THE CHEVRON EMPLOYEE SAVINGS INVESTMENT PLAN (ESIP)

Taking a Company Stock Distribution

This brochure describes the distribution options for your Chevron company stock and explains some of the tax consequences for each. Remember that what's best for you will depend on a variety of factors, so you are strongly encouraged to consult a professional tax advisor about your particular situation.

Please make sure to review the special tax notice on netbenefits.com prior to requesting a distribution from your ESIP. You may also call Fidelity through the HR Service Center at 888-825-5247, Monday through Friday, 7:30 a.m.–11p.m. CT, to request a copy of the notice.

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Understand Net Unrealized Appreciation (NUA)

What is net unrealized appreciation?

Net unrealized appreciation (NUA) is the difference between the price you paid for the company stock in your ESIP account (your average cost basis) and its current market price. For example, you purchase 100 shares of Chevron stock in the ESIP for $20 per share, or $2,000. Five years later, the shares are worth $35 each, for a total value of $3,500. Your cost basis is $2,000 (the price you paid when you purchased the stock) and your NUA is $1,500 (the difference between your purchase price and the current market price).

Why should you care about NUA?

The tax treatment of Chevron stock distributions from the ESIP can vary significantly depending on how you take your assets. Before you decide how you want to receive your balance in the Chevron Common Stock Fund and the Chevron ESOP Fund (referred to collectively as "company stock"), it's important to understand the potential effect on your tax liability.

As long as you keep your company stock shares in the ESIP, you'll continue to defer paying income taxes on any appreciation. But when it's time to move your account balance out of your plan, there are tax consequences. This liability can vary, depending on what distribution option you choose:

- If you sell your company stock and take the cash distributions directly from the ESIP, those distributions are taxed at ordinary income tax rates.
- If you roll over your company stock balance into an Individual Retirement Account (IRA), you'll continue to defer paying any income taxes on any appreciation, but distributions from the IRA will be taxed at the ordinary income tax rate. Once you roll over your company stock to an IRA, NUA treatment is no longer available to you.

  If you transfer your company stock in kind into taxable non-retirement brokerage account and roll the remaining assets into an IRA, this option might be more effective from a tax consequence perspective, depending on your circumstances, due to IRS rules governing NUA of company stock.
- If the transaction qualifies for NUA treatment, the cost basis of the stock is taxed at ordinary income rates in the year the stock is distributed from the plan. However, the NUA amount at the distribution date is taxed at the long-term capital gains at the sales date.* If you pay this tax at the time of distribution, it will be taxed at ordinary income tax rates. Generally, the long-term capital gains rate is lower than the ordinary income rate. You have the option to pay the tax at the time of distribution.

At first glance, it might seem more advantageous to roll over your stock to an IRA because it preserves the tax-deferred status. However, because of tax rules regarding NUA, you may be better off taking an in-kind distribution of your stock and placing it in a taxable non-retirement brokerage account.

*If the stock appreciates in value between the time of the distribution and the time you sell your shares, the amount of the shares' appreciation will be taxed at either the long-term or the short-term capital gains rate, depending on how long you wait to sell the shares after receiving them.

Keep in mind that if you are under age 59½, you may also pay a 10% early withdrawal penalty, as well as a possible state penalty. Exceptions may apply, so please consider consulting a tax advisor.

How do you qualify for NUA treatment?

You must meet all of the qualifying criteria to take advantage of the NUA rules:

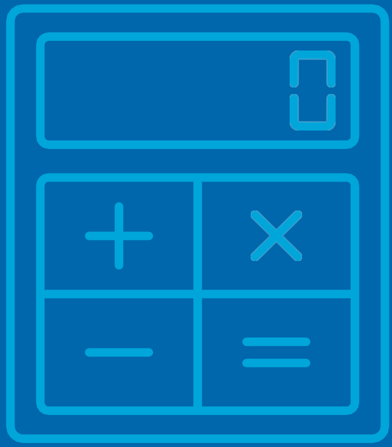
- You must distribute your entire balance in the ESIP within one tax year (though you don't have to take all distributions at the same time).
- You must take the distribution of company stock as actual shares. You may not convert them to cash before distribution.
- You must have experienced one of the following:
  - Separation from service from Chevron
  - Reached age 59½
  - Death

What about company stock and heirs?

