

TENNECO INC
Form DEF 14A
March 31, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
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Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
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Tenneco Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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**Tenneco Inc.
500 North Field Drive
Lake Forest, Illinois 60045
(847) 482-5000**

March 31, 2009

To the Stockholders of Tenneco Inc.:

The Annual Meeting of Stockholders of Tenneco Inc. will be held Wednesday, May 13, 2009, at 10:00 a.m., local time, at our headquarters located at 500 North Field Drive, Lake Forest, Illinois 60045.

Holders of common stock are entitled to vote at the Annual Meeting on the basis of one vote for each share held.

We are pleased to take advantage of Securities and Exchange Commission rules that allow us to furnish these proxy materials and our Form 10-K to stockholders on the Internet. We believe that posting these materials on the Internet enables us to provide stockholders with the information that they need more quickly, while lowering our costs of printing and delivery and reducing the environmental impact of our Annual Meeting.

A record of our activities for the year 2008 is contained in our Form 10-K, which you may access by following the instructions contained in our Notice of Internet Availability of Proxy Materials. We urge each stockholder who cannot attend the Annual Meeting to please assist us in preparing for the meeting by following the voting procedures contained in the Notice of Internet Availability of Proxy Materials, proxy card or voting instruction form.

Very truly yours,
GREGG M. SHERRILL

Chairman and Chief Executive Officer

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**Tenneco Inc.
500 North Field Drive
Lake Forest, Illinois 60045
(847) 482-5000**

**NOTICE OF
ANNUAL MEETING OF STOCKHOLDERS
May 13, 2009**

The Annual Meeting of Stockholders of Tenneco Inc. will be held at our headquarters located at 500 North Field Drive, Lake Forest, Illinois 60045 on Wednesday, May 13, 2009, at 10:00 a.m., local time.

The purposes of the meeting are:

1. To elect ten directors for a term to expire at the 2010 Annual Meeting of Stockholders;
2. To consider and act upon a proposal to ratify the appointment of Deloitte & Touche LLP as independent public accountants for 2009;
3. To consider and act upon a proposal to amend the Tenneco Inc. 2006 Long-Term Incentive Plan to increase the shares of the Company's common stock available for delivery under the plan by 2.3 million additional shares, with each share underlying an option counting as one share and each share underlying a full value award counting as 1.25 shares against the total plan availability; and
4. To consider and act upon such other matters as may properly be brought before the meeting, or any adjournment or postponement thereof.

The Board of Directors knows of no other matters at this time that may be brought before the meeting. Holders of common stock of record at the close of business on March 16, 2009 are entitled to vote at the meeting. A list of these stockholders will be available for inspection for 10 days preceding the meeting at our headquarters located at 500 North Field Drive, Lake Forest, Illinois 60045, and also will be available for inspection at the meeting.

We are pleased to take advantage of Securities and Exchange Commission rules that allow us to furnish these proxy materials and our Form 10-K on the Internet. Stockholders of record have been mailed a Notice of Internet Availability of Proxy Materials (the "Notice"), which provides stockholders with instructions on how to access the proxy materials and our Form 10-K, on the Internet, and, if they prefer, how to request paper copies of these materials. Plan participants who hold shares in their Tenneco 401(k) accounts and other stockholders who have previously requested paper copies of these materials may receive these materials by email or in paper. We believe that posting these materials on the Internet enables us to provide stockholders with the information that they need more quickly, while lowering our costs of printing and delivery and reducing the environmental impact of our Annual Meeting.

As a stockholder of Tenneco Inc., your vote is important. All stockholders are cordially invited to attend the Annual Meeting. Whether or not you are able to attend the Annual Meeting in person, it is important that your shares be represented. Please vote as soon as possible as instructed in the Notice of Internet Availability of Proxy Materials, proxy card or voting instruction form.

By Order of the Board of Directors

DAVID A. WARDELL

Corporate Secretary

Lake Forest, Illinois
March 31, 2009

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**Tenneco Inc.
500 North Field Drive
Lake Forest, Illinois 60045
(847) 482-5000**

March 31, 2009

**PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 13, 2009**

The Board of Directors of Tenneco Inc. (which we refer to as we, us, our, Tenneco or our company) has made these proxy materials available to you on the Internet, or, upon your request, has delivered printed versions of these materials to you by mail. We are furnishing this proxy statement in connection with the solicitation by our Board of Directors of proxies to be voted at the Annual Meeting of Stockholders on May 13, 2009, or at any adjournment or postponement thereof. Holders of common stock of record at the close of business on March 16, 2009 will be entitled to vote at the Annual Meeting. Each share is entitled to one vote. At March 16, 2009, there were 46,905,047 shares of common stock outstanding and entitled to vote.

Pursuant to the notice and access rules adopted by the Securities and Exchange Commission, we have elected to provide stockholders access to our proxy materials over the Internet. Accordingly, we mailed a Notice of Internet Availability of Proxy Materials (the Notice) on March 31, 2009 to our stockholders of record. The Notice provides you with instructions regarding how to:

View our proxy materials for the Annual Meeting and our Form 10-K (which includes our audited financial statements) on the Internet at www.proxyvote.com;

Instruct us to provide our future proxy materials to you electronically by email; and

If you prefer, request a printed set of the proxy materials and Form 10-K.

