> Ombuds, which serves as a safe space for "no consequences" conversations, sits within DIO but is an independent function. Unless otherwise noted, a reference to DIO in this report refers to the part of the organization responsible for D&I efforts.



### III. Chevron Leadership Commitment

#### A. Board of Directors

The full Board has oversight responsibility of D&I efforts and receives regular reporting related to those efforts. Multiple committees also assist the Board’s oversight. The Audit Committee receives anonymized data on discrimination and harassment complaints. The Management Compensation Committee supports processes for executive diversity and the Public Policy and Sustainability Committee assists the Board in a variety of D&I-related matters.

#### B. Management

Senior leadership at the corporate level has been committed to D&I at Chevron for years by actively developing the Company’s D&I strategy and directly engaging in its D&I efforts. For example, senior leadership provides direct support to the Company’s employee affinity networks, referred to at Chevron as Employee Networks. As described in more detail below, many of the executive sponsors who provide guidance to the various Employee Networks are members of the Enterprise Leadership Team (“ELT”), which includes the Chief Executive Officer (“CEO”), the CEO’s direct reports, and other senior executives. In addition, through the Chairman’s Inclusion Council, Employee Network presidents have an opportunity to raise their concerns and those of their Employee Network members to the CDIO and members of the Company’s ELT, including Chevron’s CEO and Chief Human Resource Officer.

However, the significant commitment to D&I has not been as uniformly evidenced below the ranks of senior management. Given Chevron’s decentralized organization, senior leadership at the corporate level cannot alone successfully drive D&I efforts.

#### Recommendation

Consider adopting additional measures for accountability at the middle-management level.

#### Internal Equity Initiatives

This section addresses our assessment of Chevron’s internal equity initiatives. We have organized those efforts into two categories. The first is employee engagement, which includes training, channels for employee feedback, and Employee Networks. The second category includes those efforts to enhance workforce diversity through the employee life cycle from recruiting through promotion.

Chevron’s overall initiatives are comprehensive and responsive to identified needs and opportunities. The Company can do more, however, to leverage these established resources to further its D&I goals, in particular, by gathering additional feedback; strengthening its pipeline program-to-hire process; and further incentivizing its employee base to participate in the Company-wide D&I initiatives. More focus can also be placed on retention of diverse employees, including expanding the Company’s sponsorship program.

Some of Chevron’s D&I initiatives are new or have been recently expanded. The Company will need time to gather feedback and assess the impact and effect of recent policies. As discussed further below, we recommend that Chevron develop the infrastructure, to the extent it does not already exist, to track relevant data for each of its initiatives or programs, assess the impact and success of each program, update initiatives and programs as necessary, and provide timely feedback to the relevant stakeholders, including the ELT and the Board, as appropriate.

#### I. Employee Engagement

##### A. D&I Training

Chevron offers its employees and leadership team a full suite of learning and experiential training programs focused on D&I that is easily accessible on Chevron’s employee intranet. D&I programming is provided by the DIO as well as by third-party providers

with expertise in the field. This wide range of offerings equip Chevron employees with extensive D&I resources, including, among others, programming on unconscious bias, harassment prevention, and fostering inclusiveness. Because much of the programming is conducted through online training modules, it does not require interpersonal engagement.

Despite the breadth of D&I learning opportunities at Chevron, D&I training is not mandatory at an enterprise level. Only a small number of Chevron teams require certain D&I training. Nevertheless, over the last few years, the number of employees choosing to participate in D&I training has significantly increased. Thousands of Chevron employees have voluntarily completed a variety of D&I training modules.

### **Recommendation**

The Company could benefit from collecting more data on training participation. Given that D&I training is strongly encouraged but effectively optional enterprise-wide, the Company may benefit from learning why employees participate in certain D&I trainings but not others, and to what extent employees engage with D&I resources. This would allow the Company to determine if employees are meaningfully engaging with D&I trainings, if certain programming is more effective than others, and whether offering in-person and facilitated sessions may be more beneficial. Using findings from such data, the Company could evaluate the merits of optional D&I training and consider whether mandating training for all employees would be beneficial.

