

COLUMBIA UNIVERSITY

IN THE CITY OF NEW YORK

ADVISORY COMMITTEE ON SOCIALLY RESPONSIBLE INVESTING

May 7, 2007

David J. O'Reilly, Chairman & CEO
Chevron Corporation
6001 Bollinger Canyon Road
San Ramon, CA 94583

Dear Mr. O'Reilly,

I am writing on behalf of Columbia University's Advisory Committee on Socially Responsible Investing ("The Committee"), chartered by the University Trustees in March 2000. The Committee serves as an advisory body to the Trustees concerning social and ethical issues confronting the University as an investor of its endowment. As part of its work, the Committee tries to inform itself of the views of members of the University community with regard to such issues. This past fall and winter, a group of students, aware that Columbia was an investor in Chevron, formally addressed the Committee to express their concerns surrounding Chevron's legacy operations in Ecuador. The Committee decided to initiate an inquiry into the matter and, as part of this inquiry, hosted a presentation by members of Chevron's corporate, legal, and toxicological teams. The purpose of this letter is to provide you with feedback on our reactions to this presentation.

The Committee would like to start by thanking Chevron Corporation for agreeing to send this team of experts to address the Committee concerning the dispute in Ecuador. Committee members would like in particular to extend their gratitude to Renae Magaw, Charlie Stewart, and Ricardo Reis Veiga for their willingness to travel to New York to speak to the Committee, and for their thorough and extensive presentation. The Committee would also like to thank Maria Pica for serving as the Committee's liaison with company management and for her work in arranging the presentation.

During its presentation, the Chevron team strongly emphasized the legal facts of the case and Chevron's belief that it has fulfilled its obligations under the remediation agreement negotiated with the Ecuadorian government. The Committee is not in a position to judge the legal merits of the dispute concerning the Ecuador cleanup, but it recognizes that Chevron may well have fulfilled these obligations. The Committee is concerned, however, that Chevron has defined its goals with respect to this dispute too narrowly. The question is not as simple as whether Chevron has fulfilled its formal legal obligations. Corporate social responsibility by definition extends *beyond* the law. The Committee believes that the situation in Ecuador offers Chevron the opportunity to become a leader in the area of corporate social responsibility, particularly as those responsibilities apply to legacy issues. The Committee feels that Chevron's refusal, or inability, to broaden its focus and work to assure the repair of all of the joint ventures' environmental damage is out of step with evolving expectations of responsible corporate behavior. The Committee is unconvinced that the dispute could not be settled on reasonable and fair terms, if Chevron were willing to be more flexible in this regard.

The Committee is concerned that Chevron's refusal to broaden its outlook is becoming increasingly detrimental to the company's reputation. As it stands, Chevron is in the midst of a public relations disaster due to the situation in Ecuador. Articles in major media sources such as the New York Times (October 2005) and Vanity Fair (May 2007) have brought high visibility to the matter and helped to spread a broad negative public opinion of the company. As one Committee member expressed during

the Q&A portion of the team's presentation, settling this case and putting an end to the controversy would stem this increasing damage to the company's reputation. Even if a verdict ultimately comes down in Chevron's favor and absolves the corporation of any further remediation obligations, the Committee wonders whether such a victory would be worth the further damage to the company's reputation from continuing the legal struggle to reach this result. Indeed, an earlier, broad-based settlement might complement Chevron's widely reported recent push to become more environmentally sensitive.

The Committee unanimously recommended support for the 2007 host-country laws shareholder proposal in Chevron's 2007 proxy statement. Columbia's Trustees agreed with the Committee's recommendation and voted Columbia's Chevron shares accordingly. The Committee believes that the situation in Ecuador clearly illustrates how Chevron, unless it binds itself to adhere globally to some higher set of standards, can be directly and adversely affected by operating in a country with inadequate laws and flawed governmental processes. It appears that much of the controversy in Ecuador has arisen out of its government's participation in the project, the agreements negotiated with Ecuador and the alleged inadequacy of the government's follow-through on its own remediation obligations. Against this background, Chevron's insistence on defining its responsibility in the matter only according to its narrowly defined legal obligations argued directly in favor of supporting the shareholder proposal. Our support for this proposal is not intended to be punitive, but rather strongly to encourage Chevron's management to review carefully the laws of the countries in which it operates, and to consider pre-emptive strategies for avoiding problems in the future like those that have developed in Ecuador. The Committee observes that companies in the oil industry are becoming increasingly sensitive to the environmental, public health, and security laws and policies of the foreign countries in which they operate. High risks and large potential externalities are inherent to the industry, and dealing with them according to high standards is part of the cost of doing business internationally, whatever the local laws.

In conclusion, the Committee strongly encourages Chevron to reconsider its adherence to its narrow definition of its responsibilities in Ecuador, determined only by its previously negotiated remediation obligations. The Committee encourages Chevron to broaden that definition to be consistent with current expectations of corporate social responsibility. The Committee encourages Chevron to settle the legal dispute in Ecuador in order to avoid further damage to the company's reputation. Finally, the Committee encourages Chevron to implement the requests of the 2007 host-country law shareholder proposal.

Very truly yours,



Merritt B. Fox

Chair, Advisory Committee on Socially
Responsible Investing
Michael E. Patterson Professor of Law

cc: Chevron Corporation:

Sam Nunn, Chair, Public Policy Committee of the Board of Trustees

Charles A. James, VP & General Counsel

Patricia A. Yarrington, VP for Policy, Government, and Public Affairs

Renae Magaw, Senior Research Toxicologist
Charlie Stewart, Manager – Public Relations
Ricardo Reis Veiga, Managing Counsel – Latin America
Maria Pica, Manager – Global Issues and Policy

Columbia University:

Trustees Subcommittee on Shareholder Responsibility

Lee C. Bollinger, President

Al Horvath, EVP Finance

bcc: Nick Serpe, Gabe Espinal, Elia Bitan

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