GLASS LEWIS & Co.

PROXY PAPER

Chevron Corporation

NYSE: CVX

Industry: Oil & Gas - Integrated
Meeting Date: May 30, 2012
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2012 ANNUAL MEETING

Proposal	Issue	Board	GL&Co.
1.00	Election of Directors	For	For
1.01	Elect Linnet Deily	For	For
1.02	Elect Robert Denham	For	For
1.03	Elect Chuck Hagel	For	For
1.04	Elect Enrique Hernandez, Jr.	For	For
1.05	Elect George Kirkland	For	For
1.06	Elect Charles Moorman, IV	For	For
1.07	Elect Kevin Sharer	For	For
1.08	Elect John Stumpf	For	For
1.09	Elect Ronald Sugar	For	For
1.10	Elect Carl Ware	For	For
1.11	Elect John Watson	For	For
2.00	Ratification of Auditor	For	For
3.00	Advisory Vote on Executive Compensation	For	For
4.00	Shareholder Proposal Regarding Exclusive Forum Provisions	Against	For
5.00	Shareholder Proposal Regarding Independent Board Chairman	Against	For
6.00	Shareholder Proposal Regarding Lobbying Report	Against	Against
7.00	Shareholder Proposal Regarding Country Selection Guidelines	Against	Against
8.00	Shareholder Proposal Regarding Hydraulic Fracturing	Against	Against
9.00	Shareholder Proposal Regarding Safety Report	Against	Against
10.00	Shareholder Proposal Regarding Right to Call a Special Meeting	Against	Against
11.00	Shareholder Proposal Regarding Environmental Expertise on Board	Against	Against

NOTE

The shareholder proponent of Proposal 4, Amalgamated Bank, is a client of Glass Lewis.

Company Profile

ADDRESS

6001 Bollinger Canyon Road
SAN RAMON, CA 94583
www.chevron.com
Phone: +1 (925) 8421000
Fax: +1 (415) 8946817
Employees: 61,000

COMPANY DESCRIPTION

Chevron Corporation (Chevron) manages its investments in subsidiaries and affiliates and provides administrative, financial, management and technology support to the United States and international subsidiaries that engage in petroleum operations, chemicals operations, mining operations, power generation and energy services. Upstream operations consist of exploring for, developing and producing crude oil and natural gas; transporting crude oil by international oil export pipelines; transporting, storage and marketing of natural gas, and a gas-to-liquids project. Downstream operations consist of refining of crude oil into petroleum products marketing of crude oil and refined products. In September 2010, the Company completed acquisition of operating interests in three deepwater exploration blocks in the South China Sea's Pearl River Mouth Basin. In February 2011, Chevron completed the acquisition of Atlas Energy, Inc.

Source: FactSet

TOTAL SHAREHOLDER RETURNS

	1 Year	3 Year	5 Year
CVX	1.7%	18.9%	8.0%
S&P 500	-0.5%	14.5%	-2.4%
Industry Peers	-0.2%	18.0%	4.9%

** Annualized shareholder returns. Peers are based on the Industry segmentation of the Global Industrial Classification System (GICS).*

ENVIRONMENTAL AND SOCIAL RISK PROFILE

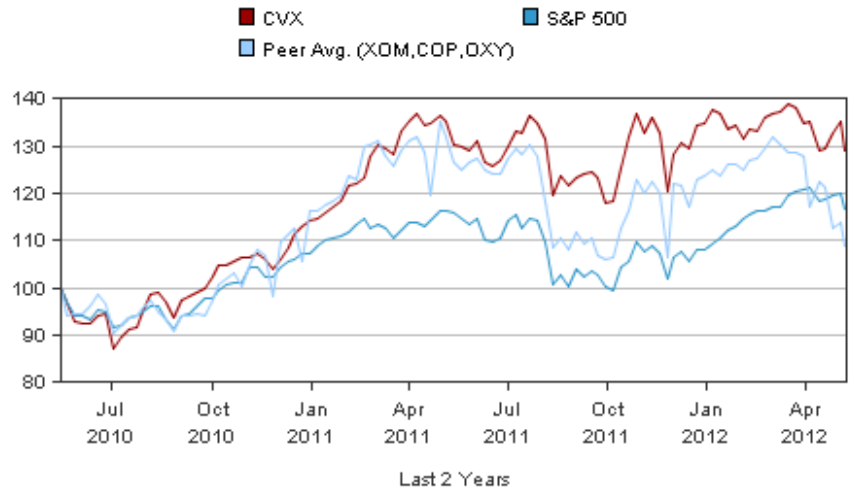
- [x] GRI-Compliant Sustainability Report
- [ ] UN Global Compact Signatory
- [x] Human Rights Policy Conforms with ILO or UN Declaration on Human Rights
- [x] Nondiscrimination Policy Includes Gender Identity and/or Gender Expression
- [x] Regularly Discloses Total Amount of Corporate Political Contributions
- [x] Has GHG Emissions Target
- [ ] Discloses Total Water Use

Source: IW Financial; ✔ = applies

TOP 20 HOLDERS

Holder	% Owned
1. State Street Global Advisors	5.09%
2. The Vanguard Group, Inc.	4.52%
3. BlackRock Fund Advisors	4.02%
4. Capital World Investors	3.10%
5. Fidelity Management & Research Co.	2.25%
6. Wellington Management Co. LLP	1.83%
7. Northern Trust Investments	1.39%
8. T. Rowe Price Associates, Inc.	1.33%
9. BlackRock Advisors LLC	1.19%
10. State Farm Insurance Co. Asset Management	0.83%
11. Capital Research Global Investors	0.83%
12. TIAA-CREF Asset Management LLC	0.78%
13. Norges Bank Investment Management	0.72%
14. Geode Capital Management LLC	0.70%
15. Mellon Capital Management Corp.	0.68%
16. BNY Mellon Asset Management	0.64%
17. MFS Investment Management, Inc.	0.59%
18. Columbia Management Investment Advisers LLC	0.58%
19. Fayez Sarofim & Co.	0.52%
20. OppenheimerFunds, Inc.	0.52%

INDEXED STOCK PRICE



Competitors / Peer Comparison[1]

	Chevron Corporation	Exxon Mobil Corporation	ConocoPhillips	Occidental Petroleum Corporation
Ticker	CVX	XOM	COP	OXY
Closing Price (05/16/12)	$ 100.10	$ 82.17	$ 52.32	$ 79.23
Shares Outstanding (mm)	1,973.2	4,676.2	1,264.6	811.1
Market Capitalization (mm)	$ 197,515.0	$ 384,240.0	$ 66,161.6	$ 64,260.9
Enterprise Value (mm)	$ 187,841.0	$ 388,326.0	$ 90,815.6	$ 66,373.9
Revenue (LTM) (mm)	$ 230,936.0	$ 442,887.0	$ 230,522.0	$ 25,180.0
Growth Rate [2]				
Revenue Growth Rate (5 Yrs)	1.2%	2.0%	3.4%	3.6%
EPS Growth Rate (5 Yrs)	6.4%	-0.3%	-3.1%	4.3%
Profitability (LTM)				
Return on Equity (ROE)	23.1%	25.8%	18.1%	18.8%
Return on Assets (ROA)	13.3%	12.0%	7.7%	11.7%
Dividend Rate	3.6%	2.8%	5.0%	2.7%
Stock Performance				
1 Year Stock Performance	-1.5%	2.4%	-3.9%	-21.6%
3 Year Stock Performance	51.9%	18.9%	56.2%	32.0%
5 Year Stock Performance	24.0%	0.9%	-4.5%	49.5%
Annualized 1 Year Total Return (past 3 yrs)	18.9%	8.6%	20.6%	11.7%
Valuation Multiples (LTM)				
P/E Ratio	7.3x	9.9x	5.7x	9.5x
TEV/Revenue	0.8x	0.9x	0.4x	2.6x
TEV/EBIT	4.6x	6.9x	5.0x	6.2x
Margins Analysis (LTM)				
Gross Profit Margin	29.1%	25.0%	11.5%	54.7%
Operating Income Margin	17.0%	11.9%	7.7%	45.1%
Net Income Margin	11.8%	9.0%	5.4%	27.0%
Liquidity/Risk				
Current Ratio	1.6x	1.0x	1.0x	1.5x
Debt-Equity Ratio	0.07x	0.10x	0.43x	0.15x
Auditor Data[3]				
Year	2011	2011	2011	2011
Auditor	PricewaterhouseCoopers	Pricewaterhouse Coopers	Ernst & Young	KPMG
Auditor Fees	$ 25,200,000	$ 27,900,000	$ 16,800,000	$ 8,807,500
Audit Related Fees	$ 2,300,000	$ 5,600,000	$ 5,000,000	$ 1,296,100
Tax + All Other Fees	$ 1,700,000	-	-	-
Executive Compensation[4]				
Year of Data	2011	2011	2011	2011
Chief Executive Officer	$19,107,163	$25,373,230	$19,751,167	$26,589,792
Other Named Executives	$37,805,984	$43,965,098	$21,066,524	$57,920,247

Source: FactSet Research Systems, Reuters, Thomson Financial, and Glass, Lewis & Co. LLC
1.) Peers shown on this page do not necessarily represent peers used in our pay-for-performance analysis. 2.) Growth rates are calculated based on linear least square fitting method. 3.) Auditor data as disclosed by the Company and its peers in their most recent proxy filings. 4.) Compensation as calculated by Glass Lewis based on information disclosed by the Company and its peers in their proxy filings.

Pay-For-Performance

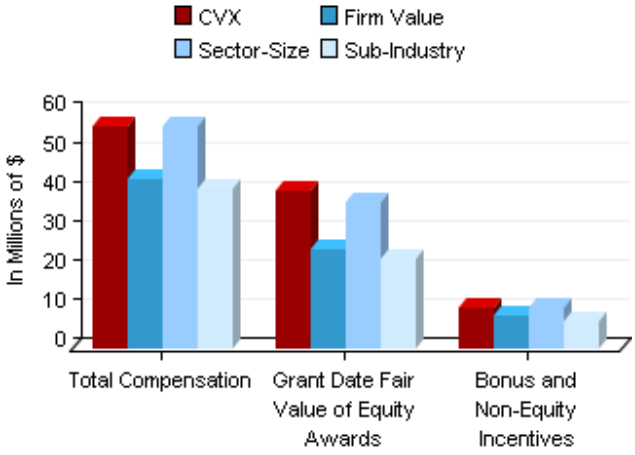
Chevron's executive compensation received a **C** grade in our proprietary pay-for-performance model, which uses 36 measurement points. The Company paid: more compensation to its top officers (as disclosed by the Company) than the median compensation for 30 similarly sized companies with a median enterprise value of $136 billion; about the same as a sector group of 4 large energy companies with a median enterprise value of $118 billion; and more than a sub-industry group of 6 integrated oil & gas companies. The CEO was paid about the same as the median CEO in these peer groups. Overall, the Company paid moderately more than its peers and performed moderately better than its peers.

FY 2011 Compensation Committee Grade

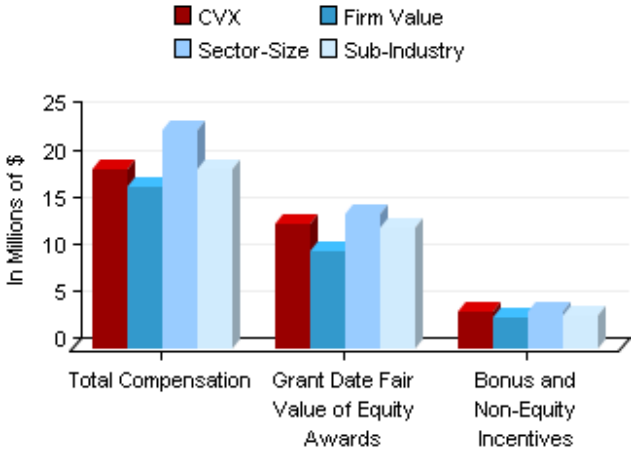
Historical Compensation Score

Fiscal Year	2009	2010	2011
Grade	C	B	C

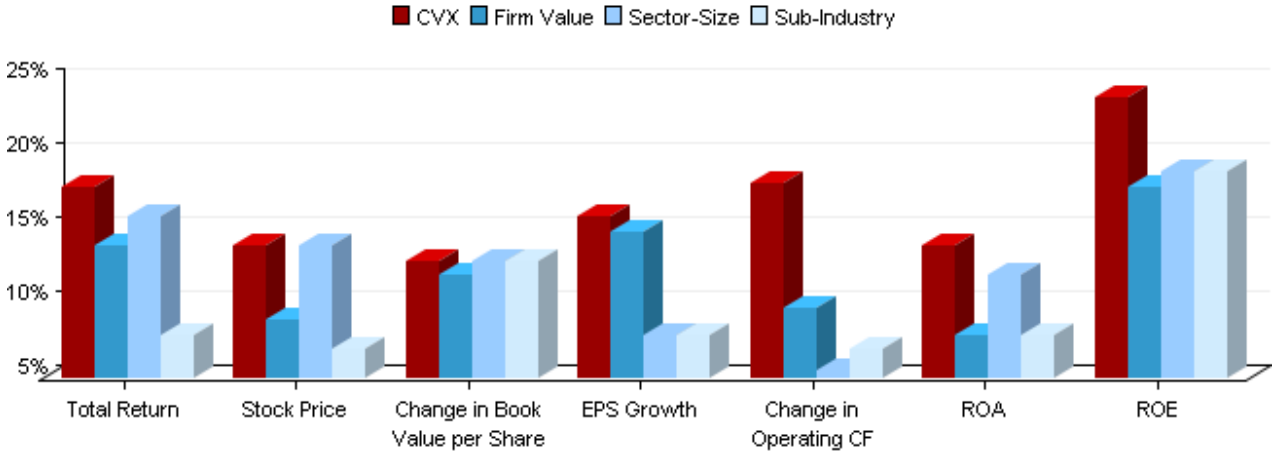
Company Compared with Median



CEO Compared with Median



Shareholder Wealth and Business Performance



Note: Compensation analysis for period ending 12/2011. Performance measures based on weighted average of annualized 1, 2, and 3 year data.

Voting Results from Last Annual Meeting (May 25, 2011)

Source: 8-K dated June 1, 2011

ELECTION OF DIRECTORS

No.	Proposal	Votes Withheld	GLC Rec
1	Elect Linnet Deily	1.15%	For
2	Elect Robert Denham	2.07%	For
3	Elect Robert Eaton	1.74%	For
4	Elect Chuck Hagel	1.23%	For
5	Elect Enrique Hernandez, Jr.	2.87%	For
6	Elect George Kirkland	1.02%	For
7	Elect Donald Rice	1.28%	For
8	Elect Kevin Sharer	2.97%	For
9	Elect Charles Shoemate	1.62%	For
10	Elect John Stumpf	2.84%	For
11	Elect Ronald Sugar	5.01%	For
12	Elect Carl Ware	10.74%	Against
13	Elect John Watson	3.06%	For

Voting Results from Last Annual Meeting (May 25,2011)

Source: 8-K dated June 1, 2011 and Form NP-X

OTHER ITEMS

No.	For	Against	Abstain	Broker Non-Votes	1 Year	2 Years	3 Years	GLC Rec
2	**Ratification of Auditor**							
	1,655,767,633	16,641,393	6,527,164	N/A	N/A	N/A	N/A	For
3	**Advisory Vote on Executive Compensation**							
	1,325,880,355	29,307,746	15,151,723	308,596,366	N/A	N/A	N/A	For
4	**Frequency of Advisory Vote on Executive Compensation**							
	N/A	N/A	8,002,232	308,596,366	1,147,606,480	8,386,724	206,344,388	1 Year
5	**Shareholder Proposal Regarding Environmental Expertise on Board**							
	330,618,956	1,000,293,032	39,427,836	308,596,366	N/A	N/A	N/A	Against
6	**Shareholder Proposal Regarding Establishment of Human Rights Committee**							
	60,294,060	1,078,571,502	231,474,262	308,596,366	N/A	N/A	N/A	Against
7	**Shareholder Proposal Regarding Linking Executive Pay to Sustainability**							
	73,123,616	1,224,457,729	72,758,479	308,596,366	N/A	N/A	N/A	Against
8	**Shareholder Proposal Regarding Country Selection Guidelines**							
	300,954,221	956,020,960	113,364,643	308,596,366	N/A	N/A	N/A	Against
9	**Shareholder Proposal Regarding Financial Risks of Climate Change**							
	82,272,719	1,048,129,377	239,937,728	308,596,366	N/A	N/A	N/A	Against
10	**Shareholder Proposal Regarding Report on Hydraulic Fracturing**							
	446,550,049	656,663,442	267,126,333	308,596,366	N/A	N/A	N/A	For
11	**Shareholder Proposal Regarding Offshore Drilling Report**							
	97,513,750	1,032,560,611	240,265,463	308,596,366	N/A	N/A	N/A	Against

Proposal 1.00: Election of Directors

FOR

BOARD OF DIRECTORS

Name	Up	Age	GLC Classification	Company Classification	Committees: Audit	Comp	Gov	Nom	Term Start	Term End	Years on Board	Attended at least 75% of Meetings
Linnet F. Deily	✔	66	Independent	Independent		✔			2006	2012	6	Yes
Robert E. Denham	✔	66	Independent [1]	Independent		✔	C	C	2004	2012	8	Yes
Chuck Hagel	✔	65	Independent	Independent			✔	✔	2010	2012	2	Yes
Enrique Hernandez, Jr.	✔	56	Independent [2]	Independent	✔				2008	2012	4	Yes
George L. Kirkland *	✔	61	Insider [3]	Not Independent					2010	2012	2	Yes
Charles W. Moorman, IV *	✔	60	Independent [4]	Independent					2012	2012	0	N/A
Kevin W. Sharer *	✔	64	Independent [5]	Independent		✔	✔	✔	2007	2012	5	Yes
John G. Stumpf *	✔	58	Independent [6]	Independent	✔				2010	2012	2	Yes
Ronald D. Sugar	✔	63	Independent	Independent	C				2005	2012	7	Yes
Carl Ware	✔	68	Independent	Independent		C	✔	✔	2001	2012	11	Yes
John S. Watson *	✔	55	Insider [7]	Not Independent					2009	2012	3	Yes
% Independent			82%		100%	100%	100%	100%				

C = Chair, * = Public Company Executive, ⛔ = Withhold or Against Recommendation

1. Lead director.
2. Chairman, president and CEO of Inter-Con Security Systems, inc., whose Liberian subsidiary provided services to the Company for less than 1.0% of each Company's gross revenues in fiscal year 2011.
3. Vice chairman and executive vice president of upstream and gas.
4. Chairman, president and CEO of Norfolk Southern Corporation, which both purchased and provided products and services to the Company for less than .019% of each company's gross revenues in fiscal year 2011.
5. Chairman, president and CEO of Amgen, which purchased products and services from the Company worth less than .001% of the Company's gross revenue in fiscal year 2011.
6. Chairman, president and CEO of Wells Fargo, which provided commercial banking, brokerage, and other services to the Company for less than .087% of its gross revenue and which paid the Company interest for less than .001% of the Company's gross revenue in fiscal year 2011.
7. Chairman and CEO. Stepmother received 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. The Company paid approximately $179,000 to that firm for legal fees in fiscal year 2011.

