



# Investing in human energy

2006 Corporate Responsibility Report

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**Above:** Chevron's geothermal operations in Salak, Indonesia, supply renewable energy to the state electric utility PT. Perusahaan Listrik Negara.

**On the cover:** A weaver's hands are at work at Putri Tujuh Weaving, a small business in Dumai, Indonesia. PT. Chevron Pacific Indonesia (CPI) has been assisting this business since 2001 with financial support for building renovation, materials and equipment, and technical training. Putri Tujuh is one of several local businesses CPI supports.

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**Welcome** to our fifth Corporate Responsibility Report. It contains descriptions of new and ongoing socioeconomic and environmental performance and related data. The achievements, goals and challenges included here reflect our belief that our business success depends equally on outstanding results and how we achieve those results. Both are guided by our vision, as described in The Chevron Way, to be *the* global energy company most admired for its people, partnership and performance.

## A Message From Our CEO



The men and women of Chevron, our “human energy,” have a pioneering, ingenious and collaborative spirit that enables the company to succeed. They understand the importance of energy to global economic growth and human progress and are committed to securing the energy the world needs through innovation and value creation. They are also the means by which we integrate corporate responsibility into our operations worldwide.

Chevron continued to deliver energy safely and reliably in 2006. We posted strong financial results and earned attractive returns for our stockholders. Our 2006 Annual Report, titled *Managing the Energy Portfolio*, details these successes and explains our investments across the energy spectrum to meet the world’s growing demand for energy. At the same time, we continued to advance our corporate responsibility objectives and results.

We remained focused on our target of zero incidents. Chevron is moving solidly toward world-class performance. We set a new safety record in 2006, our fifth consecutive year. However, 12 people died last year working on behalf of Chevron. The lessons we have learned from these and all incidents will enhance the safety of our operations going forward.

In 2006, our business investments produced economic benefits for our employees, business partners and the communities where we operate. We also invested nearly \$91 million to help people improve their lives through education, training and local business development. These community engagement investments spanned the globe. We partnered on a new polytechnic school in Indonesia; supported learning centers in Venezuela; engaged with governments, communities and nongovernmental organizations to reach common development goals in Angola and Nigeria; and launched the Energy for Learning initiative to support public schools on the U.S. Gulf Coast.

“Our statement on climate change has been expanded to build on our Fourfold Plan of Action on Climate Change. The statement conveys the company’s views on the principles of economically sound climate policies.”

## Chevron at a Glance

Chevron improved its practices for assessing environmental, social and health impacts associated with its capital projects - before the projects even start. We have now defined and deployed an assessment process for virtually all new projects that will identify ways to create greater value from these projects in local communities and mitigate potential impacts. Chevron is committed to protecting human rights. Last year, we articulated our intentions in a Human Rights Statement and began employee training.

Chevron posted better-than-targeted results for both greenhouse gas emissions and energy efficiency. In addition, our statement on climate change has been expanded to build on our Fourfold Plan of Action on Climate Change. The statement conveys the company's views on the principles of economically sound climate policies. These principles recognize, among other things, the need for national frameworks and global engagement by the top emitting countries of the world; broad, equitable treatment of all emitting sectors of the economy; and actions to enable technology, maximize conservation and ensure energy security. Given the potential widespread impacts to society, the costs, risks, trade-offs and uncertainties associated with climate policies must be thoughtfully assessed and openly communicated.

The approximately 56,000 people of Chevron work every day to meet the challenge of providing the world with the energy it needs to support human progress - and we do so in the right way. We strive for world-class performance across every aspect of our business - from our technical and financial capabilities to our social and environmental performance. We are optimistic about our future. To succeed today and meet the challenges of tomorrow, we harness the greatest source of energy in the world - human energy.

Sincerely,



Dave O'Reilly  
April 2007

Chevron is one of the world's leading integrated energy companies. Headquartered in San Ramon, California, we have a diverse, multicultural workforce comprising approximately 56,000 employees. Our subsidiaries conduct business in more than 180 countries. We operate across the entire energy spectrum, producing and transporting crude oil and natural gas; refining, marketing and distributing fuels and other energy products and services; manufacturing and selling petrochemical products; generating power; and developing and commercializing the energy resources of the future, including biofuels and other renewables.

Our major business strategies are focused on developing leading integrated positions in growth areas of the world, as well as investing in renewable technologies. In 2006, Chevron operations averaged net daily production of 2.67 million barrels of oil-equivalent, with approximately 70 percent of the production occurring outside the United States in more than 20 different countries.

### Upstream

Chevron's upstream strategy is to grow profitably in core areas and build new legacy positions. Major producing areas include Angola, Australia, Indonesia, Kazakhstan, Nigeria, the Partitioned Neutral Zone, Thailand, the United Kingdom, the United States and Venezuela. Major exploration areas include western Africa, Australia, Brazil, Canada, the Gulf of Thailand, the Norwegian Barents Sea, the international waters between Trinidad and Tobago and Venezuela, the U.K. Atlantic Margin and the U.S. Gulf of Mexico.

We are also focused on commercializing our large equity natural gas resource base while growing a high-impact global gas business. Chevron holds the largest natural gas resource position in Australia and has other significant holdings in western Africa, Kazakhstan, Latin America, North America and Thailand.

### Downstream

Our focus in our downstream operations is to improve base business returns and selectively grow with a focus on integrated value chain creation. In 2006, we processed approximately 2 million barrels of crude oil per day and averaged approximately 3.6 million barrels per day of refined products sales worldwide. Major areas of operation are in Asia, in sub-Saharan Africa, on the U.S. Gulf Coast extending into Latin America, and on the U.S. West Coast. We hold an interest in 20 fuel refineries and have a fuels and lubricants marketing presence in approximately 175 countries. We market under the Chevron, Texaco and Caltex motor fuel brands. Products are sold through a network of approximately 25,800 retail outlets, including those of affiliate companies.

### Additional Businesses

Our businesses extend across the energy value chain. They include: Chevron Energy Solutions Company; Chevron's geothermal business; Chevron Global Power Generation; Chevron Technology Ventures; Chevron Phillips Chemical Company, a 50-50 joint venture; and Chevron Oronite Company. More information on these businesses can be found on our Web site. [1]

Chevron is a publicly traded company listed on the New York Stock Exchange. Additional information on our corporate structure, operations and brands can be found on our Web site. [1]

[1] [www.chevron.com/about/](http://www.chevron.com/about/)  
[www.chevron.com/operations/](http://www.chevron.com/operations/)  
[www.chevron.com/brands/](http://www.chevron.com/brands/)

## How We Conduct Our Business

### Fulfilling the Vision of The Chevron Way

The Chevron Way describes what we do, what we believe and what we plan to accomplish. It integrates corporate responsibility into how we achieve business success. The Chevron Way states our vision, values and strategies and establishes a common understanding not only for those of us who work for Chevron, but also for all who interact with us. To read more about The Chevron Way, please visit our Web site. [1]

### Our Priorities

Corporate responsibility is managed through our existing management systems, processes and policies. We review our corporate responsibility elements periodically to examine our progress and to identify emerging issues. To view these elements, please visit our Web site. [2] Based on this approach, we made several changes to our list of priorities in 2006. The priorities discussed in this report are:

- Continuous integration of corporate responsibility into our business
- Global strategic workforce development
- Stakeholder engagement
- Health and safety, including HIV/AIDS
- Community engagement
- Human rights
- Climate change, renewables and energy efficiency
- Environmental management

“Global strategic workforce development” was added to reflect the importance of building a committed workforce. “HIV/AIDS” is now included within “health and safety,” reflecting the ongoing global implementation of our HIV/AIDS policy.

### Business and Management Systems

Three of the central business and management systems that underpin our efforts to conduct our business in a responsible and ethical manner are our Corporate Governance Guidelines, Chevron Business Conduct and Ethics Code, and Operational Excellence Management System. They are described below.

### Corporate Governance

Chevron has a long tradition of commitment to good corporate governance. Directors are elected annually, and committee assignments and chair positions are routinely rotated. Four new directors have been added since 2004. A lead director chairs executive sessions of the independent directors and works with the chairman on the schedule and agendas for board meetings, as well as other matters.

In 2006, we revised our Corporate Governance Guidelines to provide greater specificity about our ongoing director education efforts, the board’s periodic review of corporate governance documents, and our goal of providing greater than 50 percent of board compensation in equity.

The board also adopted the Policy on Stockholder Proposals Receiving Majority Approval, which provides for board reconsideration of any proposal not supported by the board that receives a majority vote at the Annual Meeting of Stockholders. We routinely communicate with proponents of stockholder resolutions, as noted in the Stakeholder Engagement section on page 16.

We regularly review and assess governance trends and revise our policies as appropriate. Comprehensive information to investors and others on our governance practice is available on our Web site. [3]

### Business Ethics

Chevron is committed to conducting business with the highest ethical standards and fully complying with all applicable laws in the countries where we do business. The Chevron Business Conduct and Ethics Code (BC&E Code) outlines how we conduct ourselves and our operations around the world. All employees are required to read and acknowledge that they will abide by the BC&E Code, or take training on the code, which has been translated into 11 languages. The BC&E Code is periodically updated and redeployed to our employees.

The BC&E Code requires that instances of questionable conduct in any area be reported to management, legal counsel, the appropriate operating organization’s compliance committee or the Chevron Hotline. We uphold our policy of protecting whistle-blowers from retaliation. The BC&E Code is available on our Web site. [4]

The Chevron Hotline is operated offsite by Global Compliance Services (AlertLine®), an independent agent. Any matter submitted to the Chevron Hotline may be made anonymously. Individuals can contact the Chevron Hotline using a multilingual phone line, via the Internet or by letter, 24 hours a day, seven days a week. All hotline matters are reviewed by the corporation’s chief

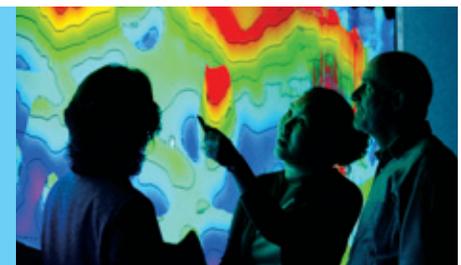
### CORPORATE RESPONSIBILITY AT CHEVRON

We define corporate responsibility as:

- Consistently applying our core values, set out in The Chevron Way.
- Maximizing the positive impact of our operations on current and future generations.
- Integrating social, environmental and economic considerations into our core practices and decision making.
- Engaging with and balancing the needs of our stakeholders.

### RESERVOIR MANAGEMENT IN KAZAKHSTAN

Lead geologist Aigul Assaubayeva (center) and geologist-mentor Gary Jacobs (right), of the Tengizchevroil reservoir management team in Kazakhstan, study 3-D interpretations of subsurface geology mapped from seismic data. Chevron is a 50 percent partner in Tengizchevroil.



compliance officer and chief corporate counsel and, if warranted, are elevated to the Audit Committee of the Board of Directors.

In 2006, AlertLine® received 262 hotline calls in which allegations were made. While the calls covered a wide variety of concerns, the largest percentage pertained to three classifications:

- People management issues 62%
- Financial and internal controls 15%
- Environment, health and safety 6%

Our compliance program relies on shared responsibility and is structured so that each business unit is responsible for its own compliance. The Corporate Compliance Policy Committee, chaired by the vice chairman, sets compliance policy for the corporation, governs the compliance program, and reviews the compliance activities of the business units. The Audit Committee of the Board of Directors reviews the company's internal auditing practices and is responsible for corporate compliance oversight.

#### Operational Excellence Management System (OEMS)

OEMS is what we use to systematically manage safety, health, the environment, reliability and efficiency. Using OEMS, we integrate operational excellence (OE) objectives, plans, processes and behaviors into our daily operations to achieve world-class performance.

During 2006, we continued to more fully implement OEMS through actions that included the following:

- Established an operational excellence governance board responsible for endorsing policy, processes and standards supported by the Health, Environment and Safety (HES) Steering Committee and the Reliability Steering Committee. The board is chaired by the HES vice president and includes top managers of major operating companies.
- Continued OE training and certification. By year-end, nearly 10,400 Chevron employees had completed OE training for leaders, while 7,010 had achieved OE certification.
- Released a new corporate standard process for risk management, discussed in the Environmental Management section of this report.
- Deployed an OEMS self-assessment tool to enable business unit leaders to assess implementation against expectations.
- Hosted the fourth annual OE Forum, "Living OE for World-Class Performance." Employees from around the globe shared implementation experiences and best practices through presentations and workshops. Senior leaders participated in the forum, reinforcing leadership involvement and accountability.



The Pembroke Refinery in Wales received one of Chevron's Zero Is Attainable awards for outstanding safety performance during 2006. For 2005 through 2006, the refinery reported a Days Away From Work Rate of zero, making a total of more than 6.5 million hours without a Days Away From Work incident.

#### OE Vision

To be recognized and admired by industry and the communities in which we operate as world-class in safety, health, the environment, reliability and efficiency.

#### OE Objectives

- Achieve an injury-free workplace.
- Eliminate spills and environmental incidents. Identify and mitigate key environmental risks.
- Promote a healthy workplace and mitigate significant health risks.
- Operate incident-free with industry-leading asset reliability.
- Maximize the efficient use of resources and assets.

"Chevron, as a top-tier U.S. integrated oil and gas company, is subject to a range of complex sustainability issues across its operations. Managing and mitigating these sustainability risks will be increasingly crucial for the company's future competitiveness. Chevron is currently in the top quartile of all oil and gas companies in the Dow Jones Sustainability Assessment, and has increased its score and been included in the Dow Jones Sustainability Index for North America for the past two years.

In the environmental area, Chevron's performance has improved, particularly regarding biodiversity and releases to the environment. In our view, Chevron should strengthen its focus and strategies toward carbon emissions and climate change. In the social area, Chevron has relative strength against several of its peers and is markedly high on sustainability scoring for stakeholder engagement and corporate citizenship."

**Björn Tore Urdal, Senior Equity Analyst, Energy  
SAM Group and Dow Jones Sustainability Indexes  
December 2006**

[3] [www.chevron.com/investor/corporate\\_governance/](http://www.chevron.com/investor/corporate_governance/)  
[www.chevron.com/financialreports/](http://www.chevron.com/financialreports/)  
[www.chevron.com/investor/corporate\\_governance/contact\\_board.asp](http://www.chevron.com/investor/corporate_governance/contact_board.asp)

[4] [www.chevron.com/biz\\_conduct/](http://www.chevron.com/biz_conduct/)

# Performance Overview

Key Corporate Responsibility Performance Indicators	2005	2006 <i>Goals are shown in brackets</i>	Page
<b>Socioeconomic</b>			
Fatalities (workforce)	6	12 [0]	18, 19
Days Away From Work Rate (workforce per 200,000 work hours)	0.12	0.09 [0.1]	18, 19
Total Recordable Incident Rate (workforce per 200,000 work hours)	0.41	0.42	18, 19
Company motor vehicle incidents (per million miles driven)	3.65	0.82 <sup>1</sup>	18, 19
Percent of female and non-Caucasian males at the senior executive level worldwide	19.4	21.4	15
Percent of females at midlevel positions and above worldwide	9.8	10.3	15
Total corporatewide spending in community investment (US\$ millions)	73.1	90.8	22, 23
<b>Environmental</b>			
Number of petroleum spills	846	803	36-38
Volume of petroleum spills (barrels)	47,934	6,099	36-38
Global VOCs emissions (thousands of metric tons)	469	384	36, 37
Global SOx emissions (thousands of metric tons)	119	118	36, 37
Global NOx emissions (thousands of metric tons)	122	138	36, 37
Number of environmental, health and safety fines and settlements	577	699	38
Total GHG emissions (millions of metric tons of CO <sub>2</sub> equivalent)	59	61.9 <sup>2</sup> [68.5]	30, 31
GHG emissions from flaring and venting (millions of metric tons of CO <sub>2</sub> equivalent)	14.7	16.1	30, 31
Energy efficiency (Chevron Energy Index)	76	73 [75]	30-32

Area of performance improvement    Area of performance decline    Unchanged or no significant improvement or decline

VOCs (volatile organic compounds)    SOx (sulfur oxides)    NOx (nitrogen oxides)

<sup>1</sup> 2006 data are based on a new classification system adopted by the International Association of Oil & Gas Producers and are no longer comparable to historical data.