### **B. Employee Networks**

Chevron has long supported its Employee Networks. Employee Networks provide a vehicle for employee engagement, leadership development, and social interaction for employees. Chevron has several Employee Networks associated with people of color and Indigenous Peoples: Asian Employee Network; Black Employee Network; Filipino Employee Network; Indigenous Employee Network; and Somos Employee Network (Latinx and Hispanic). Participation in these networks is voluntary and the networks are well-regarded by participating employees.

Employee Networks (i) provide resources, activities, and opportunities that employees might not be able to access in their respective organizations; (ii) provide mentorship programs, some of which are global in scope; (iii) provide leadership and leadership development opportunities to participants; (iv) engage in initiatives focused on helping employees understand career development; and (v) are involved, in some capacity, in recruiting efforts at Chevron for individuals from under-represented groups. Employee Networks are also encouraged to work together to put on helpful programming for employees.

Each Employee Network has its own governance structure to ensure effective leadership and continuity. These positions are voluntary and can take a significant amount of an employee's time, which at times, may be perceived as encroaching on an employee's daily business-related responsibilities. Along with global Employee Network leaders, Employee Networks have executive sponsors, who serve as senior leaders to the networks, providing guidance, advice, and support to the leadership of the network. These executive sponsors, who are among some of the most senior leaders in the Company, play a critical role in the success of Employee Networks. Employee Networks also have leaders at the local site level called Site Leads. Site Leads adapt the global Employee Networks' strategy and focus areas to their respective locations and manage all programming for the Employee Network at that site.

Additionally, Employee Networks benefit from the support of executive associations ("EAs"), such as the Asian Executive Association, the Latinx Executive Association and the Black Executive Association, composed of executives across the enterprise who advise and mentor Employee Network employees and other employees of color at Chevron. These EAs are valuable advisors and sounding boards for employees, but are not currently formally integrated into the formal sponsorship program.

Collectively, Employee Networks have a budget of over \$1 million. Each Employee Network receives a budget based upon a weighted average that includes consideration of the past year's spend, signature events, and membership. The individual budgets vary across Employee Networks.

## Recommendation

Employee Networks provide a valuable tool for Chevron to enhance employee engagement as well as for developing a more diverse workforce. They contribute to building allyship, which is integral to the success of Chevron's D&I initiatives. Chevron should further leverage Employee Networks to communicate D&I goals. Chevron should consider how it can leverage the mentoring done by the EAs to assist in the formal sponsorship program at the functional and business units.

### C. Employee Feedback and Complaints Process

Chevron employees can raise concerns relating to D&I through a number of formal and informal channels at Chevron. Those include:

- **HR & Employee Relations:** Issues relating to discrimination and harassment are typically investigated by Chevron's Employee Relations and employment legal team. Complaints or concerns may be reported through a supervisor, to HR, or through the Chevron hotline.
- **Ombuds Office:** Employees can also contact the Ombuds Office, which provides a confidential, impartial, independent, and informal place to discuss work-related concerns. The Ombuds Office works with an employee to brainstorm solutions to those concerns. Where appropriate, the Ombuds Office directs employees to Chevron's formal reporting channels. To ensure that Chevron is aware of and can address any identified trends, the Ombuds Office anonymizes and aggregates D&I-related concerns and discusses them with DIO and senior business leaders.
- **Chevron Hotline:** Chevron also maintains through a third-party vendor a 24-hour a day, seven days a week hotline open to its workforce and the public where potential violations of Chevron's Business Conduct and Ethics Code, Company policies, or the law can be reported. Reports can be made online or by phone and may be made anonymously. Chevron widely publicizes the hotline to its workforce. Senior leadership and committees of the Board receive regular reports relating to the hotline.
- **Equity Review Committee (the "Committee"):** Chevron is developing a mechanism through which those who believe they did not receive equitable treatment in prior selection or promotion decisions can seek a confidential review of their concerns by the Committee. Confidential investigations of employee concerns are conducted by an independent third party or in some cases, by internal investigators. Chevron has conducted several investigations, and in December 2022, convened its Committee with external experts to address employees' concerns.

