



## | Corporate Responsibility Report 2005





A view of the Pascagoula, Mississippi, refinery six months after hurricanes Katrina and Rita struck the U.S. Gulf Coast.

**Front cover, right** More than 120 Indonesian youth from Aceh and Nias - areas devastated by the December 2004 tsunami - received training sponsored by Chevron to learn vocational skills that they will use in reconstruction efforts. The training was held at Politeknik Caltex Riau, the company-funded, first-ever polytechnic university in central Sumatra, whose classes began in 2001 in such fields as telecommunications, electronic engineering, computer science and, recently, robotics. **Front cover, left** During construction of the Benguela Belize compliant piled tower and topsides, installed offshore Angola, Chevron successfully managed the engineering challenges within budget, ahead of schedule and in a safe manner. This is the first compliant piled tower to be installed outside the U.S. Gulf of Mexico and is one of the tallest structures in the world. The tower and topsides were built in Angola, South Korea and the United States. In December 2005, the Offshore Energy Association awarded it Project of the Year.

# Welcome

This Corporate Responsibility Report describes Chevron's performance during 2005 in the eight priority areas we identified and covered in our 2004 report. The report contains our most recent annual performance data as well as descriptions of new and ongoing initiatives in a range of socioeconomic and environmental areas. Together, they provide a picture of how the vision, values and strategies described in The Chevron Way guide our business success.

Additional information can be found on the corporate responsibility section of our Web site [1]. The three previous editions of our corporate responsibility report are also available on the site.

We welcome your comments and feedback, which may be directed to [CRReport@chevron.com](mailto:CRReport@chevron.com).

## Overview

- 1 Welcome
- 2 A Message From Our CEO
- 3 Chevron at a Glance
- 4 Performance Overview
- 6 A World-Class Workforce
- 8 The Chevron Way and Corporate Responsibility

## Priorities, Progress and Plans

- 10 Summary of Priorities, Progress and Plans
- 12 Integration
- 14 Stakeholder Consultation
- 16 Community Engagement
- 18 Human Rights
- 19 HIV/AIDS
- 20 Health and Safety
- 22 Environmental Management
- 24 Climate Change, Energy Efficiency and Renewables

## Case Study

- 27 Chevron's Response to the U.S. Gulf Coast Hurricanes
  - After the Asian Tsunami: Chevron's Commitment to Recovery and Rebuilding
- 32 About This Report
- 32 Glossary
- IBC GRI and API/IPIECA Index

[1] [www.chevron.com/cr\\_report/2005/](http://www.chevron.com/cr_report/2005/)

# A Message From Our CEO

In 2005, the people of Chevron were tested by multiple hurricanes and the challenge of a major acquisition, yet we delivered world-class performance across our business. That performance reflected an enduring commitment to our employees, customers, stockholders, partners and the communities in which we operate.

I am particularly proud of the men and women of Chevron who showed tremendous courage and commitment in their response to last year's natural disasters when many of them, like so many others, lost everything.

At the core of our corporate responsibility performance are the company's ongoing business investments to develop affordable, reliable energy supplies in a safe, environmentally responsible way. Highlights of our business performance are included in our 2005 Annual Report, titled *Human Energy*. We leverage those investments in a manner intended to create social and economic value in the communities and countries where we do business. Our progress in doing that - and areas for improvement - are highlighted in this report and on our Web site [1].

We made progress in a number of areas. Among our accomplishments were our safest year ever; a relaunch of The Chevron Way, our statement of values that drive all our actions and business decisions; deployment of a global HIV/AIDS policy; the development of a Human Rights Statement; and meeting our goal for greenhouse gas emissions. We're particularly pleased to note that Lloyd's Register Quality Assurance determined that our management system for operational excellence in health, safety

and the environment met or exceeded the ISO 14001 and OHSAS 18001 international standards.

Going forward, we will continue to focus on areas of improvement, with safe and reliable operations being foremost among them. We deeply regret that six people died in 2005 working on behalf of Chevron. We will not rest until we achieve our goal of zero injuries across the company. We also recognize and share the concerns of governments and the public about climate change, and we will continue to implement the climate change strategy we developed four years ago. Human and institutional capacity building will remain at the center of our community engagement programs. Other areas of focus include global implementation of our HIV/AIDS policy and the deployment of our new Human Rights Statement.

The past year was one of great change in the energy industry. Growing demand, difficult-to-access resources and complex operating environments make delivering reliable, affordable energy one of the biggest challenges we face as an industry and as a global community. As part of a continuing dialogue on this dynamic energy future, we launched a unique corporate advertising campaign. It includes an interactive forum at [www.willyoujoinus.com](http://www.willyoujoinus.com) to encourage a

Dave O'Reilly, Chairman and CEO of Chevron Corporation.



global conversation about the critical issues that will shape the future of energy, such as the development of new energy sources and energy conservation. Since its launch in September 2005, several hundred thousand people from 170 countries have visited the site.

We believe dialogue of this kind is the first step on the path toward real solutions. But, ultimately, the creation of a secure energy future will require responsible, informed leadership from everyone in the energy value chain - producing countries, consuming countries, energy companies, policy makers and communities. This leadership must be rooted in action. We stand ready to work with our stakeholders to build that future.

The success of our business rests on the confidence and trust put into our company by employees, stockholders, business partners and communities. The corporate responsibility efforts detailed in this report are focused on contributing to and enhancing that trust. We hope you'll find it informative and useful.

Sincerely,

A handwritten signature in dark ink that reads "Dave O'Reilly". The signature is stylized with a large, looped "D" and "O".

Dave O'Reilly



# Chevron at a Glance

Caltex™ service station, Singapore.



At the Hawaii Refinery and across the company, a main tenet of operation is "Do it safely or not at all."



## Overview

Chevron is the fifth-largest integrated energy company in the world, measured by market capitalization. Headquartered in San Ramon, California, and conducting business in approximately 180 countries, we are engaged in every aspect of the oil and natural gas industry, including exploration and production; refining, marketing and transportation; chemicals manufacturing and sales; and power generation. Chevron has a diverse, multicultural workforce of more than 53,000 employees whose experience, talent and creativity enable the company to achieve and sustain world-class performance.

Chevron's acquisition of Unocal Corporation in August 2005 complemented our existing upstream positions in key strategic regions, including Southeast Asia, the Caspian and the deepwater U.S. Gulf of Mexico.

In 2005, we produced an average of more than 2.5 million barrels per day of crude oil and oil-equivalent, with approximately 70 percent of the production occurring outside the United States in more than 20 different countries.

## Upstream

Major producing areas include Angola, Australia, Canada, Indonesia, Kazakhstan, Nigeria, the Partitioned Neutral Zone (between Saudi Arabia and Kuwait), Thailand, the United Kingdom, the United States and Venezuela. Major exploration areas include Angola, Australia, Nigeria, the U.S. Gulf of Mexico, Thailand and the Gulf of Thailand.

Chevron holds vast natural gas resources in some of the world's most prolific basins, including Australia, where we are the largest holder of undeveloped natural gas resources. Plans are under way to commercialize these resources through liquefied natural gas and gas-to-liquids technologies.

## Downstream

With 20 wholly owned and affiliated refineries, Chevron processed approximately 1.9 million barrels of crude oil per day in 2005 and averaged approximately 3.8 million barrels per day of refined products sales worldwide. Strategic focus areas are Asia, the West and Gulf coasts of North America, Latin America and sub-Saharan Africa. Worldwide, we market products under the Chevron, Texaco and Caltex motor fuel brands. Our products are sold through a network of approximately 26,500 retail outlets, including those of affiliated companies.

## Other Businesses

Our businesses extend beyond production, exploration, refining, marketing and transportation and include:

- Chevron Energy Solutions Company, which helps businesses and public institutions conserve energy and develop renewable and conventional power projects.
- Chevron's geothermal business, which develops and produces geothermal energy in various countries. Chevron has developed more than a quarter of the world's geothermal energy and is currently the world's largest geothermal energy producer.
- Chevron Global Power Generation, which develops and markets commercial power projects worldwide.
- Chevron Technology Ventures LLC, which develops and commercializes emerging technologies and new energy systems.
- Chevron Phillips Chemical Company LLC, one of the leading manufacturers of commodity petrochemicals. Chevron owns 50 percent of the company.
- Chevron Oronite Company LLC, which markets more than 500 performance-enhancing products and supplies one-fourth of the world's fuel and lubricant additives.

Chevron is a publicly traded company listed on the New York Stock Exchange and the Pacific Exchange. More information on our structure, operations and brands can be found on our Web site [2].

[1] [www.chevron.com/cr\\_report/2005/](http://www.chevron.com/cr_report/2005/)

[2] [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/)

# Performance Overview

## Key Corporate Responsibility Performance Indicators

[Goals, shown in brackets, were established prior to Chevron's acquisition of Unocal]

### Socioeconomic

Fatalities (workforce)	17	6 [0]	-11	↗
Days Away From Work Rate (workforce)	0.18	0.12 [0.14]	-33%	↗
Total Recordable Incident Rate (workforce)	0.51	0.41 [0.40]	-20%	↗
Employee Motor Vehicle Incidents (per million miles driven)	3.01	3.65	21%	↘
Percent of female and non-Caucasian males at the senior-executive level worldwide	20.8	19.4	-7%	↘
Percent of females at midlevel positions and above worldwide	9.9	10.0	1%	→
Total corporatewide spending in community investment (US\$ million)	63.8	73.1	15%	↗

### Environmental

Number of petroleum spills	986	846	-14%	↗
Volume of petroleum spills (barrels)	15,514	47,934	209%	↘
Global SOx emissions (thousands of metric tons)	133	119	-11%	↗
Global NOx emissions (thousands of metric tons)	114	122	7%	↘
Global VOC emissions (thousands of metric tons)	427	469	10%	↘
Number of environmental, health and safety fines and settlements	469	577	23%	↘
Total GHG emissions (millions of metric tons of CO <sub>2</sub> equivalent)	60.7	59.7 [61.5]	-2%	→
GHG emissions from flaring and venting (millions of metric tons of CO <sub>2</sub> equivalent)	14.9	14.8	-1%	→
Total energy use (trillions of Btu)	873	853	-2%	→
Energy efficiency (Chevron Energy Index)	76	76	0%	→

2004	2005	Change over the year
------	------	----------------------

NOx (nitrogen oxides) SOx (sulfur oxides) VOCs (volatile organic compounds) ↗ Area of improvement ↘ Area of decline → Unchanged or no significant improvement or decline

The following are capsule summaries of achievements and events we have identified as significant to our corporate responsibility performance in 2005 and challenges we face in 2006 and beyond.

### Response to Natural Disasters

We provided immediate and long-term response and assistance to communities affected by such natural disasters as hurricanes along the U.S. Gulf Coast and in Central America and the Caribbean; the tsunami in South Asia; and the earthquake in Pakistan. Along the Gulf Coast, we safely evacuated all offshore employees and contractors, encouraged those working onshore to evacuate to safe locations, and shut down and secured onshore and offshore facilities. We pledged immediate relief and supported short-term recovery efforts, including \$8 million in contributions to relief agencies and nearly \$9 million in grants and loans to employees.

### Management Systems

Lloyd's Register Quality Assurance reviewed our Operational Excellence Management System (OEMS) and concluded that "the design of OEMS fully addresses, and in some

respects goes beyond, the requirements of ISO 14001 and OHSAS 18001." These are leading international standards for environmental management, and health and safety management. We also made progress on developing global standards in select areas to make sure OE expectations are met across the company. One example is the Environmental, Social and Health Impact Assessment (ESHIA) newly developed by our international upstream organization for major capital projects.

### Human Rights

We approved a Human Rights Statement in early 2006. Grounded in The Chevron Way, it makes clear our commitment to human rights, provides guidance to employees and acts as a framework for constructive dialogue. Deployment will begin in 2006.

### Challenging Situations

Together with others, we continue to seek constructive solutions to the complex issues we face in countries where we operate. In the Niger Delta, Chevron Nigeria Limited (CNL) began working with multistakeholder Regional Development Councils that will design and implement their own community

development projects. Like many other companies that operate in the Delta and whose employees live there, CNL also has been affected by the violence in the region. A serious incident involving a nonworkforce fatality occurred at CNL's Escravos facility in February 2005.

### Revenue Transparency

We began participating in the newly established International Advisory Group, a panel of representatives from across sectors who are working to internationalize the scope of the Extractive Industries Transparency Initiative. We also engaged with the government of Kazakhstan in its endorsement of the initiative.

### Renewable Energy

With the acquisition of Unocal, we are now the largest renewable energy producer among global oil and gas companies. We produce 1,152 megawatts of renewable energy, primarily from geothermal sources (1,150 megawatts). In 2005, operation of these geothermal assets avoided the generation of 1.88 million tons of greenhouse gas (GHG) emissions (CO<sub>2</sub> equivalent) compared with conventional coal-fired operations.



Felicia Hernandez is an employee at a Texaco™ station in Lake Jackson, Texas, United States.

Financial Highlights	2004	2005	Operating Highlights	2004	2005
<i>US\$ million, except per-share amounts</i>					
Net income	\$13,328	\$14,099	Net production of crude oil and natural gas liquids (thousands of barrels per day)	1,850	1,812
Sales and operating revenue	\$150,865	\$193,641	Net production of natural gas (millions of cubic feet per day)	3,958	4,233
Capital exploratory expenditures	\$8,315	\$11,063	Net oil-equivalent production (thousands of oil-equivalent barrels per day)	2,509	2,517
Total assets at year-end	\$93,208	\$125,833	Refinery input (thousands of barrels per day)	1,958	1,883
Total debt and capital lease obligations at year-end	\$11,272	\$12,870	Sales of refined products (thousands of barrels per day)	3,908	3,768
Stockholder equity at year-end	\$45,230	\$62,676	Net proved reserves of crude oil, condensate and natural gas liquids (millions of barrels)		
Per-share data			- Consolidated companies	5,511	5,626
- Net income - diluted	\$6.28	\$6.54	- Affiliated companies	2,462	2,374
- Cash dividends	\$1.53	\$1.75	Net proved reserves of natural gas (billions of cubic feet)		
- Common stock price at year-end	\$52.51	\$56.77	- Consolidated companies	16,128	20,466
Return on capital employed	25.8%	21.9%	- Affiliated companies	3,547	2,968
Return on stockholders' equity	32.7%	26.1%	Net proved oil-equivalent reserves (millions of barrels)		
Total debt to total debt-plus-equity ratio	19.9%	17%	- Consolidated companies	8,199	9,037
Tax expense			- Affiliated companies	3,053	2,869
- U.S. income taxes	\$2,301	\$2,435	Number of employees at year-end	47,265 <sup>1</sup>	53,440 <sup>2</sup>
- International income taxes	\$5,216	\$8,663	Total payroll (millions of dollars)	\$2,858	\$3,151
- Income taxes on discontinued operations	\$100	\$0	Employee benefit costs (millions of dollars)	\$1,386	\$1,777
- Taxes other than on income	\$19,821	\$20,782			
Research and development	\$242	\$316			
Stock repurchases	\$2,100	\$3,000			

<sup>1</sup> Excludes approximately 9,600 service station employees

<sup>2</sup> Excludes approximately 6,000 service station employees

### Flaring

The Sanha Condensate Project, which became operational in 2005 in Angola, addresses the largest single source of flaring from our operations. It will reduce our flaring and venting, cutting GHG emissions by more than 2 million tons per year. We also established an environmental performance standard to ensure operational excellence in the management of upstream flaring and venting across all operations outside North America. The standard, which is aligned with international best practices, will help lower our greenhouse gas emissions.