<sup>2</sup> Chevron's net increase of approximately 3 million metric tons of CO<sub>2</sub>-equivalent emissions from 2005 to 2006 can be attributed primarily to accounting of emissions from former Unocal assets for the full year of 2006, compared with just five months in 2005 (Chevron acquired Unocal in August 2005).

Below are brief summaries of performance achievements and events in 2006 that underscore our commitment to operating in a responsible manner.

## Corporate ESHIA

Developed in 2006, our integrated Environmental, Social and Health Impact Assessment (ESHIA) process was released as a corporate standard in January 2007. It will be implemented across the company over three years. The ESHIA process will be applied to all new capital projects to systematically identify, analyze and develop measures to enhance project benefits and mitigate environmental, social and health impacts.

## Community Engagement

A record of nearly \$91 million was invested in community engagement initiatives, with approximately 68 percent of these funds used to help meet basic human needs, provide education and career training, and support local businesses. Initiatives were

under way in regions of Indonesia affected by the 2004 tsunami to increase educational levels and build economic capacity. We reached agreements with eight communities in Nigeria's Niger Delta as part of a new community engagement model. Stakeholder engagement was at the center of initiatives focused on employees and communities in Angola. Chevron launched an \$18 million initiative to help support public education in 23 Louisiana and Mississippi school districts affected by the 2005 hurricanes.

## Continued OEMS Implementation

During 2006, we continued to work to fully and effectively implement our Operational Excellence Management System (OEMS) enterprisewide. We established an operational excellence (OE) governance board responsible for endorsing OE policy, processes and decisions. A corporate standard process for identifying and managing risks, including those related to health, the environment and safety, was released companywide.

## Climate Change and Energy Efficiency

Chevron continued to implement its Fourfold Plan of Action on Climate Change, which is now in its fifth year, to address climate change issues. We emitted 61.9 million metric tons of CO<sub>2</sub> equivalent, well under our goal of 68.5 million metric tons. We continued working toward our goal to eliminate routine flaring and venting, where feasible. Our operations were 27 percent more energy efficient per unit of output in 2006 than in 1992, when the Chevron Energy Index was established.

## Renewable Energy and Biofuels

Renewable energy was added as the fourth key component of our corporate strategic plan. A biofuels business unit was created to advance technology and pursue commercial opportunities related to ethanol and biodiesel. We invested in a biodiesel facility in Galveston, Texas, that will initially produce 20 million gallons of fuel per year and has the potential capacity to produce 100 million gallons per year. Several strategic research alliances were established with government and academic institutions to develop second-generation biofuels.

<b>Financial Highlights</b> <i>US\$ millions, except per-share amounts</i>	2005	2006	<b>Operating Highlights<sup>2</sup></b>	2005	2006
Net income	\$14,099	\$17,138	Net production of crude oil and natural gas liquids (thousands of barrels per day)	1,669	1,732
Sales and other operating revenue	\$193,641	\$204,892	Net production of natural gas (millions of cubic feet per day)	4,233	4,956
Capital and exploratory expenditures <sup>1</sup>	\$11,063	\$16,611	Net oil-equivalent production (thousands of oil-equivalent barrels per day)	2,517	2,667
Total assets at year-end	\$125,833	\$132,628	Refinery input (thousands of barrels per day)	1,883	1,989
Total debt at year-end	\$12,870	\$9,838	Sales of refined products <sup>3</sup> (thousands of barrels per day)	3,725	3,621
Stockholders' equity at year-end	\$62,676	\$68,935	Net proved reserves of crude oil, condensate and natural gas liquids (millions of barrels)		
Per-share data			- Consolidated companies	5,626	5,294
- Net income - diluted	\$6.54	\$7.80	- Affiliated companies	2,374	2,512
- Cash dividends	\$1.75	\$2.01	Net proved reserves of natural gas <sup>4</sup> (billions of cubic feet)		
- Common stock price at year-end	\$56.77	\$73.53	- Consolidated companies	20,466	19,910
Return on capital employed	21.9%	22.6%	- Affiliated companies	2,968	2,974
Return on average stockholders' equity	26.1%	26%	Net proved oil-equivalent reserves <sup>4</sup> (millions of barrels)		
Total debt to total debt-plus-equity ratio	17%	12.5%	- Consolidated companies	9,037	8,612
Tax expense			- Affiliated companies	2,869	3,008
- U.S. income taxes	\$2,435	\$3,609	Number of employees at year-end	53,440 <sup>5</sup>	55,882 <sup>6</sup>
- International income taxes	\$8,663	\$11,229	Total payroll (millions of dollars)	\$3,151	\$3,500
- Taxes other than on income	\$20,782	\$20,883	Employee benefit costs (millions of dollars)	\$1,777	\$1,742
Research and development	\$316	\$468			
Stock repurchases	\$3,000	\$5,000			

1 Includes equity in affiliates

2 Includes equity in affiliates except number of employees, total payroll and employee benefit costs

3 2005 conformed to 2006 presentation

4 At year-end

5 Excludes approximately 6,000 service station personnel

6 Excludes approximately 6,600 service station personnel

### Board Adoption of Majority Vote Policy

In 2006, the board adopted the Policy on Stockholder Proposals Receiving Majority Approval for inclusion in the Corporate Governance Guidelines. This policy provides for board reconsideration of any proposal not supported by the board that receives a majority vote.

### Health and Safety

Implementation of our HIV/AIDS policy continued. Existing programs that address road safety and contractor safety were strengthened. New initiatives were developed to heighten employees' awareness of cardiovascular health and to respond to health emergencies. Despite a high priority given to safety, there were 12 workforce fatalities in 2006. Chevron continues to vigorously review the root causes of major incidents or near misses and incorporate the results of the reviews into the OEMS improvement process.

### Performance Recognition

During 2006, Chevron gained recognition for its practices and performance from a number of independent organizations.

- The Carbon Disclosure Project, which represents 225 leading institutional investors with assets of \$31 trillion, ranked Chevron as one of the top five international oil and gas companies in its Climate Leadership Index for taking "best in class" actions to address global climate change. This is the third consecutive year Chevron has received the ranking.
- For the second year in a row, Chevron was the only major U.S. oil and gas company to be included in the Dow Jones Sustainability Index for North America.
- Chevron was ranked in the top tier of North American integrated oil companies by the Goldman Sachs Environment, Social and Governance Framework.
- Chevron earned a rating of 100 percent on the Human Rights Campaign's Corporate Equality Index for the second straight year. Our handbook for negotiating transgender issues was cited as a model for other companies.
- In 2006, Institutional Shareholder Services rated Chevron in the top 4 percent of oil and gas companies in terms of corporate governance. Chevron also received a rating of 9.5 out of 10 from GovernanceMetrics International.
- For the fourth consecutive year, the Women's Business Enterprise National Council named Chevron one of the top U.S. corporations for providing growth opportunities to women business owners. Chevron is the first oil and gas company to receive this award.
- The U.S. Department of Energy Annual Merit Review recognized Chevron as "best in class" for our work in the area of hydrogen infrastructure technology validation.

# Priorities, Progress and Plans

## PRIORITY AREA

## WHAT WE SAID WE WOULD DO IN 2006

### Continuous Integration of Corporate Responsibility Into Our Business

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- Deploy a self-assessment process that business unit leaders will use to assess their Operational Excellence Management System (OEMS) implementation against expectations, supplementing corporate reviews.
- Make training available to business units.

### Global Strategic Workforce Development

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- Continue to develop a talent-sourcing initiative to recruit from a wider range of universities and colleges worldwide and increase hiring of experienced people.
- Create leadership development programs throughout the company in addition to supporting existing programs.
- Conduct a Pulse Survey with a random sample of employees worldwide to assess their level of engagement.

### Stakeholder Engagement

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- Continue regular stakeholder consultations on key issues.
- Make stakeholder engagement guide available to business units.
- Participate in formulating recommendations by the International Advisory Group (IAG) of the Extractive Industries Transparency Initiative (EITI) for presentation to the global EITI conference in late 2006 to promote wider acceptance of EITI among resource-rich nations.
- Continue to improve annual corporate responsibility reporting and align publication with Annual Meeting of Stockholders.

### Health and Safety (including HIV/AIDS)

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- Continue to focus on safety, aiming to meet short-term performance targets and the long-term goal of zero incidents.
- Develop action plans and timelines that will focus on the HIV/AIDS-related needs of our local workforces.
- Develop standardized training curricula for management and employees, and develop principles for offering HIV/AIDS testing and treatment to employees and their dependents.

### Community Engagement

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- Increase the portion of our community investment targeted toward capacity building and economic development programs.
- Continue to develop measurement tools that enable evaluation of our community engagement efforts, including engagement through the ESHIA process.
- Continue to develop workshops and training to build the capability to effectively implement our community engagement theme.

### Human Rights

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- Develop practical training to support our Human Rights Statement's deployment. The training will be designed to enhance awareness of human rights and further explain Chevron's support for universal human rights.

### Climate Change, Renewables and Energy Efficiency

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- Complete greenhouse gas (GHG) emissions forecast.
- Begin operation of the Darajat Unit 3 geothermal project in Indonesia.
- Continue to install energy efficiency improvements and alternative energy technologies at U.S. institutions and businesses through Chevron Energy Solutions Company.

### Environmental Management

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- Continue implementation of environmental expectations through OEMS, including global collection of data on hazardous waste and oil discharges to water.
- Develop and deploy additional standards as needed.
- Demonstrate continual improvement in environmental performance.

## WHAT WE DID IN 2006

- Deployed OEMS self-assessment process.
  - Continued OEMS training and certification.
  - Established OE governance board.
  - Focused on implementing corporate responsibility (CR) through existing business processes rather than a separate program.
  - Developed Environmental, Social and Health Impact Assessment (ESHIA) process as a corporate standard for new projects.
- Retooled global recruitment strategy to attract additional talent, including talent from a wider range of universities and colleges worldwide.
  - Introduced new training opportunities for new and experienced employees.
  - Conducted a 2006 Pulse Survey with a random sample of 25 percent of employees.
  - Created three leadership development programs to support existing programs.
- Distributed stakeholder engagement guide to business units.
  - Participated in formulation of IAG recommendations for EITI.
  - Aligned publication of annual CR report with Annual Meeting of Stockholders and sought input from stakeholders and other interested persons on ways to make the 2006 report more effective.
- Released a corporate standard process for managing risks at facilities, including health, environmental and safety risks.
  - Continued HIV/AIDS training and sharing voluntary testing and treatment guidelines with our physicians companywide. Established a permanent office for HIV/AIDS. Published training materials in 10 languages.
  - Formed public-private coalitions in four countries to improve road safety through the Arrive Alive initiative.
  - Initiated cardiovascular health program.
  - Hosted fourth annual OE Forum for employees worldwide to share best practices.
- Increased capacity building and economic development programs to approximately 68 percent of total investments in community engagement initiatives.
  - Developed tools for monitoring selected community engagement programs.
  - Developed a community engagement practitioners' network.
  - Continued to develop Regional Development Councils (RDCs) in Nigeria's Niger Delta in partnership with local stakeholders.
  - Continued support for communities affected by the natural disasters in 2004 and 2005.
- Launched training program for employees to enhance their understanding of human rights in the context of Chevron's role as a member of society. More than 1,200 employees completed the training.
  - Held training workshop for our global security advisors on the Voluntary Principles on Security and Human Rights.
  - Served on the core committee of the Global Sullivan Principles.
- Completed GHG emissions forecast.
  - Performed better than our GHG emissions and energy efficiency goals.
  - Formed strategic alliances with government, academic and other institutions to focus on emerging technologies.
  - Established new biofuels business unit.
  - Began working with California state officials and business community to help design the overall framework for a GHG regulatory program mandated by new GHG emissions law.
- Began collecting baseline data across all operations to track water and waste performance.
  - Issued new standards such as third-party waste stewardship and ESHIA.
  - Demonstrated continual improvement in performance.

## WHAT WE PLAN TO DO NEXT

- Continue with OEMS implementation across the company.
  - Begin rollout of ESHIA across our global operations.
  - Continue utilizing OEMS self-assessment process.
- Increase communication on our record of responsible corporate actions and policies, together with our business strategies, in recruiting efforts.
  - Deploy leadership development programs.
  - Conduct a Global Employee Survey with targeted questions on what makes employees stay with the company.
- Continue aligning our CR and annual reporting processes.
  - Continue engaging with stakeholders to improve our CR reporting.
  - Use ESHIA process to further strengthen stakeholder engagement.
  - Conduct stakeholder engagement training and make tools available to business units.
  - Continue posting corporate political contributions made during the previous year on [www.chevron.com](http://www.chevron.com). [Contributions were first posted in February 2007.]
- Continue safety focus, aiming toward long-term goal of zero incidents.
  - Continue companywide deployment of corporate standard process for managing risk.
  - Continue implementing global HIV/AIDS policy.
  - Collaborate with other companies to implement health initiatives, such as programs that are part of the Corporate Alliance on Malaria in Africa and the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria.
  - Continue implementing the Arrive Alive road safety initiative.
  - Host fifth annual OE Forum.
- Increase community investment in capacity building and economic development programs.
  - Continue developing our community engagement tool kit.
  - With rollout of companywide ESHIA, continue developing tools for social impact assessments and deliver training.
  - Expand community engagement practitioners' network.
  - Continue working with RDCs to create three-year development plans.
- Continue rollout of Chevron's Human Rights Statement, including employee training, over the next three years.
- Continue implementing Fourfold Plan of Action on Climate Change.
  - Continue to partner in developing technologies, such as biofuels and market-based mechanisms, to reduce GHG emissions.
  - Begin operation of Darajat Unit 3 geothermal project in Indonesia.
  - Continue to work with California state officials and business community to understand technological possibilities for success and consider economic trade-offs needed to meet GHG emissions law mandates.
- Implement corporate ESHIA and third-party waste standard.
  - Continue companywide OEMS alignment with ISO 14001 and OHSAS 18001 standards.
  - Continue to compile and analyze environmental data, including water and waste data, across our operations to evaluate performance.

## An Interview With Our Vice Chairman

**Peter J. Robertson** is vice chairman of the board of Chevron Corporation. In addition to his responsibilities as a corporate officer, he is directly responsible for Strategic Planning; Policy, Government and Public Affairs; and Human Resources. He also chairs the Global Issues Committee. In this section, Mr. Robertson gives his views on several key issues.