Plan participants who hold Tenneco shares in their 401(k) accounts and other stockholders who have previously requested paper copies of these materials may receive these materials by email or in paper. We elected to use electronic notice and access for our proxy materials because we believe this process will reduce our printing and mailing costs and, by reducing the amount of printed materials, will reduce the environmental impact of our annual stockholders' meetings. Choosing to receive your future proxy materials by email will help us in these efforts. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it.

BACKGROUND

In 1996, we were formed and spun off from the company that, at the time, was known as Tenneco Inc. After the spin-off, we held the former Tenneco Inc.'s automotive and packaging operations. In 1999, we spun off the packaging operations and, at that time, changed our name to Tenneco Automotive Inc. In October 2005, we returned to the name Tenneco Inc., as we believe the name Tenneco better represents the continued expansion of our offerings through our commercial and specialty vehicle businesses.

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**ELECTION OF DIRECTORS
(Item 1)**

Our Board of Directors currently comprises ten individuals, all of whom are proposed to be elected at this Annual Meeting to serve for a term to expire at the annual meeting of stockholders to be held in 2010 and until their successors are chosen and have qualified.

The persons named as proxy voters in the accompanying proxy card, or their substitutes, will vote your proxy for all the nominees, each of whom has been designated as such by the Board of Directors, unless otherwise indicated in your proxy. In the event that any nominee for director withdraws or for any reason is not able to serve as a director, we will vote your proxy for the remainder of those nominated for director (except as otherwise indicated in your proxy) and for any replacement nominee designated by the Compensation/Nominating/Governance Committee of the Board of Directors.

You may vote For or Against any or all of the director nominees, or you may Abstain from voting. Assuming a quorum, each director nominee receiving a majority of the votes cast at the Annual Meeting (in person or by proxy) will be elected as director. A majority of the votes cast means the number of For votes cast exceeds the number of Against votes cast. A proxy marked Abstain with respect to any director will not be counted in determining the total number of votes cast.

Brief statements setting forth the age (at March 16, 2009), the principal occupation, the employment during at least the past five years, the year in which first elected a director and other information concerning each nominee appears below.

The Board of Directors recommends that you vote FOR all of the nominees listed below.

Because Tenneco is a Delaware corporation, under Delaware law, if an incumbent director is not elected, that director remains in office until the director's successor is duly elected and qualified or until the director's death, resignation or retirement. To address this potential outcome, the Board adopted a director resignation policy in Tenneco's By-Laws. Under this policy, the Board of Directors will nominate for directors only those incumbent candidates who tender, in advance, irrevocable resignations, and the Board has obtained such conditional resignations from the nominees in this year's proxy statement. The irrevocable resignations will be effective upon the failure to receive the required vote at any annual meeting at which they are nominated for re-election and Board acceptance of the resignation. If a nominee fails to receive the required vote, the Compensation/Nominating/Governance Committee will recommend to the Board whether to accept or reject the tendered resignation. The Board will publicly disclose its decision within 90 days following certification of the stockholder vote. In addition, the director whose resignation is under consideration will not participate in the recommendation of the Compensation/Nominating/Governance Committee with respect to the resignation. If the Board does not accept the resignation, the director will continue to serve until the next annual meeting and until his or her successor is duly elected, or until his or her earlier resignation or removal. If the Board accepts the resignation, then the Board, in its sole discretion, may fill any resulting vacancy or may decrease the size of the Board.

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**NOMINEES FOR THE ELECTION TO THE BOARD OF DIRECTORS
For One-Year Terms Expiring at the 2010 Annual Meeting of Stockholders**

Charles W. Cramb Mr. Cramb has been Vice Chairman, Chief Finance and Strategy Officer of Avon Products, Inc., a global manufacturer and marketer of beauty and related products, since September 2007. Mr. Cramb joined Avon in November 2005 as Executive Vice President, Finance and Technology and Chief Financial Officer. Mr. Cramb was Senior Vice President and Chief Financial Officer of The Gillette Company, a global manufacturer and marketer of a wide variety of consumer products, from 1997 until October 2005. He joined Gillette in 1970 and served in a number of financial positions. From 1976 to 1981, he held several key financial management positions in Gillette's European operations, including Manager, Financial Services, Gillette Europe, and Financial Controller, Gillette Industries Limited, UK. From 1981 to 1995, he held a series of senior financial management positions in the United States, including Controller, International Operations; Vice President, Finance and Strategic Planning, Gillette North Atlantic Group; Assistant Controller, The Gillette Company; and Vice President, Finance, Planning and Administration, Diversified Group. From 1995 to 1997, he was Corporate Vice President and Corporate Controller. He is a director of Idenix Pharmaceuticals, Inc., where he is Chairman of the Audit Committee and a member of the Compensation Committee. Mr. Cramb was elected a director of our company in March 2003, is 62 years old and is the Chairman of the Audit Committee.