Chevron has also been proactive in soliciting feedback relating to D&I issues from its employees. To better understand employee sentiment with respect to the Company's D&I efforts, Chevron typically includes several D&I questions in its Chevron Employee Survey ("CES"). Chevron uses these responses to, among other things, develop programming and enhance existing policies and practices. Customized results are also automatically generated and sent to supervisors with more than a threshold number of direct reports to assist supervisors in understanding how their employees are doing compared to the business unit and the Company as a whole. As necessary, trends highlighted by the CES are further explored and/or remedied through listening sessions, focus groups, and targeted, intentional initiatives. The Company recently expanded the number of D&I questions in its CES to serve as a baseline for assessing future employee engagement and sentiment.

### Recommendation

Our audit confirmed that the numerous avenues that Chevron provides for employees to raise D&I concerns, including the increased number of D&I questions in the CES, are incredibly helpful to identify areas for improvement and empowers employees to come forward. Having multiple avenues ensures that employees not comfortable with one method have alternative ways to be heard. That said, multiple avenues can dilute the significance of particular trends if assessed separately—no one channel may have a statistically significant amount of information to support Chevron taking action on D&I concerns. Thus, it is important for Chevron to continue to assess these feedback mechanisms together.

## II. Workforce Diversity Efforts

### A. Aspirational Goals

As part of the Company's efforts to increase diversity, in 2020, DIO developed aspirational goals for each of the 12 major job functions within Chevron.<sup>2</sup> These goals include aspirational hiring and representation goals based on labor market data and internal availability. Rather than unlawfully considering race in employment selections, the aspirational goals are a way to measure whether the Company is fully leveraging the talent pool. Where goals are not attained, the Company undertakes measures such as outreach, development of internal talent, and identification of potential barriers.

As reported in its annual CSR, Chevron has made progress in increasing the number of ethnic minorities at the Company. The number of ethnic minorities at Chevron has increased overall since 2017, from 39% to 42% in 2021. The largest increase has been in the Latinx population (from 15% to 17%). The CSR also reflects that the diverse representation at the senior levels has generally increased in the last several years. Chevron, however, still lags in recruiting and retaining Black and Asian employees, whose population at the Company has remained relatively flat, at 8% and 14%, respectively, since 2018.

DIO keeps track of each function's progress towards reaching these goals, which are designed to be in place for two-to-three years and then reevaluated and updated as needed. DIO periodically meets with functions to discuss progress towards aspirational goals. Chevron is working to have this information available on the Company's intranet to allow functions to track their own progress towards the aspirational goals.

### Recommendation

Chevron's aspirational goals should not be considered in a vacuum. The Company's D&I efforts in hiring, talent development, and performance management (discussed further below) can enable the Company to achieve those goals. The Company should consider whether developing tracking and engagement measures around those underlying efforts will enable it to build the strong foundation necessary to attain its aspirational goals.

### B. University Recruiting

The Company relies heavily on its relationships with universities for its diverse talent pipeline efforts. Primarily, Chevron recruits students for its college-level internship program that provides meaningful access and opportunities for students of color. In addition to work experience, programming includes an executive speaker series, social and networking events, and formal and informal mentorship opportunities.

In an effort to increase diversity among its interns, Chevron recruits from seven HBCUs and nine HSIs, among other schools, for its internship program. Each HBCU and HSI also has an executive sponsor that helps strengthen the relationship with Chevron, including by bringing additional resource and partnership opportunities to Chevron's attention.

<sup>2</sup> Chevron uses job functions as a tool to categorize its workforce. Examples of those functions include finance, human resources, and information technology.

Following the completion of the internship program, Chevron decides whether to extend full-time offers to the participating students. Because the selection process for extending full-time offers is robust, it can take a few months after the conclusion of the internship program for decisions to be made. As a result, students may not receive offers for full-time employment until September or October. This delay in conveying the offer impacts Chevron's acceptance rates for full-time offers as competitive candidates may look for other opportunities.

In addition to actively recruiting for its internship program, Chevron also offers semester-long programs known as leadership academies at several HBCUs and other universities. These leadership academies help students develop the skills they need to have successful careers in the engineering industry. Although these programs could serve as another avenue for recruiting students of color, Chevron does not typically track whether these programs result in pipeline opportunities.