Additional Public Company Directorships
Carl Ware: (1) Cummins Inc.
Charles W. Moorman, IV: (1) Norfolk Southern Corporation
Enrique Hernandez, Jr.: (3) McDonald's Corporation; Nordstrom, Inc.; Wells Fargo & Company
John G. Stumpf: (2) Target Corporation; Wells Fargo & Company
Kevin W. Sharer: (2) Amgen Inc.; Northrop Grumman Corporation
Linnet F. Deily: (1) Honeywell International Inc.
Robert E. Denham: (4) Fomento Economico Mexicano SA; New York Times Company; Oaktree Capital Group LLC; UGL Limited
Ronald D. Sugar: (3) Air Lease Corp.; Amgen Inc.; Apple Inc.

The board has nominated 11 candidates to serve a one-year term each. If elected, their terms would expire at the Company's 2013 annual meeting of shareholders.

U.S. Market Practice

Companies listed on a U.S. stock exchange must comply with the applicable stock exchange listing rules. Both the NYSE and the NASDAQ stipulate that boards must: (i) consist of a majority of independent directors (independence is defined by the relevant exchange); (ii) maintain an audit

committee comprised of only independent directors; (iii) designate an audit committee financial expert and appoint a minimum of three directors to the audit committee; (iv) hold regularly scheduled executive sessions at which only independent directors are present; and (v) provide for independent director oversight of executive compensation and the director nomination process.

Glass Lewis applies a stricter standard, believing that boards should: (i) be at least two-thirds independent; (ii) have standing compensation and nomination committees comprised solely of independent directors; and (iii) designate an independent chairman, or failing that, a lead independent director.

We believe it is important for shareholders to be mindful of the following issues:

Legal & Regulatory Risk: Moderate

Ecuador Verdict and Efforts to Prevent Its Enforcement

Since the last annual meeting, the Company's legal battle with approximately 30,000 Ecuadorian villagers has shifted tack. Following an $18 billion verdict in the courts of Ecuador against the Company, evidence continues to suggest that the legal system in that country failed to provide due process and that the plaintiffs' attorneys may have acted improperly. The Company hopes such evidence will allow it to avoid any payment on the verdict.

Originally filed in 1993 by U.S. lawyers on behalf of residents of an area of Amazonian rain-forest in Ecuador, the lawsuit alleges environmental and health damage caused by the improper disposal of several billion gallons of contaminated water from 1972 to 1992. The pollution at the center of the case resulted from the drilling operations of Texaco--which the Company bought for approximately $30 billion in 2001--and Ecuador's national oil company.

The Company denies responsibility for the pollution, arguing that the Ecuadorian court does not have jurisdiction and all remediation liability was absolved through a 1995 agreement with the Ecuadorian government upon completion of a $40 million cleanup.

However, the Company's focus in the case has shifted from defense toward preventing enforcement of the Ecuadoran verdict by attacking the actions of the judge and the plaintiffs' lawyers. In recent years, the Company has also produced evidence that the judge in the case solicited a bribe; however, the man who recorded the solicitation is a former Company contractor and was given living arrangements in the U.S. at Company expense and receives. In addition, the Company has produced evidence that the estimate of environmental damages was largely the work of a consulting firm hired by plaintiffs' counsel (Patrick Radden. "Reversal of Fortune." *The New Yorker*. January 9, 2012).

Given the international nature of the Company's assets and operations, the legal fight to prevent enforcement of the judgment should require considerable resources. Recently, a plaintiffs' lawyer told *Reuters*: "Chevron has investments in more than 50 countries, but two have caught our eye ... Panama because oil ships go through the Panama Canal and in Venezuela because they have important assets there." The plaintiffs' lawyers claim the Company's legal fees in the matter to be $200 million per year. The Company does not disclose its legal expenses.

In January 2012, *The New Yorker* reported that following a ruling by an appellate court in Ecuador upholding the verdict, the Company initiated settlement talks with the lead plaintiff lawyer. It is unclear whether these discussions are ongoing. As it stands, this potential global legal fight is currently contained within three jurisdictional areas.

Proceedings in the Courts of Ecuador

As reported in the Company's Form 10-K on February 23, 2012, in February 2011, the provincial court in Ecuador rendered judgment on the case. The judgment assessed approximately $8.6 million in damages and approximately $900,00 in attorney fees. It also assessed approximately $8.6 million in punitive damages unless the Company issued a public apology within 15 days of the judgment, which the Company did not do due to the legal ramifications of such an action.

The Company appealed this decision. The Ecuadorian provincial courts have subsequently affirmed the original decision and denied the Company's request for a suspension in respect of the arbitration proceeding described below. The Company appealed that decision to Ecuador's high court, the National Court of Justice, which rejected the Company's request for a waiver of the obligation to post a bond to stay enforcement of the judgment while the appeal is pending.

The Company did not post a bond, so the judgment will be enforceable in Ecuador. However, as the Company has no assets in Ecuador, the plaintiffs will need to convince the courts of other nations to enforce the verdict.

Proceedings in the Permanent Court of Arbitration in The Hague

Following the February 2011 judgment, the Permanent Court of Arbitration at The Hague (which is overseeing the international arbitration of the dispute) issued an injunction temporarily blocking the plaintiffs from enforcing the judgment in courts outside Ecuador ("Monster or victim? A court in Ecuador controversially fines Chevron a whopping $9 billion." The Economist. February 17, 2011). The Company claims Ecuador violated a trade treaty with the United States by not guaranteeing the Company a fair trial for the Company.

As disclosed in a Form 10-Q filed May 3, 2012, the tribunal decided in April 2012 that it would hear by late November arguments on certain settlement and release agreements between Texaco and Ecuador concerning the rain-forest pollution, with the remaining issues (i.e., the due process claims) to be heard later.

Proceedings in the Federal Courts of the United States

In February 2011, the Company filed a civil lawsuit in the Federal District Court for the Southern District of New York against the Lago Agrio plaintiffs and their lawyers, alleging extortion, fraud and other state laws. With this action, the Company is seeking a declaration that any judgment against the Company in the Lago Agrio litigation is the result of fraud and therefore unenforceable in the courts of the US or any jurisdiction. In March 2011, the district court granted the Company's request for a preliminary injunction against enforcement of the Ecuador judgment, citing evidence of fraud and corruption surrounding the Ecuador trial, pending a verdict for the Company in the lawsuit. However, this ruling was reversed by the Second Circuit Court of Appeals. It is unclear if the Company will appeal the ruling of the Second Circuit. The district court trial is proceeding.

In addition, the Company is asking a federal court in Florida to force an Ecuadorian bank to release records of alleged payments by the plaintiffs to Richard Cabrera, the individual appointed by the court in Ecuador to make the initial damage estimate ("Chevron Seeks Bank Records in Ecuador Environmental Suit." *Reuters*. May 4, 2012).

The Company believes that due to the improper actions of the courts of Ecuador and the plaintiffs attorneys, these matters' ultimate cost to shareholders cannot be estimated.

Oil Spill in Brazil

As discussed in last year's proxy paper, the Company has devoted a significant portion of its exploration budget toward its projects in Brazil, the offshore oil deposits of which may contain more than 21 billion barrels of oil. In November 2011, while drilling at one such project, a pressure spike caused the Company's well to emit approximately 2,400 barrels of oil into the Atlantic Ocean.

In response to the spill, Brazilian prosecutors have filed criminal charges against the Company seeking $11 billion and potential prison sentences for 12 Company officers and staff. The charges have also be applied to five employees of Transocean Ltd., whose rig was used in the operations. Additionally, the Company has been banned from exploratory drilling and in March 2012--when an unrelated and smaller leak occurred--executives and employees were barred from leaving the country (Daniel Gilbert and John Lyons. "Chevron's Troubled Waters: Brazil Plans Criminal Charges after Oil Leak, Casting Pall Over Development." *The Wall Street Journal*. March 20, 2012; Jeb Blount. "Chevron, Transocean face second $11 billion Brazil Lawsuit." *Reuters*. April 3, 2012).

The criminal case against Company employees and the two civil cases against the Company have been removed to the Rio de Janeiro court from the Campos court, thus removing jurisdiction from the local prosecutor who sought the $11 billion award. In addition, a court has lifted the travel restriction on Company employees (Paul M. Barrett and Peter Millard. "Chevron Brazil Spill Shows Drillers Still Trip in Crises." *Bloomberg*. May 10, 2012).

The Company states an impartial review of the facts will demonstrate that its employees acted appropriately in the incident and that no laws or regulations were violated. The Company is undertaking a technical review of the Frade field to better understand its geology.

Proposed Oil Industry Reforms in Nigeria

In April 2011, Goodluck Jonathan was elected President of Nigeria. During his campaign, Mr. Jonathan promised a timely passage for the Petroleum Industry Bill, a package of legal reforms and tax increases that are opposed by foreign oil companies. Despite Mr. Jonathan's support, the passage of the bill is uncertain ("Nigeria's oil bill faces major obstacles." *UPI.com*. April 29, 2011). A recent government report on corruption among officials at Nigeria's national oil company may increase public support for the reforms, which still must be approved by the legislature ("Nigeria Fuel Subsidy Report Increases Chance of Reform." *Fitch Ratings*. April 27, 2012).

It was recently reported that ConocoPhillips is seeking to exit its investments in Nigeria, a move perhaps motivated by the pending legislation ("ConocoPhillips Seeking to Exit Nigeria: Sources." Reuters. May 8, 2012). As at December 31, 2011, the Company had net investments (properties, plant and equipment) in Nigeria worth approximately $15.6 billion.

Relationship with Government in Venezuela

As disclosed in a Form 10-K filed February 23, 2012, the Company holds significant minority interests in three producing affiliates and two non-producing affiliates in Venezuela. The Company's net oil-equivalent production during 2011 from these operations was 65,000 barrels per day. As at December 31, 2010, the Company had investments and advances in Venezuela totaling more than $1.8 billion. The Company does not disclose a similar figure in its most recent annual report.

As discussed in last year's Proxy paper, in 2011 Venezuelan President Hugo Chavez increased taxes on foreign oil companies to 95% of income on oil sold at more than $100 per barrel and 90% of income when the per barrel price is above $90. More recently, Mr. Chavez' government sold part of an oil plant

in which the Company has a 30% stake to China's sovereign wealth fund, and it did this without consulting the Company (Joshua Schneyer and Jeb Blount. "Chevron's Amazon-sized Gamble on Latin America." *Reuters*. March 12, 2012).

Investments in Argentina

The Company holds interests ranging from 19% to 100% in four on-shore ventures in Argentina, which netted the Company 27,000 barrels per day in 2011. The Company also expects to drill two exploratory wells in 2012 in the country. In May 2012, Argentina's legislature approved an expropriation of Spain-based Repsol's majority stake in YPF, Argentina's largest oil producer. It is unclear what effect this action may have on the Company's operations.

Settlement of Environmental Case in California and Pending MTBE Matters

In September 2011, the Company paid $24.5 million to settle charges by state and county prosecutors that it violated various laws regarding the handling of its underground storage tanks at its filling stations. Further, in the most recent Form 10-K, the Company states it is a party to eight pending lawsuits and claims regarding methyl tertiary butyl ether, a gas additive no longer in use. It does not estimate its potential liabilities from these cases but states they could be material to net income in any one period.

Glass Lewis' Analysis

While the domestic and international regulatory pressures faced by the Company are not uncommon to those faced by all multinational oil companies, the Ecuador verdict exposes shareholders to risk of another kind. The Company expects the plaintiffs to seek to enforce the judgement in various countries; the Company states it will contest and defend against any such actions. In such a scenario, the case, which according to *The New Yorker* could have been settled for $140 million in 2001, may prove to be a significant drain on corporate resources.

Amendment to Exclusive Forum Provision Bylaw

As disclosed in a Form 8-K filed on March 29, 2012, the board amended the Company's bylaws on their exclusive forum provisions. In particular, the amendments clarify that any state or federal court in the State of Delaware may be a litigation forum rather than just the Delaware Court of Chancery given its jurisdictional limitations. Additionally, in cases where personal jurisdiction over an indispensable party named as a defendant cannot be obtained by the Delaware courts, Article VII of the Company's bylaws claiming exclusive forum will not apply.

There is a shareholder proposal at this year's annual meeting asking that the bylaw on exclusive forum be repealed. In a Form PX14A6G filed May 4, the proponent, Amalgamated Bank, states that the Company's revisions to the bylaw were not sufficiently extensive. Amalgamated is concerned that the provision continues to cover more cases than those in which the Company is sued following the announcement of a merger or acquisition, at which point, the Company believes, numerous derivative lawsuits are generally filed in separate jurisdictions and cannot be consolidated.

In our 2011 Proxy Paper, we recommended that shareholders vote against director Ware based on the Company's failure to seek shareholder approval of the exclusive forum provision. However, given that the issue has been raised in a shareholder proposal on this year's ballot, we do not believe a similar recommendation is appropriate at this time. Please refer to Proposal 4 of this report for further discussion of this topic.

We do not believe there are substantial issues for shareholder concern as to any of the nominees.

Accordingly, we recommend that shareholders vote **FOR** all nominees.

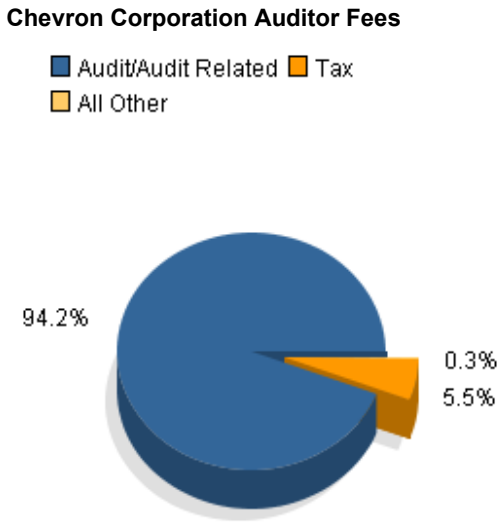
The Company discloses the following biographical information for director Moorman:

Mr. Moorman, age 60, has been since 2006 Chairman of the Board, since 2005 Chief Executive Officer, and since 2004 President of Norfolk Southern Corporation, a freight transportation company. Prior Positions Held: From 2003 to 2004, Mr. Moorman served as Senior Vice President of Corporate Planning and Services at Norfolk Southern, and in 2003 he served as Senior Vice President of Corporate Services. From 1999 to 2004, he was President of Thoroughbred Technology and Telecommunications, Inc., a subsidiary of Norfolk Southern. Current Public Company Directorships: Norfolk Southern Corporation. Prior Public Company Directorships (within the last five years): None. Other Directorships, Trusteeships and Memberships: Chesapeake Bay Foundation; Chrysler Museum of Art; Nature Conservancy of Virginia; University of Virginia Medical Center Operating Board; WHRO Public Broadcasting. Qualifications, Experience, Attributes and Skills: Mr. Moorman meets all of the Director qualifications described above under "The Director Nomination Process." In particular, Mr. Moorman serves as chairman and chief executive officer of a Fortune 500 public company, providing him insight and experience into the operations, challenges and complex issues facing large corporations. Mr. Moorman also has significant logistics services, technology and strategy experience as a result of his 30-year career in the freight railroad and transportation industries. As current Chairman and Chief Executive Officer of Norfolk Southern Corporation, Mr. Moorman also brings firsthand knowledge of the business climate in key regions of the United States where Chevron operates.

Biographical details for the current directors can be found on pages 9-16 of the Company's proxy statement.

Proposal 2.00: Ratification of Auditor

FOR



The Company proposes that PricewaterhouseCoopers serve as the Company's independent auditor for 2012. PricewaterhouseCoopers has served as the Company's auditor for at least the last 13 years.

During the last fiscal year, the Company paid PricewaterhouseCoopers audit fees of $25,200,000, audit-related fees of $2,300,000 and tax fees of $1,600,000. All other fees totaled $100,000.

We believe the fees paid for non-audit related services are reasonable as a percentage of all fees paid to the auditor. The Company appears to disclose appropriate information about these services in its filings.

Accordingly, we recommend that shareholders vote **FOR** ratification of the appointment of PricewaterhouseCoopers as the Company's auditor for fiscal year 2012.

Proposal 3.00: Advisory Vote on Executive Compensation

FOR

GLASS LEWIS RATINGS

Structure	Disclosure
Fair	Good

Pay for Performance Grades

2009	2010	2011
C	B	C

VOTE RESULTS FROM LAST ANNUAL MEETING [1]

SOP Approval Rate	Approved Frequency
96.8%	1 year

[1] Glass Lewis defines the SOP approval rate as the number of FOR votes divided by the sum of FOR, AGAINST and ABSTAIN votes.

