

## CONVERSATIONS WITH MIKE MILKEN



### Mike Wirth

Chairman of the Board and CEO, Chevron

June 29, 2020

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**Mike Milken:** Mike, thank you for joining us.

Mike Wirth: You're welcome Mike.

**When I think of Chevron, the company is so different than many perceive it to be. People think of it as an oil company, not a natural resource company, not an ESG company. I think one of the goals that I have in the talk today is to try to define Chevron, its mission, how you see the company, and where you see the company going.**

Mike, I appreciate you starting there. I think there's a perception of our industry and certainly our company that is a caricature or a stereotype that can go back 100 or more years to John Rockefeller and some history of the industry. And also people will recall high profile events that certainly have been things that define the industry in the minds of a lot of people. We talk about

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This interview has been lightly edited for clarity and readability.

our purpose being enabling human progress. It always has been from the very beginning. When we started producing our products back over 140 years ago, they were not for cars and for airplanes, because those had not yet been invented. It was for light. At the time whales were being whaled out of existence because whale oil was used for lighting. That's the beginning of our history, and throughout that history we have worked to enable human progress, to develop the energy that improves lives and moves the world forward, and to do it in a way that's responsible. And so we talk about affordable, reliable, and ever-cleaner energy, we also talk about being respected for people, partnership and performance. The communities where we work, the people who interact with us on a frequent basis, see what you described. I think the further away you get from the company and certainly from the industry, the easier it is to not see those things and to buy into a different narrative.

**One of the things that struck me in number of years ago when I was meeting with a group from Angola, they pointed out what a large percentage of all the employees in Angola for Chevron were locals. Your training, your mentoring, and your internships – they held you out to me as the type of company they want to do business with. Talk to us a little bit about this history and whether it's Angola or other parts of the world.**

I think what you saw in Angola is really what we strive to do everywhere. We try to be a good partner and really work with the communities around our operations. We have

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three areas that we focus on in terms of social investment. The first one is health. We work extensively on HIV/AIDS and malaria around the world. That's been a priority. The second is education and the pathway to opportunity in countries everywhere around the world is education. Sadly in our country and in many others, we still have opportunities to help those at the lowest levels of the social and economic strata find access to good education, and then open up the opportunities. We focus a lot on STEM education for really two reasons. One, we hire a lot of scientists and engineers and people with technical skills, but also increasingly in this world, every job has a technical quotient and the way digital

has come into our lives and technology has come into our lives, arming young people with fluency and the basic scientific mathematical and technical disciplines really prepares them to be and to compete for jobs. And then the third is a capability building,

which you saw in Angola. We've got a long history of working with subsistence farmers to help them develop more robust agricultural practices that enable a greater productivity of their land, a greater yield of their crops to feed people. It's a step up in terms of economic development. So health, education, and capability, those three things have been a focus for us. And what they do is they build a society that is better able to sustain itself, is better able to improve the quality of living for its people, and if we can be a part of that, that's what we feel is our responsibility everywhere that we work.

**So, Mike, I have mentioned to you over the years that maybe you should be redefining yourself as a water company. When we had the drought and people worried about water, I was in the Central Valley and getting a full education on that for every barrel of oil, there were multiple barrels of water. Whether it's in the Central Valley, other places in the world, water is somewhat an input, but also byproduct. You've spent considerable time and money invested in making sure this water is usable. Could you bring us up to date on water and your activities around the world?**

Sure. Well, I'll start with the Central Valley where we've been producing for more than 100 years. For people that aren't familiar with oil and gas production, it doesn't come up in a pure stream. It often comes up with water from depths down in the geologic formations, or in a place like the San Joaquin Valley we inject steam to help mobilize the molecules. We actually produce a lot more water in the Central Valley of California than we do hydrocarbon. It's a big water-production operation with a little bit of oil and gas that comes with it. We produce over 30 million gallons of water every day in the Central Valley. About a third of that goes back into being recycled for our use, but about two-thirds, over 20 million gallons, we treat to meet state water quality standards for a multistep process. Then we provide it to the local water district and Cawelo Water District, which we've worked with for more than a quarter century, moves that on then to 90 different local farmers who use it on 34,000 acres of crop land to grow citrus, fruits and nuts, grapes.