If you want to leave the company stock to your heirs*, NUA may be more attractive since your heirs inherit your cost basis in the stock and are entitled to the same treatment you would have received, such as paying capital gains rather than ordinary income tax on the NUA, but they must abide by the same rules.

If you stayed in the ESIP and leave your company stock to your heirs, they must meet all of the qualifying criteria listed above to take advantage of NUA treatment. They will also have to pay ordinary income tax on your cost basis and long-term capital gains tax on the NUA. The NUA is determined at distribution, and the long-term capital gains tax on NUA would be paid when the company stock is sold.

If you had previously taken a distribution of Company Stock in kind from the plan and transferred it into a taxable non-retirement brokerage account, the values of any appreciation between the date you received the stock from the ESIP and the date you die will receive a step-up basis. That means for tax purposes, your beneficiaries can receive the stock at the value it was on your date of death. If they sell it for the same price as when they inherited it, they will have to pay the long-term capital gains tax on the NUA at the time of the distribution, but there is zero tax on any appreciation between the time of the distribution and your death.



*Please note: your plan beneficiaries may be subject to required minimum distribution rules.

Consider Tax Consequences

While this brochure discusses two options for company stock distribution, you may have other options available to you as well. NUA treatment is available only with qualified lump-sum distributions (except for after-tax contributions). Your distribution will still be considered "lump-sum" even if you take partial distributions out, as long as the entire balance is distributed within the same tax year. Please contact Fidelity at **800-603-4015**, Monday through Friday, 7:30 a.m.–11 p.m. CT, for more information.

We also strongly suggest you seek advice from a trusted tax advisor before making a decision about distributions of company stock.

Understand the rules to qualify for NUA treatment

- Only shares of Chevron company stock in the ESIP are eligible for the special NUA tax treatment.
- You must take your entire ESIP balance as a lump-sum distribution within the same tax year to qualify for the special NUA tax treatment (though you don't have to take all distributions at the same time). You can roll over any portion you choose to an IRA or other qualified plan to defer taxes on that portion.
- If you are no longer a Chevron employee and you take a partial withdrawal amount from the ESIP (this includes loan defaults, installments and required minimum distributions), the withdrawal disqualifies you from using NUA as part of a future-year total distribution unless there is a subsequent triggering event. A subsequent triggering event is defined as death or attaining age 59½.

Below is an example of three different individuals and how their circumstances and actions impact their ability to exercise NUA:

	BOB	SUSAN	JOE
Retires at age	56	57	59
Withdraws at retirement	$30,000 to cover miscellaneous expenses	$50,000 to cover remodeling expenses	$0
Next withdrawal	At age 58, rolls over the remainder of his balance, except for company stock, and takes his company stock in kind.	At age 60, rolls over the remainder of her balance, except for company stock, and takes her company stock in kind.	– Stays in the ESIP at retirement – Takes $200,000 out of the ESIP to cover living expense in retirement – Leaves his remaining balance, including company stock shares, to his heirs upon death.
Eligible to use NUA?	No, because of the earlier $30,000 withdrawal If Bob had waited until he reached age 59 ½ to roll over the remainder of his balance and take his company stock in kind, he would have been eligible to use NUA.	Yes, because an additional triggering event occurred (she reached age 59½).	Yes, because an additional triggering event occurred (death).

Moving your company stock: possible tax scenarios

DISTRIBUTION OPTION 1:
ROLL OVER YOUR COMPANY STOCK TO AN IRA

When you leave Chevron, you have the option to roll over your company stock from your ESIP account directly to an IRA (called an in-kind distribution). With this option, you're generally not taxed at the time of rollover. However, the special NUA tax advantages will not apply because distributions from IRAs are taxed at ordinary income tax rates. This option may still make sense if the NUA is a small percentage of the stock's market value, or if your investment time horizon is long enough, since tax-deferred growth may be achieved for many years in an IRA.

