

CHEVRON CORP  
Form DEF 14A  
April 15, 2010  
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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

Filed by a Party other than the Registrant

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

Soliciting Material Pursuant to §240.14a-12

**Chevron Corporation**

(Name of Registrant as Specified In Its Charter)

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

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- No fee required.
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**Notice of the 2010  
Annual Meeting and the  
2010 Proxy Statement**

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## Notice of the 2010

## Annual Meeting of Stockholders

**Meeting Date:** Wednesday, May 26, 2010  
**Meeting Time:** 8:00 a.m., CDT  
**Location:** Chevron Building Auditorium  
1500 Louisiana Street  
Houston, Texas 77002-7308  
**Record Date:** Thursday, April 1, 2010  
**Agenda**

Elect 16 Directors;

Ratify the appointment of the independent registered public accounting firm;

Approve an amendment to Chevron's By-Laws to reduce the percentage of stockholdings required for stockholders to call for special meetings;

Take action on six stockholder proposals; and

Transact any other business that may be properly brought before the Annual Meeting.

### **Admission**

All stockholders are invited to attend the Annual Meeting. To be admitted, you will need a form of photo identification and either an admission ticket or valid proof of ownership of Chevron common stock. Please refer to pages 6 and 7 of this Proxy Statement for information about attending the Annual Meeting. Seating at the Annual Meeting will be available on a first-come basis.

### **Voting**

Stockholders owning Chevron common stock at the close of business on Thursday, April 1, 2010, or their legal proxy holders are entitled to vote at the Annual Meeting. Please refer to pages 1 through 4 of this Proxy Statement for information about voting at the Annual Meeting.

On or about Thursday, April 15, 2010, we will mail to our stockholders either (1) a copy of this Proxy Statement, a proxy card and our Annual Report or (2) a Notice of Internet Availability of Proxy Materials, which will indicate how to access our proxy materials and vote on the Internet.

By Order of the Board of Directors,

Lydia I. Beebe

Corporate Secretary and

Chief Governance Officer

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### **Chevron Corporation**

6001 Bollinger Canyon Road

San Ramon, California 94583-2324

Thursday, April 15, 2010

## **2010 Proxy Statement**

### **General Information**

Your Board of Directors is providing you with these proxy materials in connection with the solicitation of proxies to be voted at Chevron Corporation's 2010 Annual Meeting of Stockholders and at any postponement or adjournment of the Annual Meeting. In this Proxy Statement, Chevron may also be referred to as we, our, the Company or the Corporation.

#### **ITEMS OF BUSINESS TO BE CONSIDERED AT THE ANNUAL MEETING**

Your Board is asking you to vote on the following items at the Annual Meeting:

Elect 16 Directors named in this Proxy Statement;

Ratify the appointment of the independent registered public accounting firm;

Approve an amendment to Chevron's By-Laws to reduce the percentage of stockholdings required for stockholders to call for special meetings; and

Six stockholder proposals.

#### **APPOINTMENT OF PROXY HOLDERS**

Your Board asks you to appoint John S. Watson, R. Hewitt Pate and Lydia I. Beebe as your proxy holders to vote your shares at the Annual Meeting. **You make this appointment by voting the proxy card provided to you using one of the voting methods described below.**

If appointed by you, the proxy holders will vote your shares as you direct on the matters described in this Proxy Statement. In the absence of your direction, they will vote your shares as recommended by your Board.

Unless you indicate otherwise on the proxy card, you also authorize your proxy holders to vote your shares on any matters that are not known by your Board as of the date of this Proxy Statement and that may be properly presented for action at the Annual Meeting.

#### **RECORD DATE AND VOTING**

**Stockholders owning Chevron common stock at the close of business on April 1, 2010, the Record Date, or their legal proxy holders are entitled to vote at the Annual Meeting.**

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**Your Board strongly encourages you to vote. Your vote is important. Voting early helps ensure that we receive a quorum of shares necessary to hold the Annual Meeting. Many stockholders do not vote, so the stockholders who do vote influence the outcome of the election in greater proportion than their percentage ownership of Chevron.**



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**General Information** *(Continued)*

Stockholders of record (i.e., stockholders who own their shares in their own name on the books of the Corporation) can vote by telephone, on the Internet or by mail as described below. Street name stockholders (i.e., stockholders who own their shares through a bank, broker or other holder of record) can vote by the method explained on the proxy card, voting instruction card or other information you receive from the bank, broker or other holder of record. We encourage you to vote on the Internet. It is convenient, and it saves us significant postage and processing costs. In addition, when you vote on the Internet or by telephone prior to the meeting date, your vote is recorded immediately and there is no risk that postal delays will cause your vote to arrive late and therefore not be counted.

The telephone and Internet voting procedures are designed to verify that you are a stockholder of record by use of a control number and to allow you to confirm that your voting instructions have been properly recorded. If you vote by telephone or on the Internet, you do not need to return your proxy card. Telephone and Internet voting facilities for stockholders of record will be available 24 hours a day and will close at 11:59 p.m. EDT on Tuesday, May 25, 2010.

**Voting by Telephone.** You may vote by proxy by using the toll-free number listed on your proxy card. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded.

**Voting on the Internet.** You may vote by proxy on the Internet. The Web site for Internet voting is *www.proxyvote.com*. As with telephone voting, you can confirm that your instructions have been properly recorded. If you vote on the Internet, you can request electronic delivery of future proxy materials.

**Voting by Mail.** You may vote by proxy by completing, signing, dating and returning your proxy card in the preaddressed, postage-paid envelope provided.

**Voting in Person at the Annual Meeting.** If you are a stockholder of record, you may vote by proxy by completing, signing, dating and returning your proxy card in person at the Annual Meeting. If you are a street name stockholder, you must obtain a proxy, executed in your favor, from the bank, broker or other holder of record to be able to vote in person at the Annual Meeting. Your Board recommends that you vote using one of the other voting methods since it is not practical for most stockholders to attend the Annual Meeting. However, the method by which you vote your proxy card will not limit your right to vote at the Annual Meeting if you decide to attend in person.

**Revoking Your Voting Instructions to Your Proxy Holders.** If you are a stockholder of record and you vote by proxy using any method, you may later revoke your proxy instructions by:

    sending a written statement to that effect to Chevron Corporation, Attn: Corporate Secretary and Chief Governance Officer, 6001 Bollinger Canyon Road, San Ramon, California, 94583-2324;

    submitting a proxy card with a later date and signed as your name appears on the stock account;

    voting at a later time by telephone or the Internet; or

    voting in person at the Annual Meeting.

If you are a street name stockholder and you vote by proxy, you may later revoke your proxy instructions by informing the bank, broker or other holder of record in accordance with that entity's procedures.

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**General Information** *(Continued)*

**Confidential Voting.** Chevron has a confidential voting policy to protect the privacy of our stockholders' votes. Under this policy, ballots, proxy cards and voting instructions returned to banks, brokers and other holders of record are kept confidential. Only the proxy solicitor, the proxy tabulator and the Inspector of Election have access to the ballots, proxy cards and voting instructions. Anyone who processes or inspects the ballots, proxy cards and voting instructions signs a pledge to treat them as confidential. None of these persons is a Chevron Director, officer or employee. The proxy solicitor and the proxy tabulator will disclose information taken from the ballots, proxy cards and voting instructions only in the event of a proxy contest or as otherwise required by law.

**QUORUM, VOTE REQUIRED AND METHOD OF COUNTING**

At the close of business on the Record Date, there were 2,008,742,259 shares of Chevron common stock outstanding and entitled to vote at the Annual Meeting. Each outstanding share is entitled to one vote.

A quorum, which is a majority of the outstanding shares as of the Record Date, must be present to hold the Annual Meeting. A quorum is calculated based on the number of shares represented at the meeting, either by the stockholders attending in person or by the proxy holders. If you indicate an abstention as your voting preference in all matters, your shares will be counted toward a quorum but will not be voted on any matter.

If you are a street name stockholder and do not vote your shares, your bank, broker or other holder of record can vote your shares at its discretion only on Item 2 on the proxy card. If you do not give your bank, broker or other holder of record instructions on how to vote your shares on Item 1 (the election of directors) or Items 3 through 9 (the Board and stockholder proposals), your shares will not be voted on those matters.

If you have shares in an employee benefits plan and do not vote those shares, your trustee may vote your shares in accordance with the terms of the plan.

The required vote and method of calculation for the various business matters to be considered at the Annual Meeting are as follows:

**Item 1 Election of Directors**

Each outstanding share of Chevron common stock is entitled to one vote for each of the Director nominees named in this Proxy Statement. Each Director nominee who receives a majority of the votes cast (i.e., the number of shares voted for a Director nominee must exceed the number of shares voted against that Director nominee, excluding abstentions) will be elected a Director. However, if the number of Director nominees exceeds the number of Directors to be elected, the Directors shall be elected by a plurality of the shares present in person or by proxy at the Annual Meeting or any adjournment thereof and entitled to vote on the election of Directors. If you do not wish your shares to be voted with respect to a particular Director nominee, you may abstain by so indicating in the space provided on the proxy form or abstain as prompted during the telephone or Internet voting instructions.

Under Chevron's By-Laws, in an uncontested election any current Director who receives more against votes than for votes must submit an offer of resignation to the Board Nominating and Governance Committee. The Committee must then consider all relevant facts, including the Director's qualifications and past and expected future contributions, the overall composition of the Board, and whether Chevron would meet regulatory or similar requirements without the Director, and make a recommendation to the Board on what action to take with respect to the offer of resignation.

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**General Information** *(Continued)*

If you are a street name stockholder and do not vote your shares, your bank, broker or other holder of record *may not* vote your shares on the election of Directors.

**Item 2 Proposal to Ratify the Appointment of the Independent Registered Public Accounting Firm**

This item is approved if the number of shares voted in favor exceeds the number of shares voted against. If you are a street name stockholder and do not vote your shares, your bank, broker or other holder of record *may* vote your shares at its discretion on this item.

**Item 3 Board Proposal to Approve Amendment to Chevron's Bylaws**

This item is approved if a majority of the outstanding shares of Chevron's common stock entitled to vote at the Annual Meeting are voted in favor of the Proposal. If you abstain or otherwise do not vote on this Proposal, it has the same effect as a vote against this Proposal. If you are a street name stockholder and do not vote your shares, your bank, broker or other holder of record *may not* vote your shares at its discretion on this item.