### Global Supplier Development

During 2005, we increased spending with small businesses to \$1.8 billion, or 27.5 percent of total U.S. domestic expenditures. This increase from \$1.4 billion in 2004 reflects our commitment to build a supplier base that reflects the diversity of our customers, host communities and the markets we serve. Overall, we spent approximately \$20 billion globally on goods and services. To learn more about our global supplier development, please visit our Web site [1].

### Performance Recognition

During 2005, several independent organizations recognized Chevron for our practices and performance.

Chevron was included in the newly launched Dow Jones Sustainability Indexes for North America and for the United States, which evaluate the top 20 percent of each industry sector in terms of economic, environmental and social criteria. The indexes were compiled by SAM Group (Sustainable Asset Management), which analyzed 600 companies using an approach that considers such issues as corporate governance, climate change, supply chain standards, human capital development and labor practices.

For the second consecutive year, the Carbon Disclosure Project's (CDP) Climate Leadership Index ranked Chevron in the top

five of all global energy companies.

The CDP is sponsored by 155 institutional investors with a combined \$21 trillion in assets. It recognizes best-in-class companies according to management structure, climate strategy and capabilities.

Chevron placed in the top quartile of the Goldman Sachs Environment, Social and Governance Index, which ranks energy companies for environmental and social performance and overall management quality. The ranking, announced in 2005, is based on 2004 data.

The Human Rights Campaign recognized Chevron for earning a perfect score on its 2005 Corporate Equality Index. The index is a tool to measure how equitably companies are treating their gay, lesbian, bisexual and transgender employees, consumers and investors.

[1] [www.chevron.com/cr\\_report/2005/stakeholder/](http://www.chevron.com/cr_report/2005/stakeholder/)

# A World-Class Workforce

Chevron's vision to be “the global energy company most admired for its people, partnership and performance” guides us in creating an inclusive company culture that helps attract, retain and inspire our diverse global workforce. More than any other asset, the creativity and talent of our people enable the company to achieve and sustain world-class performance.

### Invest in People

Our Invest in People strategy, which builds on previous work, continued to be the focus of our efforts in 2005. Its broad emphasis is on increasing the global nature and nationalization of our workforce, building the talent pool of our leadership worldwide, and developing the core skills and competencies of our employees. We believe that this strategy will help us maintain and strengthen the diverse workforce that has made us the partner of choice around the world.

Metrics have been identified to track our performance over time in achieving the objectives of our strategy. For example, we track our progress in increasing the diversity of our total non-U.S. workforce who work outside their countries of origin. We also capture the percentage of senior-level leaders who have completed assignments outside their home countries. In addition, we evaluate the key drivers that lead to a highly engaged workforce, whose level of motivation and commitment to our business is an important competitive advantage.

While developing a strategy and metrics to assess our progress are important, a number of projects and initiatives are now under way to support our strategy.

Examples include:

- Implementing programs at the corporate and business unit level to incorporate staffing requirements into business planning and capital budgeting in order to better forecast our short- and long-term workforce needs.
- Progressing on a talent sourcing initiative to recruit from a wider range of universities and colleges worldwide as well as to increase global hiring of experienced people.
- Creating new-leader development programs across the company in addition to supporting existing programs.
- Continuing the Horizons and Chevron Technical University training programs for newly hired engineers and earth scientists.

In addition to the measurements described above, we continue to track metrics that reflect our efforts to increase the representation of women and non-Caucasian men in senior-level positions companywide. At the end of 2005, women represented approximately 21.1 percent of our total global workforce. At midlevel and above, women represented 9.8 percent of

employees. At the senior-executive level, women and non-Caucasian men held approximately 19.4 percent of the positions at the end of 2005, down from 20.8 percent in 2004. We will continue to focus our efforts on the global people strategies to address our goal of increasing diversity at the senior-executive level.

To succeed in diverse operating environments, we need a skilled global workforce who represent the communities in which we operate and the markets we serve. At the end of 2005, approximately 94.6 percent of Chevron's employees were working within their home countries.

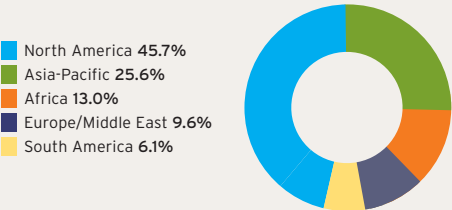
### Employee Feedback

Several mechanisms exist for our employees to provide their feedback to the company. The Chevron Hotline is a 24-hour resource available to employees to share their concerns or report issues (see page 12). Employees can also speak confidentially to a Chevron ombudsperson who provides problem-solving assistance.

To assess our employees' level of engagement, as well as their perspectives of our overall performance, we conduct a global employee survey approximately every two years. The next survey is scheduled to take place in 2007. On a more frequent basis, we conduct Pulse Surveys, which draw on a representative sample or subset of employees for feedback on a particular issue.

In 2005, we invited nearly 6,000 randomly selected employees from around the world to complete one such survey, which included their views about working for Chevron. The overall response rate for the survey was 65 percent. Results from this most recent survey were compared with earlier results from our 2004 Global Employee Survey and are presented in the table to the right.

Global Workforce at Year-End 2005 - Geographic Breakdown



At the end of 2005, our worldwide staffing was 53,440, excluding service station employees. This represents an 11.6 percent increase in staffing from the previous year. The increase is due primarily to the addition of employees who joined the company as a result of the Unocal acquisition. Unocal had approximately 6,300 employees prior to the acquisition, and about 5,800 continue to work for Chevron. At the end of 2005, approximately 700 employees were granted or were to be granted severance packages, or otherwise had chosen to leave the company. Approximately 17.2 percent of our U.S. workforce is represented by unions.



**Right** Fabio Teixeira in Lagos, Nigeria, is a member of the XYZ Network, geared toward younger employees. XYZ is one of 10 diverse, interregional employee networks. **Below** Representatives from the San Ramon, California, XYZ Network meet with group adviser Don Paul, Chevron vice president and chief technology officer.



### Employee Networks

As a way of supporting diversity and fostering inclusion in the workplace, Chevron has 10 officially recognized employee networks; each is open to any employee who wants to support its mission. There are established networks for women, Asian, Black, boomers, Filipino, lesbian and gay, Hispanic, Native American, and disabled employees. The XYZ Network is geared specifically for younger-generation employees.

### Profile: XYZ Network's Fabio Teixeira

As a younger employee, Fabio Teixeira looks at Chevron's more seasoned employees and seeks to someday attain their level of experience and knowledge. Fabio's interest in developing his own career motivated him to get involved in our XYZ Network, an organized group of younger employees who network across organizational boundaries to explore career development opportunities. In 2005, the XYZ Network hosted a Career Expo that featured Chairman Dave O'Reilly as the keynote speaker and offered a number of career development workshops for participants.

Until his recent reassignment to Nigeria, where he is the joint-venture planning manager for the Nigeria/Mid-Africa business unit, Fabio served as the coordinator of the network's Houston branch, the largest of 15 XYZ sites across the company. Now settled, Fabio has reconnected with the company's local XYZ branch in Nigeria so that he can continue to achieve his own career goals and help his peers advance theirs. Worldwide, the network has approximately 2,280 members.

### Comparison Between Employee Surveys

Employees rate their level of agreement with these statements	2004 Global Employee Survey	2005 Employee Pulse Survey
I believe strongly in the goals and objectives of Chevron.	87%	91%
I am proud to be a part of Chevron.	87%	89%
Chevron is a company that cares about the health and well-being of employees.	80%	83%

We continued to post very positive results on most survey items compared with norms identified by International Survey Research, a leading employee research firm, for high-performing companies across all industries as well as the oil and gas industry alone. The improvement was made in specific targeted areas, and we will continue to concentrate our efforts on engagement, retention and performance.

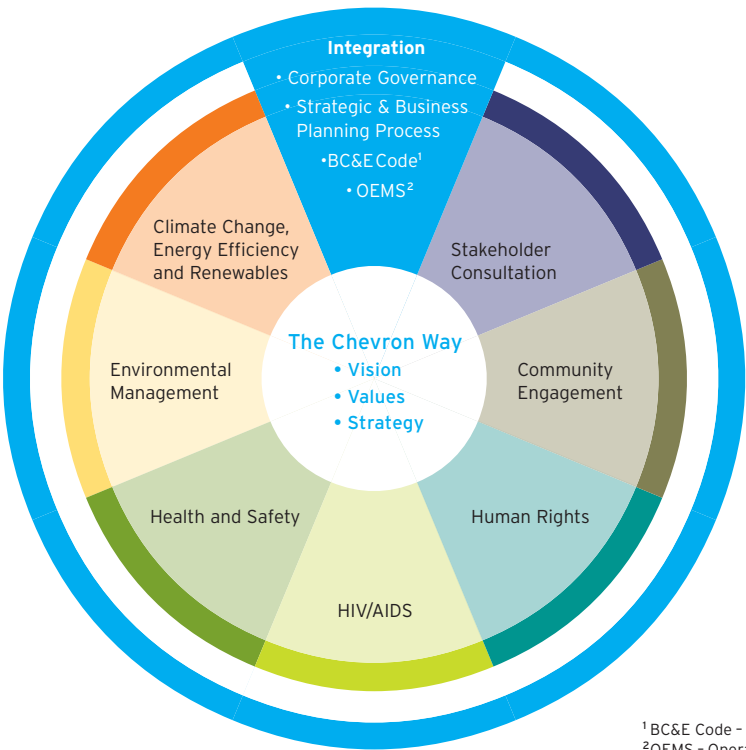
### U.S. Equal Employment Opportunity Commission Statistics

	2004	2005
Minorities among total employees	34%	31%
Women among total employees	28%	29%
Minorities among officials and managers	23%	20%
Women among officials and managers	23%	21%
Minorities among professionals	24%	24%
Women among professionals	24%	28%

The decreases in percentages for 2005 are due to a number of factors, including attrition and the inclusion of employees from Unocal, which had a less diverse workforce. While our recruitment efforts have yielded positive results, we have yet to achieve the diversity we seek in our workforce. We will continue to pursue our current staffing initiatives to address this issue.

# The Chevron Way and Corporate Responsibility

The Chevron Way establishes a common understanding of our vision, values and strategy for everyone who works at Chevron and for all who interact with us. It forms the core around which our corporate responsibility priorities are integrated into our overall business. The first priority, integration, refers to the use of our existing business systems, processes and policies to effectively manage the other priority areas and drive measurable progress in each.



<sup>1</sup> BC&E Code - Business Conduct and Ethics Code  
<sup>2</sup> OEMS - Operational Excellence Management System

### The Chevron Way

#### Vision

At the heart of The Chevron Way is our Vision... to be *the* global energy company most admired for its people, partnership and performance.

#### Values

Our company's foundation is built on our Values, which distinguish us and guide our actions. We conduct our business in a socially responsible and ethical manner. We respect the law, support universal human rights, protect the environment and benefit the communities where we work.

These Values are: Integrity, Trust, Diversity, Ingenuity, Partnership, Protecting People and the Environment, and High Performance.

#### Strategy

Our Strategic Plan translates our Vision into action. It aligns and integrates our organization, inspires confidence and differentiates us from the competition.

#### Major Business Strategies

**Global Upstream:** Grow profitability in core areas and build new legacy positions.  
**Global Gas:** Commercialize our equity gas resource base by targeting North American and Asian markets.

**Global Downstream:** Improve returns by focusing on areas of market and supply strength.

#### Enabling Strategies

Three enabling strategies apply to all parts of the company:  
**Invest in people** to achieve our strategies.  
**Leverage technology** to deliver superior performance and growth.  
**Build organizational capability** to deliver world-class performance in operational excellence, cost reduction, capital stewardship and profitable growth.

To read more, please visit The Chevron Way Web site [1].

[1] [www.chevron.com/about/chevron\\_way/](http://www.chevron.com/about/chevron_way/)



## Priorities, Progress and Plans

This section describes our progress in eight priority areas we first identified through internal and external consultation for the 2004 Corporate Responsibility Report. These priorities, which reflect the core elements of our corporate responsibility framework, may change over time as our business and business environment change.



Tengizchevroil is constructing new homes for families affected by a government-mandated move from Sarykamys, Kazakhstan, a village south of the Tengiz Field. The relocation is being conducted according to World Bank guidelines. Chevron is a 50 percent partner in Tengizchevroil.

# Summary of Priorities, Progress and Plans

## PRIORITY AREA

## WHAT WE SAID WE WOULD DO IN 2005

### Integration

Page 12

- Conduct training with business units on the Corporate Responsibility (CR) Expectations, beginning in 2005.

### Stakeholder Consultation

Page 14

- Continue to consult regularly with stakeholders on key issues at all levels, as well as develop a more systematic approach to stakeholder consultation at the corporate level.
- Develop tools that will encourage a more consistent approach to stakeholder consultation, where appropriate, across our businesses.
- Continue annual CR reporting, with the goal of continual improvement.

### Community Engagement

Page 16

- Continue deployment of our community engagement strategy; target an increased portion of our community investment toward capacity building and economic development programs.
- Initiate a plan to develop the additional internal capacity and competencies to manage these programs.
- Continue to explore mechanisms to monitor and measure the execution and impact of these programs.

### Human Rights

Page 18

- Complete consultation on our Human Rights Statement and training materials with major business units.
- Begin corporatewide deployment of the statement by early 2006.

### HIV/AIDS

Page 19

- Target completion of implementation of companywide, global HIV/AIDS policy by the end of 2006. High-risk countries with high or rising prevalence rates will be the initial implementation priorities.

### Health and Safety

Page 20

- Continue to focus on safety, aiming to meet short-term performance targets and the long-term goal of zero incidents.
- Expand our motor vehicle safety effort to look at opportunities to help address road safety more broadly in the communities in which we operate.

### Environmental Management

Page 22

- Implement our enhanced environmental expectations over the next five years, focusing on continued development of operating standards, measuring and communicating performance, and demonstrating continuous performance improvement.

### Climate Change, Energy Efficiency and Renewables

Page 24

- Continue implementation of climate change strategy, focusing on reducing emissions of greenhouse gases (GHGs) and increasing energy efficiency.
- Develop long-term GHG emissions forecast based on our portfolio and business strategy; use forecast to develop longer-term emissions management plan that aligns with our fourfold climate change strategy.
- Comply with the European Union Emissions Trading Scheme; explore development of projects under Clean Development Mechanism.



## WHAT WE DID IN 2005

- Updated The Chevron Way and printed it in 14 languages to make it easier for our employees to apply our vision and values to their work.
- Revised CR training and conducted peer review in early 2006.
- Continued Operational Excellence Management System (OEMS) training and certification.
- Adopted a standard process for Environmental, Social and Health Impact Assessment (ESHIA) for major, proposed international upstream projects.