COMPENSATION PROGRAM FEATURES [1]

Positive

- Alignment of pay with performance
- LTIP performance-based
- STI-LTI payout balance
- No single-trigger CIC benefits
- Clawback policy for NEOs
- Executive stock ownership guidelines for NEOs

Negative

- STIP awards are discretionary
- One-time retention equity awards granted to NEOs during the past fiscal year

[1] Both positive and negative compensation features are ranked according to Glass Lewis' view of their importance or severity

SUMMARY COMPENSATION TABLE

Named Executive Officers	Base Salary	Bonus & NEIP	Equity Awards	Total Comp
R. H. Pate *Vice President & General Counsel*	$725,875	$1,075,000	$5,799,300	$7,812,572
M. K. Wirth *Executive Vice President*	$938,958	$1,500,000	$6,375,840	$11,378,790
G. L. Kirkland *Vice Chairman & Executive Vice President*	$1,270,833	$2,600,000	$6,902,400	$16,512,763
J. S. Watson *Chairman and CEO*	$1,570,833	$4,000,000	$12,286,280	$24,726,716
P. E. Yarrington *Vice President & Chief Financial Officer*	$842,500	$1,425,000	$6,375,840	$11,288,589
			CEO to Avg NEO Pay:	2.1: 1

PEER GROUP ANALYSIS [1 2 3 4]

- The Company uses two peer groups for setting pay levels.

Oil Industry Peer Group

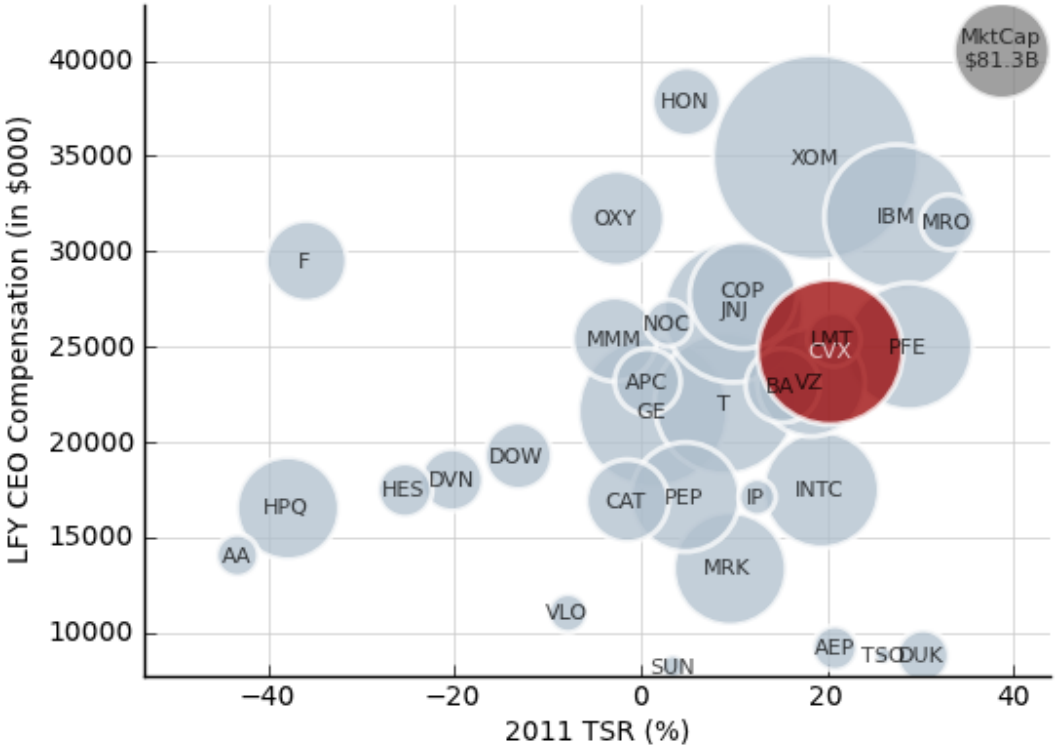
- This peer group consists of 12 companies. Total NEO compensation is not benchmarked to a specific percentile of this peer group.

	Market Cap	Revenue	CEO Comp	1-Year TSR	3-Year TSR	5-Year TSR
75th Percentile of Peer Group	$79.7B	$82.2B	$31.5M	18.7%	91.7%	81.2%
Median of Peer Group	$30.1B	$34.4B	$20.6M	2.1%	61.9%	18.9%
25th Percentile of Peer Group	$13.1B	$19.0B	$11.0M	-7.8%	8.0%	-25.1%
Company	$183.6B (88th %ile)	$189.6B (85th %ile)	$24.7M (58th %ile)	20.3% (76th %ile)	59.9% (45th %ile)	70.5% (73rd %ile)

Non-Oil Industry Peer Group

- This peer group consists of 22 companies. Total NEO compensation is not benchmarked to a specific percentile of this peer group.

	Market Cap	Revenue	CEO Comp	1-Year TSR	3-Year TSR	5-Year TSR
75th Percentile of Peer Group	$117.3B	$99.9B	$25.4M	19.3%	87.5%	38.4%
Median of Peer Group	$60.6B	$49.8B	$21.8M	9.3%	52.8%	13.4%
25th Percentile of Peer Group	$25.2B	$33.4B	$16.9M	-1.5%	27.6%	1.3%
Company	$183.6B (93rd %ile)	$189.6B (Highest)	$24.7M (65th %ile)	20.3% (77th %ile)	59.9% (57th %ile)	70.5% (93rd %ile)



1 Market capitalization figures are as of December 31, 2010. *Source:Thomson One Banker*
2 Annual revenue figures are for fiscal year 2010. *Source:Thomson One Banker*
3 TSR figures are as of December 31, 2011. *Source:Thomson One Banker*
4 Annual CEO compensation data based on the most recent proxy statement for each company.

EXECUTIVE COMPENSATION STRUCTURE - SYNOPSIS

Fixed

- Base salaries did not increase significantly during the past fiscal year

Short-Term Incentives

Chevron Incentive Plan

- **Awards granted during the past fiscal year:** Cash
- The compensation committee considers safety and operational excellence, corporate earnings, return on average capital employed, upstream earnings per barrel of net production, downstream adjusted dollars per barrel earnings, relative TSR, environmental stewardship, strategic operations and individual performance when determining awards

Long-Term Incentives

Long-Term Incentive Plan

- **Awards granted during the past fiscal year:** Stock options and performance shares
- **Target Payouts:** Between 15,000 and 53,000 shares for each NEO
- **Maximum Payouts:** Between 30,000 and 106,000 shares for each NEO
- **Time-Vesting Equity Payouts:** Options to purchase between 95,000 and 340,000 shares for each NEO
- Performance is measured over three years
- Option awards vest over three years

Metrics for Performance Shares

	TSR
	Relative to self-selected oil industry peer group
Weighting	100%
Threshold Performance	4th of 5
Target Performance	3rd of 5
Maximum Performance	1st of 5

GLASS LEWIS' ANALYSIS

This proposal seeks shareholder approval of a non-binding, advisory vote on the Company's executive compensation. Glass Lewis expects firms to fully disclose and explain all aspects of their executives' compensation in such a way that shareholders can comprehend and analyze the company's policies and procedures. In completing our assessment, we consider, among other factors, the appropriateness of performance targets and metrics, how such goals and metrics are used to improve Company performance, the peer group against which the Company believes it is competing, whether incentive schemes encourage prudent risk management and the board's adherence to market best practices. Furthermore, we also emphasize and evaluate the extent to which the Company links executive pay with performance.

Overall Structure **Fair**

We note the following concerns with the structure of the Company's compensation programs:

No Performance Formula for Short-Term Incentive Awards. The Company does not utilize an objective, formula-based approach to setting short-term executive compensation levels. Rather, the Company discloses that the compensation committee may consider certain performance measures to determine awards under the STI plan. We believe shareholders benefit when compensation levels are based on metrics with pre-established goals and are thus demonstrably linked to the performance of the company, aligning the interests of management with those of shareholders. In this case, shareholders should be gravely concerned with the Company's failure to implement a formula-based short-term incentive plan with objective metrics and goals.

Single Metric. We are concerned that the Company uses only one performance metric under the LTI plan. We believe measuring a company's performance with multiple metrics serves to provide a more complete picture of the Company's performance than a single metric and that this compensation strategy may focus too much management attention on a single target.

Overall Disclosure **Good**

Glass Lewis has thoroughly reviewed the Company's Compensation, Discussion & Analysis section of its most recent proxy statement, as well other relevant SEC filings. Upon review of the Company's complete executive compensation program, we find that the Company has provided adequate disclosure with regard to both its short-term and long-term incentive arrangements.

Pay For Performance **2011: C**

As indicated by Glass Lewis' pay-for-performance model (see page 5), the Company has adequately aligned executive pay and corporate performance in the past year. At this point in time, Glass Lewis has not identified pay-for-performance issues with this Company that should be of substantial concern to shareholders.

Summary

The Company has an extremely consistent track record of aligning pay with performance, having received an "A", "B" or "C" grade with respect to our pay-for-performance analysis every year since 2005. As seen on page 5, the Company continued such a record this year, having paid moderately more than its peers while performing better than its peers. Although we have identified certain deficiencies within the structure of the Company's compensation program that, in our opinion, can compromise the tight link between executive compensation and company financial performance, we believe the issues to be highlighted do not pose a significant concern at this time.

The Company does consider a variety of quantitative and qualitative metrics under the STI plan, but does not assign any relative weights or take a formulaic approach when determining individual awards. As a result, the individual awards received by NEOs are ultimately based on subjective assessments of corporate and individual performance by the compensation committee, making it difficult for shareholders to determine how the payments were tied to performance. Moreover, the compensation committee awarded Messrs. Pate and Wirth and Ms. Yarrington with retention RSUs valued at a combined $5,478,900. In Glass Lewis' view, one-time discretionary awards granted in addition to the pre-existing incentive plans may be unnecessary in promoting superior performance or retention and can result in excessive compensation. Rather, these time-vesting awards can dilute the influence of the existing, performance-based awards, especially when the grant is greater in value than any other incentive award, as was the case for Mr. Pate. In our view, the compensation committee's behavior during the past year undermines the integrity of the Company's incentive plans and calls into question

whether the committee is truly committed to creating a tight link between pay and performance.

Nonetheless, in light of the Company's track record and exemplary disclosure with respect to its 2011 compensation program, we do not believe the issues outlined above warrant a vote against the Company's executive compensation program at this time.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

Proposal 4.00: Shareholder Proposal Regarding Exclusive Forum Provisions

FOR

Glass Lewis recommends shareholders vote **FOR** this proposal for the following main reasons:

- While recognize that the Company has valid reasons for adopting an exclusive Delaware forum provision, we believe that the Company's actions in unilaterally restricting shareholders ability to seek remedy under the court of their choosing without prior shareholder approval was not in the best interests of shareholders; and
- Should the Company wish to ensure that it is protected from duplicative and expensive lawsuits, it should put this matter up for a shareholder vote.

This shareholder proposal requests that the board of directors to repeal the Company's exclusive forum bylaw, which requires shareholders to bring certain types of legal actions only in Delaware.

Text of Resolution- *RESOLVED: The shareholders of Chevron Corporation (the "Company") hereby ask the board of directors to repeal the Company's "exclusive forum" bylaw, which was unilaterally adopted by the board of directors and which generally requires shareholders to bring certain types of legal actions only in Delaware, the state where the Company is incorporated.*

Proponent's Perspective

The proponent, Amalgamated Bank's LongView MidCap 400 Index Fund, offers the following six main reasons why shareholders should vote for this proposal:

- In September 2010, the board, unilaterally and without shareholder approval, adopted a bylaw specifying that the Chancery Court in Delaware was the only court where shareholders could pursue actions regarding the Company;
- Shareholders who wanted to pursue: (i) derivative action brought on behalf of the Company; (ii) a suit asserting a breach of fiduciary duty owed by a Company director, officer or other employee; (iii) a claim arising under a provision of the Delaware General Corporation Law; or (iv) a claim involving the "internal affairs" doctrine would have to use the Chancery Court in Delaware, which deprives shareholders the flexibility to choose a forum to assert claims of wrongdoing;
- Exclusive forum provisions are defended on the grounds that the Delaware Chancery Court moves through cases more quickly than other courts, has judges who are experienced in corporate law and the use of a single forum avoids the possibility of duplicative suits regarding the same events;
- The Company's daily operations in Delaware are very limited, therefore documents and witnesses relevant to any lawsuit are likely to be located elsewhere, which would make an action more expensive and inefficient;
- If a non-Delaware court is asked to construe Delaware law and is uncertain of the answer, there is a mechanism to obtain a prompt ruling from the Delaware Supreme Court; and
- The board should not abridge the right of shareholders to protect their investments.

Board's Perspective

The board offers the following six main reasons why shareholders should vote against this proposal:

- The bylaw at issue is based on the premise that the Company is incorporated in Delaware and Delaware law governs the relationships among the Company's directors, officers and its

shareholders;
- The bylaw should be considered an "internal affairs" doctrine, intended to be limited to cases concerning Delaware statutory and common law, and does not apply to any other cases brought against the Company;
- Government regulators, scholars, practitioners, judges and others throughout the country have long recognized Delaware's courts as particularly qualified to resolve litigation fairly;
- Within the last year, there have been numerous studies and reports highlighting the growing trend of multi-jurisdiction litigation, with the only difference being that the different cases were brought by different sets of plaintiffs' law firms;
- Companies are facing multiple, virtually identical lawsuits in multiple states and bear the risk of inconsistent rulings as well as increased litigation costs; and
- Delaware courts do not have any particular bias towards plaintiffs or defendants, but do have special expertise in deciding issues of Delaware law.

We note that on May 3, 2012, the Company filed supplementary proxy materials, which offer the following six reasons why shareholders should vote against this proposal:

- In absence of an exclusive forum by-law provision, the Company has no way to prevent or avoid duplicative lawsuits;
- The board adopted this provision to prevent economic harm to shareholders associated with defending duplicative legislation;
- The Company has strong corporate governance, including: a majority vote standard for the election of directors, a declassified board, not having a poison pill, annual election of the chairman by independent directors, the implementation of a lead independent director and overall responsiveness to shareholders;
- The Company incorporated the flexibility to consent to another forum, and has historically, when there was no compelling shareholder value rationale to move the case to Delaware; and
- In 2012, the board adopted new protective provisions to this bylaw amendment as a result of discussions with the proponents of the shareholder resolution;
- The Company now allows federal claims with related Delaware state law claims to be brought in Delaware.

Glass Lewis' Analysis

On September 30, 2010, the Company disclosed in a Form 8-K filed that the board of directors had approved an amendment to the Company's bylaws stating that, unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company or the Company's shareholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine. On a May 17, 2012 Proxy Talk, Lydia Beebe, the Company's Corporate Secretary and Chief Governance Officer stated that the board's adoption of this bylaw provision was an economic decision, which the board made, constant with its fiduciary duty, in order to protect shareholders interests by preventing excessive litigation costs.

Glass Lewis generally believes that charter or bylaw provisions limiting a shareholder's choice of legal venue are not in the best interests of shareholders, as such clauses may effectively discourage the use of shareholder derivative claims. We believe that shareholder derivative lawsuits provide an important mechanism for shareholders to ensure that directors and officers fulfill their fiduciary duties to the

Company. While we acknowledge that the Company's amendment does not alter the application of Delaware law to any derivative lawsuit, we believe that requiring shareholders to bring actions in the State of Delaware may discourage the pursuit of derivative claims by increasing their difficulty and costs. For example, as noted by in a May 17, 2012 Glass Lewis Proxy Talk, Scott Zdrazil of Amalgamated Bank, the proponent of this proposal, often witnesses may not be located in Delaware and therefore would have to be brought there for the litigation. In addition, we note that other jurisdictions have created specialized courts to deal with corporate disputes, and that federal judges in diversity actions routinely apply Delaware law in corporate disputes. While we recognize Delaware provides an advanced and consistent judiciary, the Company should have undertaken adoption of this provision with the full knowledge and consent of shareholders.

On balance, we believe that the Company has provided an appropriate rationale for the reasoning underlying the adoption of this provision, and believe that the board's adoption of this proposal was consistent with its fiduciary duties to act in the best interests of shareholders. We further recognize that the board had valid reasons for adopting an exclusive forum provision, and that an exclusive forum for shareholder derivative suits may be in the best interests of the Company and its shareholders and could help to protect shareholder value, as an exclusive forum will eliminate expensive and duplicate lawsuits. Further, we recognize that the Chancery Court is arguably the best equipped to handle the lawsuits that would be brought before it under the provisions of this bylaw to adjudicate issues of Delaware law.

However, we believe that the Company's actions in unilaterally adopting this bylaw, thereby restricting shareholders ability to seek remedy under the court of their choosing without prior shareholder approval, was not in the best interests of shareholders. We believe that, should the Company wish to impose this limitation on the exercise of shareholders' legal recourse, it should put this matter up for a shareholder vote. As noted by the shareholder proponent of this proposal in a May 17, 2012 Proxy Talk, the market is currently mixed on its overall reaction to this issue, as proposals seeking shareholder approval of exclusive forum provisions have received varied vote results. As such, we believe that shareholders should decide if such a provision is appropriate considering the Company's current circumstances. Upon approval of shareholders, we believe the Company may then implement a bylaw or charter provision that would place limitations on shareholders ability to seek legal remedy. We rec0gnize that passage of this proposal will not repeal the bylaw itself but will provide a strong signal that shareholders prefer to be consulted on bylaw provisions that limit their rights and encourage the board to engage further with shareholders on this issue.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

Proposal 5.00: Shareholder Proposal Regarding Independent Board Chairman

FOR

Glass Lewis recommends shareholders vote **FOR** this proposal for the following main reasons:

- An independent chairman is better able to oversee the executives of a company and set a pro-shareholder agenda without the management conflicts that a CEO or other executive insiders often face, leading to a more proactive and effective board of directors;
- Some empirical evidence regarding this issue suggest that firms with separate CEO and chairman roles consistently outperform companies in which a single individual serves in both capacities;
- Separation of the roles of chair and CEO eliminates the conflict of interest that inevitably occurs when a CEO is responsible for self-oversight; and
- The presence of an independent chairman fosters the creation of a thoughtful and dynamic board that is not dominated by the views of senior management.

This shareholder proposal requests that the board adopt a policy that the board's chairman be an independent director, as defined by the NYSE. See below for full text of resolution.

