

## **PHILLIPS 66**

### **CORPORATE GOVERNANCE GUIDELINES**

The Board of Directors (the “Board”) of Phillips 66 (the “Company”) has adopted these corporate governance guidelines (the “Guidelines”) as a general framework to assist the Board in carrying out its responsibilities for the business and affairs of the Company to be managed by or under the direction of the Board.

#### **1. Director Qualifications**

The Nominating and Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. This assessment will include members’ qualification as independent, as well as consideration of character, judgment, diversity, age, skills, including financial literacy, and experience in the context of the needs of the Board. The Nominating and Governance Committee will similarly assess potential nominees for directorship, who will be selected by the committee and approved by the Board in accordance with such policies and principles as the Board shall establish after considering the recommendation of the committee. The invitation to join the Board should be extended by the Chair of the Nominating and Governance Committee and the Chairman of the Board on behalf of the entire Board.

The Board believes that maintaining a board with a range of skills and experience meeting the needs of the Company is important, as is maintaining a size that facilitates group discussion and collegiality.

It is the sense of the Board that individual directors who change the principal responsibility they held when they were elected to the Board should volunteer to resign from the Board in order to give the Board an opportunity to review the continued appropriateness of Board membership under the circumstances. In the course of such review, the Board will receive and consider the recommendation of the Nominating and Governance Committee. It is not the sense of the Board that in every instance the directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. The Board will make the determination of whether to accept resignations as specified in Section 13(B) of Article II of the By-Laws.

Each director should be able and prepared to devote sufficient time and effort to his or her duties as a director. Directors should advise the Chairman of the Board and the Chair of the Nominating and Governance Committee in advance of accepting an invitation to serve on another public company board. No director may serve as a director past the Company’s annual shareholder meeting immediately following his or her 75th birthday, provided that the Board may waive such restriction and re-nominate for another term a director over 75 years of age due to special circumstances based on that director’s particular contributions and expertise. The Nominating and Governance Committee will review each director’s continuation on the Board by December 31 of each year.

The Board does not believe it should establish term limits for directors. Directors who have served on the Board for an extended period of time are able to provide valuable insight

into the operations and future of the Company based on their experience with and understanding of the Company's industry, business operations, history, policy and objectives. The Board believes that, as an alternative to term limits, it can ensure that the Board continues to evolve through the evaluation and nomination process described in these Guidelines.

## **2. Director Responsibilities**

Typically, the Board, on behalf of the Company and its shareholders, oversees and provides general direction to the management of the Company. The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its shareholders. In discharging that obligation, a director is entitled to rely on the Company's executives, employees, outside advisors and auditors as to matters the director reasonably believes are within such person's professional or expert competence. The directors shall also be entitled to have the Company provide reasonable directors' and officers' liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and the Company's charter, By-Laws and any indemnification agreements, and to exculpation as provided by state law and the Company's charter.

Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. To the extent feasible, information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should be distributed in writing to the directors before the meeting and directors should come prepared to contribute substantively at the meeting by reviewing these materials in advance of the meeting. Directors are expected to attend the annual meeting of shareholders.

The Board has no general policy with respect to the separation of the offices of Chairman of the Board and Chief Executive Officer ("CEO") and, if such offices are separated, whether the Chairman of the Board should be selected from the non-employee directors or be an employee. The Board believes that it is in the best interests of the Company for the Board to make a determination whether the offices of Chairman of the Board and CEO should be separated from time to time as well as when it elects a new CEO or Chairman of the Board.

Each director is free to suggest the inclusion of items on the agenda of any Board meeting. Each director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and succession plans, and the principal issues and risks that the Company may face in the future, during at least one Board meeting each year.

From time to time, when the Chairman of the Board is an employee, the non-employee directors will, in consultation with the CEO, select a Lead Director from among the non-employee directors, and the Lead Director's name will be disclosed in the annual proxy statement. The non-employee directors will meet in executive session at each Board meeting. The Lead Director (or Chairman of the Board, if a non-employee director) shall preside at these executive sessions. Each executive session may include, among other things, (1) a discussion of the performance of the CEO, (2) matters concerning the relationship of the Board with the management directors and other members of senior management, and (3) such other matters as

the non-employee directors deem appropriate. In addition the Lead Director (or Chairman of the Board, as applicable) shall relate the discussions of the executive sessions to the CEO, participate in the evaluation of CEO performance with the Human Resources and Compensation Committee, ensure that the Board annually conducts a self-assessment, and, from time to time, arrange for any necessary discussions to facilitate appropriate coordination among the Board committees. The Lead Director (or Chairman of the Board, as applicable) shall also be available to meet during the year with individual directors about any areas of interest or concern they may have.

If any non-employee director is not independent, at least once per year the independent directors shall meet alone in an executive session. No formal action of the Board shall be taken during any executive session of the non-employee directors, although the non-employee directors may subsequently recommend matters for consideration by the full Board. The Board believes that the management speaks for the Company. Individual directors may, in special circumstances, meet or otherwise communicate with various constituencies that are involved with the Company. However, it is expected that directors will do this only with the knowledge of the CEO and as authorized by the Chairman (when separate from the CEO), the Board or an appropriate committee of the Board.

### **3. Board Committees**

The Board will have at all times the following standing committees: an Executive Committee, an Audit and Finance Committee, a Human Resources and Compensation Committee, a Nominating and Governance Committee and a Public Policy Committee. Each of the Audit and Finance Committee, Human Resources and Compensation Committee and Nominating and Governance Committee shall comply with the independence, experience and other requirements of the New York Stock Exchange (the "NYSE") and all laws applicable to such committee. Committee members will be appointed by the Board, which shall consider the recommendation of the Nominating and Governance Committee and the desires of individual directors. It is the sense of the Board that consideration should be given to rotating committee members periodically, but the Board does not feel that rotation should be mandated as a policy. The Board will consider Chairmanships every three years for the Human Resources and Compensation Committee, the Nominating and Governance Committee, and the Public Policy Committee and every three to six years for the Audit and Finance Committee.

