PROXY MEMORANDUM

To: Occidental Petroleum Shareholders

Subject: 2017 Proxy Statement – Item No. 5: Shareholder Proposal Regarding Climate Change Assessment Report

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Wespath Investment Management (Wespath) and the Nathan Cummings Foundation co-filed Proxy Item No. 5, *Climate Change Assessment Report*. The proposal will be voted on at the **May 12, 2017** Annual Meeting of Occidental Petroleum Corporation (Occidental).

Resolved

Shareholders request that Occidental Petroleum Corporation (Occidental), with board oversight, produce an assessment of long-term portfolio impacts of plausible scenarios that address climate change, at reasonable cost and omitting proprietary information. The assessment, produced annually with the initial report issued prior to the 2018 Annual Meeting of Stockholders, should explain how capital planning and business strategies incorporate analyses of the short- and long-term financial risks of a lower carbon economy. Specifically, the report should outline the impacts of multiple, fluctuating demand and price scenarios on the company's existing reserves and resource portfolio - including the International Energy Agency's "450 Scenario," which sets out an energy pathway consistent with the internationally recognized goal of limiting the global increase in temperature to 2 degrees Celsius.

Wespath and the Nathan Cummings Foundation believe issuance of a Climate Change Assessment Report is in investors' long-term best interests. This memorandum summarizes the rationale for Proxy Item No. 5 and how Occidental's current disclosure does not meet the proposal request.

49%[i] of Occidental's investors requested information to help evaluate the company's long-term resilience. Occidental has yet to respond to the request.

Occidental's *Statement in Opposition* to the 2017 proposal describes its intention to enhance its climate-related disclosure. While this is welcome, Occidental has not indicated when the information will be provided, nor has it committed to disclosing the company's projections of long-term portfolio impacts related to the transition to a lower carbon economy.

Occidental's current disclosure does not provide investors with sufficient information and lags its global peers.

As the energy industry evolves, investors expect Occidental to identify and manage risk factors that could affect the company.

- The company's disclosure indicates its risk management techniques are based on commodity price forecasting. Investors are requesting disclosure of scenario analyses, which can inform and strengthen corporate strategic planning by allowing management to consider and prepare for a wider range of economic, regulatory and societal conditions.[ii] Occidental has not demonstrated in its reporting that it has reflected changes in its price forecasts resulting from public policy initiatives relating to climate change and/or technological advancements. By comparison, **Shell** has disclosed scenario analyses since 2013 and indicates that they remain valuable planning exercises, "*We continue to learn from these scenarios what is needed, practically, to have a healthy planet while at the same time responding to the natural human striving for a better quality of life.*"[iii]

- Disclosure of scenario analyses helps investors have confidence that the capital planning models used by management are robust and consider a sufficient number of reasonable outcomes. **Statoil** acknowledges the importance of this in its "*Climate Roadmap*" disclosure: "*There are many uncertainties in the transition to low carbon energy. Gamechanging technologies are likely to emerge, climate policies will shift in unexpected ways and new entrants will disrupt the energy industry. We cannot predict exactly how Statoil will look in 2030, never mind 2050, but we do know the direction of change. We also know that nothing prepares us better than our ability to adapt to change and always pay attention to what is ahead.*" [iv]

- Investors require tangible evidence that Occidental is considering a range of possible future outcomes, evaluating the likelihood of each and planning accordingly. The company says it is "*well situated to shift capital allocation in the face of changing climate-related risks and opportunities*" but provides no detail on the processes or metrics that underpin this statement. This contrasts with peers, including **ConocoPhillips**, which discloses four scenarios and explains why it gives each scenario equal weighting. As Occidental's global peers (listed below) increasingly disclose information related to the long-term impacts of the transition to a lower carbon economy, Occidental's disclosure falls short:[v]

ConocoPhillips	Statoil	Total, S.A.
Shell	BP plc	Chevron Corp.

The investment community is increasingly requesting that companies disclose climate-related scenario analyses.

- In 2016, similar proposals received 41% support at **Chevron**, 38% support at **ExxonMobil** and near-unanimous support at **Suncor**, where the board supported it.

- Disclosure linked to different, plausible scenarios, such as the IEA's 450 Scenario – provides investors with information about a company's future resilience in the face of likely, and possible, change and disruption. Expectations relating to scenario analysis disclosure are articulated in:

  - **Investor Expectations of Oil and Gas Companies: Transition to a lower carbon future[vi]:** sets out parameters to assess/stress test business preparedness for 10 years and beyond.

  - **The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD):** the TCFD's December 2016 recommendations include *"voluntary, consistent, climate-related financial disclosures that would be useful to investors, lenders, and insurance underwriters in understanding material risks*."[vii] The TCFD supports scenario analysis as a method of assessing potential business, strategic and financial risk—and issued a technical supplement to guide issuers through the process.

  - **A Framework for 2 Degrees Scenario Analysis: A Guide for Oil and Gas Companies and Investors for Navigating the Energy Transition:** published in 2016 provides detailed information on the steps required to conduct and utilize 2 degree scenario analyses.

A Climate Change Assessment Report providing detailed information regarding Occidental's resilience in a lower-carbon economy will allow shareholders to better assess the company's competitive positioning going forward.

[i] Excluding abstentions.

[ii] Jaffe, Amy Myers and Ceres, "A Framework for 2 Degrees Scenario Analysis: A Guide for Oil and Gas Companies and Investors for Navigating the Energy Transition," 2016.

[iii] http://www.shell.com/energy-and-innovation/the-energy-future/scenarios/a-better-life-with-a-healthy-planet/_jcr_content/par/tabbedcontent/tab/textimage.stream/1475857466913/a1aa5660d50ab79942f7e4a629fcb37ab93d021afb308b92c1b77696ce6b2ba6/scenarios-nze-brochure-interactive-afwv9-interactive.pdf, p. 5

[iv] https://www.statoil.com/content/dam/statoil/image/how-and-why/climate/A4-climate-roadmap-digital.pdf, p.5

[v] The "Oil and Gas Climate Initiative (OGCI)" was established in 2014 by ten major, global oil and gas companies: BP, CNPC, Eni, Pemex, Reliance Industries, Repsol, Saudi Aramco, Shell, Statoil and Total. OGCI is an "industry-driven initiative which aims to catalyse practical action on climate change in focus areas such as the role of natural gas, carbon reduction instruments and tools, and long-term energy solutions."

[vi] http://www.iigcc.org/publications/publication/updated-guide-of-investor-expectations-of-oil-and-gas-companies-2016.

[vii] Recommendations of the Task Force on Climate-related Financial Disclosures, 2016, p.iii The recommendations will be presented at the July 2017 summit of the G20 nations.