Text of Resolution-*RESOLVED: That shareholders of Chevron ("Chevron" or the "Company") ask the Board of Directors to adopt a policy that the Board's Chair be an independent director according to the definition set forth in the New York Stock Exchange standards, unless Chevron common stock ceases being listed there and is listed on another exchange, at which point, that exchange's standards should apply. If the Board determines that a Chair who was independent when he/she was selected is no longer independent, the Board shall promptly select a new Chair who satisfies this independence requirement. Compliance with this requirement may be excused if no director who qualifies as independent is elected or if no independent director is willing to serve as Chair. This independence requirement shall apply prospectively so as not to violate any Company contractual obligation at the time this resolution is adopted.*

Proponent's Perspective

The proponent, whose identity is not disclosed in this proxy statement, offers the following four main reasons why shareholders should vote in favor of this proposal:

- An independent board chair promotes greater board effectiveness, as the primary duty of a board is to oversee management on behalf of its shareholders and a combined CEO and chair compromises this important oversight function and weakens the board's ability to exercise strong leadership;
- In March 2009, the Chairman's Forum endorsed the voluntary adoption of independent, non-executive chairmen of the board and found that an independent chair curbs conflicts of interest, promotes oversight of risk and manages the relationship between the board and CEO;
- Globally, companies have typically separated the positions of chair and CEO; and
- Independent leadership would benefit the Company, given the questions raised about the oversight by the board of the CEO's management and disclosure to shareholders of the financial and operational risks to the Company from the $18 billion judgement in the Ecuadorian courts in 2011.

Board's Perspective

The board offers the following seven main reasons why shareholders should vote against this proposal:

- Shareholders rejected similar proposals at the 2007 and 2008 annual meetings;
- The Company's by-laws allow the positions of chairman and CEO to be separated or combined and the Company's directors annually elects the board chairman;
- The combined positions are in the best interests of the Company and its shareholders, as evidenced by strong financial performance over the past five years;
- The Company has 11 independent directors and its audit, compensation and nominating and governance committees are wholly-independent;
- The Company annually elects an independent lead director;
- The Company practices strong corporate governance, as evidenced by its declassified board, majority vote standard for uncontested elections of directors, annual election of the chairman of the board, an overwhelming majority of independent directors, executive sessions for independent directors, and independent director access to senior management; and
- According to the 2011 Spencer Stuart Board Index, only 21% of companies in the S&P 500 have an independent chair.

Glass Lewis' Analysis

Glass Lewis believes that separating the roles of corporate officers and the chairman of the board is almost always a positive change. We view an independent chairman as better able to oversee the executives of the Company and set a pro-shareholder agenda without the management conflicts that a CEO or other executive insiders often face. This, in turn, leads to a more proactive and effective board of directors.

Research suggests that combining the positions of chairman and CEO may influence a board's decision to dismiss an ineffective CEO. A study conducted by Vidhan K. Goyal and Chul W. Park, entitled "Board Leadership Structure and CEO Turnover " (July, 2001) (*Journal of Corporate Finance 8* (2002): 49-66), found that "the sensitivity of CEO turnover to firm performance is significantly lower when the CEO and chairman responsibilities are vested in the same individual." It is the board's responsibility to select a chief executive who can best serve the Company and its shareholders and to replace this person when his or her duties have not been appropriately fulfilled. We believe replacing a CEO becomes more difficult and happens less frequently than it should when the chief executive is also in the position of overseeing the board. Further, a 2009 Corporate Library study regarding corporate governance practices at US corporations found that companies with combined chairman/CEOs tend to follow fewer positive corporate governance practices such as having declassified boards and calling frequent board meetings. (Joann S. Lublin. "Chairman-CEO Split Gains Allies." *Wall Street Journal.* March 30, 2009). Opponents of separation, however, claim that separating the two roles can lead to confusion and power struggles between management and the board.

Some empirical evidence regarding this issue suggests that the firms with separate CEO and chairman roles consistently outperform companies in which a single individual serves in both capacities. (Paula Rechner and Dan Dalton. "CEO Duality and Organizational Performance: A Longitudinal Analysis." *Journal of Strategic Management*. 1991). In addition, a study by the Millstein Center for Corporate Governance and Performance at the Yale School of Management found that "[t]he independent chair curbs conflicts of interest, promotes oversight of risk, manages the relationship between the board and CEO, serves as a conduit for regular communication with shareowners, and is a logical next step in the development of an independent board" ("Chairing the Board: The Case for Independent Leadership in

Corporate North America." *Policy Briefing No. 4*. 2009). Further empirical research, however, suggests that the separation of these two roles may have little effect on shareholder value. A recent study of 152 Swiss companies found no evidence of a "systematic and significant difference in valuation between firms with combined and firms with separated" CEO and chairman functions (Markus M. Schmid, Heinz Zimmerman. "Should Chairman and CEO be Separated? Leadership Structure and Firm Performance in Switzerland." *Schmalenbach Business Review: ZFBF*. April 2008). Ultimately, the empirical evidence regarding the separation of these two roles remains contradictory and inconclusive.

However, upon a full review of the relevant literature, Glass Lewis believes that the installation of an independent chairman is almost always a positive step from a corporate governance perspective and serves best interest of the Company and its shareholders. Further, the presence of an independent chairman fosters the creation of a thoughtful and dynamic board, not dominated by the views of senior management. We believe that the separation of these two key roles eliminates the conflict of interest that inevitably occurs when a CEO is responsible for self-oversight. Further, we note that according to the 2011 Spencer Stuart Board Index Report, 41% of S&P 500 companies have split the chair and CEO roles, up from 33% in 2006. Further, 21% of boards have a truly independent chair, compared with 10% in 2006. This percentage has risen every year since 2004, when Spencer Stuart first began tracking its use, indicating an increasing trend toward independent board leadership in U.S. companies.

We recognize that the board has an independent lead director elected by the independent directors, and that the independent lead director has enumerated authority to:

- Chair and call all meetings and executive sessions of the independent directors;
- Serve as liaison between the board and independent directors;
- Consult with the chairman on and approve approve board meeting agendas and schedules;
- Consult with the chairman regarding matters pertinent to the Company and the board; and
- Communicate with major shareholders.

(*Source: 2012 DEF 14A, p. 20*)

Ultimately, we believe vesting a single person with both executive and board leadership concentrates too much oversight in a single person and inhibits the independent oversight intended to be provided by the board on behalf of shareholders. We believe that this proposal is reasonably crafted and that shareholders should support this proposal. We urge the Company to reconsider its position on this issue in the coming year.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

Proposal 6.00: Shareholder Proposal Regarding Lobbying Report

AGAINST

Glass Lewis recommends shareholders vote **AGAINST** this proposal for the following main reasons:

- We believe that the Company has provided adequate disclosure regarding its political donation process, policies and expenditures and that it has met, and exceeded the legal requirements for political expenditures disclosure and has provided reasonably accessible information regarding the Company's policies;
- The Company has been recognized by the Center for Political Accountability as a Leader in Political Disclosure; and
- At this time, we find the Company's current political contribution and lobbying expenditures policies and level of disclosure to be reasonable.

This shareholder proposal requests that the Company provide a report, updated annually, disclosing information regarding the Company's lobbying activities and expenditures, as below.

Text of Resolution- *Resolved, the stockholders of Chevron Corp. ("Chevron") request the Board authorize the preparation of a report updated annually, disclosing:*

1. Company policy and procedures governing the lobbying of legislators and regulators, including that done on our company's behalf by trade associations. The disclosure should include both direct and indirect lobbying and grassroots lobbying communications.

2. A listing of payments (both direct and indirect, including payments to trade associations) used for direct lobbying as well as grassroots lobbying communications, including the amount of the payment and the recipient.

3. Membership in and payments to any tax-exempt organization that writes and endorses model legislation.

4. Description of the decision making process and oversight by the management and Board for

a. direct and indirect lobbying contribution or expenditure; and

b. payment for grassroots lobbying expenditure.

For the purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation, (b) reflects a view on the legislation and (c) encourages the recipient of the communication to take action with respect to the legislation.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee of the Board or other relevant oversight committees of the Board and posted on the company's website.

Proponent's Perspective

The proponent, whose identity is not disclosed in this proxy statement**,** offers the following six main

reasons why shareholders should vote for this proposal:

- As long term shareholders, the proponent supports transparency and accountability in corporate spending to influence legislation, which includes direct and indirect spending as well as grassroots lobbying communications;
- Disclosure is consistent with public policy and is in the best interest of the company and its shareholders;
- According to the U.S. Senate Office of Public Records, the Company spent about $33.7 million in 2009 and 2010 on direct federal lobbying activities, which may not include spending on grassroots lobbying;
- Publicly available data does not provide a complete picture of the Company's lobbying expenditures;
- Not all states require disclosure of lobbying expenditures made to influence state legislation, as not all states require disclosure of lobbying expenditures and other states that do require disclosure of lobbying expenditures do not provide online access to this information;
- The Company does not disclose its contributions to tax-exempt organizations that write and endorse model legislation, such as its $50,000 contribution to the American Legislative Exchange Council; and
- The Company's board and its shareholders need complete disclosure to be able to evaluate the use of corporate assets for direct and grassroots lobbying and the risks the spending poses.

Board's Perspective

The board offers the following five main reasons why shareholders should vote against this proposal:

- The Company ethically advocates on positions on proposed policies that will affect its operations;
- The Company's political contributions programs and policies ensure that its participation in the political process is in the best interests of shareholders and in compliance with all applicable regulations;
- The Company's senior management must review and approve all political contributions;
- The Company discloses an itemized list of its annual corporate political contributions, its contributions philosophy, as well as quarterly files reports with the U.S. House and Senate offices; and
- As of October 2011, the Company was one of 43 companies in the S&P 100 that disclosed any information regarding its indirect spending through trade associations.

Glass Lewis' Analysis

Glass Lewis believes that a thoughtful disclosure and oversight policy regarding a company's political contributions is an important component of corporate accountability. In our view, a rigorous oversight process can minimize a company's exposure to legal, reputational and financial risk by ensuring that donations are made in accordance with federal and state law, consistent with a company's stated values, and the long-term interests of the company.

The 2010 *Citizens United v. Federal Election Commission* decision by Supreme Court affirmed that corporations are entitled to the same free speech laws as individuals and that it is legal for a corporation to donate to political causes without monetary limit. While the decision did not remove bans on direct contributions to candidates, companies are likely to be able to contribute indirectly, and substantially, to candidates through political organizations (Adam Liptak. "Justices, 5-4, Reject Corporate Spending Limit ." *The New York Times*. January 21, 2010). The *Citizens United* ruling has also sparked interest in legislation designed to strengthen corporate disclosure of political spending. Notably, in March 2010,

The Shareholder Protection Act (H.R. 4537), which called for disclosure of and shareholder authorization for political expenditures, was introduced in the House. The Act also would have required a vote by the board of directors on any corporate political expenditure in excess of $50,000. We note, however, that a House vote on this matter did not occur; however, on July 13, 2011 the Shareholder Protection Act (H.R. 2517) was reintroduced to the House. Additionally, in June 2010, the House passed H.R. 5175, the DISCLOSE Act, which aimed to increase transparency of corporate and special-interest money in national political campaigns by requiring organizations involved in political campaigning to disclose the identity of large donors and to also reveal their identities in any political ads they run. This Act, was not passed into law; however, in February 2012, a "tighter version" of the DISCLOSE Act, requiring the disclosure of donor names within 24 hours for donations of $10,000 or more, was introduced by Maryland Congressman Chris Van Hollen ("Sunlight on Secret Donations." *The New York Times*. February 12, 2012). Further, on August 3, 2011, the Committee on Disclosure of Corporate Political Spending submitted a petition asking that the SEC adopt rules to require public companies to disclose to shareholders the use of corporate resources for political activities. The Committee, which is composed of academics whose teaching and research focus on corporate and securities law, stated in the petition that disclosure of political spending is "necessary for corporate accountability and oversight mechanisms to work." This activity indicates increased legislative and investor interest in political contribution and expenditure transparency and could reasonable motivate further concern from corporations and investors regarding this issue. Further, in 2012 the International Corporate Governance Network published guidance on political lobbying, which set forth its principles on political donations and stated that "such donations...should be supported by a transparency policy framework, a business rationale, shareholder support, robust Board oversight and clear public disclosures."

While direct corporate contributions to national political parties and committees controlled by federal officeholders are prohibited under federal law, corporations can legally donate to state and local candidates, organizations registered under 26 USC Sec. 527 of the Internal Revenue Code and state-level political committees. However, there is no standardized manner in which companies must disclose this information. As such, shareholders often must search through numerous campaign finance reports and detailed tax documents to ascertain even limited information. Corporations also frequently use trade associations, which are not required to report funds they receive for or spend on political activity, as a means for corporate political action. The tracking of corporate expenditures to political causes through trade associations can be impossible, often leaving corporations unable to determine which causes or campaigns their dues or donations have gone to support. Since not all donations to trade organizations are used strictly for political purposes, we question how corporations are able to assess the benefit of such donations or determine the effect of such expenditure on long-term shareholder value.

In an effort to curb concerns related to corporate contributions to trade associations, investors have recently started to engage companies to evaluate their roles in trade associations and assess the risks and benefits of association and donations to these organizations. In January 2011, a coalition of 44 investors and investment organizations, representing approximately $43 billion in assets, wrote letters to 35 major companies that serve on the board of the U.S. Chamber of Commerce ("Chamber") requesting that the companies engage with the Chamber in order to address its policy on climate change legislation. As alleged in the letter sent by this coalition to ConocoPhillips, the Chamber's history on climate change is "particularly disturbing" and it has a history of lobbying extensively for anti-regulatory campaigns. This engagement is likely to continue as issues of corporate donations to trade associations continue to gain more attention from mainstream investors, especially considering the risks to corporations from engaging with or performing leadership roles in trade associations that hold

controversial or opposing views. Some companies have chosen to resign from various trade organizations due to conflicting views on policy issues. In 2009, for example, several companies, including Apple and Pacific Gas & Electric, resigned from the U.S. Chamber of Commerce due to the Chambers' position on climate change policy (" Apple Resigns from Chamber Over Climate." *The New York Times*. October 5, 2009).

Empirical evidence regarding the benefit to shareholders of corporate political contributions remains unclear. In one study of firm-level contributions to U.S. political campaigns from 1979 to 2004, researchers found that measures of support to candidates were positively and significantly correlated with a cross-section of future returns. This was especially the case when those contributions went to a large number of candidates in the same state as the contributing firm (Michael J. Cooper, Huseyin Gulen and Alexei V. Ovtchinnikov. " Corporate Political Contributions and Stock Returns." *SSRN*. September 26, 2008). However, in a separate study of political contributions from 1991 to 2004, researchers found donations to be negatively correlated with future excess returns with only limited support for the contention that political donations represent an investment in political capital (Rajash K. Aggarwal, Felix Meschke and Tracy Yue Wang. " Corporate Political Contributions: Investment or Agency?" *SSRN*. August 11, 2008). Additionally, a 2011 study found that corporate political activity correlates negatively with greater shareholder rights as well as corporate value, as measured by Tobin's Q. This study also found that companies that were politically active in 2008 experienced an average 8% lower industry-relative shareholder value than firms that were politically inactive at the same period. The study's authors ultimately conclude that "it seems likely that politics and shareholder value influence each other, with lower value inducing politically inflected strategic gambles and political engagements diluting strategic focus and inducing wasteful, politically inflected investments" (John C. Coates IV. "Corporate Politics, Governance and Value Before and After *Citizens United*." Harvard Law School. December 23, 2011).

The ambiguous benefit derived from political expenditures and the potential for reputational damage resulting from even small political contributions has prompted a call by some advocates for increased oversight of the political contribution process, particularly at the board level (" In About Face, Top Mutual Funds Support Political Disclosure Resolutions in 2008 Proxy Season." Center for Political Accountability. December 11, 2008). Given that political donations are strategic decisions intended to increase shareholder value but also have the potential to negatively affect the company, we believe the board should either implement processes and procedures to ensure the proper use of the funds or closely evaluate the process and procedures used by management. Close board oversight of lobbying strategies may minimize instances of the company contributing to causes that are not in shareholders best interests (Robert Repetto. " Best Practice in Internal Oversight of Lobbying Practice". Yale Center for Environmental Law & Policy. September 1, 2006). Ultimately, we believe the board should investigate and report to shareholders what benefit, if any, the Company is deriving from this use of shareholder money.

When evaluating whether the report requested would benefit shareholders, Glass Lewis seeks answers to the following key questions:

Is the Company's disclosure accessible?

- The Company discloses its policies and procedures regarding political contributions as well as an itemized list of its 2011 corporate political contributions on its website. Additionally, Chevron's code of conduct, states that its policy, government and public affairs manager must obtain guidance prior to any lobbying activity (*p.23*). Further, the Company states in its business ethics section of its website that it is actively engaging with the U.S. government to "help shape an

effective and responsible U.S. energy policy."

Is the Company's current level of oversight sufficient?

- According to its policies and procedures regarding political contributions, the Company's public policy committee receives and reviews the prior year's contributions on an annual basis.

How does the Company's political expenditure policy, disclosure and oversight compare to that of its peers?

- Peer company ExxonMobil (NYSE: XOM) provides its Political Activities Policy and Guidelines as well as annual itemized listing of State Corporate Political Contributions on the political contributions and lobbying portion of its website, where it also provides a detailed tables of corporate and PAC contributions since 2008. ExxonMobil states that it "provides support to a variety to think tanks, trade associations, and coalitions in order to promote informed dialogue and sound public policy on matters pertinent to [its] interests." ExxonMobil also has a Political Involvement page on its website where it states that in 2011, it contributed a total of $266,700 to legislative and state-wide candidates and caucuses in 14 states. Finally, ExxonMobil discusses its political involvement in even greater detail in its Corporate Citizenship Report. According to its Political Contributions and Lobbying website, "[t]he political contributions of ExxonMobil and Imperial Oil are reviewed on an annual basis with the Board of Directors of the Corporation." Further peer firm's, Occidental Petroleum Corporation (NYSE: OXY), political contributions and lobbying statement outlines its policies regarding political contributions, lobbying and personal and grassroots activities. Occidental provides a list of U.S. trade associations to which it is a member and paid dues of more than $50,000 during the last fiscal year and also provides an itemized list of corporate political and PAC contributions. Occidental's policy states that campaign contributions and other politically related expenses are made only with the approval of the board, the government affairs committee (a combined board-management committee appointed to administer specific political contributions) or their designees. Overall, we find the Company to be relatively aligned with its peers regarding its disclosure of politically-related policies and contributions.