“Operating in a responsible and ethical manner lies at the heart of our value system and, combined with superior technology and world-class execution, underpins our success. This is critical today because we live in an era of global energy interdependence. All of us - producers, consumers and governments - must work together to produce and conserve the energy needed to sustain economic growth and advance human development.”

**How do Chevron's responsible business practices help it meet the challenges of supplying energy to meet the world's rising demand?**

**PJR:** Our practices help us both deliver on our business objectives and make sustainable contributions in the countries where we work. Operating in a responsible and ethical manner lies at the heart of our value system and, combined with superior technology and world-class execution, underpins our success. This is critical today because we live in an era of global energy interdependence. All of us - producers, consumers and governments - must work together to produce and conserve the energy needed to sustain economic growth and advance human development.

To meet the projected global demand for energy, we need to make full use of today's energy sources while simultaneously developing the next generation of resources. In the future, we'll need contributions from the entire energy portfolio. Many of our newer sources of hydrocarbons are located in technically challenging environments. Other new potential energy sources, such as second-generation biofuels and coal-to-liquids, require research and technology to secure commercial viability. We are confident that, guided by our vision, values and strategy, we will meet these challenges.

**What is Chevron doing to help people in countries where it operates?**

**PJR:** Chevron can be a constructive player, together with governments and civil society, in helping the economic benefits of energy flow to all stakeholders. However, we can't do this alone. The socioeconomic issues facing some energy-producing nations are staggering. The solutions are not easy. They require accountability and an integrated approach that brings together local, national and international institutions. At Chevron, we support initiatives such as the Extractive Industries Transparency Initiative, which promotes transparency through the public disclosure of payments made by companies and revenues received by countries. We support capacity building programs, such as the Politeknik Caltex Riau, a polytechnic university in Indonesia that helps students develop a range of engineering, business and vocational skills. We also develop partnerships with governments, communities and nongovernmental organizations to enhance local communities' ability to direct their own economic development. Investing in people - both our employees and our communities - is one way we can make a sustainable contribution to our collective future.

**Does Chevron believe that climate change is real, and what is it doing about it?**

**PJR:** The Intergovernmental Panel on Climate Change, the leading scientific body with expertise in this area, believes our climate system is warming. The panel has concluded that atmospheric concentrations of greenhouse gases are rising, very likely due to human activities. While the use of fossil fuels contributes to these emissions, other factors are important too, including land use changes and agricultural activities.

In our own operations, we have initially focused on reducing our own emissions, principally by improving our energy efficiency. We are also progressing several flaring and venting reduction projects that will, when completed over the next few years, reduce our GHG emissions. Finally, we have developed a set of principles to guide flexible and economically sound policy actions on climate change. We are actively working with policy makers as they tackle this complex issue.

**Chevron is primarily an oil and gas company. Is Chevron really committed to developing renewables?**

**PJR:** Absolutely. While our predominant line of business remains exploring for, producing and marketing products developed from crude oil and natural gas, we are making investments in renewable energy. From 2002 to 2006, we invested nearly \$2 billion in renewable and alternative energy, including energy efficiency services, and expect to invest more than \$2.5 billion from 2007 through 2009. To advance the development of renewable transportation fuels, we have developed research alliances with several prominent institutions and established a biofuels business unit.

In addition, energy efficiency and conservation cannot and should not be overlooked. They are currently the most plentiful form of "new" energy. We are the only integrated energy company with a subsidiary - Chevron Energy Solutions - dedicated to helping others become more energy efficient.

**Do governments have a role to play in meeting these energy challenges?**

**PJR:** Without a doubt, yes. Tomorrow's energy supplies must not only be affordable and reliable, but cleaner than ever before. Governments can play a role in stimulating the development and deployment of new energy technologies such as carbon sequestration, next-generation ethanol fuels, and advanced battery systems. In many cases, it is impossible to commercialize promising technologies without government support and partnership. As one of the largest energy consumers in the United States, the U.S. government can set an example by requiring agencies to use less energy, providing incentives to increase energy efficiency and promoting conservation efforts.

More fundamental, governments have a responsibility to lead open and honest debates on how to balance continued economic growth with our shared desire to reduce greenhouse gas emissions. After all, energy is more than mobility, light and heat. It is a fundamental driver of global economic growth and opportunity. Policy makers must articulate solutions that will enable both goals to be reached or be prepared to propose sensible trade-offs. Policies geared toward absolutes - economic growth regardless of environmental consequences or emissions reduction at any cost - are bound to be unsustainable. Ultimately, we must all be better informed and learn about these issues. On Chevron's part, I invite you to join in the dialogue on energy issues at [www.willyoujoinus.com](http://www.willyoujoinus.com).

## Socioeconomic

On the following pages, we summarize our 2006 socioeconomic performance and discuss our progress in workforce development, stakeholder engagement, health and safety, supply chain management, community engagement, and human rights. We also take a look at our Southern Africa strategic business unit's socioeconomic performance in Angola.

In each of these areas, our efforts are guided by our conviction that partnerships benefit the communities in which we operate and contribute to more stable and secure energy supplies.

“ PARTNERSHIP IS AT THE HEART OF OUR APPROACH TO COMMUNITY ENGAGEMENT. WE WORK CLOSELY WITH GOVERNMENTS, COMMUNITIES, NONGOVERNMENTAL ORGANIZATIONS, ACADEMIC INSTITUTIONS AND OTHER STAKEHOLDERS TO DEVELOP, IMPLEMENT AND EVALUATE OUR ECONOMIC AND SOCIAL DEVELOPMENT PROJECTS. INVESTING IN AND COLLABORATING WITH PEOPLE AND COMMUNITIES LEADS TO SUSTAINABLE GROWTH AND PROSPERITY, WHICH BENEFITS EVERYONE.”

**NADEEM ANWAR**  
MANAGER, COMMUNITY  
ENGAGEMENT ADVISORS  
CHEVRON CORPORATION



Working with local governments and communities, Chevron is helping establish a pioneering cassava agribusiness for local farmers near the company's Tiwi and Mak-Ban geothermal operations in the Philippines. Farmer Danilo Escobar (above) removes weeds and grass from idle land planned for cassava production. To learn more about this project, please see "Measuring Success" on page 24.

# Global Strategic Workforce Development

Recruiting and retaining a world-class global workforce is critical to our business success. Growth in energy demand and higher energy prices have increased the industry's investment activities, leading to greater competition for skilled people. During 2006, we continued building our workforce capabilities and developing national talent in the countries where we operate through our Invest in People strategy, discussed below.

Today, we have employees in 118 countries around the world and approximately 30 projects in which Chevron's share is more than \$1 billion. New talent is being hired at a rate significantly higher than two years ago. The core of our experienced workforce is retiring in increasing numbers. At the same time, our investments are occurring in increasingly diverse geographies. In 2006, 46 percent of our employees worked in U.S. operations, compared with 73 percent seven years ago.

### Invest in People Strategy

Our Invest in People strategy is designed to attract global talent and continue our investment in existing employees. To support this objective, in 2006 we established standards, metrics and governance guidelines for four core talent management processes: bringing new employees onboard, performance management, assessment of employee potential and leadership development.

### Attracting Global Talent

In 2006, we retooled our global recruitment efforts, including redesigning Internet and

print materials, and improving online recruiting tools. We expanded our recruitment efforts into countries such as India, South Africa and Thailand, where there are potential employees with key skill sets. We hired significantly more people in 2006 than in 2005, including approximately 3,500 in the United States and approximately 2,300 in non-U.S. locations. At the end of 2006, approximately 94.6 percent of our employees were working within their home countries.

### Investing in Our Employees

Retaining and developing our employees throughout their entire careers is crucial to ensuring that our workforce continues to meet our evolving business needs. In 2006, we developed new training opportunities for new and experienced employees and supervisors. These will be launched in 2007 and include:

- U.S. and international versions of Horizons, an accelerated development program to build the competency of upstream technical employees with fewer than five years of industry experience. The program has been restructured and standardizes pre-existing versions of Horizons to provide all participants with the same development and training opportunities worldwide.
- The Pathways program, designed to assess technical competencies, establish development plans, provide technical and nontechnical training, and provide opportunities for career growth for

upstream technical employees with more than five years of industry experience. The program is aligned with the development goals of the Horizons program.

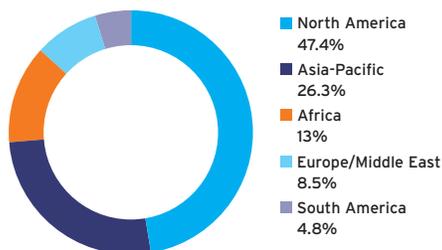
An important element of our Invest in People strategy is to develop leaders who deliver superior results in our culturally diverse, global company. In 2006, plans were put in place to require all managers and supervisors to participate in three newly developed leadership programs starting in 2007. These mandatory programs are designed to standardize leadership training companywide to enable leaders to develop similar skills that support high performance from employees regardless of location.

Selected senior leaders continued to attend the Chevron Advanced Management program, a two-month-long development program to advance their strategic thinking and global mindset. Participants take on action-learning projects challenging them to analyze specific business issues.

In addition, International Mentoring Excellence in Technology, part of the Chevron Fellows program, was launched in early 2007 as a parallel program to the existing North America version. It provides group and individual mentoring to develop leadership skills for employees outside North America in technical fields. The Chevron Fellows program recognizes employees for technical accomplishments and proactively advances the company's technical competencies.

### Global Workforce at Year-End 2006

Geographic breakdown



### WORKING OUTSIDE ONE'S HOME COUNTRY

With employees in 118 countries, Chevron provides its global workforce with opportunities outside their home countries. Iman Al Husaini, an employee of Chevron subsidiary Saudi Arabian Chevron Inc., was on assignment as a Global Gas portfolio advisor in San Ramon, California, during 2006.



At the end of 2006, our worldwide staffing was 55,882, excluding service station employees. This represents an increase of 4.6 percent over the previous year. Approximately 15.7 percent of our U.S. workforce is represented by unions.

**New Energy Technology Centers**

In 2006, Chevron Energy Technology Company (ETC) announced the opening of energy technology centers in Aberdeen, Scotland, and Perth, Australia. The two centers, which opened in 2006 and early 2007, respectively, will provide research, development and technical services to Chevron’s worldwide operations. The majority of the 100 technology professionals at each center are expected to be hired regionally. Recruitment campaigns are under way to hire experienced professionals and university students in such fields as geology; geophysics; and petroleum, process and facilities engineering.

**Supporting Diversity**

Supporting diversity and fostering inclusion are part of The Chevron Way and our Invest in People strategy. As of 2006, we have 10 officially recognized employee networks, including ones focused on gender, race, sexual orientation, age, disability and national origin. Each network welcomes any employee who supports its mission.

Chevron also tracks a variety of metrics that help us understand our progress on our diversity goals. We report on a selection of these in the charts below.



Mark Shalz (above), a rock mechanics technician, and more than 250 other Chevron employees from around the world attended the fourth annual Career Expo in San Ramon, California, in October 2006. The expo provided employees with information on such topics as career growth, the expatriate experience and career opportunities across Chevron’s businesses and operations.

**Conducting Employee Surveys**

Chevron routinely conducts surveys to understand what makes employees choose to stay with the company and what keeps them engaged in their work. Some business units also conduct unit-specific surveys to assess the need for local programs. For example, in 2006, our energy technology and information technology companies implemented programs

that addressed performance and work-life balance issues, factors identified in surveys as among those most relevant for people to remain in their jobs. Our 2006 Pulse Survey was distributed to a random sample of 25 percent of employees worldwide and had a 67 percent response. In 2007, questions on these and related issues will be included in our Global Employee Survey.

Global Diversity		
	2005 <sup>1</sup>	2006
Women in total workforce	20.6%	21.5%
Women represented at midlevel and above	9.8%	10.3%
Women and non-Caucasian men represented at senior executive level	19.4%	21.4%

U.S. Equal Employment Opportunity Commission Statistics		
	2005	2006
Minorities among total employees	31%	32.2%
Women among total employees	29%	28.3%
Minorities among officials and managers	20%	27.4%
Women among officials and managers	21%	21%
Minorities among professionals	24%	26.1%
Women among professionals	28%	30.7%

Employee Surveys				
	2004 <sup>2</sup>	2005 <sup>3</sup>	2006 <sup>3</sup>	
I believe strongly in the goals and objectives of Chevron	87%	91%	93%	
I am proud to be a part of Chevron	87%	89%	92%	
Chevron is a company that cares about the health and well-being of employees	80%	83%	87%	
I find it difficult to effectively manage both my work demands and my personal or family needs	33%	35%	32%	

1 2005 data have been revised to reflect improvements in our human resources reporting system.  
 2 Global Employee Survey (sent to all employees worldwide)  
 3 Pulse Survey (sent to a random sample of employees worldwide)

## Stakeholder Engagement

Listening to and working with our stakeholders in a constructive manner informs our decision making. Our vision is to earn the admiration of our stakeholders not only for the goals we achieve but how we achieve them. In 2006, we took a number of steps to further integrate stakeholder engagement into our business processes and management systems.

### ESHIA

Engaging with stakeholders is important for identifying and responding to issues that have the potential to affect communities and our operating environment. Our Environmental, Social and Health Impact Assessment (ESHIA) process is a strategic tool to manage issues that arise and foster local support for our operations. This scalable process requires capital projects to be evaluated for potential environmental, social and health impacts, and appropriate mitigation measures to be developed. ESHIA is used to anticipate and plan the manner in which impacts are mitigated and benefits enhanced during the planning, construction, operation and decommissioning of a project.

ESHIA was adopted for deployment as a corporate standard in January 2007.

Engaging with community members, local officials, nongovernmental organizations and others early and often throughout the life span of a project is central to the ESHIA process. We engage with stakeholders as part of the process to:

- Identify the most significant impacts of a project and their relative importance.
- Identify potential stakeholders to assist in the design and implementation of mitigation strategies.
- Build constructive and harmonious long-term relationships with neighbors and other stakeholders.

To read more about how stakeholder engagement contributes to all phases of the ESHIA process, please see our Angola Case Study on page 26.

### Stockholder Proposals

Chevron received nine stockholder proposals for the 2007 proxy season. We engaged with

proponents of seven of the proposals and came to mutual agreements that led to the withdrawal of two. The first proposal was to report on political contributions and the second would eliminate supermajority voting provisions in our certificate of incorporation. Proposals not withdrawn will be put to a stockholder vote at the Annual Meeting of Stockholders in April 2007.

### Revenue Transparency

Chevron supports greater transparency of payments made by extractive industries to governments in resource-rich countries and of revenues received by those governments. We believe that greater transparency will result in a more stable, long-term investment climate and higher levels of accountability for the effective use of the revenues. In 2006, we continued to participate in the Extractive Industries Transparency Initiative (EITI) as a member of EITI's International Advisory Group (IAG). Chevron contributed to the recommendations that were presented to the international EITI conference in Oslo, Norway.

### RAISING AWARENESS OF GLOBAL ENERGY ISSUES

*Willyoujoinus.com* continues to raise awareness of and provide a forum to discuss global energy issues. By 2006, people from 190 countries had visited the site to contribute their viewpoints on topics ranging from energy interdependence to the role of nuclear power. A site study conducted in early 2006 showed that 78 percent of visitors say the site is

"excellent" or "good," and 69 percent say they are more informed about energy issues as a result of visiting the site. At the end of each debate, the Aspen Institute, an international nonprofit organization dedicated to fostering open-minded dialogue, provides a discussion analysis for the online community and visitors to the site.