- Consulted with stakeholders at the local level and on global issues such as HIV/AIDS.
- Drafted and tested a stakeholder engagement guide.
- Launched *willyoujoinus.com* to engage the public in a dialogue on the development and supply of energy.
- Integrated stakeholder engagement into our new international upstream ESHIA process.
- Participated in the International Advisory Group (IAG), to promote the Extractive Industries Transparency Initiative (EITI), and supported the governments of Kazakhstan and Nigeria on their efforts.
- Published 2004 CR report.

- Directed nearly 65 percent of our support toward creating economic growth through human and institutional capacity building.
- Provided relief and recovery assistance and support to communities affected by the tsunami disaster in South Asia; hurricanes along the U.S. Gulf Coast and in Central America and the Caribbean; and the earthquake in Pakistan.
- Established Regional Development Councils in the Niger Delta.

- In early 2006 adopted a Human Rights Statement to provide guidance to employees and act as a framework for constructive dialogue with stakeholders.

- Launched a companywide, global HIV/AIDS policy, and in 2006 published HIV/AIDS policy on *www.chevron.com*.
- Hired two employees dedicated to implementing the policy.
- Appointed 33 regional coordinators who conducted local situation analyses.
- Shared best practices internally.

- Achieved our safest year on record, as measured by workforce Total Recordable Incident Rate.
- There were six fatalities in 2005 compared with 17 in 2004.
- Continued our focus on motor vehicle safety, expanding areas of focus and countries of implementation for Project Preserve.

- Approved an updated environmental strategy focused on world-class performance.
- Confirmed alignment of OEMS with leading standards for the environment (ISO 14001) and health and safety (OHSAS 18001).
- Adopted international upstream standard processes for flaring and venting, as well as ESHIA for major capital projects.

- Met our 2005 GHG emissions goal; established a 2006 goal.
- Established carbon markets team to lead participation in carbon trading, including Clean Development Mechanism.
- Met our 2005 energy efficiency target, maintaining our highest-ever level of efficiency; established 2006 goal.
- Continued development of a long-term emissions forecast as the basis for emissions management.

## WHAT WE PLAN TO DO NEXT

- Deploy a self-assessment process that business unit leaders will use to assess their OEMS implementation against expectations; this supplements corporate reviews.
- Make CR training available to business units.

- Continue regular stakeholder consultations on key issues.
- Make stakeholder engagement guide available to business units.
- Participate in formulating IAG recommendations for presentation to the global EITI conference in late 2006 to promote wider acceptance of EITI among resource-rich nations.
- Continue to improve annual CR reporting and align its publication with Annual Meeting of Stockholders.

- 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 strategy.

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

- 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.

- Continue to focus on safety, aiming to meet short-term performance targets and the long-term goal of zero incidents.

- 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.

- Complete GHG emissions forecast.
- Begin operation of the 110-megawatt Darajat Unit 3 geothermal project in Indonesia; startup is scheduled for late 2006.
- Continue to install energy efficiency improvements and alternative energy technologies at U.S. institutions and businesses through Chevron Energy Solutions Company.

# Integration

## Integrating Corporate Responsibility Into Our Business



As populations increase and living standards rise, more energy is needed. Our role as a company is to provide the clean, affordable energy needed to fuel economic growth around the world. At the same time, we recognize that supplying the energy for economic growth must take place in a manner that is sustainable from an environmental and socioeconomic perspective.

The values described in The Chevron Way, which include conducting our business “in a socially responsible and ethical manner,” are essential to our thriving as a business. We must be the partner of choice for governments, communities and other businesses. We must attract and retain people with the ingenuity and insight to tackle the tough issues we encounter. We must protect people and the environment, on which we all depend. These are among the reasons corporate responsibility is integrated into our business.

At Chevron, corporate responsibility is defined 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.
- Engaging with and balancing the needs of our key stakeholders.

In 2005, we took a number of steps, described below, to do this. In the balance of this report, you will find additional examples of how we are integrating corporate responsibility into our business through existing business systems and processes.

### Enhancing OEMS

The Operational Excellence Management System (OEMS) is our standard approach to systematic management of safety, health, the environment, reliability and efficiency in order to achieve world-class performance. OEMS is comprised of three major parts:

- Leadership Accountability
- Management Systems Process
- Operational Excellence Expectations

In 2005, Lloyd's Register Quality Assurance reviewed OEMS. It concluded that the design of OEMS meets and in some cases goes beyond the requirements of leading international environmental, health and safety management standards. The environmental management system standard is ISO (International Organization for Standardization) 14001. The health and safety management system standard is

OHSAS (Occupational Health and Safety Assessment Series) 18001. As such, these standards provide a benchmark for excellence in managing performance in these areas (see page 22).

By the end of 2005, more than 7,000 employees, including management and key operations personnel, had completed an OEMS leadership training course designed to help leaders better understand their roles and responsibilities regarding operational excellence. In addition, more than 2,200 managers and employees had completed certification requirements for OEMS. We also conducted corporate reviews of 24 units worldwide – about 30 percent of all units – to assess the design and effectiveness of OEMS implementation.

In 2006, we will deploy a self-assessment process that business unit leaders will use annually to supplement the corporate reviews by assessing their OEMS implementation against expectations.

### Business Ethics

The Chevron Business Conduct and Ethics Code (BC&E Code) outlines our policies on how we conduct ourselves and operate around the world. In 2005, we completed a routine update of our BC&E Code to ensure that it clearly conveys our principles to our global workforce. The revised BC&E Code was translated from English into 11 other languages and deployed throughout the company on July 1, 2005. All Chevron directors and employees are required to read and acknowledge that they will abide by, or be trained on, the code every two years. We also review the code every two years, updating it as necessary in response to new laws and regulations.

### Ensuring Compliance With Our Ethics Code

Chevron has an effective compliance program with a structure of shared responsibility in which each business unit is responsible for compliance. The Compliance Policy Committee, which reports to the Executive Committee, governs the companywide compliance program. The chief compliance officer reports to the company's vice chairman and is responsible for the worldwide deployment and overall operation of the compliance program.

**Reporting Violations** Any director, employee or contractor who believes another director, employee or contractor has violated our policies or local laws is obligated to report the violation 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. Any matter submitted to the Chevron Hotline may be made anonymously if the caller so chooses. The hotline is operated offsite by Global Compliance Services (AlertLine®), an independent agent. In 2005, AlertLine® received 275 hotline calls, including calls received following the Unocal acquisition in August, compared with 185 calls in 2004. The increase is largely attributable to the deployment of the revised Business Conduct and Ethics Code, which created a heightened awareness of the hotline's existence. While the calls covered a wide variety of concerns, the largest percentage pertained to three classifications:

- Employee issues (55 percent)
- Legal and Regulatory (12 percent)
- Environment, Health and Safety (10 percent)

**Left** Mohamed Al-Marri is manager of asset development in the Partitioned Neutral Zone (between Saudi Arabia and Kuwait) for Saudi Arabian Texaco Inc.

**Right** Chevron's revised Business Conduct and Ethics Code was deployed to employees companywide. From left are Matt Dodson, Kate Edwards and Christina Orluck.



### Standardized Assessments

We have been conducting environmental and social impact assessments for select projects for several years. In 2005, our international upstream organization adopted a standard process – the Environmental, Social and Health Impact Assessment (ESHIA) – for evaluating proposed projects. ESHIA will help us understand and reduce or eliminate a project's potential negative impacts as well as enhance positive ones.

The process requires that major capital projects greater than \$25 million, including joint ventures in which Chevron has operational control and an interest worth more than \$25 million, conduct an initial screening for potentially significant impacts early in project development, followed by more extensive scoping and impact assessment steps if needed.

The end result of the process is an ESHIA management plan approved by project and business unit management that assures commitments made in the ESHIA are carried into project construction and operations. Our international upstream organization is responsible for most of our significant new project growth, and the majority of our projects are implementing the standard in 2006.

The ESHIA process draws on best practices in the field, including guidance developed

by industry associations and the World Bank. It also builds on our extensive knowledge, our existing practices and leading industry practices in this area.

Key features of the ESHIA process include:

- Performing an integrated analysis of environmental, social and health impact, allowing evaluation of tradeoffs in project alternatives and mitigation strategies.
- Standardizing the role of the ESHIA process in project decision making and evaluation and selection of project alternatives.
- Engaging stakeholders throughout the assessment and the life of the project.

The ESHIA process is designed to support continual learning and improvement, as are all processes in OEMS. This includes the formation of an ESHIA “community of practice” in which practitioners share experiences and lessons learned from across our businesses, functions and regions.

### Management of Corporate Responsibility

To further integrate corporate responsibility objectives into our existing systems, processes and decision making, we continued our work on developing a set of Corporate Responsibility (CR) Expectations. The CR Expectations, which are based on and support our Operational Excellence Expectations, articulate our vision of

corporate responsibility and provide operational guidance. During 2005, we revised training materials that will be used to continue to build awareness and a common understanding of corporate responsibility. These materials were peer reviewed in early 2006. We will make the training available to business units later in the year.

### Corporate Governance

Our Corporate Governance Guidelines provide the foundation for how we operate our company to ensure that it is responsive and accountable to our stockholders. For example, we have a lead independent director, we rotate committee memberships and chair positions every four to six years, and only independent directors serve on board committees. All directors are elected annually. Our Corporate Governance Guidelines and structures are described in detail on our Web site [1].

In 2005, the board adopted a “majority vote” policy for electing directors to the board. Under the policy, when a nominee for director receives a greater number of “withheld” votes than “for” votes, he or she must submit an offer of resignation for consideration by the board's Nominating and Governance Committee. The committee then considers the facts and circumstances regarding the vote and makes a recommendation to the board regarding the offer of resignation. A number of companies with strong governance practices have adopted majority vote policies, which have become an important issue to many investors.

We continue to implement globally the requirements of the Sarbanes-Oxley Act. For more information, see our 2005 Annual Report, available online [2].

### For More on Integration

Please visit our Web site [3] for more information on:

- Our Management Systems Approach
- OE Operating Elements
- Business Ethics
- Corporate Governance

Also available are diagrams that provide an overview of the socioeconomic contributions and challenges as well as the environmental issues of our core business activities.

**“Chevron is a company that is up and coming relative to its oil and gas peers on a combination of environmental, social and corporate governance performance; exposure to the industry's Top 100 legacy assets; and cash returns on investment, in our opinion.\* We see potential for improvement on a sustainable investing basis.**

**Chevron is in the top quartile of the Goldman Sachs Energy ESG Index and ranks in the middle of the majors. We have seen improvement in environmental and social reporting and policies and performance in the areas of employee safety, human rights and business ethics from 2002 to 2004.**

**We believe environmental performance is the area where Chevron has the most potential for development, such as resource use intensity, waste and emissions intensity, and carbon impact. Along with a continued focus on employee safety and compensation, human rights and local communities, together with clear and consistent reporting, this would allow Chevron to access and operate the industry's best new legacy assets.”**

Sarah Forrest, Head of the ESG Research Team  
Goldman Sachs Group, Inc.

\* From “Global Energy – Integrating ESG,” a report by Goldman Sachs analysts Anthony Ling, Sarah Forrest and others, published in August 2005.

[1] [www.chevron.com/corporate\\_governance/](http://www.chevron.com/corporate_governance/)  
[2] [www.chevron.com/investor/annual/2005/](http://www.chevron.com/investor/annual/2005/)  
[3] [www.chevron.com/cr\\_report/2005/integration/](http://www.chevron.com/cr_report/2005/integration/)

# Stakeholder Consultation

We are committed to building productive, collaborative and trusting relationships with the company's stakeholders, defined as those who affect, are affected by, or have a legitimate interest in Chevron's performance. Stakeholder consultation is an established practice in many areas of our business.

We took a number of steps in 2005 to further our stakeholder consultation and engagement efforts, including the following:

**willyoujoinus.com** We launched an online forum designed to engage the public in open and honest dialogue about the important and complex issues surrounding the development and supply of energy. During the last six months of 2005, several hundred thousand people from 170 countries visited [willyoujoinus.com](http://willyoujoinus.com), and more than 1,500 postings were made that offered different viewpoints. Visit the Web site for more information [1].

**ESHIA** We made stakeholder engagement an integral and systematic component of our international upstream organization's Environmental, Social and Health Impact Assessment (ESHIA) (see page 13).

**Stakeholder Engagement Guide** We created a stakeholder engagement guide and facilitator training materials. The guide outlines the process involved in conducting successful stakeholder engagement and emphasizes several overarching principles: inclusiveness, respect, transparency, openness and clarity. We provide training and tools that support these principles, including participatory needs assessments and project planning and execution tools for social programs. In October 2005, we held an internal stakeholder engagement workshop to test these tools. Ongoing efforts to promote the use of these materials across the company will continue in 2006.

**Stockholder Proposals** We engaged with various parties who filed stockholder proposals. Following discussions on progress being made to implement Chevron's companywide HIV/AIDS policy, filers agreed

to withdraw their proposal. Other issues we engaged in, but were not successful in reaching agreement on, included proposals on human rights and the ongoing litigation in Ecuador (see page 23). These proposals will be put to stockholder vote on April 26, 2006.

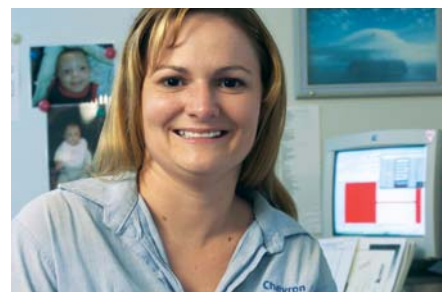
## Revenue Transparency

Throughout the world, countries rich in natural resources have negotiated a range of contractual agreements with energy companies, the terms of which have often been subject to confidentiality clauses insisted upon by host governments. Greater disclosure has been advocated by multiple stakeholders, including governments, industry and nongovernmental organizations. We support transparency and believe it is a necessary component - though not the only answer - to good governance. We believe that disclosure of all payments to a host-country government

Stakeholder	Profile	How we engaged in 2005
Stockholders	Registered and beneficial stockholders of record	<ul style="list-style-type: none"> <li>Annual Meeting of Stockholders</li> <li>Stockholder proposals</li> </ul>
Employees	53,440 Chevron employees (as of Dec. 31, 2005)	<ul style="list-style-type: none"> <li>Employee Pulse Survey</li> <li>Ethics 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>
Business partners	Spent approximately \$20 billion globally on goods and services in 2005 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 chart on page 15)</li> <li>Supplier development forums</li> <li>Participation in supplier-oriented organizations</li> </ul>
Host 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 initiatives (see page 15)</li> </ul>
Customers	Commodity markets, wholesale and retail customers	<ul style="list-style-type: none"> <li>Centralized trading center</li> <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>Employee volunteerism</li> <li>Involving communities before and during new major capital projects</li> </ul>
Civil society organizations	Business forums, multilateral institutions, philanthropic foundations, academic institutions, think tanks, faith-based groups, and nongovernmental 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>Partnerships</li> <li>Direct dialogue</li> </ul>



Chevron Australia Pty. Ltd.'s Jo Newland works at the Perth office, which supports the company's field operations on Barrow Island - a Class A nature reserve offshore Western Australia and the proposed site of the Gorgon Gas Project. Chevron has been acknowledged for its 40-plus years of excellence in environmental management while producing on the island.



by any business has to be done with the agreement of that government and results in higher levels of accountability to citizens for the effective use of these revenues.

