



Mary A. Francis
Corporate Secretary and Chief Governance Officer

August 20, 2019

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington DC 20549-1090

Subject: SEC Staff Roundtable on the Proxy Process
File No. 4-725

Dear Ms. Countryman:

I am the Corporate Secretary and Chief Governance Officer of Chevron Corporation ("Chevron"), a Delaware corporation headquartered in San Ramon, California. As of the April 1, 2019 record date for the 2019 annual stockholders' meeting, Chevron had a market capitalization of more than \$237 billion and had more than 1,755,000 registered and beneficial shareholder accounts. Chevron has increased its annual dividend payout each year for the past 31 years. Chevron has been listed on the New York Stock Exchange since 1921.

As Chevron's Corporate Secretary, I oversee the receipt and processing of Rule 14a-8 shareholder proposals. I also oversee our shareholder engagement related to environmental, social and governance ("ESG") matters. Our engagement program provides me the opportunity to interact with a wide range of our investors, from large institutional investors, to retirees who hold Chevron stock as part of their retirement savings, to investors who seek to influence practices of Chevron through engagement with us.

Chevron is pleased that the Commission is considering ways to improve the shareholder proposal process. I am writing on behalf of Chevron to share specific examples from our experience with the shareholder proposal process and observations on the impact of proxy advisory firms on voting outcomes on shareholder proposals at Chevron. Based on our experience, we believe the thresholds for resubmission of repeat shareholder proposals should be raised because the opportunity cost to Boards when they are required to re-consider chronically failing shareholder proposals is now too high. Moreover, developments since the current thresholds were adopted in 1954 support the need to raise the thresholds.

The objective of a resubmission threshold should be to differentiate between matters garnering meaningful support from investors who have thoughtfully considered the issues and have voted autonomously to support a proposal, versus matters that do not have that amount and quality of support. Therefore, the Rule 14a-8 resubmission thresholds should be increased substantially to account for the fact that proxy advisors, who do not own shares in the companies that are the subject of their recommendations and therefore do not "own" the consequences of their recommendations, and whose product quality is demonstrably limited by time and budget

Corporate Governance
Chevron Corporation
6001 Bollinger Canyon Road, San Ramon CA 94583
Tel [REDACTED] Fax [REDACTED]
[REDACTED]

constraints, are able to sway voting outcomes to such a degree that the favorable recommendation of one proxy advisor can cause a perennially losing proposal to stay on a company’s proxy indefinitely under the current thresholds. A failing shareholder proposal should be allowed to be resubmitted only if a meaningful level of *autonomously voting* shareholders supported the proposal previously. To ensure this is the case, the resubmission thresholds should be increased significantly.

1. Chevron’s experience with shareholder proposal process
a. Many proposals, many repeats

Over the past ten years, Chevron has received 101 shareholder proposals. Over this period (and before), Chevron has maintained a robust shareholder engagement program whereby we proactively seek to engage with our investors and other people and organizations that are influential on ESG matters. Many of these engagements include Chevron independent Directors, senior executives and members of management. In the 2019 proxy season, Chevron engaged with investors representing more than 52% of Chevron’s outstanding common stock. At times, such engagements led to agreements and solutions that avoided the filing of a shareholder proposal or led to withdrawal of proposals on file. Accordingly, the 101 shareholder proposals filed over the past ten years were “net” of the number that would have been filed had Chevron not conducted such robust shareholder outreach.

As depicted in the following chart, in each of these years Chevron was able to negotiate a withdrawal and/or receive “no action” relief from the Commission’s staff on one or more proposals. Accordingly, over this period Chevron included 72 shareholder proposals in its annual proxy statement.