Dennis J. Letham Mr. Letham serves as Executive Vice President, Finance and Chief Financial Officer of Anixter International Inc., overseeing all of the company's finance, accounting, tax, human resource and internal audit activities in 50 countries. Prior to assuming his role as Chief Financial Officer in 1995, Mr. Letham served as Executive Vice President and Chief Financial Officer of Anixter, Inc., the principal operating subsidiary of Anixter International Inc., which he joined in 1993. Previously, he had a ten-year career with National Intergroup Inc., where he was Senior Vice President and Chief Financial Officer, as well as Vice President and Controller. From 1983 to 1989, Mr. Letham held a number of senior financial positions for National Intergroup Inc., including its wholly-owned subsidiary National Aluminum Corporation that included Vice President and Controller, Director of Corporate Accounting, and Manager for Internal Audit. Mr. Letham began his career at Arthur Andersen & Co. in 1973 where he held progressive responsibilities in the Audit Department. Mr. Letham holds a bachelors degree from Pennsylvania State University's Accounting Honors program. He also is a Certified Public Accountant. Mr. Letham who is 57 years old was elected a director of our company in October 2007 and is a member of the Audit Committee.

Frank E. Macher Mr. Macher has served as Chief Executive Officer of Finance Manufacturing Acquisition & Capital since 2008. Previously he served as President and Chief Executive Officer and as a member of the Board of Directors of Collins & Aikman Corporation, a global supplier of motor vehicle parts, from July 2005 until his retirement in January 2007. Mr. Macher served as Chief Executive Officer of Federal Mogul Corporation, a manufacturer of motor vehicle parts and supplies, from January 2001 to July 2003 and Chairman of Federal Mogul from October 2001 to his retirement in January 2004. From June 1997 to his retirement in July 1999, Mr. Macher served as President and Chief Executive Officer of ITT Automotive, a supplier of automotive components. From 1966 to his retirement in 1996, Mr. Macher was employed by Ford Motor Company, serving most recently as Vice President and General Manager of the Automotive Components Division. Mr. Macher is 68 years old and was named a director of our company in July 2000. Mr. Macher is a member of the Audit Committee.

Hari N. Nair Executive Vice President and President International Mr. Nair was named our Executive Vice President and President International effective March 2007. Previously, Mr. Nair served as Executive Vice President and Managing Director of our business in Europe, South America and India. Before that, he was Senior Vice President and Managing Director International. Prior to December 2000, Mr. Nair was the Vice President and Managing Director Emerging Markets. Previously, Mr. Nair was the Managing Director for Tenneco Automotive Asia, based in Singapore and responsible for all operations and development projects in Asia. He began his career with the former

Tenneco Inc. in 1987, holding various positions in strategic planning, marketing, business development, quality and finance.

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Prior to joining Tenneco, Mr. Nair was a senior financial analyst at General Motors Corporation focusing on European operations. Mr. Nair is 48 years old and became a director of our company in March 2009.

Roger B. Porter Mr. Porter is the IBM Professor of Business and Government and the Master of Dunster House at Harvard University. Mr. Porter has served on the faculty at Harvard University since 1977. Mr. Porter also held senior economic policy positions in the Ford, Reagan and George H. W. Bush White Houses, serving as special assistant to the President and executive secretary of the Economic Policy Board from 1974 to 1977, as deputy assistant to the President and director of the White House Office of Policy Development from 1981 to 1985, and as assistant to the President for economic and domestic policy from 1989 to 1993. He is also a director of Zions Bancorporation, Pactiv Corporation, Extra Space Storage Inc. and Packaging Corporation of America. Mr. Porter is 62 years old and has been a director of our company since January 1998. Mr. Porter is the Chairman of the Compensation/Nominating/Governance Committee.

David B. Price, Jr. Mr. Price has served as Chief Executive Officer, President and Founder of Birdet Price, LLC, an investment and consulting firm wholly-owned by Mr. Price, since July 2001. Previously, Mr. Price was President of Noveon Inc. from February 2001 until May 2001. Noveon, Inc. was formerly the Performance Materials segment of BF Goodrich Company prior to its sale to an investor group in February 2001. While with BF Goodrich Company from July 1997 to February 2001, Mr. Price served as Executive Vice President of the BF Goodrich Company and President and Chief Operating Officer of BF Goodrich Performance Materials. Prior to joining BF Goodrich, Mr. Price held various executive positions over a 25-year span at Monsanto Company, most recently serving as President of the Performance Materials Division of Monsanto Company from 1995 to July 1997. From 1993 to 1995, he was Vice President and General Manager of commercial operations for the Industrial Products Group and was also named to the management board of Monsanto's Chemical Group. He is a director and Chairman of the YMCA of Greater St. Louis and a Director of St. Lukes Hospital in St. Louis. He is also a director of CH2M HILL. Mr. Price is 63 years old and was named a director of our company in November 1999. Mr. Price is a member of the Compensation/Nominating/Governance Committee.

