

## **Political Giving and Activity**

### **General Comments**

Customers, community groups, political organizations and others regularly approach Phillips 66 to support civic and political activities. Management and the Phillips 66 board of directors encourage involvement in activities that advance the company's goals and improve the communities where we work and live.

A number of federal, state and local laws govern corporate involvement, political or public policy activities. These statutes contain numerous prohibitions, detailed reporting and record-keeping requirements and enforcement provisions. Phillips 66 employees may be asked to participate in activities that fall under the jurisdiction of one or more of these statutes, and the company has established policies and guidelines to ensure corporate compliance with these laws and regulations.

These policies and guidelines cover U.S. domestic political activity and are not intended to cover the many international political, legal and business issues that apply to U.S. corporations and their foreign affiliates. Compliance with other countries' rules and U.S. legislation, such as the Foreign Corrupt Practices Act, are covered under other company policies. Additionally, the policies and guidelines only apply to situations where employees are asked to act on behalf of Phillips 66 and do not apply to personal activities employees choose to participate in at their own cost and on their own time. All employees involved in corporate political giving or activities certify quarterly their knowledge of and compliance with these policies and guidelines.

The Public Policy Committee ("PPC") of the board of directors is responsible for overseeing the company's public policy work and related activities and receives regular, formal reports. Management of our participation in such activities is the responsibility of the executive vice president for Investor Relations, Strategy, Corporate and Government Affairs, who reports directly to the CEO. Phillips 66 assesses its political policies on a regular basis and in light of changes in federal, state and local lobbying, ethics and campaign finance laws and regulations.

### **Political Giving**

#### **Federal Campaign Contributions**

Federal laws strictly forbid the giving or use of corporate funds for candidates campaigning for federal office and for contributions to third parties, such as political action committees, whose purpose is to help elect federal candidates. The company has procedures in place to ensure compliance with these prohibitions.

Phillips 66 is authorized under law to establish an employee political action committee ("PAC") and fund administration costs. Consistent with approval of the PPC, Phillips 66 offers eligible employees an opportunity to make voluntary contributions to the Phillips 66 PAC, which supports candidates for federal, state and local offices where permitted by law. Phillips 66 PAC is registered with the Federal Election Commission ("FEC"), and its contributions are reported to the FEC on a monthly basis. Phillips 66 PAC contribution

information may be found on the FEC website at <http://query.nictusa.com/cgi-bin/dcdev/forms/C00513549/>.

The Phillips 66 PAC has its own board of directors (“PAC Board”), which is composed of a broad cross-section of company employees. The PAC Board approves all PAC contributions. The board has established in its operating guidelines the following nonexclusive criteria for selecting candidates to support with PAC contributions:

- Integrity and character of the candidate.
- Holding of a leadership position in his/her party or presence on a key committee or the likelihood of the candidate's attaining such position in the future.
- Position on issues affecting the business community and industry.
- Relationship with or representation of an operating facility or company operations.
- Nature and strength of the candidate’s opposition.
- Other sources of financial assistance available to the candidate.

Additionally, the PAC Board primarily concentrates on contributions that go directly to candidates for office, generally avoiding:

- Independent expenditures in support or opposition to a candidate.
- Out-of-election-cycle contributions.
- Contributions to presidential campaigns.
- Contributions to leadership PACs.
- Contributions to political parties.
- Contributions to trade association PACs.

### **State and Local Campaign Contributions**

Individual state and local laws govern contributions to candidates running for election to state and local offices. The PPC has authorized a strict process for the justification, approval and reporting of any corporate political contribution made in states where allowed by law and has set a budget for such contributions. The guidelines for determining whether a corporate political contribution should be made to a candidate are the same as the PAC contribution criteria above.

The responsibility to approve and administer contribution requests has been delegated by the Public Policy Committee to the company officer responsible for government affairs or his or her designee. Accordingly, the vice president of State Government Affairs, upon advice from legal counsel, must approve all requests for state and local corporate contributions. A listing of corporate campaign contributions is published semi-annually. View contributions made in 2015 [here](#) (PDF).

The PAC Board may elect to make state and local contributions in states where corporate contributions are not allowed, subject to applicable laws. Phillips 66 PAC contributions to state and local candidates may be found on the FEC website at <http://query.nictusa.com/cgi-bin/dcdev/forms/C00513549/>.

Campaign contributions made by the company and Phillips 66 PAC are regularly reported to the Public Policy Committee.

### **Other Politically-Related Requests**

Phillips 66 periodically contributes to ballot initiatives, get-out-the-vote activities and partisan organizations such as the Democratic and Republican governors' associations. Phillips 66 also participates in state or federal political party conventions, as well as inaugural events. Any such contribution requires the review and approval of Government Affairs, after consultation with Legal. A listing of all such contributions is published semi-annually. View contributions made in 2015 [here](#) (PDF).