**EITI** As an advocate for greater transparency, Chevron actively supports the Extractive Industries Transparency Initiative (EITI). Originally launched by U.K. Prime Minister Tony Blair in 2002, EITI is now a global coalition of governments, companies, international financial institutions, asset managers and nongovernmental organizations (NGOs). EITI's goal is to increase the transparency of payments by the extractive industry to governments of resource-rich nations that have agreed to implement EITI. Through increased transparency, EITI aims to help countries improve their governance, thereby promoting and strengthening development.

In 2005, we worked closely with authorities in Kazakhstan on their endorsement of EITI and applaud their efforts. We continued to work closely with the government in Nigeria, a country that has exhibited strong leadership in its commitment to transparency. We commend the decision of the Angolan government to publish the Block O signature and social bonuses. We also support the inclusion of a transparency clause in the Production Sharing Contract for Block 1 of the Nigeria-São Tomé e Príncipe Joint Development Zone.

We believe that advancing the goals of EITI will best be realized through an inclusive, multistakeholder process. In 2005, we began participating in the newly established International Advisory Group (IAG), a panel of representatives from across sectors who are working to internationalize the scope and develop recommendations for achieving wider acceptance of EITI among resource-rich countries. The IAG plans to present its recommendations at a global EITI conference in 2006. The recommendations will address key issues related to the following three areas:

- **Incentives for Implementation:** Identify the economic, social and political drivers that encourage resource-rich countries to participate in the initiative.
- **Verifying Implementation:** Outline clear rules for transparency that can be universally applied and develop practical and effective criteria for measuring compliance by producer countries and companies.
- **Future Governance:** Determine the future governance structure of EITI, identifying the appropriate organizations and defining specific roles, ensure the management structure does not become overly bureaucratic, outline key functions that require a multistakeholder approach, and identify sources of future funding for EITI.

More information is available on EITI's Web site [2].

The recommendations are focused on developing incentives for implementing EITI and mechanisms for verifying its implementation and guiding future governance.

#### Political Contributions

Political contributions are only made where permitted by law and are subject to strict internal approval processes and procedures. In 2005, Chevron made nearly \$1.53 million in corporate political contributions, of which 46 percent went to politically affiliated candidates and organizations and the remaining 54 percent went to ballot initiatives or organizations not affiliated with a political party.

Also in 2005, the Chevron Employees Political Action Committee (CEPAC) contributed \$165,000 to U.S. federal, state and local candidates. A list of contributions made during 2005 can be viewed on the Federal Election Commission Web site.

Visit our Web site to read more about political contributions and our approach to engaging in the political process [3].

**U.S. Small Business and Supplier Diversity Spending**  
US\$ million



#### Lobbying for Energy Efficiency

In August 2005, President George Bush signed into law the Energy Policy Act covering a range of issues significant to our business. Chevron supported many of the conservation and technology provisions in the bill that, in our view, will help address future energy supplies, reduce greenhouse gas emissions, and promote energy efficiency and conservation. We dedicated substantial time and effort lobbying on a provision to extend the Energy Savings Performance Contracting (ESPC) program, described in our 2004 Corporate Responsibility Report. The program, which saves energy and taxpayer dollars, was set to expire in 2006.

ESPC allows the U.S. federal government - the largest energy consumer in the United

States - to install energy-efficient equipment, with no upfront funds, in government buildings and military facilities. Using the cost savings generated by more energy-efficient operations, the government then repays private contractors after installation.

A unique coalition of environmental, labor, business, good-government and energy efficiency groups succeeded in gaining support for the program, including a 10-year authorization. Chevron was the only major oil and gas company to participate, reflecting our commitment to conservation and to Chevron Energy Solutions Company (CES), a leader in energy efficiency and performance contracting. For more information, please visit the CES Web site [4].

[1] [www.willyoujoinus.com/](http://www.willyoujoinus.com/)  
 [2] [www.eitransparency.org/](http://www.eitransparency.org/)  
 [3] [www.chevron.com/cr\\_report/2005/stakeholder/political\\_process/](http://www.chevron.com/cr_report/2005/stakeholder/political_process/)  
 [4] [www.chevronenergy.com/](http://www.chevronenergy.com/)

# Community Engagement

Chevron conducts business in communities around the world where our employees, customers, suppliers and business partners live and work. Our ability to gain and maintain access to new and existing resources is critical for our long-term success and depends on the strength of our relationships with key stakeholders.

Thus, we are committed to contributing to the social and economic development of the communities in which we operate. We believe that doing so is fundamental to the broader success we seek to achieve as a business. Most of our community initiatives and investments are focused on building human and institutional capacity in ways that help stimulate economic growth and enable communities to prosper.

We have identified three areas we consider critical to economic development:

- Basic human needs
- Education and career training
- Small- and medium-size business development, including access to credit

In 2005, we invested \$73.1 million in community initiatives, nearly 65 percent of which was directed toward long-term, sustainable, capacity building projects in communities around the world. While having a strong focus on economic growth initiatives helps guide our ongoing efforts, we also remain flexible in our approach. This allows us to respond quickly in times of crisis or when circumstances change.

We continue to look for ways to measure and evaluate our initiatives as well as our impact on communities. In 2005, our international upstream organization adopted a new integrated standard process designed to assess the environmental, social and health impact of our major capital projects (see page 13).

## Being Responsive to Community Needs

Given complex operating environments, being responsive to community needs sometimes requires new approaches and the ability to respond quickly to unforeseen events. In Nigeria, this required us to re-examine our community engagement model. In Myanmar, where humanitarian needs are acute and human rights concerns exist, we will engage with stakeholders on initiatives that benefit the intended communities within the confines of applicable U.S. laws and regulations.

In late 2004 and throughout 2005, natural disasters devastated communities in South Asia, in Pakistan and along the U.S. Gulf Coast. Other communities in the United States, Honduras, Mexico, Guatemala and the Caribbean also felt the impact of one of the most destructive hurricane seasons in years. In each instance, we responded by helping employees, their families and their communities with relief and recovery efforts. The largest of these efforts focused on the U.S. Gulf Coast, where the impact on our employees and operations was greatest (see page 27 for a detailed case study on Chevron's response and recovery efforts).

In response to these natural disasters, we contributed a total of \$12 million for immediate relief efforts and long-term recovery projects in 2005.

## Customizing Our Approach in Nigeria

The Niger Delta is a region with complex and deep-rooted issues that have eluded many attempts at resolution over the years. Chevron Nigeria Limited (CNL) has invested more than \$130 million in community initiatives over the past 10 years and \$143 million over the past five years to the Niger Delta Development Commission. These funds are in addition to the tax and royalty payments made to the government. CNL also provides more than 2,000 jobs locally, about 90 percent of which are filled by Nigerians. Against this backdrop, CNL, acting on the conviction that companies can play a constructive role in contributing to sustainable solutions, initiated a new community engagement model that promotes accountability and participation by multiple stakeholders.

In 2005, Chevron worked with state governments and local communities to establish Regional Development Councils (RDCs), each of which comprises members from different communities in Niger Delta areas where CNL has operations. Each RDC has a management board made up of stakeholder representatives from state

and local government, nongovernmental organizations, CNL and the RDC. The boards are to oversee the planning and implementation of development programs and activities.

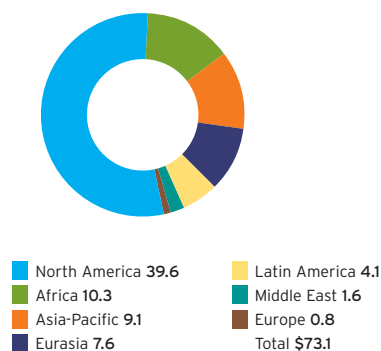
This participatory approach should help deliver sustainable projects that meet the needs of individual communities. CNL provided the initial funding, and plans are under way to secure external support from state and federal agencies and other donors. Through this inclusive approach, CNL is hopeful that communities will become empowered to design and implement projects that ultimately strengthen their local capacity and begin to address the development needs they face. CNL plans to support this process by continuing to invest funds and resources in ways that generate positive outcomes.

## Funding Sustainable Outcomes

Chevron funded hundreds of programs and projects in 2005. In doing so, we want to know that our investments lead to positive and sustainable outcomes, which are often difficult to measure. This is the impetus behind our ongoing efforts to develop measurement tools that will allow us to evaluate our community engagement initiatives.

## Global Community Investments

Amount spent in US\$ million in 2005



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



To help build the technical capabilities of young Nigerians, Chevron Nigeria Limited sponsors training programs at the Ogere Training Facility. Here, student Metseagbarum Toriseju Yotan participates in the Operator/Maintenance Technician program.



To help make the country's 2005 National Health Week a success, on Aug. 30, PT. Chevron Pacific Indonesia's hospitals and clinics in Rumbai administered polio vaccines to 1,351 children under age 5.



Chevron's alliance with the Discovery Channel Global Education Partnership has helped establish learning centers in Venezuela and several provinces in Angola. Here, Discovery Channel's Marithza Aldazabal trains a group of teachers in Maracaibo, Venezuela, in how to use the educational videos to achieve curricular objectives.

#### Investing in Communities

Below are some examples of projects we supported in 2005.

**New Homes in Kazakhstan** Tengizchevroil provided about \$35 million for the construction of 430 new houses and a school for families originally from Sarykamys, Kazakhstan, a village south of the Tengiz oil field. The village was determined by the government to be too close to the field, where future plans call for an expansion of operations. The families are being relocated to new homes just inside the city of Atyrau, where many residents work in the local oil industry. The relocation, which the government said is mandatory, is being conducted according to World Bank guidelines, which include compensation, consultation and a grievance process. The first group of families moved in during the fall of 2005. The Atyrau development is part of a larger \$73 million relocation project for residents of Sarykamys, some of whom have chosen to move to a more rural location, known as New Karaton. That project is expected to be completed by the end of 2006. Tengizchevroil is a joint-venture partnership in which Chevron holds a 50 percent interest.

#### Educating Youth in Aboriginal Communities

In the Mackenzie Delta of Canada's Northwest Territories, Chevron's Canada business unit is a major supporter of a vocational training program for high school students living in several remote communities in the Inuvialuit Settlement Region. The Youth Entry-Level Skills Program is aimed at keeping high school students in school and building their skills to promote access to jobs with energy companies. The program was developed through extensive consultations with the community and in partnership with the local school board and other energy companies. This five-year-old program has served approximately 230 students, placed students in jobs with the business unit's contractors, and contributed to the number of students completing high school and pursuing post-secondary education.

#### Niger Delta Clinic Resumes Operating

The River Boat Clinic serves as a mobile hospital along the remote Benue and Escravos rivers in Nigeria's Delta State, delivering critically needed free health care to the doorsteps of many communities. After a two-year suspension due to civil unrest, the clinic resumed operations in April 2005.

It currently serves about 40 river communities and attends to an average of 2,500 patients every month, most of whom are women and children with no other access to health care facilities. CNL and its joint-venture partner, the Nigerian National Petroleum Corporation, provide funding for the clinic.

#### Caring for Alaska's Kenai Peninsula

Building on Unocal's 15 consecutive years of support, Chevron in 2005 continued to support the publicly recognized Caring for the Kenai competition. High school students on the Kenai Peninsula in Alaska compete for cash awards by developing ways to improve the environment in South Central Alaska. In some cases, students have been able to implement their ideas by securing resources from a range of nonprofit, community, and local and state government sources.

To read additional examples of how we invest in communities, please visit our Web site [1].

[1] [www.chevron.com/cr\\_report/2005/community\\_engagement/](http://www.chevron.com/cr_report/2005/community_engagement/)

# Human Rights

Chevron's support for universal human rights is a core value in The Chevron Way. We believe we have a role to play in promoting human rights that is consistent with our role as a business. We engage with key stakeholders, including representatives of governments and civil society, to contribute to an environment in which human rights are respected. We are committed to supporting human rights for our employees and in the many communities where we operate.

Early in 2006, we adopted a Human Rights Statement. Grounded in The Chevron Way, the statement provides guidance to our employees and acts as a framework for constructive dialogue with stakeholders. The statement makes clear our support for human rights, consistent with the Universal Declaration of Human Rights. It also recognizes internationally accepted labor principles articulated in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. These include prohibitions on child labor, forced labor and discriminatory behavior as well as recognition of the rights of freedom of association and collective bargaining. The text of the statement can be found on our Web site [1]. Wherever we operate, we will use the statement as a framework to guide our decision making and engagement in this issue.

An important part of developing the statement included a series of in-country

consultations during 2005 with key upstream and downstream operating organizations and business units around the globe.

The consultations provided an opportunity to continue building our employees' awareness regarding human rights.

## Training

Practical Training on human rights is being developed to support the statement's deployment. It will be designed to enhance awareness of human rights and further explain our support for universal human rights and the Voluntary Principles on Security and Human Rights. Deployment will begin in 2006.

## Continued Engagement

In addition to this work, we are participating in initiatives that seek to support human rights. We continue to support the Voluntary Principles and actively participate in the dialogue process with other extractive companies, nongovernmental organizations

and governments. As is consistent with our past practice, we communicate our security expectations to key stakeholders and the security providers with whom we work. Part of this process includes engaging the U.S. government on the importance of promoting human rights and the rule of law.

We also supported the relaunch of the Global Sullivan Principles in 2005. The principles retain their original objective of addressing a wide range of human rights issues. Two strategic objectives of the relaunch are to promote the principles in order to provide a leading voice for responsible development and to advocate for strong national governance. These two objectives underscore the Rev. Leon H. Sullivan's vision of corporate responsibility.

Finally, as part of our ongoing dialogue and efforts on this issue, we will continue to engage with a wide range of stakeholders and participate in events focused on human rights.



# HIV/AIDS

Dr. Jose Van-Dunem, Angola's vice minister of health, addressed a Chevron gathering in Luanda on World AIDS Day. Educational events were held in company locations worldwide. World AIDS Day is one of many HIV/AIDS-related education and prevention activities that we support.



In January 2005, Chevron formally launched a companywide, global HIV/AIDS policy that strives to address the serious health risk this disease poses for our employees, their dependents and the communities in which they live and work. Implementation of this policy will continue throughout 2006 and beyond.

In brief, our global policy on HIV/AIDS affirms that employees suffering from HIV/AIDS are protected by the company's existing policies on discrimination and harassment. It also states that employees and their dependents, where provided under the terms of the employees' respective benefit plans, will have access to treatment and support. In addition, under the policy, we plan to offer workplace and community-based education, awareness, prevention and treatment programs reflective of local needs and immediate priorities. The full text of our global policy on HIV/AIDS can be viewed online [2].