Gregg M. Sherrill Chairman and Chief Executive Officer Mr. Sherrill was named our Chairman and Chief Executive Officer in January 2007. Mr. Sherrill joined us from Johnson Controls Inc., where he served since 1998, most recently as President, Power Solutions. From 2002 to 2003, Mr. Sherrill served as the Vice President and Managing Director of Europe, South Africa and South America for Johnson Controls Automotive Systems Group. Prior to joining Johnson Controls, Mr. Sherrill held various engineering and manufacturing assignments over a 22-year span at Ford Motor Company, including Plant Manager of Ford's Dearborn, Michigan engine plant and Director of Supplier Technical Assistance. Mr. Sherrill is 56 years old and became a director of our company in January 2007.

Paul T. Stecko Mr. Stecko has served as the Chief Executive Officer of Packaging Corporation of America since April 1999. From November 1998 to April 1999, Mr. Stecko served as President and Chief Operating Officer of Tenneco Inc. From January 1997 to November 1998, Mr. Stecko served as Chief Operating Officer of Tenneco Inc. From December 1993 through January 1997, Mr. Stecko served as Chief Executive Officer of Tenneco Packaging Inc. Prior to joining Tenneco Packaging Inc., Mr. Stecko spent 16 years with International Paper Company. He is a director of State Farm Mutual Insurance Company, American Forest and Paper Association and Smurfit Kappa Group, and is the Chairman of the Board of Packaging Corporation of America. Mr. Stecko is 64 years old and has been a director of our company since November 1998. Mr. Stecko is a member of the Compensation/Nominating/Governance Committee.

Mitsunobu Takeuchi Mr. Takeuchi served as Chairman Emeritus of DENSO International America, Inc., the North American arm of Japan-based DENSO Corp., a worldwide supplier of advanced automotive systems and components, from 2004 until January 2006. Mr. Takeuchi joined DENSO in 1964 and rose through a series of sales and general

manager positions in Japan and North America, with experience in both original equipment and aftermarket. He became President and Chief Executive Officer, DENSO International America in 1997, Chairman and Chief Executive Officer in 2002 and Chairman Emeritus in 2004. He served as a member of the Board of Directors of Denso Corporation from March 1995

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until his retirement in June 2004. Mr. Takeuchi is a director of the Economic Club of Detroit and the Motor Equipment Manufacturers Association and a member and past president of the Japan Business Society of Detroit. Mr. Takeuchi is 67 years old and has been a director of our company since January 2006. Mr. Takeuchi is a member of the Audit Committee.

Jane L. Warner Ms. Warner has served as Executive Vice President at Illinois Tool Works Inc., a global manufacturer of specialty products and equipment, since August 2007, where she has worldwide responsibility for its Global Finishing and Software businesses. Ms. Warner joined Illinois Tool Works Inc. in December 2005 as Group President of its Finishing and Click Commerce businesses. Prior to this, Ms. Warner was President of Plexus Systems, L.L.C., a provider of manufacturing information systems from June 2004 until December 2005 and an executive with Electronic Data Systems from 2000 through June 2004, where she was President of their Global Manufacturing Information Solutions Group. Ms. Warner served as Executive Vice President for first tier supplier Textron Automotive from 1994 through 1999, where she was President of its Kautex North America and Randall divisions. Previously, Ms. Warner held various positions over a 20-year span at General Motors Corporation which included General Superintendent and Assistant Chief Engineer. She was sponsored as a Sloan Fellow to Stanford University where she received a Master's in Management. Ms. Warner is a board member of MeadWestvaco Corporation, where she sits on the Audit and Safety, Health and Environmental Committees and a member of the Board of Trustees for Kettering University where she is past Chair and serves on the Finance Committee. Ms. Warner is 62 years old and was named a director of our company in October 2004. Ms. Warner is a member of the Audit Committee and the Compensation/Nominating/Governance Committee.

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CORPORATE GOVERNANCE

Overview

We have established a comprehensive corporate governance plan for the purpose of defining responsibilities, setting high standards of professional and personal conduct and assuring compliance with these responsibilities and standards. As part of its annual review process, the Board of Directors monitors developments in the area of corporate governance. Listed below are some of the key elements of our corporate governance plan. Many of these matters are described in more detail elsewhere in this proxy statement.

Independence of Directors (see pp. 7-8)

Eight of the Company's ten current directors are independent under the New York Stock Exchange (NYSE) listing standards. Assuming all nominees presented in this Proxy Statement are elected at the Annual Meeting, eight of our ten directors will be independent under the NYSE listing standards.

Independent directors are scheduled to meet separately in executive session after every regularly scheduled Board of Directors meeting.

We have a lead independent director, Mr. Paul T. Stecko.

Audit Committee (see pp. 10-11 and p. 43)

All members meet the independence standards for audit committee membership under the NYSE listing standards and applicable Securities and Exchange Commission (SEC) rules.