### **Gifts to Elected Officials, Regulators and Government Employees**

Federal law generally prohibits registered federal lobbyists and those entities that employ federal lobbyists, such as Phillips 66, from providing gifts or anything of value to members of Congress or congressional staffers. Separate and similarly strict gift rules apply to the executive branch of the federal government. Additionally, states and localities have various types of gift rules. Any gift to an elected official or government employee made on behalf of Phillips 66 must comply with the applicable gift rules and receive prior approval from Government Affairs and Legal.

## **Political Activity**

### **Lobbying Activities**

Phillips 66 engages in lobbying at the federal, state and local levels to advocate on issues that impact our company and industry. Priority issues are aligned to the company's [Strategic Priorities](#) and include environmental, tax, and energy infrastructure issues. Federal, state and local statutes govern the definitions of lobbying activities, corporate engagement in such activities, and reporting requirements.

Phillips 66 complies with federal Lobbying Disclosure Act ("LDA") regulations by filing quarterly reports on lobbying activities and expenses and semi-annual reports on contributions. The reports may be found on the Office of the Clerk's website, <http://lobbyingdisclosure.house.gov> (The "Public Disclosure Search" for lobbying disclosure and contribution reports is in the left menu and search for "Phillips 66" as registrant name). Under the LDA definition, Phillips 66 spent the following amounts for federal lobbying over the last 3 years - \$4.5 million in 2015, \$3.71 million in 2014 and \$3.71 million in 2013.

Phillips 66 also files periodic reports with state and local agencies reflecting lobbying activities as required by relevant state and local laws. Phillips 66 conducts lobbying activity in the following states (note, where possible links are provided directly to company filings, however some states require the use of a search tool to locate the filings):

- [California](#)
- [Illinois](#)
- [Kansas](#)
- [Louisiana](#)
- [Missouri](#)
- [Montana](#)
- [New Jersey](#)
- [North Dakota](#)
- [Oklahoma](#)
- [Texas](#)
- [Washington](#)

## **Trade Associations**

Phillips 66 actively engages in hundreds of trade associations at the national, state and local levels. We encourage our employees to represent the interests of the company and the communities in which we operate through participation in committees and/or leadership roles in these associations. While not our primary motivation for joining or maintaining membership in any trade association, many actively engage in lobbying.

Where the dues paid by Phillips 66 to a trade association total \$50,000 or more annually, we make a reasonable effort to obtain from the trade association that portion of the company's dues used by the trade association for lobbying expenditures or political contributions. This information is updated annually. View 2015 trade association memberships of \$50,000 or more [here](#) (PDF). The company's practice is to instruct trade associations not to use dues for independent campaign expenditures or contributions to any federal, state or local candidate or party committee.

Through participation in trade associations involved in lobbying, Phillips 66 seeks to champion legislative solutions that are practical, economical, environmentally responsible, non-partisan and in the best interests of the company. We feel it is important to be actively engaged with these organizations so our positions on key issues to the company can be expressed.

We recognize that among trade association members there can be viable viewpoints that differ from ours. When this occurs, we seek to work with the association membership to promote reasonable compromise on major initiatives affecting us and our stakeholders. Company participation in trade associations, including membership on a trade association board, does not mean that the company agrees with every position a trade association takes on an issue and from time to time our corporate positions may differ from those of the trade association of which we are members.

## **Grassroots Activities**

Grassroots activities are designed to supplement lobbying efforts in influencing officials to take favorable action on legislation important to the company. Actions typically include the development and distribution of information and mobilization of stakeholders to contact officials. Phillips 66 participates in grassroots activity on a case-by-case basis as determined by, and based on collaboration between, appropriate Government Affairs and business unit personnel.

## **Issue Advocacy**

For Phillips 66 business purposes, issue advocacy is the support of a pro-energy and/or pro-business position regarding a ballot initiative to be voted on by the people. Issue advocacy may also include support of an initiative that would defeat anti-energy and/or anti-business measures. Actions typically include development and distribution/broadcasting of information either jointly or solely and may include signature gathering on initiative petitions which the company has expressly supported.

Phillips 66 engages in such issue advocacy, provided there is:

- A compelling Phillips 66 business rationale.
- An agreement to participate among the affected business units, Government Affairs personnel and management.
- Significant Phillips 66 and/or energy industry involvement in the input and approval of the message development and the tactics taken in the initiative process, where there is distribution/broadcasting of information.

### **Independent Expenditures**

For Phillips 66 purposes, independent expenditures are defined as funds given or expended to directly support or defeat a candidate, without collaboration by the candidate. Phillips 66 policy is to not make independent expenditures itself or through trade associations in which the company maintains membership, and the company has procedures in place to carry out this policy. However, if a compelling business purpose exists, an exception to this policy may be granted with the concurrence of Government Affairs, business unit personnel and Legal and approval of the Public Policy Committee.