



FONDO PENSIONE NAZIONALE A CAPITALIZZAZIONE  
PER I LAVORATORI DELLE FERROVIE DELLO STATO

EUROFER

Data : 17/12/2020

Prot. : 77693/2020



**Chevron Corp**

6001 Bollinger Canyon Road  
San Roman, CA 94583, USA

**All'attenzione di:**

Ms Mary Murrin, Social investment team lead

**Oggetto: dialogo su elementi ambientali, sociali e di governance**

Dear Ms Murrin,

Fondo Pensione EUROFER is the pension fund for employees of the Italian State Railways, established in March 2002 as a non-profit organization with the goal of ensuring the associated workers their standard of living during retirement, thanks to an additional contribution pension plan, complementary to the public one.

As of December 31<sup>st</sup>, 2019, over 75,000 active workers from 117 companies were members of the fund with assets under management of €1,153,779,296 a portion of which is invested in shares of your Company.

EUROFER integrates the principles of sustainability and ESG (i.e. environmental social and governance) in its investment strategies, coupled with investment principles of a typical pension fund, which require a non-speculative investment approach, a long-term time horizon, a low portfolio turnover, and a stable relationship with its members. All investments (both equity and debt) of EUROFER follow a social responsibility policy.

With this letter, we bring to your attention specific aspects of the ESG profile the Company with the aim of creating a positive, constructive and long-term dialogue, specifically:

- **Report your policy with targets in line with Paris Goals**
- **Report your lobbying activity on climate change**
- **Report on the risk associated with the expansion of petrochemical activities in areas prone to flooding**

## **1. Report your policy with targets in line with Paris Goals**

EUROFER, in line with similar requests from some ICCR investor networks, requires companies to publish a report (at a reasonable cost, omitting confidential information) describing whether and how they intend to reduce their contribution to climate change and align their operations and investments with the aim of the Paris Agreement to contain the global temperature rise to well below 2 degrees Celsius.

The report should include information, at the discretion of the board of directors and its managers, on the relative advantages and disadvantages of integrating the following actions:

- Adoption of greenhouse gas emission reduction targets related to the company's overall carbon footprint, including emissions related to products;
- Develop long-term business plans to align the company's overall carbon footprint with the Paris goals;
- Reduce capital investment in the development of fossil fuels not aligned with the Paris goals;
- Investing on a large scale in renewable energy or other emission reduction measures.

The Intergovernmental Panel on Climate Change (IPCC) report declares that a global warming above 1.5 degrees Celsius will create catastrophic impacts. In particular, it indicates that global carbon dioxide emissions must reach "net zero" by 2050. Studies indicate that if warming is contained within 1.5 degrees Celsius compared to 2 degrees currently forecasted, translates into an estimated savings of 20 trillion dollars for the global economy by 2100.

The energy industry is a major contributor to climate change, and Chevron is the second largest global GHG emitter in the industry<sup>1</sup>. Chevron's investment choices are important. Every dollar invested in fossil fuel-related resources increases the risk to the economy and the investor's portfolio.

Investors recognize this growing risk. The Norwegian sovereign wealth fund has announced divestment from the oil and gas exploration and production companies. The European Investment Bank and the World Bank have announced that they will halt funding fossil fuel projects. Other investors are asking the major producers of GHG emissions to align with the Paris goals. The criteria for alignment include: publication of data on Scope 1 to 3 emissions; adoption of a net zero target by 2050 or equivalent; a business plan to become Paris Aligned; and reducing the carbon footprint.

Other companies in the oil and gas sector are taking steps towards alignment with the Paris goals. Shell announced its ambition to reduce the greenhouse gas intensity of Scope 3 and cut the life span of oil reserves below industry standards<sup>2</sup>. Total has invested substantially in renewable energy and storage. Equinor is diversifying towards renewable energies. Orsted, formerly an oil and gas company, sold its fossil fuel portfolio. Repsol has announced a net zero target by 2050 and will devalue billions of non-aligned assets<sup>3</sup>.

Conversely, while acknowledging the climate problem, Chevron's greenhouse gas reduction targets appear to be short-term oriented and do not address Scope 3 emissions. Greenhouse gas reduction measures address only operational emissions (which represent less than 13% of total emissions).

<sup>1</sup> <https://www.theguardian.com/environment/2019/oct/09/revealed-20-firms-third-carbon-emissions>

<sup>2</sup> <https://www.bloomberg.com/opinion/articles/2019-06-05/shell-spending-plans-show-oil-s-end-is-no-longer-talk>

<sup>3</sup> [https://www.repsol.com/en/press-room/press-releases/2019/repsol-will-be-a-net-zero-emissions-company-by-2050.cshtml?utm\\_campaign=zero\\_201912\\_sost-climatico&utm\\_source=twitter&utm\\_medium=social](https://www.repsol.com/en/press-room/press-releases/2019/repsol-will-be-a-net-zero-emissions-company-by-2050.cshtml?utm_campaign=zero_201912_sost-climatico&utm_source=twitter&utm_medium=social)



The company's investments in alternative technologies are largely offset by its investments in fossil fuels (\$200 million versus \$20 billion, respectively)<sup>4</sup>. A recent analysis by the company Carbon Tracker finds that 35% of Chevron's production up to 2040 is outside the Paris goals of containment global warming by 2 degrees<sup>5</sup>. The Transition Pathway Initiative indicates that Chevron's carbon intensity trajectory is far above the Paris goals<sup>6</sup>.

EUROFER asks you to kindly provide more information to address these concerns.