Will increased disclosure at the Company enhance shareholder value?

- The effect of increased disclosure of political donations, or particularly trade association memberships and payments, on shareholder value is unknown. While it is possible that increased disclosure could ignite commentary on the Company's political positions resulting from its membership in trade associations that may or may not accurately reflect the Company's views, given that 2012 is an election year, it is likely that the Company's political contributions and lobbying expenses could come under increased scrutiny.

Upon review, we find that the Company has provided adequate disclosure regarding its political donation process, policies and expenditures. Further, the Company has met, and exceeded the legal requirements for political expenditures disclosure and has provided reasonably accessible information regarding the Company's policies. Further, the Company has been recognized by the Center for Political Accountability as aLeader in Political Disclosure. However, we encourage the Company to improve the accessibility of its trade association membership disclosure. Given the nature of membership in trade organizations, we recognize the challenges of disclosing indirect political contributions and expenditures made with the Company's funds by such organizations. At this time, we find the Company's current political contribution and lobbying expenditures policies and level of disclosure to be reasonable.

Accordingly, we recommend that shareholders vote **AGAINST** this proposal.

Proposal 7.00: Shareholder Proposal Regarding Country Selection Guidelines

AGAINST

Glass Lewis recommends shareholders vote **AGAINST** this proposal for the following main reasons:

- We believe that this proposal requests information that is largely available in the Company's public disclosures and that the information requested that is not disclosed or readily available regarding the Company's strategic business decisions, such as determinants for commencing or ceasing operations in various regions, could expose certain aspects of the Company's overall business strategy or competitive positioning, which could have a detrimental effect on shareholder value;
- While we recognize that the Company's operations in certain unstable countries creates a risk for the Company and to shareholder returns, we do not believe that this proposal is the appropriate remedy to address these concerns.

This shareholder proposal requests that the board produce a report on the Company's criteria for investment in, continued operations in, and withdrawal from specific high-risk countries, including Burma. The report should omit proprietary information and be produced at a reasonable cost by the Company's 2013 annual meeting.

Text of Resolution- *BE IT RESOLVED: The shareholders request the Board to make available by the 2013 annual meeting a report, omitting proprietary information and at reasonable cost, on Chevron's criteria for (i) investment in; (ii) continued operations in; and, (iii) withdrawal from specific high-risk countries, including Burma.*

Glass Lewis notes that a similar proposal received 23.9% shareholder support at the 2011 annual meeting, excluding abstentions and broker non-votes.

Proponent's Perspective

The proponent, whose identity is not disclosed in the proxy statement, offers the following nine main reasons why shareholders should vote for this proposal:

- Following the Burmese military's 2007 crackdown on peaceful demonstrators, its restrictions on allowing humanitarian relief into Burma after cyclone Nargis and its 2008 sentencing of pro-democracy activists to lengthy prison terms, the Company has faced government criticism, negative publicity and a consumer boycott concerning its investment in Burma;
- The U.S. government has enacted economic sanctions on Burma three times;
- Nobel Peace Prize Laureate Aung San Suu Kyi, leader of the National League for Democracy, has repeatedly called for economic sanctions on Burma stating that corporations in Burma mainly make "an already wealthy elite wealthier, and increase its greed and strong desire to hang on to power...these companies harm the democratic process a great deal;"
- The Company holds equity in one of Burma's largest investment projects, the Yadana gas-field and pipeline, which generates billions of dollars for the Burmese regime;
- According to the *Financial Times*, how the Burmese regime uses the revenue from natural gas exports is under scrutiny;
- Human Rights organizations have documented egregious human rights abuses by Burmese troops

employed to secure the pipeline area, including forcible relocation of villagers and use of forced labor;
- In March 2005, Unocal settled a case for a reported multi-million dollar amount in which was claimed that it was complicit in human rights abuses by Burmese troops hired by the Yadana project to provide security, and by purchasing Unocal, the Company acquired its investment in Burma including its legal, moral and political liabilities;
- The Company does business in other countries with controversial human rights records, including Angola, Kazakhstan, and Nigeria; and
- The Company's current country selection process is opaque, leaving it unclear how it determines whether to invest in or withdraw from countries where (i) the government has engaged in ongoing, systematic human rights violations; (ii) there is a call for economic sanctions by human rights and democracy advocates; and (iii) the Company's presence exposes it to government sanctions, negative publicity, and consumer boycotts.

Board's Perspective

The board offers the following ten main reasons why shareholders should vote against this proposal:

- The Company already reports on its rigorous policies and processes used to identify and manage issues and risks;
- In order to find, produce and provide energy, the Company must go where energy resources may exist, which may require conducting business in countries with cultural, economic, social and political institutions and practices that are very different from those in the U.S.;
- The Company's operations require long-term, sustained and capital-intensive commitments, and the Company's global operating units continuously review political and economic conditions in their respective areas to assess the risks to the Company's employees, assets and brands;
- In all countries, the Company operates legally and under the values outlined in The Chevron Way, which are implemented through numerous policies and processes and are available on the Company's website;
- The Company's policies and processes help it identify, analyze and manage security, social, environmental, health and safety issues incident to its operations and major capital projects, reinforce the Company's commitment to human rights and set strict compliance policies for foreign corrupt practices and anti-corruption laws;
- The Company's Operational Excellence Management System ("OEMS"), which is implemented throughout the Company, meets all requirements of the ISO's 14001 environmental management system standard, as well as the OSHA Series management specification 18001;
- The Company has been able to exercise positive influence in host countries by providing economic opportunities for their people through active community engagement initiatives and by working with communities to improve health care, schools, and opportunities for vocational training, supplier development and jobs;
- In Angola, Myanmar, Kazakhstan and Nigeria, the Company has contributed approximately $206 million over the past three years to substantially benefit those communities;
- As an example of the Company's stewardship, it has supported many different projects and initiatives that have substantially improved the life of many in Myanmar; and
- The proposed report would be duplicative of the Company's current disclosure, and the suggested guidelines would not be as effective as the Company's current procedures for managing and evaluating in-country issues and risks.

Glass Lewis' Analysis

The Company has come under intense scrutiny for its involvement in several areas with records of human rights abuses. Most prominent among these is the Company's involvement in the Yadana pipeline in Myanmar. The Company also maintains operations in Nigeria, Angola, China and Kazakhstan. We believe that shareholders should assess the Company's operations in these areas on the basis of the potential negative impact they can have on long-term shareholder value. The following is a brief summary of concerns regarding certain of the Company's operations:

Myanmar Operations

The Company operates in Myanmar through the Yadana Pipeline project, a consortium comprised of the Company, Total SA, Myanmar Oil and Gas Enterprise and the Petroleum Authority of Thailand. According to the Company's 2012 10-K, it has a 28.3% non-operated working interest in a production-sharing contract which expires in 2028 and its average net natural gas production in 2011 was 86 million cubic feet per day (*p. 17*). The Company has been heavily criticized for its partnership, through this consortium, with the Burmese government. The significant profits garnered from the Yadana operations have been cited as the primary source of funding for the brutal Burmese military regime (Bo Kyaw Nyein. "Why Sanctions Fail."*BBC.* February 12, 2008). According to a recent 110-page report by Earth Rights International entitled "Total Impact" the Burmese Military Junta has earned almost $5 billion from the Yadana pipeline operated (Andrew Buncombe. "Burmese Generals Pocket $5bn from Total Oil Deal." *The Independent (London)*. September 10, 2009).

On April 4, 2005, the Company announced in a press release that it would acquire California-based oil company, Unocal. Shortly prior, in March 2005, Unocal agreed to settle a lawsuit by compensating the plaintiffs in a case regarding alleged human rights abuses in Myanmar as a result of the Yadana Pipeline operations. Specifically, the federal court opinion in the *Doe v. Unocal* case found that the plaintiffs presented evidence that:

- Demonstrated that before joining the Yadana project, Unocal knew that the military had a record of committing human rights abuses;
- The project hired military to provide security for the project, and that military forced villagers to work and entire villages to relocate for the benefit of the project;
- The military, while forcing villagers to work and relocate, committed numerous acts of violence; and
- Unocal knew or should have known that the military did commit, was committing and would continue to commit the tortuous acts.

The *Doe v. Unocal* case was not a class action and, thus, there is potential that other individuals in the affected regions in Myanmar could bring legal action against the Company in the future. Through its acquisition of Unocal, the Company inherited the political and social risks associated with doing business in Myanmar. Numerous human rights groups have documented a sustained campaign of human rights violations by the military protecting the Yadana pipeline. Alleged abuses include forced labor, forced resettlement, torture, rape and murder. A report by EarthRights International, the human rights group, specifically documents the human rights violations over a period of 14 years. This report alleges the Company is complicit in these abuses by not acting to find alternate sources of security forces, by providing money to prop up the oppressive military regime in Myanmar, and by remaining silent on an issue that has a profound effect on those living in Myanmar ("The Cost of Human Energy."*EarthRights International*. 2008).

In 1997, the U.S. government banned new investments in Myanmar and barred imports from the country. Because the Company's Unocal operations existed before U.S. sanctions on new business were imposed, the Company was not affected by these sanctions and was allowed to continue to operate in

Myanmar. The Company's operations in Myanmar have garnered significant opposition from members of the U.S. government. In December 2007, House of Representatives passed a bill (H.R. 3890) that would end tax subsidies for the Company and other American companies in Myanmar. At that time, there were two other Senate bills to impose sanctions on Myanmar pending (Bill Loveless. "US House Bill Takes Aim at Chevron in Myanmar."*Platts Oilgram News.* December 12, 2007). While the House and Senate ultimately reached a compromise that did not impose punitive taxes on the Company, but rather encouraged investors in Myanmar to divest over time, such high level concern over the Company's operations confirms the concerns regarding the Company's operations in Myanmar. In addition, the European Union has recently renewed sanctions against Myanmar. In August 2009, the Council of the European Union adopted additional restrictive measures against Myanmar in response to the verdict against Daw Aung San Suu Kyi, due to the seriousness of the violations of her human rights. Released from house arrest on November 13, 2010, having spent 15 of the last 21 years in confinement, Daw Aung San Suu Kyi, who won the Nobel Peace Prize in 1991 for her non-violent human-right efforts, is the leader of the National League for Democracy, which opposes the Burmese military junta ("Burma's National League for Democracy Fails to Register for Election."*The Guardian*. March 29, 2010; and (Times Topics. "Daw Aunt San Suu Kyi'. *New York Times*. November 24, 2010). In April 2011, the European Union renewed a series of sanctions against the Burmese regime; however, several countries, including Italy, Austria and Germany, reportedly urged for the softening of the EU's stance (Andrew Buncombe and Joseph Allchin. "European Firms Seize on Suu Kyi Release to Hunt Profit in Burma". *The Independent (London)*. April 25, 2011). However, in October 2011, the U.S. considered a significant shift in its relationship with Myanmar after the new president, U Thein Sein, began rewriting laws on taxes and property ownership, loosening restrictions on the media and discussing the release of political prisoners (Steven Lee Myers, Thomas Fuller. "Detecting a Thaw in Myanmar, U.S. Aims to Encourage Change." *New York Times*. October 6, 2011), and in January 2012, the U.S. moved to restore full diplomatic relations with Myanmar, after the country made sweeping political and economic changes, including a cease-fire with ethnic rebels and the release of hundreds of political prisoners (Steven Lee Meyers, Seth Mydans. "U.S. to Renew Myanmar Ties, Citing Reforms." New York Times. January 14, 2012). Additionally, in April 2012, the European Union agreed to suspend nearly all of its punitive sanctions against Myanmar (Thomas Fuller, Paul Geitner. "European Union Suspends Most Myanmar Sanctions." *New York Times*. April 23, 2012).

Despite these recent reforms, the military government of Myanmar has historically come under fire for its brutal crackdown on peaceful protests and repeated violations of human rights. Most notably, Myanmar came under intense pressure following its handling of a peaceful protest of Buddhist monks in 2007. Security forces beat, killed and arrested peaceful protesters in a move that was overwhelmingly condemned by the international community (Renee Montaigne and Michael Sullivan. "Myanmar Junta Cracks Down on Monks' Protest." *NPR*. September 26, 2007). Such actions by the military are allegedly not uncommon in Myanmar, and have even been alleged at certain of the Company's operations (David Baker. "Killing Alleged at Chevron's Burma Pipeline."*San Francisco Chronicle.* April 29, 2008). These allegations were particularly concerning given that the military forces in Myanmar are used as security for the pipeline, and thus the Company potentially could be seen to be complicit in any actions they might take.

Nigerian Operations

According to the Company's 2012 10-K, it holds interests in the onshore and near-offshore region of the Niger Delta and deepwater projects off the Nigerian coast (*p.15*). Unstable conditions in Nigeria led to repeated incidents at various Company operations located there and ultimately resulted in a lawsuit, described in detail below, but eventually dismissed, against the Company for alleged human rights

abuses.

In 2005, a militant group called the Niger Delta's People Volunteer Force issued threats that it would destroy the nation's oil industry unless Nigerian authorities freed their leader who then faced charges of treason. Over the course of a few days, the group claimed to take control of several flow stations and contact with the group at two flow stations caused the Company to shut both down (Craig Timberg. "As Tensions Escalate in Nigeria, Chevron Shuts Down Two Flow Stations."*The Washington Post.* September 25, 2005).

Residents of the Opia and Ikenyan villages sued the Company for its alleged involvement in fatal attacks against villagers in 1999. In Nigeria, like in Myanmar, the Company relies on government military personnel to safeguard its operations. Villagers who do not directly benefit from the economic gains of the oil industry in Nigeria often stage protests at oil companies' operation sites. In 1999, military personnel were called in to respond to an attack on the Company's oil rig. Accounts of what happened next vary significantly, but it is confirmed that at least two villagers were shot and other protesters were missing following the incident (David Baker. "Chevron Paid Nigerian Troops After Alleged Killings." *San Francisco Chronicle.* August 4, 2005). Villagers argued that they came to peacefully discuss the Company's hiring and environmental policies and the military subsequently opened fire on them and left their village burning. The Company maintained that the villagers threatened violence, held crew members captive and demanded ransom. In the end, a federal jury in San Francisco cleared the Company of wrongdoing in the *Bowoto v. Chevron Corporation* case, brought in connection with these allegations. The Company unsuccessfully sought to recoup its litigation expenses (Demian Bulwa. "Chevron Seeks Reimbursement from Nigerian Villagers." *San Francisco Chronicle.* February 26, 2009). However, in April 2012, the U.S. Supreme Court rejected a final appeal of the 2008 verdict (Bob Egelko. "Supreme Court Clears Chevron in Nigeria Deaths." *San Francisco Chronicle.* April 24, 2012).

The Company has had multiple clashes with local communities, and Company employees have been kidnapped and killed. Militants and armed gangs have attacked the Company and those military personnel safeguarding their interests for many years ("Gunmen Attack Nigerian Army at Chevron Oil Facility." *Forbes.* November 7, 2008). In January 2010 gunmen attacked one of the Company's crude oil pipelines in Nigeria, causing workers to stop the pipeline flow ("Gunmen Attack Pipeline in Nigeria." *The Associated Press*. January 9, 2010).

Company Policies

The Company faces risks not only from legal liability and reputational damage, but also from the difficult environments that affect worker safety and health. In the Company's 2012 10-K, it states that its operations could be disrupted by natural and human factors and that it has implemented and maintained a system of corporate policies and mechanisms to manage safety, health, environmental, reliability and efficiency to risks. It further states that it operates in locations that have requirements and/or political conditions which may threaten the Company's operations (*pp.30-31*). With respect to such issues, the Company's Human Rights Policy, affirms the Company's commitment to respect human rights wherever it operates, and states that the Company provides for additional training for employees operating in environments where human rights issues may be more prevalent. All employees will be required to comply with the policy, with implementation beginning in 2010, with a full implementation expected by 2013.

According to the Company's website, it participates in a number of associations and working groups which focus on the implementation voluntary principles on security and human rights throughout entire operations. Additionally, the Company provides fact sheets regarding its operations and community

efforts worldwide, including Nigeria and Myanmar. Specifically regarding Myanmar, the Company states that CDA Collaborative Learning Projects conducted independent, third-party assessments of the Yadana pipeline region and found that there were benefits to a socioeconomic project the Company and its partners formed. The Company also highlights its community investment in countries such as Angola and Nigeria in its 2010 corporate responsibility report. According to its 2010 report, the Company took part in several human rights initiatives, amounting to an investment of approximately $197 million in 2010. Such investments include public health funding and partnerships like the Niger Delta Partnership Initiative which promotes economic development, conflict resolution and capacity building.

The Company also addresses a number of human rights issues in its Business Conduct & Ethics Code, and states that it conducts its global operations consistent with the spirit and intent of the United Nations Universal Declaration on Human Rights and the International Labor Organization's ("ILO") Declaration on Fundamental Principles and Rights at Work. However, we note that the Company's supplier policy, listed in its Business Conduct & Ethics Code, only "encourages" suppliers to treat employees and communities in a manner that respects human rights, and does not require them to agree to the Company's human rights policy or code of ethics as a condition for doing business with the Company. However, it does require them to adhere to all applicable domestic laws and encourages them to be consistent with ILO core labor principles. The Company also states that it engages with suppliers to reinforce awareness of potential human rights issues (*p.27*).

In 2007, the Company developed its Environmental, Social and Health Impact Assessment ("ESHIA") process, pursuant to which all new capital projects must be evaluated for potential environmental, social and health impacts. Engagement with relevant stakeholders is a key component of the ESHIA program. This program encapsulates certain of the issues raised by the proponent, as it seeks to identify and mitigate potential risks associated with a particular project, whether those risks stem from human rights issues or environmental considerations. According to the Company's 2009 Corporate Responsibility Report, by the end of 2009 ESHIA was implemented for all major Upstream capital projects worldwide. The Company also began implementation of ESHIA for small capital projects *(p. 7)*.