Volume of Shareholder Proposals at Chevron 2010-2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<i>Number of proposals</i>	8	8	11	12	10	15	12	7	9	9
<i>Number of no action requests granted</i>	1	1	1	2	2	2	2	0	1	1
<i>Number of proposals withdrawn</i>	1	0	2	1	1	3	2	1	3	3
<i>Number of proposals voted on at meeting</i>	6	7	8	9	7	10	8	6	5	5

Many of the proposals received over this period are “repeat” proposals that have previously been submitted to shareholder vote but have not received a passing vote.¹ For example, over

¹ At Chevron, a shareholder proposal is considered “approved” if a quorum is present and the number of shares voted “for” exceeds the number of shares voted “against” the proposal.

the 2010-2019 period, the following proposals were submitted and voted on six or more times at Chevron:

Average Support for Recurring Proposals at Chevron

<i>Proposal</i>	<i># times voted 2010-2019</i>	<i>Average vote "FOR" 2010-2019</i>
<i>Independent Chairman</i>	6	28.6%
<i>Director with Environmental Expertise</i>	9	22.3%
<i>Special Meetings Threshold</i>	8	32.3%
<i>Lobbying Disclosure</i>	7	26.8%
<i>Country Selection Guidelines</i>	7	21.7%
<i>Shale Energy Operations</i>	6	30.5%

b. Opportunity cost of repeat proposals

The above data demonstrate that Chevron receives many repeat proposals that fail to obtain majority support year after year. The time, attention and resources required to address these proposals come at a cost to shareholders: Chevron's senior management and elected Directors are required to address these questions repeatedly, even though holders of an overwhelming majority of shares have made the effort to vote *against* the proposals.

Chevron's Board typically meets in person six times each year. Chevron's Board has four standing Committees comprising only independent Directors. These Committees also meet several times each year to address matters within their respective charter duties and responsibilities. Relevant to the review of shareholder proposals and the formulation of Board recommendations and written responses for the proxy, Chevron's Board has two Committees that are involved: the Board Nominating and Governance Committee ("BN&GC") and the Public Policy Committee ("PPC"). Since Rule 14a-8 proposals at Chevron are typically due in early December, and Board recommendations and proxy responses need to be formulated early in the new year, the full Board and these two Committees typically devote a meaningful portion of the December and January Board meetings, and of the December and January BN&GC and PPC meetings, to reviewing for each proposal, among other things:

- the action sought by the proposal,
- the feedback received in our engagement with proponents and other shareholders on the matters raised in the proposal,
- what Chevron is doing that is already aligned with and responsive to the request of the proposal,
- what is happening in the external landscape relevant to the matter addressed in the proposal, and
- what may have changed since the proposal was last voted down by shareholders.

Although this dialog is important and assists in the Board's continued understanding of these particular matters, repeat failing shareholder proposals by definition do not represent the will of the majority of shareholders. Thus, having this dialog on numerous repeat shareholder

proposals detracts from time that the Board could spend on the many other strategic matters for which it has responsibility. In addition to the core responsibilities of selecting and advising executive leadership, setting strategy, and overseeing risk, Directors are expected to apply more focus than ever before in many areas, including:

- monitoring the culture of the company,
- interacting with employees at all levels of the company,
- participating in investor engagements,
- overseeing human capital management,
- overseeing and monitoring diversity objectives of the company,
- monitoring corporate governance,
- monitoring Board performance and composition,
- preparing for and testing activism response,
- preparing for and testing crisis response,
- overseeing the company's resilience to climate change, and
- overseeing cybersecurity effectiveness.

With increased demands on Chevron's Board and individual Directors, shareholders would be better served by relieving the Board of the need to re-consider repeat proposals for which there has been significant engagement and that are continually voted down by holders of a majority of shares voted.

Chevron's Board is aware of the view that shareholder proposals need time to gather support, and that a proposal should not be precluded from being considered again by shareholders just because it failed to gather meaningful support in its first appearance. This perspective probably had more merit many years ago, when communication and coordination among investors were more cumbersome. However, Chevron's experience supports that shareholders can communicate and coordinate quickly and effectively these days. Proponents of Rule 14a-8 proposals at Chevron typically summon numerous co-filers in a short amount of time. For example, for the nine stockholder proposals we received for the 2019 annual stockholders' meeting, there were a total of 35 co-filers, and two proposals each had ten or more co-filers. As another example, Chevron received a "proxy access" proposal for the first time in 2015. No latency was required for the proposal to garner majority support – the proposal passed with 55% of the vote and Chevron's Board implemented proxy access promptly thereafter.