### Recommendation

Chevron should consider establishing key performance indicators for existing partnerships and programs to ensure alignment with Chevron's overall D&I goals. As Chevron continues to explore new ways to partner with colleges and universities to bring more resources to students of color, it is important for Chevron to know how these programs are impacting the Company's pipeline efforts.

#### C. Additional Pipeline Efforts

Chevron has other programs that creatively enhance hiring opportunities. Although these programs were not necessarily created to increase the hiring of racial and ethnic minorities, they could be used to further the Company's D&I efforts. For example:

- Through an initiative led by American Petroleum Institute (API) with other peers (ExxonMobil, Marathon, Shell, Fluor, Hess, Repsol, and Phillips 66), Chevron has begun developing pilot programs in which it contracts with Opportunity@Work to develop a pipeline of skills-based candidates who hold no four-year college degree for current opportunities in Chevron's Operator & Maintenance Mechanic (O&M) job categories. In the future, Chevron may include other categories, such as IT and business analysts.
- In 2019, Chevron launched the Welcome Back Returnship Program (the "Returnship Program"). The Returnship Program is a 12-week program designed to support, develop, and hire talented individuals who are returning to the workforce after having left it for personal or family reasons. The Returnship Program provides career development training, coaching support, mentorship, and formal training. The Company runs the program on a rolling basis to meet business needs in STEM and non-STEM functions. Successful participants begin full-time, permanent positions at Chevron upon completion. To date, the program has proven successful. Ninety-three percent of the participants who have finished the Returnship Program attained regular employee positions. Chevron is also collecting demographic information about those hired through the Returnship Program (on a voluntary basis) for the purpose of assessing its impact in the future. The data so far suggest that minority populations are benefiting from the program.

### Recommendation

Once up and running at greater scale, Chevron should assess metrics for Opportunity@Work similar to those described for the Returnship Program, to understand effectiveness and the extent to which it advances D&I efforts. Chevron should also continue to seek feedback from participants in these programs to understand concerns or any barriers to success they may encounter.

## D. Talent Development

### 1. Leadership Development Programs

Chevron offers several leadership development programs (LDPs), many of which are designed specifically for Latinx, Black, and Asian American employees with input from Chevron's Employee Networks. Employee Networks share information about programs within their groups, though this may not be done in a consistent manner.

While a small number of LDPs are aimed at developing rising leaders, most LDPs are designed for mid-career or more senior Chevron employees. The programs provide tools to employees nominated by others in the Company to develop leadership skills, career action plans, and their brands within the Company. More importantly, LDPs allow Chevron employees to get training and mentorship from someone who shares their experience and background. To this end, Chevron has named executive sponsors for all diverse LDPs in recent months. Executive sponsors are Chevron executives or members of senior management who both provide LDPs with direct access to Chevron leadership, and liaise with Chevron's Learning and Talent COE to ensure that LDP programming reflects real business challenges.

The Company collects anonymized feedback from participants in each LDP and tracks key participation metrics. Chevron uses this feedback to improve programming and maximize impact, but does not consistently follow up with its participants and their supervisors after the program to ensure that the program's goals are being met.

#### Recommendation

The LDPs include valuable training and coaching opportunities that may be able to reach more employees. Chevron should consider working with the appropriate Employee Networks to improve awareness of the LDPs. Chevron should also consider developing a post-program engagement process to assist supervisors with how to further develop LDP participants following the close of the program.

### 2. Sponsorship Program

Historically, Chevron has promoted talent development through informal sponsorships. The Company views sponsorship as active support by a senior leader who advocates for an employee's advancement. In addition to naming executive sponsors for LDPs, Chevron is currently piloting a formal sponsorship program in order to support a diverse talent pool. However, this one-year sponsorship program is not specifically a D&I program; it was designed to assist all employees who may be facing challenges to advancement for a variety of reasons.

Because this program is so new, the Company is just beginning to build sponsorship success metrics and conduct feedback surveys of participants. Initial feedback about the pilot program, however, has been positive and shows that participants are making valuable networking connections. The results of this pilot program will help Chevron develop Company-wide sponsorship programs.

#### Recommendation

As the Company continues to build out these programs, Chevron should ensure that they are well communicated internally, including through the Employee Networks and EAs, have a transparent process for participation, and include appropriate feedback mechanisms to measure progress and impact.

