Chevron

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VIA EMAIL

October 2, 2007

Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
rule-comments@sec.gov

RE: File Numbers S7-17-07 and S7-16-07, Stockholder Proposals Relating to the Election of Directors

Dear Ms. Morris,

On behalf of Chevron Corporation, I respectfully submit the following in response to the Securities and Exchange Commission's request for comments on its alternative "stockholder proxy access" proposals, Release Nos. 34-56161 and 34-56160, July 27, 2007.

Chevron urges the Commission to adopt the proposal contained in Release No. 34-56161 to codify the Division of Corporation Finance staff's long-standing interpretation of the Rule 14a-8(i)(8) "director election exclusion," rather than the proposal contained in Release No. 34-56160, which would permit stockholders to submit proposals concerning bylaw amendments for director nomination procedures. In addition, we urge the Commission to adopt amendments to Rules 14a-8(b)(1) and 14a-8(i)(12) to increase the eligibility and resubmission thresholds for stockholder proposals.

The Commission should amend the Rule 14a-8(i)(8) "director election exclusion," as proposed in Release No. 34-56161.

We urge the Commission to amend Rule 14a-8(i)(8) as proposed in Release No. 34-56161 for a number of reasons. First, amending Rule 14a-8(i)(8) as proposed is the most appropriate response to the Second Circuit's decision in *AFSCME Pension Plan v. American International Group, Inc.* The Second Circuit stated that it was not taking a position "in the policy debate regarding shareholder access to the corporate ballot," and that it was up to the Commission to make such policy decisions.[1] The Second Circuit's opinion was based on its interpretation of the Rule 14a-8(i)(8) "director election exclusion," which is contrary to the staff's longstanding and consistent position to permit exclusion of proxy access proposals. The most appropriate response to the Second Circuit's decision is for the Commission to amend Rule 14a-8(i)(8) to confirm the staff's long-held interpretation. If the principal purpose of Rule 14a-8(i)(8) is to "make clear, with respect to corporate elections, that Rule 14a-8 is not the proper means for conducting

[1] *AFSCME Pension Plan v. American International Group, Inc.*, 462 F.3d 121, 131 (2nd Cir. 2006).

campaigns or effecting reforms in elections of that nature,"[2] then amending Rule 14a-8(i)(8) as proposed will reinforce that purpose and assist stockholders and issuers in better understanding the types of proposals that can be properly included in an issuer's proxy statement.

Second, amending Rule 14a-8(i)(8) as proposed augments what is already an important component of an effective regulatory framework for contested elections. The director election exclusion is intended not only to permit issuers to exclude from their proxy statements proposals that may result in or establish procedures for contested elections but also to "prevent the circumvention of other proxy rules that are carefully crafted to ensure that investors receive adequate disclosure and an opportunity to make informed voting decisions in election contests."[3] The Commission already has in place well-tested procedures and disclosure requirements for contested elections, such as Rules 14a-3, 14a-9, 14a-12, and Items 4(b) and 5(b) of Schedule 14A. Compliance with these requirements is the best way to ensure proponent accountability and full disclosure.

Finally, the substantive issues of, and the procedures for, the nomination and election of directors are matters appropriately reserved to state law. Direct proxy access "is not a question of whether [stockholders] should have the right to nominate candidates for the board. They should have that right and state law gives them that right."[4] Amending Rule 14a-8(i)(8) as proposed does not rob stockholders of their rights, as some have claimed.[5] "The federal proxy authority is not intended to supplant state law, but rather to reinforce state law rights with a sturdy federal disclosure and proxy solicitation regime." (Release No. 34-56160, July 27, 2007). We believe the Commission's proper role is to regulate the disclosures shareholders receive and the procedures by which proxy solicitations are conducted rather than the substantive aspects of shareholder voting rights and director elections.[6]

We do not support the Commission's alternative stockholder proxy access proposal contained in Release No. 34-56160 because we believe that:

- Recent changes in corporate governance practice (including legislative, regulatory and voluntary action) have already created a number of viable avenues for stockholders to exercise more influence over the director election process. Chevron, like many other issuers, requires, in uncontested elections, that each director be elected by a majority of the votes cast or else the director must submit an offer of resignation to the Board of Directors. In addition, the new "E-proxy" rules make it easier for stockholders to propose their own nominees or a "short slate" outside of the issuer's proxy materials; issuers are now required to be more transparent about their director selection and nomination processes, including procedures for considering