We recognize the concerns raised by the proponent and believe that additional disclosure by the Company regarding its specific operations' impacts on local communities could prove beneficial for shareholders. However, we believe that this proposal requests information that is largely available in the Company's public disclosures. Moreover, the information requested that is not disclosed or readily available regarding the Company's strategic business decisions, such as determinants for commencing or ceasing operations in various regions, could expose certain aspects of the Company's overall business strategy or competitive positioning, which could have a detrimental effect on shareholder value. As such, while we recognize that the Company's operations in certain unstable countries creates a risk for the Company and to shareholder returns, we do not believe that this proposal is the appropriate remedy to address these concerns.

Accordingly, we recommend that shareholders vote **AGAINST** this proposal.

Proposal 8.00: Shareholder Proposal Regarding Hydraulic Fracturing

AGAINST

Glass Lewis recommends shareholders vote **AGAINST** this proposal for the following main reasons:

- We recognize that the Company has substantially improved its disclosure regarding its hydraulic fracturing operations since receiving 40.5% support on a related shareholder proposal in 2011 and that many of its peers have not disclosed information regarding much of the information requested by the proponent;
- While we believe the Company could more thoroughly address issues related to how it plans to mitigate risks with potential hydraulic fracturing bans in areas in Europe in which it has concessions for drilling, given the Company's significant disclosure regarding hydraulic fracturing, we are not convinced that the benefits associated with producing this specific requested report would outweigh the significant costs and resources necessary for its production; and
- We do not believe that the proponent has sufficiently demonstrated that the Company's current approach to this issue is deficient to the degree that warrants support of this proposal nor that production of the requested report would clearly lead to a increase in or safeguard of shareholder value.

This shareholder proposal requests that board prepare a report by September 2012 on the short-term and long-term risks to the Company's operations, finances and gas exploration associated with community concerns, known regulatory impacts, moratoriums and public opposition ot hydraulc fracturing and related natural gas development, as below.

Text of Resolution- *Resolved: Shareholders request that the Board of Directors prepare a report to investors by September 2012, at reasonable cost and excluding confidential or legally prejudicial data, on the short-term and long-term risks to Chevron Corporation's operations, finances and gas exploration associated with community concerns, known regulatory impacts, moratoriums, and public opposition to hydraulic fracturing and related natural gas development.*

The proponents ask that such report should, at a minimum, summarize for the prior two fiscal years, with regard to hydraulic fracturing and related infrastructure:

- any substantial community opposition to the Company’s maintenance or expansion of particular operations, such as permitting and drilling;
- government enforcement actions, including allegations of violations;
- total aggregate government fines on an annual basis; and
- facility shutdown orders, license suspensions or moratoriums on licensing, exploration or operations.

On a forward-looking basis, the report should identify:

- communities where substantial opposition to permitting or drilling, or maintenance or expansion of operations, is anticipated;
- financial or operational risks to particular operations, facilities and plans from proposed federal or state laws or regulations, including moratoriums on fracking; and
- any limitations which regional water supply or waste disposal issues may place on operations or

expansion.

Glass Lewis notes that a related proposal received 40.5% support that the 2011 meeting, excluding abstentions and broker non-votes.

Proponent's Perspective

The proponent, whose identity is not disclosed in this proxy statement, offers the following six main reasons why shareholders should vote in favor of this proposal:

- The proponent is concerned about regulatory, legal, reputational and financial risks associated with the environmental, health and social impacts of hydraulic fracturing operations;
- There have been new regulations in several states and proposed federal legislation regarding water sources, toxic chemicals, wastewater and violations associated with fracturing practices;
- According to media reports, officials in Pennsylvania have cited energy companies with more than 2,500 violations associated with fracturing practices and collected approximately $25.7 million in fines since 2008;
- More than 250 health care professionals cited evidence in Texas, Wyoming, Louisiana, North Dakota and Pennsylvania in their warnings to New York Governor Cuomo about the state's failure to analyze public health impacts of hydraulic fracturing prior to issuing drilling permits;
- According to a MSCI report, the expansion of oil and gas activities will continue to face community opposition unless companies "adequately manage environmental impacts and community health concerns through communication and adoption of best environmental practices" and
- Drilling bans and moratoria can occur in such a climate where there is great community opposition.

We note that in May 2012, the proponent released additional information regarding its rationale for this proposal on its website.

Board's Perspective

The board offers the following eight main reasons why shareholders should vote against this proposal:

- The Company has well-developed risk management systems and a strong public commitment to shareholder engagement and public disclosure that address concerns regarding the development of natural gas from shale;
- The Company has established rigorous standards for protecting the environment everywhere it operates, and its Operational Excellence Management System and Environment, Social and Health Impact Assessment process help the Company to identify and reduce health, environmental and safety issues;
- The Company is focused on protecting groundwater, managing water use, preserving air quality, improving access to information and ensuring emergency preparedness in its natural gas operations from shale;
- The Company's highlights its environmental analysis regarding its hydraulic fracturing operations on its website and includes information regarding its well design protecting groundwater, tests verifying long-term integrity of its wells, air emissions reductions, adhering to the Company's position on fresh water, the development of robust emergency action plans and its partnerships with local and regional response agencies;
- The Company voluntarily discloses the chemicals used in its fracking fluid to FracFocus.org;
- The Company is creating community advisory councils for its Marcellus operations and a formal

grievance process to more systematically manage issues from community members;
- The Company participates in industry groups and constructively engages regulators to develop guidelines and recommend practices that ensure responsible natural gas from shale development; and
- The Company publishes information regarding its efforts to mitigating risks in its annual report, supplement to the annual report, corporate responsibility report, and 10-K and 10-Qs fillings.

Glass Lewis' Analysis

Hydraulic fracturing ("fracking") is a method used to extract natural gas from rock formations that would otherwise not be commercially viable. A mix of water, chemicals and particles are injected under high pressure into a bore hole to create openings in rock formations through which natural gas can flow to a well. According to the Penn State College of Agricultural Sciences' Natural Gas Impacts page, the total value of recoverable natural gas in the Marcellus shale, located in Pennsylvania, New York, Ohio and West Virginia, could be as high as $1.4 trillion and the annual output of the Barnett shale, located in Texas, is estimated at $8.2 billion. According to the American Petroleum Institute, up to 80% of the natural gas wells drilled in the next ten years will require fracking. Further, the U.S. Energy Information Administration's 2012 Annual Energy Outlook found that 23% of U.S. natural gas production is currently from shale formations requiring drilling and that the share could increase to 49% by 2035. As conventionally obtained natural gas resources diminish, increasing reliance on hydraulic fracturing to augment or maintain revenues is expected.

According to the EPA, fracking is exempt from the Safe Drinking Water Act ("SDWA") regulation under the Underground Injection Control ("UIC") program, which regulates the subsurface emplacement of fluid. According to the New York State DEC ("NYSDEC"), the Energy Policy Act of 2005 changed the Underground Injection Control provisions of the SDWA to exclude fracking from the definition of underground injection. As a result of the SDWA exemption, companies are not required to disclose chemicals used during fracking operations. Thus, it is extremely challenging to determine if fracking operations are contaminating water supplies. However, the UIC does regulate the use of diesel fuel during fracking by mandating that service companies that perform hydraulic fracturing using diesel fuel receive prior authorization. Moreover, as a result of this lack of broad regulation of hydraulic fracturing activities, companies are not required to disclose the chemicals used during fracking operations to the EPA, with the sole exception of diesel fuel. However, in an effort to preserve watersheds, the EPA's Clean Water Act ("CWA") prohibits on-site direct discharge of wastewater from shale gas extraction into U.S. waters. Pursuant to the CWA, companies must either: (i) reuse the shale gas wastewater; (ii) re-inject it into disposal wells; or (iii) transport it to treatment plants. States have also proposed their own regulations regarding wastewater. Due to environmental impacts of hydraulic fracturing such as high level of chemicals in municipal drinking supplies in Pennsylvania and low-level seismic activity in Ohio, the NYSDEC proposed three options for fracking wastewater: (i) recycled on-site for drilling multiple wells; (ii) shipped out of state for deep-well injection; or (iii) transported and treated at a plant prior to discharge in a river or reuse for another drilling project. (Associated Press. " Wastewater is Key Issue in New York Fracking Debate" *The Post Standard*. February 20, 2012).

Increasingly, debates on hydraulic fracturing are centered around the issue of whether these operations present a threat of water contamination. Industry representatives often cite a 2004 EPA study, entitled "Evaluation on Impacts to Underground Sources of Drinking Water by Hydraulic Fracturing of Coalbed Methane Reservoirs," which concluded that fracking fluids injected into coal bed methane production wells pose minimal threat to underground sources of drinking water. However, regarding this report, EPA Administrator Lisa Jackson has stated that, "that study is widely cited as saying, '[s]ee, that proves [hydraulic fracturing] is safe.' And I don't think that's a fair or accurate summation of

that study. I think that's an over-broad reading" (Kathleen Hart. "Congressmen Press EPA Administrator on Fracking, Drinking Water Study." *SNL Daily Gas Report*. April 29, 2010). In response to increasing public health concerns, the EPA has initiated studies to investigate the impact of fracking on drinking water resources, the results of which have drawn speculation. For instance, after a two-year impact study, the EPA linked chemicals from fracking to polluting groundwater in Pavilion, Wyoming (Mead Gruver. "Report on Wyoming Water Doesn't End Fracking Debate." Associated Press. December 11, 2011). However, it may be that poorly built wells, and not hydraulic fracturing itself, are to blame for many cases of water contamination. Energy officials have said that "in those cases wells weren't properly sealed with subterranean cement, which allowed contaminants to travel up the well bore from deep underground into shallow aquifers that provide drinking water" (Russel Gold. " Faulty Wells, Not Fracking, Blamed for Water Pollution." *The Wall Street Journal*. March 13, 2012).

In an effort to determine whether fracking negatively impacts drinking water and in order to assess if it was appropriate for the SWDA exemption for hydraulic fracturing operations to be removed, the Subcommittee on Energy and Environment sent letters to 14 companies in February 2010, requesting: (i) recent data on the types and quantities of chemicals used in hydraulic fracturing fluids; (ii) information on whether the companies injected these fluids in, near, or below an underground source of drinking water; (iii) documents related to any allegations that the hydraulic fracturing caused harm to human health or the environment; (iv) information on the chemical contents of water produced from hydraulic fracturing operations; and (v) how the companies dispose of this waste. In an April 2011 report, the subcommittee reported the response to these letters, finding that between 2005 and 2009, these companies used over 2,500 hydraulic fracturing products, with approximately 25% being "(1) known or possible human carcinogens, (2) regulated under the [SDWA] for their risks to human health, or (3) listed as hazardous air pollutants under the Clean Air Act." Representative Henry Waxman urged the EPA and DOE to put in place protections to prevent such chemicals from entering drinking water supplies. Representative Diana DeGette referred to the content and quantity of toxic chemicals being injected into the ground as "deeply disturbing." Moreover, the report found that many oil and gas companies were unable to identify the contents of their firm's "proprietary" chemicals, suggesting that unknown, and potentially dangerous, chemicals are being injected into the shale (Press Release. " Committee Democrats Release New Report Detailing Hydraulic Fracturing Products". *Committee on Energy & Commerce - Democrats*. April 16, 2011).

Perhaps symbolic of the widespread mainstream attention that has been given to this issue, in August 2011, the SEC asked oil and gas companies to provide it with detailed information regarding contents of their fracking fluids, and how companies are minimizing water usage and the environmental impact of their fracking operations. The SEC's interest in this matter is to ensure that investors are being informed about risks a company may face related to its operations, such as lawsuits, compliance costs or other uncertainties. While the SEC does not currently require broad, standardized or public disclosure of this information, it is likely that SEC will require companies to make some of this information publicly available at some point in the future (Deborah Solomon. "SEC Bears Down on Fracking." *The Wall Street Journal*. August 25, 2011).

Glass Lewis recommends that shareholders take a close look at proposals such as this one to determine whether the actions requested of the Company will clearly lead to an increase in long-term shareholder value. We recognize the complexity of accurately gauging the potential risks to shareholder value with respect to its natural gas extraction operations. Despite these difficulties and challenges, however, we believe it is prudent for management to assess potential exposure to risks resulting from fracking and incorporate this information into its overall business risk profile.

In general, we believe companies should consider their exposure to:

Direct Risk: Firms should consider the direct environmental and human health risks associated with fracking operations. While it is still questionable the degree to which hydraulic fracturing contaminates water supplies, it is prudent for firms to take appropriate precautions regarding their potential environmental impact, through for example, ensuring proper well casing and taking appropriate safety precautions. Three communities in Texas, which host significant fracking operations, were forced to shut down their municipal water wells due to levels of radioactivity above federal standards for safe drinking water (Mike Lee, Elizabeth Campell. "Rural Residents Worry About Barnett Shale Disposal Wells."; *Fort Worth Star-Telegram*. December 26, 2009). In addition, the *New York Times* has reported that of 200 Pennsylvania wells tested, 42 wells exceeded the federal drinking water standard for radium. Several of the wells had levels of radium more than 1500 times above the federal limit ("Toxic Contamination From Natural Gas Wells". *The New York Times*. February 26, 2011). In addition, most drinking water intake plants downstream from sewage treatment plants that accept drilling waste have not tested for radioactivity since before 2006. (Ian Urbina. "Regulation Lax as Gas Wells' Tainted Water Hits Rivers". *The New York Times*. February 26, 2011). Further, diesel fuel, which contains chemicals known to be carcinogenic and damaging to the central nervous system, liver and kidneys, has been used in fracking operations as recently as 2007, and may potentially still be in use (Larry Liebert. " Hydraulic Fracturing for Natural Gas to be Studied by U.S. EPA." *Bloomberg*. March 18, 2010). Currently, the EPA is in the early stages of research programs to determine what, if any, risks fracking presents to water quality and public health. Additionally, there have been reports of earthquakes in regions that rarely have seismic activity and natural gas drilling occurs. The United States Geological Survey and seismologists have reviewed some of the seismic activity and have associated it to disposing of wastewater in underground wells, not hydraulic fracturing itself (Bill Callahan and Mark Drajem. " Fracking Wastewater Tied by Scientists to Earthquakes." *Bloomberg*. April 19, 2012).

Regulatory Risk: Companies with hydraulic fracturing operations are subject to federal, state and international regulations, which could present significant risks to their operations. As of April 2012, New Jersey and New York were the only two states with active moratoria on fracking operations (Henning Gloystein, et al. "The World of Shale Gas." *The Vancouver Sun*. April 17, 2012). However, other states, including Maryland, Pennsylvania and Vermont, have proposed legislation banning hydraulic fracturing operations. In states where there has been unusual seismic activity, such as Arkansas and Ohio, wells have been shut down or stricter rules have been proposed prior to the issuance of new permits (Jim Efstathiou Jr. "Fracking-Linked Earthquakes Spurring State Regulations." *Bloomberg*. April 20, 2012). Additionally, more than 50 New York communities have enacted fracking bans at the urging of residents who believe the economic benefits of natural gas production do not outweigh the risk of water contamination ("Catskill Mountains Town Bans Natural Gas Fracking." *Wall Street Journal*. April 12, 2012). Though much of this legislation is pending, the number of jurisdictions temporarily banning, considering or passing legislation that would restrict hydraulic fracturing operates indicates that companies may face significant state-level regulatory risks.

On a federal level, the Obama administration has stated in its "Blueprint for a Secure Energy Future" in March 2011 that it is taking steps to address potential negative impacts of fracking through supporting disclosure of fracking chemicals and creating a subcommittee to examine fracking issues. In response to the Obama administration's deliverable, the Shale Gas Production Subcommittee produced two reports concerning shale development and environmental protection. The most recent subcommittee's report in November 2011 provides 20 recommendations for both the oil and gas industry and state and federal governments to increase production while decrease environmental impacts. The recommendations set forth, such as the reduction in the use of diesel fuel and disclosure of fracturing fluid composition, will

be monitored by the subcommittee as actions are taken to improve the safety and environmental performance of shale gas extraction. To continue on its commitment to a safe and secure energy future, the Obama administration stated that it will require energy companies using hydraulic fracturing to certify that its operations are not endangering local water supplies (Katarzyna Klimasinska. " Fracking Rules to Include Safety Certification, Salazar Says." *Bloomberg*. February 29, 2012). Additionally, we note that as of the writing of this report, the Obama administration has stated that it will soon issue sweeping new environmental safety rules for hydraulic fracturing on Federal land. The rules, which are likely to be unveiled by the Interior Department in May 2012, are designed to address concerns regarding contamination of water due to fracking operations. While an estimated 25% to 30% of fracked wells are on federal land, energy experts say the new rules could serve as a template for state officials who oversee energy production. Despite these new rules, the Interior Department has loosened a proposed requirement for companies regarding their disclosure of chemicals used in natural gas extraction after facing industry complaints that its original rules would unnecessarily slow drilling operations (Tennille Tracy. "U.S. to Set Rules for Fracking on Federal Land." *Wall Street Journal*. May 3, 2012).

Further, in April 2012, the EPA has released new rules that would limit methane emissions from natural gas production. The EPA states that its intent in setting standards for hydraulically fractured gas wells is to "require reduced emissions completions for wells" (*p. 143*). The standards will be implemented in January 2015, and will require a report on any changes or modifications on gas wells and operations, which will monitor volatile organic compound emissions and other chemicals released during hydraulic fracturing. Although it may cut into profit margins, gas drillers like Southwestern Energy and Devon Energy have said that reducing methane leakage is worth the investment (Paul Tullis. "New EPA Rules Could Prevent 'Fracking' Backlash." *Bloomberg*. April 18, 2012). Further, in January 2012, the Bureau of Land Management ("BLM") drafted regulation that would require parties holding oil and gas leases on BLM land to disclose the contents their hydraulic fracturing fluid.

Despite proposed regulations, some companies involved in fracking are supportive of additional regulation. For example, Royal Dutch Shell's CEO, Peter Voser, has advocated for rules requiring the disclosure of fracking fluids and has said that his company discloses chemicals used in fracking operations "to the extent permitted under [its] supplier contracts." Voser mentions that poorly designed wells are the cause of problems related to fraccing, not the technique its self: "[w]hen a well is designed and constructed correctly, groundwater will not be contaminated" (Angel Gonzalez. "Shell CEO: Gas, U.S. Oil Improve Energy Outlook." MarketWatch. March 7, 2012).

