Our governance and ethics are strong, and they start at the top.

We’re determined to be the energy industry’s safest and most reliable company.

We have strong environmental programs and innovative research and development, including renewable fuels.

The people of Phillips 66 bring their energy to life every day for our company, their families, and the communities where we live and work. We value our diverse stakeholder relationships.

In 2018, we had our highest annual earnings ever and generated strong distributions for our shareholders.

Metrics help us track our progress on things that matter to us as a responsible company, as members of our communities and as global citizens.

Cover: Gulf Coast Lubricants Plant
A LETTER FROM OUR CHAIRMAN & CEO

TO OUR EMPLOYEES, COMMUNITIES AND INVESTORS,

At Phillips 66, our purpose is to make the products that help people go further, go faster, go higher, dream bigger and lead safer, more productive lives. We provide energy and improve lives.

We take seriously our long-term responsibilities to our employees, our investors, our neighbors and, ultimately, to a global community.

We do well, and we strive to do better. We are on a journey of continuous improvement and ever mindful of the difference we can make together. We are committed to reliable operations and strong environmental stewardship. We make investments in sustainability efforts because we can always do better. We can, and we will.

Our business strategy is consistent and successful. We are focused on growth, returns and shareholder distributions, built on a foundation of operating excellence throughout our high-performing organization. We execute our business strategy motivated by a clear set of values: safety, honor and commitment. These values are the essence of our approach to sustainability.

Our strategy and execution are working. Last year, 2018, was a year of growth and development for Phillips 66. We remained focused on safety. We began exciting new expansion projects. We worked to evolve our strong company culture to launch a new leadership initiative. We extended our engagement with, and delivered value to, all stakeholders. We achieved our highest annual earnings.

Throughout this report, you will see how the people of Phillips 66 are working every day to fulfill our purpose while making progress on our sustainability pillars of operating excellence, environmental stewardship, social responsibility and financial performance. We welcome your feedback.

In safety, honor and commitment,

Greg Garland
Chairman & CEO
June 2019
PHILLIPS 66 AT A GLANCE

CORPORATE STRATEGY
Our corporate strategy is founded on our values of safety, honor and commitment and is structured to enable us to achieve our purpose and vision of providing energy and improving lives. Our strategy assures a sustainable, viable business designed for the long term. Our priorities are clear.

The Phillips 66 priorities of growth, returns and distributions are supported by a strong foundation of operating excellence and our high-performing organization. We believe our strategy creates long-term stakeholder value. We made progress executing our key priorities during 2018, achieving numerous milestones and successes.

Operating Excellence: Operating with safety, reliability and environmental stewardship while delivering shareholder value.

Growth: Enhancing our portfolio by capturing growth opportunities in Midstream and Chemicals.

Returns: Improving returns by maximizing earnings from existing assets and investing capital efficiently.

Distributions: Achieving financial strength, disciplined capital allocation, dividend growth and share repurchases.

High-Performing Organization: Building capability, pursuing excellence and doing the right thing.

Our company policies, programs and practices ensure ethical business and good governance. We have more than 14,000 employees and expect everyone to act with integrity, do the right thing and approach all business encounters in an ethical manner, and we incorporate these expectations into our performance management systems.

As you will see throughout this report, our business strategy dovetails with our sustainability pillars:

- OPERATING EXCELLENCE
- ENVIRONMENTAL STEWARDSHIP
- SOCIAL RESPONSIBILITY
- FINANCIAL PERFORMANCE
OUR APPROACH TO SUSTAINABILITY

At Phillips 66, the pillars that guide sustainability and our policies are integral to our strategy and require proactive, consistent, ongoing efforts. We work to mitigate risk to ensure sustainability going forward. These pillars are a commitment to operating excellence throughout our business, environmental stewardship, social responsibility and engagement, and strong economic performance.

OPERATING EXCELLENCE

We are vigilant as we continuously evaluate our operations to maintain and improve safety and reliability. We consistently implement our robust governance policies and programs to manage risks across our Midstream, Chemicals, Refining, and Marketing and Specialties businesses and our corporate staff functions.

ENVIRONMENTAL STEWARDSHIP

Protecting the environment goes hand in hand with our commitment to operating safely. We make proactive investments in companywide asset maintenance, operating standards and procedures and business assurance programs. Business units and functions consistently follow key standards, procedures and guidelines, which meet and often exceed regulatory requirements.

SOCIAL RESPONSIBILITY

We report our social responsibility from two perspectives: our workforce and external stakeholder engagement. Enhancing education and career training, listening to stakeholder questions and concerns, and supporting safe communities are the foundation of our social responsibility and engagement.

FINANCIAL PERFORMANCE

Our economic strength, in turn, comes from executing our strategy and vision to safely and reliably provide accessible, cost-effective energy and improve the lives of people around the world, and is supported by the other pillars.
AWARDS AND RECOGNITION

Refining achieved

THREE CONSECUTIVE YEARS OF BEST-IN-CLASS SAFETY PERFORMANCE

Ponca City Refinery in Oklahoma earned AFPM’s* highest safety award, the DISTINGUISHED SAFETY AWARD, for its outstanding occupational and process safety record

Ferndale Refinery in Washington state and the Los Angeles Refinery earned ELITE GOLD AWARDS, AFPM’s* second-highest honor, for facilities with safety performances in the TOP 1%

The Billings, Montana, Borger, Texas, and San Francisco-Santa Maria, California, refineries each won ELITE SILVER AWARDS for safety performances in the top 5%

The six awards presented to Phillips 66 accounted for nearly half of all refineries recognized by AFPM*

28 of our sites have Voluntary Protection Program certification from the Occupational Safety & Health Administration

ENERGY STAR CERTIFICATIONS awarded to Ferndale Refinery in Washington and Sweeny Refinery in Texas

*American Fuel and Petrochemical Manufacturers
Interstate Oil and Gas Compact Commission’s Chairman’s Stewardship Award in the large-company category for a native landscaping initiative that began in California and has since expanded to 15 other states and the U.K.

Trinitas Regional Medical Center Humanitarian Award to Bayway Refinery for donating two ambulances and much-needed equipment.

Houston Business Journal CORPORATE PHILANTHROPY AWARD in the large-corporation category

FORBES: AMONG AMERICA’S BEST EMPLOYERS

BCA 10 Award from the Business Committee for the Arts for commitment to arts programs such as the Houston Symphony, Broadway in Bartlesville and Mount Baker Theatre in Bellingham, Washington.

Texas Diversity Conference Top 25 organizations with the highest percentage of women and minorities in executive leadership and boards of directors.

Nearly half of Phillips 66’s 12 U.S. refineries have earned ENERGY STAR CERTIFICATIONS FROM THE EPA in recent years through voluntary efforts to improve energy efficiency to reduce greenhouse gas emissions.

Industry leading total recordable rate (TRR) of 0.14
THIS SUSTAINABILITY REPORT
Since Phillips 66 was founded in 2012, we have published annual sustainability metrics and information on our website. More recently, we have enhanced our web reporting and added easy-to-download highlights brochures.

This report details our governance, oversight, policies and programs and highlights our sustainability achievements. In short, this report will explain why and how we do what we do.

In the pages that follow, we will detail how our company’s purpose comes to life each day and provide you with a look at the progress we are making, give examples of sustainability and share key performance data.

Unless otherwise specifically stated, this report covers Phillips 66’s performance in 2018 and focuses on outcomes from our operated assets including our master limited partnership, Phillips 66 Partners. Links here will take you to sustainability reports from our key non-operated joint ventures, Chevron Phillips Chemical Company and DCP Midstream.

In addition to describing the investments and resources that we believe are critical to the long-term sustainability of our business, this report also reflects the feedback we have received from our stakeholder engagement programs and processes and our review and discernment of several entities in the field of sustainability ratings.

We have assessed our operations against Sustainability Accounting Standards Board (SASB) materiality criteria. This report will address the SASB criteria that are most relevant to our business and our stakeholders. We have taken into account the Taskforce for Climate-Related Financial Disclosures (TCFD), and our publication, Energy Policy: Risks and Disclosures, is informed by the TCFD framework. We have also considered industry trade association publications, including the American Petroleum Institute’s Oil and Gas Industry Guidance on Voluntary Sustainability Reporting, the Association of Oil Pipe Lines Corporate Social Risk Management & Reporting, and recommendations from the International Petroleum Industry Environmental Conservation Association (IPIECA). Phillips 66 also receives guidance on sustainability strategy and reporting as a member of the Boston College Center for Corporate Citizenship.
Rigorous corporate governance contributes positively to long-term shareholder value. Our governance and ethics are strong, and they start at the top.

**BOARD & MANAGERIAL OVERSIGHT**

Our board of directors and executive leadership team are committed to ethical business practices, which are premised on our company values. Our board regularly reviews evolving corporate governance best practices, changing regulatory requirements, and feedback from shareholders, and makes changes it believes are in the best interest of Phillips 66 and its shareholders. Our Public Policy Committee, comprised of all board members, advises regarding the company’s compliance with policies and practices related to health, safety and environmental protection and identifies environmental, social and political trends and risks to guide the company’s long-term business objectives and global reputation. The Audit & Finance Committee monitors our enterprise-wide risk management program and our controls, compliance and ethics.

The talent and composition of our board of directors augment this governance. Our board is 33% female and almost 90% independent. Every member has served for fewer than 10 years with Phillips 66, which, according to data-backed research published on the Harvard Law School Forum on Corporate Governance and Financial Regulation website, is a positive factor in managing risk and performance.
We also maintain good governance and operations through written policies and auditing programs throughout the company and our supply chain. For ease of reference, many of our key policies and governing documents, including board governance documents and charters, can be found online and at the end of this chapter. These, and many other written procedures and controls, set the standards that guide our actions and ensure the highest levels of responsibility, integrity and legal compliance across our businesses.

CULTURE
The Phillips 66 culture is founded on our values of safety, honor and commitment. Each employee upholds those values with a sense of integrity and purpose, allowing us to bring to life a different kind of energy. Our culture is sustained by the backgrounds and experiences of our diverse teams, and the behaviors we demonstrate every day. It’s a reflection of who we are, the environment we create, how we work together and the results we deliver.

Our workforce is evolving, and our business is transforming and growing, requiring that we purposefully shape our culture to enable change. After canvassing our employees and learning about how they experience our culture, we developed a set of behaviors that both preserve the best of who we are and challenge us to get better. We will work for the greater good, create an environment of trust, seek different perspectives and always achieve excellence. These simple, practical and intuitive behaviors were developed in 2018, and launched in 2019 as “Our Energy in Action.” Leadership and management across the company are fully engaged and leading adoption of these behaviors.

Our Energy in Action

- We embrace our values as a common bond.
- We depend on each other to do our jobs.
- We create space for possibilities.
- We challenge ourselves and never settle.

Work for the greater good.
Living our values earns us the confidence of our business partners, communities and co-workers.

Create an environment of trust.
Trusting each other makes us more productive and agile.

Seek different perspectives.
Championing inclusion enables us to innovate and thrive.

Achieve excellence.
Continuing to improve ensures we deliver extraordinary performance.

Phillips 66 Executive Leadership Team
ETHICS AND BUSINESS CONDUCT
At Phillips 66, we are proud of the work we do and how we do it. We do not compromise our integrity. We recognize that questions can arise in today’s increasingly complex global business environment, so our Code of Business Ethics and Conduct (Code of Ethics) describes our operating guidelines and ties our company’s values to the way we make decisions.

“It is our responsibility to uphold our code – to set a high standard for ourselves and be seen by our peers, customers, business partners, investors and communities as a company that does the right thing, always.”
— Greg Garland, Chairman & CEO

Our Code of Ethics covers topics including, but not limited to, human rights, conflicts of interest, discrimination, harassment, confidentiality, anti-bribery, anti-boycott, employee grievances, insider trading, competition and fair dealing. All employees, including management, participate in annual code of conduct training, during which they must attest that they will comply with the code. Our senior financial officers adhere to both this and a supplemental code of ethics. Both codes can be found on our website.

In 2018, we made an important update to the code, expanding it to include human rights and our stance against human trafficking. We recognize and respect the dignity of all human beings. We believe business has a role in promoting respect for human rights throughout the world. We embrace the right of all people to live their lives free from social, political or economic discrimination or abuse. Our human rights position is informed by the Universal Declaration of Human Rights.