Our efforts in 2005 to implement our global HIV/AIDS policy led to the following outcomes:

- Full-time employees were hired for the companywide implementation of the policy.
- Thirty-three regional coordinators were appointed to help oversee implementation of the policy in areas where our employees are concentrated.
- Regional coordinators conducted situation analyses at the local level to assess infection rates; available support and medical benefits; and whether education, awareness, prevention and treatment programs already exist.
- A Web site was established to enable coordinators to share best practices. This allows earlier successful initiatives conducted for more than a decade by our business units in South Africa, Angola, Nigeria and Southeast Asia to be shared throughout the company.

## Developing Plans and Timelines in 2006

Based on findings from each situation analysis, coordinators are working with business units to develop action plans and milestone timelines that will focus on the HIV/AIDS-related needs of our local workforces. In regions where high levels of malaria and tuberculosis exist, the need for education, prevention and treatment programs will also be addressed.

We recognize that the success of any effort will depend on the support of local management. Therefore, we are working with Pangaea Global AIDS Foundation to develop standardized training curricula specifically tailored to our management and employees. Our approach to offering employees and their dependents HIV/AIDS testing and treatment will be guided by a set of principles currently being developed by our global team in conjunction with HIV/AIDS treatment experts at Pangaea. A nonprofit consultancy, Pangaea helps corporations, nongovernmental organizations, national health ministries and other organizations broaden access to HIV/AIDS antiretroviral treatment and care, with special emphasis on work in resource-limited settings.

During 2005, Chevron received a Program of Note award from the Global Business Coalition on HIV/AIDS (GBC), an upper-echelon distinction, due in large part to work we have done in Angola. This was the second award from the GBC, a nonprofit organization that works with businesses to leverage their assets, skills and networks to tailor localized campaigns to prevent and control the spread of HIV/AIDS.

More information about some of our localized efforts aimed at preventing the spread of HIV/AIDS can be found on our Web site [2].

"All of us at Pangaea have been tremendously impressed by the businesslike way Chevron has tackled the implementation of their global HIV/AIDS policy and the strong commitment the entire Chevron team has shown in developing a program that will be meaningful to employees and their managers around the world. Active participation in the process by the regional managers in Africa and other parts of the world has definitely enriched the training programs under development. Chevron's ongoing effort to incorporate best practices in HIV/AIDS training, testing and treatment into their global effort is setting a high standard that other multinational companies should follow."

Eric Goosby, M.D., CEO and Chief Medical Officer  
Pangaea Global AIDS Foundation

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

# Health and Safety



Protecting the health and safety of our employees and all those who work on our behalf is our highest priority at Chevron. We have sharply cut our rate of incidents and injuries through an intense focus on improving health and safety performance. Regrettably, six people died in 2005 while working on behalf of the company. Any fatality is unacceptable. We are committed to reducing fatalities - and all incidents - to zero.

### Safe Operations

As measured by the Total Recordable Incident Rate (TRIR), 2005 was our safest year on record and our seventh straight year of improvement. Over a seven-year period, our workforce TRIR improved more than 70 percent.

To drive safety performance improvement, we set aggressive targets for key safety indicators. In 2005, we met our target to reduce our workforce Days Away From Work Rate (DAFWR). The total on-the-job injury rate improved 20 percent from 2004, and the rate of injuries severe enough to require days away from work improved 30 percent.

Motor vehicle crashes have been a leading cause of fatalities in our industry. We have developed several programs and initiatives to improve road safety. In 2005, one fatality resulted from a motor vehicle crash, compared with six fatalities in 2004.

These improvements also reflect our commitment to operational excellence (OE) and to the continued disciplined integration of OE into everyday operations and activities. For example, our downstream

operations have deployed standard processes addressing behavior-based safety, contractor safety management, motor vehicle safety, early incident management and incident investigation.

**Promoting a Healthy Workforce**

We value the health and well-being of our employees as well as their safety. During 2005, we enhanced the health-related content of our Operational Excellence Management System (OEMS) by adopting a global standard for benzene exposure.

To assist employees with a range of personal, family and work-related concerns and problems, our Employee Assistance and WorkLife Services (EAP/WorkLife) provide confidential programs and consulting services. These programs and services are being adapted to meet the needs of employees in communities and cultures as diverse as South Africa, Singapore, the United Kingdom and the United States by using local resources. Regardless of location, the programs are focused on the primary purpose of EAP/WorkLife: to help employees sustain a safe workplace and stay healthy.

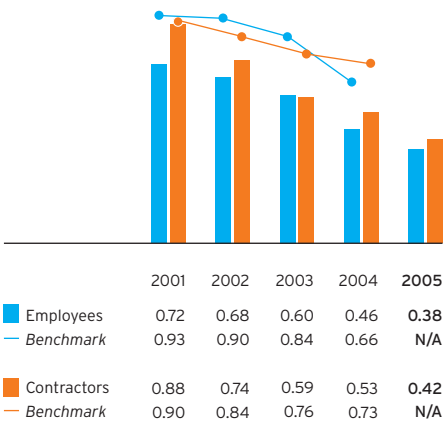
### Avian Flu

The recent appearance and spread of avian influenza has raised concerns that this virus may mutate and become capable of human-to-human transmission. If that were to occur, avian influenza could pose a threat to our workforce and businesses around the globe.

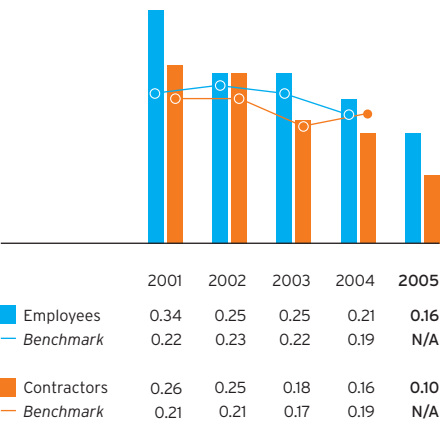
To assess the risks and plan a coordinated response, a cross-functional Chevron team developed a phased avian influenza plan. It builds on and updates existing crisis management capabilities to account for the unique aspects of an influenza pandemic. The plan includes three major strategies:

- Prevent exposure to and transmission of the virus by implementing education and hygiene programs.
- Contain the spread of the virus in the workplace by taking measures to reduce workplace exposure.
- Update business continuity plans to address pandemic influenza scenarios.

**Total Recordable Incident Rate**  
Recordable incidents per 200,000 work hours



**Days Away From Work Rate**  
Days away per 200,000 work hours



**Lost-Time Incident Frequency**  
Incidents per million work hours



American Petroleum Institute data are used as the industry benchmarks.

**Left** PT. Chevron Pacific Indonesia employee Mela Erlania trains on a portable fire extinguisher during a routine fire-fighting drill at Duri operations in April 2005. The company holds drills at such diverse settings as gas plants, medical buildings and the kindergarten at the company complex in Rumbai.

**Right** GATOR (Generating Awareness Through Observation and Review) is an ongoing safety program on offshore platforms in the U.S. Gulf of Mexico. Mike Richoux, a GATOR coordinator in 2005, says that 96 percent of the observations that year were of safe, rather than at-risk, behaviors.



During the first quarter of 2006, we began to deploy education and hygiene programs. Our business units will also assess and tailor their business continuity and containment strategies. In preparing our plans, we have been working with other companies to help build an informal coalition of businesses that are planning to take similar actions should an outbreak occur.

#### Product Stewardship

Chevron seeks to manage the environmental, health and safety impact of our products throughout their life cycle. This concept is known as "product stewardship" and is formally integrated into OEMS. As part of OEMS, business units are required to implement processes and systems to identify, minimize, manage and communicate potential risks throughout the product life cycle.

#### Motor Vehicle Safety Classifications

As indicated in the chart below, our motor vehicle incident rate increased in 2005. To help understand the underlying cause, we participated in the development of new classifications for industry motor vehicle incidents through the International Association of Oil & Gas Producers, whose classifications are similar to the injury classifications we currently report. These new metrics will help us understand the causes of the most serious crashes and help us prevent them.

#### Promoting Road Safety

Safe roads help preserve the health and safety of our workforce and the reliability of our operations. They also benefit the communities in which we operate. We are promoting road safety through two unique programs.

**Arrive Alive** In several communities that host our operations, we are developing collaborative nonprofit entities to develop and implement road safety action plans through our Arrive Alive program. In 2005, we hosted stakeholder workshops in Guatemala, Nigeria, South Africa and Uganda and pursued opportunities to collaborate with others in the private sector as well as with the appropriate government agencies in each country. The plans address such high-priority issues as speeding, impaired driving, motorcycle and bicycle safety, and pedestrian safety.

**Project Preserve** The successful truck transport safety program begun in Nigeria in 2004 is being implemented selectively in other countries in Africa and other regions of the world where transportation safety

poses a high risk. Project Preserve seeks to eliminate serious truck crashes in all 22 countries of Chevron Global Marketing's Africa-Pakistan region by training contract drivers in defensive driving and by setting and enforcing standards for truck safety. The accomplishments in the region at year-end 2005 include:

- 6,063 drivers trained in defensive driving skills.
- 252,241 spot inspections conducted prior to loading trucks, with 2,687 trucks failing inspection, thus not being loaded.
- 98 percent of drivers wearing seat belts upon approaching the terminal gate for departure, compared with 48 percent at year-end 2004.

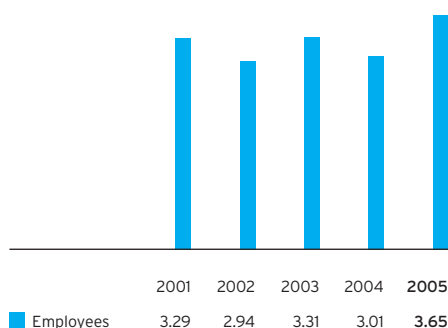
The Project Preserve team has shared practices, tools and lessons learned from the program's implementation throughout the company. Our Latin America Logistics and Africa Global Lubricants operations have adopted the approach and have begun implementation.

#### Work-Related Fatalities



#### Motor Vehicle Safety

Employee motor vehicle incidents per million miles driven



Contractor mileage will be tracked in 2006, enabling reporting of contractor incident rates.

# Environmental Management



In 2005, we made measurable progress on each of the three strategic priorities for environmental performance established in 2004 and outlined in last year's Corporate Responsibility Report. These priorities are: defining world-class standards, measuring and communicating performance, and demonstrating continual performance improvement.

Progress on these priorities, described below, reflects disciplined application of our Operational Excellence Management System (OEMS), which also encompasses efficiency, natural resources conservation, product stewardship and emergency management.

### OEMS Meets International Standards

To confirm that OEMS is aligned with international standards, we asked Lloyd's Register Quality Assurance (LRQA) to review OEMS. LRQA attested that OEMS design fully addresses, and in some respects exceeds, the requirements of ISO 14001 and OHSAS 18001. The full text of the statement is available on the Web [1]. As part of the review, in late 2005 we made our Operational Excellence policy publicly available on our Web site [2].

At the operating organization level, our international upstream organization, which represents most of Chevron's significant new project growth, approved a significant new standardized process for identifying and addressing the environmental, social and health impact of major capital projects (see page 13).

### Measuring and Communicating Performance

During 2005, we developed internal metrics for companywide tracking of key water and waste performance. We will begin gathering and assessing companywide data in these areas in 2006. These steps reflect our commitment to continual improvement in environmental performance and in measuring and communicating results. We also are working to fully integrate data from former Unocal operations and update our targets to reflect our changing portfolio of operations.

### OEMS Leads to Improvement

In 2005, we met our goals for energy efficiency and greenhouse gas emissions (see Climate Change, Energy Efficiency and Renewables section). We had no spills from our operated fleet of tankers. Excluding hurricane-related spills, oil spill performance matched our 2004 performance. As discussed in our case study, beginning on page 27, we plan for emergencies such as hurricanes. We believe that our extensive emergency preparedness and response efforts, as well as prior investments in subsea well-shutoff capabilities, significantly minimized

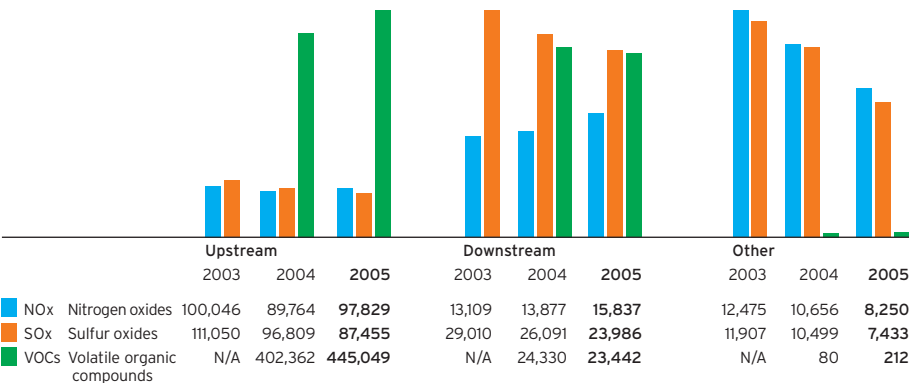
environmental releases during the 2005 hurricane season. We continue to learn important lessons from such events and build those into future preparedness plans.

Our performance in air emissions and petroleum spills is summarized in the data charts below. Environmental fines and settlements are described on page 26. Regarding chemical spills, we had 35 such accidental releases in 2005, with a total volume of 178,000 kilograms, less volume than in 2004. A total of 70,200 kilograms of chemicals were recovered, and the remaining chemicals were contained and disposed of properly. Chemical spills encompass accidental releases of all nonpetroleum materials, which include drilling fluids, contaminated water and other chemicals, such as those used as catalysts.

To view a diagram that provides an overview of our core business activities and the key environmental issues we face, please visit our Web site [3].

### Global Air Emissions

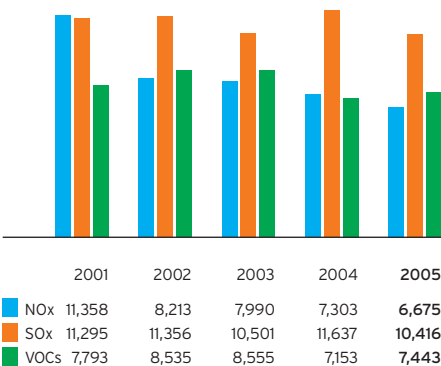
Metric tons



Globally, NOx and VOC emissions increased, compared with 2004. This is attributable primarily to the acquisition of Unocal assets. In 2005, SOx emissions decreased over 2004 estimates. This decrease was primarily due to lower sulfur content in fuel and flared gas.

### U.S. Refining Air Emissions

Metric tons





**Left** A coyote thrives at the Guadalupe Dunes on the California coast. Chevron is continuing the work Unocal began in 1994 to restore this site, once an active oil field.

**Right** Chevron has embarked on a seven-year, \$1 billion program to evaluate and replace, if necessary, 3,500 underground storage tanks at our sites worldwide. This old, single-walled tank is being lifted from a service station in Nandaime, Nicaragua, and will be replaced with a double-walled tank.



### Biodiversity Conservation

During 2005, we expanded our efforts to support biodiversity conservation through a threefold approach.