Chevron's experience is that when a proposal has been allowed many years to gather support, the passage of time does not necessarily translate to increased support. Below are the initial and most recent vote results for proposals that have been on Chevron's proxy six or more times.

<i>Proposal</i>	<i>Initial vote (year)</i>	<i>Most recent vote (year)</i>
Independent Chairman	35.5% (2007)	26.0% (2019)
Director with Environmental Expertise	26.8% (2010)	26.5% (2018)
Special Meetings Threshold	30.8% (2012)	35.3% (2019)
Lobbying Disclosure	23.2% (2012)	31.5% (2018)
Country Selection Guidelines	8.9% (2008)	23.1% (2014)
Shale Energy Operations	40.5% (2011)	30.7% (2016)

The year-by-year vote outcomes on these proposals are set forth in Appendix A. Over the years, our shareholder engagement on these issues continues and no doubt has an impact on voting results. For example, although the “country selection guidelines” proposal gained significant support in its second year, support has generally decreased in subsequent years. As discussed in the subsequent section, the “independent chairman” proposal vote correlates highly with how proxy advisory firm ISS recommends on the matter.

2. Proxy advisors have outside influence on voting outcomes

Proxy advisory firms are relative newcomers to the shareholder proposal process. The largest proxy advisor – ISS – was founded in 1985, and the next largest – Glass Lewis – was founded in 1998. Therefore, their influence was not contemplated when the Rule 14a-8 resubmission thresholds were implemented in 1954.

Chevron recognizes that proxy advisors now play an important role in the proxy process. Their ability to efficiently aggregate key proxy information across thousands of public companies enables institutional investors to process their proxy voting activity in a compressed timeframe.

However, although large institutional investors disavow reliance on proxy advisor voting recommendations, there is ample evidence that many investors do rely on the recommendations of proxy advisors and vote accordingly. Thus, proxy advisor recommendations are an independent and significant variable in the voting calculus. The problems of some investors outsourcing voting decisions have been well documented and articulated to the Commission by others. These problems have to do with the fact that proxy advisors do not “own” the consequences of their recommendations, and their business models drive them to limit costs, which drives them to incomplete analysis and one-size-fits all approaches to ESG matters. When the matter of the proposal is nuanced, as is often the case, shareholder interests are not well served by the template approach taken by proxy advisors. The problem is exacerbated when an insufficiently considered recommendation by a proxy advisor ensures that a perennially losing shareholder proposal can remain in the proxy statement indefinitely.

At Chevron we have directly observed the influence of ISS recommendations in the voting on “independent chairman” shareholder proposals over time.

Voting History on Independent Chairman Shareholder Proposal at Chevron

Year	ISS Recommendation	Shareholder Vote "FOR"
2007	FOR	35.5%
2008	AGAINST	14.7%
2012	FOR	38.2%
2014	AGAINST	22.2%
2015	AGAINST	21.5%
2017	FOR	38.7%
2018	AGAINST	24.0%
2019	AGAINST	26.0%