To view Chevron Vice Chairman Peter Robertson's speech at the Oslo conference, please visit our Web site. [1] The final IAG report, including the Validation Guide, can be viewed on the EITI Web site. [2]

**Political Contributions**

Chevron has strict policies and internal approval processes, which comply with the letter and spirit of all laws, to guide our political contributions decisions. By law, all contributions are reported in the applicable jurisdiction where the contribution is made. In 2006, we made nearly \$43.5 million in corporate political contributions to candidates and political organizations that support economic development, free enterprise and good governance. This total included contributions to support our views on local and state ballot measures.

In 2006, we were a supporter of a successful effort to defeat California's Proposition 87. It proposed that a new tax be levied on oil produced in the state, with up to \$4 billion of proceeds to be used to promote the development and use of alternative fuels.

The measure lacked fiscal accountability and would have made the state more reliant on imported oil by creating a disincentive to future investments in the state's oil production.

Every political contribution we make is subject to a thorough review process. Contributions are planned, budgeted, legally reviewed and approved in advance by management, including approval by the Executive Committee.

In February 2007, we posted a list of our corporate political contributions made during the previous year on our external Web site. [3]

During the 2005-2006 election cycle, the Chevron Employees Political Action Committee (CEPAC) contributed \$536,200 to the U.S. election of candidates for federal office from both parties, as well as to local and state candidates in jurisdictions where direct corporate contributions are not permitted.

By policy, CEPAC does not contribute to presidential candidates or political parties. A listing of federal contributions made during this election cycle can be viewed on the Federal Election Commission Web site. [4]

**Lobbying**

It will take a strong, coordinated response by everyone in the energy value chain - producers, consumers and policy makers alike - to meet the growing demand for energy. As a stakeholder in that value chain, we have a responsibility and a right to advocate our position on proposed policies that will have an impact on our ability to respond to that need.

Lobbying is an essential and constructive part of the political process. We work ethically, constructively and in a bipartisan manner through direct communication with public officials and by encouraging our employees, stockholders and others to communicate with those officials, where permitted by law. Chevron complies with all registration and reporting regulations related to our lobbying activities.

Stakeholder	Profile	How we engaged in 2006
Stockholders	Registered and beneficial stockholders of record	<ul style="list-style-type: none"> <li>▪ Annual Meeting of Stockholders</li> <li>▪ Discussions with proponents of stockholder proposals</li> </ul>
Employees	Approximately 56,000 Chevron employees (as of December 31, 2006)	<ul style="list-style-type: none"> <li>▪ Employee Pulse Survey</li> <li>▪ Compliance hotline</li> <li>▪ Chevron ombudsperson</li> <li>▪ Worldwide employee teleconference with senior management</li> <li>▪ Monthly chairman's letter</li> <li>▪ Employee networks</li> </ul>
Suppliers	Approximately \$30 billion spent globally on goods and services in 2006 with a network of suppliers that range from multinational companies to small, locally owned businesses	<ul style="list-style-type: none"> <li>▪ U.S. and non-U.S. small business, supplier diversity and local content programs (see page 21)</li> <li>▪ Supplier development forums</li> <li>▪ Participation in supplier-oriented organizations</li> </ul>
Governments	Governments in approximately 180 countries where we conduct business	<ul style="list-style-type: none"> <li>▪ Negotiating production contracts</li> <li>▪ Collaborating on global voluntary initiatives such as the Extractive Industries Transparency Initiative</li> <li>▪ Technology transfer</li> <li>▪ Promoting road safety through Arrive Alive</li> <li>▪ Paying taxes</li> </ul>
Customers	Commodity markets, wholesale and retail customers	<ul style="list-style-type: none"> <li>▪ Regional and in-country customer service support offices</li> <li>▪ U.S. Retail Marketing Center and U.S. Consumer Connection Center</li> </ul>
Local communities	Numerous communities around the world where Chevron's facilities are located	<ul style="list-style-type: none"> <li>▪ Community engagement programs and outreach</li> <li>▪ Involving communities before and during new major capital projects</li> <li>▪ Employee volunteerism</li> </ul>
Nongovernmental organizations	Numerous business forums, multilateral institutions, philanthropic foundations, academic institutions, think tanks, faith-based groups, and development organizations	<ul style="list-style-type: none"> <li>▪ Participation in multistakeholder forums and initiatives</li> <li>▪ Attendance at conferences and meetings</li> <li>▪ Direct dialogue</li> </ul>

[2] [www.eitransparency.org/](http://www.eitransparency.org/)

[3] [www.chevron.com/investor/corporate\\_governance/political\\_contributions.asp](http://www.chevron.com/investor/corporate_governance/political_contributions.asp)

[4] [www.fec.gov/](http://www.fec.gov/)

## Health and Safety

Chevron strives to achieve world-class health and safety performance throughout its operations through leadership accountability, management system processes and operational excellence.

In 2006, our focus continued on improving the health and safety of our workforce and the communities in which we operate. In addition, we expanded global implementation of our HIV/AIDS policy and strengthened existing programs that address road and contractor safety. We also initiated programs to heighten employees' awareness of cardiovascular health.

### Reducing All Incidents to Zero

Safety is our highest priority. Our workforce Days Away From Work Rate fell by 25 percent from 2005, our fifth consecutive year of improvement. While the workforce Total Recordable Incident Rate was up 2 percent from the previous year, we continue to move toward world-class performance. Despite our best efforts, 12 people died in 2006 while working on our behalf, including one employee and 11 contractors. Chevron continues to vigorously review the root causes of major incidents and near misses and incorporate the results of the review into the OEMS improvement process. We are committed to reducing fatalities, and all incidents, to zero (see charts on page 19).

Our Zero Is Attainable award program is designed to recognize business units that demonstrate outstanding safety performance by completing 1 million hours or 1,000 days worked with no workforce Days Away From Work incidents. In 2006, 79 facilities worldwide received this award.

### Enhancing Contractor Safety

Contractors represent a large percentage of our total workforce hours, making their safety an important issue. OEMS sets expectations for all business units to have a contractor safety management program in place that includes engagement, clearly established accountability and written processes. Many business units regularly convene contractor safety forums to share best practices.

### Promoting Road Safety

Road safety is an important issue, not only for our company, but also for many of the countries where we operate. In 2006, we revised the type of data collected on motor vehicle incidents to align with the International Association of Oil & Gas Producers' new classification system. This change enables us to more consistently classify and understand the cause of the most serious work-related incidents and compare our performance with others in the industry. Over the past five years, workforce fatalities related to motor vehicle incidents have decreased by 90 percent across our operations.

We continue to work with governments, nongovernmental organizations and the private sector to expand and strengthen Arrive Alive, a road safety initiative designed to eliminate traffic-related fatalities and injuries among employees, contractors and members of the communities in which we operate. Arrive Alive programs in Guatemala, Nigeria, South Africa and Uganda began implementing road safety action plans in 2006 that included helping establish or joining nonprofit organizations to promote road safety.

In addition to this effort, Chevron and its partners are identifying other activities to promote road safety, including:

- Providing road safety education in schools and through the media.
- Assisting government enforcement agencies with sharing best practices from other countries; from our health, environment and safety group; and from partner organizations.
- Assisting these same government agencies to promote compliance with existing traffic laws by providing expertise and nonmonetary resources, such as helping identify appropriate systems and equipment that can include signage, radar guns and Breathalyzer® devices.

### Promoting Cardiovascular Health

Cardiovascular-related illnesses are projected to be the world's leading cause of death and disability by 2020, according to the World Health Organization. They present a health risk to our global workforce. Our new cardiovascular health program is designed to increase awareness and offer practical steps for employees to reduce cardiovascular risk. The program provides educational materials and resources on the leading causes of cardiovascular illness, such as elevated blood pressure, cholesterol, stress, poor nutrition and excess weight.

### HIV/AIDS Policy Implementation

The long-term goal of our global HIV/AIDS policy is to secure treatment for employees and covered dependents wherever and whenever appropriate medical infrastructure exists and national laws permit.

In 2006, we continued to implement the policy through training programs, sharing voluntary testing and treatment guidelines with our physicians companywide, and establishing a permanent office of HIV/AIDS.

All managers and supervisors are expected to take HIV/AIDS training. In 2006, training was released to all locations worldwide. Approximately 3,600 managers and supervisors and 4,800 employees participated in either instructor-led or computer-based versions. Training has also been added to new employee orientation, supervisor training and anti-harassment training.

Training materials are available in the 10 most widely spoken languages for our workforce, included on our internal Web site, and linked to managerial and employee training sites. Our 40 HIV/AIDS policy implementation coordinators have access to a "community of practice" Web site designed to share information and best practices and to post questions and answers. This is in addition to information on the internal employee Web site. For more information, please visit our Web site. [1]

**Collaborating to Fight Malaria**

Chevron has programs in place to fight malaria in areas of Africa where the disease is a major health threat to the communities where we operate. In Nigeria, we launched anti-malaria initiatives in Rivers and Kaduna states. Both initiatives targeted children under five years of age and pregnant women. We also introduced an awareness campaign to be delivered from the River Boat Clinic project, which serves as a mobile hospital along the Benin and Escravos rivers in Delta State.

**Total Recordable Incident Rate**

Recordable incidents per 200,000 work hours

■ Employees ■ Contractors ■ Benchmark



American Petroleum Institute data are used as industry benchmarks.

**Lost-Time Incident Frequency**

Incidents per million work hours

■ Employees ■ Contractors ■ Benchmark

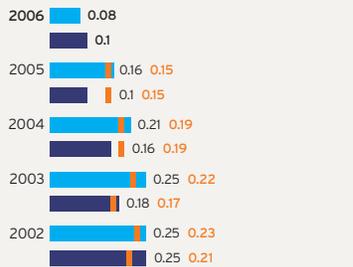


American Petroleum Institute data are used as industry benchmarks.

**Days Away From Work Rate**

Days away per 200,000 work hours

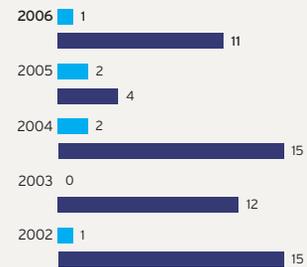
■ Employees ■ Contractors ■ Benchmark



American Petroleum Institute data are used as industry benchmarks.

**Work-Related Fatalities**

■ Employees ■ Contractors



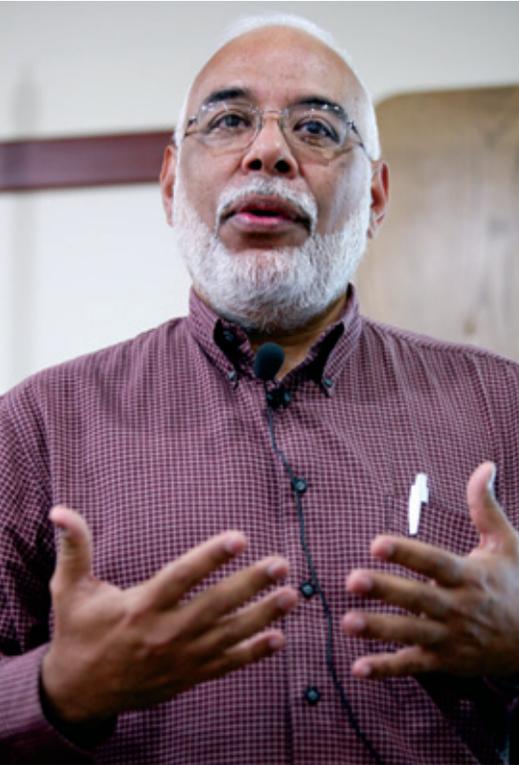
**Motor Vehicle Safety**

Company motor vehicle incidents per million miles driven



2006 data are based on a new classification system adopted by the International Association of Oil & Gas Producers and are no longer comparable to historical data.

[1] [www.chevron.com/social\\_responsibility/hiv\\_aids/](http://www.chevron.com/social_responsibility/hiv_aids/)



Roberto Garcia, a Chevron Health, Safety and Environment coordinator in Puerto la Cruz, Venezuela, makes sure that health and safety issues are incorporated into the project decision-making process. In January 2007, he led a session at an ESHIA workshop for the Delta Caribe liquefied natural gas project. Attending were government representatives and project business partners.

In Angola, we distributed insecticide-treated nets to Angolan employees and their families and established a 24-hour malaria hotline. As a result of these and other steps, the incident rate of malaria cases was substantially reduced at our clinic in Luanda and our facilities in Cabinda and Malongo provinces.

In 2006, we supported the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria and helped establish the Corporate Alliance on Malaria in Africa, together with other companies.

#### **Planning for Pandemic Influenza**

We believe that our success in addressing the potential impact of infectious diseases in the workplace, including a pandemic threat, relies on using existing systems to drive appropriate behavior.

In 2006, written guidance and video materials were distributed throughout our operations to support deployment of a planning process for an influenza pandemic. A Web site with additional information also was established. The four major components of the planning process are:

- Education and hygiene
- Managing workplace exposure
- Business continuity planning
- Communications

We conducted a post-implementation review at major business units, and resulting recommendations were distributed to our operations. A corporate-level engagement session was also held with approximately 130 key suppliers to apprise them of our strategies and plans.

#### **Expanding Product Stewardship**

Managing potential risks of our products is one of the key expectations of our Operational Excellence Management System. Our product stewardship efforts include undertaking risk assessments to identify, assess and determine ways to manage potential issues and concerns that may be related to new and existing products, from their conception and development to final disposition. In 2005 and 2006, assessments were conducted in Kazakhstan and Ukraine, Pakistan, the Philippines, South Africa, Thailand, and the United States. Chevron's product stewardship community of practice comprises subject matter experts from selected groups across the company. The group's role is to share knowledge and provide ongoing guidance to employees on implementation of processes and tools related to product stewardship.

# Supply Chain Management

In 2006, Chevron spent approximately \$30 billion on goods and services from suppliers and contractors ranging from large multinational corporations to locally based businesses in communities in which we operate. Building local supplier capacity is one of the most important ways we benefit communities.

### Building a Diverse U.S. Supplier Network

Sourcing from small, women-owned and minority-owned businesses helps us meet our business needs while stimulating economic growth. In 2006, we spent approximately \$2.8 billion on goods and services provided by small businesses in the United States, exceeding our goal of 27 percent of total U.S. expenditures. In addition, we spent \$432 million with minority-owned businesses and \$373 million with women-owned businesses, both of which were slightly under our 5 percent spending goal for each category.

We have several strategies in the United States to attract a diverse supplier network and monitor our efforts against our goals. These include training and outreach programs to potential suppliers on our requirements, helping large suppliers with contracts of more than \$500,000 to understand our supplier diversity initiatives, and requiring large suppliers to identify opportunities to increase their own supplier diversity.

### Building a Strong Local Supplier Network Worldwide

Developing qualified and competent local suppliers through training and technology transfer in international locations helps establish us as a partner of choice with governments in countries where we operate, and increases operational and project support among employees and communities. In 2006, we held mentoring and training programs in Angola, Indonesia, Kazakhstan and Nigeria, and supplier forums in countries that included Kazakhstan and Nigeria. These initiatives enable local

suppliers to understand our business needs and make them more successful in tendering for our business.