TAX CONSIDERATIONS		
WITHIN YOUR ESIP ACCOUNT:	UPON DIRECT, IN-KIND ROLLOVER TO AN IRA:	UPON WITHDRAWAL FROM YOUR IRA AT AGE 59½:
You defer paying taxes on your initial company stock investment (the cost basis) and your NUA until you take a distribution. Cash distributions are taxed at the ordinary income tax rates.	No taxes due. Special NUA tax advantages for company stock do not apply.	You are taxed at ordinary income tax rates on your cost basis, NUA, and further appreciation within your rollover IRA.

DISTRIBUTION OPTION 2:
TRANSFER YOUR COMPANY STOCK TO A TAXABLE, NON-RETIREMENT BROKERAGE ACCOUNT

When you leave Chevron, you may also have the option of transferring your company stock in kind to a taxable, non-retirement brokerage account (to discuss distribution options for your other ESIP investment options, please call Fidelity.) The cost basis of the stock is taxed at ordinary income rates in the year the stock is distributed from the plan.† When you finally sell your shares of company stock, you are subject to long-term capital gains on the net unrealized appreciation at distribution. Any additional appreciation should be taxable as short-term or long-term capital gains, depending on how long you held the stock after it was distributed in kind from the plan.‡

TAX CONSIDERATIONS		
WITHIN YOUR ESIP ACCOUNT:	UPON DIRECT, IN-KIND TRANSFER TO A TAXABLE, NON-RETIREMENT BROKERAGE ACCOUNT:	UPON SALE OF THE SHARES:
You defer paying taxes on your initial company stock investment (the cost basis) and your NUA until you take a distribution.	The cost basis of the stock is taxed at ordinary income rates in the year the stock is distributed from the plan.†	Your NUA at the time of distribution is subject to long-term capital gains taxes, which is generally lower than ordinary income taxes. You will also be subject to either long-term or short-term capital gains taxes on any appreciation since distribution from your ESIP.‡

†A 10% withdrawal penalty may also apply on the cost basis of the stock if the distribution is made before age 59½, but not on the NUA. The additional 10% tax is not a withholding but an additional tax. Other exceptions may apply that would exempt the distribution from the early withdrawal penalty (for example, if you are at least age 55 in the year you separate from service). Please also be aware that there may be certain state penalties that apply.

‡The short-term capital gains tax rate, which is generally the same as your ordinary income tax rate, applies to shares you hold outside a retirement savings plan for fewer than 12 months. Beyond a year, long-term capital gains rates apply.

The following examples are hypothetical situations to illustrate NUA and different distribution scenarios. Because your personal situation is unique, it's a good idea to review your options with a professional tax advisor before you decide how to take your company stock, especially in light of the new tax reform bill that was signed into law in December 2017.

Comparing potential tax consequences: two company stock distribution options

The table below illustrates the potential tax implications of (1) rolling over company stock you hold in your ESIP to an IRA, versus (2) taking a direct distribution of your shares (which may include transferring them to a taxable, non-retirement brokerage account). Keep in mind that the options in the example are for illustrative purposes only. Your personal situation may differ, depending on your plans for your ESIP account.

These assumptions are used for this hypothetical example:

- 1,000 shares of company stock in the ESIP
- Market value of 1,000 shares at time of distribution (year 1) is $100 per share, equal to $100,000
- Cost basis of 1,000 shares at time of distribution is $10 per share, equal to $10,000
- NUA at the time of distribution is $90,000 [$90 per share ($100 per share – $10 per share) x 1,000 shares sold = $90,000] and market value of 1,000 shares in year 5 is $120,000