Earlier this decade, ISS had a voting recommendation policy that it would not support shareholder proposals seeking the appointment of an independent chairman if, among other things, the company had an independent Lead Director whose documented responsibilities were sufficiently robust as to provide an effective check on the power of a combined CEO/Chairman. Chevron's Lead Director role is highly empowered, particularly when compared with how other companies describe their Lead Director role. After the 2012 FOR voting recommendation by ISS, Chevron revised the written description of its Lead Director role to fully reflect the breadth of the role and to align with the ISS policy. Accordingly, in 2014 and 2015 ISS recommended AGAINST the independent chairman shareholder proposal at Chevron. In 2016 ISS changed its guidelines on this point and now generally recommends votes FOR such proposals but takes into account factors such as the company's board leadership structure, governance structure and practices, and TSR. In 2017 ISS recommended votes FOR the independent chairman shareholder proposal at Chevron on the rationale that Chevron had appointed a Vice Chairman who was an executive of the company²; ISS stated its view that the Lead Director could not effectively counterbalance the presence of two executive Directors. Subsequent to that vote, Chevron arranged for its Lead Director to speak to ISS to explain the many ways in which he provides independent oversight of the CEO/Chairman and serves as an effective check on the powers of the Chairman. In the subsequent year, enlightened by the input of our Lead Director and with the Vice Chairman role no longer filled (because the former Chairman had retired, and the then-Vice Chairman was elected Chairman), ISS again recommended votes AGAINST the shareholder proposal.

From the above voting history, it is clear that there is a two-digit increase in voting support on the independent chairman proposal associated with an ISS recommendation FOR the proposal. Voting support went from 21.5% in 2015 to 38.7% in 2017 when ISS recommended FOR the proposal, then down to 24% in 2018 when ISS recommended AGAINST the proposal. It is unlikely that the election of an executive Vice Chairman with more limited powers than other Directors have, and in line with established succession practices, drove a 16.5% increase

² Chevron has historically used the "Vice Chairman" role as a succession tool to introduce the leading CEO succession candidate to Board service before the selection is finalized. As described in Chevron's publicly available governance guidelines, the Vice Chairman is clearly the least empowered Director because he or she is not able to serve on any Committees, chair any meetings of the Board, or vote on any matters requiring a vote of only independent Directors.

among autonomous investors in voting support for the independent chairman proposal in 2017 and that a commensurate decline in support in 2018 was caused by the vacancy of the Vice Chairman role³. Rather, it appears that the ISS recommendation is an independent variable with a significant impact on the vote on this matter.

Because the influence of ISS alone, estimated to be 15-20% on Chevron proxy matters, overwhelms the vote of each of our largest investors⁴, the votes of our large long-term investors, who apply significant resources toward studying and engaging on the issues, are being eclipsed by the votes of the 15-20% who are outsourcing their voting decisions to ISS. A resubmission threshold should differentiate between matters garnering meaningful support from investors who have thoughtfully considered the issues and have voted autonomously, versus matters that do not have that quality of support. Accordingly, the thresholds for resubmission of shareholder proposals should be increased to offset the significant impact of proxy advisors. A failing shareholder proposal should be allowed to be resubmitted only if a meaningful level of *autonomously voting* shareholders supported the proposal previously. To ensure this is the case, the resubmission thresholds should be increased significantly.

3. Shareholder engagement has increased significantly

When the current Rule 14a-8 resubmission thresholds were implemented 65 years ago, shareholder proposals and the annual shareholder meeting were essentially the only mechanisms for shareholders to voice their concerns to management and the Board of Directors. Shareholder democracy has advanced tremendously since that time. For example, increasingly, public companies have dedicated ESG engagement teams that meet with investors throughout the year in pre-arranged meetings with agreed agendas, and at the many conferences devoted to ESG matters.

At Chevron, our dialog with investors is continuous throughout the year. We reach out to investors and they reach out to us. As noted above, in the 2019 proxy season, Chevron engaged with investors representing more than 52% of Chevron's outstanding common stock. These engagements cover the many areas that are the subject matter of shareholder proposals: governance, compensation, social, safety, environmental, human rights, and other current and emerging issues. The messages we hear from investors in these engagements are shared with our Board, and indeed members of our Board at times participate personally in these engagements.

In addition to this organized engagement, Chevron also participates in extensive "written" engagement with shareholders and other interested constituencies. Electronic communication channels enable rapid low-cost communication with Chevron – these communications are

³ Given published research suggesting that boards with only one insider director are at greater risk of excessive CEO pay, increased likelihood of financial misconduct and decreased firm performance, it is all the more implausible that the two double-digit swings in the vote on this proposal were caused by the votes of autonomous investors. See Zorn, Shropshire, Martin, Combs, Ketchen, "Home Alone: The Effects of Lone-Insider Boards on CEO Pay, Financial Misconduct, and Firm Performance", *Strat. Mgmt. J.* (2017).