EVERY PHILLIPS 66 EMPLOYEE IS EXPECTED TO

• Comply with all laws, regulations and company policies;
• Maintain ethical behavior;
• Report any suspected misconduct, illegal activity, fraud, abuse of company assets or other violation of ethical standards; and
• Annually submit an ethics compliance certification.

Lake Charles Refinery
Because our core value of honor means always doing the right thing, we choose business partners objectively and fairly, and act with honesty in all business dealings with them. In turn, our business partners are expected to work with Phillips 66 employees in a way that allows them to uphold our standards. Business partners and suppliers who enter into contracts with Phillips 66 are not only expected to comply with contractual obligations, but also with the expectations laid out in our Business Partner Principles of Conduct.

Grievance or Ethics
Toll-free Line: 855.318.5390

WHISTLEBLOWER PROGRAMS
Employees, suppliers and customers are all empowered, without fear of punishment, to raise questions or concerns about our operations and business practices, and are expected to report behaviors that they believe violate the company Code of Business Ethics and Conduct. Various federal and state laws provide legal protection to certain types of whistleblowers. Additionally, Phillips 66 has a policy of non-retaliation. This helps foster an ethical workplace and a culture of integrity.

The Ethics Office telephone and web-based HelpLine are confidential and operated by a third party. Both are available 24 hours a day, seven days a week, 365 days a year and are staffed by representatives fluent in many languages. Employees, contractors, suppliers and community members can access the HelpLine toll free from any location around the world, or they can file a report online. Employees and others making reports are encouraged to identify themselves, but they may choose to remain anonymous. Reports are entered directly onto an independent secure server, are not traced, and are shared only with the specific personnel designated to handle the issue.

Any potential violation of our Code of Conduct or other company policies is brought to the attention of the Global Compliance and Ethics Office and handled through our reporting process. This includes all potential violations reported through HelpLine calls, online reports and in-person accounts. All allegations are investigated, and appropriate action is taken based on the findings. Issues involving a violation of regulation, law or the Code of Conduct are reported to the board of directors’ Audit & Finance Committee.
Led by our Chief Compliance Officer, our Compliance and Ethics Office personnel are trained on conducting investigations into potential violations. Phillips 66 Human Resources professionals also are trained to assist or lead investigations.

One indicator of confidence in the independence and integrity of our ethics program is a decline in the percentage of incidents reported anonymously. The majority of people reporting concerns feel comfortable in identifying themselves, with only 44% choosing to remain anonymous.

We are committed to the highest ethical standards because we want people in our communities and elsewhere to know they can count on us.

POLITICAL AND PUBLIC POLICY PROCESS
Phillips 66 participates in the legislative and regulatory policy development and political process legally, responsibly and ethically to serve the best interests of our shareholders, workforce and other stakeholders. Our operations are highly regulated and are affected by actions at many levels of government. Our public policy activities include education and advocacy efforts at the local, state and federal government levels. We are committed to complying with all applicable state and federal rules pertaining to lobbying and disclosures. Our Political Giving and Activity Policy governs our actions.
Our values and purpose are demonstrated in everything we do. Below are links to company information and key materials that guide our business every day, along with other relevant reports.

**GOVERNANCE:**
- Audit & Finance Committee Charter
- Code of Business Ethics & Conduct
- Code of Ethics for the Principal Executive Officer and Senior Financial Officers
- Company Bylaws
- Corporate Governance Guidelines
- Executive Committee Charter
- Human Resources & Compensation Committee Charter
- Nominating & Governance Committee Charter
- Public Policy Committee Charter

**POLICIES & POSITIONS:**
- Business Partner Principles of Conduct
- Energy Policy Risks and Disclosure
- Equal Employment Opportunity Position
- Health Safety & Environment Policy
- Health Safety & Environmental Management System
- Human Rights Position
- Philanthropy Grant Application Process
- Phillips 66 Employment Benefits
- Phillips 66 U.K. Modern Slavery Statement
- Political Giving and Activity Policy
- Supplier Diversity Position
- Supply Chain Transparency
- Workplace Diversity Position

**EDUCATION AND AWARENESS:**
- 2018 Annual Report
- 2018 Fact Sheet
- 2019 Proxy Statement
- Gray Oak Pipeline
- News Releases
- Phillips 66 Partners LP
- Pipeline Awareness & Safety 811
- Safety Data Sheets
- Securities & Exchange Commission Filings

**OTHER REPORTS:**
- Chevron Phillips Chemical Company Sustainability Report
- DCP Midstream Safety & Sustainability
Phillips 66 is determined to be the energy industry’s safest and most reliable company. We believe that a zero process safety incident, zero injury workplace is achievable, and our focus on safety guides every decision we make and action we take. Safety and environmental performance are so important, they are part of our compensation structure for executives and all employees. Operating excellence, including personal and process safety, environmental stewardship and asset availability, is critical to meeting our corporate strategy of growth, returns and distributions. We measure ourselves against others in our industry for safety metrics and target improved performance in environmental stewardship and effective management of unplanned downtime. The results of that measurement are used to determine a portion of executive compensation.

Our belief is that safety is defined not by the absence of failure, but by the presence of positive controls. We are committed to protecting the health and safety of everyone at our work sites and in the communities where we operate. This priority is embodied in our investment in asset maintenance and integrity and our Health, Safety & Environmental (HSE) policies, programs and procedures.
Our HSE policy spells out our commitment to protecting our workforce, customers and communities while achieving our goals for growth, returns and distributions. Our HSE policy applies to anyone working in our facilities, including contractors. We integrate our health, occupational safety, process safety and environmental principles throughout our businesses, with a commitment to continuous improvement that minimizes our potential impact on our neighbors and the environment. We also consult with stakeholders on environmental issues.

The HSE Management System (HSEMS) provides the framework to reduce risks and improve performance. It focuses on operating excellence, and facilitates HSE performance and compliance with key standards, procedures and guidelines that often exceed regulatory requirements and are consistently applied by all business units. Our core standards include reporting, metrics, crisis management, emergency response, due diligence, incident investigation, risk assessment and corporate auditing. We use both third-party auditors and internal auditors to conduct on-site inspections. The majority of assessments are

NEW MOBILE APP HIGHLIGHTS ‘GOOD CATCH’ EXAMPLES

Phillips 66 launched a mobile app for employees called MyRoute, which makes it even easier to share information, including safety learnings from stop-work authority and near-miss instances. This communications tool helps the workforce stay up to date on company and industry news, messages from leadership, benefits reminders and, most importantly, safety information. Because many of our employees are not working at desks, this app provides information they might not have access to otherwise. It also allows them the ability to report near misses in real time and gives the company a way to celebrate and publicly recognize individuals and teams for making Good Catches.
performed by Phillips 66 personnel who are trained to recognize health and safety best practices and are obligated to report and investigate deviations or noncompliance. Our senior vice president of HSE and Projects has direct responsibility for the HSEMS, and reports directly to the CEO.

Phillips 66 sites have HSE controls and practices, along with HSE management and staff dedicated to excellence and risk mitigation. HSE considerations are embedded into every task and business decision. This standard establishes a continuous improvement process for implementation of the HSE policy, leadership expectations and core values. The HSEMS guides our entire workforce, including labor and management, experienced workers and new hires, contractors and subcontractors.

If we can’t do something safely, we simply won’t do it.

Two positive controls guide us: taking the time to work safely and having the courage to speak up and stop work if a safety concern is identified. Anyone working at or visiting our sites is empowered, and expected, to stop any work they believe poses a risk to themselves, the people around them or the environment. We train our whole workforce to “stop when unsure.” No employee or contractor will ever receive negative consequences for using their stop-work authority in good faith, even if it turns out that there wasn’t actually a hazard. Employees and contractors are rewarded through the company’s Good Catch program. It’s another way we hold ourselves accountable for everyone’s safety, every day.
In conjunction with the HSEMS, our 10 Life Saving Rules (LSR) program is fundamental to Phillips 66’s safety culture. The rules are clear and concise and easy for everyone to understand. All employees are trained on LSR. These rules pertain to common but critical activities and can enhance safety performance, and benefit both individuals and communities.
Ensuring the integrity of our assets is a key component of the HSEMS. To minimize asset integrity risks associated with operations and equipment failure, business units develop programs and procedures to ensure proper asset design, fabrication, installation, operation and maintenance. Asset integrity programs include quality assurance/quality control, defined inspection and maintenance intervals for process equipment and meeting required company standards. These high-tech integrity programs and processes are designed to prevent unintentional releases of product and protect everyone working at our facilities and in the surrounding communities. Many of our company’s process safety and environmental standards exceed industry requirements, promoting our goal of an incident-free workplace.

Since 2014, we have invested more than $6 billion in environmental protection projects and sustaining capital.

We invested $935 million in safety, environmental and reliability projects in 2018. Of that total, we spent $559 million for refining reliability, safety and environmental projects.
• We manage more than 21,000 miles of pipeline systems, making Phillips 66 one of the largest pipeline operators in the United States.
• Liquids pipelines move crude oil to our refineries and move products such as gasoline, diesel and jet fuel to market.
• A leak in a liquid line can release product, so we take great care to prevent that.
• Our approach to safety is rooted in prevention, maintenance and emergency preparedness. Elements of these programs include exacting design and construction standards, comprehensive pipeline maintenance, 24/7 remote line monitoring, leak detection, community education programs and strong relationships with emergency response teams across our asset footprint.
• We make investments in asset inspections using aerial pipeline patrols that fly weekly over our pipeline rights of way looking for potential signs of leaks and any other pipeline integrity threats such as unauthorized digging or exposures.
• We are recognized for our efforts to go beyond legislation and install real-time monitoring for our pipelines. Our control room staff continuously monitors the operations and pressure in each pipeline. At the first sign of a pressure change, which could indicate a leak, an employee will shut down the pipeline as a precautionary measure until the matter is understood and resolved. Our innovation in this area continues to draw positive attention from government and other partners.
• We also have an industry-leading maintenance program that uses smart pipeline inspection gauges, or “pigs,” to inspect and assess the interior of our pipelines and identify maintenance needs from the inside before any leak can occur.
• When we build or repair pipelines, we use a variety of state-of-the-art techniques to ensure asset integrity, such as horizontal directional drilling (HDD) technology, which allows us to bury pipelines deep underneath riverbeds, preventing pipeline exposures. We have spent more than $100 million to enhance resilience at river crossings.

PIPELINE INTEGRITY

ROBOTICS: MOBILE, COMPUTER-CONTROLLED MACHINERY

Phillips 66 is collaborating with the University of Texas to investigate using robots for inspection tasks, such as tank seal inspections and operator rounds. Robots have the potential to improve safety, efficiency and capability. For example, they can perform tasks in place of humans in hazardous environments such as confined spaces, at height or in remote locations.

We’re also involved in a project with two other companies to increase safety and simplify the inspection process for our aboveground storage tanks. Since 2016, we’ve been collaborating with Square Robot, an industry-leading technology developer, and Veritank, Inc. In 2019, an autonomous robot safely performed its first in-service inspection of the interior of an aboveground diesel storage tank. The robot can go into a tank while it’s in service and capture high-clarity images of the interior, providing insight into the tank’s sediment levels and coating condition. Robotic inspections reduce risk associated with tank entry and clean out, and robots save resources because the tanks don’t have to be drained. We see numerous applications for this service throughout our portfolio. The next step is to work toward in-service robotic inspections of gasoline tanks.
Our safety culture, comprehensive HSE policies, management systems and the commitment of everyone who worked for us resulted in an Occupational Safety and Health Administration (OSHA) Total Recordable Rate* (TRR) of 0.14 in 2018 for the second year in a row. This is an industry-leading safety result and 25 times lower than the overall U.S. manufacturing average.

Despite our overall safety performance, a contractor tragically died at the Alliance Refinery in 2018. We investigated what happened in order to understand and learn from this tragedy and issued a high-value learning to all business units.

The data below show the TRR of our combined employee and contractor workforce. This year, we added a disclosure of our Lost Time Incident Rate, an OSHA metric focusing on accidents that result in a lost workday.