### Creating Value and Competitive Advantage Through Diversity

Our supplier diversity and small business programs embrace a variety of people, ideas, talents and experiences. Our partnership with Cole Chemical & Distributing, Inc., a Houston-based independent chemical distributor, demonstrates how our programs create value for our customers and our partners in the supply chain.

Cole Chemical, founded by CEO Donna Fujimoto Cole in 1980, has only 12 employees, yet it earned more than \$50 million in sales in 2005. The company was one of a number of firms invited to bid on a new chemical distribution requirement for Chevron Phillips Chemical Company, a 50 percent-owned affiliate. Cole Chemical's supplier partnership with us was initiated in August 2006 with a pilot project for the Gulf of Mexico business unit. We nominated the company for the Houston Minority Business Council's Supplier of the Year Award, which it won in October 2006.

### Building Employee Capacity

Thirty-six of our employees from 15 countries graduated from Arizona State University's M.B.A. program in May 2006 with specialties in supply chain management. They are the second group to complete the customized 18-month program delivered online. This master's-level program provides us with procurement professionals who have the skills to manage in today's competitive supply chain environment.

U.S. Small Business and Supplier Diversity Spending						
US\$ millions						
	2002	2003	2004	2005	2006	
Small business	1,364	1,310	1,360	1,800	2,800	
Women-owned	212	223	222	258	373	
Minority-owned	209	202	226	310	432	



Justina Okoro (left) and Oluseun Olusola participate in topside-module inspection on the Chevron Agbami project. They are two of a number of employees from National Engineering and Technical Company Ltd., a subsidiary of the Nigerian National Petroleum Corporation, who have received training on the project.

### In Nigeria, Building Capacity Through Local Content

Chevron supports the establishment of self-sustaining local companies that have the capacity to compete anywhere in the world. In Nigeria, our Agbami Field project is actively working to develop local suppliers. The field is located in deep water, approximately 70 miles (113 kilometers) off the coast of Nigeria's central Niger Delta region. Operated by a Chevron affiliate, Star Deep Water Petroleum Limited, the project will come onstream in 2008 with estimated peak production projected at 250,000 barrels of crude oil and natural gas liquids per day.

Input on the design and fabrication of offshore structures for the project has contributed to local content value exceeding 2.7 million workforce hours. Some 10,000 tons of major offshore components for the Agbami project will be fabricated in local yards.

Nigerdock Nigeria Plc and Daewoo Nigeria Limited helped complete in-country fabrication of key components of the project's floating production, storage and offloading vessel. The components were completed on schedule and without any lost-time injury. The sizeable workload also prompted Nigerdock, Daewoo and Grinaker-LTA Nigeria to expand and upgrade their facilities. These infrastructure improvements will continue to serve present and future business interests in Nigeria.

## Community Engagement

Chevron's community engagement activities focus on building capacity to promote local economic development and stable, long-term relationships. In 2006, we invested nearly \$91 million in community engagement initiatives. Approximately 68 percent focused on building human and institutional capacity in ways that help stimulate economic growth and enable communities to prosper. Our community engagement initiatives targeted three areas: basic human needs, education and career training, and support for local small and medium-size businesses, which includes access to credit. These initiatives were executed in partnership with local and national governments, communities, nongovernmental organizations and multilateral institutions.

### Capital Projects and Community Engagement

Our community engagement activities are also evident in our Environmental, Social and Health Impact Assessment project review process, described in the Stakeholder Engagement section on page 16. A community engagement network helps increase our employees' capacity to administer programs, share best practices, and develop common monitoring and evaluation processes.

### Continuing Support for Communities

In 2006, Chevron continued to support the rebuilding efforts of communities affected by natural disasters in South Asia, Pakistan and the U.S. Gulf Coast. We also continued our efforts to promote economic development in Nigeria's Niger Delta region and our relocation assistance to families from Sarykamys, Kazakhstan.

### Energy for Learning

Education is crucial to the social and economic vitality of communities. In June 2006, Chevron launched Energy for Learning, a three-year, \$18 million initiative to support public school education in 23 Louisiana and Mississippi school districts affected by hurricanes Katrina and Rita. In consultation with education officials in both states and in partnership with local nonprofit organizations, we are providing academic materials, science lab equipment and computers to schools. We also continued to support the restoration of damaged child care facilities in Mississippi, initiated in 2005.

### Tsunami Recovery Efforts

We committed \$10 million over three years to help rebuild the devastated regions of South Asia after the 2004 tsunami. In consultation with our local business units,

government and potential partners, we conducted a comprehensive needs assessment in Indonesia to focus our efforts on building institutional and human capacity. Some examples of our recovery contributions include:

- Providing short-term vocational training for 350 young people at Politeknik Caltex Riau, a polytechnic university, in partnership with the U.S. Agency for International Development (USAID). In 2006, more than 80 percent of the graduates found jobs within three months.
- Partnering with the government and USAID to build a new polytechnic school in Aceh province that will provide training in electronics, engineering and business accounting.
- Establishing five local financial institutions and providing 500 loans in targeted areas in partnership with Mercy Corps.

### Nigeria's Niger Delta: An Update

Designed to help address the long-standing and complex development issues that affect communities and our operations in the region, Chevron Nigeria Limited (CNL) signed Global Memoranda of Understanding (GMOUs) with eight community groups and



The weavers at Putri Tujuh Weaving, a small business in Dumai, Indonesia, created the cloth shown on the cover of this report. The women weave vibrant Malay cloth, usually worn during ceremonies and celebrations.

state governments in the Niger Delta in 2006. The GMOUs are intended to gradually shift control over the design, planning and execution of community development programs from CNL to the communities through newly created Regional Development Councils (RDCs). Together, the GMOUs reach more than 400 individual communities, involving approximately 600,000 community members.

The RDCs consist of management, project, accounting and conflict-resolution committees with representatives from the communities, CNL, state and federal government, and nongovernmental organizations (NGOs). CNL supports the RDC process by providing initial funding for governance, administration, project and NGO partner costs.

Local Nigerian-based NGOs are essential to the process. They chair many of the committees, provide technical assistance and help resolve conflicts that arise from time to time in the communities. In 2006, 30 NGOs performed Sustainable Livelihood Assessments (SLAs), evaluations of livelihoods that document, with community input, information such as demographics, income sources and patterns of conflict.

Preliminary SLA findings indicate that improved livelihoods are likely to come from private-public partnerships that leverage existing assets rather than from introducing new programs.

Using input from the SLAs, the RDCs are now preparing three-year development plans that they will implement once the plans are approved. The plans will also be presented to other development organizations in the Niger Delta in the hope that these organizations will cofund selected projects. In 2006, milestones included the following:

- Training was completed for more than 300 RDC leaders and NGOs.
- More than 40 comprehensive SLAs were completed to guide the preparation of community development plans for each RDC.
- Small pilot projects were initiated by the RDCs in select communities to test their internal execution capabilities. Accounts were produced for financial transactions.

With many projects in the Niger Delta vying for support, an ongoing challenge of the GMOUs is balancing the communities' desire for quick results with the goals of promoting

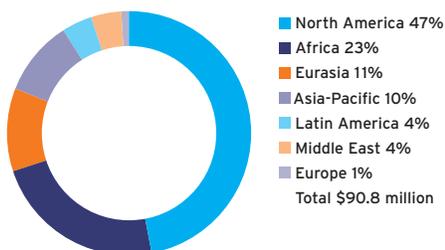
sustainable initiatives. A second challenge is nurturing the partnerships needed to resolve multiple development issues in the region. CNL remains hopeful that communities will use this model to design and implement projects that strengthen their capacity and address the development needs they face.

**New Homes in Kazakhstan: An Update**

The relocation of the people of Sarykamys, Kazakhstan, was completed in 2006. Residents could choose to relocate to either Atyrau, with a population of about 200,000, or New Karaton, a rural community where they could continue to raise livestock. The relocation was conducted according to and using World Bank guidelines, which included consultation with residents, a baseline survey, and development and implementation of a resettlement action plan. Tengizchevroil, in which Chevron holds a 50 percent interest, contributed \$95 million for construction of new homes, schools and associated infrastructure, transitional support, and demolition and reclamation of the old homes in Sarykamys.

Former residents of Sarykamys now occupy 430 new homes in the city of Atyrau and 321 new homes in New Karaton. New middle schools in both locations opened on September 1, 2006, for the school year.

**Global Community Investments in 2006**



Includes Chevron's share in Chevron Phillips Chemical Company, the Tengizchevroil joint venture, and the Karachaganak Petroleum Operation Consortium.

**VOLUNTEERING IN BRAZIL**

**Chevron Brasil Ltda. employees Nadjane Oliveira and Patrick Samara donate time and attention to children at shelter Lar da Criança Feliz. This volunteer work has been recognized by local associations and government. Over the past three years, the company has donated more than 860,000 books to schools throughout the country.**



### Measuring Success

Our Geothermal business unit in the Philippines is undertaking innovative work to monitor and measure community engagement programs. It has worked with local farmers and other partners to help establish an agricultural business program based on cassava, a root crop, near Chevron's Tiwi and Mak-Ban geothermal operations. The goal of the program is to build a free-standing, sustainable market for the cassava crop to support farmers and their families. Progress toward that goal is measured by:

- The number of hectares that were formerly unproductive and are now in use. In 2006, 30 hectares (74 acres) were planted, exceeding the first-year target by 33 percent. Targets have been set for the next five years, with the goal of planting a total of 310 hectares (766 acres) by 2010.
- The number of farmers taking part in the program. In 2006, 17 farmers participated in the program. Our target is to increase the number of farmers participating to 207 by 2010 in tandem with the increase in hectares planted.
- The increase in annual income for farmers. In 2006, the average income of farmers participating in the program increased by \$144 dollars, or 40 percent, from \$360 to \$504.

### The Chevron Management Institute

In 2006, 27 leaders of nongovernmental organizations (NGOs) from Angola, Canada, the Dominican Republic, Indonesia, Nigeria, Thailand and the United States gathered at our headquarters for four days of intensive leadership and management skills training. NGO leaders participated in the Chevron Management Institute (CMI), a unique training program that strives to increase the capacity of NGOs to leverage their capabilities and knowledge. Working with the Leader to Leader Institute, CMI has trained approximately 275 leaders from the United States and other countries since its establishment in 1995.

In advance of attending CMI, each participant received feedback on his or her performance style from employers, peers and subordinates. Once onsite, participants worked with Chevron coaches to interpret the review data and develop personal action plans to improve their leadership skills. Participants had an opportunity to share best practices in nonprofit operations with their peers. They also received a firm understanding of results-oriented project planning, including effective measurement, monitoring and review. Participant feedback indicated that CMI provided a greater understanding of the dimensions of leadership, giving them the confidence to stretch their personal and organizational capabilities.



From left: Joel Dimiyen Bisina, founder and regional director of the Niger Delta Professionals for Development, speaks with Chevron's Doug Uchikura and Dave Krattebol at the 2006 Chevron Management Institute.

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**“Chevron is to be congratulated both for its vision of improving the world by training nonprofit leaders and for organizing a first-class event. CMI gave me new tools to improve my performance and raised my expectations of what I can accomplish within my organization.”**

**Daniel J. O’Neil, Country Director  
Pan American Development Foundation  
Santo Domingo, Dominican Republic**

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## Human Rights

Chevron's Human Rights Statement, adopted in 2006, reaffirms our long-standing support for universal human rights. Grounded in The Chevron Way, it is both an expression of our values and part of how we conduct our business. The statement provides a framework for constructive dialogue on human rights issues and explains what our support for universal human rights means to us as both a business and a member of society. It expresses our commitment to supporting human rights for our employees and in the communities where we operate.

A copy of our Human Rights Statement is available on our Web site. [1]

The statement acknowledges our support for the ideals articulated in the Universal Declaration of Human Rights and the International Labor Organization's Declaration of Fundamental Principles and Rights at Work. These documents include principles that have long underpinned The Chevron Way, including respect for diversity and nondiscrimination. In addition, Chevron requires all employees to obey the laws of the countries where they live and work, abide by our policies, and comply with the Chevron Business Conduct and Ethics Code.

To further enhance our employees' understanding of human rights, we launched a training program in July 2006 that was

developed with internal input and external expertise. The training contains an overview of human rights principles, key international instruments and voluntary initiatives, including the Voluntary Principles on Security and Human Rights and the Global Sullivan Principles. It outlines how human rights can be supported in the context of the company's role as a member of society.

Senior managers and supervisors have begun taking the training. To date, more than 1,200 employees have completed the training, which will continue to be rolled out over the next three years.

In 2006, we also held a training workshop for our Global Security advisors on the Voluntary Principles on Security and Human Rights. Our Global Security group continues to include the Voluntary Principles as part of the materials they provide to local business units. The business units are accountable for implementing the Voluntary Principles in accordance with local laws and conditions.

The Global Sullivan Principles help guide the way we work with communities. In July 2006, we reaffirmed our support for the principles and participated in the Leon H. Sullivan Summit in Abuja, Nigeria.



Chevron has supported the Voluntary Principles on Security and Human Rights since their inception in 2000. Global Security advisors from locations worldwide participated in a training workshop on the Voluntary Principles in 2006. Scott Taylor (above), Chevron's director of Global Security, participated in the workshop.

[1] [www.chevron.com/social\\_responsibility/human\\_rights/](http://www.chevron.com/social_responsibility/human_rights/)

## Angola Case Study

Since Chevron subsidiary Cabinda Gulf Oil Company Limited first began drilling for oil in Angola nearly 50 years ago, Chevron has grown to become one of the country's top producers, responsible for one-third of its annual production. Among foreign oil firms operating in Angola, we are the largest employer, with approximately 3,000 employees and an additional 12,000 contracted workers. We have more than a dozen major projects in design or execution stages. With partners, our capital investment in Angola is expected to exceed \$10 billion through 2010.

Angola is now the fastest-growing economy in Africa. In carrying out our business, we support the country's economic and social development.

### Building a Vibrant Local Workforce and Strong Supply Chain

Part of our current and future success rests with strong safety performance, a healthy workforce and vibrant local supplier networks. Today, about 88 percent of our employees in Angola are Angolans.

In 2006, our Southern Africa strategic business unit, which has a majority of its operations in Angola, achieved a record 20 million workforce hours without a lost-time injury. This record is due, in part, to our focus on the causes of workplace injuries and further integrating our contractors into our companywide safety programs. It is also noteworthy given the range of our operations and the diverse professional and cultural background of our contractors.

Chevron also provided employees and their families with HIV/AIDS education, volunteer testing, counseling and treatment. In 2006, all children born to HIV-positive mothers participating in our programs tested HIV-negative at birth. During peak malaria season, malaria-prevention initiatives at Chevron clinics led to a drop from about 50 cases a day in 2005 to between 5 and 10 in 2006. Home visits to employees and the donation of microscopes to medical labs that offer services to the community were also part of these initiatives.

Chevron also continued to develop local supplier networks in Angola. A local content specialist works one to one with Angolan

suppliers to deliver quality products and services. In 2006, as part of our broader local supply efforts, we began to outsource our transportation services to an Angolan supplier.