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As people that are familiar with California know, water is a very scarce resource here in California. We not only try to use it very efficiently to support our operations, but we also make sure that it then gets into the economy to support small farmers. It's very

affordable for the water district and for the farmers. Other areas are the Permian Basin, where we use water as part of the completions process on our wells. We only use brackish water. We don't use fresh water in our refineries. We recycle virtually all of the water. Water is a scarce resource in the world because it's a vital part of our operations. It's essential that we invest in state-of-the-art treating, handling, and then work with the communities around us to be sure that the water resources used to support not only our business, but really to be sure that we use it very wisely and support others.

**So Mike, there was this famous song, New York, New York; "if you can make it here, you can make it anywhere." When I think about California, if you can operate in California, you can operate almost anywhere. What have you learned from dealing with the state of California and their focus on the environment as you've operated around the world?**

Our home is California. It has been since 1879 when we made the first commercial oil discovery down in Pico Canyon. For most of that time known as the Standard Oil Company of California; we changed our name to Chevron relatively later in our history. It's a state that has been at the forefront of so many movements. I think it's been a benefit to us to be in California because we see these things early on. In the nineties, we were the first company in our industry, and frankly one of the first companies in any

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industry, to offer same-sex health benefits to partners. Long before this became a more-accepted and mainstream practice in business, we saw it coming here in California. We had a lot of employees who were LGBT and it was very clear that partner benefits were the right thing to do.

You talk about environmental standards. California sets the standards in many ways, ahead of federal standards in the U.S. and ahead of the rest of the country. We work very collaboratively with the regulators

here. We have a long-standing history of relationships with the air board, the water board, and all the environmental agencies in the state. We work closely with them to try to provide good input. Our technical experts and the technical experts, in these agencies who really are some of the best in the world in these things, have a great respect for one another. We exchange data and technical views and help craft legislation and regulation that we believe is good for the environment and good for the economy. It's really important that we find that balance. If we over index on the economy, the environment can suffer. And if we don't care about the economy and all we care about is the

environment, we also find jobs and economic activity can be at risk. So California pushes us hard. We work closely with the states and I can't say we always agree on everything, but I can say there's a degree of respect and decades and decades of collaboration that I think has made us a better company as we face some of these same ideas elsewhere around the world.

**With employees all over the world, in both urban and very rural environments, when did you see this coronavirus? How did you deal with your employees in such a wide diverse area of the world?**

So Mike, I lived in Singapore during SARS, and I had four small children at the time and Hong Kong, Singapore, China were we're kind of the center of SARS outbreaks. I saw firsthand the way it can impact lives, the way it can impact the psychology of people who are concerned about a virus that has never been seen before, and people are dying from it. That stays with me very vividly to this day. We really, following SARS, developed a corporate pandemic response plan. One of the things that a company like ours does is we plan for, and then drill for crises all the time. We prepare for emergencies of various times, and it's a very detailed crisis management plans. And then we practice and we drill to prepare for them. We've updated our pandemic response through H1N1, Ebola, Zika, and these other viruses, to be sure we understand how to keep our people safe, keep our operations safe.

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We activated our plans in January as we saw the outbreak in China, where we do have operations. It became pretty clear that this posed a real threat, not just within China, but that it was likely to spread. At the time, nobody knew how serious it would become, but it demanded a quick response. We set up a pandemic response center here at our emergency command center, which is built to deal with these kinds of things. It has technology and communications infrastructure, and data infrastructure to manage our worldwide network of operations and coordinate with people on the ground. Then we set up over 50 local and regional pandemic response teams very rapidly, within a matter of days, to begin gathering data, educating employees, ensuring that we have proper stocks of PPE.

We began to procure testing equipment early on and monitor the spread as it began to move around the world. We pretty quickly had people working from home; between two-thirds and three-quarters of our workforce have been at home through most of this working very productively. The remainder are working offshore on ships, on rigs, on drilling platforms, they're in LNG facilities, refineries, and all kinds of facilities that are really essential to keep the energy flowing into the economy, that keep goods flowing to consumers even if they're locked down, and certainly support the energy needs of first responders and the health system.