AN EXAMPLE OF THE IMPACT OF NUA ON TWO DISTRIBUTION OPTIONS

OPTION	FEDERAL INCOME TAX: 37% [2]	CAPITAL GAINS TAX: 20%[3]	TOTAL TAX
Roll over company stock from the ESIP to an IRA and take qualified distributions from the IRA	Owe 37% federal income tax on market value of $120,000, which is $44,400 ($120,000 x 0.37), when distributed from rollover IRA in year 5	Not applicable	**$44,400**
Transfer company stock in kind from the ESIP to a taxable, non-retirement brokerage account (assumes participant is age 59½ or older)[1]	Owe 37% federal income tax on cost basis of $10,000, which is **$3,700** ($10,000 x 0.37)	Owe 20% capital gains tax when you sell your shares in year 5: • NUA of $90,000, which is **$18,000** ($90,000 x 0.20) and • Appreciation of stock, which is **$4,000** ($20,000 x 0.20)	**$25,700**

Potential tax savings by using the NUA: $18,300 ($44,400 – $25,700)

[1]A 10% withdrawal penalty may also apply on the cost basis of the stock if the distribution is made before age 59½, but not on the NUA. The additional 10% tax is not a withholding but an additional tax. Other exceptions may apply that would exempt the distribution from the early withdrawal penalty (for example, if you are at least age 55 in the year you separate from service). Please also be aware that there may be certain state penalties that apply.

[2] Federal income tax rates start at 10% and increase progressively to 37%. For purposes of this illustration, the highest federal income tax rate from 2022 was used.

[3]An individual's capital gains tax rate will be 20%, 15%, or 0%, depending on the individual's marginal income tax rate. For purposes of this illustration, the highest capital gains tax rate was used.

How an in-kind distribution and NUA can pay off: Diana's $29,000 decision

The hypothetical case of Diana:

- Retiring at age 60
- ESIP assets include 2,200 shares of Chevron company stock with a current fair market value of $200,000 and a cost basis of $20,000
- 24% federal income tax bracket

Diana comes out ahead by $29,000 if she takes an in-kind distribution because her stock has a low-cost basis compared with its fair market value. Diana makes her decision after projecting the tax consequences of the two different ways of handling in-kind distributions.

Diana can save $29,200 in taxes with an in-kind distribution to a taxable brokerage account.

OPTION	ACTION	RESULT	TOTAL TAXES PAID
In-kind rollover to brokerage IRA	Transfer her company stock to a brokerage IRA. After holding the stock for more than one year, she sells it for $250,000 and withdraws the money from her account.	The full amount of the distribution is taxed as ordinary income. And because this amount is considered ordinary income for the year in which she took the distribution, it will be subject to Diana's marginal tax rate of 32% *($250,000 x 0.32 = $80,000)*	**$80,000**
In-kind distribution to taxable brokerage account	Transfers her company stock to a taxable brokerage account. After holding the stock for more than a year, she sells it for $250,000.	Diana pays ordinary income tax on the cost basis of her shares when she retires *($20,000 x 0.24 = $4,800).* When she subsequently sells her shares, her gain of $230,000 is taxed at a long-term capital gains rate of 20% *($230,000 x 0.20 = $46,000).*	**$50,800**

Develop a Comprehensive Distribution Strategy

The decision whether to use NUA treatment can be complicated. Certain situations may trigger restrictions on NUA. What's more, you should consider the way your distribution strategy affects your overall financial plan, including your estate plan, charitable giving, and—perhaps most importantly—the level of diversification in your portfolio. A tax professional or financial advisor can help you determine whether NUA applies to your individual circumstances and, if so, whether it makes sense to use it.

The following table summarizes possible ESIP distribution options for company stock and the tax implications, advantages and disadvantages of each option.