<table>
<thead>
<tr>
<th>PERSONAL SAFETY</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phillips 66 Combined (employee + contractor) TRR</td>
<td>0.19</td>
<td>0.19</td>
<td>0.15</td>
<td>0.14</td>
<td>0.14</td>
</tr>
<tr>
<td>AFPM TRR</td>
<td>0.43</td>
<td>0.41</td>
<td>0.33</td>
<td>0.32</td>
<td>0.30*</td>
</tr>
<tr>
<td>Phillips 66 Combined (employee + contractor) Lost Time Incident Rate</td>
<td>0.03</td>
<td>0.03</td>
<td>0.04</td>
<td>0.04</td>
<td>0.05</td>
</tr>
<tr>
<td>AFPM Lost Time Incident Rate</td>
<td>0.10</td>
<td>0.09</td>
<td>0.08</td>
<td>0.08</td>
<td>0.08*</td>
</tr>
</tbody>
</table>

*TRR is a standardized OSHA personal safety metric and represents the number of OSHA-defined incidents per every 200,000 hours worked (equivalent to 100 workers who each work 40 hours per week, 50 weeks per year).

e = estimate
PROCESS SAFETY

Another critically important effort involves evaluating the procedures used to monitor and measure Process Safety Events (PSE), which are unplanned or uncontrolled releases of a hazardous material. We work to reduce the number of PSEs by applying best practices in design, engineering, operating and maintenance. Our employees perform hazard analyses and use change management procedures to mitigate risk. We also audit our safety, mechanical integrity, operating and maintenance programs. We investigate serious incidents and near misses in order to develop corrective actions and utilize training procedures to ensure employees and contractors are aware of hazards and how to address and mitigate them.

Tier 1 and 2 PSEs are defined by the American Petroleum Institute (API) Recommended Practice 754 (RP-754). Tier 1 PSEs are the most significant type of unplanned or uncontrolled release of material from primary containment. Each Tier 1 event is investigated to determine the underlying causes so we can act to prevent recurrences. In 2018, Refining’s Tier 1 process safety event rate of 0.02 was industry leading and down 75% over the last five years. Tier 2 events have a lesser consequence than Tier 1 events, and are still an important metric. Our goal is zero process safety events.

From 2017 to 2018, our Refining business unit achieved an 80% reduction of energy isolation related Tier 1 and Tier 2 PSEs. This program will be expanded to Midstream in 2019. Our companywide PSE Tier 1 and Tier 2 rates were better than the refining industry average rate. Below are metrics for both.

<table>
<thead>
<tr>
<th>PROCESS SAFETY (incidents per 200,000 work-hours)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phillips 66 Tier 1 Process Safety Event rate</td>
<td>0.07</td>
<td>0.08</td>
<td>0.02</td>
<td>0.03</td>
<td>0.05</td>
</tr>
<tr>
<td>Phillips 66 Tier 2 Process Safety Event rate</td>
<td>0.18</td>
<td>0.13</td>
<td>0.13</td>
<td>0.13</td>
<td>0.13</td>
</tr>
</tbody>
</table>

FOCUS ON PROCESS SAFETY

Process safety is about preventing loss of containment of hazardous materials in order to avoid harm to people and the environment.

We recognize the need to be proactive and continuously improve. Accordingly, we have identified these focus areas:

- Leveraging process hazard assessment best practices across the company, with added emphasis on safeguards to prevent the highest consequence events.
- Reducing the number of events caused by imprecise execution of tasks.
- Improving our learning efficiency and effectiveness.

Our active participation in trade associations and benchmarking groups also helps us identify opportunities for our business, while advancing overall industry performance.
AN EMPHASIS ON ENERGY ISOLATION

We have realized marked improvements in Tier 1 and Tier 2 process safety events in Refining since 2015. Part of that improvement can be attributed to the renewed focus on energy isolation protocols, or the “Lock, Tag, Try” system of ensuring that machinery is shut down and can’t be restarted during maintenance or servicing. In 2016, a team analyzed all the serious incidents from the previous four years, including the near misses. The study showed insufficient energy isolation was a leading cause of PSEs and other serious incidents. In response, we created a prescriptive energy isolation standard designed to have multiple layers of protection to minimize the potential for unexpected release of energy. This new standard was embedded at all levels of the business, and HSE management made site visits to verify compliance. As a result, energy isolation related Tier 1 and 2 process safety events decreased approximately 85%.

HSE PERFORMANCE

Phillips 66’s progress in HSE performance is evident in our recordable rates, number of process safety events and reduction in environmental events. It is our goal that everyone who works at, or visits, our facilities goes home safely every day. Performance is the outcome of relentless focus on details and our programs such as the 10 Life Saving Rules, audits focused on mechanical integrity, and continued training on leadership skills in our business units.

We perform focused audits on major work activities such as energy isolation, startup/shutdown activities, valves in proper position to prevent releases, procedure clarification and human performance tools. We also know that work to zero incidents is continuous. We work 24/7/365 and our work can be complex.

We also require business units to complete an annual report on risks. It includes a list of risks and corrective actions, risks identified and closed during the year, and a separate explanation of all risks that have been open five years or longer. Business unit managers verify compliance with company risk management requirements. The reports are reviewed and signed off by each subsequent level of management. Ultimately, a complete report is developed containing the status of the risk items throughout the company and is reviewed with the CEO and summarized to the Public Policy Committee.

OSHA’S VOLUNTARY PROTECTION PROGRAM

Across our Refining, Midstream and Lubricants businesses, 28 facilities have achieved OSHA Voluntary Protection Program (VPP) recognition. VPP STAR status recognizes effective safety and health management systems, visible and committed safety leadership, and employee involvement to prevent injury and illness.
To ensure continuous safety improvement, we invest in training and audits. Each site holds a monthly safety committee meeting during which employees, managers and union representatives review goals, safety practices and audit results, and work together to keep an open dialogue focused on continuous improvement. It is an important forum to discuss key safety topics such as the 10 Life Saving Rules program and continuing education opportunities, and to obtain specialized knowledge from experts such as industrial hygienists and OSHA representatives. We hold more frequent meetings within our field staff groups and perform job safety analyses for each field job.

We hold large-scale company training summits every two years; the latest training was in 2018. We gather people from every health and safety committee in the company to share best practices, goals and performance milestones. We learn from each other, gain new techniques and skills, and take that learning back to our home facilities, where we can implement improvements. The summits have also been a great way for union leaders and Phillips 66 management to maintain open dialogue and speak with a unified voice about safety. We also hold periodic contractor safety summits in which all our major contracting companies come together with us to set expectations and goals, share best practices and keep lines of communication open. The next contractor safety summit is planned for fall 2019.

‘SHIELD YOUR FUTURE’ TRAINING MODULES

In 2019, Phillips 66 Refining launched the “Shield Your Future” training series. Led by Phillips 66 HSE ambassadors, small groups of employees go through real-life incident case studies, discuss them and brainstorm what could have been done differently. This helps everyone further understand our safety culture and expectations. It also encourages everyone to take time to assess situations and exercise their stop work authority when needed.

CAUSE-EFFECT MAPPING

In 2017, we launched a companywide initiative to improve learning from incident investigations. We trained more than 1,000 employees in cause-effect mapping methodology, which quickly became a universal problem-solving tool for actual and potential quality, reliability, environmental and asset integrity improvement opportunities. Cause-effect mapping also helps increase our learning effectiveness across business units.

More recently, cause-effect mapping provided a natural transition into process mapping. Proactively using process mapping helps us identify and reduce error-likely situations often found in normal work. This simple, intuitive method engages employees and is the foundation for driving continuous improvements in personal safety, process safety and reliability.
Each business unit establishes and maintains auditing processes to assess the adequacy and effectiveness of HSE controls and compliance with legal requirements and standards of operation. Joint ventures, partnerships and contractors are included in the auditing process. Audit programs are documented and include a process for communicating results to management and provisions for periodic review and corrective actions.

Our performance is verified through our own exacting assurance processes, as well as those of third parties. Our facilities are subject to rigorous inspections and our operations are actively managed to ensure continued asset integrity. As part of our company’s corporate HSE audit program, we conduct in-depth operating excellence audits at each of our refineries to evaluate adherence to our assurance processes.

There are hundreds of audits done each year across our assets, including site inspections, corporate audits at least once every three years, refinery operating excellence audits and trade association and third-party safety audits. The results are reported to business leaders.

We are also involved in numerous industry-improvement and standard-setting committees of American Petroleum Institute (API), AFPM and the Association of Oil Pipe Lines. Our facilities follow industry-leading quality management systems, and many are certified to international standards. These multi-faceted and holistic company and industry efforts ensure that our complex operations remain leaders in safety among the U.S. economic sectors.

Through our occupational health and industrial hygiene program, we evaluate our workplaces for health hazards to ensure that we protect everyone at our facilities. Employees and contractors report both actual incidents and near misses that have or could have resulted in injury, property damage or environmental impact. We learn from these situations, identifying and removing the root causes to reduce the risk of recurrence.

**JET SETS RECORDS**

Our Continental Business Unit has dramatically improved its safety performance from a 2014 TRR of 0.14 with three incidents, to the 2018 TRR of 0.05 with one incident. Our JET fuel stations in Austria achieved five consecutive years without a recordable incident and 35 years without an employee injury.
While we strive to eliminate incidents, we are prepared to respond to emergencies, and work with local, state and federal agencies. Our Emergency Response Management System provides a model for building and maintaining crisis management and emergency response plans.

Each facility has a written emergency response plan in place that includes a process for identifying potential emergency situations and planning for mitigation and control. Employees are trained for their responsibilities and assignments under each plan. Drills are conducted frequently and critiqued so plans can be adjusted as needed. Emergency response plans and documents are fully reviewed each year. At the corporate level, the company maintains a Crisis Management Plan with personnel in place to provide prompt and effective support to supplement actions taken in response to an emergency. The company also utilizes Regional Response Teams to support businesses during major emergencies.

In our annual emergency response drills, we use realistic scenarios to ensure that both our Emergency Response Organization and the community around our facilities are prepared to respond to emergencies. Participation by local and corporate leaders ensures high standards for training and competence for our on-site first responders.

Our teams of first responders protect people’s lives and secure the area in an emergency. We invest in training, sending emergency responders to train at premier institutions such as the Fire Service Institute at the University of Illinois and the Emergency Services Training Institute at Texas A&M University. We extend this specialized training beyond our own first responders, covering the costs for firefighters based near our refineries so they can train alongside our teams. Doing this better serves the communities where we operate.

In 2018, we conducted a total of 350 exercises and emergency response drills based on real-life scenarios across our midstream operations. These include 244 qualified individual/incident commander notification drills, 45 equipment deployment exercises and 61 “table top” exercises to discuss simulated emergency situations. Each of our business units also completes multiple notification accountability drills for emergencies and one table top exercise every year.

If there’s ever an interruption of operations, we have written business continuity plans to quickly resume manufacturing and transporting energy products to markets around the world.
COMMUNITY SAFETY AND PREPAREDNESS DONATIONS

Our core safety value means we are also committed to working together to help protect communities. We believe that preparation and emergency management systems are crucial to people’s safety and security. We support community safety and preparedness programs and proactively support local police, fire and emergency management personnel to bolster community safety departments. Building local capacity for resilience and preparedness is part of our commitment to our values, human rights, environmental protection and rapid response. To this end, we support every community where we have facilities with equipment, experience or other resources. Our total donations in 2018 exceeded $2 million. Here are a few highlights:

In Louisiana, the ALLIANCE REFINERY donated money for several projects, including annual sponsorship of the Plaquemines Parish Government’s “Reverse 911 System.” This system allows the Plaquemines Parish Office of Homeland Security and Emergency Preparedness to immediately notify the public during a crisis. The refinery also contributed to the Plaquemines Parish Government and School Board for radios, and to the Plaquemines Parish Sheriff’s Office for emergency response equipment and a drone.

BAYWAY REFINERY in New Jersey donated money to the Union County Fire Chiefs Association for the purchase of fire training equipment and covered the cost to send eight firefighters to our corporate and fire school at Texas A&M University. The refinery also gave the Trinitas Regional Medical Center funds for a high-tech specialty ambulance.