We've had a structured response. We've certainly had cases within our workforce. More so 90% of our cases have been with contractors in certain parts of the world where

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*“Young people that haven't lived through something like this, it creates anxiety and uncertainty and it can feel like the world is a colder and riskier place. If we've been through these things before, we generally know that society comes through [and we'll] create opportunities for personal growth and societal learning that can continue to make the world a better place.”*

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there have been outbreaks. We've experienced that, but broadly speaking, we've been able to keep our people safe. It's been challenging from an operational standpoint, because as you say, around the world we operate oftentimes in remote locations and our workforce will work schedules such as 28 days on, and then 28 days off.

When they're on, they work 12-hour days, difficult demanding schedules. As travel restrictions have come into place, it's been much more difficult to move people around, even within countries and certainly across country borders. We've had people on extended rotations. We've been

working very hard with government officials to establish testing protocols and quarantine protocols, so we can get relief in for people that need to come off shift and bring new workers in, and then bring others out back to their families and to do that in a way that is safe. And of course we had an oil price collapse, and a bit of a market-share skirmish between a couple of the big producers that just happened to coincide with this. So it's created a challenging set of operating and market conditions for us.

**Oil went to zero; first time I ever saw that occur. I have a feeling maybe the first time you saw it occur. How do you adjust to this enormous volatility?**

It's a characteristic of commodity businesses that see these really dramatic price moves in very short periods of time. Three times in the last, just a little bit more than the last

decade, we've seen commodity prices dropped by more than 50% in a matter of weeks. It's happened half a dozen times during my working career and your costs don't reset nearly as rapidly as the top-line revenue can. We saw prices go to zero. We saw prices negative at one point for oil where you actually had to paid people to take it away.

In the short term, you can't adjust your cost structure that rapidly. You have to do some other things. We came into this with the strongest balance sheets in our industry amongst our peers, and it really matters because when you need to lean on your balance sheet you need to lean on it pretty heavily in a large-scale commodity business. We've got the capacity to use debt to bridge this. We've been able to move assets that might be at a point in their life cycle where they hold more value to someone else than they do to us. We can use that cash for other purposes, so we've been able to generate some cash through asset sales.

Then we focus on trying to keep our break-even cost to cover our capital spending and keep our dividend as low as we can to be prepared for these periods of low prices. All of that

generally falls under the heading of what I try to describe to our people as capital discipline and cost discipline, which really matter in a commodity business. When times are good, it's tempting to lose that discipline and to get a little bit out over your skis, either in terms of your capital commitments or your cost structure. That can be a painful place to be when we see one of these unexpected downturns. While on the one hand they're unexpected, on the other hand they're characteristic of our industry. You know, the next one is coming, you just don't know when. It's important to keep your company positioned so that you're not out of position when the next one arrives.

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**During the coronavirus, you are not only focused on your own employees, their health, their wellness, their families. But many of these communities around the world are highly dependent on you. How did the company respond?**

One of the things I'm really proud of is the heart that our people have. We have a very decentralized culture on many things, and so our local management is empowered to respond to the needs of their communities. One of the first things we found ourselves doing was sharing PPE that we had with communities that had needs, particularly with the health professionals in these communities. Everything from gowns and gloves to

masks here in California; I spoke to Governor Newsom and we donated a hundred thousand masks in the very early days when masks were in short supply. We have ventilators in some places where we have medical facilities in locations that don't have a

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well-developed medical infrastructure. We gave ventilators to local health authorities to help treat patients. We use 3D printers to print face shields, and on and on.

Our employees have donated money from their own pockets. We have a company match that we provided so millions of dollars in donations to food banks and the support of doctors and nurses – a broad response around the world. The stories on our internal social

media site where employees share what they've done are incredibly heartwarming and sometimes even heartbreaking, when you see the lengths to which people have gone to respond to the particular need in their part of the world. We empower people, we encourage people and they don't even ask; they move to action based on what the local needs are very rapidly.