**Items 4 through 9 Stockholder Proposals**

These items are approved if the number of shares voted in favor exceeds the number of shares voted against. If you are a street name stockholder and do not vote your shares, your bank, broker or other holder of record *may not* vote your shares at its discretion on these items.

Any shares not voted on Items 1 or 4 through 9 (whether by abstention, broker nonvote or otherwise) will have no impact on that particular item.

**Important Reminder of Effect of Not Casting Your Vote**

**If You Are a Street Name Stockholder**

If you are a street name stockholder it is especially critical that you vote your shares if you want your vote to count in the election of Directors (Item 1) and on Items 3 through 9 of this Proxy Statement. Recent changes in regulation have eliminated the ability of your bank, broker or other holder of record to vote your shares unless you give them instructions to do so by completing the voting instruction card included with this Proxy Statement.

**METHOD AND COST OF SOLICITING AND TABULATING VOTES**

Chevron will bear the costs of soliciting and tabulating your votes. Chevron has retained Broadridge Financial Solutions, Inc., to assist in distributing these proxy materials. Georgeson Inc. will act as our proxy solicitor in soliciting votes, at an estimated cost of \$25,000 plus its reasonable out-of-pocket expenses. Chevron employees, personally, by telephone, by email or otherwise, may solicit your votes without additional compensation.

Chevron will reimburse banks, brokers and other holders of record for reasonable, out-of-pocket expenses for forwarding these proxy materials to you, according to certain regulatory fee schedules. We estimate that this reimbursement will cost Chevron less than \$2 million. The actual amount will depend on variables such as the number of proxy packages mailed, the number of stockholders receiving electronic delivery and postage costs. See [Electronic Access to Proxy Statement and Annual Report](#) below for information on how you can help reduce printing and mailing costs.



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**General Information** *(Continued)*

Broadridge Financial Solutions, Inc., will be the proxy tabulator and IVS Associates, Inc., will act as the Inspector of Election.

**HOUSEHOLDING INFORMATION**

We have adopted a procedure approved by the U.S. Securities and Exchange Commission called householding. Under this procedure, stockholders of record who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of the Annual Report and Proxy Statement or Notice of Internet Availability of Proxy Materials. This procedure will reduce our printing costs and postage fees.

If you or another stockholder of record with whom you share an address are receiving multiple copies of the Annual Report and Proxy Statement or Notice of Internet Availability of Proxy Materials, you can request to receive a single copy of these materials in the future by calling Broadridge Financial Solutions, Inc., toll-free at 1-800-542-1061 or by writing to Broadridge Financial Solutions, Inc., Attn: Householdings Department, 51 Mercedes Way, Edgewood, New York 11717. If you or another stockholder of record with whom you share an address wish to receive a separate Annual Report and Proxy Statement or Notice of Internet Availability of Proxy Materials, we will promptly deliver it to you if you request it by contacting Broadridge Financial Solutions, Inc., in the same manner described above.

Stockholders who participate in householding will continue to receive separate proxy cards. Householdings will not affect your dividend check mailings.

If you are a street name stockholder, you can request householdings by contacting your bank, broker or other holder of record.

**ELECTRONIC ACCESS TO PROXY STATEMENT AND ANNUAL REPORT**

You can elect to receive future proxy materials by email, which will save us the cost of producing and mailing documents to your home or business. If you choose to receive future proxy materials by email, you will receive an email with instructions containing a link to the Web site where those materials are available as well as a link to the proxy voting Web site.

If you are a stockholder of record, you may enroll in the electronic delivery service by going directly to [www.icsdelivery.com/cvx](http://www.icsdelivery.com/cvx). You may revoke your electronic delivery election at this site at any time and request a paper copy of the Proxy Statement and Annual Report.

If you are a street name stockholder, you may also have the opportunity to receive copies of the Proxy Statement and Annual Report electronically. Please check the information provided in the proxy materials mailed to you by your bank, broker or other holder of record concerning the availability of this service.

This year, we are again furnishing proxy materials over the Internet to a number of our stockholders under the Securities and Exchange Commission's notice and access rules. Many of our stockholders will receive a Notice of Internet Availability of Proxy Materials instead of a paper copy of this Proxy Statement and our 2009 Annual Report. The Notice contains instructions on how to access those documents and vote over the Internet and how stockholders can receive a paper copy of our proxy materials, including this Proxy Statement, our 2009 Annual Report, and a proxy card or voting instruction card. All stockholders who do not receive a Notice will receive a paper copy of the proxy



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**General Information** *(Continued)*

materials by mail. We believe that this process will conserve natural resources and reduce the costs of printing and distributing our proxy materials. **We remind stockholders who receive a Notice that the Notice is not itself a proxy card.**

**Important Notice Regarding the Availability of Proxy Materials for  
the Annual Meeting of Stockholders to Be Held on Wednesday, May 26, 2010:**

**The Notice of Annual Meeting, Proxy Statement and  
2009 Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).**

At [www.proxyvote.com](http://www.proxyvote.com), stockholders can view these materials, cast their vote, and request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

**STOCKHOLDER OF RECORD ACCOUNT MAINTENANCE**

Our transfer agent is BNY Mellon Shareowner Services. All communications concerning accounts of stockholders of record, including address changes, name changes, inquiries about the requirements to transfer shares and similar issues can be handled by calling Chevron Stockholder Services toll-free number, 1-800-368-8357, or by contacting BNY Mellon Shareowner Services through its Web site at [www.melloninvestor.com](http://www.melloninvestor.com).

In addition, you can access your account through BNY Mellon Shareowner Services Web site. You can view your current balance, access your account history, sell shares held in the Chevron Investor Services Program, and obtain current and historical stock prices. To access your account on the Internet, visit [www.melloninvestor.com/fisd](http://www.melloninvestor.com/fisd) and enter your Investor ID and your PIN. The Investor ID can be found on your account statement or dividend check stub.

If you are a street name stockholder, you may contact your bank, broker or other holder of record with questions concerning your account.

**ATTENDING THE ANNUAL MEETING**

Only stockholders or their legal proxy holders are invited to attend the Annual Meeting. The meeting will be held at the Chevron Building Auditorium, 1500 Louisiana Street, Houston, Texas 77002-7308. Parking validation for the garage at 1400 Louisiana will be available at the meeting.

To be admitted to the Annual Meeting, you will need a form of photo identification and either an admission ticket or valid proof of ownership of Chevron common stock.

If you are a stockholder of record, an admission ticket is attached to your proxy card. If you plan to attend the Annual Meeting, please vote your proxy, but keep your admission ticket and bring it with you to the Annual Meeting. If you arrive at the Annual Meeting without an admission ticket, we will admit you only if we are able to verify that you are a stockholder.

If you are a street name stockholder, you must present proof of your ownership of Chevron common stock, such as a recent bank or brokerage account statement, to receive an admission ticket and be admitted to the Annual Meeting. You can also obtain an admission ticket in advance by mailing a written request, along with proof of your ownership of Chevron common stock, to Chevron Corporation, Attn: Corporate Secretary and Chief Governance Officer, 6001 Bollinger Canyon Road, San Ramon, California 94583-2324.

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If you are not a stockholder, you will be admitted only if you have a valid legal proxy and form of photo identification.



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**General Information** *(Concluded)*

No cameras; recording equipment; electronic devices, including cell phones; large bags; briefcases; or packages will be permitted in the Annual Meeting.

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## Election of Directors

*(Item 1 on the proxy card)*

Your Board is nominating the 16 individuals identified below for election as Directors. Directors are elected annually and serve for a one-year term and until their successors are elected. If any nominee is unable to serve as a Director, which we do not anticipate, the Board by resolution may reduce the number of Directors or choose a substitute.

### THE DIRECTOR NOMINATION PROCESS

The Board Nominating and Governance Committee is responsible for defining the qualifications for Board membership and identifying, assessing and recommending qualified Director candidates for the Board's consideration in nominating individuals for election to the Board. The Board membership qualifications and nomination procedures are set forth in Chevron's Corporate Governance Guidelines, which are available on the Chevron Web site at [www.chevron.com](http://www.chevron.com). Generally, the Board is seeking individuals with the following qualifications:

the highest professional and personal ethics and values, consistent with *The Chevron Way* and our Business Conduct and Ethics Code, both of which are available on the Chevron Web site at [www.chevron.com](http://www.chevron.com);

broad experience at the policy-making level in business, government, education, technology or public interest;

the ability to provide insights and practical wisdom based on the individual's experience and expertise;

a commitment to enhancing stockholder value;

sufficient time to effectively carry out duties as a Director (service on boards of public companies should be limited to no more than five); and

independence (at least a majority of the Board must consist of independent Directors, as defined by the New York Stock Exchange (NYSE) Corporate Governance Standards).

The Committee uses a skills and qualifications matrix to ensure that the overall Board maintains a balance of knowledge and experience. The Committee carefully reviews all Director candidates, including current Directors, in light of these qualifications based on the context of the current and anticipated composition of the Board, the current and anticipated operating requirements of the Company, and the long-term interests of stockholders. In conducting this assessment, the Committee considers diversity, education, experience, length of service and such other factors as it deems appropriate given the current and anticipated needs of the Board and the Company. The Committee and Board define diversity broadly to include diversity of professional experience (policy, business, government, education, technology or public interest), geographical location and viewpoint, as well as diversity of race, gender, nationality and ethnicity.

The Committee considers all candidates recommended by our stockholders. Stockholders may recommend candidates by writing to the Corporate Secretary and Chief Governance Officer at 6001 Bollinger Canyon Road, San Ramon, California 94583-2324, stating the recommended candidate's name and qualifications for Board membership. When considering candidates recommended by stockholders, the

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Committee follows the same Board membership qualifications evaluation and nomination procedures discussed above.

**Table of Contents****Election of Directors** *(Continued)*

In addition to stockholder recommendations, the Committee considers Director candidates identified for consideration for nomination to the Board from other sources. Board members periodically suggest possible candidates, and from time to time, the Committee may engage a third-party consultant to assist in identifying potential candidates. Since the 2009 Annual Meeting, the Board has added one new Director, George L. Kirkland, a long-term employee and executive of the Company. Mr. Kirkland was elected by the Board to replace Mr. Watson as Chevron's Vice Chairman in January 2010 upon Mr. Watson's assumption of the duties of Chairman and Chief Executive Officer of Chevron. In connection with the 2010 Annual Meeting, the Committee evaluated current and anticipated operating requirements, anticipated future retirements under the mandatory retirement policy in the Corporate Governance Guidelines, and the Board's current profile and recommended a Board size of 16 Directors. Of the 16 Director nominees, 14 are current Directors and two (Messrs. Hagel and Stumpf) are new nominees who were identified by our current nonemployee Directors as part of the Board Nominating and Governance Committee's regular process for identifying potential Director nominees.