Two members of the Audit Committee, Messrs. Charles Cramb and Dennis Letham, have been designated as audit committee financial experts as defined in the SEC rules. All members of the Audit Committee satisfy the NYSE's financial literacy requirements.

The Audit Committee operates under a written charter that governs its duties and responsibilities, including its sole authority to appoint, review, evaluate and replace our independent auditors.

The Audit Committee has adopted policies and procedures governing the pre-approval of all audit, audit-related, tax and other services provided by our independent auditors.

Compensation/Nominating/Governance Committee and Subcommittee (see pp. 8-10 and p. 42)

All members meet the independence standards for compensation and nominating committee membership under the NYSE listing standards.

The Compensation/Nominating/Governance Committee operates under a written charter that governs its duties and responsibilities, including the responsibility for executive compensation.

In December 2005, an Executive Compensation Subcommittee was formed which has the responsibility to consider and approve equity-based compensation for our executive officers which is intended to qualify as performance based compensation under Section 162(m) of the Internal Revenue Code.

Corporate Governance Principles

We have adopted Corporate Governance Principles, including qualification and independence standards for directors.

Stock Ownership Guidelines

We have adopted Stock Ownership Guidelines to align the interests of our executives with the interests of stockholders and promote our commitment to sound corporate governance.

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The Stock Ownership Guidelines apply to the non-management directors, the Chairman and Chief Executive Officer, all Executive Vice Presidents and all Senior Vice Presidents.

Communications with Directors (see pp. 11-12)

The Audit Committee has established a process for confidential and anonymous submissions by our employees, as well as submissions by other interested parties, regarding questionable accounting or auditing matters.

Additionally, the Board of Directors has established a process for stockholders to communicate with the Board of Directors, as a whole, or any independent director.

Codes of Business Conduct and Ethics

We have adopted a Code of Ethical Conduct for Financial Managers that applies to our Chief Executive Officer, Chief Financial Officer, Controller and other key financial managers.

We also operate under an omnibus Statement of Business Principles that applies to all directors, officers and employees and includes provisions ranging from restrictions on gifts to conflicts of interest. All salaried employees are required to affirm annually in writing their acceptance of, and compliance with, these principles.

Related Party Transactions Policy (see pp. 12-13)

We have adopted a Policy and Procedure for Transactions with Related Persons, under which our Audit Committee must generally pre-approve transactions involving more than \$120,000 with our directors, executive officers, five percent or greater stockholders and their immediate family members.

Equity Award Policy

We have adopted a written policy to be followed for all issuances by our company of compensatory awards in the form of our common stock or any derivative of our common stock.

Personal Loans to Executive Officers and Directors

We comply with and operate in a manner consistent with the legislation outlawing extensions of credit in the form of a personal loan to or for our directors or executive officers.

Our Audit Committee, Compensation/Nominating/Governance Committee and Executive Compensation Subcommittee Charters, Corporate Governance Principles, Stock Ownership Guidelines, Accounting Complaints Policy, Code of Ethical Conduct for Financial Managers, Statement of Business Principles, Policy and Procedures for Transactions with Related Persons, Equity Award Policy, Director Communications Policy and Audit/Non-Audit Services Policy may be accessed on our website at www.tenneco.com. The contents of the website are not, however, a part of this proxy statement. In addition, we will make a copy of any of these documents available to any person, without charge, upon written request to Tenneco Inc., 500 North Field Drive, Lake Forest, Illinois 60045, Attn: General Counsel. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K and applicable NYSE rules regarding amendments to or waivers of our Code of Ethical Conduct for Financial Managers and Statement of Business Principles by posting this information on our website at www.tenneco.com.

The Board of Directors and Its Committees

General. Our Board of Directors currently comprises ten members, eight of whom are not officers of our company and two of whom are officers of our company. The Board of Directors believes that our ratio of outside directors to inside directors represents a commitment to the independence of the Board and a focus on matters of importance to our stockholders.

The Board of Directors has determined that all of our non-management directors are independent as that term is defined under the listing standards of the NYSE. As part of its analysis, the Board determined that none of the outside directors has a direct or indirect material relationship with us. Under written

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guidelines adopted by the Board, the following commercial or charitable relationships are not considered to be material relationships that would impair a director's independence:

the director is an employee, director or beneficial owner of less than 10% of the shares of another company that (directly or indirectly through its subsidiaries or affiliates) does business with us and the annual sales to, or purchases from, us are less than 1% of the annual consolidated revenues of both our company and the other company;

the director is an employee, director or beneficial owner of less than 10% of the shares of another company that (directly or indirectly through its subsidiaries or affiliates) is indebted to us, or to which we are indebted, and the total amount of either company's consolidated indebtedness to the other is less than 1% of the total consolidated assets of the indebted company;

the director is an executive officer of another company in which we own a common equity interest, and the amount of our interest is less than 5% of the total voting power of the other company; or

the director serves as an employee, director or trustee of a charitable organization, and our discretionary charitable contributions to the organization are less than 1% of that organization's total annual charitable receipts.