## E. Performance Review

In 2020, Chevron implemented a new Performance Management Program ("PMP") meant to improve upon the previous numerical rating approach. The new program emphasizes giving and receiving feedback, and eliminates numerical ratings. Employees and their supervisors set performance goals oriented around Chevron's four "We Lead" leadership behaviors:

(1) Align & Inspire; (2) Build Relationships; (3) Grow Capabilities; and (4) Deliver Results. Employees receive a year-end performance review with a word-based rating for each We Lead category. This year-end review, in turn, influences pay determination.

In connection with We Lead, Chevron also changed its approach as to how D&I was factored into performance goals. Previously, Chevron required a separate diversity action plan as part of the PMP; now, in an effort to better embed D&I into the PMP, the We Lead program requires that all employees incorporate at least one D&I focus into a performance goal. Employees have the flexibility to identify and set their own D&I goals, appropriate for their position and level of understanding. Chevron provides a number of guidance materials and examples to help employees set appropriate and bespoke goals, which can include leading a diverse project team or taskforce, inviting speakers to discuss topics relating to diversity and inclusion, or modeling respectful and inclusive behavior.

The requirement of a D&I focus does not appear, however, well communicated throughout the organization. Nor are supervisors trained on the D&I requirement or how to evaluate employee D&I goals with respect to the We Lead categories. As a result, assessment of employees' D&I goals is inconsistent. It largely depends on whether the supervisor independently understands the value of setting D&I goals and the appropriateness of the goals established by the individual employee.

### Recommendation

Chevron should evaluate whether the D&I-focused performance goal requirement is being effectively communicated to supervisors and other employees. For supervisors, one suggestion is training to ensure that they can assist employees with setting appropriate, level-specific, and robust D&I goals and also understand the expectation for review of those goals. For employees, Chevron might consider creating a separate prompt, reminding employees about the requirement and requiring employees to acknowledge their progress toward completion of such goal before the review can be submitted.

## F. Promotions

At Chevron, internal hiring and professional development are considered and reviewed by Personnel Development Committees or "PDCs." PDCs are largely function-specific bodies, governed by charters, each with a global leader or "Sponsor," responsible for ensuring that talent is being optimized for that function. The Company implemented the PDC process to ensure that there is responsibility and accountability for developing employees and deploying them on assignments to support career growth and business needs.

In the U.S., PDCs are also responsible for reviewing promotions. The PDC process for promotions serves as a type of check for the business units and helps to balance out concerns that employees may have with their supervisors (e.g., a belief that a supervisor does not like them or favors someone else).

Chevron has incorporated D&I considerations into this process by requiring Sponsors and other members of PDCs to do baseline training before the selection process to help mitigate unconscious bias. In 2020, when Chevron was undertaking an enterprise-wide transformation, it introduced "inclusion counselors" to each PDC meeting to stimulate more complete discussion and decision making. Inclusion counselors offer perspectives from outside the function and help check against unconscious bias. Following the completion of the transformation, the use of inclusion counselors, while still strongly encouraged and used by many of the enterprise-level PDCs, is no longer a requirement.

### Recommendation

Chevron should consider making inclusion counselors mandatory again as a way to mitigate against unconscious bias.



**G. Assessments**

As a check on the equity of its processes, Chevron conducts assessments, including ones related to pay and promotions. If these analyses demonstrate inequities, the Company endeavors to understand the causes and undertakes good faith efforts where appropriate to address any disparities.

**Recommendation**

Chevron’s assessments are useful tools to assist in identifying systemic equity issues and should continue to be periodically performed.

**Supplier Diversity**

Chevron is committed to providing opportunities for small, minority, and women-owned businesses. To this end, Chevron is enhancing its supplier diversity program to identify more potential suppliers, create additional opportunities throughout the Company, and facilitate procurement transactions through the use of digital tools.

Chevron is notable for having had a strong and dedicated supplier diversity program for years, helping to support hundreds of small, minority, and women-owned businesses, among others. As part of its outreach efforts, Chevron’s Supplier Diversity team works with certification organizations to identify and connect with suppliers. The team also leverages its partnerships with organizations like the API, National Minority Supplier Development Council, and the Greater Houston Partnership. Recently, Chevron worked with Amazon Business to develop a program to make diverse sellers more easily identifiable on the platform, which increased supplier diversity spend five-fold. Chevron is also developing a Tier 2 supplier program, leveraging its relationships with larger suppliers to ensure diversity spend throughout the supply chain.