**NOMINEES FOR DIRECTOR**

**Your Board unanimously recommends a vote FOR each of these nominees.**

**SAMUEL H. ARMACOST**

Lead Director;

Director since 1982

Mr. Armacost, age 71, is the retired Chairman of the Board of SRI International, formerly Stanford Research Institute, an independent research, technology development and commercialization organization.

*Prior Positions Held:* Mr. Armacost was Chairman of the Board of SRI International from 1998 until 2010. He was Managing Director of Weiss, Peck & Greer LLC from 1990 until 1998 and Managing Director of Merrill Lynch Capital Markets from 1987 until 1990. He was President, Director and Chief Executive Officer of BankAmerica Corporation from 1981 until 1986.

*Current Public Company Directorships:* Callaway Golf Company; Del Monte Foods Company; Exponent, Inc.; Franklin Resources Inc.

*Prior Public Company Directorships (within the last five years):* None.

*Other Directorships and Memberships:* SRI International.

*Qualifications, Experience, Attributes and Skills:* Mr. Armacost meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Armacost has served as a chief executive officer of a major public company, BankAmerica Corporation, providing him insight and experience into the operations, challenges and complex issues facing major corporations. Mr. Armacost also has significant financial expertise and experience gained throughout his career, including through his work at BankAmerica Corporation and as a Managing Director of Weiss, Peck & Greer LLC and Managing Director of Merrill Lynch Capital Markets. As retired Chairman of SRI International, Mr. Armacost also has knowledge of the business climate in California and in the San Francisco Bay Area, where Chevron is headquartered.



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**Election of Directors** *(Continued)*

**LINNET F. DEILY**

Director since 2006

Ms. Deily, age 64, was a Deputy U.S. Trade Representative and U.S. Ambassador to the World Trade Organization from 2001 to 2005.

*Prior Positions Held:* Ms. Deily was Vice Chairman of Charles Schwab Corporation from 2000 until 2001. She was previously President of the Schwab Retail Group from 1998 until 2000 and President of Schwab Institutional Services for Investment Managers from 1996 until 1998. Prior to joining Schwab, she was Chairman, President and Chief Executive Officer from 1990 until 1996 and President and Chief Operating Officer from 1988 until 1990 of the First Interstate Bank of Texas.

*Current Public Company Directorships:* Honeywell International Inc.

*Prior Public Company Directorships (within the last five years):* Alcatel-Lucent S.A. (and its predecessor, Lucent Technologies Inc.).

*Other Directorships and Memberships:* Greater Houston Partnership; Museum of Fine Arts, Houston; Houston Zoo; St. Luke's Episcopal Health System; Houston Endowment; Jung Center.

*Qualifications, Experience, Attributes and Skills:* Ms. Deily meets all of the Director qualifications described above under The Director Nomination Process. In particular, Ms. Deily has significant policy-making and international affairs experience based in part on her work as a Deputy U.S. Trade Representative and U.S. Ambassador to the World Trade Organization. In addition, she has experience leading major public corporations, first as Chairman, President and Chief Executive Officer of the First Interstate Bank of Texas and later as Vice Chairman of Charles Schwab Corporation. Ms. Deily also has significant financial expertise and experience gained through the various positions she held at Charles Schwab Corporation and First Interstate Bank of Texas.

**ROBERT E. DENHAM**

Director since 2004

Mr. Denham, age 64, has been a Partner of Munger, Tolles & Olson LLP, a law firm, since 1998 and from 1973 until 1991.

*Prior Positions Held:* Mr. Denham was Chairman and Chief Executive Officer of Salomon Inc. from 1992 until 1997. In 1991, he was General Counsel of Salomon and its subsidiary, Salomon Brothers.

*Current Public Company Directorships:* The New York Times Company; Wesco Financial Corporation; Fomento Económico Mexicano, S.A. de C.V.

*Prior Public Company Directorships (within the last five years):* Alcatel-Lucent S.A. (and its predecessor, Lucent Technologies Inc.).

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*Other Directorships and Memberships:* John D. and Catherine T. MacArthur Foundation; Russell Sage Foundation.

*Qualifications, Experience, Attributes and Skills:* Mr. Denham meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Denham brings to the

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**Election of Directors** *(Continued)*

Board extensive board and senior executive-level expertise in accounting, law, business and finance as a result of his nearly 40-year career as a lawyer, Chief Executive Officer at Salomon Inc., and Chairman and President of the Financial Accounting Foundation, a position he held from 2004 to 2009. Mr. Denham has also held numerous leadership positions with associations and councils focusing on governance, executive compensation, accounting, professional ethics and business.

**ROBERT J. EATON**

Director since 2000

Mr. Eaton, age 70, is the retired Chairman of the Board of Management of DaimlerChrysler AG, a manufacturer of automobiles.

*Prior Positions Held:* Mr. Eaton was Chairman of the Board of Management of DaimlerChrysler AG from 1998 until 2000. He was Chairman of the Board and Chief Executive Officer of Chrysler Corporation from 1993 until 1998. He was Vice Chairman and Chief Operating Officer of Chrysler Corporation from 1992 until 1993.

*Current Public Company Directorships:* None.

*Prior Public Company Directorships (within the last five years):* None.

*Other Directorships and Memberships:* Fellow, Society of Automotive Engineers; Fellow, Engineering Society of Detroit; National Academy of Engineering.

*Qualifications, Experience, Attributes and Skills:* Mr. Eaton meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Eaton has served as chairman and chief executive officer of a major public company, providing him insight and experience into the operations, challenges and complex issues facing major corporations. Mr. Eaton brings to the Board extensive board and senior executive-level expertise in the automotive industry, an industry closely connected to the energy industry, as a result of his nearly 40-year career at General Motors Company, Chrysler Corporation and DaimlerChrysler AG.

**CHUCK HAGEL**

Director Nominee

Mr. Hagel, age 63, has been Distinguished Professor, Georgetown University and the University of Nebraska at Omaha since 2009.

*Prior Positions Held:* From 1997 to 2009, Mr. Hagel served as a U.S. Senator from Nebraska. During his tenure in the U.S. Senate, Mr. Hagel served on the Senate Foreign Relations Committee; the Banking, Housing and Urban Affairs Committee; and the Intelligence Committee; and he



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served as Chairman of the Foreign Relations International Economic Policy, Export and Trade Promotion Subcommittee; the Banking Committee's International Trade and Finance Subcommittee; and Securities Subcommittee. He also served as the Chairman of the Congressional-Executive Commission on China and the Senate Climate Change Observer Group. Prior to his election to the U.S. Senate, Mr. Hagel was president of McCarthy & Company, an investment banking firm in Omaha, Nebraska.

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**Election of Directors** *(Continued)*

*Current Public Company Directorships:* None.

*Prior Public Company Directorships (within the last five years):* None.

*Other Directorships and Memberships:* Chairman, Atlantic Council of the United States; Co-Chairman, President's Intelligence Advisory Board; Member, Secretary of Defense's Policy Board; Member, Secretary of Energy's Blue Ribbon Commission on America's Nuclear Future; Bellevue University Board of Trustees; Commission on Climate and Tropical Forests; Public Broadcasting Service (PBS); Vietnam Veterans Memorial Fund Corporate Council; Zurich Holding Company of America; and numerous other private advisory boards.

*Qualifications, Experience, Attributes and Skills:* Mr. Hagel meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Hagel brings to the Board extensive experience in public policy and international affairs as a result of recent service as Chairman of the Atlantic Council of the United States and as a two-term U.S. Senator from Nebraska. Mr. Hagel's experience and his role on the advisory boards of a number of organizations gives him a strong knowledge of finance, international strategy, markets and competitors. In addition, Mr. Hagel's work with the Senate Climate Change Observer Group and the Commission on Climate and Tropical Forests, gives him an understanding of environmental matters.

**ENRIQUE HERNANDEZ, JR.**

Director since 2008

Mr. Hernandez, age 54, has been Chairman, Chief Executive Officer and President of Inter-Con Security Systems, Inc., a global security services provider, since 1986.

*Prior Positions Held:* Mr. Hernandez was an associate in the law firm of Brobeck, Phleger & Harrison from 1981 until 1985.

*Current Public Company Directorships:* McDonald's Corporation; Nordstrom, Inc.; Wells Fargo & Company.

*Prior Public Company Directorships (within the last five years):* Tribune Company.

*Other Directorships and Memberships:* Childrens Hospital Los Angeles; Harvard College Visiting Committee; Harvard University Resources Committee; University of Notre Dame Board of Trustees.

*Qualifications, Experience, Attributes and Skills:* Mr. Hernandez meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Hernandez brings to the Board extensive board and senior executive-level experience in international business and law as a result of his nearly 25-year career with Inter-Con Security Systems, Inc., and his legal experience as a litigation attorney at Brobeck, Phleger & Harrison. Mr. Hernandez also provides expertise in communications and community affairs from his role as co-founder of Interspan Communications, a television broadcasting company serving Spanish-language audiences.

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**Election of Directors** *(Continued)*

**FRANKLYN G. JENIFER**

Director since 1993

Mr. Jenifer, age 71, is President Emeritus of the University of Texas at Dallas, a doctoral-level educational institution. *Prior Positions Held:* Mr. Jenifer was President of the University of Texas at Dallas from 1994 until 2005. He was President of Howard University from 1990 until 1994. Prior to that, he was Chancellor of the Massachusetts Board of Regents of Higher Education from 1986 until 1990. Mr. Jenifer served as vice-chancellor of the New Jersey Department of Higher Education from 1979 until 1986.

*Current Public Company Directorships:* None.

*Prior Public Company Directorships (within the last five years):* None.

*Other Directorships and Memberships:* Mountainside Hospital of Merit Health Systems, Inc.

*Qualifications, Experience, Attributes and Skills:* Mr. Jenifer meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Jenifer brings to the Board extensive expertise in workforce development as a result of his long career leading educational institutions and his service in the public and private sectors, including service as chairman of the American Council on Education and as a director of the Texas Science and Technology Council and Texas Health Research Institute.

**GEORGE L. KIRKLAND**

Director since 2010

Mr. Kirkland, age 59, has been Vice Chairman of Chevron since January 2010 and Executive Vice President of Global Upstream and Gas since January 2005.

*Prior Positions Held:* Mr. Kirkland was previously President of Chevron Overseas Petroleum from 2002 through 2004. From 2000 to 2001, he was President of Chevron U.S.A. Production Co. Mr. Kirkland joined Chevron in 1974.