No outside director has a relationship with us that is not within these guidelines.

In making its determinations, the Board of Directors considered the following relationships, all of which are within these guidelines: in the case of Mr. Letham, an ordinary course supply arrangement between our company and the company where he serves as executive vice president, finance and chief financial officer; in the case of Mr. Stecko, an ordinary course supply arrangement between our company and the company where he serves as chief executive officer; and in the case of Ms. Warner, an ordinary course supply arrangement between our company and the company where she serves as executive vice president.

During 2008, the Board of Directors held eight meetings. All of our directors who served in 2008 attended at least 75% of the aggregate of all meetings of the Board of Directors and all meetings of the committees of the Board held and on which the director served. The Board of Directors is scheduled to meet in executive session, without management, after every regularly scheduled Board meeting. Mr. Stecko acts as lead independent director to chair these executive sessions and as primary spokesperson in communicating matters arising out of these sessions to our management.

All of the directors attended last year's annual meeting of the stockholders. The Board of Directors has a policy that, absent unusual circumstances, all directors attend our annual stockholder meetings.

The Board of Directors has the following standing committees, which have the responsibilities and authority described below.

Compensation/Nominating/Governance Committee and Subcommittee. The members of the Compensation/Nominating/Governance Committee are Ms. Warner and Messrs. Price, Stecko and Porter, who is the Chairman of the Committee. The Compensation/Nominating/Governance Committee is comprised solely of outside directors who meet the independence standards for compensation and nominating committee members as set forth in the NYSE listing standards.

The Compensation/Nominating/Governance Committee has the responsibility, among other things, to:

establish the salary rate of the officers and employees of our company and its subsidiaries;

examine periodically our compensation structure;

supervise our welfare and pension plans and compensation plans; and

produce an annual report on executive compensation for inclusion in our proxy statement in accordance with applicable rules and regulations of the SEC.

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It also has significant corporate governance responsibilities including, among other things, to:

review and determine the desirable balance of experience, qualifications and expertise among members of the Board;

review possible candidates for membership on the Board and recommend a slate of nominees for election as directors at each annual meeting of stockholders;

review the function and composition of the other committees of the Board and recommend membership on these committees;

review the qualifications of and recommend candidates for election as officers of our company; and

develop, recommend to the Board of Directors for approval and, as appropriate, recommend to the Board of Directors revisions to our applicable Corporate Governance Principles.

The Compensation/Nominating/Governance Committee may form and delegate authority to subcommittees when appropriate and to the extent permitted by applicable law and the rules of the NYSE. Once a subcommittee of this committee is so formed, the committee may exercise any authority in its discretion that is granted to the subcommittee.

An Executive Compensation Subcommittee, consisting of all Compensation/Nominating/Governance Committee members except Mr. Stecko, was formed in 2005. This subcommittee has the responsibility of considering and approving equity-based compensation for our Chief Executive Officer and our other executive officers which is intended to qualify as performance based compensation under Section 162(m) of the Internal Revenue Code. This subcommittee does not have the authority to further delegate its responsibilities.

Each of the Compensation/Nominating/Governance Committee and its Executive Compensation Subcommittee operates pursuant to a written charter, the current versions of which were reaffirmed by the Board of Directors and the Compensation/Nominating/Governance Committee, respectively, in March 2009 as part of their annual review process. The Compensation/Nominating/Governance Committee held six meetings and the Executive Compensation Subcommittee held three meetings during 2008.

The Compensation/Nominating/Governance Committee engages Hewitt Associates, LLC as its regular outside compensation consultant. Hewitt reports directly to the Compensation/Nominating/Governance Committee and the scope of its assignment is to (i) assist in decision-making with respect to executive compensation, (ii) provide plan design advice, (iii) provide annual competitive market studies against which committee members can analyze executive compensation and (iv) apprise the committee members regarding best practices and pay levels in association with director compensation. For our director compensation, Hewitt prepares comparative market data and presents that information directly to the committee and the Board. The committee and the Board review this data and establish director compensation in consultation with Hewitt.

From time to time, the committees will review materials prepared by other consultants to assist it with specific compensation matters. For example, in 2006, management engaged Buck Consultants, a pension actuarial firm, to provide advice concerning the restructuring of Tenneco's defined benefit and defined contribution retirement benefits plans for U.S. salaried and non-union hourly employees. This information was reviewed by the Compensation/Nominating/Governance Committee in connection with its decision to freeze future accruals under our defined benefits retirement plans at the end of 2006, as described under Executive Compensation Post-Employment

Compensation 2006 Changes in Defined Benefits.

For a discussion of the role of our executive officers in the establishment of executive officer compensation, see Executive Compensation Compensation Discussion and Analysis. Our executive officers do not participate in the process for establishing director compensation.

A report of the Compensation/Nominating/Governance Committee regarding executive compensation appears elsewhere in this proxy statement. For a more detailed discussion of the Compensation/

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Nominating/Governance Committee's processes and procedures for considering and determining executive compensation, see Executive Compensation Compensation Discussion and Analysis.