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**"Angola's future depends on its ability to provide its citizens with improved social services and increased employment opportunities. Improving the quality of life for Angola's citizens is critical to rebuilding the country. Chevron is making a sustainable contribution to that effort through our investments in Angola's energy industry, workforce and communities. Building on 50 years of partnership with the Angolan people, we are committed to working with them to help achieve the prosperity and stability they seek."**

**Jim Blackwell, Managing Director  
Chevron Southern Africa Strategic Business Unit**

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### Engaging With Stakeholders to Reach Common Goals

Chevron holds a 36 percent interest in the Angola Liquefied Natural Gas (Angola LNG) project, a multibillion-dollar venture located in Soyo on Angola's northwest coast. Planning has been under way since the late 1990s. Once in operation, the facility is expected to process 5 million metric tons of natural gas per year collected from offshore oil and gas operations. Gas supplied to the Angola LNG plant will be a combination of gas produced in association with oil that would previously have been flared or reinjected and of nonassociated gas produced from dedicated wells that tap gas reservoirs (see project facts, below right).

Our integrated Environmental, Social and Health Impact Assessment (ESHIA) process is being used in the development of the Angola LNG project. Stakeholder engagement began during the site selection phase in 2004. Since that time, more than a hundred meetings and workshops have been held to provide project information and seek the views of community health representatives, local businesses, the fishing community, churches, traditional leaders and other stakeholders. Radio programs also provide communities with updates on the project.



**Left:** Dr. Vanda Andrade, medical director for Chevron's Southern Africa strategic business unit, says Chevron's efforts in the community have significantly reduced the transmission of HIV/AIDS. **Center:** Through the Angola Partnership Initiative, Chevron helps support the formation of sustainable enterprises, such as corn farming in the Huambo province. **Right:** Celestino Cariongo is a lead operator on the North Nemba Platform offshore Angola. About 88 percent of our employees in Angola are Angolans.

A three-stage stakeholder engagement process was used to identify issues, receive input and develop solutions on a range of issues. For example, to address villagers' concerns about protecting their homes from snakes and other reptiles displaced during clearance of the construction site, a project herpetologist is capturing the reptiles and relocating them to remote areas under the authority of local environmental regulators. A plan is also in place to route plant pipelines around a highly valued primary forest while dredging-contract provisions protect sensitive mangrove and fishing areas. Finally, an impact mitigation and development plan for fishing is being prepared to support the livelihoods of local fishing communities. The ESHIA process also addresses the need for local job creation and how best to use Angolan labor, goods and services during construction and operations.

The results of the assessment phase were published in 2006 in a comprehensive disclosure report. Another round of stakeholder meetings and workshops were conducted to review the findings in Luanda, M'Banza Kongo and Soyo during the fall of 2006 and early 2007. The meetings were widely advertised and attended by more than 300 people. Input from these meetings will be incorporated into an ESHIA amendment document to be published in 2007.

The ESHIA process has successfully helped the Angola LNG project improve decision quality, meet regulatory requirements and gain community support. A project community center and community liaison officers are located near the site to facilitate outreach and communications with local communities. A project Web site provides updates, documented results of engagement efforts and a platform for questions.

#### **Combining Community Engagement and Environmental Stewardship**

Fishing in the Cabinda Bay area is an important means of income for local communities and a commercial resource for the region. In 2006, the Health, Environment and Safety staff of Chevron subsidiary Cabinda Gulf Oil Company Limited undertook a study to establish a baseline of contaminant levels of fish in Cabinda Bay. The local fishing community was consulted in advance of the

study and assisted in fish collection from offshore and near-shore fishing grounds. The baseline is expected to be compared with future samples.

The study also helped build institutional capacity by transferring analytical capabilities from the company to the National Institute for Fisheries Research and the Cabinda Department of Agriculture, Fisheries, Environment and Rural Development.

#### **Partnering for Capacity Building**

Partnerships help build local capacity and improve living standards. In Angola, the Angola Partnership Initiative (API) was designed to create jobs and training, microlending, and business development.

In 2006, we launched two new projects in partnership with the U.S. Agency for International Development within the API framework. The first project, the Municipal Development Program, supports the Angolan government's goal of strengthening local decision making with broad community participation by building municipal and community-based organizations' planning, budgeting and project implementation capacity. The program is being executed in Andulo, Belize, Cuito Cuanavale and Tchicala Tchiloango. The second project, the ProAgro Angola program, contributes to the diversification of the Angolan economy by offering farmers technical assistance to increase yields and improve productivity, processing practices and marketing strategies. This five-year program will also help link small and medium-size farms with suppliers and buyers.

#### **Search for Common Ground: A Proactive Approach to Conflict Resolution**

In 2006, we began working with Search for Common Ground to strengthen local capacity to address conflicts constructively. Search for Common Ground has been working in Angola since 1996 to support the national reconciliation process. With Chevron funding, Search for Common Ground established an office in Cabinda and began to engage with local fishing communities to help identify their needs and address issues that contribute to conflict in the region.



#### **ANGOLA LNG PROJECT FACTS**

##### **Timeline**

Construction is expected to begin in 2007, with operation startup planned for 2010-2011.

##### **The Process**

- Natural gas from oil and gas production facilities operating offshore will be collected and transported to an onshore facility for processing.
- A portion of the natural gas will supply local needs, and the remainder will be exported.

##### **The Benefits**

- Provide energy, technology transfer, jobs and training.
- Expected to eliminate routine gas flaring from several offshore facilities. This will result in reductions of greenhouse gas emissions from current oil production activities.

A model of the planned Angola LNG facility.

## Environment and Climate Change

Chevron is committed to providing affordable, reliable energy supplies to meet growing global demand in an environmentally responsible way. We apply our expertise to address complex technical challenges, protect the environment and mitigate the environmental impact of our operations.

On the following pages, we summarize our performance in 2006 and discuss climate change, our portfolio of renewable energy projects and how we are standardizing our environmental management practices across the company.



“ DIVERSIFYING OUR SOURCES OF ENERGY IS ESSENTIAL TO MEET THE WORLD’S GROWING DEMAND FOR ENERGY IN AN ENVIRONMENTALLY SOUND WAY. DEVELOPING THE INFRASTRUCTURE TO PRODUCE AND DISTRIBUTE NEW FORMS OF ENERGY, SUCH AS BIOFUELS, AT THE NECESSARY SCALE IS A SIGNIFICANT CHALLENGE. THAT’S WHY OUR PORTFOLIO OF TECHNOLOGY INVESTMENTS AND STRATEGIC RESEARCH ALLIANCES IS SO IMPORTANT. TO SUCCEED, WE NEED ENERGY SOLUTIONS THAT ARE INNOVATIVE, PRACTICAL AND ENDURING.”

**DON PAUL**  
VICE PRESIDENT AND CHIEF  
TECHNOLOGY OFFICER  
CHEVRON CORPORATION



Alicia Boutan, vice president of Business Development for Chevron Technology Ventures (CTV), visits the Galveston, Texas, biodiesel facility, currently under construction. CTV has an equity position in the plant, one of the first such large-scale plants in the United States. The facility will have the potential to produce 100 million gallons per year of this clean-burning renewable fuel.

## Climate Change

At Chevron, we recognize and share the concerns of governments and the public about climate change. The use of fossil fuels to meet the world's energy needs is a contributor to an increase in greenhouse gases (GHGs) - mainly CO<sub>2</sub> and methane - in the earth's atmosphere. There is a widespread view that this increase is leading to climate change, with adverse effects on the environment.

We took early action to create a comprehensive plan, known as the Fourfold Plan of Action on Climate Change, which is in the fifth year of implementation. We are:

- Reducing emissions of GHGs and increasing energy efficiency.
- Investing in research, development and improved technology.
- Pursuing business opportunities in promising, innovative energy technologies.
- Supporting flexible and economically sound policies and mechanisms that protect the environment.

Climate change is a global concern. Nation by nation, coordinated frameworks are essential. Fragmented actions have the potential for undue economic cost without effectively mitigating climate change risk.

In alignment with our Fourfold Plan of Action on Climate Change, the following principles are essential to ensure flexible and economically sound policies in light of uncertainties that exist:

- **Global Engagement:** The reduction of greenhouse gas emissions must be shared equitably by the top emitting countries of

the world. We support equitable sharing via long-term and coordinated national frameworks.

- **Energy Security:** Fossil fuels are expected to dominate energy supply for decades to come. Climate policy must recognize the role these critical energy sources play to ensure security of supply and economic growth.
- **Maximize Conservation:** Energy efficiency and conservation are the most immediate and cost-effective sources of new energy, with no GHG emissions. Government programs to promote energy efficiency and conservation must continue and should be enhanced.
- **Measured and Flexible Approach:** GHG reduction objectives must avoid a disruptive economic impact and allow for realistic turnover in capital and a phase in of new, low-carbon technologies. Periodic "check points" are advised in light of new scientific and economic impact information.
- **Broad, Equitable Treatment:** Broad and equitable treatment of all sectors of the economy is necessary to ensure no sector or company is disproportionately burdened.
- **Enable Technology:** Government support and partnerships with the private sector for pre-competitive research and development in carbon mitigation and clean energy technologies must continue at an accelerated pace.
- **Transparency:** The costs, risks, trade-offs and uncertainties associated with such climate policies must be openly communicated.

For more information, visit our Web site. [1]

### Reducing GHG Emissions

In 2006, our operations emitted 61.9 million metric tons of CO<sub>2</sub> equivalent, well under our goal of 68.5 million metric tons of CO<sub>2</sub> equivalent.<sup>1,3</sup> For 2007, we are setting a preliminary goal of 63.5 million metric tons of CO<sub>2</sub> equivalent. We intend to manage our emissions while growing our business. Chevron continues to execute energy efficiency improvements and to reduce flaring and venting emissions.

The primary sources of our GHG emissions are combustion, which occurs during operations, and flaring and venting of natural gas, a byproduct of crude oil production (see "GHG Emissions by Source" chart on page 31). In 2006, these combined sources accounted for more than 90 percent of our GHG emissions.

Our products resulted in emissions from combustion of 395 million metric tons of CO<sub>2</sub> in 2006.<sup>2</sup>

Chevron's international upstream organization adopted a flaring and venting standard in 2005 that aligns with the World Bank's voluntary standard. It requires all new capital projects be developed without continuous associated-gas flaring and venting, where feasible. The international upstream standard also requires existing continuous associated-gas flares and vents to be eliminated by 2010 and 2008, respectively, wherever feasible. Our business units have identified eight important flaring and venting reduction projects in Angola, Kazakhstan and Nigeria that are expected to produce significant reductions to GHG emissions by 2010.

1 Chevron's GHG emissions data are reported on an equity basis for all businesses in which Chevron has an interest except where noted below. The following entities are not currently included in the Chevron corporate greenhouse gas inventory: Chevron Phillips Chemical Company, Dynegy Inc., the Caspian Pipeline Consortium, Azerbaijan International Operating Company, the Chad/Cameroon pipeline joint venture, Caltex Australia Limited's Lytton and Kurnell refineries, and other refineries in which Chevron has an equity interest of 16 percent or less. These are entities over which we do not have full operational control or which do not generally follow our corporate GHG inventory protocol or a compatible protocol.

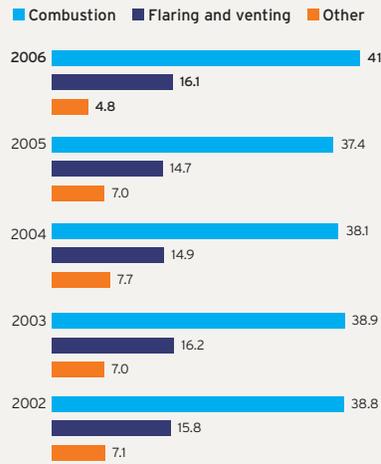
2 Product emissions are calculated based on total 2006 upstream liquids, gas and coal production figures from Chevron's 2006 Annual Report. The emission factors used are from the American Petroleum Institute's *Compendium of Greenhouse Gas Emissions Estimations Methodologies for the Oil and Gas Industry*, published in 2004.

We require that capital projects evaluate GHG emissions profiles, opportunities for reduction and potential opportunities from carbon credits. All capital projects of more than \$5 million must conduct an initial analysis to estimate emissions and their potential range of carbon costs and benefits. Analyses are integrated into the capital projects planning process. Projects of more than \$50 million must submit results from the full assessment before they are funded. See "Supporting Flexible and Economically Sound Mechanisms" on page 32 for more on carbon markets and trading mechanisms.

**Capitalizing on Energy Efficiency**

Exploration, production, shipping and refining operations require a significant amount of energy. The sources of this energy are primarily natural gas, crude oil, liquefied petroleum gas, diesel fuel and electricity. As existing production fields mature, more energy is needed to produce the same amount of crude oil and natural gas. Also, additional energy is required as oil and gas production increases and refinery throughput increases. The need for cleaner products also increases the amount of energy needed to run our operations. Consequently, improving the energy efficiency of our operations is increasingly important from an environmental and business perspective. The cost of energy to the company is substantial, averaging \$3 billion annually from 2001 to 2005 and reaching \$5.3 billion in 2006. The total energy consumption of our operated assets in 2006 was 900 trillion Btu.

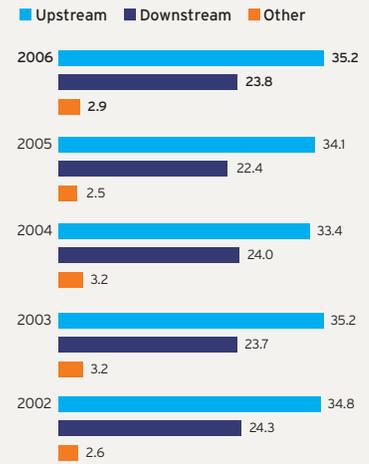
**GHG Emissions by Source<sup>3</sup>**  
Millions of metric tons of CO<sub>2</sub> equivalent



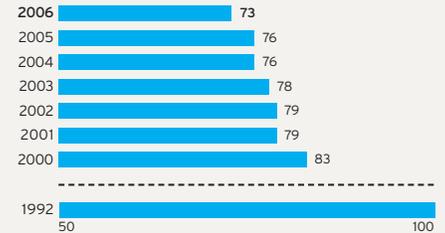
**Total GHG Emissions by Type<sup>3</sup>**  
Millions of metric tons of CO<sub>2</sub> equivalent

	Direct	Indirect	Grid Credits
2006	65.3	-2.5	-0.9
2005	61.3	-1.6	-0.7
2004	61.8	-0.2	-0.9
2003	62.6	0.3	-0.9
2002	62.8	-0.2	-0.9

**GHG Emissions by Sector<sup>3</sup>**  
Millions of metric tons of CO<sub>2</sub> equivalent



**Chevron Energy Index**  
1992 = base 100



See page 32 for more information.

<sup>3</sup> Chevron's net increase of approximately 3 million metric tons of CO<sub>2</sub>-equivalent emissions from 2005 to 2006 can be attributed primarily to accounting of emissions from former Unocal assets for the full year of 2006, compared with just five months in 2005 (Chevron acquired Unocal in August 2005).

The increased emissions are offset by material decreases attributable to reduced flaring as well as to improved estimates of emissions of methane, a greenhouse gas, as part of ongoing improvements in environmental reporting. Chevron's business units continue to make improvements in energy efficiency, as described on page 32, which helps moderate growth in emissions.

Chevron's 2005 greenhouse gas emissions have been restated from 59.7 million to 59.0 million metric tons of CO<sub>2</sub> equivalent as a result of continuing data analysis and improvements in our environmental reporting.

Due to rounding, individual figures may not sum to the 2006 GHG emissions total of 61.9 million metric tons of CO<sub>2</sub> equivalent.