*Current Public Company Directorships:* None.

*Prior Public Company Directorships (within the last five years):* None.

*Other Directorships and Memberships:* Africa America Institute; Corporate Council on Africa; U.S.-Kazakhstan Business Association; US-ASEAN Business Council; American Petroleum Institute.

*Qualifications, Experience, Attributes and Skills:* Mr. Kirkland meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Kirkland brings to the Board extensive senior executive-level experience at Chevron and in the energy

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industry with a strong knowledge of Chevron's upstream business, including strategy, markets, competitors, financials, policy, administration, operations and industry regulation. Mr. Kirkland's 35-year career at Chevron has at various points included principal responsibility for upstream research and technology, production and operations in Nigeria, the United States and Canada, and, most recently, global exploration, production and gas activities.

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**Election of Directors** *(Continued)*

**SAM NUNN**

Director since 1997

Mr. Nunn, age 71, has been Co-Chairman and Chief Executive Officer of the Nuclear Threat Initiative, a charitable organization, since 2001 and Distinguished Professor, Sam Nunn School of International Affairs at the Georgia Institute of Technology since 1997.

*Prior Positions Held:* Mr. Nunn was a Partner of King & Spalding, a law firm, from 1997 until 2003. He served as U.S. Senator from Georgia from 1972 until 1997. During his tenure in the U.S. Senate, he served as Chairman of the Senate Armed Services Committee and the Permanent Subcommittee on Investigations. He also served on the Intelligence and Small Business committees.

*Current Public Company Directorships:* The Coca-Cola Company; Dell Inc.; General Electric Company.

*Prior Public Company Directorships (within the last five years):* Internet Security Systems, Inc.; Scientific-Atlanta, Inc.

*Other Directorships and Memberships:* Chairman, Center for Strategic and International Studies.

*Qualifications, Experience, Attributes and Skills:* Mr. Nunn meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Nunn brings to the Board extensive experience in government, public and social policy and international affairs as a result of his 24 years of service in the U.S. Senate and more recently as a CEO of the Nuclear Threat Initiative. While serving as U.S. Senator from Georgia, Mr. Nunn chaired the Senate Armed Services Committee and Permanent Subcommittee on Investigations. As Co-Chairman and CEO of the Nuclear Threat Initiative, Mr. Nunn has presided over the Initiative's efforts to reduce the global threat of nuclear, biological and chemical weapons.

**DONALD B. RICE**

Director since 2005

Mr. Rice, age 70, served from 2002 through 2007 as Chairman of the Board and, since 1996, as President and Chief Executive Officer of Agensys, Inc., a private biotechnology company and since December 2007, an affiliate of Astellas Pharma, Inc.

*Prior Positions Held:* Mr. Rice was President and Chief Operating Officer of Teledyne, Inc., from 1993 until 1996. He was Secretary of the Air Force from 1989 until 1993. He was President and Chief Executive Officer of the RAND Corporation from 1972 until 1989.

*Current Public Company Directorships:* Vulcan Materials Co.; Wells Fargo & Company (retiring April 2010).

*Prior Public Company Directorships (within the last five years):* Amgen, Inc.; Unocal Corporation.

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*Other Directorships and Memberships:* RAND Corporation Board of Trustees; Chairman, Pardee RAND Graduate School Board of Governors.

*Qualifications, Experience, Attributes and Skills:* Mr. Rice meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Rice brings to the Board extensive board and senior executive expertise in business, government, public and international

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**Election of Directors** *(Continued)*

affairs, and significant experience in science and technology as a result of his service in the public and private sectors. Having served as a director of Unocal Corporation prior to its acquisition by Chevron, Mr. Rice brought to the Board strong knowledge of strategy, markets, competitors and financials of Unocal's operations.

**KEVIN W. SHARER**

Director since 2007

Mr. Sharer, age 62, has been, since January 2001, Chairman of the Board and, since May 2000, Chief Executive Officer and President of Amgen Inc., a biotechnology company.

*Prior Positions Held:* From 1992 until 2000, Mr. Sharer served as President and Chief Operating Officer of Amgen. From 1989 until 1992, Mr. Sharer was President of the Business Markets Division of MCI Communications Corporation. From 1984 until 1989, Mr. Sharer served in numerous executive capacities at General Electric Company.

*Current Public Company Directorships:* Amgen Inc.; Northrop Grumman Corporation.

*Prior Public Company Directorships (within the last five years):* 3M Company; Unocal Corporation.

*Other Directorships and Memberships:* California Institute of Technology Board of Trustees; Los Angeles County Museum of Natural History; U.S. Naval Academy Foundation.

*Qualifications, Experience, Attributes and Skills:* Mr. Sharer meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Sharer serves as a chief executive officer of a major public company, providing him insight and experience into the operations, challenges, and complex issues facing major corporations, as well as significant expertise in technology, research and development, and long investment cycles. Having served as a director of Unocal Corporation prior to its acquisition by Chevron, Mr. Sharer brought to the Board strong knowledge of strategy, markets, competitors and financials of Unocal's operations. As current Chairman, Chief Executive Officer and President of Amgen, Mr. Sharer also brings first-hand knowledge of the business climate in California.

**CHARLES R. SHOEMATE**

Director since 1998

Mr. Shoemate, age 70, is the retired Chairman, President and Chief Executive Officer of Bestfoods, a manufacturer of food products.

*Prior Positions Held:* Mr. Shoemate was Chairman of the Board and Chief Executive Officer of Bestfoods, formerly CPC International, from 1990 until 2000. He was elected President and a member of the Board of Directors of Bestfoods in 1988.

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*Current Public Company Directorships:* None.

*Prior Public Company Directorships (within the last five years):* CIGNA Corporation; International Paper Company.

*Other Directorships and Memberships:* Indian River Medical Center Foundation.



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**Election of Directors** *(Continued)*

*Qualifications, Experience, Attributes and Skills:* Mr. Shoemate meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Shoemate has served as chairman and chief executive officer of a major public company, providing him insight and experience into the operations, challenges and complex issues facing major corporations. Mr. Shoemate brings to the Board extensive board and senior executive-level expertise in manufacturing, finance, marketing and international business as a result of his nearly 40-year career with Bestfoods and its predecessor companies.

**JOHN G. STUMPF**

Director Nominee

Mr. Stumpf, age 56, has been since January 2010, Chairman of the Board, since 2007, Chief Executive Officer, and since 2005, President of Wells Fargo & Company, a financial services and bank holding company.

*Prior Positions Held:* From 2002 until 2005, Mr. Stumpf served as Group Executive Vice President of Community Banking at Wells Fargo. In 2000, he led the integration of Wells Fargo's \$23 billion acquisition of First Security Corporation. Beginning in 1982, Mr. Stumpf served in numerous executive capacities at Norwest Corporation until its merger with Wells Fargo in 1998, at which time he became head of Wells Fargo's Southwestern Banking Group.

*Current Public Company Directorships:* Target Corporation; Wells Fargo & Company.

*Prior Public Company Directorships (within the last five years):* None.

*Other Directorships and Memberships:* The Clearing House; The Financial Services Roundtable; San Francisco Museum of Modern Art.

*Qualifications, Experience, Attributes and Skills:* Mr. Stumpf meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Stumpf serves as chairman and chief executive officer of a major public company, providing him insight and experience into the operations, challenges and complex issues facing major corporations. Mr. Stumpf also has significant financial expertise and strategy and marketing experience as a result of his 28-year career in the banking and financial services industries. As current Chairman and Chief Executive Officer of Wells Fargo & Company, Mr. Stumpf also brings first-hand knowledge of the business climate in California and in the San Francisco Bay Area, where Chevron is headquartered.

**RONALD D. SUGAR**

Director since 2005

Mr. Sugar, age 61, is the retired Chairman of the Board and Chief Executive Officer of Northrop Grumman Corporation, a global defense and technology company.

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*Prior Positions Held:* Mr. Sugar was Chairman of the Board and Chief Executive Officer of Northrop Grumman Corporation from 2003 until 2010 and President and Chief Operating Officer from 2001 until 2003. He was President and Chief Operating Officer of Litton Industries, Inc., from 2000 until 2001.

*Current Public Company Directorships:* None.

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**Election of Directors** *(Continued)*

*Prior Public Company Directorships (within the last five years):* Northrop Grumman Corporation.

*Other Directorships and Memberships:* Boys & Girls Clubs of America; Los Angeles Philharmonic Association; Los Angeles World Affairs Council; National Academy of Engineering; UCLA Anderson School Board of Visitors; University of Southern California Board of Trustees.

*Qualifications, Experience, Attributes and Skills:* Mr. Sugar meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Sugar has served as chairman and chief executive officer of a major public company, providing him insight and experience into the operations, challenges and complex issues facing major corporations. Mr. Sugar has extensive board and senior executive-level expertise in manufacturing, technology, finance, government affairs, international marketing and long investment cycles. Mr. Sugar's career has included service as Chief Financial Officer of TRW, Inc., providing additional financial expertise. As retired chairman and chief executive officer of Northrop, Mr. Sugar also has first-hand knowledge of the business climate in California.

**CARL WARE**

Director since 2001

Mr. Ware, age 66, is a retired Executive Vice President of The Coca-Cola Company, a manufacturer of beverages.

*Prior Positions Held:* Mr. Ware was a Senior Advisor to the CEO of The Coca-Cola Company from 2003 until 2005 and was an Executive Vice President, Global Public Affairs and Administration, from 2000 until 2003. He was President of The Coca-Cola Company's Africa Group, with operational responsibility for 50 countries in sub-Saharan Africa from 1991 until 2000.

*Current Public Company Directorships:* Cummins Inc.

*Prior Public Company Directorships (within the last five years):* Coca-Cola Bottling Co. Consolidated; Georgia Power Co.

*Other Directorships and Memberships:* Atlanta Falcons; Clark Atlanta University Board of Trustees; PGA TOUR Golf Course Properties, Inc.

*Qualifications, Experience, Attributes and Skills:* Mr. Ware meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Ware brings to the Board extensive senior executive-level expertise in operations, manufacturing, marketing and public and international affairs as a result of his nearly 28-year career with The Coca-Cola Company. Mr. Ware's tenure as President and Chief Operating Officer of Coca-Cola Africa provided in-depth knowledge of one of Chevron's key areas of operations and his tenure as Executive Vice President for Public Affairs and Administration provided additional public policy experience.