First, we continued to integrate biodiversity conservation into OEMS to be more consistent across the company. For example, our ESHIA process (see page 13) incorporates the identification and evaluation of a wide range of biodiversity impacts and mitigation activities.

Second, we continued to promote broader understanding and sharing of best practices across the industry through participation in the multistakeholder Energy and Biodiversity Initiative [4] and the

Biodiversity Working Group (BDWG) of two major industry associations: the International Petroleum Industry Environmental Conservation Association and the International Association of Oil & Gas Producers. We also sponsored the Central Africa Regional Workshop of the BDWG in Luanda, Angola, in September 2005. In collaboration with Conservation International and Wildlife Conservation Society, the event attracted more than 50 regional participants from industry, government and nongovernmental organizations. The primary objective was to build trust among stakeholders involved in biodiversity.

Third, we continued to work with and provide financial support to global and local organizations engaged in efforts to conserve sensitive ecosystems or species. The 2005 Unocal acquisition also brought important new biodiversity conservation partnerships to the company, including a multiyear Ridges to Reefs® project with The Nature Conservancy in Indonesia. This project involves building awareness and promoting conservation and sustainable livelihoods with local communities in threatened marine and terrestrial areas near Berau in the Indonesian province of East Kalimantan.

### Environmental Litigation

Chevron continues to vigorously defend against litigation alleging environmental damage from Texaco Petroleum Company's (TexPet) former operations in Ecuador. TexPet was part of an oil producing consortium from 1964 to 1992 with state-owned oil company Petroecuador. The company is challenging the lawsuit on both scientific and legal grounds.

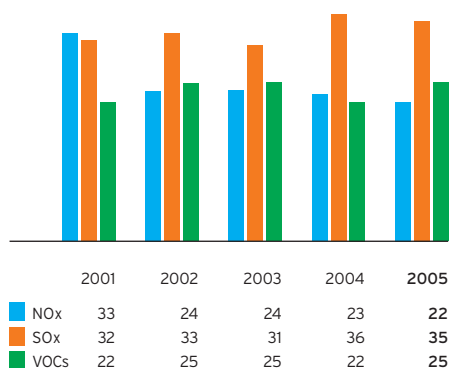
At the close of 2005, the court had completed 35 of 122 scheduled field inspections. The overwhelming body of evidence from the

inspected sites clearly shows the areas remediated by TexPet pose no human health or environmental risks due to TexPet's operations. In early 2006, a panel of court-appointed experts issued its first site inspection report, concluding that TexPet's remediation of the Sacha 53 site was effective and in accordance with legal standards of the time. The panel also found that the remediated areas posed no significant risk to human health. The TexPet remediation program was approved by the government of Ecuador, and TexPet was

fully released from any further claims by the government. As such, TexPet met all of its obligations and performed in accordance with Ecuadorean government requirements. Furthermore, documents, witness testimony and field observations have proved that Petroecuador, the state-owned oil company that has operated the fields for the past 15 years, is responsible for numerous oil spills throughout the region. We continue to keep the public informed about this lawsuit through updates, in both English and Spanish, on our Web site [5].

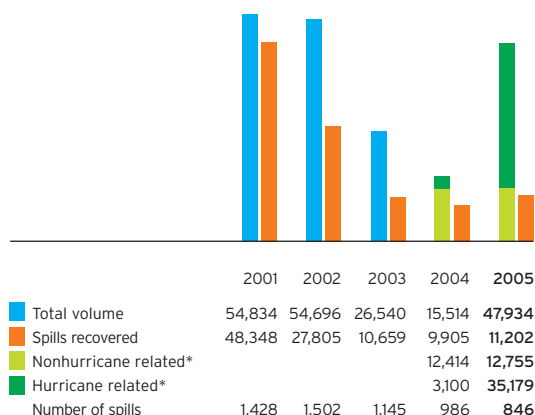
### U.S. Refining Air Emissions

Metric tons per million barrels processed



### Petroleum Spills

Volume in barrels



\*Applies only to 2004 & 2005

- [1] [www.chevron.com/about/docs/2005/attestation.pdf](http://www.chevron.com/about/docs/2005/attestation.pdf)
- [2] [www.chevron.com/about/operational\\_excellence/](http://www.chevron.com/about/operational_excellence/)
- [3] [www.chevron.com/cr\\_report/2005/environment\\_mgmt/](http://www.chevron.com/cr_report/2005/environment_mgmt/)
- [4] [www.theebi.org/](http://www.theebi.org/)
- [5] [www.texaco.com/ecuador/](http://www.texaco.com/ecuador/)

# Climate Change, Energy Efficiency and Renewables

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 has contributed to an increase in greenhouse gases (GHGs) - mainly carbon dioxide (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 to reduce GHG emissions and increase energy efficiency.

We believe energy efficiency is the easiest, cheapest and most reliable source of "new energy" available today and one of the easiest, cheapest ways to reduce GHG emissions.

Our climate change fourfold action plan is now in its fourth 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.

Each of these areas encompasses a range of activities. In this report, we focus on our progress and performance in reducing GHGs, flaring and venting and in increasing energy efficiency and renewable energy. Additional information is available on our Web site [1].

### Climate Change Performance and Progress

In 2005, we met our goal of no net increase in GHG emissions from our operations compared with 2004, despite the addition of new production capacity and exploring for and producing energy in more complex, remote and energy-intensive operating environments. Our 2005 emissions were 59.7 million metric tons of CO<sub>2</sub>-equivalent emissions. In 2005, 90 percent of CO<sub>2</sub>-equivalent emissions were from CO<sub>2</sub> and approximately 10 percent from methane, with trace amounts of nitrous oxide. Combustion, flaring and venting remain the largest contributors to our GHG emissions.

For 2005, our products resulted in emissions of 374 million metric tons of CO<sub>2</sub> equivalent, or 1.5 percent of global emissions, based on International Energy Agency estimates.

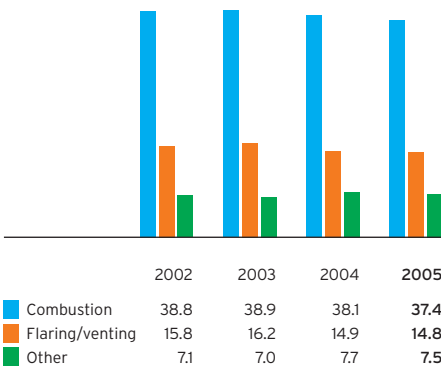
We are continuing to develop a long-term emissions forecast as the basis for an emissions management plan that aligns with our fourfold climate change strategy. For 2006, our preliminary goal is 68.5 million metric tons of CO<sub>2</sub> equivalent, which

includes legacy Unocal assets. This number is higher than that for 2005 because of two major factors: hurricane-related and other shutdowns in 2005 decreased emissions, which are expected to return to previous levels in 2006, and Unocal assets will be counted for a full year. They were included for five months in 2005.

During the past year, Kyoto Protocol implementation and other initiatives prompted increased activity in carbon markets, generally. To respond to these developments, we established a carbon markets team in 2004. This team, which coordinates Chevron's carbon-related policies and activities throughout the world, assists our units in achieving cost-effective carbon regulatory compliance. The team also leads efforts to secure credits for voluntary carbon emissions reduction under the Kyoto Protocol's Clean Development Mechanism. For example, we are seeking to realize the value of avoided emissions at our Darajat, Indonesia, geothermal facility through the Clean Development Mechanism.

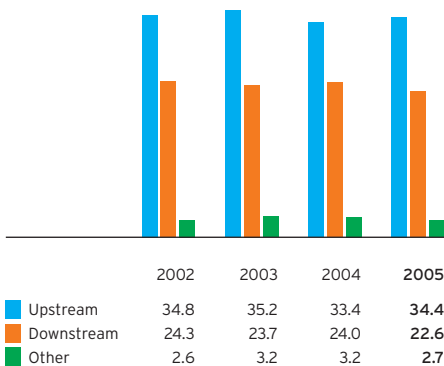
### GHG Emissions by Source

Millions of metric tons of CO<sub>2</sub> equivalent



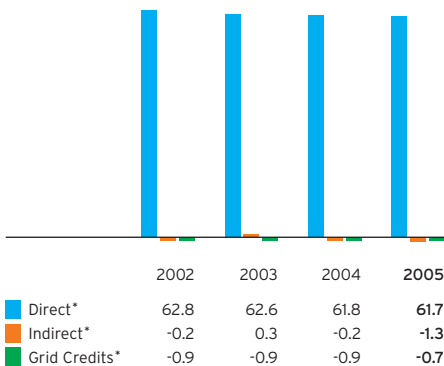
### GHG Emissions by Sector

Millions of metric tons of CO<sub>2</sub> equivalent



### Total GHG Emissions by Type

Millions of metric tons of CO<sub>2</sub> equivalent



GHG emissions and targets have been restated to reflect an error in the equity share of one business unit.

Chevron's GHG emissions data are reported on an equity-share basis in all businesses where we have an interest, with the exceptions listed here. Total 2005 emissions include the equity share of assets operated by legacy Unocal for August through December. Totals generally exclude emissions from Chevron Phillips Chemical Company, Dynegy Inc., Caltex Australia Limited's Lytton and Kurnell refineries, other refineries where we have an equity interest ranging from 4 percent to 16 percent, and entities over which we do not have full operational control and which do not follow our corporate GHG inventory protocol or a compatible protocol.

\* Direct emissions come from sources within a facility. Indirect emissions come from electricity and steam Chevron imports, less the emissions credits from electricity and steam Chevron exports. Grid credits account for the electricity Chevron exports that is produced more efficiently than electricity from the regional or national grid.

Design engineer Edward Shelton is seen here at the El Segundo, California, refinery's No. 6 H<sub>2</sub>S plant. When fully operational, the plant is expected to enable the refinery's fuel-gas system to meet the 40-part-per-million total sulfur limit set by the South Coast Air Quality Management District.



We require proposed projects over \$5 million to analyze the financial impact of carbon emissions within a range of costs per metric ton of CO<sub>2</sub> equivalent. By doing so, planning for our capital projects accounts for the costs associated with GHG emissions reduction policies and for the potential eligibility for emissions reduction credits.

### Energy Efficiency Performance

Our exploration, production and refining operations require significant amounts of energy to supply products to the customer - whether natural gas, propane, gasoline, jet fuel, diesel or home heating oil. Maturing crude oil and natural gas fields, more challenging production environments - for example, deepwater and enhanced oil recovery - and demand for cleaner fuels also increase the amount of energy needed to run our operations. The cost of this energy is substantial, averaging \$2.7 billion annually from 2001 to 2004. With the escalation of energy prices, our 2005 energy costs totaled \$4.4 billion.

In 2005, we met our companywide Chevron Energy Index (CEI) goal of 76. CEI, established in 1992, measures energy use at each facility and for each business activity. CEI measures the energy required today to produce our products compared with the energy that would have been required to produce the same products in the base year. As an index, CEI factors out many variables that affect total energy consumption.

Instead, it focuses on the efficiency of each type of activity, from production and shipping to refining and marketing. Through a consistent focus on energy efficiency, we have reduced our energy consumption per unit of output by 24 percent since 1992. For further details on our CEI performance, see our Web site [2].

To meet our energy efficiency goals, we implemented many improvements and completed planned maintenance at key facilities. Hurricanes Katrina and Rita forced the shutdown and startup of U.S. Gulf of Mexico production facilities and the Pascagoula Refinery. This required significant additional energy use and also cut production. Nevertheless, we met our year-end CEI target of 76 because other parts of the business exceeded expectations for efficiency improvement. Our total energy consumption in 2005 was 853 trillion Btu (excludes non-U.S. Unocal assets).

Through our subsidiary Chevron Energy Solutions Company (CES), we also provide engineering and project management expertise to businesses, institutions and government entities to help them conserve energy. CES is the fourth-largest U.S. company of its kind and unique among global energy companies. In 2005, it saved its customers 177 million kilowatt hours of electricity and 1.2 billion cubic feet of natural gas. For more information, visit the CES Web site [3].

### Flaring and Venting

When crude oil is brought to the earth's surface, natural gas associated with the oil also comes to the surface. The lack of infrastructure and nearby gas markets in many parts of the world where oil is produced means that associated natural gas is released into the atmosphere ignited (flared) or unignited (vented). In the United States, through voluntary efforts such as participation in the Environmental Protection Agency's Natural Gas STAR program, we have reduced natural gas emissions by more than 20 billion cubic feet since 1991.

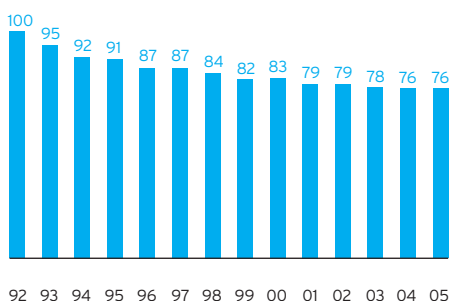
At the same time, the reduction of flaring and venting in overseas operations offers a significant opportunity to cut GHG emissions and utilize the gas resources. Flaring and venting totaled approximately 25 percent of our total GHG emissions in 2005, accounting for 14.8 million tons of CO<sub>2</sub>-equivalent emissions.

Flaring and venting reduction is an important part of our climate change strategy. During 2005, our international upstream organization established an environmental performance standard to drive operational excellence in the management of flaring and venting in our operations. The standard is aligned with the objectives of the Global Gas Flaring Reduction Public-Private Partnership coordinated by the World Bank. The standard requires that all new capital projects be developed without continuous associated gas flaring and venting unless it is infeasible to do so.

**The Sanha Condensate Project in Angola** became operational in 2005. This project addresses the largest single source of flaring from our operations and will be delivering a 10 percent to 20 percent reduction in companywide flaring and venting while reducing GHG emissions by more than 2 million tons per year. The project will increase crude oil production by approximately 100,000 barrels per day without additional flaring.

At full production, it will also significantly reduce routine flaring from existing neighboring operations by capturing and injecting produced gas underground for future use. In addition, a Chevron-led consortium is working to utilize associated gas and further reduce flaring from production operations in Angola (the Angola Liquefied Natural Gas Project). Other projects that will reduce flaring and venting include the West African Gas Pipeline (from Nigeria to Benin, Togo and Ghana) and various projects being developed in Kazakhstan, Venezuela and Indonesia.

**Chevron Energy Index**  
1992 = base 100



[1] [www.chevron.com/social\\_responsibility/environment/](http://www.chevron.com/social_responsibility/environment/)  
[www.chevron.com/social\\_responsibility/energy\\_conservation/](http://www.chevron.com/social_responsibility/energy_conservation/)  
[www.chevron.com/technology/new\\_energy\\_technologies/renewable\\_energy.asp](http://www.chevron.com/technology/new_energy_technologies/renewable_energy.asp)  
[2] [www.chevron.com/social\\_responsibility/energy\\_conservation/](http://www.chevron.com/social_responsibility/energy_conservation/)  
[3] [www.chevronenergy.com/](http://www.chevronenergy.com/)



With the Unocal acquisition, including this Mak-Ban geothermal power plant in the Philippines, Chevron became the largest producer of renewable energy in the oil and gas industry and the world's largest producer of geothermal energy.