Audit Committee. The members of the Audit Committee are Ms. Warner and Messrs. Letham, Macher, Takeuchi and Cramb, who is the Chairman of the Committee. The Audit Committee is comprised solely of directors who meet all of the independence standards for audit committee membership as set forth in the Sarbanes-Oxley Act of 2002, and the SEC rules adopted thereunder, and the NYSE listing standards. The Board of Directors has designated Mr. Cramb and Mr. Letham as audit committee financial experts as that term is defined in the SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002.

Management is responsible for our internal controls over the financial reporting process. The independent public accounting firm is responsible for performing an independent audit of our consolidated financial statements in accordance with generally accepted audit standards and for issuing a report on its audit. The Audit Committee's duty is to oversee and monitor these activities on behalf of the Board of the Directors. Specifically, the Audit Committee has the responsibility, among other things, to:

- select and approve the compensation of our independent public accountants;
- review and approve the scope of the independent public accountants' audit activity and all non-audit services;
- review with management and the independent public accountants the adequacy of our basic accounting system and the effectiveness of our internal audit plan and activities;
- review with management and the independent public accountants our certified financial statements and exercise general oversight over the financial reporting process;
- review with us litigation and other legal matters that may affect our financial condition and monitor compliance with business ethics and other policies;
- review the independence, qualifications and performance of our independent public accountants;
- provide an avenue of communication among the independent public accountants, management, the internal auditors and the Board of Directors; and
- prepare the audit-related report required by the SEC to be included in our annual proxy statement.

In fulfilling its responsibilities, the Audit Committee reviewed with management and the independent public accountants:

- significant issues, if any, regarding accounting principles and financial statement presentations, including any significant changes in our selection or application of accounting principles, and significant issues, if any, as to the adequacy of our internal controls and any special audit steps adopted in view of material internal control deficiencies;
- analyses prepared by management and/or the independent public accountants setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles methods on financial statements;

the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, if any, on our financial statements; and

the type and presentation of information to be included in earnings press releases, as well as any financial information and earnings guidance provided to analysts and rating agencies.

In addition, the Audit Committee has discussed our major risk exposures and the steps that management has taken to monitor and control such exposures. Management is required to advise the Committee of any instances of fraud relating to employees who have a significant role in our internal controls. The Committee was advised that management was not aware of any such instances of fraud.

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The Audit Committee operates under a written charter, the current version of which was reaffirmed by the Board of Directors in March 2009 as part of its annual review process. The Audit Committee held twelve meetings in 2008. A report of the Audit Committee appears elsewhere in this proxy statement.

Consideration of Director Nominees. The Compensation/Nomination/Governance Committee regularly assesses the size of the Board of Directors, the need for expertise on the Board of Directors and whether any vacancies are expected on the Board of Directors due to retirement or otherwise. The Committee's process for identifying and evaluating nominees is as follows: In the case of incumbent directors, the Committee reviews annually such directors overall service to us during their term, including the number of meetings attended, level of participation, quality of performance and any transactions of such directors with us during their term. In the event that vacancies are anticipated, or otherwise arise, the Compensation/Nomination/Governance Committee considers various potential candidates for director which may come to its attention through a variety of sources, including current Board members, stockholders or other persons. In addition, from time to time the Committee will retain a professional search firm to assist it in identifying director candidates, for which the firm generally receives a fee. All candidates for director are evaluated at regular or special meetings of the Compensation/Nomination/Governance Committee. In evaluating and determining whether to recommend a person as a candidate for election as a director, the Compensation/Nomination/Governance Committee considers the qualification standards set forth in our Corporate Governance Principles, including: (1) personal and professional ethics, integrity and values; (2) an ability and willingness to undertake the requisite time commitment to Board functions; (3) independence pursuant to the guidelines set forth in the Corporate Governance Principles and applicable rules and regulations; (4) age, which must be less than 72; (5) the potential impact of service on the board of directors of other public companies, including competitors of our company; and (6) an absence of employment at a competitor of our company.

The Compensation/Nominating/Governance Committee will consider director candidates recommended by stockholders provided the procedures set forth below are followed by stockholders in submitting recommendations. The committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether the candidate was recommended by a stockholder. A stockholder of our company may nominate persons for election to the Board of Directors at an annual meeting if the stockholder submits such nomination, together with certain related information required by our By-Laws, in writing to our Corporate Secretary at our principal executive offices not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting. In the event, however, that the date of the annual meeting is more than thirty days before or more than seventy days after that anniversary date, the notice must be delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of the meeting is first made. Following verification of the stockholder's status, the Compensation/Nomination/Governance Committee will perform an initial analysis of the qualifications of the nominee pursuant to the criteria listed above to determine whether the nominee is qualified for service on our Board of Directors before deciding to undertake a complete evaluation of the nominee. Other than the verification of compliance with the procedures set forth in our By-Laws and stockholder status, and the initial analysis performed by the Compensation/Nomination/Governance Committee, a person nominated by a stockholder for election to the Board of Directors is treated like any other potential candidate during the review process by the Compensation/Nomination/Governance Committee.