DISTRIBUTION OPTION	TAX IMPLICATIONS	ADVANTAGES	DISADVANTAGES
Complete IRA rollover Direct rollover of entire ESIP balance.	• No tax until withdrawal. • Ordinary income tax upon withdrawal.	• Deferred taxation. • Tax-deferred investment growth. • Purchase or sale of investments without tax implications.	• Upon distribution from IRA, taxed at ordinary income tax rates; no capital gains tax rate advantages. • Required minimum distributions starting at 73.
Combination distribution 1. In-kind distribution of company stock holdings to participant or non-IRA brokerage account. 2. Direct rollover of remaining balance to IRA.	• No tax on non-company stock balances until withdrawal from the IRA, at which time ordinary tax rate applies. • Tax on cost basis of stock at ordinary income tax rates plus possible 10%federal penalty tax on early withdrawals. • Upon sale of stock, capital gains rates applied to NUA.	• Non-company stock balances in tax-deferred IRA. • Tax-deferred investment growth of non-company stock balances. • Purchase or sale of non-company stock investments without tax implications. • Upon sale of company stock, NUA taxed at capital gains rate rather than typically higher ordinary income tax rates.	• Immediate taxation of company stock's average cost basis at ordinary income tax rates. • Required minimum distributions from non-company stock balances in IRA starting at 73. • Possibility that additional income from company stock distribution may place participant in higher tax bracket.
Lump-sum distribution All assets distributed directly to plan participant. Company stock distributed in kind.	• Ordinary income taxes plus possible 10% federal penalty tax on early withdrawals on all non-company stock balances and cost basis of company stock holdings. May be subject to a mandatory withholding of 20% if it is eligible to be rolled over. • If and when company stock is sold for more than its cost basis, the difference between the NUA taxed as a capital gain rather than as ordinary income.	• Upon sale of company stock, difference between NUA taxed at capital gains rates rather than typically higher ordinary income tax rates.	• Immediate taxation of non-company stock assets and company stock's average cost basis at ordinary income tax rates. • Possibility that additional income from distribution may place participant in higher tax bracket.

Because your personal situation is unique, it's a good idea to review your options with a professional tax advisor before you decide how to take your company stock.

Important Information about Traditional After-Tax Contributions

You can elect to have your traditional *after-tax contributions* paid in:

- Cash
- Chevron stock shares valued at market value, *or*
- Chevron stock shares valued at cost.

If you elect to have the entire amount of your ESIP payment that is eligible for rollover directly rolled over but you choose to have *after-tax contributions* distributed to you, you will need to decide whether you want your after-tax contributions paid in cash or Chevron stock shares.

If you prefer to have your traditional *after-tax contributions* paid to you in Chevron stock shares in a final distribution or in a partial distribution, Fidelity (the plan's service provider) generally will give you a number of shares whose market value at the time of distribution is equal to the dollar value of your *after-tax contributions*.

In a cash lump-sum distribution, however, you can elect to receive your *after-tax contributions* in Chevron stock shares using the Chevron cost basis rather than market value to determine the number of shares that will not be rolled over. This may result in rolling over fewer Chevron stock shares into an IRA. You should always consult your personal tax advisor before making a decision on how to take a distribution of your company stock.

Please note that both the Chevron ESOP Fund shares and the Chevron Common Stock Fund can be used in determining the number of shares to equate to your after-tax contributions.

Get Help Before You Decide

Because your personal situation is unique, it's a good idea to review your options with a professional tax advisor before you decide how to take your company stock.

Please make sure to also review the special tax notice on netbenefits.com prior to requesting a distribution from your ESIP. You may also call Fidelity through the HR Service Center at **888-825-5247, Monday through Friday, 7:30 a.m.–11 p.m. CT,** to request a copy of the notice.

For help with **questions** about net unrealized appreciation and your company stock distribution options, contact:

Fidelity's Workplace Planning Consultants at 800-603-4015

Fidelity's Workplace Planning Consultants are available to all participants, regardless of your age or account balance, on business days from 5:30 a.m. to 9 p.m. Pacific time (7:30 a.m. to 11 p.m. Central time). You may also click here to schedule a one-on-one phone appointment.

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Click here to learn more about "How to Make the Most of Company Stock"

https://www.fidelity.com/learning-center/personal-finance/retirement/company-stock

Because your personal situation is unique, it's a good idea to review your options with a professional tax advisor before you decide how to take your company stock.

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