FERNDALE REFINERY in Washington donated to many causes including giving to the Whatcom County Specialized Emergency Response Program for equipment upgrades, the Whatcom Fire District 17 for response boat communication equipment and the Island Oil Spill Association to cover operating expenses for spill response preparations.

Our MIDSTREAM facilities donated funds to support the City of Cushing, Oklahoma’s purchase of a new 2018 Pierce Freightliner Industrial Pumper, provided funding for the Mountrail County, North Dakota, Disaster and Emergency Services to buy a community siren warning system, and contributed to the River Road Fire Department to enable the department to replace a tanker/pumper truck.

Our PONCA CITY REFINERY in Oklahoma donated to the Ponca City Fire Department to update portable ventilators for ambulances and gave volunteer time and monetary grants to the Fire Safety Council to fund Fire Safety Trainings, among other donations.

The SAN FRANCISCO REFINERY in California provided funds to the Crockett Carquinez Fire Protection District for equipment, replacement of 12 automated external defibrillators and the cost of wages for two trainers. The refinery also supplies the Rodeo-Hercules Fire District with fuel for its entire fleet. Emergency vehicles enter the refinery to get fuel from our in-house pump station.

Our WOOD RIVER REFINERY in Illinois helped nearby communities with numerous donations, including one to the Wood River Police Department for the computer and mobile electronic evidence program, sponsoring the Roxana Police Department’s DARE program and contributing to the Village of Bethalto’s purchase of ballistic helmets and surveillance equipment for the Bethalto Police Department.
COMMUNITY SAFETY AND PREPAREDNESS DONATIONS (CONT.)

TRAINING AND TRAINING EQUIPMENT
- Billings Fire Department, Montana
- Billings Police Department, Montana
- Brazoria County Fire Fighters Association, Texas
- Houston Police Foundation, Texas
- Memorial Hermann Foundation, Texas
- Oklahoma State University, Oklahoma
- Union County Fire Chiefs Association, New Jersey

VEHICLES
- Brazoria Police Department, Texas
- Kinney County Fire & Rescue, Texas
- Rankin Volunteer Fire Department, Texas
- River Road Fire Department, New Jersey
- Safety Alliance of Cushing, Oklahoma
- Trinitas Health Foundation, New Jersey

FUEL AND SUPPLIES
- Copan Fire Department, Oklahoma
- Houston Police Foundation, Texas
- Ochelata Fire Department, Oklahoma
- Oglesby Fire Department, Oklahoma
- Osage Hills Fire Department, Oklahoma
- Ramona Fire Department, California
- Washington County Fire Department, Oklahoma

SAFETY, COMMUNICATIONS AND MEDICAL EQUIPMENT
- Alvin Independent School District, Texas
- Broadwater County Disaster & Emergency Services, Montana
- City Of Billings Fire Department, Montana
- Crane Police Department, Texas
- Crane Sheriff’s Department, Texas
- Crockett-Carquinez Fire Department, California
- Kay County Sheriff’s Department, Oklahoma
- Kermit Volunteer Fire Department, Texas
- Mountrail County Disaster And Emergency Services, North Dakota
- Plaquemines Parish Sheriff’s Office, Louisiana
- Ponca City Fire Department, Oklahoma
- Radio Amateur Civil Emergency Service (RACES), Sedgwick County, Kansas
- Specialized Emergency Response Program (Whatcom County), Washington
- Three Rivers Volunteer Fire Department, Texas
- Washington County Emergency Management, Oklahoma
- Washington County Sheriff’s Department, Oklahoma
- Wink Volunteer Fire Department, Texas
- Winkler County Emergency Management Office, Texas
- Winkler County EMS, Texas
- Winkler County Sheriff’s Office, Texas

COMMUNITY HEALTH AND SAFETY INITIATIVES
- American Red Cross, National
- Attucks Community Center, Oklahoma
- Big Brothers Big Sisters Lone Star, Texas
- Calcasieu Area Council - Boy Scouts of America, Louisiana
- Crime Stoppers of Houston, Texas
- East Bay Regional Park, California
- Los Angeles Metropolitan YMCA (YMCA of Wilmington), California
- Memorial Hermann Foundation, Texas
- Oasis, A Safe Haven, Louisiana
- San Luis Obispo Regional Transit Authority, California
- Truckers Against Trafficking, National
- United States Coast Guard Foundation, National
- YMCA of Greater New Orleans (Belle Chasse), Louisiana
GRAY OAK PIPELINE: GROWTH, PREPAREDNESS, ENGAGEMENT

The Gray Oak Pipeline is a strategic growth project. Phillips 66 is constructing the 850-mile pipeline to link production from the Permian Basin in West Texas to manufacturing and other facilities on the Texas Gulf Coast. The Gray Oak project reflects Phillips 66’s purpose, values and culture in practice.

From the early stages of the planning process, we’ve worked with key agencies to ensure the Gray Oak Pipeline project complies with all applicable regulations and laws, including the Clean Water Act, Endangered Species Act, National Historic Preservation Act and others. To make this happen, we coordinated and engaged with many agencies, such as the U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service, Texas Railroad Commission, Texas Parks and Wildlife Department, Texas Historical Commission Division of Historic Preservation and Texas Commission on Environmental Quality.

The planned route was carefully chosen to minimize the impact on the environment, wildlife and cultural resources, including the use of existing pipeline routes and the avoidance of sensitive areas.

We collaborated with Angelo State University to translocate the Tobusch Fishhook Cactus to ensure conservation of native habitats. This included a five-year research donation. In order to preserve the natural habitat of the native golden-cheeked warbler, we rerouted a portion of the pipeline.

Early engagement with local elected leaders along the route identified a desire and need to enhance local emergency preparedness. Phillips 66 responded with numerous donations of equipment to local emergency response teams. It is part of our commitment to uniting with the community to ensure our operations are safe and reliable, and that we have proper emergency response plans and resources in place should something go wrong. It has been our pleasure to work with local fire and sheriff’s departments and other community organizations to make sure that we get it right when it comes to paving the way for new assets like the Gray Oak Pipeline.
Operating excellence leads to strong environmental performance. We proactively work to protect the environment and minimize our impact by operating with high safety standards. Our industry is highly regulated and Phillips 66 complies with the many local, state and federal regulations that affect our operations, including air emissions, water effluent and solid waste handling. We strive to reduce environmental events that result in exceedances of permit or regulatory limits, and work to prevent significant releases of hydrocarbons or chemicals.

Compliance with our HSEMS, as detailed in the Operating Excellence chapter, helps ensure our operations minimize impact on the environment. The HSEMS creates environmental awareness internally, and is the framework for consistently implementing and maintaining an environmental management system and monitoring our environmental performance. Over the five-year period from 2014 to 2018, we invested more than $6 billion in environmental protection projects and sustaining capital. These investments improve our operating standards and procedures, business assurance programs and companywide asset maintenance. We use energy and resources efficiently, invest in technology, research and development, and support habitat and conservation programs.

We invest in technology to improve our assets, products and processes to be more efficient and to capitalize on emerging opportunities as the energy market transforms.

There is energy in real-world ideas.
CONTINUOUSLY IMPROVING THE MANAGEMENT OF OUR OPERATIONS ALSO RESULTS IN A STEADY REDUCTION IN THE NUMBER OF ENVIRONMENTAL EVENTS.

OUR BUSINESS UNITS HAVE MULTIYEAR PLANS FOR ENVIRONMENTAL IMPROVEMENT. THE PLANS ARE SUBJECT TO INTERNAL AUDITING. OUR BUSINESS UNIT OPERATIONS ARE DYNAMIC AND OUR “PLAN-DO-ASSESS-ADJUST” APPROACH ALLOWS OUR HSEMS TO BE DYNAMIC, TOO, AND TO ACHIEVE ENVIRONMENTAL IMPROVEMENT.

OUR TREND IN THIS AREA IS SHOWN IN THE CHART BELOW.

ENVIRONMENTAL EVENTS

We have an efficient operating model that helps us drive consistent performance and achieve excellent financial results while also stewarding impressive environmental improvements and standardizing compliance practices where it makes sense.

Yet we want to improve further.

Our Environmental Steering Teams (EST) network strengthened in 2018. The EST champions site-level improvement, tracking and reviewing key metrics and developing local improvement plans. Those plans are then assessed at the corporate level for holistic implementation that ensures effective use of resources. Leadership directs efforts to reduce environmental events and increase work practice consistency. Additionally, peer reviews of air permits, along with active environmental networks, allow subject matter experts in areas such as air monitoring, leak detection, waste management and water treatment to work cross functionally. They share best practices and lessons learned to define “what good looks like” and drive sustainable improvement. This method is now being adopted by business units.
Operations at each of our sites are monitored round-the-clock to ensure compliance with numerous environmental and operating permit requirements. We have established, and adhere to, environmental operating limits (EOLs), which correspond to limits in our operating permits.

The Environmental Protection Agency (EPA) has recognized our use of EOLs at our refining sites, where we set alarms that require action well before conditions exceed environmental limits.

ISO CERTIFICATIONS
Our facilities follow industry-leading quality management systems, and many are certified to International Organization for Standardization measures.


• Our Humber Refinery in North Lincolnshire, U.K., is working to transition to the new ISO 14001 standard and is currently certified to the 2015 version.

100% of lubricants plants are ISO 14001 and ISO 9001 certified.

Kaw Lake Pollinator Project
AIR EMISSIONS
We have made significant investments to reduce air emissions. Since 2012, air emissions from our Refining business unit have decreased 25%. The air research and development program at our Technology Center collaborates with government agencies, trade organizations and academic institutions to provide data that leads to effective rulemaking to improve air quality in the communities where we operate.

<table>
<thead>
<tr>
<th>AIR EMISSIONS</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Emissions, global refining, (NOx-PM-SOx), (thousand tonnes)</td>
<td>25.2</td>
<td>24.4</td>
<td>23.7</td>
<td>24.3</td>
<td>23.6</td>
</tr>
<tr>
<td>NOx</td>
<td>13.2</td>
<td>12.1</td>
<td>12.0</td>
<td>11.9</td>
<td>12.0</td>
</tr>
<tr>
<td>PM</td>
<td>2.9</td>
<td>3.0</td>
<td>3.0</td>
<td>2.8</td>
<td>3.1</td>
</tr>
<tr>
<td>SOx</td>
<td>9.2</td>
<td>9.3</td>
<td>8.8</td>
<td>9.5</td>
<td>8.5</td>
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</tbody>
</table>

RESEARCH & DEVELOPMENT
More than 250 scientists work at our 440-acre research and development Technology Center in Bartlesville, Oklahoma. In-house life-cycle assessment professionals and a rigorous oversight process for all research projects help us identify the most impactful projects and technologies.

We prioritize technologies that enhance operational excellence, in accordance with emissions and water regulations, and may be a viable part of the future energy mix.

Research and development in analytical sciences, data analysis and modeling enable our refineries and midstream facilities to run more efficiently, manage water consumption and improve energy efficiency.

Sustainability technology research helps minimize our environmental footprint on air emissions, water purification and remediation.

Our energy transition team studies energy sources, storage and fuel cell technologies over the long term to discover options for future power generation.
HYDROCARBON SPILLS

The chart below shows hydrocarbon spills that occurred despite primary and secondary containment safeguards.

In 2018, 60% of our hydrocarbon spill volume was related to a single event. We recovered 40% of the volume from the event. We also removed and replaced affected soil. Phillips 66 conducted in-depth analyses to determine what caused our spills and then adjusted our policies and practices, evaluated other sites and facilities, and shared what we learned with employees and contractors.

We are improving the integrity testing of pipelines and using data analytics to reduce seam cracks. We are applying our technical resources and know how through joint studies with the Pipeline Research Council International and OneBridge Solutions, Inc.

<table>
<thead>
<tr>
<th>OIL SPILLS</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number</td>
<td>50</td>
<td>67</td>
<td>60</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td>Beyond secondary containment (bbls)</td>
<td>2,649</td>
<td>1,102</td>
<td>373</td>
<td>2,936</td>
<td>5,598</td>
</tr>
</tbody>
</table>
WATER MANAGEMENT AND USE

Water is an essential resource in our manufacturing facilities and processes. All our refining assets have on-site water treatment systems, and many of them use available brackish, salt or non-fresh water, or have industrial reuse processes.