Each standing committee will have its own charter. The charter of each of the Audit and Finance Committee, Human Resources and Compensation Committee and Nominating and Governance Committee will comply with the listing standards of the NYSE and all laws applicable to such committee. All committee charters will set forth the purposes, duties, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee (except the Executive Committee) will annually evaluate its own performance and report such to the Board as a whole.

The Chair of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements

set forth in the committee's charter. The Chair of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda for each meeting. At the beginning of the year each committee will establish a schedule of agenda subjects to be discussed during the year (to the degree these can be foreseen). The schedule for each committee will be furnished to all directors.

The Board may, from time to time, establish or maintain additional committees as it deems necessary or appropriate.

#### **4. Director Access to Officers, Employees and Independent Advisors**

Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate with officers or other Company employees may be initiated directly by such director, or arranged, at such director's option, through the Chairman or the Secretary or a Board committee. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company. Such communications will not be directive other than as relates to routine administrative matters.

The Board expects regular attendance and participation at each Board meeting of senior officers of the Company. If the CEO wishes to have additional Company personnel attendees on a regular basis, this suggestion should be brought to the Board for approval.

The Board and each standing committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company and at the expense of the Company.

#### **5. Non-employee Director Compensation**

The form and amount of non-employee director compensation will be determined by the Board, after consideration of the recommendation of the Nominating and Governance Committee. The Nominating and Governance Committee will conduct an annual review of non-employee director compensation, such review to include outside advice when appropriate. The Nominating and Governance Committee will consider that directors' independence may be jeopardized if non-employee director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated.

The Board believes that all non-employee directors should own equity in the Company in accordance with the guidelines established by the Nominating and Governance Committee. There shall be programs to award equity ownership to non-employee directors that permit non-employee directors to meet the established equity ownership targets.

#### **6. Director Orientation and Continuing Education**

All new directors must participate in the Company's Orientation Program, which should be conducted as soon as practicable following each new director's election. This

orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, and its internal and independent auditors. In addition, the Orientation Program will include visits to Company headquarters and, to the extent practical, certain of the Company's significant facilities. All other directors are also invited to attend the Orientation Program. In addition, directors shall be provided with continuing education on subjects that would assist them in discharging their duties, including regular reviews of compliance and corporate governance developments; business-specific learning opportunities through site visits and board meetings; and briefing sessions on topics that present special risks and opportunities to the Company. The Company will also provide the directors with access to outside educational programs pertaining to the directors' responsibilities and will pay reasonable expenses for a director's participation in non-Company continuing education programs approved by the Nominating and Governance Committee.

## **7. CEO Evaluation**

Specific performance goals and objectives for purposes of the CEO's compensation will be determined by the Human Resources and Compensation Committee. The Lead Director (or Chairman of the Board, if a non-employee director) and the Human Resources and Compensation Committee will meet annually to evaluate the CEO's performance in light of those goals and objectives and will discuss such evaluation with the non-employee directors meeting in executive session. The Chair of the Human Resources and Compensation Committee will arrange for discussion of the results of the evaluation with the CEO.

## **8. Management Succession**

The Nominating and Governance Committee shall oversee succession planning for the CEO, and shall make an annual report to the Board. The entire Board will work with the Nominating and Governance Committee to nominate and evaluate potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals. The Human Resources and Compensation Committee shall oversee succession planning for other senior management, and shall make an annual report to the Board.

## **9. Annual Board Performance Evaluation**

The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Governance Committee shall develop Board evaluation policies and procedures and shall discuss its assessment of the Board's performance with the full Board following the end of each fiscal year. The assessment will include an assessment of the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.

## **10. Categorical Standards**

As required by the listing standards of the NYSE, a majority of the members of the Board must be independent, and it is the desire of the Board that a substantial majority of the

Board be independent. A director is independent if the Board determines that he or she has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company), and such director is not otherwise automatically deemed to not be independent by applicable NYSE listing standards. The Board may establish from time to time additional categorical standards applicable to the determination of director independence.

The Nominating and Governance Committee is responsible for assessing compliance with the applicable independence standards on an annual basis. The Board will review any relevant relationship or transaction and make a determination whether such relationship or transaction impairs the independence of the director.

#### **11. Stock Ownership and Holding Period Requirements for the Board of Directors and Senior Management**

We place a premium on aligning the interests of executives and directors with those of our stockholders. The Human Resources and Compensation Committee shall adopt, and annually monitor compliance with, stock ownership guidelines applicable to senior executives. The Nominating and Governance Committee shall adopt, and annually monitor compliance with, stock ownership guidelines applicable to directors.

#### **12. Anti-Hedging**

The Company considers it inappropriate for any director or executive officer to enter into speculative transactions in Company securities. Therefore, the Company prohibits the purchase or sale of puts, calls, options or other derivative securities based on the Company's securities by directors or its senior executives. The Company also prohibits hedging or monetization transactions, such as forward sale contracts, in which the director or senior executive continues to own the underlying Company security without all the risks or rewards of ownership.

#### **13. Periodic Review**

The Nominating and Governance Committee shall periodically review and assess the adequacy of these Guidelines, and recommend any proposed changes to the Board for approval.

#### **14. Publication**

These Guidelines, the Company's Code of Business Conduct and Ethics, and each committee charter shall be published by the Company in appropriate print and electronic vehicles.

Effective July 12, 2017