## Renewable Energy and Clean Energy Technologies

In order to meet the world's growing need for energy, we believe all potential sources must be considered. New technologies and new energy sources, including conservation-related technology, must be able to compete in the marketplace. As part of our portfolio, we have been making targeted investments in renewable and clean-energy projects. We committed more than \$300 million a year to renewable and clean energy in 2004 and 2005.

**Geothermal Energy** With the acquisition of Unocal, we now produce 1,152 megawatts of renewable energy, primarily geothermal, making us the largest renewable energy producer of any global oil and gas company. It also makes us the largest producer of geothermal energy. For more than 30 years, we have been helping countries harness their geothermal resources to meet sustainable development objectives. Compared with coal-fired systems, which tend to be the lowest-cost option in many developing countries, geothermal energy emits only about 10 percent of the GHG emissions, produces limited other emissions and waste, and requires a significantly smaller physical footprint. Chevron has been a leader in developing the world's operating geothermal fields, accounting for more than half of all privately developed capacity (see chart below).

## World Geothermal Energy Developed



■ Government 50%  
■ Chevron 27%  
■ Other private 23%

Chevron is the world's largest geothermal energy producer.

We currently are involved in four major geothermal energy projects that produce clean electricity for Indonesia and the Philippines.

In West Java, Indonesia, we are involved in two projects. The 377-megawatt Gunung Salak project is among the largest in the world. The Darajat project produces 145 megawatts of geothermal energy. An additional 110-megawatt unit, Darajat Unit 3, is scheduled for startup by late 2006.

In the Philippines, we produce geothermal energy at two fields that, together, supply 15 percent of the electricity required by Luzon, the most populous Philippine island. The Makiling-Banahaw (Mak-Ban) project in the Laguna and Batangas provinces, produces 422 megawatts. The Tiwi project, in Albay province, produces 206 megawatts of geothermal energy. These generating units have performed reliably for nearly 30 years.

Visit our Web site to learn more about how geothermal energy works [1].

**Ethanol** In January 2006, we announced a collaboration with the state of California, General Motors and Pacific Ethanol to evaluate E85, a blend of 85 percent ethanol and 15 percent gasoline. The project will study performance, efficiency and environmental issues using reformulated E85, a renewable fuel that Chevron will make available at various demonstration stations for a fleet of 50 to 100 state vehicles.

**Hydrogen** Chevron operates the largest, most complex hydrogen infrastructure in the United States. In 2005, we added fueling stations in Florida, New Mexico and Michigan. The fueling stations demonstrate the safe, practical application of hydrogen technology. For more information, visit our Web site [2].

To read about Chevron's wind, solar and other renewable energy efforts, visit our Web site [3].

## Environmental Expenditures

Using definitions and guidelines established by the American Petroleum Institute, we estimated our worldwide environmental spending in 2005 at approximately \$1.3 billion for our consolidated companies. Included in these expenditures were \$341 million of environmental capital expenditures and \$979 million in 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, which includes \$14 million and \$66 million, respectively, for Unocal activities for the last five months of 2005.

## Fines and Settlements

At times in 2005, some of our facilities may not have met all government environmental, health and safety requirements, which resulted in fines and penalties. We remain committed to improving performance and learning from these instances. The number of fines and settlements increased to 577 in 2005 from 469 in 2004. The cost of environmental health and safety fines and settlements dropped to \$4.3 million in 2005 from \$6.3 million in 2004. Health and safety accounted for 459 of the total, representing just over \$142,000; the remaining 118 were for environmental issues, representing most of the cost.

## EPA New Source Review Consent Decree

In 2003, as part the U.S. Environmental Protection Agency's (EPA) Petroleum Refinery Initiative to reduce air emissions from the nation's refineries, Chevron U.S.A. Inc. entered into a voluntary agreement with the EPA and several state agencies. This agreement, or Consent Decree, was approved by a U.S. court in 2005; Chevron then paid an associated civil penalty of \$3.5 million.

## Environmental, Health and Safety Fines and Settlements

US\$ million

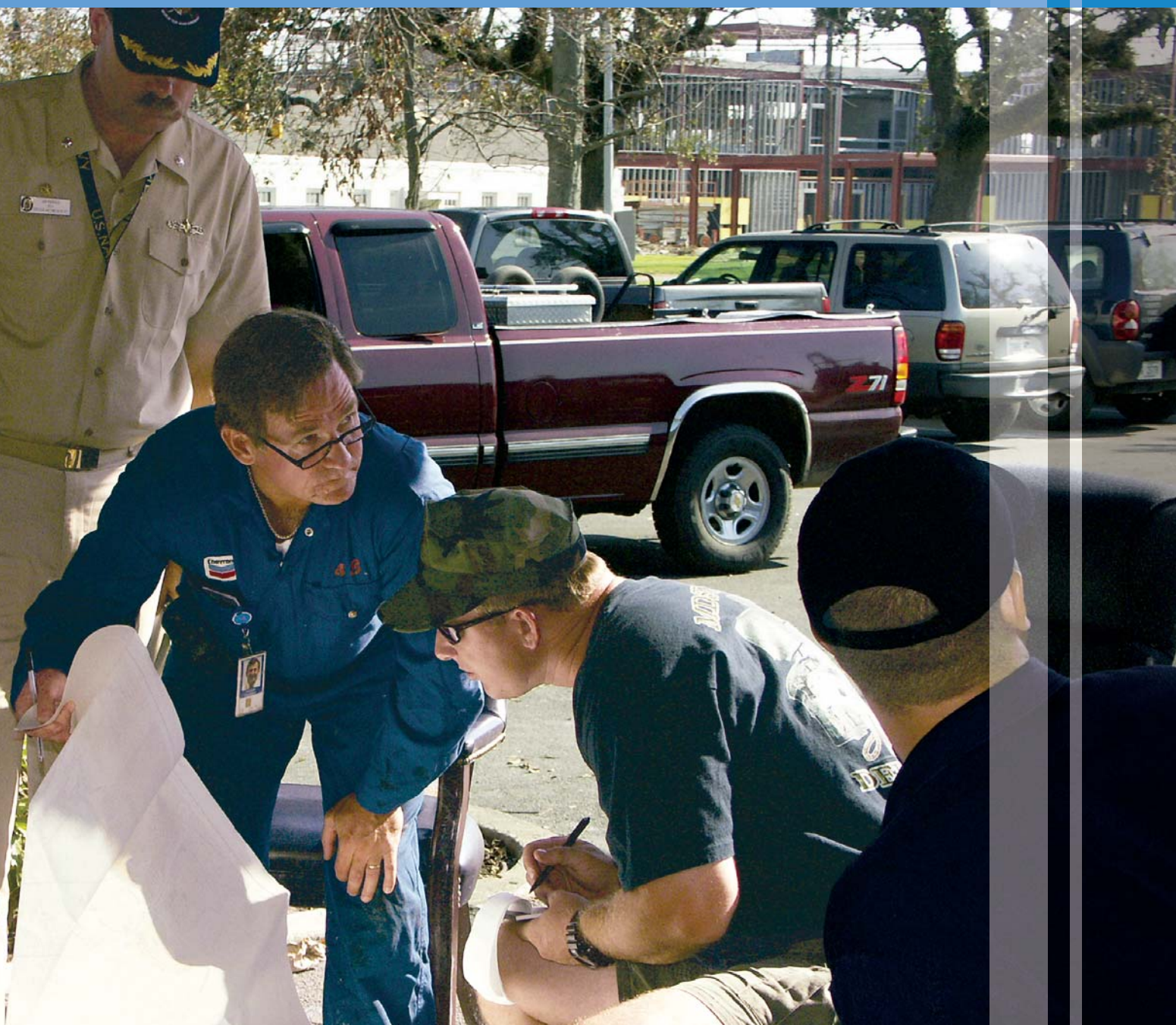
	2001	2002	2003	2004	2005
Total paid	0.95	4.28	3.99	6.33	4.27
Total number	388	278	470	469	577

[1] [www.chevron.com/cr\\_report/2005/geothermal/](http://www.chevron.com/cr_report/2005/geothermal/)  
[2] [www.chevron.com/technologyventures/commercialize\\_tech/hydrogen\\_infrastructure.asp](http://www.chevron.com/technologyventures/commercialize_tech/hydrogen_infrastructure.asp)  
[3] [www.chevron.com/cr\\_report/2005/wind\\_solar/](http://www.chevron.com/cr_report/2005/wind_solar/)



# Chevron's Response to the U.S. Gulf Coast Hurricanes

The U.S. Gulf Coast region is vital to our business and is where more than 4,300 Chevron employees live and work. In 2005, communities along the Gulf Coast endured one of the most destructive, unrelenting hurricane seasons in history. More than 1,000 people died, hundreds of thousands were displaced, and countless homes and businesses were destroyed.



Chevron Shipping Company regional marine superintendent Doug McCormick studies a map of the Pascagoula Channel with members of the U.S. Coast Guard and Navy at a Jackson County Port Authority meeting on Sept. 6, 2005. Before electricity was returned to Pascagoula, the daily meetings were held in the Port Authority's parking lot. With Chevron's help, the port reopened for incoming ships just 10 days after Hurricane Katrina made landfall.





**Left** At the Jackson County Emergency Operations Center in Pascagoula, Mississippi, Chevron's Steve Renfroe (far right) discusses Port of Pascagoula reopening plans with a member of the U.S. Coast Guard, as Jackson County Supervisor Tim Broussard greets Chevron Chairman and CEO Dave O'Reilly.  
**Right** Just 12 days after Hurricane Katrina slammed into the Mississippi Gulf Coast, construction was completed on family living units and dormitories, such as the men's dormitory shown here, to hold up to 1,500 displaced employees and family members.

When Hurricane Katrina first made landfall on Aug. 29, 2005, it hit the Louisiana and Mississippi coastlines with overwhelming force. Three weeks later, the Gulf Coast suffered a second blow when Hurricane Rita struck. Prior to the hurricanes, we took precautions to safely evacuate all offshore employees and contractors and to strongly encourage those working onshore to evacuate to safe locations. We also safely shut down and secured all onshore and offshore facilities within the hurricanes' probable paths, including our largest U.S. refinery in Pascagoula, Mississippi.

In the midst and aftermath of both storms, communication systems went down, which caused widespread confusion and havoc, especially following Katrina. The magnitude of unfolding events made it difficult to initially assess how our employees, business operations and communities were affected by the storms.

As information was gathered, Chevron employees stepped up and immediately leveraged their organizational and technical capabilities, used company resources, and responded to each critical situation that emerged, of which there were many. Our first priority was locating employees and their families and being sure they were safe. While many employees have been significantly affected by one or both hurricanes, fortunately there were no fatalities.

The following pages summarize Chevron's response to hurricanes Katrina and Rita and our efforts to support the immediate relief and short-term recovery efforts. Also discussed are our plans to contribute to the long-term rebuilding of the affected communities, which will draw on our experiences of helping communities recover after the 2004 tsunami in South Asia.

#### Immediate Response to the Hurricane Disasters

**Taking Care of Employees** In the event of a natural disaster, our first concern is to locate our employees and bring aid to them and their families. To help account for employees affected by Hurricane Katrina, we established a corporate toll-free line, used radio and Web communications, and took out advertisements in newspapers across the Gulf Coast urging employees to contact the company. Employees in Pascagoula went door to door in search of their co-workers who were still missing. By Sept. 16, the company had accounted for the safety of all affected employees in the region.

By the time Hurricane Rita struck on Sept. 23, we had improved our toll-free telephone system and implemented a mandatory communications plan that required employees to contact the company with news of their whereabouts and safety. Consequently, it was only a matter of days before we were able to locate and verify the safety of all evacuated employees.

Pascagoula, where our refinery employs 1,200 people, was in the direct path of Katrina. Early reports indicated that up to 300 of our refinery employees and contractors lost their homes in the hurricane. We responded by setting up a 12-acre (4.8-hectare) tent camp capable of housing nearly 1,500 employees and contractors and their families. The air-conditioned tent facility provided a range of services such as catering, laundry, showers and a recreation area. Additional support came from a contingent of 30 employees from our California refineries who headed to Pascagoula and assisted in the relief.



The Gautier Academy is one of 39 licensed day care facilities in Jackson County, Mississippi, that Pascagoula Refinery employees helped restore after the hurricanes.



The extraordinary efforts of Bryan Thraikill (above) and Jay Butts, two Chevron operators at the Galena Terminal near Houston, Texas, were unseen by the public but felt by customers desperately in need of motor fuel. To read the account, please visit our Web site [2].



During Hurricane Katrina, Chevron's Larry Kirchner, a manufacturing specialist, took refuge in Meadowcrest Hospital outside New Orleans, Louisiana, along with his son and wife, a hospital lab technician. He relied on his instincts and skills for four gut-wrenching days to help keep the hospital operational and patients secure. To read the account, please visit our Web site [3].

**Providing Relief to Our Communities** Two days following Hurricane Katrina, we committed \$5 million toward relief efforts, directing \$3 million of these funds to the American Red Cross and earmarking \$2 million for local organizations that serve communities close to the company's operations. This amount was later supplemented with an additional \$3 million pledge, bringing our total contribution to \$8 million in support of local recovery efforts. A complete list of all our hurricane-related contributions is available on our Web site [1].

The company offered many forms of urgently needed assistance, such as transporting 79 pallets of blankets, more than 2,000 cots and hundreds of comfort kits to a staging area in Alabama. Waivers were obtained from Mississippi authorities to allow Chevron truck drivers through areas that bypassed impassible roads in order to deliver water and ice to Pascagoula and nearby communities. Tetanus and hepatitis A shots also were donated to these communities. After Hurricane Katrina, many evacuees relocated initially to Houston. We worked with the local school district and other partners to provide shoes, socks, backpacks and school supplies for students enrolling in two elementary schools that were reopened to accommodate the massive influx of children. In addition, we provided more than 40,000 meals from our mobile barbeque in Houston and Port Arthur, Texas. The combined value of all donated goods and services Chevron contributed was estimated at more than \$500,000.

In Jackson County, Mississippi, where Pascagoula is located, Chevron's day care recovery effort restored 39 licensed day care facilities. Five of the centers had to be completely reconstructed, requiring new furniture, appliances, books and developmental toys.

Our most critical role in the community is to reliably supply energy, and one of our first priorities was to supply fuel to police, sheriff and fire departments, the Red Cross, and hospitals to help ensure their ability to support relief efforts. Fuel was also supplied to the Mississippi Power Company to help restore power to local communities.

**Minimizing Environmental Damage** In anticipation of any significant storm, Chevron employees follow a series of pre-established steps to safely shut down crude oil and natural gas production, refineries, pipelines, other petroleum operations, and office facilities. The majority of our sites withstood the force of both storms, thereby avoiding widespread environmental damage. Safety devices on numerous types of facilities, including oil platforms and pipelines, also prevented or minimized environmental impact to equipment that did sustain major damage.