Phillips 66 conducts research and develops best practices for water use to ensure we will have sufficient, sustainable water resources well into the future. For example, our microbiology research helps us identify the types of beneficial microorganisms that are critical to degrading nitrogen compounds in wastewater treatment and environmental processes. This information helps improve the quality of water discharged from our facilities.

At our Billings Refinery, we recently added an enhanced biological treatment system that improves overall water quality. With research staff support, the unit was configured to also improve removal of heavy metals found naturally in crude.

Our water research program is also evaluating new technologies and products to decrease our water footprint and recycle more water. We also collaborate with the University of Texas at Austin to investigate new membrane technologies that will allow refineries to more efficiently separate oil and water, improving our ability to recycle those resources and reduce waste.

CONTINUOUS IMPROVEMENT OF WATER & WASTE MANAGEMENT

Our sites develop initiatives to improve the quality of material in water sewer systems, which feed wastewater treatment plants. A wastewater initiative at one refinery made notable improvements.

Wastewater production rates are approximately 20-25% lower.

Toxicity is lower, resulting in annual cost savings and a 66% reduction in biomass carryover.

Benzene content is 60% lower, allowing efficient treatment, because we rerouted sample flush streams, identified proactive sampling upstream of the wastewater system and optimized hydrocarbon slop processing rates.
WASTE MANAGEMENT AND RECYCLING

In 2018, Phillips 66 piloted a project in partnership with STC Industrial to sustainably manage hazardous refinery waste from tank cleaning projects. When refinery tanks are cleaned, we must dispose of the residual product. More than 10 million pounds of waste from our sites in California, Louisiana and Texas was moved to locations where it can be used as an alternative fuel source for kilns in the cement manufacturing industry.

Cement manufacturing requires mixing limestone with clay or shale and then heating it to 2700°F. Recycled waste from the refinery tank cleanings can be used to fire the cement kilns. This method leaves no ash, so there’s nothing going to a landfill. And the process yields measurable results: in just one year, the pilot project kept more than 2,500 tons of waste out of landfills and provided more than 866,000 gallons of waste-derived fuel for the kilns.

We track every raw material used in our manufacturing process at more than 85% of our lubricants plants. In 2018, we recycled nearly 1,100 tons of scrap material, including cardboard, bottles, cans, pallets and shrink wrap.

<table>
<thead>
<tr>
<th>WASTE MANAGEMENT</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycled Materials’ (thousand gross tonnes)</td>
<td>197</td>
<td>209</td>
<td>165</td>
<td>175</td>
<td>141</td>
</tr>
</tbody>
</table>

M = thousand • MM = million
GREENHOUSE GASES, CLIMATE CHANGE AND A LOWER CARBON FUTURE
At Phillips 66, we provide energy that improves lives and contributes to meeting the world’s growing energy needs. Affordable, reliable and abundant energy is essential to sustaining human health and well-being while simultaneously improving the global standard of living.

Climate change is a global issue that requires long-term commitment, action by every segment of society, technology development and free-market solutions.

Phillips 66 recognizes the climate challenge and is making investments that advance a lower carbon future.

Risk Management
Our company utilizes a robust Enterprise Risk Management (ERM) process to identify risks to our business or assets. We seek to identify and mitigate risks that have significant potential to affect our business. We also evaluate how we can create business opportunities.

Our ERM program provides a systematic approach to understanding those risks, including:
• Changes in energy policy;
• Health, safety and environmental, physical or operational risks.

Our risk management program includes evaluation of policy impacts. We utilize greenhouse gas (GHG) reduction cost curves, CO₂ cost forecasting, energy efficiency indices and best practices, and renewable fuels forecasts to test our assumptions against and alongside regulatory requirements.

Data on our GHG emissions, legal requirements regulating such emissions, and the possible physical effects of climate change on our assets are incorporated into our planning, investment and risk management decision making.

There is energy in the fuel we provide. There is more energy in knowing all the places it can take us.
Action, Adaptation and Resilience

Phillips 66 is taking action to enhance the resilience of our assets and to invest toward a lower carbon future. Programs include our industry-leading pipeline river crossing program, heightened levees at our Alliance Refinery in Belle Chasse, Louisiana, and the power substation elevation at our Bayway Refinery in Linden, New Jersey.

We are committed to safety, reliability and environmental stewardship while maintaining shareholder value. To reduce and manage GHGs and sustain the affordable, reliable and abundant energy required for modern life, Phillips 66:

• Has a long-term strategy that positions us for the future growth of lower GHG-emitting segments while maintaining our core operations.
• Executes programs and initiatives to enhance the resilience of our assets.
• Manages GHG emissions from our operations through measuring, reporting and developing technology to improve energy efficiency to lower GHG emissions.
• Seeks manufacturing opportunities and uses of assets in lower carbon economy, including:
  » High quality premium coke, a component in batteries for electric vehicles and electronic devices.
  » Synthetic lubricants, which improve engine efficiency.
  » Blending renewable fuels.
  » Producing diesel made from renewable sources, such as food waste and agricultural sources.

• Maintains a state-of-the-art Technology Center that researches energy transition, sustainability technologies, innovation and analytical sciences to support operating business units.
• Adapts our businesses for, and mitigates against, physical risks while evaluating opportunities to execute our strategy.

FROM BLUE ACRES TO GREEN FIELDS

In Linden, New Jersey, Phillips 66 partnered with a coalition led by the National Fish & Wildlife Foundation, Rutgers University, the New Jersey Coastal Restoration Project, and other agencies and businesses.

The coalition is working to mitigate the danger of flooding from rainwater runoff and tidal flooding from nearby waterways. It’s a serious concern for families who live in the 275 homes in Linden’s Tremley Point area, a working-class community not far from our Bayway Refinery.

The coalition found an opportunity in the New Jersey Blue Acres Program. Bayway Refinery’s donation created a 40-by-50-foot rain garden that will slow storm water runoff, act as a natural water filter, improve the ecosystem, restore wetlands and become a recreational area.

Clean up at Bayway Refinery
Energy Efficiency
Every day, our refineries process a combined average of more than two million barrels of crude into clean, affordable products. It takes energy to make and deliver energy on this scale. Energy expenditures can account for about 40% of a refinery’s operating expenses, so efficiencies matter. The majority of our Scope 1 GHG emissions are carbon dioxide (CO₂), which is a result of the energy used to refine crude. We continuously and consistently monitor and report on our operations to assess risks and opportunities and increase energy efficiency to lower emissions.

LUBRICANTS: REDUCING OUR ENVIRONMENTAL FOOTPRINT

Our finished lubricants business launched a new line of heavy-duty engine oils in 2019 that proved through extensive testing to improve fuel economy by 2-3%. Additionally, we will convert all our consumer motor oil production to the new GF6 standard by May 2020, increasing fuel efficiency by 1-2%. We have demonstrated this in testing with a Ford F-150 truck and achieved more than 1% in fuel economy savings. Our relationships with Ford and other vehicle manufacturers allow us to be on the forefront of innovation as we work to increase average fuel economy across fleets.

Phillips 66 is the third-largest finished lubricants supplier in the United States. We make products for every key lubricants market, including automotive, trucking, agriculture, aviation, power generation, mining and construction. We also have a large base oils business, which makes products used in everything from engine oil to cosmetics and sunscreens. With this large portfolio comes a responsibility to reduce our environmental footprint. We’ve done so in several ways.

Our base oils business has earned an organic certification from the Organic Materials Review Institute for products used in agricultural sprays for fresh fruits and vegetables. In addition, the business is part of the Horticultural Spray Oil Task Force, and we are funding a study to determine the impact our spray oils may have on the honeybee population.

We consider anticipated future GHG emissions when designing and developing major facilities and projects, and we implement energy efficiency initiatives that also reduce GHG emissions. GHG information is regularly provided to our board of directors and executive leadership team. This information is one of many important inputs that enables our board of directors and its committees to oversee and guide our company.

We invest in engine and fuel optimization, pipeline energy optimization, refinery efficiency, instrumentation and controls upgrades, heat recovery hardware and energy dashboards that enable facility operators to make real-time decisions to enhance energy efficiency.

We capitalize on opportunities for improvements in heat recovery, furnace controls and steam optimization. Projects range from installing new boilers to improving seals, adjusting inlet and stack temperatures, and optimizing steam use.
We have an active Energy Best Practices network of representatives from all our refineries and major corporate support groups including Refining Business Improvement, Research & Development, and Information Technology. Members of the network meet regularly to share information about technology, experiences at their plants, and ongoing energy conservation projects. We also participate in regular industry benchmarking, and in 2018, our Ferndale Refinery in Washington and our Sweeny Refinery in Texas achieved Energy Star® status with the U.S. Department of Energy. Refineries earn Energy Star certifications when they perform in the top 25% of similar facilities nationwide for energy efficiency and meet EPA performance levels.

Five of Phillips 66’s 12 U.S. refineries have earned Energy Star certifications from the EPA in recent years through voluntary efforts to reduce energy use. The others are Billings Refinery in Montana, Bayway Refinery in New Jersey and Lake Charles Refinery in Louisiana. We are growing while keeping GHG emissions steady. These are positive results of our efforts to advance efficiency and technology improvements in the company’s operations.

Cogeneration
Cogeneration is the use of a single fuel source to simultaneously produce both electricity and heat. The process helps us meet our manufacturing needs and convert heat that would otherwise be lost to the environment into thermal energy to power our process equipment. Seven of our refineries have associated cogeneration units.

Two of our cogeneration plants produce steam and power that both serve our operating facilities and sell any excess into the local utility market.

Even with more stringent regulatory standards and increasing utilization of our assets, our direct GHG emissions have varied little on an absolute basis.
Battery Fuel for Electric Vehicles
Petroleum coke is a byproduct of the refining process, and we’ve commercialized high-grade graphite coke for about a third of the world’s lithium-ion battery anode market. We are now the premier market supplier for this key element of lithium ion batteries, which help power almost everything with an electrical circuit – from 75% of all electric vehicles (EVs) to millions of smartphones and other consumer electronics. Over five years, our Humber Refinery in the United Kingdom, in collaboration with our Technology Center, has grown production to a level that can produce enough batteries for 500,000 new EVs. Such collaboration across the local government and other authorities with businesses such as Phillips 66 has led to the Humber region being dubbed “The Energy Estuary.”

Renewable Diesel and Alternative Fuels
We are investing to achieve a goal of more than 40,000 barrels per day total supply of renewable diesel, which is also called “green diesel” or “drop-in biofuel,” and has virtually the same energy content as traditional diesel, but with a lower overall carbon intensity. It can, but doesn’t have to, be blended with traditional diesel.

In partnership with Ryze Renewables, we’re supporting two renewable diesel production facilities in Nevada. The plants will manufacture renewable diesel fuel from agricultural oils and animal fats. These facilities are expected to produce renewable diesel fuel for markets in the western United States and Canada.

Our Humber refinery is working to process used cooking oil into fuel.

We are also partnering with Renewable Energy Group, Inc. (REG), on the construction of a large-scale renewable diesel plant adjacent to our Ferndale Refinery in Washington state. Using REG’s proprietary BioSynfining® technology, the plant will produce diesel fuel from waste fats, recycled cooking oils, including regionally sourced vegetable oils, and other renewable feedstocks.

PILOTING HYDROGEN IN SWITZERLAND
Our focus on finding more efficient energy solutions is a global one. We are committed to being part of the energy solution, and we adapt to market demands for various energy types. For example, in the hilly, mountainous terrain of Switzerland, battery-operated vehicles are not viable, so to help lower emissions, the country has increased demand for hydrogen-powered vehicles. To help meet the need, our European marketing team piloted a hydrogen fuel site in Switzerland in 2018.

Coop Mineraloel AG, in which Phillips 66 has a 49% interest, opened a retail hydrogen filling station. The site has helped generate operational and economic insights about the future possibilities of hydrogen fueling stations. We have two more sites in the works and are expanding the program in 2019.
Organic Photovoltaic (OPV)
OPV is a clean energy technology for electricity generation that will enable new solar applications. This research aligns well with Phillips 66’s expertise in plastics, materials science and analytical sciences. Due to its flexible and lightweight structure, OPV will produce electricity in areas where traditional solar cells will not work, including transparent applications, portable objects and disposable goods. There are also options for improving aesthetics with color, flexibility and design.