**Let's turn to the issues surrounding Black Lives Matter; issues of diversity, income inequality, inclusiveness. One of the things that impressed me has been your commitment to the mostly black colleges. What has been this program, when it began and how has it worked?**

We've been working with Historically Black Colleges and Universities for decades. Ours is a business that requires technically skilled talent. It's a reality that fewer young black students go on to higher education than other ethnicities, and oftentimes they don't feel prepared to go into some of the engineering disciplines or technical disciplines. So the scholarship dollars matter, mentorship matters. As a company, we have supported it at my alma mater. I've set up this scholarship personally to support minority students that oftentimes are first-generation college students to try to help them prepare. I've spent time personally mentoring students in a program at my alma mater, where we take an extra year, it's kind of like a red-shirt year in athletics, to help kids that are bright students but they haven't come from schools that have fully prepared them in physics or calculus or some of the things that are the building blocks. There's an extra year and financial help, tutors, etc. to prepare them to compete with kids that have come through a different pathway and have a better foundation built. We do this with universities across the world, but with a focus here on Historically Black Colleges and Universities in



the U.S. We've worked with the NAACP, the National Urban League, and the Executive Leadership Council to try to build bridges into the black community, to support students in developing the skills to compete for these kinds of jobs.

We need to do better. Only about 8 percent of our workforce is black, and it's been a kind of a stubbornly flattish number for a number of years here. We have black people in senior executive positions; two of our board of directors are black. Condi Rice was one of our great directors back in the 1990s when she was in her thirties. So we've got a history of working on diversity and inclusion within our company. But I think the events here recently in the United States cause all of us to look at ourselves personally, and our roles in business to say, 'what more can we do?' We're engaged in those discussions internally right now: what are the things that I may not be as consciously aware of as I should, and the experience of our black employees? What should we be doing better inside the company to create opportunities?

Both my head of Human Resources and our Chief Diversity Officer are African Americans. As the tragic death of George Floyd triggered this enormous response, our Chief Diversity Officer penned a very personal note that he shared with our employees about how difficult it was for him to advocate for black people. He advocates on behalf of the disabled, on behalf of our Asian employees, our Hispanic employees as the chief diversity officer. And he had his very heart-felt but difficult missive that he put out saying that when it's imbued with self-interest, it's more difficult. And I've got to get over that and I've got to tell you my lived experience. So really a very personal and I thought moving expression of what he feels and he's a person for whom I have enormous regard.

I also shared with our employees my views about the issue and the fact that racism and brutality have no place in our country; absolutely no place in our company. I talked a little bit about bias – conscious or unconscious bias – and the fact that if I didn't know our chief HR officer, I would be inclined to make assumptions about them. And they might be good or bad, positive or nice, but they would be wrong because I hadn't taken the time to understand. I hadn't taken the time to ask. And because I do know these people, I still may not know as much as I shared about their experience as a black person. It was a call to our people to say, 'look, we have coworkers and colleagues that we know, that we care about, and we need to reach out to and embrace they're going through the challenges.'

I hear terms like exhaustion and I think it's not easy when you're in the majority to understand the burden that sometimes even subconsciously others are carrying each and every day from their experience. It was a call to our people to reach out to one

another and try to understand better. We've been talking about that a lot. Relationships are something that we take very seriously. We need to step up and do our part to continue to advance the cause of diversity and inclusion within our company and racial equality in our country.

**So, Mike, I think one of the things that you've brought to Chevron is transparency, whether it's with your employees, whether it's your communication, whether it's with potential investors to see Chevron as it is today. I think that's probably served you very well during this period of time. What about your own family? How have they reacted during this COVID 19 pandemic?**

Thanks for asking Mike. They're all doing well. I have two of them at home with me and that has been a wonderful surprise. All my children are young adults; they're all in their twenties. One of the things you reflect on, and you and I have seen a lot over the course of our years, I think for young people, if you lived through 9/11, if you lived through 1968 financial crisis, there's these seminal events young people that haven't lived through something like that, it creates anxiety and uncertainty and it can feel like the world is a colder and riskier place than I think in the long of time it proves to be. The first time you go through one of these experiences, it can be unsettling. I find for a lot of young people that I talk to, and not just my children, that they're a little destabilized by it. I think it's important if we've been through these things before and we generally know that society comes through, we learn lessons. We become stronger over time, not perfect by any means, but going through these difficulties, create opportunities for personal growth and societal learning that can continue to make the world a better place. It's easy when you've been through it to kind of believe in that. I think the first time the threat is very visible and the other side is harder to see it. So that's a little bit of what I get in some conversations about,

**Well, Mike, I want to thank you for spending time today. I also want to thank you for Chevron's response, not just in the United States but around the world to the COVID-19. We look forward to your continued leadership, not just in the industries you're in, but in the world today.**

Mike, thank you very much, and thanks for all the good work you do to help make our world a better place.