⁴ As reported in Chevron's 2019 Proxy Statement, as of March 15, 2019, The Vanguard Group beneficially owned 8.07% of outstanding Chevron common stock, BlackRock, Inc. owned 6.8%, and State Street Corporation owned 6.00%.

variously directed to Chevron management, the Chevron Board of Directors, and subject matter experts within Chevron. Where appropriate, substantive written responses are provided, and/or a call is scheduled to discuss the matter.

Modern engagement practices facilitate meaningful sharing of perspectives and concerns between companies and their investors. The quality of this exchange is far superior to that provided through the shareholder proposal process, where a single specific request, often with a wide-ranging supporting statement, is made and an “up or down” vote is taken by shareholders. Accordingly, the outcome of a shareholder proposal vote often does not provide clear direction to management and Boards of what shareholders actually want. On the other hand, engagement enables specificity, context and other helpful information to guide management and Boards.

Because the engagement landscape has changed so significantly in recent years, the current very low proposal resubmission thresholds are no longer appropriate. Many well-functioning channels of communication between investors and companies have now taken root. Accordingly, the perception that the shareholder proposal, which was at one time the only method of engagement with issuers, should remain almost unlimited is no longer compelling.

4. Summary

Resubmission thresholds for chronically failing shareholder proposals should be increased substantially for three reasons. First, the opportunity cost on the time and resources of Boards is too high when Boards are required to re-consider repeat proposals that have been voted down by holders of a majority of shares voted. Second, the outsized influence of proxy advisors who do not own the consequences of their recommendations and who adopt template approaches in making voting recommendations that are not thoughtful or best suited to individual circumstances, means that a significant part of the vote counting towards the resubmission threshold was not the product of thoughtful consideration by an actual shareholder. Third, with robust engagement now being the norm, the shareholder proposal as the instrument to inform the company of shareholders’ interests and concerns is no longer as critical, and meaningful limits on it are justified.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary A. Francis". The signature is fluid and cursive, with the first name "Mary" being the most prominent part.

Mary A. Francis
Corporate Secretary and
Chief Governance Officer

cc: Chairman Jay Clayton
Commissioner Elad L. Roisman

Appendix A

Chevron Recurring Stockholder Proposals and Vote Results

<i>Proposal</i>	<i>Vote Results</i>
Independent Chairman	2019 – 26.0% 2018 – 24.0% 2017 – 38.7% 2015 – 21.5% 2014 – 22.2% 2013 – SEC no-action relief 2012 – 38.2% 2008 – 14.7% 2007 – 35.5%
Director with Environmental Expertise	2018 – 26.5% 2017 – 19.6% 2016 – 18.8% 2015 – 19.9% 2014 – 21.4% 2013 – 21.7% 2012 – 21.5% 2011 – 24.8% 2010 – 26.8%
Special Meetings Threshold	2019 – 35.3% 2018 – 33.9% 2017 – 31.9% 2016 – 29.5% 2015 – 30.3% 2014 – 34.3% 2013 – 32.6% 2012 – 30.8% 2010 – SEC no-action relief
Lobbying Disclosure	2019 – Withdrawn 2018 – 31.5% 2017 – 29.1% 2016 – 27.4% 2015 – 27.9% 2014 – 24.1% 2013 – 24.4% 2012 – 23.2%
Country Selection Guidelines	2015 – SEC no-action relief 2014 – 23.1% 2013 – 22.0% 2012 – 22.8% 2011 – 23.9% 2010 – 24.0% 2009 – 27.0% 2008 – 8.9%

<i>Proposal</i>	<i>Vote Results</i>
Shale Energy Operations	2016 – 30.7% 2015 – 26.8% 2014 – 26.6% 2013 – 30.2% 2012 – 27.9% 2011 – 40.5%