The United States is not alone in debating this controversial drilling method. In 2011, the European Parliament's Committee on Environment, Public Health and Food Safety conducted an investigation on the impacts of shale gas and shale oil extraction on the environment and human health. The Committee's report recommends that "the use of toxic chemicals for injection should be banned in general...all chemicals to be used should be disclosed publicly, the number of allowed chemicals should be restricted and their use should be monitored" (*p.79*). Further, many countries have considered banning hydraulic fracturing. In June 2011, France became the first country to ban hydraulic fracturing (Tara Patel. "France Vote Outlaws 'Fracking' Shale for Natural Gas, Oil Extraction". *Bloomberg*. July 1, 2011). Additionally, in January 2012, Bulgaria determined to ban fraccing operations, which invalidated the Company's gas exploration permit. Additionally, Bulgaria's neighboring country, Romania, where the Company also has obtained concessions for drilling, has considered also placing a moratorium on fracking (Palko Karasz. " Shale Gas Search Divides Romania." *New York Times*. April 22, 2012). Further, in April 2011, South Africa imposed a moratorium on fracking after growing concerns regarding potential impacts on the rural, farming communities in the Karoo region (Ian Urbina.

"Hunt for Gas Hits Fragile Soil, and South Africans Fear Risks." *New York Times*. December 30, 2011).

Legal Risk: Many companies employing the use of hydraulic fracturing have faced legal ramifications due to their operations. Since 2009, there have been 23 cases involving hydraulic fracturing filed by landowners. Chesapeake Energy Corporation settled a lawsuit by paying $15,000 to two Texas landowners in December 2011 and under an agreement with Pennsylvania regulators, Cabot Oil & Gas has established a $4.1 million fund for the 19 families with polluted water wells (Jim Snyder. " Tainted-Well Lawsuits Mount Against Gas Frackers Led by Cabot." *Bloomberg*. January 30, 2012). As previously mentioned, New York state has had a moratorium on issuing drilling permits for natural gas extraction since 2008 and more than 50 New York communities have enacted gas-drilling bans within its municipalities. Most notable is the town of Dryden, which Colorado-based Anshutz Exploration filed a lawsuit against in August 2011 arguing that the town did not have the authority to regulate or prohibit gas drilling. In February 2012, the New York state Supreme Court ruled that towns cannot regulate drilling, but can ban it ("NY Court Decision Bolsters Anti-Fracking Movement." Associated Press. February 22, 2012).

We note that according to its 2010 corporate responsibility report, the Company's environmental fines and settlements totaled $93.9 million in 2010, whereas its health and safety fines and settlements totaled $0.19 million in the same year (*p. 41*).

Reputational Risk: Recently, a number of relatively high-profile documentaries have focused on the hazardous impact of hydraulic fracturing. For example, Gasland, the winner of the 2010 Sundance Film Festival Special Jury Prize, highlights many problems allegedly associated with fracking including: (i) chronic illness; (ii) large pools of toxic waste; (iii) explosions; and (iv) tainted water supplies. The film includes illustrative scenes documenting flammable, and indeed flaming, tap water. Another documentary, Split Estate examines problems that have occurred in the Western United States as the result of increased fracking operations. The public is gradually becoming aware of the potential risks associated with fracking and opposition to it on environmental grounds is building. As fracking operations and proposals for them have moved closer to urban areas, awareness of, and opposition to fracking has grown significantly (Dan Voorhis. "As Oil, Gas "Fracking" Gains Popularity in Kansas, So Does Safety Debate." The Wichita Eagle. March 5, 2012).

Companies environmental performance is highly correlated to their reputational risks. Companies that perform poorly from an environmental perspective face various risks, which may carry through all aspects of their operations. For example, Cabot Oil & Gas received numerous violations from the PADEP and has been involved in lawsuits regarding contaminated water supplies. In 2010, the PADEP fined Cabot Oil & Gas $56,650 after accidents caused three spills in one week. Further, Cabot was ordered to cease all fraccing operations in Susquehanna County ("Pennsylvania DEP Fines Cabot Oil and Gas Corp. $56,650 for Susquehanna County Spills." PR Newswire. October 22, 2009). In the same year, the PADEP fined Cabot $240,000 and suspended all of its new drilling permits and ordered the firm to plug three wells within 40 days that were suspected to be the source of gas seepage into groundwater ("PADEP Takes Aggressive Action Against Cabot Oil & Gas Corp. to Enforce Environmental Laws, Protect Public in Susquehanna County." *PR Newswire*. April 15, 2010). Further, Cabot established a $4.1 million fund for the 19 families with polluted water wells in Dimock, PA per the settlement of a separate lawsuit (Jim Snyder. "Tainted-Well Lawsuits Mount Against Gas Frackers Led by Cabot." *Bloomberg*. January 30, 2012). Additionally, New York State's attorney general sent subpoenas to Cabot Oil and Gas, Range Resources and Goodrich Petroleum in August 2011 to investigate whether the firms improperly reported the potential performance of wells and true costs of drilling (Ian Urbina. "New York Subpoenas Energy Firms." *New York Times*. August 18, 2011).

Company Analysis

In light of regulations, initiatives and investigations, we believe that the Company should be cognizant of risks associated with natural gas production impacting the community and overall environment. The Company dedicates a section of its website to shale gas, where it provides information regarding the location of its operations as well as the methods of production. The Company commenced its production of natural gas following the acquisition of Atlas Energy in 2011, and now operates in Pennsylvania and Michigan and is in the exploration phase in Canada and Eastern Europe, specifically Poland and Romania. As previously mentioned, Romania, where the Company has obtained concessions for drilling, has considered placing a moratorium on fracking (Palko Karasz. "Shale Gas Search Divides Romania." *New York Times*. April 22, 2012).

Regarding its environmental impact and mitigating associated risks, the Company states it provides a framework for achieving operational excellence through its operational excellence management system and environmental, social and health impact assessment process. Additionally, the Company provides a position statement that outlines its commitment to ensuring access to sufficient sources of fresh water. The Company also describes its efforts in managing risks from its natural gas operations from shale and further discusses its efforts to prevent contamination of groundwater during hydraulic fracturing operations, provides information fracking fluid and the methods of disclosure used for its fracking fluids, and discusses its groundwater sampling and water usage.

Regarding its community impact and the risks associated thereto, the Company's website provides information regarding its investment in communities affected by its operations. Specifically, the Company provides information regarding its investments in health, education and economic development in its global operations. Additionally, it dedicates sections of its website regarding the community benefits of its Marcellus Shale operations, its investment in local communities and its environmental stewardship. Further, the Company states that it addresses community concerns through "frequent consultation with local stakeholders," supports community initiatives and hires locally. The Company also addresses this issue in its *2012 10-K*, where it states that "the extent that societal pressures of political or other factors are involved, it is possible that such liability could be imposed without regard to the [C]ompany's causation of or contribution to the asserted damage, or to other mitigating factors." Further, the Company addresses government regulations stating that in certain locations "governments have imposed or proposed restrictions on the [C]ompany's operations... and public disclosure requirements...might harm the [C]ompany's competitiveness or relations with other governments" (*pp.30-31*). Regarding moratoria on operations, the Company addresses the Bulgarian government's ban on hydraulic fracturing and states that it is "continuing work with the government of Bulgaria to provide the necessary assurances to the government and the public that hydrocarbons from shale can be developed safely and responsibly" (*p.23*).

To compare, peer company Occidental Petroleum (NYSE: OXY) provides information regarding its shale operations in California, North Dakota, the Mid-continent of the United States and South Texas. Occidental further provides information regarding its gas processing, exploration methods, and its efforts in reducing its environmental impacts such as those associated with water management, waste generation and regulatory compliance. Occidental also provides information regarding its health environment and safety ("HES") management system, HES principles and environmental remediation projects. Further, Occidental provides information regarding its stakeholder engagement process as well as information regarding its social responsibility, more broadly. Occidental also provides information regarding its human rights policy, its impact assessments and its product responsibility. Regarding

oversight, Occidental's environmental, health and safety committee is charged with review and management of environmental, health and safety issues. Further peer company ExxonMobil (NYSE: XOM) dedicates a section of its website to hydraulic fracturing, where it provides its Outlook for Energy report, which discusses its projections of natural gas development. Further, in its 2010 Corporate Citizenship Report, ExxonMobil includes a case study on natural gas, hydraulic fracturing, water and addressing shareholder concerns regarding these issues (*pp. 30-31*). ExxonMobil also provides specific disclosure on its fracking operations, including examples of responsible operations at various global locations where it drills (*pp.27-29*). ExxonMobil also has a Community and Development section of its website where it discusses indigenous peoples and cultural heritage, land use and resettlement and provides links to its goals for resettlement and operations integrity management system. Additionally, ExxonMobil has a Community Impacts and Relationships section of its website where it discusses its corporate policies and expectations regarding engagement with external groups, impact assessments and mitigation as well as building local economic capacity. Further, it has a Safety and Environment section of its website where it addresses safety in its operations, environmental performance, safety in the workplace, managing climate change risks and emergency preparedness. Regarding oversight, ExxonMobil has an external citizenship advisory panel, comprised of senior management, which provides feedback on the development of the Company's citizenship activities, strategy and communications. Further, ExxonMobil's wholly-independent Public Issues and Contributions Committee is responsible for reviewing and providing advice regarding the Company's policies, programs and practices on public issues of significance, including their effects on safety, health and the environment.

We further note that the Company and its peers are participating companies in the FracFocus Chemical Disclosure Registry. The FracFocus Chemical Disclosure Registry is a joint project of the Ground Water Protection Council and the Interstate Oil and Gas Compact Commission to which currently over 80 companies and over 7,000 records in the natural gas industry have voluntarily provided public information regarding their fracking processes, the chemicals used, the processes they serve and the means by which groundwater is protected for wells hydraulically fractured after January 1, 2011. Peer companies ExxonMobil and Occidental Petroleum provide information for 1,294 wells and 331 wells, respectively and the Company provides information for 407 of its wells. We believe a company's disclosure to FracFocus could be indicative of its commitment to disclosure regarding its fracking processes. Overall, we feel the Company is relatively aligned with peers regarding disclosure of efforts to mitigate risks associated with community concerns, known regulatory impacts, and public opposition to hydraulic fracturing and related natural gas development.

We recognize that the Company has substantially improved its disclosure regarding its hydraulic fracturing operations since receiving 40.5% support on a related shareholder proposal in 2011. Additionally, we realize that many of its peers have not disclosed information regarding much of the information requested by the proponent. We do believe that the Company could reasonably improve its disclosure regarding operational risks faced by the Company as a result of community concerns, known regulatory impacts, moratoria and public opposition to hydraulic fracturing and related natural gas development; specifically, we do not believe that the Company has thoroughly addressed issues related to how it plans to mitigate risks with potential hydraulic fracturing bans in areas in Europe in which it has concessions for drilling. However, given the Company's significant disclosure regarding hydraulic fracturing, we are not convinced that the benefits associated with producing this specific requested report would outweigh the significant costs and resources necessary for its production. Moreover, we do not believe that the proponent has sufficiently demonstrated that the Company's current approach to this issue is deficient to the degree that warrants support of this proposal nor that production of the requested report would clearly lead to a increase in or safeguard of shareholder value. While we will continue to

monitor this situation going forward, we are not convinced that production of this report would represent a prudent use of Company resources at this time.

Accordingly, we recommend that shareholders vote **AGAINST** this proposal.

Proposal 9.00: Shareholder Proposal Regarding Safety Report

AGAINST

Glass Lewis recommends shareholders vote **AGAINST** this proposal for the following main reasons:

- We believe that the Company has disclosed much of the information requested in this proposal and we are not convinced that the production of a separate report is the best use of Company resources; and
- While we do find the Company's recent accidents concerning, we believe the available disclosure of its oversight of accident prevention and the management systems put in place in order to ensure that inspections and maintenance are properly conducted is not deficient to the degree that we believe the passage of this proposal is desirable.

This shareholder proposal urges the board to prepare a report, within ninety days of the Company's 2012 annual meeting, on the steps it has taken to reduce the risk of accidents. The report should also describe board oversight of process safety management, staffing levels, inspection and maintenance of refineries and other equipment. The report should exclude proprietary and personal information and be prepared at a reasonable cost.

Text of Resolution- *Resolved, that the shareholders of Chevron Corporation (the "Company") urge the Board of Directors (the "Board") to prepare a report, within ninety days of the 2012 annual meeting of stockholders, at reasonable cost and excluding proprietary and personal information, on the steps the Company has taken to reduce the risk of accidents. The report should describe the Board's oversight of process safety management, staffing levels, inspection and maintenance of refineries and other equipment.*

Proponent's Perspective

The proponent, whose identity is not disclosed in the proxy statement, offers the following seven main reasons why shareholders should vote for this proposal:

- In 2010, the Deepwater Horizon explosion and oil spill in the Gulf of Mexico resulted in the largest and most costly human and environmental catastrophe in the history of the petroleum industry;
- A 2010 explosion at a Tesoro refinery killed seven workers and resulted in more than six months of downtime at the 120,000 barrels per day refinery, in addition to an initial penalty levied by Washington state of $2.39 million;
- The Occupational, Safety and Health Administration's ("OSHA") national emphasis program for petroleum refineries has revealed an industry-wide pattern of non-compliance with safety regulations;
- Since 2005, OSHA has recorded six serious process safety violations, in addition to 14 other violations;
- The Company faces fines for an oil spill in November 2011 off the coast of Rio de Janeiro that could hinder its plans in furthering access to new offshore exploration areas;
- The cumulative effect of petroleum industry accidents, safety violation citations from federal and state authorities, and the public's heightened concern for safety and environmental hazards in the petroleum industry represent a significant threat to the Company's stock price performance; and

- A report on the steps that the Company has taken to reduce the risk of accidents will provide transparency and increase investor confidence.

Board's Perspective

The board offers the following eight main reasons why shareholders should vote against this proposal:

- The Company maintains rigorous standards for protecting the safety and health of its workforce as well as the environment;
- The Company's board is charged with oversight of risks, receives reports on the status of risk management, process safety, environmental performance and audit results;
- The Company has expanded information provided regarding incidents and its 2012 corporate responsibility report will include an expanded discussion on the Company's Operational Excellence Management System ("OEMS");
- OEMS, which sets expectations for risk management and conducting safe work, has been attested to meet requirements of ISO 14001 and OSHA Series 18001 and has been fully implemented since 2009;
- The Company conducts periodic operational excellence audits of every business unit to assess the design and effectiveness of incident prevention and risk management;
- The Company has a risk management process that is consistent with the Center for Chemical Process Safety's Guidelines for Risk Based Process Safety;
- The Company focuses on safe drilling operations through its risk and uncertainty management standard and its participation in industry task forces created to identify improvements in drilling operations; and
- Employees or contractors are authorized to stop operations if such operations could harm people or the environment.

Glass Lewis' Analysis

Glass Lewis recommends that shareholders take a close look at proposals such as this one to determine whether the information requested of the Company will clearly lead to an enhancement or protection of long-term shareholder value. Regarding environmental and safety issues, however, Glass Lewis recognizes the complexity of accurately gauging the potential risks to shareholder value with respect to accident mitigation efforts. Despite these difficulties and challenges, we believe it is prudent for management to assess its potential exposure to risks and incorporate this information into its overall business risk profile. In general, we believe companies should consider their exposure to:

Direct Risk: We believe firms should consider the direct environmental and safety risks associated with potential accidents. The Company owns over 11,000 miles of pipelines and more than 60 storage terminals in the United States. The Company transports both raw and finished petroleum products. The nature of some of these activities carries the potential for costly accidents, both with respect to employee safety and the environment. Direct risks specific to this industry include loss of human life, environmental damage, and damage to property and equipment.

Direct risks specific to this industry include loss of human life, environmental damage, and damage to property and equipment. Limited examples could include:

- In April 2010, a Tesoro refinery in Washington exploded, killing seven workers. The accident occurred by the rupture of a heat exchanger, which had a long history of leaking. Tesoro was cited for 39 willful violations and 5 serious violations of state workplace safety and health regulations, and was also fined $2.39 million by state regulators. (Noah Buhayar. "Tesoro Fined $2.39

Million for Anacortes Refinery Blast That Killed Seven". *Bloomberg.com*. October 4, 2010.)

- On April 20, 2010 a sudden and uncontrolled release of crude oil and natural gas exploded aboard BP's offshore drilling rig, Deepwater Horizon, killing 11 crewmembers. Approximately 36 hours later the rig foundered and sank 5,000 feet into the Gulf of Mexico. Mechanical failures with the blowout preventer led to the escape of an estimated 4.9 billion barrels of hydrocarbons over the course of 87 days, leading to what would ultimately become the largest oil spill in US history. Costs associated with this environmental catastrophe continue to mount as repercussions persist. In addition to Gulf clean-up costs, which will be born in large part by the Company, there are inestimable costs to the livelihoods of those employed in the Gulf's oil, hospitality and fishing industries. Further, there are moving target costs associated with home value depreciation and forgone investment opportunities. To partially address some of these concerns, and in response to negotiations with the US government, BP agreed to set up a $20 billion escrow fund, adjudicated by Kenneth Feinberg, to satisfy obligations resulting from the crisis. In March 2012, BP paid $7.8 billion to settle a lawsuit with individuals from the Gulf of Mexico oil disaster. The firm had already spent $8 billion from the escrow fund and stated that the remainder of the $20 billion fund would be used to settle claims with tens of thousands of businesses "who suffered losses from the spill" (Suzanne Goldenberg. "BP Settles Gulf of Mexico Oil Spill Lawsuit." *The Guardian*. March 3, 2012). In addition to these direct financial losses, the Company's share price, which closed at £6.48 on April 21, 2010, dropped precipitously to a low of £2.96 on June 28, 2010. Further, in a stark blow to investors, dividends for the first three quarters of 2010 were suspended to partially finance the vast, and as yet undetermined, costs associated with the spill.
- In June 2011, multiple incidents occurred in China's Bohai Bay involving pressurizing oil reserves operated by ConocoPhillips and the China National Offshore Oil Corporation. As a result of these incidents, which polluted over roughly 2,400 square miles and caused significant losses in tourism and aquatic farming, ConocoPhillips was fined $351 million and stated that it would pay an additional $18 million to support environmental initiatives such as ecological construction, pollution clean up and monitoring the impacts of oil spills in the region (Greg Botelho. " ConocoPhillips to Pay $191 Million More to China Over Oil Spill." *CNN*. April 27, 2012).