Communications with the Directors. Anyone who has a concern about our conduct, or about our accounting, internal accounting controls or auditing matters, may communicate that concern directly to the Board of Directors, our lead independent director (Mr. Stecko) or any other non-employee director or the Audit Committee. All such concerns will be forwarded to the appropriate directors for their review, and all concerns related to audit or accounting matters will be forwarded to the Audit Committee. All reported concerns will be simultaneously reviewed and addressed by our Chief Compliance Officer and General Counsel, or his or her designee (unless he or she is alleged to be involved in

the matter at issue). The

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status of all outstanding concerns addressed to the Board, the non-employee directors or the Audit Committee will be reported to the Board or the Audit Committee (as applicable) on a quarterly basis. The Board or any committee may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. Our corporate policies prohibit retaliatory action against any employee who raises concerns or questions in good faith about these matters.

Stockholders wishing to communicate with the Board of Directors, any outside director or the Audit Committee may do so by writing to our Corporate Secretary at 500 North Field Drive, Lake Forest, Illinois 60045. The Corporate Secretary will forward any communications as directed by the stockholder. We maintain a separate, internal system for the receipt of communications from employees.

Transactions with Related Persons

The Board of Directors has adopted its Policy and Procedures for Transactions with Related Persons. As a general matter, the policy requires the Audit Committee to review and approve or disapprove the entry by us or our subsidiaries into certain transactions with related persons. The policy only applies to transactions, arrangements and relationships where the aggregate amount involved could reasonably be expected to exceed \$120,000 in any calendar year and in which a related person has a direct or indirect interest. A related person is:

any director, nominee for director or executive officer of our company;

any immediate family member of a director, nominee for director or executive officer; and

any person, and his or her immediate family members, or any entity, including affiliates, that was a beneficial owner of five percent or more of any of our outstanding equity securities at the time the transaction occurred or existed.

If advance approval of a transaction subject to the policy is not obtained, it must be promptly submitted to the committee for possible approval, amendment, termination or rescission. In reviewing any transaction, the committee will take into account, among other factors the committee deems appropriate, whether the transaction is on terms no less favorable than terms generally available to a third party in similar circumstances and the extent of the related person's interest in the transaction. The Board of Directors has delegated to the chair of the committee the authority to approve, disapprove or ratify any transaction with a related person in which the aggregate amount involved is expected to be less than \$1,000,000.

The policy provides that the following transactions are pre-approved for the purposes of the policy:

Employment of executive officers and compensation of directors and executive officers that is otherwise being reported in our annual proxy statement (as these transactions are otherwise subject to approval by the Board of Directors or one of its committees);

A transaction where the related person's only interest is as an employee, director or owner of less than 10% of the other company's shares, and if the transaction involves the sale of purchase or sale of goods or services, the annual sales to or purchases from our company are less than 1% of the annual consolidated revenue for both our company and the other company, or, if the transaction involves lending or borrowing, the total amount of either company's indebtedness is less than 1% of the total consolidated assets of the indebted company;

Contributions to charitable organizations, foundations or universities at which a related person's only relationship is as an employee, director or trustee, if the aggregate amount does not exceed 1% of the charitable

organization's total annual receipts;

Transactions where the related person's only interest arises solely from the ownership of our common stock, and where all stockholders of our company receive benefits on a pro rata basis;

Transactions involving competitive bidding;

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Transactions where the related person renders services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority; and

Transactions involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture or similar services.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and beneficial owners of 10 percent or more of a registered class of our equity securities to file with the SEC initial reports of beneficial ownership (Form 3) and reports on changes in beneficial ownership (Form 4 or 5). SEC rules adopted pursuant to Section 16(a) require that such persons furnish us with copies of all such forms they file with the SEC.

Based solely upon our review of such forms furnished to us during 2008, and upon the written representations received by us from certain of our directors and executive officers that no Forms 5 were required, we believe that our directors, executive officers and 10% or greater stockholders complied with all Section 16(a) filing requirements on a timely basis during 2008.

Table of Contents**OWNERSHIP OF COMMON STOCK****Management**

The following table shows, as of March 16, 2009, the number of shares of our common stock, par value \$.01 per share (the only class of voting securities outstanding), beneficially owned by: (1) each director and nominee for director; (2) each person who is named in the Summary Compensation Table below; and (3) all directors and executive officers as a group.

	Shares of Common Stock Owned (1)(2)(3)(4)	Percent of Common Stock Outstanding
<u>Directors</u>		
Charles W. Cramb	27,485	*
Dennis J. Letham	13,757	*
Frank E. Macher	13,314	*
Hari N. Nair	324,575	*
Roger B. Porter	49,662	*
David B. Price, Jr.	78,834	*
Gregg M. Sherrill	435,322	*
Paul T. Stecko	33,806	*
Mitsunobu Takeuchi	6,510	*
Jane L. Warner	17,512	*