**A COMMITMENT SINCE 2001**

"Chevron's commitment to managing and reducing greenhouse gas emissions began in 2001, when we began executing our Fourfold Plan of Action on Climate Change. Under this plan, we established a systematic protocol for estimating GHG emissions, and we now require our major capital projects to include a review of these emissions, including the impact of carbon-associated costs. We have continued to

improve our own energy efficiency as well as help our customers do the same. At the same time, we are investing in the development of advanced energy technologies and deploying commercially proven renewable energy technologies around the world."

Georgia Callahan, General Manager  
Global Policy and Strategy  
Chevron Health, Environment and Safety



In 2006, we beat our target on the Chevron Energy Index, which measures energy use at each facility and for each business activity (see chart on page 31). Chevron achieved a level of 73 on the index, an improvement of three points over 2005 and two points better than our goal of 75. Today, our operations are 27 percent more energy efficient than they were in 1992, the base year. This improvement translates into lower GHG emissions required to produce our products. For more information on the Chevron Energy Index and our energy efficiency strategies, please visit our Web site. [1]

Our business units continue to make steady progress each year in improving their energy efficiency. Continuing this trend requires constant focus and progress on our key energy efficiency opportunities, including designing energy efficiency into our capital projects, keeping existing equipment efficient through proper maintenance and upgrading, and auditing and benchmarking our progress. Cogenerating power and steam in our facilities has also been an important part of our overall strategy since the early 1990s.

#### **Supporting Innovation in Technology Development and Deployment**

In August 2006, we hosted the first of three International Energy Agency and Carbon

Sequestration Leadership Forum workshops, "Near-Term Opportunities for Carbon Capture and Storage." The workshop was intended to support the Group of Eight's (G8) plan to accelerate development and commercialization of carbon capture and storage. Experts who attended the workshop exchanged viewpoints on policy and on technical and commercial information. Additional workshops are scheduled for Canada and Norway in 2007, with final recommendations for near-term opportunities to be reported back to the G8 leaders at their 2008 meeting in Japan.

Since 2004, our climate change specialists have acted as industry-expert contributors and review editors for key publications by the Intergovernmental Panel on Climate Change (IPCC). These include the Carbon Dioxide Capture and Storage special report, the National Emissions Inventory Reporting Guidelines, and the Mitigation of Climate Change section of the Fourth Assessment Report, to be published in 2007. The IPCC was established in 1988 by the World Meteorological Organization and the United Nations Environment Programme to assess scientific, technical and socioeconomic information relevant to climate change.

#### **Supporting Flexible and Economically Sound Mechanisms**

Chevron participates in policy development and decision making on energy issues at the international and national levels, and in the United States at the state level. We also engage in constructive dialogues with a broad range of stakeholders on international mechanisms that provide flexible, market-based, economically sound means to reduce emissions. Since its inception in 2004, our carbon markets team has continued to support compliance efforts with the EU Emissions Trading Scheme and to pursue opportunities for credits under the Kyoto Protocol.

In September 2006, the state of California approved legislation mandating that GHG emissions in the state be reduced to 1990 levels by 2020. The state government is currently designing a regulatory program that will cover emissions from the company's upstream and downstream operations in the state, as well as developing a low-carbon fuels standard. This would essentially lower the overall carbon emissions created by transportation fuels in California. We are working closely with state officials and the business community to help regulators design an efficient, achievable and equitable framework for businesses to use in meeting these new mandates.



The Sanha Condensate Project in Angola was designed to address the largest single source of flaring from our operations. The project prevents flaring by capturing associated natural gas, producing liquefied petroleum gas for export, and reinjecting produced gas into the Sanha reservoir.

## Renewable Energy

Global energy demand is expected to increase by 50 percent by 2030. While conventional fossil fuels are expected to continue to be a primary source of energy for decades, changing market dynamics and higher energy prices are accelerating the pace and scale at which renewable energy is becoming a part of mainstream energy supplies.

Chevron is a leading producer of renewable energy in the oil and gas industry and one of the largest producers of geothermal energy in the world. We currently have installed capacity to produce 1,156 megawatts of geothermal energy. In 2006, we added a strategic intent to our strategic plan to invest in renewable energy technologies. We will also capture profitable positions in important renewable sources of energy. As markets and regulatory requirements continue to evolve, we plan to build our existing portfolio of renewable energy with a focus on transportation and power generation. Chevron has invested more than \$2 billion in renewable and alternative energy and in energy efficiency services since 2002. We expect to invest more than \$2.5 billion from 2007 through 2009 in these same areas.

In 2006, we formed strategic alliances with government, academic and other institutions to focus on emerging technologies,

demonstration projects and application of proven technologies. We also announced several new joint initiatives to develop environmentally responsible and commercially viable technologies and processes to recover crude oil and natural gas from western U.S. oil shale sources, an alternative source of energy.

### Renewable Energy for Power Generation

Geothermal energy, used for electricity production by utilities, constitutes most of our investment in renewable energy. Projects we operate in Indonesia and the Philippines have produced a total of approximately 128 million megawatt hours of electricity since 1979. Compared with coal-fired generation, this represents avoiding approximately 77 million metric tons of CO<sub>2</sub>.

We also work with institutions and businesses to develop projects that provide electricity from solar, wind, biomass, and other emerging and proven technologies, largely through Chevron Energy Solutions (CES). CES, a wholly owned subsidiary, provides public institutions and businesses with projects that increase energy efficiency and reliability, reduce operating costs, and benefit the environment. Customers include U.S. federal, state and local government agencies; educational institutions; and commercial and industrial businesses,

including Chevron operating companies. CES' projects are funded primarily by energy savings gained through the installation of efficient equipment and often include renewable and alternative power technologies. More information about CES can be found on our Web site. [2]

### Alternative Transport Fuels

Chevron Technology Ventures, a subsidiary of Chevron, has led our alternative transport fuels and energy technology development, primarily biofuels and hydrogen technology. Two primary goals of this work are to determine whether these technologies can meet our standards for quality, reliability and efficiency and whether they can pass a market-commerciality and economics test.

As a transportation fuel, hydrogen can be made from a variety of conventional and renewable energy sources. However, there are significant challenges inherent in making hydrogen commercially viable. We will continue to share accurate information about the costs and benefits of hydrogen technology with policy makers and other interested parties.

Chevron is taking a practical approach to hydrogen technology by developing public-private collaborations, commissioning hydrogen demonstration stations and

### DEVELOPING STRATEGIC RESEARCH ALLIANCES

"World energy demand is growing, and we need to find ways to meet it that make sense from both an economic and environmental perspective. Chevron's strategic research alliance with Georgia Tech reflects a shared commitment to develop advanced technology that can

provide clean, affordable energy through the use of cellulosic biofuels and hydrogen fuels."

Roger Webb  
Director, Strategic Energy Institute  
Georgia Institute of Technology



implementing technologies in real-world applications. We are engaged in numerous projects that are designed to provide valuable experience designing and operating hydrogen fuel systems.

Examples of our investments in hydrogen technology include the following:

- In Florida, Chevron Technology Ventures is collaborating with the state, Ford Motor Company and Progress Energy to design and build the state's first advanced hydrogen energy station. The station, which became operational in early 2007, will fuel a fleet of hydrogen internal-combustion-engine buses to be used by multiple vehicle operators at the Orlando airport.
- In California, Chevron Technology Ventures is working with one of the state's largest public transit operators, Alameda-Contra Costa Transit Authority, on a project inaugurated in 2006 that has produced hydrogen fuel onsite for a fleet of fuel cell buses and other hydrogen-powered vehicles. The buses are used to transport customers throughout the San Francisco Bay Area on traditional routes. In Chino, California, Chevron Technology Ventures has used proprietary integration technologies since 2005 to reform natural gas into hydrogen at its demonstration station at the Hyundai-Kia America Technical Center.

These projects are providing information critical to effectively integrating hydrogen technologies with existing energy supply systems. Chevron will continue to explore the most efficient and cost-effective ways to address the complex challenges of commercializing hydrogen fuels. Visit the Chevron Technology Ventures Web site for more information on specific hydrogen projects. [1]



Chevron Energy Solutions engineered and installed a unique system to turn inedible kitchen grease into biogas that fuels a cogeneration unit in a wastewater treatment plant in Millbrae, California. More than 3,000 gallons of restaurant grease are delivered to the facility each day. Microorganisms in the plant's digester tanks "eat" the grease and other organic matter, naturally producing methane gas – a source of energy that would otherwise be a greenhouse gas if released into the atmosphere. Kevin Cesar (above) is a plant employee.

#### Biofuels

Biofuels can contribute to meeting the world's growing demand for transportation fuels. In 2006, Chevron created a biofuels business unit to advance technology and pursue commercial opportunities related to ethanol and biodiesel. The new business unit completed the acquisition of a 22 percent interest in one of the first large-scale

facilities in the United States, located in Galveston, Texas, to produce biodiesel. Compared with conventional diesel, biodiesel produces lower carbon monoxide and hydrocarbon emissions. The facility will initially produce 20 million gallons of fuel per year, which represents a nearly 27 percent increase in total U.S. biodiesel production of 75 million gallons in 2005. The facility has the capability to expand operations to produce 100 million gallons per year.

The business unit is also focusing on the next generation of cellulosic technologies, those that rely on agricultural waste materials rather than potential food crops as a feedstock. To date, it has established biofuels research alliances with:

- The U.S. Department of Energy's National Renewable Energy Laboratory, to research and develop new technologies to convert cellulosic biomass into biofuels.
- The Georgia Institute of Technology's Strategic Energy Institute, to develop and research commercially viable processes for the production of transportation fuels from renewable resources such as forest and agricultural waste.
- The University of California, Davis, to pursue next-generation biofuels.

We are also in the second year of a collaborative project with the state of California, General Motors and Pacific Ethanol to evaluate E85 for its consumer acceptance as well as technical and distribution factors. E85 is composed of 85 percent renewable ethanol and 15 percent gasoline.

## Environmental Management

We are committed to protecting the environment by minimizing and mitigating environmental impact throughout the life cycle of our operations. Doing so is one of our business objectives and reflects the vision, values and business priorities described in The Chevron Way.

Our Operational Excellence Management System (OEMS) is the framework for achieving world-class environmental performance. Lloyd's Register Quality Assurance has attested that the requirements of OEMS are in alignment with, and in some respects exceed, the requirements of ISO 14001 and OHSAS 18001, the leading global standards for excellence in environmental management and health and safety management, respectively. See page 5 for further discussion of OEMS.

### Implementing Our Environmental Strategy

In 2006, we continued to implement our three strategic priorities for environmental performance as established in 2004: defining world-class standards, measuring and communicating performance, and demonstrating continual performance improvement.

### Defining World-Class Standards

We continued to strengthen OEMS in 2006 by establishing environmental management standards. At the corporate level, we deployed a corporate risk management process that provides a standardized approach for identifying and managing risks that include health, the environment and safety for both new and existing facilities companywide. We also developed a corporate Environmental, Social and Health Impact Assessment (ESHIA) process that extends to all parts of the company. Finally, a corporate Third-Party Waste



California's semi-arid San Joaquin Valley is a major U.S. agricultural area and needs more water to supplement existing water supplies. Since 1996, Chevron has worked with the Cawelo Water District to export produced water from the Kern River oil field into a reservoir that irrigates more than 46,000 acres (18,600 hectares) of agricultural land. Steve Harris (above) is from the laboratory that tests the reservoir's water.

Stewardship Process was developed to help manage our risks by establishing uniform standards for third-party waste facilities.

At an operating-company level, our international upstream organization adopted a standard for the management of produced water, a byproduct of the oil and gas production process.

Taken together, applying these new performance standards demonstrates our commitment to protecting the environment.

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**"Stakeholder engagement is a cornerstone of the ESHIA process. It begins early in the project evaluation and design phase and continues throughout a project's life. The dialogue it establishes provides a mechanism for the community and other external stakeholders to share their expectations and concerns about potential impacts. It also provides a way for Chevron to communicate with stakeholders on an ongoing basis."**

**Charles "Buzz" Morris, General Manager Health, Environment and Safety Chevron Global Upstream**

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**Integration of Biodiversity Into OEMS**

Biodiversity refers to the variety of life on earth and includes ecosystems, species and genes, and the ecological processes that support them. We recognize the importance of biodiversity conservation and support it through our performance and engagement on the issue.

During 2006, we developed guidance on how to address biodiversity-related issues and integrated this guidance into ESHIA and risk management. We also continued to play an active role in external initiatives to support biodiversity conservation, primarily through the Biodiversity Working Group of the International Petroleum Industry Environmental Conservation Association and the International Association of Oil & Gas Producers. These groups have developed tools designed to support industry performance on biodiversity.

Chevron provides financial assistance to a wide range of organizations involved in biodiversity conservation. In 2006, support

was focused on improving the quality and availability of key biodiversity data for decision making by conservation organizations, governments, business and other sectors (please see below).

To further contribute to the availability of biodiversity data, we have worked with the National Oceanography Centre, Southampton, United Kingdom, and other organizations on Project SERPENT (Scientific and Environmental ROV Partnership Using Existing Industrial Technology). (ROV stands for remotely operated vehicle.) The groundbreaking project collects biological data from remote deep-sea environments, made available through company offshore oil and gas activities. The information is shared with science, conservation groups and the general public to increase knowledge and awareness of these relatively unexplored marine environments. Our Canadian, European and U.S. Gulf of Mexico operations are actively engaged in the SERPENT partnership.

**Measuring and Communicating Performance**

Chevron has been measuring and communicating our performance in spills, energy efficiency and greenhouse gases since 2002. In 2006, at the corporate level, we began compiling baseline data to track water and waste performance. Compiling and analyzing this information at the corporate level will allow us to assess overall performance and compare the relative performance of business units to drive continuous improvement.

**Demonstrating Continual Improvement**

Our performance in air emissions and petroleum spills is summarized in the data charts on page 37. The volume of petroleum spilled was less than half that of nonhurricane-related spills in 2005. Our chemical spill volume for 2006 was 335,743 kilograms, with a total of 99,246 kilograms recovered. As described in the Climate Change section of this report, we saw strong performance trends in our GHG emissions and energy efficiency.

**SUPPORT FOR BIODIVERSITY CONSERVATION**

The following organizations involved in biodiversity conservation received financial assistance from Chevron in 2006:

- World Conservation Union for its Species Information Service and Conservation Commons projects.
- United Nations Environment Programme World Conservation Monitoring Centre for its Project Proteus, addressing the World Database of Protected Areas.
- Conservation International and NatureServe for biodiversity database-related work.

**A NATURE PRESERVE IN NIGERIA**

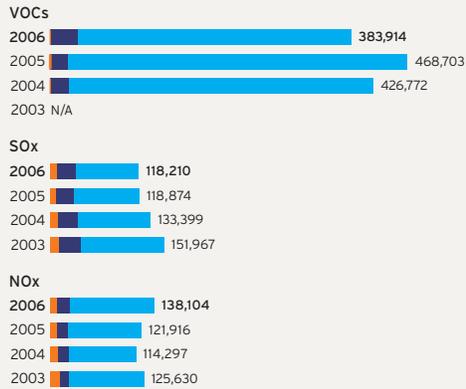
In partnership with the Nigerian Conservation Center, Chevron developed the Lekki Conservation Center, established in 1992. It serves as a place for environmental research and youth education. It is also a preserve for local flora and fauna, such as this red-headed agama.