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**Election of Directors** *(Continued)*

**JOHN S. WATSON**

Director since 2009

Mr. Watson, age 53, has been Chairman of the Board and Chief Executive Officer of Chevron since January 1, 2010. *Prior Positions Held:* Mr. Watson was previously Vice Chairman of the Board of Chevron from 2009 until 2010. He was Executive Vice President of Strategy and Development from 2008 until 2009. From 2005 until 2007, he was President of Chevron International Exploration and Production, and from 2001 until 2005, he was Chief Financial Officer. He was named Vice President responsible for strategic planning in 1998. Mr. Watson joined Chevron Corporation in 1980.

*Current Public Company Directorships:* None.

*Prior Public Company Directorships (within the last five years):* None.

*Other Directorships and Memberships:* American Petroleum Institute; Animal Rescue Foundation.

*Qualifications, Experience, Attributes and Skills:* Mr. Watson meets all of the Director qualifications described above under The Director Nomination Process. In particular, Mr. Watson brings to the Board extensive senior executive-level expertise in Chevron as well as the energy industry with a strong knowledge of strategy, markets, competitors, financials, policy, and operations. Mr. Watson's 29-year career at Chevron has at various points included principal responsibility for corporate-wide finance, strategic planning, mergers and acquisitions, international exploration and production. In 2000, Mr. Watson led Chevron's integration effort after its successful acquisition of Texaco Inc., after which he became Chief Financial Officer.

**INDEPENDENCE OF DIRECTORS**

The Board has determined that each nonemployee Director nominee (Mr. Armacost, Ms. Deily, and Messrs. Denham, Eaton, Hagel, Hernandez, Jenifer, Nunn, Rice, Sharer, Shoemate, Stumpf, Sugar and Ware) is independent in accordance with the NYSE Corporate Governance Standards and that no material relationship exists that would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director.

For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with Chevron. In making its determinations, the Board adheres to the specific tests for independence included in the NYSE Corporate Governance Standards. In addition, the Board has determined that the following relationships of Chevron Directors occurring within the last fiscal year are categorically immaterial to a determination of independence if the relevant transaction was conducted in the ordinary course of business:

director of another entity if business transactions between Chevron and that entity do not exceed \$5 million or 5 percent of the receiving entity's consolidated gross revenues, whichever is greater;

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director of another entity if Chevron's discretionary charitable contributions to that entity do not exceed \$1 million or 2 percent of that entity's gross revenues, whichever is less, and if the charitable contributions are consistent with Chevron's philanthropic practices; and

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**Election of Directors** *(Continued)*

relationship arising solely from a Director's ownership of an equity or limited partnership interest in a party that engages in a transaction with Chevron as long as the Director's ownership interest does not exceed 2 percent of the total equity or partnership interest in that other party.

These categorical standards are contained in our Corporate Governance Guidelines, which are available on our Web site at [www.chevron.com](http://www.chevron.com) and are available in print upon request.

During 2009, Mr. Armacost, Ms. Deily, and Messrs. Denham, Hernandez, Nunn, Rice, Sharer, Stumpf, Sugar and Ware were directors of for-profit entities with which Chevron conducts business in the ordinary course. They and Messrs. Eaton and Hagel were also directors or trustees of or similar advisors to not-for-profit entities to which Chevron contributed funds in 2009. The Board determined that all of these transactions and contributions were below the thresholds set forth in the first and second categorical standards described above (except as noted below) and are therefore categorically immaterial to a determination of the particular Director's independence.

The Board reviewed the following relationships and transactions that existed or occurred in 2009 that are not covered by the categorical standards described above:

For Mr. Armacost, the Board considered that in 2009, Chevron made contributions to the Bay Area Council (a not-for-profit advocate of the San Francisco Bay Area and communities) amounting to less than 2.3 percent of the Council's most recently reported annual gross revenues. Chevron has made contributions to the Council each year since 1996. Mr. Armacost was a member of the Council's board of directors, which consists of more than 140 members, from 1999 until December 2009 and was not compensated for his services. The Board, noting Chevron's significant presence in the Bay Area and the fact that Chevron's practice of contributing to the Council predates Mr. Armacost's service as a director of the Council, concluded that the 2009 contributions were made in the ordinary course of business, were not related to Mr. Armacost's position as a director of the Council and would not impair Mr. Armacost's independence.

For Ms. Deily, the Board considered that in 2009, Chevron made contributions to the Greater Houston Partnership (a not-for-profit advocate of Houston's business community) amounting to less than 3.7 percent of the Partnership's most recently reported annual gross revenues. Chevron has made contributions to the Partnership each year since 1997, and a Houston-based Chevron executive serves on the Partnership's board. Ms. Deily has been a member of the Partnership's board of directors, which consists of more than 130 members, since May 2006 and is not compensated for her services. The Board, noting Chevron's significant presence in Houston and the fact that Chevron's practice of contributing to the Partnership predates Ms. Deily's service as a director of the Partnership and as a Chevron Director, concluded that the 2009 contributions were made in the ordinary course of business, were not related to Ms. Deily's position as a director of the Partnership and would not impair Ms. Deily's independence.

For Mr. Sharer, the Board considered that in 2009, Chevron sold products to Amgen Inc., in the ordinary course of business, amounting to less than .02 percent of Amgen's and less than .001 percent of Chevron's most recently reported annual consolidated gross revenues. Mr. Sharer is the Chairman, Chief Executive Officer and President of Amgen. The Board concluded that these transactions would not impair Mr. Sharer's independence.

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**Election of Directors** *(Concluded)*

For Mr. Stumpf, the Board considered that in 2009, Chevron utilized Wells Fargo & Company for commercial banking, brokerage and other services in the ordinary course of business, amounting to less than .13 percent of Wells Fargo's and less than .008 percent of Chevron's most recently reported annual consolidated gross revenues. Mr. Stumpf is the Chairman, Chief Executive Officer and President of Wells Fargo. The Board concluded that these transactions would not impair Mr. Stumpf's independence.

For Mr. Sugar, the Board considered that in 2009, Chevron made contributions to the University of Southern California amounting to less than 0.20 percent of USC's most recently reported annual gross revenues. Chevron has made contributions to USC each year since 1987. Mr. Sugar has been a member of USC's Board of Trustees, which consists of 55 members, since 2003 and is not compensated for his services. The Board, noting Chevron's significant presence in Los Angeles and Southern California and the fact that Chevron's practice of contributing to USC predates Mr. Sugar's service as a trustee of the school and as a Chevron Director, concluded that the 2009 contributions were made in the ordinary course of business, were not related to Mr. Sugar's position as a trustee of USC and would not impair Mr. Sugar's independence. For Mr. Sugar, the Board also considered that in 2009, Chevron purchased products from and sold products to Northrop Grumman Corporation, in the ordinary course of business, amounting to less than .01 percent of Northrop Grumman's and less than .001 percent of Chevron's most recently reported annual consolidated gross revenues. Mr. Sugar retired as Chairman and Chief Executive Officer of Northrop Grumman at the end of 2009. The Board concluded that these transactions would not impair Mr. Sugar's independence.

Table of Contents**Board Operations****BOARD COMMITTEE MEMBERSHIP AND FUNCTIONS**

Chevron's Board of Directors has four standing committees: Audit, Board Nominating and Governance, Management Compensation, and Public Policy. The Audit, Board Nominating and Governance, and Management Compensation Committees are each constituted and operated according to the requirements of the Securities Exchange Act of 1934 and related rules and the New York Stock Exchange (NYSE) Corporate Governance Standards. Each Committee is governed by a written charter that can be viewed on the Chevron Web site at [www.chevron.com](http://www.chevron.com) and is available in print upon request. In addition, each member of the Audit Committee is independent, financially literate and an audit committee financial expert, as such terms are defined under the Securities Exchange Act of 1934 and related rules and the NYSE Corporate Governance Standards.

**Committees and Membership****AUDIT**

Charles R. Shoemate, Chairman

Linnet F. Deily

Robert E. Denham

Enrique Hernandez, Jr.

**BOARD NOMINATING AND GOVERNANCE**

Samuel H. Armacost, Chairman

Franklyn G. Jenifer

Sam Nunn

Donald B. Rice

Kevin W. Sharer

Carl Ware

**MANAGEMENT COMPENSATION**

Robert J. Eaton, Chairman

Donald B. Rice

Kevin W. Sharer

**Committee Functions**

Selects the independent registered public accounting firm for endorsement by the Board and ratification by the stockholders;

Reviews reports of independent and internal auditors;

Reviews and approves the scope and cost of all services (including nonaudit services) provided by the independent registered public accounting firm;

Monitors the effectiveness of the audit process and financial reporting;

Reviews the adequacy of financial and operating controls;

Monitors Chevron's compliance programs; and

Evaluates the effectiveness of the Committee.

Evaluates the effectiveness of the Board and its Committees and recommends changes to improve Board, Board Committee and individual Director effectiveness;

Assesses the size and composition of the Board;

Recommends prospective Director nominees;

Reviews and approves nonemployee Director compensation; and

Periodically reviews and recommends changes as appropriate in Chevron's Corporate Governance Guidelines, Restated Certificate of Incorporation, By-Laws and other Board-adopted governance provisions.

Reviews and recommends to the independent Directors the salary and other compensation matters for the CEO;

Reviews and approves salaries and other compensation matters for executive officers other than the CEO;

Administers Chevron's incentive compensation and equity-based plans, including the Employee Savings Investment Plan Restoration Plan, the Chevron Incentive Plan, the Long-Term Incentive Plan and the Deferred Compensation Plan for Management

Employees;



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Ronald D. Sugar

Reviews Chevron's strategies and supporting processes for management succession planning, leadership development, executive retention and diversity; and Evaluates the effectiveness of the Committee.

Carl Ware

### **PUBLIC POLICY**

Identifies, monitors and evaluates domestic and international social, political and environmental trends and issues that affect Chevron's activities and performance;

Sam Nunn, Chairman

Recommends to the Board policies, programs and strategies concerning such issues; and Evaluates the effectiveness of the Committee.

Samuel H. Armacost

Robert J. Eaton

Franklyn G. Jenifer

Ronald D. Sugar

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**Board Operations** *(Continued)*

**MEETINGS AND ATTENDANCE**

In 2009, your Board held eight regularly scheduled Board meetings, all of which included executive sessions of independent directors, and 22 Board committee meetings, which included 10 Audit Committee, five Board Nominating and Governance Committee, four Management Compensation Committee, and three Public Policy Committee meetings.