We are developing OPVs that will be profitable without government subsidies. We have collaborated with National Renewable Energy Laboratories.

Our polymer-based single junction OPV cells are also made without hazardous components such as lead or cadmium, which are found in some other types of solar technologies. Our polymers have led to breakthroughs in efficiency and longevity that help move solar technology closer to commercial viability.

Solid Oxide Fuel Cells (SOFCs)
SOFCs are electrochemical cells that generate electricity efficiently at a competitive cost, producing electricity by oxidizing a fuel, such as natural gas, through electrochemical reactions rather than combustion. Each Phillips 66 fuel cell is less than half a millimeter thick and produces approximately 30 watts of electricity. Cells can be stacked, and stacks can be bundled into modules. Phillips 66 SOFCs can generate electricity at high efficiencies from an abundant, reliable and inexpensive fuel source with twice the efficiency of conventional power plants. And they can be paired with solar- or wind-generated power, ensuring reliable energy even during periods when the sun is not shining or the wind is not blowing. SOFCs produce no noise, have a 50% lower carbon footprint compared with conventional power plants, have no combustion emissions, and are an ideal technology for CO₂ capture. Their quiet, compact, modular design make SOFCs a convenient source for on-site power for homes and businesses, ensuring reliable energy even during traditional power grid outages.

We have a broad SOFCs research agreement with Georgia Tech; the university supports the program with long-range materials development, advanced fuel cell characterization and modeling support.
Biodiversity and Conservation

Our environmental and sustainability strategy includes enhancing conservation and managing biodiversity risks. Phillips 66 mitigates impacts to biodiversity through planning processes aimed at reducing the effects of our activities on the environment. We address biodiversity conservation during the planning and development of major capital projects by conducting environmental impact analyses, collecting key environmental data and implementing mitigation and monitoring programs to reduce impacts and assure results.

The company also promotes biodiversity and conservation by providing educational materials to communities where we operate and market our products, partnering with these communities to address issues that are important to the people who live near our facilities. We also collaborate with local environmental and conservation organizations and national partners to promote biodiversity and environmental stewardship.

We have longstanding partnerships with many national conservation organizations, including the National Fish and Wildlife Foundation, Ducks Unlimited, and the Wildlife Habitat Council. We support their efforts in many ways: we donate money and resources, employees volunteer their time and make monetary contributions – many of which are matched by the company – and even our summer interns take advantage of opportunities to volunteer. Phillips 66 celebrated 25 years of sponsoring the San Bernard National Wildlife Refuge, and our 2017 donation to the Gulf Coast Initiative continues to preserve the Texas and Louisiana coasts and wetlands.

Rebuilding Reefs in the Gulf of Mexico

Fishing in Louisiana accounts for an estimated $2.4 billion in annual economic activity. But erosion and land loss along the coastline threaten fish habitats, reduce community storm buffers and affect transportation and energy infrastructure. The Coalition to Restore Coastal Louisiana (CRCL) is dedicated to rebuilding the state’s coastline. Phillips 66 proudly supports CRCL programs, including habitat restoration efforts like planting dune and marsh grass, installing sand fences, planting trees and recycling.

Through a unique partnership with industry and local businesses, CRCL gathers oyster shells from more than a dozen restaurants to build reefs along the Louisiana shoreline. Thousands of tons of shells that would have been shucked and chucked into landfills support new life when they’re used to create beds for oysters while also bolstering shorelines and mitigating erosion.

A grant from Phillips 66’s Lake Charles Manufacturing Complex also helped the Coastal Conservation Association’s Building Conservation Trust fund a project to add four acres to a reef in Calcasieu Lake. The added acreage was installed in July 2018 and was the first enhancement to the reef since its creation in 2012. Roughly 2,000 tons of limestone and recycled concrete were used to create low-relief “shell-reef” type structures to attract shrimp, crabs and baitfish, which is good for recreational anglers and the local economy.

Black-necked stilts at Brazoria Wildlife Refuge
CHAPTER 4
SOCIAL RESPONSIBILITY

INVESTING IN OUR PEOPLE
Our corporate strategy depends on the talents of our high-performing organization. We are powered by our commitment to building skills, pursuing excellence and finding better solutions through our diverse backgrounds. We actively seek to promote employee well-being through sound policies and programs. As outlined earlier in the Governance chapter, we are in the midst of a multiyear program to define and strengthen our culture.

We work hard to maintain a deep sense of engagement, responsibility, respect and community among our employees and contractors.

ATTRACTING AND RETAINING THE BEST PEOPLE
Phillips 66 offers competitive jobs and provides varied development opportunities for our people to learn and grow.

We are proud of the competitive benefits packages, health savings accounts, life and income protection and retirement planning support we provide for our employees. New U.S. employees, for example, are automatically enrolled into a company savings plan that the company matches dollar for dollar, up to a certain percentage of pay. In 2018, the median annual total compensation was more than $196,000 including salary and company benefits.

We bring a different kind of energy to life. It comes from the energizing actions we put to work every day.

Houston Headquarters
Our bonus program is based on company performance, business unit performance and individual performance. In addition to our safety and environmental performance, the program criteria are used to evaluate steps to advance key human capital metrics such as retention, development, diversity in hiring, corporate culture, capability and performance. We undertake annual benchmarking to ensure that our total compensation and benefits package and bonus programs remain competitive.

We have formal special recognition programs to acknowledge exemplary performance or actions. We also have lifelong learning and wellness programs.

If our employees need help, we have an employee assistance program that provides confidential counseling and other services. Many of our facilities have on-site health clinics, and we offer fitness facilities in some locations.

**INCLUSION AND DIVERSITY**

Our company values inclusion and diversity – concepts that are interdependent and equally important. They are essential to who we are, what we believe, and how we do business. Inclusion means we value, respect and support one another. When we talk about diversity, we mean that we respect the characteristics or dimensions that differentiate us from one another.

We are guided by our:
- Policies, procedures and programs that promote equality.
- Diversity efforts that are driven by leaders across the organization.
- Employees who are each responsible for promoting an inclusive and diverse workplace.

**Phillips 66 Workforce Data**

- Women hold 21% of the jobs in our international workforce, 27% of professional roles and 20% of the jobs in supervisory leadership roles.
- People of color make up 26% of our U.S. workforce and 17% of U.S.-based supervisory leadership roles.
- Among new hires in 2018, 30% are experienced professionals and 11% are university graduates.
Phillips 66 offers benefits to eligible employees and their children, spouses, domestic partners and children of domestic partners.

The company helps with adoption expenses, including agency fees, placement fees, legal fees, court costs and other expenses.

New parents, mothers and fathers, are eligible for up to two weeks of paid time off at 100% of pay for care and bonding under our Parental Leave Policy.

Employees may be entitled to paid or unpaid leave for active service in the military.

Sick or injured employees who are unable to work may be eligible for disability leave after vacation and Short-Term Disability benefits are exhausted.

The 19/30 program allows employees to take one personal day off each month by extending each workday that month by 30 minutes.

We have policies that allow paid time off to care for a family member with a serious illness or in case of a death in the family.

Phillips 66 provides employees with cash assistance or loans if they are displaced from their house or suffer personal loss following a natural disaster.

Unpaid personal leave is available for matters that require extended time off; using such leave won’t cause a break in an employee’s continuous Phillips 66 service.
Our Employee Resource Groups (ERGs) are designed to be forums for sharing ideas and raising awareness around identity and belonging. Our eight ERGs have 49 chapters throughout the company. We’re proud that 44% of our employees participate in an ERG. While these groups develop organically according to need and request, they focus in general on recruitment, professional development and community participation.

Phillips 66’s ERGs are the Black Employee Network, the Hispanic Network, the Women’s Network, the Asian American Network, the Native American Network, the New Hire Network, Pride66, which is our LGBTQ network, and the Veterans Network. In addition, employees also form special interest clubs around hobbies or volunteer interests.

The ERGs meet many times a year, offering panels, discussions and other activities to all employees.

Some changes we made to the ERG structure in 2018 led to a global approach to managing our ERGs to increase leadership engagement and support, streamline responsibilities and increase strategic alignment among locations. Each ERG now has a local sponsor and a local leader, along with global executive leaders.

In 2018, we established an Executive Inclusion and Diversity Council chaired by our Chairman and CEO, Greg Garland. Membership is comprised of the Executive Leadership Team and other senior business leaders. The council is charged with shaping our direction, bringing focus to, and prioritizing, our investments in inclusion and diversity. The council is a reflection of our efforts to drive an organizational mindset that everyone has a role to play in creating an inclusive workplace where diversity, in all its forms, can thrive.

Here is a video showing how our employees define inclusion and diversity at Phillips 66.

The Gift of Warmth Coat Drive at Bartlesville campus
LABOR
A critical part of our workforce is our employees who are union members. Thirty percent of our employees belong to a union. This is an extraordinary rate in comparison to the national average of 10.5% and private-sector average of 6.4%. We are pleased with the diversity of unions representing our employees, including United Steel Workers, Teamsters, Building and Trades, and Service Workers. Union members work in all of our business units, with the majority at our refineries. We are committed to employees’ rights to bargain collectively and are committed to negotiating agreements that enable each business unit to compete in an increasingly challenging global market, while providing a safe workplace and a competitive compensation and benefits package to our employees.

GENERATIONAL MIX
Phillips 66 is generationally diverse. Of the employees in our global workforce, 40% are considered Millennials or Generation Z. Attracting new workers and maintaining a pipeline of talent through compensation, training, development and networking opportunities sets us in strong stead for the future of our company and industry.

At the same time, our organization enjoys a deep sense of shared purpose and community; almost half of our workforce has more than 10 years of service and about one-third have been with us for more than 15 years. As a result of a multiyear program to hire military veterans, we have been able to attract, retain and support veterans in our workforce; we’re proud that veterans account for 7% of our workforce, and 15% of our new hires in 2018. Military Times “Best for Vets: Employers” included us in its 2019 rankings because of our broad commitment to workforce inclusion and diversity. We look for opportunities to continually improve at every level of our organization.

In 2018, we also received a Forbes “America’s Best Employer” award, which is earned based on employee opinions. We were also named a “Top Employer for Diversity” by the Texas Diversity Council.

BRINGING OUR ENERGY INTO THE COMMUNITY
We encourage our employees to volunteer for causes that matter to them and make a difference in our communities.

One example is from our Ferndale Refinery Women’s Network and Ferndale Futures group, whose members volunteered for the Opportunity Council’s Chore Program, helping a senior citizen by doing yard clean-up and maintenance projects.

The project not only helped a member of the community, but the team’s efforts earned a $1,000 donation to the Opportunity Council from our Phillips 66 Volunteer Grants Program.

Another example happened at Thanksgiving when employees from our Lake Charles Refinery teamed up with the Calcasieu Council on Aging to deliver food to 350 elderly people who were on the waiting list for the Meals on Wheels program. Each person received a bag with corn, peas, cornbread mix, yams, chicken broth, rolls, pies, rice and a chicken.
TRAINING AND DEVELOPMENT
We provide regular opportunities for employees to develop expertise, experience, communication and team building skills. Our performance management process identifies coaching and training needs. Talent Management Teams offer employees structured input on job moves and career development. About 25% of employees moved into new roles in 2018, an increase from our historic average of 20%. In addition to annual performance reviews, all employees have at least one development review each year with their direct supervisors.

EMPLOYEE OPINION SURVEY
We conduct biannual confidential employee engagement surveys to gather opinions of the people who work for us. Results are available to all employees and the board of directors. Management analyzes findings to identify progress on previous recommendations and areas of continued opportunity. Accountability for follow up sits with the executive leadership team and every “people leader.” Results are communicated through the organization via CEO communications, business unit town halls and team meetings.

The 2018 survey had a 74% response rate, and showed favorable scores in areas related to corporate values and perceptions of how employees’ contributions are valued. We saw significant improvement in sentiment around manager effectiveness, which reflects our 2018 focus on providing effective coaching, feedback, recognition, goal alignment and setting clear expectations.