The Company has faced several challenges with implementing its supplier diversity strategy. As an initial matter, supplier spend is decentralized. Each business unit in the U.S. individually develops its own supply chain strategy and list of approved contracts. The list is not prescriptive; thus, business units can still choose to spend with suppliers not included on the list. Additionally, Chevron’s digital tools do not currently facilitate the identifying of new suppliers, monitoring of classification changes for suppliers, or tracking supplier spend.

Chevron has acknowledged these challenges and begun to address them. In 2021, Chevron established the Supplier Diversity Governance Board (“SDGB”) to provide strategic direction and oversight of the Company’s supplier diversity strategy across its U.S.-based business units. The SDGB is composed of the Supplier Diversity team and key cross-functional senior leaders across the Company to ensure that the value proposition of spending with diverse populations is understood by all levels and in all business units. Additionally, the SDGB has developed and adopted aspirational goals for the enterprise and is working to align business units’ strategies and priorities with these goals. In conjunction with these efforts, the Supplier Diversity team has also identified new digital tools that will help business units easily identify, track, and monitor spend with their suppliers.



## Recommendation

The Company should consider developing a strong and actionable mission statement for supplier diversity to better communicate the value proposition for business units.

The development of aspirational goals reinforces Chevron's commitment to diverse supplier spend. Chevron will now need to consider how effectively to engage and incentivize business units to support attainment of the Company's aspirational goals, to ensure that business units are intentionally aligning their efforts. The new digital tool will help facilitate that engagement.

Chevron's development of a Tier 2 program will also help the Company reach more diverse suppliers. The Company will need to make sure that it has a compliance mechanism and that the value of the Tier 2 program is communicated among its largest suppliers.

## External Community D&I Efforts

Chevron has a long and commendable history of engaging with the communities where it operates to create opportunities that seek to eliminate barriers to racial equity. These external community D&I efforts include strategies driven at the corporate level, the business units, and even by the employees themselves who engage in volunteer activities. Given this significant investment, Chevron should consider developing measurements of success to help identify where there may be further opportunities to enhance these relationships.

### I. Chevron's 2020 Racial Equity Initiative

Chevron's 2020 racial equity initiative exemplifies the Company's corporate commitment to combatting racial injustice. Chevron pledged millions of dollars to organizations serving the Black communities, many of which already had longstanding relationships with Chevron. Most of those dollars went to enhancing educational opportunities.

At the university level, Chevron made an additional \$2 million commitment to the United Negro College Fund ("UNCF") to establish the UNCF Chevron Corporate Scholars Program, a two-year renewable scholarship to students who demonstrate academic achievement, strong leadership skills, and an interest in the energy industry. Rhonda Morris, Chevron's CHRO, joined the board of UNCF in April 2022. Chevron also committed to giving \$1 million each to seven HBCUs over the next five years.

Chevron has also partnered with the Thurgood Marshall College Fund ("TMCF"). Chevron Vice President and Chief Financial Officer Pierre Breber joined its board of directors in May 2021. Chevron committed \$2 million to fund scholarships and STEM programs. Specifically, TMCF's Innovation and Entrepreneurship Division and Chevron created the Chevron Energy Innovation Summit. The three-day summit features a case competition in which students from HBCUs pitch ideas and solutions to a panel of Chevron leaders and experts. Students have the opportunity to win scholarships and prizes. Participants also have their resumes reviewed for summer internship consideration.

To provide educational opportunities for underserved youth, the Company made a \$150,000 three-year pledge to the East Oakland Youth Development Center ("EOYDC"), which prepares youth and young adults for employment, higher education, and leadership opportunities. Chevron's commitment is composed of two programs: The Chevron Future Leaders Academy and Chevron EOYDC Special Scholarship Program. The Chevron Future Leaders Academy is a mentorship and career development program led by members of Chevron's Black Employee Network. The Chevron EOYDC Special Scholarship Program provides funding to EOYDC graduates who need assistance with overcoming a financial hardship resulting from the COVID-19 pandemic, which would otherwise have caused students to postpone, and in some cases, rescind their college registration.