All Directors attended 93 percent or more of the Board meetings and their Board Committee meetings during 2009. Chevron's policy regarding Directors' attendance at the Annual Meeting, as described in the Board Agenda and Meetings section of Chevron's Corporate Governance Guidelines (available at [www.chevron.com](http://www.chevron.com)), is that all Directors are expected to attend the Annual Meeting, absent extenuating circumstances. Last year, all Directors except one attended the 2009 Annual Meeting.

**BOARD LEADERSHIP AND INDEPENDENT LEAD DIRECTOR**

Under Chevron's By-Laws, the Board's independent Directors select the Chairman of the Board annually. Mr. John Watson currently serves Chevron as both Chief Executive Officer and Chairman of the Board. The Board Nominating and Governance Committee conducts an annual assessment of Chevron's corporate governance structures and processes, which includes a review of Chevron's Board leadership structure and whether combining or separating the roles of Chairman and CEO is in the best interests of Chevron's stockholders. At present, Chevron's Board believes that it is in the stockholders' best interests for the CEO to also serve as Chairman of the Board. The Board believes that this structure fosters an important unity of leadership between the Board and the Company and enables the Board to organize its functions and conduct its business in the most efficient and effective manner. Chevron's stockholders agreed with this approach in 2007 and 2008, when they considered and voted on stockholder proposals to separate the roles of Board Chairman and CEO. The 2007 proposal was opposed by 64 percent of stockholders voting and the 2008 proposal was opposed by 85 percent of those voting.

Under Chevron's Corporate Governance Guidelines, the independent Directors select a Lead Director annually. Currently, Mr. Armacost, an independent Director, is our Lead Director. As described in the Lead Director section of Chevron's Corporate Governance Guidelines, the Lead Director's responsibilities are to:

Chair all meetings of the independent Directors, including executive sessions;

Serve as liaison between the Board Chairman and the independent Directors;

Consult with the Board Chairman on and approve agendas and schedules for Board meetings;

Consult with the Board Chairman on other matters pertinent to Chevron and the Board;

Call meetings of the independent Directors; and

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Communicate with major stockholders.

Any stockholder can communicate with the Lead Director or any of the other Directors in the manner described in the Board Nominating and Governance Committee Report in this Proxy Statement.

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**Board Operations** *(Continued)*

**BOARD ROLE IN RISK OVERSIGHT**

One of the many duties of your Board is to provide oversight of Chevron's risk management policies and practices to ensure that the appropriate risk management systems are employed throughout the Company. Chevron faces a broad array of risks, including market, operational, strategic, legal, political and financial risks. The Board exercises its role of risk oversight in a variety of ways, including the following:

In the context of the Board's annual strategy session and the annual business plan and capital budget review, it reviews portfolio, capital allocation and geopolitical risks. Chevron's management team routinely reports to the Board on risk matters in the context of the Company's strategic, business and operational planning and decision making. Management manages and monitors risks at all levels of the company, including operating companies, business units, corporate departments and service companies, and regularly reports to the Board through presentations from various centers of management level risk expertise, including Corporate Strategic Planning, Legal, Corporate Compliance, Health Environment and Safety, Global Exploration and Reserves, Corporation Finance, and others.

The Audit Committee assists the Board in monitoring Chevron's risk exposure and developing guidelines and policies to govern processes for managing risks. The Committee discusses Chevron's policies with respect to risk assessment and risk management. The Company's Treasury Department reports annually to the Committee in a review of risk management practices. The Committee also regularly discusses risk management in the context of compliance and internal controls. The Committee regularly reports out its discussions to the full Board for consideration and action when appropriate.

The Board Nominating and Governance Committee assists the Board in monitoring Chevron's risks incident to the Company's governance structures and processes. At least annually, the Committee conducts a thorough evaluation of the Company's governance practices with the help of the Corporate Governance Department. In connection with this review, the Committee discusses risk management in the context of general governance matters, including among other topics, Board and management succession planning, delegations of authority and internal approval processes, stockholder proposals and activism, and Director and officer liability insurance. The Committee regularly reports out its discussion to the full Board for consideration and action when appropriate.

The Public Policy Committee assists the Board in monitoring risks associated with Chevron's role in the communities in which it operates. The Committee routinely discusses risk management in the context of, among other things, legislative initiatives, environmental stewardship, employee relations, government and non-government organization relations, and Chevron's reputation. The Committee is assisted in its work by management's Global Issues Committee and regularly reports out its discussion to the full Board for consideration and action when appropriate.

The Management Compensation Committee assists the Board in monitoring the risks associated with Chevron's compensation programs and practices. The Committee is assisted in its work by its own independent compensation consultant. The Committee annually reviews the design and goals of Chevron's compensation programs and practices in the context of possible risks to Chevron's financial and reputational well-being. The Committee regularly reports out its discussion to the full Board for consideration and action when appropriate.

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**Board Operations** *(Continued)*

**BUSINESS CONDUCT AND ETHICS CODE**

We have adopted a code of business conduct and ethics for Directors, officers (including the Company's Chief Executive Officer, Chief Financial Officer and Comptroller) and employees, known as the Business Conduct and Ethics Code. The code is available on our Web site at [www.chevron.com](http://www.chevron.com) and is available in print upon request. We will post any amendments to the code on our Web site.

**TRANSACTIONS WITH RELATED PERSONS**

*Review and Approval of Related Person Transactions*

It is our policy that all employees and Directors must avoid any activity that is in conflict with or has the appearance of conflicting with Chevron's business interests. This policy is included in our Business Conduct and Ethics Code. Directors and executive officers must inform the Chairman and Corporate Secretary and Chief Governance Officer when confronted with any situation that may be perceived as a conflict of interest. In addition, at least annually, each Director and executive officer completes a detailed questionnaire specifying any business relationship that may give rise to a conflict of interest.

The Board has charged the Board Nominating and Governance Committee to review related person transactions as defined by the Securities and Exchange Commission (SEC) rules. The Committee has adopted guidelines to assist it with this review. Under these guidelines, all executive officers, Directors and Director nominees must promptly advise the Corporate Secretary and Chief Governance Officer of any proposed or actual business and financial affiliations involving themselves or their immediate family members that, to the best of their knowledge after reasonable inquiry, could reasonably be expected to give rise to a reportable related person transaction. The Corporate Secretary and Chief Governance Officer will prepare a report summarizing any potentially reportable transactions, and the Committee will review these reports and determine whether to approve or ratify the identified transaction. The Committee has identified the following categories of transactions that are deemed to be preapproved by the Committee, even if the aggregate amount involved exceeds the \$120,000 reporting threshold identified in the SEC rules:

compensation paid to an executive officer if that executive officer's compensation is otherwise reported in our Proxy Statement or if the executive officer is not an immediate family member of another Chevron executive officer or director;

compensation paid to a Director for service as a Director if that compensation is otherwise reportable in our Proxy Statement;

transactions in which the related person's interest arises solely as a stockholder and all stockholders receive the same benefit on a pro-rata basis;

transactions involving competitive bids (unless the bid is awarded to a related person who was not the lowest bidder or unless the bidding process did not involve the use of formal procedures normally associated with our bidding procedures);

transactions including services as a common or contract carrier or public utility in which rates or charges are fixed by law;

transactions involving certain banking-related services under terms comparable with similarly situated transactions;

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**Board Operations** *(Continued)*

transactions conducted in the ordinary course of business in which our Director's interest arises solely because he or she is a director of another entity and the transaction does not exceed \$5 million or 5 percent (whichever is greater) of the receiving entity's consolidated gross revenues for that year;

charitable contributions by Chevron to an entity in which our Director's interest arises solely because he or she is a director, trustee or similar advisor to the entity and the contributions do not exceed, in the aggregate, \$1 million or 2 percent (whichever is less) of that entity's gross revenues for that year; and

transactions conducted in the ordinary course of business and our Director's interest arises solely because he or she owns an equity or limited partnership interest in the entity and the transaction does not exceed 2 percent of the total equity or partnership interests of the entity.

The Committee reviews all relevant information, including the amount of all business transactions involving Chevron and the entity with which the Director or executive officer is associated, and determines whether to approve or ratify the transaction. A Committee member will abstain from decisions regarding transactions involving that Director or his or her family members.

*Related Person Transactions*

The stepmother of Chairman and Chief Executive Officer John S. Watson and Mr. Watson's late father's estate (of which Mr. Watson, his stepmother and several of his immediate family members are beneficiaries) are receiving payments from a law firm in connection with the firm's buyout in January 2008 of Mr. Watson's father's partnership and real property interests. In late 2008, subsequent to Mr. Watson's father's withdrawal from this law firm and death, Chevron retained the firm. In 2009, Chevron paid the firm \$122,521 and expects to pay it approximately \$120,000 in fees in 2010.

A son-in-law of Mr. Peter J. Robertson, Chevron's former Vice Chairman who retired from the Company on April 1, 2009, is employed by the Company with annual compensation of approximately \$125,000 plus employee benefits.

The Board Nominating and Governance Committee has reviewed and approved or ratified these transactions under the standards described above.

**AUDIT COMMITTEE REPORT**

The Audit Committee assists your Board in fulfilling its responsibility to oversee management's implementation of Chevron's financial reporting process. The Audit Committee Charter can be viewed on the Chevron Web site at [www.chevron.com](http://www.chevron.com) and is available in print upon request. In discharging its oversight role, the Audit Committee reviewed and discussed the audited financial statements contained in the 2009 Annual Report on Form 10-K with Chevron's management and its independent registered public accounting firm. Management is responsible for the financial statements and the reporting process, including the system of disclosure controls and procedures and internal control over financial reporting. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of Chevron's financial statements with accounting principles generally accepted in the United States and on the effectiveness of the Company's internal control over financial reporting.

The Audit Committee met privately with the independent registered public accounting firm and discussed issues deemed significant by the accounting firm, and the Audit Committee has discussed with the independent auditors the matters required to be discussed by the statement on Auditing





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**Board Operations** *(Continued)*

Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. In addition, the Audit Committee discussed with the independent registered public accounting firm its independence from Chevron and its management; received the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence; and considered whether the provision of nonaudit services was compatible with maintaining the accounting firm's independence.

In reliance on the reviews and discussions outlined above, the Audit Committee has recommended to your Board that the audited financial statements be included in Chevron's Annual Report on Form 10-K for the year ended December 31, 2009, for filing with the SEC.