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[2] Release No. 34-12598 (July 7, 1976).
[3] Release No. 34-5161 (July 27, 2007).
[4] See Martin Lipton and Steven Rosenblum, "Access to the Company Proxy for Shareholder Nominees to the Board," WLRK Updates (April 23, 2003) (available from publications@wlrk.com).
[5] See, for example, Letters to the Commission from theRacetotheBottom.org, dated September 14, 2007, and Council of Institutional Investors, dated August 24, 2007.
[6] See Stephen M. Bainbridge, "The Scope of the SEC's Authority Over Shareholder Voting Rights," UCLA School of Law Research Paper No. 07-16 (May 2007) (available at SSRN: http://ssrn.com/abstract=985707) (discussing the D.C. Circuit's opinion in *Business Roundtable v. SEC*, 905 F.2d 406 (D.C. 1990).

shareholder-sponsored nominees; "withhold vote" campaigns have become more prominent; and proposals to eliminate broker non-votes in uncontested elections are pending approval;

- Giving stockholders direct access to an issuer's proxy statement for the purpose of nominating directors could turn every director election into a contested election. Proxy contests are disruptive and distracting under any circumstances. Moreover, free access to the issuer's proxy statement for an election contest would cater to special interest groups whose director nominees may be more interested in serving particular agendas or constituencies than the interests of the company as a whole;

- An issuer's proxy statement is not the best forum for conducting contested elections. In this respect, contested elections are significantly different from votes on ordinary stockholder proposals, the latter involving a vote on one isolated issue rather than who will oversee the company's affairs. The Commission recognizes that the information burdens imposed on stockholders mounting an election contest should be much more substantial than those imposed on stockholders submitting ordinary Rule 14a-8 proposals. But, permitting stockholders to satisfy those burdens in the issuer's proxy statement will only result in longer proxy materials, more confusing disclosure and an increased role for the Commission in resolving disputes between issuers and stockholders over wording and content;

- It is inappropriate for the Commission to force issuers and all other stockholders to shoulder the costs of a stockholder's decision to mount an election contest. Broad access to the issuer's proxy statement will only increase the costs of preparing and distributing proxy materials, costs that will be borne primarily by the issuer; and

- Many of the proposed features of the new stockholder proxy access regime as presently drafted are unworkable. For example, the Commission's silence as to the content of bylaw access proposals could have unintended consequences. With no limits on the number of candidates who could be nominated, a proponent could effectively circumvent other provisions of the proposed rules to effect a change of control.

The Commission should increase the eligibility and resubmission thresholds contained in Rules 14a-8(b)(1) and 14a-8(i)(12), respectively.

We support increasing the eligibility threshold contained in Rule 14a-8(b)(1) for submitting stockholder proposals to at least $10,000, or 2% of shares entitled to be voted on the proposal. The Commission last increased the eligibility threshold in 1998, from $1,000 to $2,000, or 1% of shares entitled to be voted on the proposal. The 1998 increase did little to reduce the proliferation of proposals and the consequent significant time and resources expended by issuers and the Commission in dealing with Rule 14a-8 proposals. Chevron itself has seen a steady rise in the number of stockholder proposals since 1998. We have received 72 proposals in the past five years alone, each of which has consumed significant time and attention of senior management and directors. We believe that requiring stockholder proponents to have more than a de minimis economic interest would help ensure that this time and attention is focused on issues of interest to a reasonable group of stockholders. An increase in the eligibility threshold strikes an improved balance between the interests of proponents, issuers and all other stockholders.

We also support increasing the resubmission thresholds contained in Rule 14a-(8)(i)(12) for proposals that deal with substantially the same subject matter as previously considered proposals from 3%, 6% and 10%. This is the third time in the last 25 years the SEC has proposed increasing the current resubmission thresholds. We supported the Commission's 1997 proposal to increase the resubmission thresholds to 10%, 15% and 20% because "under the current resubmission thresholds the proxy statement can become burdened over successive years with proposals which attract the interest of very few stockholders,"[7] and we continue to support such an increase.

Increasing the current resubmission thresholds would reduce the frequency of stockholders, issuers and their boards repeatedly considering items of business that generate little interest. To illustrate, from 2003 to 2007, Chevron stockholders were asked on three separate occasions to vote on stockholder proposals to adopt an animal welfare policy and to report on Chevron operations in Ecuador. Not once did either of these proposals receive more than 9.5% of the votes cast (or, to state it another way, in each instance, more than 90.5% of the votes cast opposed the proposal). It is difficult to justify the significant amount of time and resources that a company's management and board spends on proposals that receive so little support. Even with increased resubmission thresholds, Rule 14a-8(i)(12) "will continue to permit shareholders an opportunity to see otherwise proper proposals at least once, and to decide for themselves which are sufficiently important and relevant to see on the proxy card a second, third or fourth time."[8]

Thank you for the opportunity to share our views on the Commission's proposals. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Lydia I. Beebe

cc: David J. O'Reilly, Chairman and Chief Executive Officer
Charles A. James, VP and General Counsel

[7] See Letter to the Commission from Chevron Corporation, dated December 23, 1997.
[8] Id.