In lower-scoring areas, we are taking appropriate action. We keep our employees updated on progress so they continue to feel valued and heard.

INTERNSHIPS
We provide paid internships at every major U.S. job location, offering students opportunities to learn and play a role in the organization’s success.

In 2018, we had the highest ever percentage of female interns (48%) and the highest percentage of women joining our engineering program. Our percentage of female new hires rose to 39%. Our intern minority representation rose to 31%.

On average, 90% of our interns are offered positions after they earn their degrees, and a similar percentage from the 2018 intern class accepted the offers.

CAREER GROWTH
Here are some of the many opportunities employees have for career growth.

- New hire onboarding for all employees includes education on our company values and culture.
- “Lunch and Learn” sessions, open to all employees, are offered on a variety of topics.
- Our “Leading the Vision” and “Leading for Success” programs offer continuous coaching for supervisors.
- Peer-to-peer teaching and learning takes place on topics such as resilience and change management.
- “Crucial Conversations” training is offered for communication skills development.
- Our commercial organization’s “Katalyst” training increases employee knowledge of operations, supply and the value chain.
- Employees have access to online learning and professional development through LinkedIn Learning.
- We also offer specialized training for employees in engineering and finance.
We value our stakeholder relationships, which enable us to fulfill our purpose and to execute our strategy.

Our stakeholders include employees, shareholders, investors, customers, communities where we operate, indigenous people, legislators and energy consumers.

We are leaders when it comes to in-person engagements with our socially responsible shareholders, with whom we meet regularly to discuss sustainability issues. We continue to strengthen our stakeholder engagement across all key groups.

Throughout Phillips 66, our processes provide a measured and responsive approach to stakeholder engagement and our community call-in lines offer anonymity. If a community concern is raised, we respond. The concern is directed to those who can take action and, when needed, escalated to the relevant business unit leader or refinery management. Corporate senior leadership is regularly briefed on any community feedback, and we respond as appropriate and take strategic action when needed. The board Public Policy Committee is updated with feedback from stakeholder engagement as part of its global reputation charter.

We collect data on an ongoing basis from a range of sources such as in-person interviews, surveys, community meetings, insights from the many charitable organizations that we support, and feedback via social media. We also conduct sector benchmarking and seek wider policy and political perspectives, routinely acquiring information from our shareholders; service companies, consultants, industry bodies, research firms and analyst reports; government databases; environmental and social non-governmental organizations (NGO); global policy bodies; sustainability raters, rating agencies and indices; and private-sector providers.

Our efforts to collect ideas and data on these topics, and to share feedback and best practices are central to our planning and sustainability. We also systematically assess, measure, manage and mitigate environmental, social and governance risks associated with our activities and strategic plans, and we are responsive to external suggestions and input.
COMMUNITY ENGAGEMENT AND EDUCATION
The communities in which Phillips 66’s assets are located are critical stakeholders. We consistently and regularly engage with our local and indigenous communities and seek their feedback.

Below are 24-hour community hotlines for each of our refineries.
COMMUNITY ADVISORY PANELS

Our refining operations have well-established Community Advisory Councils or Panels (CAC/CAPs) that represent a cooperative and empowering environment for collaboration in the community. CACs and CAPs include both company representatives and community members, who meet at least quarterly with refinery leadership teams to provide feedback on performance, discuss topics of local concern and share insights on plans and activities.

CAPs keep open communication channels for safety, feedback and grievances, including named and openly contactable leaders. Many refineries also have a 24-hour community awareness hotline. We are also responding to requests from our stakeholders to expand our social media activities related to our business units.

Our pipeline business units have year-round community awareness, education and listening panels to stay in touch with those involved with and affected by our extensive pipeline network.

Call 811 before you dig!

ALL ABOUT PIPELINES

Because Phillips 66 manages approximately 21,000 miles of pipeline systems, we have a responsibility to the more than 1.5 million people who live and work nearby.

U.S. government and oil industry statistics show that the most common cause of pipeline incidents is improper or unauthorized digging. If someone puts a shovel or heavy machinery in the ground without knowing there’s a pipeline buried beneath, they can cause serious damage.

This is why our pipeline operations business maintains an 811 call center for safe digging. The call center has handled more than a million calls, and we seek feedback and maintain many avenues for communication – a website for community education, toll-free numbers for questions or concerns, and an email portal. Phillips 66 also offers special education programs for farmers, ranchers and public officials.

We work closely with schools near our pipelines. This effort focuses on three coordinated activities: teaching districts how to develop safety processes and consider pipeline locations in their planning, providing related science-based curriculum materials for educators, and collaborating with parent-teacher organizations that share information through their networks.

In the broader community, project updates and hazard or safety reminders are disseminated through involvement with local emergency planning committees, via door-to-door walks and formal correspondence, email and media campaigns, and community forums. We are proud to meet or exceed regulatory requirements and industry best practices for informing the public about our operations. Our public awareness programs have been benchmarked as top-of-industry.

Foster Creek Pipeline
SOCIAL RISK ASSESSMENT
We adhere to local and national laws and regulations regarding requirements for environmental, social and health assessments prior to starting operations at a new site, including pipelines. For new projects, we conduct a social risk assessment to understand the people and concerns along a proposed route.

We provide up-to-date information to stakeholder communities about potential impacts and environmental, health and safety aspects of our work. Much of this information is available on our public website. We regularly update and disseminate information through press releases, our website, social media and, in some cases, door-to-door flyer distribution. We also hold public consultations at which we encourage dialogue and welcome feedback from our stakeholders.

HUMAN RIGHTS
We approach our stakeholder engagement from a position of mutual respect, respecting human rights, demonstrating our values through our actions and being a good neighbor. We conduct our operations in compliance with all applicable laws, in accordance with our company values and policies, and consistent with the spirit of the Universal Declaration of Human Rights.

An example that brings our human rights position to life is our relationship with the Lummi Nation, a Native American tribe and a neighbor to our Washington state facility. Members of the Nation are part of our Community Advisory Panel, an established community engagement program. For many years, we have been invited to participate in the Nation’s First Salmon Ceremony, which our leadership team is honored to join. In 2018, work began on a new totem pole that will highlight the entrance to our facility. We support the Lummi Nation’s education priorities, such as the Lummi Northwest Indian College and Boys and Girls Club education center, and we participate in many Nation activities and programs.

Ceremonial blanket given to Phillips 66 by the Lummi Nation

Another example is the inclusive and diverse workforce we foster. In 2018, we participated in the Human Rights Campaign Corporate Equality Index. This survey represents the national benchmarking tool on corporate policies and practices relating to LGBTQ employees. We scored 85 out of 100, up 15 points from 2017.
SUPPLY CHAIN
Our procurement policy governs our supply chain. We have a formal program to vet suppliers for safety, quality and financial assurance. Understanding and monitoring the work conducted by our diverse suppliers and business partners is integral to efficient and robust business operations, sustainability and respect for human rights.

As explained in our Governance chapter, suppliers and partners are expected to comply with contractual regulations and the principles of conduct set out in the Business Partner Principles of Conduct.

We audit suppliers’ manufacturing facilities, critical suppliers and contracts within our supply chain to ensure adherence to policy. In complying with laws where we do business, Phillips 66 supply chain standards meet minimum wage, child labor, right to associate or bargain collectively, and working hours laws. It should go without saying, but we don’t use corporal punishment. Where we provide housing for our employees, we ensure living conditions are safe and sanitary.

Our suppliers are expected to certify that the materials incorporated into products manufactured for Phillips 66 comply with all laws, including those pertaining to human rights, anti-slavery and anti-human trafficking.

The products manufactured in our refineries and developed along the supply chain significantly contribute to strengthening the economies in our communities, and we intend to maintain this position. In all our operations, Phillips 66 seeks to partner with diverse businesses and is committed to providing equal and impartial opportunities. This approach stimulates local economic development and enhances our long-term business performance by improving supplier responsiveness, competition and sustainability.

Our supplier diversity initiative facilitates active participation in organizations that support the development of diverse businesses in the United States. We are corporate members of the National Minority Supplier Development Council and the Women’s Business Enterprise National Council.

TRUCKERS AGAINST TRAFFICKING
In 2018, we became a Platinum Level Sponsor of Truckers Against Trafficking (TAT), a 501(c)(3) organization that “exists to educate, equip, empower and mobilize members of the trucking and busing industries to combat human trafficking.”

TAT partners with law enforcement and helps the hundreds of thousands of members of the trucking industry recognize and report instances of human trafficking. The group works with trucking schools, carriers, the truck stop industry, manufacturers and state and national trucking associations.

TAT training has saved victims and helped catch criminals because truckers and others in the trucking industry now know to call the National Human Trafficking Resource Center (NHTRC) at 1-888-3737-888 and report anything that seems suspicious.

Since TAT training began, calls to the NHTRC have increased dramatically, and hundreds of cases of likely human trafficking have been identified.
CUSTOMERS
Our customers distribute the products we make to consumers and businesses. We supply petroleum products to wholesale distributors who deliver them to more than 7,500 Phillips 66®, Conoco® and 76® branded fuel stations in the United States and Mexico. In Europe, we supply more than 1,600 JET® sites and a joint venture in the Coop brand. In addition, we also supply branded lubricants at various retail outlets across the United States.

We also provide businesses with chemicals and solvents, premium coke and other specialty products. We maintain open channels of communication to serve these customers with a range of quality products.

Digitalization of the Consumer Experience
In building on our loyalty and customer experience programs, our U.S. Marketing team brought a revolutionary consumer-focused payment technology to our Phillips 66®, Conoco® and 76® fuel brands.

Industry experts predict 20% of all transactions will happen via mobile devices in the next five years, so digitalization of the customer experience is a growing need. In response, we took the lead in 2018, offering secure, fast and convenient mobile payment through our consumer apps.

The digital apps work at more than 5,000 of our stations across the country. Based on consumer feedback, we are continuing updates and enhancements to the mobile pay program in 2019.

We are also improving the fuel stations to meet customer expectations for well-lit, safe and easy-to-access locations. In 2018, we upgraded 1,300 fuel stations through a reimagining effort. We’re on track to upgrade 1,800 more in 2019. Facilities and technology improvements are a significant investment in security, physical and digital, consistent with our company values and strategy.

JET GAS STATIONS
GET RESOURCE-FRIENDLY
Resource-friendly actions have helped our JET® stations across Europe improve their environmental footprint and provide better consumer service. These simple, but impactful actions include:

- New gas station design that includes energy-saving LED lights.
- New seals and doors on store refrigerators to reduce cooling-related energy consumption.
- Addition of water processing to car wash facilities to reduce use of fresh water.
- New climate controls that heat and cool fuel station buildings more efficiently.
INVESTORS AND BANKS
We proactively engage with many of our banks and investors to update them on our progress and discuss items of interest or concern to them, and to learn about topics of interest to their stakeholders. Regular communication enables these stakeholder groups to fulfill commitments related to Principles for Responsible Investments, a voluntary set of investment principles related to the integration of sustainability issues in investment decision-making processes.

TRADE ASSOCIATIONS
We participate in industry trade associations to share technical and standards expertise, share lessons learned from incident investigations, develop best practices and be part of important public education efforts regarding major issues of common concern to our industry. Our participation in trade and industry associations is subject to management oversight by our Governmental Affairs team, which approves our memberships and serves as the principal representative in such associations.

Phillips 66 pays regular membership dues to several trade associations, some of which use a portion of the dues for nondeductible state and federal lobbying and political expenditures. In accordance with the U.S. Internal Revenue Code, those trade associations provide us with the portion of our annual dues that is attributable to lobbying expenses. We disclose these contributions in our Political Giving and Activity Policy. In addition to being active members in local chambers of commerce and civic organizations where our operating assets are located, the company is a member of many industry trade organizations. A listing of key organizations can also be found in our Political Giving and Activity Policy.

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We are inspired by the enduring value of our core businesses. There is energy in our approach to what comes next.

Los Angeles Refinery
In accordance with federal and state law and board and company policies, Phillips 66 does not make direct corporate contributions to candidates or political committees supporting candidates in federal or state elections. Employees can support candidates for office through the Phillips 66 employee Political Action Committee (PAC66).