## **2.Report your lobbying activity on climate change**

**EUROFER, in line with a similar request from other investor networks, requests that the Board of Directors conduct an evaluation and publish a report within the next year (at a reasonable cost, omitting confidential information) describing whether and how Chevron's lobbying activities (direct and through trade associations) are aligned with the objective of limiting average global warming to well below 2 degrees Celsius (the Paris Agreement goal on climate). The report should also address the risks presented by any misaligned lobbying and the company's plans, if any, to mitigate those risks.**

According to the most recent "Emissions Gap Report" published by the United Nations Environment Program, critical gaps remain between the commitments made by national governments and the actions needed to prevent the worst effects of climate change. Businesses have an important and constructive role to play in enabling policy makers to fill these gaps<sup>7</sup>.

Corporate lobbying activities that are inconsistent with achieving the objectives of the Paris Agreement. They present regulatory, reputational and legal risks to investors. These efforts also present systemic risks to our economies, since delays in the implementation of the Paris Agreement increase the physical risks of climate change, pose a systemic risk to economic stability, and introduce uncertainty and volatility into our portfolios.

EUROFER believes that lobbying activities aligned with the Paris goals help mitigate these risks and contribute positively to the long-term value generation of investment portfolios.

Trade associations and other politically active organizations that speak in favor of businesses often create obstacles to progress in tackling the climate crisis.

As investors, we believe that achieving the agreed goal of the Paris Agreement is imperative. Climate change will have a devastating impact on our beneficiaries and the value of their portfolios. Two hundred institutional investors managing \$ 6.5 trillion recently wrote to Chevron, asking about how the company is handling this critical governance issue<sup>8</sup>.

There is currently insufficient information available to help investors understand how Chevron operates to ensure that its lobbying activities, directly, on behalf of the company and indirectly,

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<sup>4</sup> <https://www.chevron.com/stories/chevron-announces-20-billion-capital-and-exploratory-budget-for-2019>

<sup>5</sup> <https://carbontracker.org/reports/balancing-the-budget/>

<sup>6</sup> <https://transitionpathwayinitiative.org/tpi/companies/chevron>

<sup>7</sup> <https://www.unenvironment.org/interactive/emissions-gap-report/2019/>

<sup>8</sup> <https://www.ceres.org/news-center/press-releases/200-investors-call-us-companies-align-climate-lobbying-paris-agreement>



through trade associations, are in line with the objectives of the Paris agreement and whether Chevron takes action to address any mismatches.

Therefore, EUROFER urges the board of directors and the management to verify the lobbying activities of the company related to the climate and to report to the shareholders about them.

### **3. Report on the risk associated with the expansion of petrochemical activities in areas prone to flooding**

**EUROFER, in line with a similar request from some investor networks, requires Chevron, with the supervision of the board of directors, to publish a report, withholding confidential information and prepared at reasonable cost, assessing the public health risks arising from the expansion of petrochemical operations and investments in areas increasingly prone to storms, floods and sea level rise induced by climate change.**

Investors are concerned about the financial, health, environmental and reputational risks associated with the management and construction of new chemical plants and related infrastructure in Gulf Coast resorts, which are increasingly prone to catastrophic storms and floods associated with climate change. Chevron Phillips Chemical Company (CPChem), a jointly owned company of Chevron and Phillips 66, is a leading Gulf Coast petrochemical producer.

Petrochemical plants such as ethane crackers and polyethylene processing plants produce dangerous pollutants including benzene (a known carcinogen), volatile organic compounds and sulfur dioxide. These plants can be flooded and generate significant risks of chemical release during extreme weather events. The floods caused by Hurricane Harvey in 2017 resulted in the closure of the CPChem plant and the release of unauthorized and unsafe levels of pollutants. Residents in the vicinity of Houston have reported respiratory and other problems following the CPChem releases during Hurricane Harvey<sup>9</sup>.

Increasing storms and the costs they incur are expected to increase in frequency and intensity as global warming escalates.

Flood damages are projected to be highest in Texas, where many of CPChem's petrochemical plants are located, and where the city of Houston alone has seen three floods years in a three-year span that beat records 500 years old. Chevron declared that Hurricane Harvey is the main reason for CPChem's \$ 70 million lower earnings in 2017.

Some civil society groups have mobilized to oppose the expansion of petrochemical facilities in their communities due to concerns about the direct impacts on health of air and water pollutant emissions. Such opposition threatens to undermine CPChem's social license to operate in the region. Historically, releases of CPChem's petrochemical operations have exceeded legal limits, exposing the company to liability actions. As climate change intensifies floods and the strength of storms, the potential for unplanned chemical release increases.

Despite these risks, CPChem continues to accelerated its Gulf Coast petrochemical business by investing heavily to expand into flood-prone areas of Texas. The company has broadly stated that physical climate-related risks can impact its business and that it has a risk management system to

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<sup>9</sup> <https://www.houstonchronicle.com/news/houston-texas/houston/article/In-Houston-and-beyond-Harvey-s-spills-leave-a-12771237.php>



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plan for its future. The impacts on CPChem's operations from Hurricane Harvey, however, indicate that the company's readiness level is insufficient.

As the company expands its petrochemical activities in areas impacted by climate change, EUROFER is asking for reporting that allows us to understand whether and to what extent CPChem is adequately assessing and mitigating the public health risks associated with climate and chemical impacts. dangerous that it uses.

We hope that you will consider our requests as a stimulus to obtain greater consensus from all your stakeholders.

We await a kind response to our requests and we are ready to carefully analyze any further documentation regarding the points highlighted.

Sincerely,

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

Aw/ Antonella D'Andrea, Presidente



A handwritten signature in blue ink, consisting of a stylized "R" followed by a cursive "C" and a flourish.