**Global Air Emissions <sup>1,2</sup>**

Metric tons

■ Upstream ■ Downstream ■ Other



**Global Air Emissions by sector <sup>1,2</sup>**

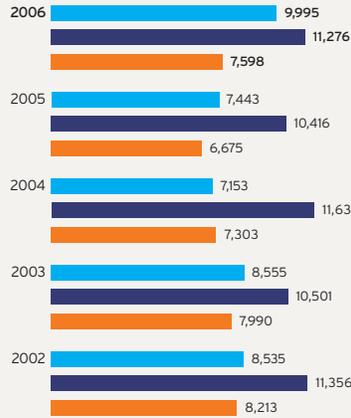
Metric tons

		Upstream	Downstream	Other
VOCs	2006	357,727	26,100	87
	2005	445,049	23,442	212
	2004	402,362	24,330	80
	2003	N/A	N/A	N/A
SOx	2006	82,922	25,574	9,714
	2005	87,455	23,986	7,433
	2004	96,809	26,091	10,499
	2003	111,050	29,010	11,907
NOx	2006	113,001	16,020	9,083
	2005	97,829	15,837	8,250
	2004	89,764	13,877	10,656
	2003	100,046	13,109	12,475

**U.S. Refining Air Emissions <sup>1</sup>**

Metric tons

■ VOCs ■ SOx ■ NOx



**U.S. Refining Air Emissions <sup>1</sup>**

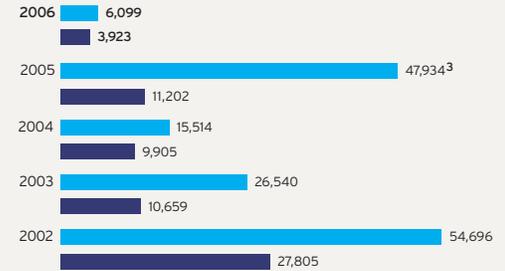
Metric tons per million barrels processed

	VOCs	SOx	NOx
2006	30	34	23
2005	25	35	22
2004	22	36	23
2003	25	31	24
2002	25	33	24

**Petroleum Spills**

Volume in barrels

■ Total volume ■ Volume recovered



<sup>3</sup> Of the total volume of spills in 2005 (47,934 barrels), more than 73 percent (35,178 barrels) were hurricane-related. This compares with 20 percent (3,100 barrels) of the total volume of spills in 2004 that were hurricane-related.

**Petroleum Spills**

Number of spills

Year	Number of spills
2006	803
2005	846
2004	986
2003	1,145
2002	1,502

<sup>1</sup> Volatile organic compounds (VOCs) derive primarily from flaring and venting, fugitive leaks from equipment (such as valves, pumps and compressors), and flashing gas. Nitrogen oxides (NOx) and sulfur oxides (SOx) occur during combustion.

<sup>2</sup> Global NOx emissions increased by approximately 13 percent compared with 2005. This is primarily due to reporting emissions from former Unocal assets for the entire year in 2006, compared with just five months in 2005 (Chevron acquired Unocal in August 2005). This increase was somewhat offset by a decrease in NOx emissions from one business unit due to a reduction in flaring, which also resulted in an associated decrease of SOx emissions. Global VOCs emissions from Chevron's operations decreased compared with 2005. This decrease was due primarily to improved estimates of emissions as part of ongoing improvements in our environmental reporting.

**DOCUMENTING DEEP-SEA SPECIES**

This octopus was photographed in water depths of 7,671 feet (2,338 meters) in the Orphan Basin, 250 miles (400 km) off the Newfoundland, Canada, coast in the North Atlantic. This is just one of many species we recorded for the international scientific project called SERPENT. Remotely operated vehicles used during drilling operations are mounted with high-resolution camera systems that provide rare visual access for

scientific researchers. Initial results include exceptional images that have expanded the range of several deepwater fish species and may result in the discovery of rare or new species. By participating in projects such as SERPENT, and through broadly sharing information, we hope to contribute to an increased understanding and awareness of marine life in these unexplored frontiers.



### Preventing Shipping Oil Spills

By year-end 2006, all Chevron-operated vessels were double-hulled. More than 90 percent of the chartered vessels we use to transport products also are double-hulled.

### Emergency Preparation and Response

Chevron's ability to deliver world-class performance rests in part on managing routine aspects of our business and our response to unplanned incidents. Our commitment to sound emergency response preparedness and capability is integral to our operations. Trained emergency response teams are able to rapidly respond to incidents. Preparedness plans are also in place for hurricanes, pandemic influenza and earthquakes. We conduct training and drills on an ongoing basis and work collaboratively with industry groups to share lessons learned and resources on emergency preparedness.

### Update on Ecuador Litigation

Chevron continued in 2006 to vigorously defend itself against litigation alleging environmental damage from Texaco Petroleum Company's (Texpet) former operations in Ecuador. Texpet was a minority partner in an oil-producing consortium from 1964 to 1992 with state-owned oil company Petroecuador. Chevron is challenging the lawsuit on both scientific and legal grounds.

At the close of 2006, the court had completed 45 scheduled field inspections. The overwhelming body of evidence obtained by Chevron's nominated experts shows there are no significant oil-related risks to health and the environment in the areas remediated by Texpet. The Texpet remediation program was approved by the government of Ecuador, which in 1998 granted a full release of claims and liabilities to Texpet and its affiliated companies. As such, Texpet met all of its obligations



PT. Chevron Pacific Indonesia employees participated in a regional oil spill exercise in Dumai, Indonesia, in April 2006. The scenario for this drill was a ship-to-ship collision causing a range of problems - search and rescue for missing personnel, fire fighting from the dock, and containing a large oil spill.

and performed in accordance with Ecuadorian government requirements.

We continue to keep the public informed about this lawsuit through updates, in both English and Spanish, on our Web site. [1]

### Environmental Expenditures

Using definitions and guidelines established by the American Petroleum Institute, Chevron estimated its worldwide environmental spending in 2006 at approximately \$2.2 billion for its consolidated companies. Included in these expenditures were approximately

\$870 million of environmental capital expenditures and \$1.3 billion of costs associated with the prevention, control, abatement or elimination of hazardous substances and pollutants from operating, closed or divested sites, and the abandonment and restoration of sites.

### Environmental, Health and Safety Fines and Settlements

US\$ millions

	2002	2003	2004	2005	2006
Total paid	4.28	3.99	6.33	4.27	8.77
Total number	278	470	469	577	699

## About This Report | Glossary

This report covers 2006 data and activities. We also occasionally mention events that took place in early 2007 when they help provide a clearer picture of our performance. This report covers our owned or operated businesses and does not address the performance of our suppliers, contractors or partners, unless otherwise noted. All financial information is reported in U.S. dollars. Our previous report was published in April 2006 and covered 2005 data and activities.

Information contained in this report has not been subject to external assurance, with the exception of data included in the company's consolidated financial statements.

We continue to be informed by reporting frameworks and guidelines that include the Global Reporting Initiative (GRI) and the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting, published in 2005 by the International Petroleum Industry Environmental Conservation Association (IPIECA) and the American Petroleum Institute (API). We have included an index to help readers find information corresponding to the GRI and API/IPIECA indicators (see next page).

### Cautionary Statement Relevant to Forward-Looking Information

This Corporate Responsibility Report by Chevron Corporation contains forward-looking statements relating to the manner in which Chevron intends to conduct certain of its activities, based on management's current plans and expectations. These statements are not promises or guarantees of future conduct or policy and are subject to a variety of uncertainties and other factors, many of which are beyond our control.

Therefore, the actual conduct of our activities, including the development, implementation or continuation of any program, policy or initiative discussed or forecast in this report may differ materially in the future. The statements of intention in this report speak only as of the date of this report. Chevron undertakes no obligation to publicly update any statements contained in this report.

### Legal Notice

As used in this report, the term "Chevron" and such terms as "the company," "the corporation," "their," "our," "its," "we" and "us" may refer to one or more of Chevron's consolidated subsidiaries or affiliates or to all of them taken as a whole. All of these terms are used for convenience only and are not intended as a precise description of any of the separate entities, each of which manages its own affairs.

**Barrels of oil-equivalent (boe)** A unit of measure to quantify crude oil and natural gas amounts using the same basis. Natural gas volumes are converted to barrels on the basis of energy content. See *Production*.

**Biodiversity** Refers to the diversity of life on earth. It encompasses genes, species, habitats and ecosystems, and the processes that support them.

**Business Conduct and Ethics Code** Describes proper business conduct within Chevron and includes an overview of several of the most important laws and policies governing that conduct. All employees and board members must understand and comply with the code.

**Capacity building** A key area of focus for Chevron's community engagement efforts, which means targeting support toward programs that help individuals and institutions develop the skills, capabilities and expertise they need to succeed.

**The Chevron Way** Explains our values: who we are, what we do, what we believe and what we plan to accomplish.

**Condensates** Liquid hydrocarbons produced with natural gas, separated by cooling and other means.

**Downstream** The industry term used to refer to all petroleum activities, from the process of refining crude oil into petroleum products to the distribution, marketing and sales of the products.

**Environmental, Social and Health Impact Assessment (ESHIA)** A corporate standard process that requires capital projects to be evaluated for potential environmental, social and health impacts and requires that appropriate mitigation measures be developed. ESHIA improves decision making and incorporates stakeholder engagement throughout the project's life cycle. The process makes sure that project impacts are eliminated or mitigated and benefits enhanced. ESHIA was adopted for deployment as a corporate standard in January 2007.

**Flaring and venting** The burning or release of natural gas that is often produced in association with crude oil, a process that typically occurs when there is no market or onsite use for the gas.

**Gas-to-liquids (GTL)** A process that converts natural gas into high-quality transportation fuels.

**Geothermal energy** A renewable source of energy that uses the heat energy of the earth to produce electricity or to use directly for heating.

**Global Reporting Initiative (GRI)** A multistakeholder process and independent institution whose mission is to develop and disseminate globally applicable sustainability reporting guidelines.

**Greenhouse gases (GHGs)** Gases that trap heat in the earth's atmosphere; such gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride.

**ISO 14001** Environmental management system standard developed by the International Standards Organization.

**Liquefied natural gas (LNG)** Natural gas that is liquefied under extremely cold temperatures to facilitate storage or transportation in specially designed vessels.

**Nongovernmental organization (NGO)** An organization that is independent from government, generally a nonprofit organization devoted to providing assistance to or advancing a particular cause or issue.

**OHSAS 18001** An international Occupational Health and Safety Assessment Series management system specification.

**Operating company** A major Chevron company organized for a specific business purpose.

**Operational Excellence Management System (OEMS)** Chevron's standard approach to systematic management of safety, health, the environment, reliability and efficiency in order to achieve world-class performance.

**Operator** Term used to describe a company appointed by venture stakeholders to take primary responsibility for day-to-day operations for a specific plant or activity.

**Partner** In this report, partner is used in its broad sense to mean a person or organization associated with another in a common activity or one that shares a mutual interest. It does not imply a member of a contractual partnership in which the partners jointly own and carry on a business and proportionally share in liabilities, profits or losses of the business.

**Production** Total production refers to all the crude oil and natural gas produced from a property. Gross production is the company's share of total production before deducting royalties. Net production is gross production minus royalties paid to landowners. See *Barrels of oil-equivalent*.

**Renewable energy** Energy resources that are not depleted when consumed or converted into other forms of energy (for example, solar, geothermal, ocean and tide, and wind).

**Reserves** Crude oil or natural gas contained in underground rock formations called reservoirs. Proved reserves are the estimated quantities that geologic and engineering data demonstrate can be produced with reasonable certainty from known reservoirs under existing economic and operating conditions. Estimates change as additional information becomes available.

**Revenue transparency** Refers to the practice of disclosing certain financial arrangements related to energy industry operations by industry and governments.

**Stakeholder** At Chevron, defined as those who affect, are affected by, or have a legitimate interest in our company's performance.

**Transparency** Making relevant and accurate information available to those with a legitimate interest in the organization.

**Upstream** Industry term for crude oil and natural gas exploration and production activities.

**Voluntary Principles on Security and Human Rights** Principles developed by extractive-sector companies, human rights organizations, a trade union, and the U.S. and U.K. governments to guide companies in maintaining the safety and security of their operations within a framework that ensures respect for human rights and fundamental freedoms.

# GRI and API/IPIECA Index

This index refers to:

- 2002 Global Reporting Initiative (GRI) core indicators and those additional GRI indicators on which we have fully or partially reported.
- American Petroleum Institute/International Petroleum Industry Environmental Conservation Association (API/IPIECA) sustainability reporting indicators.

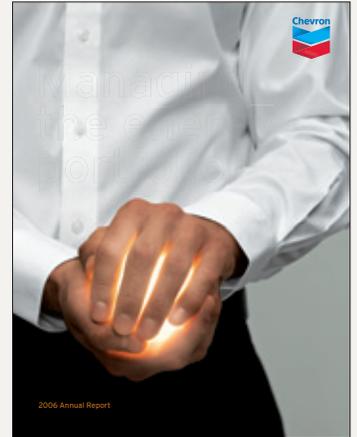
	GRI <i>(Additional indicators in italics)</i>	API/IPIECA <i>(Additional indicators in italics)</i>	Where reported
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Key to Indicators: Fully Reported in 2006 Partially Reported in 2006 Not Covered in 2006 Not Applicable

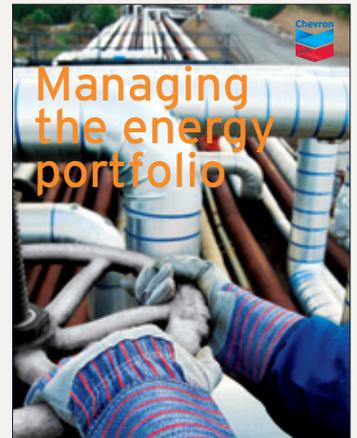
<sup>1</sup> Information responsive to this indicator appears on the Web version of this report or elsewhere on [www.chevron.com](http://www.chevron.com). Please visit [www.chevron.com/cr\\_report/2006/](http://www.chevron.com/cr_report/2006/) to view a more detailed indicator index.

This Corporate Responsibility Report, previous editions of our report and additional information can be found in the Corporate Responsibility section of our Web site, [www.chevron.com/cr\\_report/2006/](http://www.chevron.com/cr_report/2006/). We welcome your comments and feedback at [CRReport@chevron.com](mailto:CRReport@chevron.com).

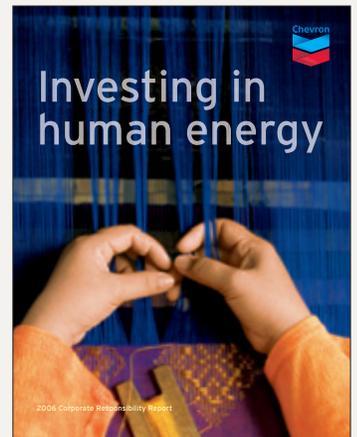
Chevron's 2006 Annual Report, *Managing the Energy Portfolio*, and the Supplement to the Annual Report are available in the Investor Relations section of our Web site, [www.chevron.com](http://www.chevron.com). Printed copies of these documents can also be ordered on the Web site.



2006 Annual Report



2006 Supplement to the Annual Report



2006 Corporate Responsibility Report



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