Chevron also enhanced its longstanding relationship with Techbridge Girls, which re-engineers STEM learning experiences for girls of color. Chevron has donated more than \$3.7 million, and more than 150 Chevron employees have spent more than 600

hours mentoring girls through the program. In 2021, Chevron and Techbridge Girls partnered with the National Society of Black Engineers to launch a summer program for middle-school girls and access to Hot-Spot technology for girls from marginalized communities. To date, Chevron has hired one Techbridge Girls alumna as a full-time employee.

## II. Business Unit Community D&I Efforts

Chevron's historical investments in Richmond, California, where one of the Company's longest-serving refineries is located, illustrates external D&I community strategies undertaken by a business unit. Chevron has a long history of community engagement and investment in Richmond. Due to the demographic makeup of Richmond, many of these efforts are focused on racial equity.

Chevron's approach to these efforts is holistic, based on community polling, community engagement and feedback, and assessment of business needs. By way of example, community polling identified crime and crime prevention as key community concerns. Separately, Chevron's community education partners offered feedback that Black men could benefit from additional support from Chevron's programs and male mentors.

Chevron's investments in community safety reflect its holistic approach. Based on recent full-year figures, Chevron prioritized the Richmond Police Activities League for sponsorship. The League supports a variety of community programming ranging from a nutrition education program for teens to supporting a Juneteenth celebration. Chevron also invested in the Richmond Crime Prevention Foundation, which provides support to the Richmond Police Department to enhance community safety and law enforcement programs. Finally, through Chevron's ten-year Environmental and Community Investment Agreement with the City of Richmond, Chevron committed \$2 million to the Office of Neighborhood Services to support, among other things, unique public safety programs to reduce gun violence.

Chevron sought to address feedback from the Richmond community about opportunities for Black men. In 2019, Chevron partnered with The Hidden Genius Project to provide training and mentoring to young men of color. Participants are trained on AutoCAD, computer-aided design software. These young men then staff what is known as the Fab Lab at the Kennedy High School in Richmond, a Chevron-sponsored program that provides access to technological tools for the community. Although being considered, no formal internship program for the participants in the Auto CAD program currently exists.

Chevron has also invested in workforce development in Richmond. Since the 1970s, Chevron has sponsored the Regional Occupational Program, which helps students of the program learn skills for jobs in the petrochemical and related industries. Students who complete the classes often are hired by Chevron.

## III. Volunteerism

Chevron employees spend time volunteering with organizations in their communities, and focus on providing resources and mentorship to diverse populations. Prior to the COVID-19 pandemic, the Company had robust opportunities for volunteerism, including a two-week volunteer campaign in Richmond, California. Throughout the pandemic, Chevron employees continued to find ways to volunteer.

Chevron tracks employee volunteer hours and encourages employees to volunteer by, among other things, offering matching grants based on hours. The Company also facilitates a matching donation program.

### Recommendation

To strengthen these external community D&I efforts, Chevron should consider developing impact measurements or key performance indicators for the financial commitments. Chevron should also consider how to leverage its educational programs targeted at high school students to create pipelines for future employment.

The COVID-19 pandemic certainly impacted volunteerism for Chevron employees. As in-person activities resume, Chevron should consider boosting the visibility of, and publicity surrounding, volunteer opportunities to increase employee awareness. The DIO office and members of leadership might facilitate greater coordination in and among Employee Networks to expand volunteer program offerings available to Chevron employees.

### Conclusion

Chevron's wide-ranging D&I and equity initiatives that are already in place reflect the Company's strong commitment to erasing potential racial barriers for its workforce and members of the surrounding communities. Paul, Weiss's review confirmed the significant work Chevron has done and for this, the Company should be commended. The audit, however, also identified opportunities for the Company to better communicate its D&I goals to its employees, further support employee engagement, better create and track metrics of success, and leverage the many resources the Company has worked so hard to create. That Chevron voluntarily undertook this audit, giving its full cooperation to Paul, Weiss, knowing that opportunities for growth would likely be identified, only underscores the Company's commitment to continuing to enhance its D&I efforts.