Regulatory Risk: In the wake of the Deepwater Horizon incident, Ken Salazar, the head of the Department of the Interior, committed additional resources to oversight and put in place several new rules to mitigate future accidents. Violations of federal or state OSHA regulations can carry steep fines; for example after BP's Texas City refinery accident in 2005, OSHA issued a $87.4 million fine on BP for failure to correct potential hazards faced by employees. Moreover, companies in the oil and gas industry can face fines for accidents beyond those associated with workplace safety. Companies may face penalties under the Clean Water Act, Clean Air Act, Oil Pollution Act and the Comprehensive Environmental Response, Compensation, & Liability Act, among others. Companies in violation of the Clean Water Act face penalties up $1,100 per barrel spilled, or $4,300 per barrel if found to be grossly negligent. We believe that companies operating in the oil and gas industry, such as the Company, should actively inspect and monitor compliance with all applicable regulation, as violations pertaining thereto can lead to fines, lawsuits and at worst, environmental and social catastrophes.

Reputational Risk: As has been seen relating to other environmental, social, health and governance issues, failure to take appropriate action on certain issues may carry the risk of damaging negative publicity. The potentially harmful environmental and human health effects associated with accidents in the oil and gas industry have been the subject of high profile media coverage, more intensely recently as a result of the Deepwater Horizon spill in 2010. For example, The Big Fix, a documentary released in 2011, focuses on the controversies surrounded by Deepwater Horizon, BP's use of chemicals in its offshore drilling operations and overall health effects on human and animal life. Moreover, the

Deepwater Horizon disaster represented a public relations nightmare for BP, as the firm handled immediate post-spill response efforts and communications poorly. In addition, reputational harm can lead to loss in investor confidence and well as the loss of potential future business. For example, not long after the Deepwater Horizon incident, BP was forced to abandon its plans to drill in Greenland (Terry Macalister "BP Frozen Out of Arctic Oil Drilling Race". *The Guardian*. August 25, 2010).

We note that the Company has recently been involved in several incidents, including:

- On June 2, 2011, four workers were killed when a storage tank exploded and caused at fire at the Company's Pembroke plant in Wales. The explosion was noted as "the U.K's worst refinery disaster" since 1974: however, the refinery continued to operate after the fire was extinguished as the storage tank did not contain any crude materials (Rachel Graham and Nidaa Bakhsh. "Four Killed in U.K.'s Deadliest Refinery Explosion Since 1974." *Bloomberg*. June 3, 2011). We note that the Company completed the sale of its Pembroke refinery two months after this incident for $730 million to Valero Energy (Vicki Vaughan. "Valero Closes on $730 Million Purchase of U.K. Refinery." *San Antonio Express*. August 1, 2011).
- Currently, the Company and Transocean Ltd. are being sued for $22 billion in environmental damages in Brazil due to oil spills off the coast of Rio de Janeiro. The preliminary lawsuit, filed in December 2011 after a 3,000 barrel oil spill in November 2011, was dismissed in February 2012. In March 2012, the Company reported new leaks on the seabed, amounting to approximately one barrel of oil, which has led prosecutors to seek to halt Company operations, blocks on the Company's ability to transfer profits from Brazil and criminal charges against executives, carrying prison terms of up to 31 years and requesting the 17 executives to surrender their passports (Peter Millard and Adriana Brasiliero. " Chevron Brazil Suits Double to $22 Billion with New Claim. " *Bloomberg*. April 4, 2012). Although a Brazilian federal judge has denied a request to ban the Company and Transocean from operating in the country, it illustrates the increased scrutiny in Brazil of offshore oil production (Adriana Brasiliero. "Brazil Judge Denies Ban of Chevron, Transocean Operations." *Bloomberg*. April 11, 2012).
- On January 16, 2012, a natural gas rig off the coast of Nigeria operated by the Company exploded and killed two workers. The explosion started a fire on the ocean surface that was not extinguished for 46 days. Although the cause is still unknown, the Company suspects that undersea rocks had fallen into the gas well and the well's condition prevented the Company and the Nigerian government from extinguishing the blaze. Local residents have complained of fumes and gas affecting the food and drinking water; however the Company states that tests it conducted did not find pollution in the air or water (Drew Hinshaw. "Chevron Faces Fire in Nigeria." *Wall Street Journal*. March 6, 2012).

Additionally, we note that the OSHA violations database reports that the Company had 13 violations in 2009, the most recent year that data is available. Additionally, in September 2011, the Company received a "serious" citation at a facility in Albany, Georgia due to its exposing employees to "crushing" conditions. Additionally, the Company was fined $350 for failing to warn employees of the dangers of an oil field where an employee fell underground and boiled to death (" Oil Worker's Death Renews Debate on Safety of Extraction Method." *Los Angeles Times.* April 14, 2012).

The Company states that it is committed to "health and safety of [its] employees and contractors" on its health and safety website. According to "The Chevron Way" the Company states that it places "the highest priority on the health and safety of [its] workforce and protection of [its] assets and the environment." Pursuant to its high priority of safety, the Company has implemented a program called "Operational Excellence" which addresses safety from environmentally safe design to safe working conditions. Additionally, the Company has implemented an Operational Excellence Management

System, which prioritizes: (i) risk reduction; (ii) performance improvement; (iii) compliance assurance; and (iv) emergency preparedness. Further, the Company has dedicated a section of its website to working safely in the U.S. Gulf where it lists its efforts to promoting safe operations. Regarding the Company's recent incidents, it provides press releases regarding updates on its Nigerian natural gas rig and the aforementioned oil spills in Brazil. Moreover, in its 2012 10-K, the Company states that its operations have "inherent risks and hazards that require significant and continuous oversight" (*p.30*). According to the Company's 2010 corporate responsibility report, in 2010 the Company experienced a total of 95 loss-of-primary-containment incidents across its operations and no fatalities resulted from them. It also highlights its 90% reduction in its Days Away From Work Rate as compared to a decade ago as well as its deepwater drilling safety process. The Company states that it has experience in blowout prevention, which prevents a well's fluids from escaping from the well, and ensures safety for its deepwater drilling operators. Regarding oversight of these issues, the board level public policy committee is charged with oversight of its risk management and developing and adopting policies regarding employee safety. The committee also assists the board in identifying, evaluating and reviewing social and environmental trends and related risks.

Overall, we believe the Company has taken reasonable steps to aid in accident prevention. In addition, the Company has established safety processes for its facilities and maintains board oversight of its health, safety and environmental policies and programs. We believe that the Company has disclosed much of the information requested in this proposal and we are not convinced that the production of a separate report is the best use of Company resources. While we do find the Company's recent accidents concerning, we believe the available disclosure of its oversight of accident prevention and the management systems put in place in order to ensure that inspections and maintenance are properly conducted is not deficient to the degree that we believe the passage of this proposal is desirable. However, at this time, we refrain from offering our support for this proposal.

Accordingly, we recommend that shareholders vote **AGAINST** this proposal.

Proposal 10.00: Shareholder Proposal Regarding Right to Call a Special Meeting

AGAINST

Glass Lewis recommends shareholders vote **AGAINST** this proposal for the following main reasons:

- The Company already has in place a 15% shareholder threshold for the calling of a special meeting; and
- The Company has strong corporate governance, including: majority vote standard for the election of directors, a declassified board, the implementation of a lead independent director and overall responsiveness to shareholders.

This shareholder proposal requests that the board of directors amend the bylaws and appropriate governing documents to give holders of 10% of the Company's outstanding common stock (or the lowest percentage allowed by law above 10%) the power to call special shareholder meetings and without any exceptions applying only to shareholders.

Text of Resolution- *RESOLVED: Shareowners ask our board to take the steps necessary (to the fullest extent permitted by law) unilaterally to amend our bylaws and each appropriate governing document to give holders of 10% of outstanding common stock (or the lowest percentage permitted by law above 10%) the power to call a special shareowners meeting.*

To the fullest extent permitted by law, such bylaw and/or charter text regarding calling a special meeting will not contain any exception or exclusion conditions that apply only to shareowners but not to management and/or the board.

Proponent's Perspective

The proponent, whose identity is not disclosed in this proxy statement, offers the following four main reasons why shareholders should vote for this proposal:

- The proponent is concerned that management has mishandled several issues in aways that may result in liabilities, such as the acquisition of Texaco regarding its 18 years of litigation for alleged oil contamination in Ecuador;
- The Company has failed to characterize risks associated to the potential enforcement of the Ecuadorian court judgment in disclosure forms and statements to shareholders;
- There many be substantial liabilities in other areas of the Company's operations, such as in Myanmar; and
- The current CEO oversaw the mergers with Texaco and Unocal, and this range of possible liabilities has not been adequately disclosed to shareholders.

Board's Perspective

The board offers the following five main reasons why shareholders should vote against this proposal:

- At the 2010 annual meeting, 80% shareholders voted to amend the Company's bylaws to permit shareholders owning 15% of the Company's common stock to call a special meeting;
- The board believes 10% is too low and the existing 15% threshold is reasonable and appropriate, as it prevents a small group of shareholders from calling a special meeting that are not of interest

to a majority of shareholders;
- The difference between a 15% and 10% threshold equates to several more large shareholders or a significant number of smaller shareholders, which should forestall potential abuse of the right to call a special meeting;
- According to the Company's current bylaws, a special meeting cannot be called if: (i) the Board has already called for or will call an annual meeting of stockholders for the same purposes specified in the special meeting request; or (ii) an annual or special meeting was held within 12 months before the request for a special meeting was received and included the purpose specified in the special meeting request; and
- The Company is incorporated in Delaware and is listed on the New York Stock Exchange, which require shareholder approval for major corporate actions.

Glass Lewis' Analysis

Glass Lewis strongly supports the right of shareholders to call special meetings. However, in order to prevent abuse and waste of corporate resources by a very small minority of shareholders, we believe that shareholders representing at least a sizable minority of shares must support such a meeting prior to its calling.

When reviewing proposals seeking to grant shareholders this right we typically consider:

- Company size;
- Shareholder base in both percentage of ownership and type of shareholder (e.g., hedge fund, activist investor, mutual fund, pension fund, etc);
- Responsiveness of board and management to shareholders evidenced by adopting progressive shareholder rights policies (e.g., majority voting, declassifying boards, etc.) and reaction to shareholder proposals;
- Company performance and steps taken to improve bad performance (new executives/directors, spin offs etc);
- Existence of anti-takeover protections or other entrenchment devices;
- Opportunities for shareholder action (e.g., ability to act by written consent) and:
- Existing ability for shareholders to call a special meeting

In this case, we note that the Company already has in place a 15% shareholder threshold for the calling of a special meeting. Further, we find that the board appears to be responsive to shareholder requests, as evidenced by its 2010 adoption of the aforementioned 15% threshold. Moreover, the Company has strong corporate governance practices, including: majority vote standard for the election of directors, a declassified board, the implementation of a lead independent director and overall responsiveness to shareholders. As such, we find that the existing threshold is sufficient, particularly given the other opportunities for the exercise of other shareholder rights.

Accordingly, we recommend that shareholders vote **AGAINST** this proposal.

Proposal 11.00: Shareholder Proposal Regarding Environmental Expertise on Board

AGAINST

Glass Lewis recommends shareholders vote **AGAINST** this proposal for the following main reasons:

- While we firmly believe that the Company should actively monitor and manage its environmental performance and reputation, we believe the board should pursue this goal without being subject to a request to nominate a candidate with such a narrow field of expertise;
- The board-level Public Policy Committee charter states that the committee's responsibilities include identifying, monitoring and evaluating domestic and international social, political and environmental trends and issues that affect the Company's activities and performance; and
- The Company's corporate governance guidelines were amended in 2010 to state that directors should "have broad experience or expertise at the policy-making level in business, governmental, educational, technological, environmental, or public interest issues," indicating that the Company recognizes the importance of environmental experience in the oversight of operations.

This shareholder proposal requests that as the terms of current directors expire at least one candidate be recommended who is a recognized authority on environmental matters relevant to hydrocarbon exploration and production, as well as independent by NYSE standards. See below for text of resolution.

Text of Resolution-*THEREFORE, BE IT RESOLVED: Shareholders request that, as the terms in office of elected board directors expire, at least one candidate be recommended who:*

- *has a high level of expertise and experience in environmental matters relevant to hydrocarbon exploration and production and is widely recognized in the business and environmental communities as an authority in such field, in each case as reasonably determined by the company's board, and*
- *will qualify, subject to limited exceptions in extraordinary circumstances explicitly specified by the board, as an independent director under the standards applicable to the company as an NYSE listed company,*

in order that the board includes at least one director satisfying the foregoing criteria, which director shall have designated responsibility on the board for environmental matters.

Glass Lewis notes that a similar proposal received 24.8% support at the 2011 annual meeting, excluding abstentions and broker non-votes.

Proponent's Perspective

The proponent, whose identity is not disclosed in the proxy statement, offers the following nine main reasons why shareholders should vote for this proposal:

- Environmental expertise is critical to the success of companies in the energy industry because of the significant environmental issues associated with their operations;
- A company's inability to demonstrate that its environmental policies and practices are in line with internationally accepted standards can lead to difficulties in raising new capital and obtaining the necessary licenses from regulators;
- The Company is on trial for widespread contamination in the Ecuadorean Amazon, and a

court-appointed expert has stated that the Company could be held liable for up to $8.6 billion in damages;
- A serious oil spill off the coast of Brazil caused the Brazilian government to suspend the Company's off-shore oil exploration in November 2011, with officials estimating the Company could be held liable for over $80 million in damages;
- The Company is accused of polluting land and water resources in the Niger Delta, damaging the local fishing economy through the dredging of waterways, fueling civil unrest and protests, and is involved in a related lawsuit alleging the Company's complicity in security forces' killing of two protesters;
- A fine of $609 million was levied against a consortium in which the Company has a 50% stake for illegally storing sulphur in Kazakhstan;
- As controversies have the potential to damage shareholder value, the Company should respond to environmental challenges in an effective, strategic and transparent manner;
- An authoritative figure with acknowledged environmental expertise could enable the Company to more effectively address the environmental issues inherent in its business and ensure that the highest levels of attention focus on the development of environmental standards for new projects; and
- Appointing a director who is an environmental expert would strengthen the company's ability to demonstrate the seriousness with which it is addressing environmental issues.

We note that in May 2012, the proponent released additional information regarding its rationale for this proposal on its website.

Board's Perspective

The board offers the following seven main reasons why shareholders should vote against this proposal:

- Board members and candidates should possess a broad range of skills, qualifications and attributes rather than a single expertise;
- The Company is committed to seeing that all projects and products are developed in an environmentally sound manner and that operations and products continue to reduce their environmental impacts;
- The Company's Corporate Governance Guidelines and its proxy statement discuss its board membership qualifications standards, and in September 2010, the board revised its Board Membership Criteria section to include environmental expertise or experience in the list of skills that are desirable when identifying candidates for the board;
- The board currently includes a number of independent directors whose professional activities have brought them experience with environmental matters relating to world trade, manufacturing, technology and public policy;
- The board has access to an extensive internal network of environmental professionals whose primary focus is on environmental protection and stewardship in connection with the Company's operations and products;
- The Company has established rigorous environmental standards, processes and reporting to ensure that it is protecting the environment everywhere that it operates; and
- Boards make decisions as a group, with a collective responsibility that is inconsistent with delegating responsibility for areas as important as the environment to a single specialist director, as the board needs directors who can integrate knowledge about a variety of subjects, often at the same time and affecting the same issue.

Glass Lewis' Analysis

Glass Lewis views environmental expertise as a very positive attribute of an effective board of directors, particularly at an international oil and gas firm such as the Company. However, we believe that the board, specifically its nominating and governance committee, is typically in the best position to determine and recommend what qualities and characteristics are most desirable in an director, in light of the Company's needs. Shareholders can hold board members accountable for their decisions on these issues through the election of directors. We do, however, believe that companies should actively evaluate risks to shareholder value stemming from environmental impact and activities along entire supply chains. Given that the Company has been subject to negative publicity, fines, lawsuits and settlements with respect to environmental and social stewardship, as more fully described in Proposals 1, 7, 8, and 9, we believe shareholders should carefully monitor the Company's policies and actions in this regard.

At this time, we do not believe the proponent has clearly demonstrated that the mandated inclusion of a designated environmental expert on the board is the appropriate remedy for these concerns, particularly in light of board opposition. Currently, we do not believe that the inclusion of a specified environmental expert, who may not have expertise in other key areas, will necessarily improve the board's ability to enhance shareholder value. Further, the charter of the board level Public Policy Committee, comprised of Chairwoman Linnet F. Deily, Robert J. Eaton (whose retirement from the board will be effective following the 2012 annual meeting) and Chuck Hagel, states that the committee's responsibilities include identifying, monitoring and evaluating domestic and international social, political and environmental trends and issues that affect the Company's activities and performances. We note, that according to the Company's *2012 DEF 14A* the members of this committee currently possess environmental expertise. For example, Director Deily oversaw the negotiation of various environmental issues through her role as a U.S. Ambassador to the World Trade Organization and has experience with environmental issues, based in part on her work as a Deputy U.S. Trade Representative (*p. 9*) and Director Hagel "brings to the Board valuable experience in environmental matters as a result of his work as Chairman of the U.S. Senate Climate Change Observer Group, as a member of the Commission on Climate and Tropical Forests and as a Co-Chair of the Disposal Subcommittee of the Blue Ribbon Commission on America's Nuclear Future" (*p.11*). In addition, the Company's corporate governance guidelines were amended in 2010 to state that directors should "have broad experience or expertise at the policy-making level in business, governmental, educational, technological, environmental, or public interest issues," indicating that the Company recognizes the importance of environmental experience in the oversight of operations.

While we firmly believe that the Company should actively monitor and manage its environmental performance and reputation, we believe the board should pursue this goal without being artificially predisposed to recommend an individual strictly based on such expertise. We will, however, closely monitor this issue going forward, as adverse developments may have a material and detrimental effect on shareholder value.

Accordingly, we recommend that shareholders vote **AGAINST** this proposal.

Disclosure