*Respectfully submitted on February 24, 2010, by the members of the Audit Committee of your Board:*

*Charles R. Shoemate, Chairman*

*Linnet F. Deily*

*Robert E. Denham*

*Enrique Hernandez, Jr.*

**BOARD NOMINATING AND GOVERNANCE COMMITTEE REPORT**

The Board Nominating and Governance Committee is responsible for defining and assessing qualifications for Board membership, identifying qualified Director candidates, assisting the Board in organizing itself to discharge its duties and responsibilities, and providing oversight of Chevron's corporate governance practices and policies, including an effective process for stockholders to communicate with the Board. The Committee is composed entirely of independent Directors as defined by the NYSE Corporate Governance Standards and operates under a written charter. The Committee's charter is available on the Chevron Web site at [www.chevron.com](http://www.chevron.com) and is available in print upon request. The Committee submits this report to stockholders to report on its role.

The Committee's role in and process for identifying and evaluating Director nominees, including nominees recommended by stockholders, is described on pages 8 and 9 of this Proxy Statement. In addition, the Committee made recommendations to the Board on determining director independence, Board Committee assignments, Committee chairman positions, Audit Committee financial experts and the financial literacy of Audit Committee members.

The Committee regularly reviews trends and recommends corporate best practices, initiates improvements, and plays a leadership role in maintaining Chevron's strong corporate governance structures and practices. Among the practices the Committee believes demonstrate the Company's commitment to strong corporate governance are:

annual assessment of Board performance, its Committees and Directors;

annual election of all Directors;

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annual election of the Chairman of the Board by the Directors;

annual election of an independent Lead Director;

right of stockholders to call for a special meeting;

majority vote standard for the election of Directors in uncontested elections coupled with a Director resignation policy;

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**Board Operations** *(Concluded)*

no supermajority voting provisions in Chevron's Restated Certificate of Incorporation;

minimum stockholding requirements for Directors and officers; and

review and approval or ratification of related person transactions as defined by SEC rules.

The Committee reviews interested-party communications, including stockholder inquiries directed to nonemployee Directors. The Corporate Secretary and Chief Governance Officer compiles the communications, summarizes lengthy or repetitive communications, and regularly summarizes the communications received, the responses sent and further disposition, if any. All communications are available to the Directors. Interested parties wishing to communicate their concerns or questions about Chevron to the Chairman of the Committee or any other nonemployee Directors may do so by U.S. mail addressed to Nonemployee Directors, c/o Office of the Corporate Secretary and Chief Governance Officer, at 6001 Bollinger Canyon Road, San Ramon, California 94583-2324.

Stockholders can find additional information concerning Chevron's corporate governance structures and practices in Chevron's Corporate Governance Guidelines, By-Laws and the Restated Certificate of Incorporation, copies of which are available on Chevron's Web site at [www.chevron.com](http://www.chevron.com) and are available in print upon request.

*Respectfully submitted on March 30, 2010, by members of the Board Nominating and Governance Committee of your Board:*

*Samuel H. Armacost, Chairman*

*Franklyn G. Jenifer*

*Sam Nunn*

*Donald B. Rice*

*Kevin W. Sharer*

*Carl Ware*

**MANAGEMENT COMPENSATION COMMITTEE REPORT**

The Management Compensation Committee of Chevron has reviewed and discussed with management the Compensation Discussion and Analysis beginning on the following page, and based on such review and discussion, the Committee recommended to the Board of Directors of the Corporation that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Corporation's Annual Report on Form 10-K.

*Respectfully submitted on March 30, 2010, by members of the Management Compensation Committee of your Board:*

*Robert J. Eaton, Chairman*

*Donald B. Rice*

*Kevin W. Sharer*

*Ronald D. Sugar*

*Carl Ware*

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## Executive Compensation

### COMPENSATION DISCUSSION AND ANALYSIS

This section explains how we compensate our named executive officers, or NEOs :

NEO	Position
David J. O Reilly*	Chairman and Chief Executive Officer
Patricia E. Yarrington	Vice President and Chief Financial Officer
John S. Watson*	Vice Chairman
George L. Kirkland*	Executive Vice President
Charles A. James	Executive Vice President

\* Mr. O Reilly elected to retire and resigned as Chevron's Chairman and CEO, effective December 31, 2009. Mr. Watson became Chairman and CEO and Mr. Kirkland became Vice Chairman effective January 1, 2010.

We have divided this section into three parts:

**Part I The Principles and Processes That Underlie How We Compensate Our NEOs.** In this section we discuss the important principles, processes, participants and tools that help us make compensation decisions for our NEOs.

**Part II The Different Ways We Compensate Our NEOs.** In this section we discuss the four components of NEO compensation base salary, short-term cash incentives, long-term equity incentives and benefits and actual compensation paid to our NEOs in 2009.

**Part III Other Matters That Affect How We Compensate Our NEOs.** In this section we discuss how other internal and external compensation policies and regulations can affect how we compensate our NEOs.

#### **PART I THE PRINCIPLES AND PROCESSES THAT UNDERLIE HOW WE COMPENSATE OUR NEOs.**

##### **Our Core Principles for NEO Compensation**

The core principles that underlie our approach to compensation are that NEO compensation should:

reward creation of long-term stockholder value through increased stockholder returns;

reflect long-term corporate and individual performance;

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maintain an appropriate balance between base salary and short-term and long-term incentive opportunities, with a distinct emphasis on compensation that is at risk ;

be externally competitive and internally equitable;

give us the flexibility to attract and retain talented senior leaders in a very competitive industry, even through the cyclical nature of our business; and

reinforce the values we express in *The Chevron Way* ([www.chevron.com/about/chevronway/](http://www.chevron.com/about/chevronway/)) and our *Operational Excellence Management System* ([www.chevron.com/about/operationalexcellence/](http://www.chevron.com/about/operationalexcellence/)).

**Table of Contents****Executive Compensation** *(Continued)*

How we compensate our NEOs also reflects the industry in which we compete. Chevron is a Fortune 10 company and one of the world's largest integrated energy companies. We operate complex oil, gas, petroleum and chemical businesses. We compete globally with large independent and national energy companies. We closely monitor the business performance and compensation practices of our top competitors, particularly ExxonMobil, BP, Royal Dutch Shell and ConocoPhillips. Like these companies, our business is largely commodity based and can be highly cyclical, for a variety of reasons. Our business can be adversely affected at any time by external factors, including domestic and international economic trends, natural disasters, and political instability. The lead times and project life spans in our business are generally very long term. Often, the life cycle of a particular project is longer than an NEO's tenure in a particular position. To manage this business and the associated risks successfully, our NEOs must, among other things, be able to manage costs, control risks, execute business plans and leverage those employees whom they supervise in order to optimize profits and increase long-term stockholder value and return. These skills are vital to Chevron's continued success and must be supported by our compensation programs.

**The Role of Our Management Compensation Committee and Its Compensation Planning Tools**

Our Management Compensation Committee is responsible for NEO compensation. The Committee is composed entirely of independent outside directors, as defined under Section 162(m) of the Internal Revenue Code, and each member is independent under the NYSE Corporate Governance Standards. The Committee annually reviews and determines NEO compensation; however, for our CEO's compensation, the Committee makes recommendations to the nonemployee Directors of the Board who determine his compensation. A complete description of the Committee's authority and responsibility is set forth in its charter, which is available on our Web site at [www.chevron.com](http://www.chevron.com) and is available in print upon request.

The Committee utilizes a variety of tools to assist it with fulfilling its responsibility for NEO compensation and making compensation decisions consistent with the core principles discussed above, including:

*Compensation Consultant.*

During 2009, the Committee retained an independent compensation consultant Exequity LLP to assist it with its duties. Under the terms of the retention, the Committee has the exclusive right to select, retain and terminate Exequity as well as to approve any fees, terms or other conditions of Exequity's service. Exequity and its lead consultant reported directly to the Committee, but, when directed to do so by the Committee, worked cooperatively with Chevron's management to develop analyses and proposals for presentations to the Committee.

Exequity provided the Committee with a review of general industry trends and the broad executive compensation climate as well as specific advice concerning Chevron's NEO compensation practices, including analysis of our base salary, short-term and long-term incentive, and benefit practices against those of our peers (discussed below). More particularly, during 2009, Exequity:

managed an annual executive pay analysis covering base salary, short-term incentives, and long-term incentives for our CEO and other NEOs;

attended selected Committee meetings (including executive sessions) and presented results of analysis and any key recommendations for Committee action, including, specifically, recommendations for CEO pay;

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**Executive Compensation** *(Continued)*

discussed emerging trends and technical issues at designated Committee meetings during the year and reviewed and commented on management proposals, as appropriate; and

responded to miscellaneous Committee requests, including requests for analysis and trends in incentive pay design, executive benefits and disclosure requirements.

The Committee reviewed information provided by Exequity to determine the appropriate level and mix of compensation for each of the NEOs in light of Chevron's compensation philosophy and objectives. Exequity's analysis showed that Chevron's NEO compensation was appropriately designed and administered and appropriately competitive for the industry in which Chevron competes.

*Internal Compensation Specialists.*

The Committee relies upon our internal compensation specialists for additional counsel, data and analysis.

*CEO Recommendations.*

The Committee also relies upon our CEO for compensation recommendations for the NEOs other than himself. The CEO and the Committee discuss the CEO's assessment of the NEOs and any other factors that the CEO believes may be relevant for the Committee's consideration.

*Peer Group Practices.*

The Committee's compensation decisions for our NEOs are also compared with the pay practices of our competitors and other large public companies. We utilize an Oil Industry Peer Group and a Non-Oil Industry Peer Group for evaluating our NEO compensation practices and levels. The purpose of these comparisons is to help the Committee understand generally how our NEOs' compensation compares with the compensation of persons in reasonably similar positions at these companies, rather than to establish any benchmarks or performance targets for setting NEO compensation.

The Oil Industry Peer Group consists of 12 oil and energy industry companies: Anadarko Petroleum, BP, ConocoPhillips, Devon Energy, ExxonMobil, Hess, Marathon Oil, Occidental Petroleum, Royal Dutch Shell, Sunoco, Tesoro and Valero Energy. These companies are our primary competitors for executive-level talent and have substantial U.S. or global operations that most nearly approximate the size, scope and complexity of our business or segments of our business. The compensation practices and levels of the companies in this peer group are reviewed in connection with determining NEO base salaries, Chevron Incentive Plan (CIP) awards and Long-Term Incentive Plan (LTIP) awards (described below). Data concerning these companies is derived from the Oil Industry Job Match Survey, an annual survey published by Towers Perrin, and from these companies' proxy statements or other public disclosures.