PAC66 is funded exclusively through voluntary contributions from eligible employees and members of the board of directors. It is registered with the Federal Election Commission, and contributions are fully reported monthly. Employees participating in PAC66 are not reimbursed, directly or indirectly, for political contributions or expenses. PAC66 has its own board of directors, which is composed of a broad cross-section of company employees. The board approves all PAC66 disbursements, which are made solely in the best interest of the company and its shareholders, and not according to the personal agendas of individual directors, officers or employees. PAC66 contributes to federal and state political candidates who support responsible energy industry activities and other business issues of interest to the company.

MEDIA

Media coverage about our company is another way we learn what is top-of-mind to our communities. It’s a way to let community members know what’s going on, from philanthropic and community events that we sponsor, to biodiversity efforts and business development. We are committed to maintaining our local, national and trade media relationships as part of our commitment to communicating and maintaining transparency with our various stakeholders. We are responsive to inquiries and proactively share information with news outlets. In the event of an incident, we ensure that community information is available within an hour of an incident.
COMMUNITY INVESTMENT AND CORPORATE PHILANTHROPY

One way we move our company strategy forward is by promoting economic, social and environmental advancement in the communities where we live and work. In short, we work toward a sustainable workforce and sustainable neighborhoods.

The strategy for our corporate philanthropy program is based on four core pillars: Education and Literacy, Environment and Sustainability, Community Safety and Preparedness and Civic Enrichment.

We encourage our employees to volunteer their time to causes that are important to them. 2018 was a record year for our volunteer program. Phillips 66 employees spent 78,000 hours volunteering to teach science, technology, engineering and math (STEM) and work at literacy summer camps, building homes with Habitat for Humanity, assembling equipment for local fire departments, planting trees at local schools, doing household chores for people who aren’t physically able, picking up trash along roads and beaches and much more.

Our regular full- and part-time employees are entitled to take two paid days per year to volunteer with initiatives and organizations that hold significance for them. Union employees are eligible for the benefit as well when it is part of their collective bargaining agreement.

Phillips 66 also donates $500 for every 20 hours an employee or spouse volunteers with an eligible 501(c)(3) non-profit organization. Teams of four or more employees, retirees or spouse volunteers may apply for a team volunteer grant of $1,000. We encourage personal philanthropy by matching employee donations to eligible 501(c)(3) non-profit organizations dollar-for-dollar, up to $15,000 per year. Retiree donations are matched dollar-for-dollar up to $7,500 a year.
The United Way provides services in virtually all of the communities where our employees live and work. Most of our locations in the United States participate in United Way campaigns. Employee participation is voluntary, and the company matches employee donations. Another organization that provides important social services in many of our communities is the American Red Cross. Phillips 66 donates regularly to the American Red Cross, including after crises. We gave $625,000 to support disaster relief efforts in 2018, including $500,000 to the American Red Cross for California wildfire relief and Hurricane Michael relief. The remaining funds went to local fire departments and safety organizations.

Habitat for Humanity Project

Let’s Have Class Outside

We believe that providing real-life learning opportunities to K-12 students instills a love of learning and an inquisitiveness that can develop into cutting edge thinking. Our aquaponics center and associated conservation curriculum in Dewey, Oklahoma, is one example of this. The outdoor classroom was completed in 2018, giving students the opportunity to enhance their study of ecosystems by growing seedlings and distributing them within mobile greenhouses to various schools in the district. With its full cycle aquaponics system, this facility demonstrates STEM in practice and has been successfully integrated into the STEM curriculum.

We are proud to support schools in numerous activities, including robotics and other STEM programs, recycling efforts, energy education for teachers, preschool programs, career days, swim lessons, new computers, beautification projects and more.

Improving Lives in Germany

In Germany, an employee committee is dedicated to finding ways to donate time and resources for social projects that mean the most to them. In 2018, employees spent more than 100 volunteer hours supporting several social organizations including:

- Children’s health organizations like SOS Children’s Village and Familienhafen, an ambulant children’s hospice service.
- Planting trees for the City of Hamburg to reduce carbon dioxide and improve air quality.
- Giving time to build a garden and pack holiday presents for residents at the Anscharhöhe Foundation, a care facility for people with disabilities.
Our industry is vitally important to the worldwide economy. As the foundation of economic development for our growing global population, energy needs to be reliable, abundant, accessible and affordable.

With a diverse portfolio of assets in the Midstream, Chemicals, Refining and Marketing and Specialties businesses, we process, transport, store and market fuels and products globally. The Phillips 66 network of businesses means Phillips 66 is well positioned to benefit from continued demand for our products for decades to come.

Below is a depiction of our business value chain.

*Non-operated joint ventures
We produce transportation fuels and the materials necessary to create products for modern life. Phillips 66 products are used to create health care products and medical devices, pharmaceuticals, plastics and rubber, adhesives and sealants, electronics, smartphones, cars, batteries, agricultural products, and the wind turbines and solar panels that capture alternative energy. We’re an essential part of feeding, clothing and caring for the world’s growing population and moving its commerce.
Our employees have competitive salaries, generous benefits and fulfilling work, allowing them to improve their lives and contribute to the financial well-being of their communities. An annual average of 3,000 contractors, along with additional subcontractors and suppliers, all benefit from our business operations.

Our company further contributes to the economy through the taxes we pay and by providing thousands of well-paying jobs. Since 2012, Phillips 66 has paid more than $8.7 billion in income, excise and property taxes to local, state and federal governments, helping to fund programs that include public schools, roads, bridges, ports and waterways.

INFRASTRUCTURE

We ensure our infrastructure and facilities operate safely and efficiently; doing so protects people and the environment.

Over the last five years, our capital investments total more than $16 billion. Some key projects underway, or recently completed, include:

- Six million additional barrels of storage capacity at our Phillips 66 Partners’ Clemens Caverns. This project will enable access to 200,000 barrels per day (BPD) of liquid petroleum gas (LPG) exports, capacity for 400,000 BPD of Natural Gas Liquid (NGL) fractionation, and access to 15 million barrels of total storage capacity.
- Constructing two 150,000-BPD NGL fractionators at our Sweeny complex in Texas.
- Modernizing the Sweeny Refinery fluid catalytic cracking (FCC) unit, which will enable us to produce additional higher valued petrochemical products and higher valued octane. The project is expected to be completed in the second quarter of 2020.
- Upgrades to the FCC units at the Wood River Refinery in Illinois and the Bayway Refinery in New Jersey, increasing our clean product yield.
- At the Lake Charles Refinery in Louisiana, completed crude unit modifications to run additional advantaged domestic crudes.

Our 2018 earnings of $5.6 billion and earnings per share of $11.80 were our highest ever. We generated $7.6 billion of operating cash flow and rewarded our shareholders with strong distributions. Since 2012, we have returned $22.5 billion to shareholders through dividends, share repurchases and share exchanges, reducing our initial shares outstanding by 30%. We achieved these results through our continued commitment to safe, reliable and environmentally sustainable operations.

**PHILLIPS 66 2018 IN REVIEW**

- **$5.6 Billion** in Total Earnings
- **$2.6 Billion** in Capital Expenditures
- **$11.80** Per Share
- **$7.6 Billion** in Cash from Operations
- **$6.1 Billion** of Capital Returned to Shareholders
- **$3 Billion in Cash on Hand**
PERFORMANCE DATA

Metrics help us track our progress on things that matter to us as a responsible company and as stakeholders in the communities where we live and operate and as global citizens. Key metrics have been highlighted throughout the report, and below we include additional data. This year, we have expanded our disclosure reporting.

<table>
<thead>
<tr>
<th>PHILLIPS 66 PERFORMANCE DATA</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Safety (Incidents per 200,000 work-hours)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined (employee + contractor) Total Recordable Rate</td>
<td>0.19</td>
<td>0.19</td>
<td>0.15</td>
<td>0.14</td>
<td>0.14</td>
</tr>
<tr>
<td>Combined (employee + contractor) Lost Time Incident Rate</td>
<td>0.03</td>
<td>0.03</td>
<td>0.04</td>
<td>0.04</td>
<td>0.05</td>
</tr>
<tr>
<td>Fatality (#)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Process Safety (Incidents per 200,000 work-hours)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1 Process Safety Event rate</td>
<td>0.07</td>
<td>0.08</td>
<td>0.02</td>
<td>0.03</td>
<td>0.05</td>
</tr>
<tr>
<td>Tier 2 Process Safety Event rate</td>
<td>0.18</td>
<td>0.13</td>
<td>0.13</td>
<td>0.13</td>
<td>0.13</td>
</tr>
<tr>
<td>Environmental</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Events</td>
<td>122</td>
<td>143</td>
<td>122</td>
<td>103</td>
<td>112</td>
</tr>
<tr>
<td>Air Emissions, global refining, (NOx-PM-SOx), (thousand tonnes)</td>
<td>25.2</td>
<td>24.4</td>
<td>23.7</td>
<td>24.3</td>
<td>23.6</td>
</tr>
<tr>
<td>NOx</td>
<td>13.2</td>
<td>12.1</td>
<td>12.0</td>
<td>11.9</td>
<td>12.0</td>
</tr>
<tr>
<td>PM</td>
<td>2.9</td>
<td>3.0</td>
<td>3.0</td>
<td>2.8</td>
<td>3.1</td>
</tr>
<tr>
<td>SOx</td>
<td>9.2</td>
<td>9.3</td>
<td>8.8</td>
<td>9.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Water Use (million bbls)</td>
<td>180</td>
<td>176</td>
<td>178</td>
<td>186</td>
<td>186</td>
</tr>
<tr>
<td>GHG Emissions - total (million tonnes CO2e)</td>
<td>34.5</td>
<td>34.6</td>
<td>35.5</td>
<td>35.4</td>
<td>35.7</td>
</tr>
<tr>
<td>GHG Emissions - Scope 1</td>
<td>25.5</td>
<td>25.6</td>
<td>26.3</td>
<td>26.6</td>
<td>26.5</td>
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<tr>
<td>GHG Emissions - Scope 2</td>
<td>9.0</td>
<td>9.0</td>
<td>9.1</td>
<td>8.8</td>
<td>9.2</td>
</tr>
<tr>
<td>Oil Spills (#)</td>
<td>50</td>
<td>67</td>
<td>60</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td>Oil Spills beyond secondary containment (bbls)</td>
<td>2,649</td>
<td>1,102</td>
<td>373</td>
<td>2,936</td>
<td>5,598</td>
</tr>
<tr>
<td>Recycled Materials (thousand gross tonnes)</td>
<td>197</td>
<td>209</td>
<td>165</td>
<td>175</td>
<td>141</td>
</tr>
<tr>
<td>Operations and Reliability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Processed Inputs (MMbbls), global</td>
<td>851</td>
<td>822</td>
<td>862</td>
<td>859</td>
<td>872</td>
</tr>
<tr>
<td>Utilization (%)</td>
<td>93.9</td>
<td>91.3</td>
<td>96.0</td>
<td>95.1</td>
<td>95.2</td>
</tr>
</tbody>
</table>

Data Assumptions: Unless otherwise noted, data represent assets operated by Phillips 66 as of Dec. 31, 2018. Reliability, air and greenhouse gas (GHG) emissions metrics are represented on a 100% ownership basis of Phillips 66 operated facilities.

1 Total Recordable Rate, and Lost Time Incident Rate, as defined by the Occupational Safety and Health Administration (OSHA).
2 Tier 1 and Tier 2 Process Safety Events as defined by the American Petroleum Institute RP-754.
3 Events that result in an exceedance of the permit or regulatory-based numeric emissions limit, or a significant release of hydrocarbon or chemical. The values noted represent events which require immediate agency notifications.
4 Includes water supplied to Phillips 66 operations from public utilities, water wells, and bodies of water such as rivers, the majority of which would be considered fresh water.
5 Scope 1 greenhouse gas emissions as defined by the EPA.
6 Scope 2 represents GHGs for imported steam and electricity.
7 Includes refinery process catalyst captured for metals reclamation, oils and solids captured for reuse, and recyclable materials such as metal, glass and paper.

bbl = barrel = 42 U.S. gallons • M = thousand • MM = million