The overpowering force of Hurricane Katrina, however, caused two oil spills. The largest spill took place when a Chevron storage tank in Empire, Louisiana, was ripped apart and released an estimated 33,900 barrels of crude oil. A smaller spill, approximately 1,300 barrels, involved a Chevron pipeline at Port Fourchon, Louisiana. With the approval of appropriate federal and state environmental agencies, teams of specially trained emergency response personnel immediately went to work containing and cleaning up these spill areas.

**"I express the deepest appreciation and admiration for what the people of Chevron have done for this community and for what you have enabled the Red Cross to do for our clients. Cell phones, a copier/fax machine, generators, shelter supplies - our needs were met with a simple phone call. You are a stellar example of what 'community' truly means. It is an honor to call Chevron our partner."**

Paige Roberts, Director  
Jackson County, Mississippi, Chapter of the American Red Cross

[1] [www.chevron.com/cr\\_report/2005/hurricanes/](http://www.chevron.com/cr_report/2005/hurricanes/)  
[2] [www.chevron.com/cr\\_report/2005/galena/](http://www.chevron.com/cr_report/2005/galena/)  
[3] [www.chevron.com/cr\\_report/2005/hospital/](http://www.chevron.com/cr_report/2005/hospital/)



#### After the Asian Tsunami: Chevron's Commitment to Recovery and Rebuilding

We responded to the 2004 tsunami with immediate disaster assistance as well as sustained support. We are investing \$10 million over three years to be used for long-term recovery and rebuilding efforts in South Asia and specifically targeting resources to areas that were hardest hit. Prior to being acquired by Chevron, Unocal invested more than \$3 million in long-term recovery projects in Thailand and Indonesia. Following are two examples of long-term projects initiated in 2005.

#### Managing Mangrove Resources (Thailand)

We are supporting research on the benefit of mangroves, salt-tolerant trees and shrubs that serve as a coastline buffer, because tsunami-related damage was less where mangrove conservation existed. The Thailand Environment Institute will initially create three community demonstrations addressing mangrove rehabilitation and sustainable use. Best practices will then be used to expand the project to at least 10 more village clusters. Our project funding totaled \$430,000.

Managers Yanto Sianipar (front) and Fred Nelson in Indonesia participated in a routine emergency response exercise, and any gaps found were closed. The training, which took place just a few weeks before the tsunami hit, allowed the managers to act quickly to locate employees after the devastation.

#### Assisting in Short-Term Recovery Efforts

**Addressing Numerous Employee Needs** To help meet the ongoing short-term needs of employees facing hurricane-related hardships, several initiatives were launched. These included setting up additional temporary housing facilities near Chevron Oronite Company's Oak Point plant just outside New Orleans; in Lafayette, Louisiana, where many New Orleans-based employees were stationed; and in Picayune, Mississippi, where company aircraft operations are located. At year-end 2005, we were still providing temporary housing for 756 employees and family members in seven separate locations.

Chevron also provided nearly \$9 million in assistance to approximately 3,100 employees in need of cash, which included tax-free payments and loans through the company's Natural Disaster Assistance for Employees program. In addition, the company's Employee Assistance and Work/Life Services were expanded to provide support and counseling services for employees and their family members dealing with the psychological impact of the disasters.

Throughout the company, there was an outpouring of concern among employees wishing to help their fellow employees. The Chevron Humanitarian Relief Fund was activated, providing employees and retirees an avenue to donate funds that would directly benefit affected employees. Contributions made by Nov. 30, 2005, were matched dollar for dollar by Chevron.

Employees and retirees in at least 30 countries donated to the fund, which totaled more than \$1.5 million after the company's donation. The funds were distributed to more than 300 employees in grants of \$5,000 each. We established an intranet site to facilitate offers of help from employees, which included rooming accommodations for displaced employees. An online bulletin board also was launched so that employees could exchange information on colleagues' well-being and whereabouts.

Former Unocal employees also made contributions through the Unocal Foundation Workplace Giving Program just as a deadline for post-acquisition donations approached. In just three days, these employees contributed nearly \$47,000 to the American Red Cross Disaster Relief Fund. The foundation matched these contributions, making the total contribution \$94,000.

**Resuming the Supply of Energy** Ensuring our employees' needs were being met was essential in order to support a critical community priority: the safe and incident-free resumption of crude oil and natural gas production and refinery operations, and the delivery of motor fuel and energy products to the communities needing them the most.

Following Hurricane Katrina, the oil industry experienced a 25 percent shutdown of all U.S. crude oil production and more than 14 percent of natural gas production. In addition, U.S. gasoline supplies were reduced by approximately 10 percent. Notably, Hurricane Rita did greater harm to the nation's energy markets than Katrina, closing down virtually all Gulf of Mexico production of crude oil and 80 percent of natural gas. Refinery production capacity in the Gulf Coast region was diminished as a result of both hurricanes.

A number of significant disruptions to the company's operations occurred during and after both storms. One challenge was repairing damage done to the Pascagoula Refinery and its marine terminal. Six weeks of incident-free work resulted in fully restoring operations ahead of schedule, enabling it to resume production of typically 5 million gallons of gasoline daily, as well as other petroleum products. Operations at our Empire and Fourchon pipeline terminals in Louisiana were restored after several weeks.

Following both hurricanes, we worked with federal and state governments to help them understand the impact of the storms on fuel supplies and infrastructure, and we recommended steps that would help restore supplies as quickly as possible. The U.S. Environmental Protection Agency and state agencies provided



#### Vocational Training Alliance (Indonesia)

We have pledged up to \$5 million to a partnership with the U.S. Agency for International Development (USAID). We earmarked \$1 million for a vocational training program for more than 120 students, aged 18 to 22, selected from dozens of tsunami-affected villages in Nanggroe Aceh Darussalam and on Nias.

In July 2005, students began arriving at Politeknik Caltex Riau in Pekanbaru for the first session of a three-month training program in areas such as building

construction, electrical wiring, welding, bookkeeping and computer applications. These skills were identified as necessary for the reconstruction of tsunami-affected areas. Upon completion of the program, students received a certificate that identified their skill level, tools and equipment for their line of business, and a list of references that potential employers could contact. We provided participating students with transportation, training, room and board, and clothing. By the end of 2005, more than 120 students had graduated.



Young people from tsunami-devastated areas of Indonesia learn computer and accounting skills at the Chevron-supported training program at Politeknik Caltex Riau.

numerous emergency waivers of localized fuel specifications that made fuel supplies more fungible and significantly reduced the severity of the supply disruptions.

Meanwhile, offshore employees on drilling platforms worked around the clock to restore production. In three weeks, they reached 56 percent of pre-Katrina levels while sustaining very few minor incidents. Hurricane Rita did further damage to a number of production facilities, including the Typhoon tension-leg platform, which was severed from its mooring. The platform was located and secured shortly after the storm. By the end of 2005, 70 percent of overall capacity had been restored in the Gulf.

**Prepaying Taxes to Support Local Municipalities** As local government agencies in Louisiana and Mississippi responded to the immediate and prolonged crisis, their cash reserves were quickly drained, and incoming tax revenues slowed to a trickle. To provide some funding stability, we elected to prepay more than \$18.4 million toward the company's local property taxes to the city of New Orleans and to Cameron, Vermilion and Plaquemines parishes in Louisiana, and to Jackson County, Mississippi.

**Impact on Our Business** As a result of the hurricanes, we estimated that earnings were reduced by approximately \$1.4 billion in 2005. About half of the impact occurred in the company's fourth quarter. The hurricane effects included a reduction in crude oil and natural gas production, costs for repairs and maintenance of both offshore and onshore facilities, asset write-offs, and expenses for other uninsured storm-related items.

#### Our Commitment to Long-Term Recovery

**Helping Employees Rebuild Their Lives** We established a Hurricane Case Management Center to provide employees a central resource for resolving long-term, complex issues beyond

what our current system could support. Employees who contact the center are assigned a case manager who offers assistance on accessing resources - from pre-qualified home contractors to information about the Chevron Humanitarian Relief Fund. By providing a single point of contact, the center has helped alleviate much of the frustration and confusion employees face as they work to rebuild their lives. By early 2006, more than 300 employees had used the center.

**Lending Support to Chevron and Texaco Retailers** Many Chevron and Texaco fuel stations suffered hurricane-related damage, and some were declared a total loss. In response, the Chevron and Texaco Hurricane Recovery program was launched to provide financial assistance to dealers so they could rebuild their stations and make necessary repairs. More than 320 dealers received this assistance.

**Rebuilding Local Communities** We have begun exploring ways to support the long-term reconstruction of communities in the Gulf Coast region. Our efforts will align with our broader community engagement approach and focus on critical areas, which may include community rebuilding efforts, education and economic redevelopment.

We have already begun consulting with key stakeholders - from government agencies to community representatives - in order to identify potential partnerships and coordinate our efforts with other emerging reconstruction plans. Our approach will also include conducting a needs assessment in the affected communities where our employees live and work. This will help determine the best ways for us to invest funds, resources, technical support and expertise. Metrics will be established to evaluate outcomes and successes. Lastly, we will openly share the results and lessons learned from our ongoing efforts with our employees, business colleagues and the local communities so they are informed of our firm commitment to help revitalize this region.

# About This Report

This report covers 2005 data and activities. We also occasionally mention events that took place in early 2006 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 August 2005 and covered 2004 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 and our 2002 and 2003 greenhouse gas emissions data.

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 facing page).

In August 2005, Chevron completed a major acquisition of the energy company Unocal Corporation. We have integrated Unocal data as of Aug. 1, 2005, wherever parallel information existed for both companies, following Chevron's practice for consolidated financial reporting. Where this was not possible, it is noted in the data charts.

## 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 our 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 reader should not place any undue reliance upon such forward-looking statements, which 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.

# Glossary

**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 process implemented by our international upstream organization to identify, evaluate and mitigate potential project-related environmental, social and health impacts; directly linked to our project development process, the ESHIA process improves life-cycle project decision making, incorporates stakeholder engagement, and helps make sure project impacts are eliminated or mitigated and benefits enhanced.

**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.

**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.

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

**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 host 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, trade unions 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:

- 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.

Some of the information responsive to these indicators appears in the Web version of this report [1] or on [www.chevron.com](http://www.chevron.com).

Specific references to those sites are included on the pages noted. For a more detailed indicator index, please visit our Web site.

	GRI (Additional indicators in italics)	API/IPIECA (Additional indicators in italics)	Where reported
<b>VISION AND STRATEGY</b>	<b>1.1 1.2</b>		2, 8, 10-14
<b>PROFILE</b>	Organizational Profile <b>2.1 2.2 2.3 2.4 2.5-2.9</b> Report Scope <b>2.10 2.11-2.13 2.14 2.15 2.16</b> Report Profile <b>2.17 2.18 2.19 2.20 2.21 2.22</b>		1, 3 1, 2, 32 1, 32
<b>GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS</b>	Structure and Governance <b>3.1 3.2 3.3 3.4 3.5 3.6 3.7 3.8</b> Stakeholder Engagement <b>3.9-3.11 3.12</b> Overarching Policies and Management Systems <b>3.13 3.14 3.15 3.16 3.17 3.18 3.19 3.20</b> GRI Content Index <b>4.1</b>	<b>ENV-6 H&amp;S-1</b>	8, 12, 13 4, 14, 15 5, 8, 10-14, 16-17 33
<b>ECONOMIC</b>	Customers <b>EC1 EC2</b> Suppliers <b>EC3 EC4</b> Employees <b>EC5</b> Providers of Capital <b>EC6 EC7</b> Public Sector <b>EC8 EC9 EC10</b> <i>Indirect Economic Impacts EC13</i>	<b>ECO-A2</b> <b>ECO-2 ECO-3 ECO-A3</b> <b>ECO-1 ECO-A1 SOC-A4</b>	5 5 5 5 4-5, 16-17, 27-31 5, 16-17, 27-31
<b>ENVIRONMENTAL</b>	Materials <b>EN1 EN2</b> Energy <b>EN3 EN4 EN17</b> Water <b>EN5</b> Biodiversity <b>EN6 EN7 EN27</b> Emissions, Effluents and Waste <b>EN8 EN9 EN10 EN11 EN12 EN13 EN30</b> Products and Services <b>EN14 EN15</b> Compliance <b>EN16</b> <i>Transport EN34</i> <i>Overall EN35</i>	<b>ENV-5 ENV-A8</b> <b>ENV-A7</b> <b>ENV-A9</b> <b>ENV-1 ENV-A1 ENV-2 ENV-A2 ENV-3 ENV-A3 ENV-4 ENV-A4 ENV-A5 ENV-A6</b>	- 24-26 - 13, 23, 27-31 22-25, 29 13 23, 26 13 26
<b>SOCIAL</b>			
<b>Labor Practices and Decent Work</b>	Employment <b>LA1 LA2</b> Employee Satisfaction Labor/Management Relations <b>LA3 LA4</b> Health and Safety <b>LA5 LA6 LA7 LA8</b> Training and Education <b>LA9</b> Diversity and Opportunity <b>LA10 LA11</b>	<b>SOC-A3</b> <b>SOC-A2</b> <b>H&amp;S-2 H&amp;S-3 H&amp;S-4</b> <b>SOC-5</b>	6 6-7 6 2, 19-21 6-7 6-7
<b>Human Rights</b>	Strategy and Management <b>HR1 HR2 HR3</b> Nondiscrimination <b>HR4</b> Freedom of Association and Collective Bargaining <b>HR5</b> Child Labor <b>HR6</b> Forced and Compulsory Labor <b>HR7</b> <i>Disciplinary Practices HR10</i> <i>Security Practices</i> <i>Indigenous Rights</i>	<b>SOC-1</b> <b>SOC-4</b> <b>SOC-7</b> <b>SOC-6</b> <b>SOC-9</b> <b>SOC-A6</b>	18 18 18 6, 12 18 -
<b>Society</b>	Community <b>SO1</b> Bribery and Corruption <b>SO2</b> Political Contributions <b>SO3 SO5</b> <i>Competition and Pricing SO7</i>	<b>SOC-A4 SOC-A5 SOC-A7 SOC-8</b> <b>SOC-2</b> <b>SOC-3 SOC-A1</b>	14, 16-17 12 15 12
<b>Product Responsibility</b>	Customer Health and Safety <b>PR1</b> Products and Services <b>PR2</b> Respect for Privacy <b>PR3</b>	<b>H&amp;S-5</b>	21 21 -
Key to Indicators			
Fully Reported in 2005			
Partially Reported in 2005			
Not Covered in 2005			
Not Applicable			



Chevron's Jackson County, Mississippi, Day Care Recovery Team, shown here, restored 39 licensed day care facilities in the months following Hurricane Katrina. Team members (from left) are Chevron retirees Don Hansford and Ray Dunnam and employees Amy Brandenstein and Steve Renfroe.



**Chevron Corporation**  
6001 Bollinger Canyon Road  
San Ramon, CA 94583-2324  
[www.chevron.com](http://www.chevron.com)



This report is printed on Forest Stewardship Council-certified Mohawk Options 100, made from 100 percent post-consumer waste. It is processed elemental chlorine-free and produced using wind energy.

© 2006 Chevron Corporation. All rights reserved.

913-0386C 25M 4/06