The Non-Oil Industry Peer Group consists of 23 non-oil and energy industry companies: 3M, Alcoa, American Electric Power, AT&T, Boeing, Caterpillar, Dow Chemical, Duke Energy, Ford Motor, General Electric, Hewlett-Packard, Honeywell, IBM, Intel, International Paper, Johnson & Johnson, Lockheed Martin, Merck, Motorola, Northrop Grumman, PepsiCo, Pfizer and Verizon Communications. We believe it is important to periodically compare our overall compensation practices (and those of the oil and energy industry generally) against a broader mix of companies to ensure that our compensation practices are reasonable when compared with non-energy companies similar to us in size, complexity



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**Executive Compensation** *(Continued)*

and scope of operations. The companies comprising this peer group remain generally the same from year to year, unless market events such as mergers or acquisitions merit replacing one company with another. When determining the companies to be included in the Non-Oil Industry Peer Group, we look for companies of similar financial and operational size whose products are primarily commodities and that have, among other things, global operations, significant assets and capital requirements, long-term project investment cycles, extensive technology portfolios, an emphasis on engineering and technical skills and extensive distribution channels. Data concerning these companies is derived from the Total Compensation Measurement Database, a proprietary source of compensation data and analysis developed by Hewitt Associates.

**PART II THE DIFFERENT WAYS WE COMPENSATE OUR NEOs.**

**Overview**

We compensate our NEOs in four ways: base salary, annual cash incentives, long-term equity incentives and broad-based benefit and retirement programs. We describe each below.

**Allocation Among Components**

No specific formula is used to determine the allocation of an NEO's total annual compensation among base salary, short-term and long-term incentives, and benefits. However, we believe the NEOs' short-term and long-term, or at-risk, incentives should represent more than half of their annual compensation opportunity. Thus, for example, in 2009 the portion of the CEO's total compensation (base salary, CIP and LTIP grant date fair value) that was at risk was 87 percent and an average 84 percent was at risk for the other NEOs. In addition, as noted above, we believe that NEO compensation should be externally competitive and internally equitable. Thus, we evaluate an NEO's total compensation opportunity against the total compensation opportunity available to persons in the same base salary grade within Chevron and persons in similar positions at companies in the Oil and Non-Oil Industry Peer Groups.

**Base Salary**

The first of the four components of our NEOs' compensation is base salary. We believe that base salaries should provide a competitive base level of income and help us attract and retain strong executive talent. Base salaries also help us maintain an appropriate balance between fixed and short-term and long-term, or at-risk, compensation.

*How We Determine Our CEO's Base Salary.*

The Committee and the other independent Directors believe that the CEO's base salary should be competitive with the other chief executive officers in our Oil Industry Peer Group. The Committee does not have predetermined targets or a predetermined range within the Oil Industry Peer Group as an objective. Instead, the Committee exercises its discretion, taking into account the size, scope and complexity of our business and the CEO's experience, skills and performance. The Committee makes a recommendation to the independent Directors, and the independent Directors make the salary determinations for the CEO.

Comparative Data. Each year when evaluating our CEO's base salary, the Committee directs its independent consultant to review and report to the Committee on the relation of our CEO's base salary

**Table of Contents****Executive Compensation** *(Continued)*

to the base salaries of chief executive officers in our Oil Industry Peer Group and our Non-Oil Industry Peer Group. The independent consultant provides a summary of base salary data gleaned from proprietary compensation surveys and publicly available compensation data.

**Mr. O Reilly's 2009 Base Salary.** In 2009, Exequity reported to the Committee that Mr. O Reilly's base salary of \$1,650,000 (effective since April 2006) was ranked fourth among the base salaries of chief executive officers in our Oil Industry Peer Group and 13th among the base salaries of chief executive officers in our Non-Oil Industry Peer Group. Given Chevron's positioning in the top quartile of the Oil Industry Peer Group for size of revenues and market capitalization, as well as Mr. O Reilly's significant experience through his nine years as CEO, in March 2009, the independent Directors of the Board determined that Mr. O Reilly's base salary should be increased by \$100,000 to \$1,750,000. This increase did not affect the rank of Mr. O Reilly's base salary among the base salaries of chief executive officers in our Oil Industry Peer Group and only modestly increased his rank (to 10th) among the base salaries of chief executive officers in our Non-Oil Industry Peer Group.

***How We Determine Our Other NEOs' Base Salaries.***

For our other NEOs, base salary is a function of two things: (1) their assigned base salary grade and (2) individual qualitative considerations, such as individual performance, experience, skills, competitive positioning, retention objectives and leadership responsibilities relative to other NEOs. Our CEO makes recommendations to the Committee as to the base salaries for each of our other NEOs. The Committee makes base salary determinations for all NEOs, and the independent Directors review and ratify the determinations.

**Salary Grades and Salary Grade Ranges.** Each NEO is assigned to a base salary grade. Each grade has a base salary minimum, midpoint and maximum that constitute the salary range for that grade. Salary grades and the appropriate salary ranges are determined through market surveys of positions of comparable level, scope, complexity and responsibility. We believe that base salary grade ranges should be competitive with the base salary ranges for persons occupying reasonably similar positions at the companies within our Oil Industry Peer Group, although the Committee does not have a predetermined position within that group. The Committee annually reviews the ranges and may approve increases in the base salary grade ranges if it determines that adjustments are necessary to maintain this competitiveness. Because our NEOs occupy the senior leadership and management positions at Chevron, the positions are assigned to the highest salary grades. In 2009, the Committee approved a 2 percent increase in the base salary grade ranges for our NEOs after reviewing updated data from our Oil Industry Peer Group and the projected movement in base salaries among those companies. This resulted in 2009 base salary grade ranges for our NEOs (other than the CEO) as follows: Messrs. Watson and Kirkland: \$804,000 to \$1,206,000; Ms. Yarrington and Mr. James: \$657,000 to \$985,000.

**2009 Base Salaries.** Each NEO's base salary is reviewed annually by the Committee and may be adjusted for a variety of reasons, including individual performance, experience, skills, competitive positioning, retention objectives and leadership responsibilities relative to other NEOs. Effective April 1, 2009, the Committee approved the following increases in the base salaries of our other NEOs.

Ms. Yarrington's 2009 base salary was increased 31.3 percent, to \$720,000, in recognition of her promotion to Chief Financial Officer and to reflect an upward adjustment in her base salary grade range following her promotion.

Mr. Watson's 2009 base salary was increased 22.7 percent, to \$1,000,000, in recognition of his promotion to Vice Chairman of the Board and to reflect an upward adjustment in his base salary grade range following his promotion.

**Table of Contents****Executive Compensation** *(Continued)*

Mr. Kirkland's 2009 base salary was increased 22.7 percent, to \$1,000,000, in recognition of the continued strong performance and earnings of Chevron's upstream business and to reflect an upward adjustment in his base salary grade range following his promotion.

Mr. James' 2009 base salary was increased 6.7 percent, to \$801,000, in recognition of his promotion to Executive Vice President and the addition of several groups under his management responsibility and to reflect an upward adjustment in his base salary grade range following his promotion.

We report each NEO's base salary in the Summary Compensation Table below. As described in Other Benefits, Retirement Programs and Perquisites, NEOs are eligible to defer up to 40 percent of their base salary over the Internal Revenue Code section 401(a)(17) limit for payment upon retirement or termination of service. We describe the aggregate NEO deferrals in 2009 in the Nonqualified Deferred Compensation Table, below.

**Annual Cash Incentive The Chevron Incentive Plan (CIP)**

The second of the four components of our NEOs' compensation is an annual cash incentive, or Chevron Incentive Plan award. CIP awards are designed to reward the NEOs for business and individual performance. We believe that CIP awards are an effective short-term performance management, development and retention tool. In March 2010, CIP awards for the 2009 performance year were made to the NEOs as detailed in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table, below.

*How We Determine CIP Awards.*

Prior to the performance year, the Committee establishes a CIP Award Target (explained under CIP Award Target, below) for each NEO, which is based on a percentage of the NEO's base salary. After the end of the performance year, the Committee assesses Chevron's overall performance and sets a Corporate Performance Factor (explained under Chevron's Corporate Performance, below), which is the same for each NEO. The Committee then determines the cash amount for each NEO's CIP award by multiplying the NEO's CIP Award Target by the Corporate Performance Factor, then adjusting the resulting amount to take into account the NEO's individual performance, including the performance of any strategic business units reporting to the NEO. The Corporate Performance Factor and the NEO's individual performance are not determined by a formula or on the basis of predetermined financial or performance targets or award ranges. Rather, the Committee exercises its discretion based upon a number of factors discussed below. With respect to each NEO other than the CEO, the CEO makes a recommendation to the Committee.

**CIP Award Target.** The CIP Award Target is a percentage of the NEO's base salary and is set prior to the beginning of the performance year as an appropriate starting point for determining the actual size of the NEO's CIP award. We believe that CIP awards, like salaries, should be internally consistent such that persons in the same base salary grade have the same percentage of base salary to establish the CIP Award Target. The Committee sets the percentage of base salary for each salary grade to be competitive with similar awards to persons in reasonably similar positions at companies in our Oil Industry Peer Group. For determining the CIP Award Target of the CEO, the Committee relies on data covering CEOs in the Oil Industry Peer Group that is provided by its independent compensation consultant. Since there are not identical jobs at other companies, for the rest of the NEOs, the Committee relies on the data from the Oil Industry Job Match Survey (described above) to ensure that

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**Executive Compensation** *(Continued)*

the award targets are generally competitive. In 2009, the Committee set, for the 2009 performance year, the following CIP Award Targets for each NEO based upon the percentage of base salary for the salary grade of the NEO: Mr. O'Reilly, 125 percent; Messrs. Watson and Kirkland, 90 percent; and Ms. Yarrington and Mr. James, 80 percent.

Chevron's Corporate Performance. We believe that CIP awards for NEOs should be largely determined by our overall corporate performance. After the end of the performance year, the Committee sets the Corporate Performance Factor based on its assessment of how the Company performed. The Committee considers numerous metrics in setting the Corporate Performance Factor, primarily earnings, return on capital employed (ROCE), Chevron's total stockholder return (TSR) ranking and Chevron's ROCE ranking. The Committee does not assign relative weight to any one metric, nor does it have a set formula for evaluating these metrics, but rather exercises its discretion, taking into account how the Company performed in light of its business plan objectives, which are approved by the Board annually. Also, given the long-term nature of the business, in which investments today yield returns for decades to come, the Committee considers decisions and progress on strategic investments. For 2009, the objectives and actual performance for each of the key indicators were as follows: