



LAKE CHARLES REFINERY
Westlake, Louisiana

Chapter 3 – Economic Success

WORKING TOGETHER TO KEEP ENERGY AFFORDABLE

As the foundation of economic development for our growing global population, energy needs to be accessible and cost-effective.

At Phillips 66, we're able to reliably provide energy and improve lives because of our fiscal strength. We pursue operating excellence, ensure financial integrity and support a competitive marketplace. Our company has a solid foundation of policies, programs and practices that ensure good governance, processes and checks that enable our employees to do the right thing in all our business encounters. Here's an easy [link](#) to some of our key policies, processes and publications.

Our enterprise risk management program identifies and facilitates management of the [diverse risks our company faces](#). Every one of our businesses analyzes risks to its operations and designs plans to mitigate those risks. Our strategy supports long-term success by focusing on operating excellence, returns and growth, particularly in our Midstream and Chemicals segments, along with distributions, and being a high-performing organization. Our strategic planning and investment ensure we are capitalizing on opportunities and identifying and managing risks. Additionally, through business scenario planning, we seek to challenge our views to assess financial strength through the commodity cycle.

While we strive for zero accidents and incidents, we also prepare for operational or environmental challenges through robust business continuity planning and preparedness programs and other initiatives, such as our atmospheric venting program and our industry-leading [pipeline river crossing program](#). These, and other programs, epitomize sustainability: improved operations, safety and environmental performance that can improve financial returns and have a lower impact on people and the environment near our operations. From this foundation, we have created a business built for long-term success.

STRENGTHENING ECONOMIES, STRENGTHENING COMMUNITIES

Our more than 14,600 employees receive competitive salaries, benefits and work programs, allowing them to improve their lives and contribute to the financial well-being of their communities. We hire an average of more than 1,100 new employees each year. An annual average of 4,000 contractors, along with additional subcontractors and suppliers, all benefit from our business operations.

These jobs we create and their economic impact are significant. The API worked with [PricewaterhouseCoopers](#) to quantify the U.S. oil and natural gas industry's widespread economic impact and found that in 2015, the oil and natural gas industry supported 10.3 million jobs and contributed \$1.3 trillion to the U.S. economy. That's 7.6 percent of the country's gross domestic product (GDP) and 5.6 percent of total U.S. employment.

FISCAL STRENGTH & FORESIGHT

In addition to supporting our employees, our investments support communities near our operations. Since 2012, we have invested \$6 billion in environmental projects and sustaining capital. These investments and improvements put Phillips 66 on a path for long-term success. Our share value performs well against our peers and against the broader index, and the company's financial strength also enables our shareholders to grow

wealth, provide for their families and increase their financial security. We provide shareholder value by returning capital in the form of dividends and share repurchases. Our dividend has risen six times since 2012, for a compound annual growth rate of 33 percent. Phillips 66 has repurchased or exchanged 126 million shares in that same time, equaling about 20 percent of the shares outstanding at our launch.

2016 BY THE NUMBERS



For more details, please read our [Annual Report](#).

Since 2012, Phillips 66 has paid an average of **\$1.5 BILLION** in taxes annually.

We also invest a significant portion of our earnings directly into our communities. Since 2012, we've contributed more than \$100 million to philanthropic organizations, mostly in the communities where our employees live and work. In that same time period, Phillips 66 paid more than \$6.5 billion in taxes to federal, state and local governments, helping to fund programs that include public schools, roads, bridges, ports and waterways. Our tax dollars and philanthropic donations directly support the development of future generations of workers, provide needed community services and enable efficient transport of commerce.

DOING BUSINESS THE RIGHT WAY ... ALWAYS

Phillips 66 is built on a 140-year foundation of good governance and controls. We take pride in the strength of our heritage as we manage the business with our sights on a robust future.



BOARD OF DIRECTORS
Houston, Texas

PHILLIPS 66 STATION
Bartlesville, Oklahoma



GROUND BREAKING CEREMONY
Bartlesville, Oklahoma



PHILLIPS 66 PETROCHEMICAL ACADEMY
Sweeny, Texas

RIGOROUS CORPORATE GOVERNANCE

Our governance and ethics start at the top. Our [Board of Directors](#) and [Executive Leadership Team](#) are committed to ethical business practices, which are premised upon our company values: safety, honor and commitment. Our key governing documents can be found [here](#).

Our leaders respond and adapt to changing market conditions, emerging technologies and the rising expectations of regulators, our shareholders, our customers and our communities. Our Public Policy Committee advises the board regarding the company's compliance with policies and practices related to health, safety and environmental

protection. We make publicly available our key [documents and charters](#) that set out the standards that guide our actions and ensure the highest levels of responsibility, integrity and legal compliance across our businesses.

We also maintain good governance and operations through written policies and auditing programs throughout Phillips 66 and our supply chain. These include our Health, Safety & Environment Policy, Environmental Management System, and Political Activity and Business Partners Guiding Principles. Our key policies are found [here](#).

PRINCIPLED POLITICAL GIVING AND ACTIVITY

Our involvement in civic and political activities is guided by two objectives: to advance the company's long-term business goals and to improve the communities where we live and work. All activities must comply with company [guidance](#), which outlines our compliance with laws and regulations

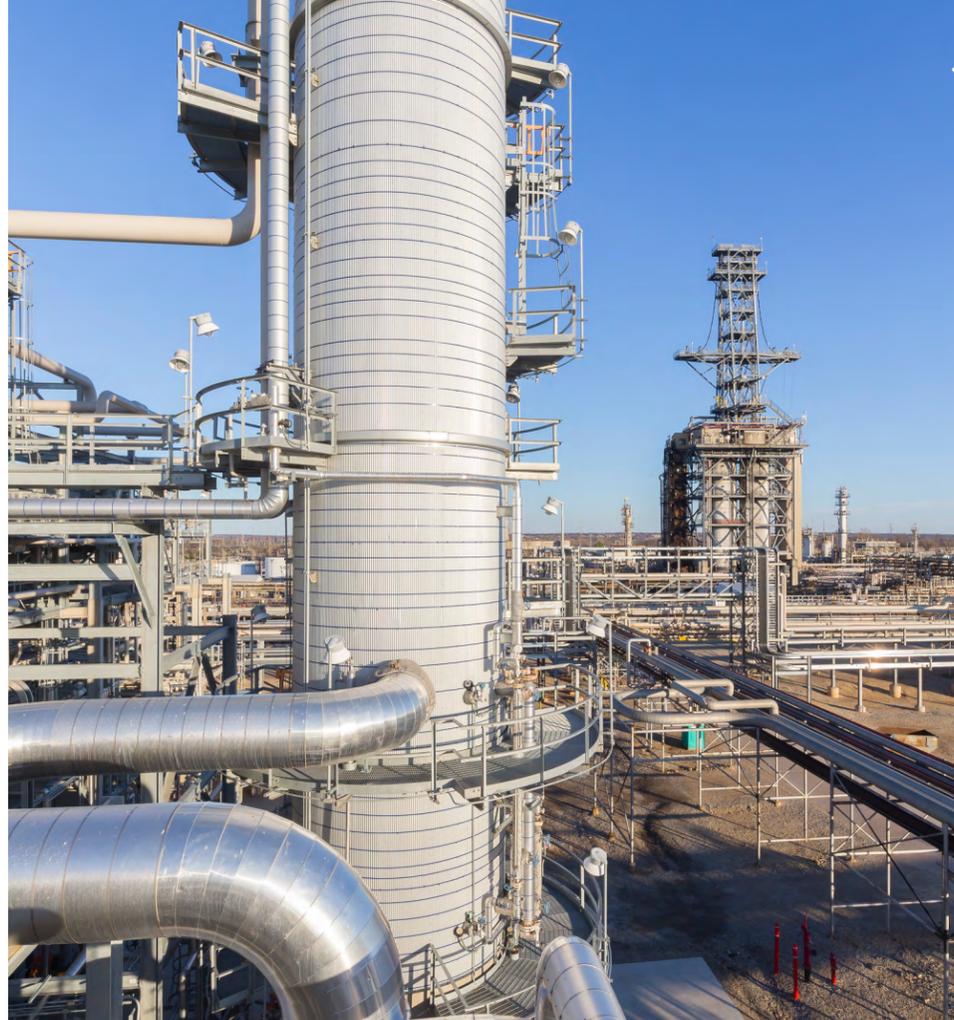
on federal campaign contributions, political action committee (PAC) activities and lobbying. Phillips 66 PAC contribution information can be found on the [FEC](#) website. Our quarterly reports on lobbying expenditures and activities can be found on the [Office of the Clerk's](#) website.

PROVIDING OPPORTUNITY

At Phillips 66, we believe that advancing business opportunities with minority and woman-owned (M&WO) enterprises is good business. M&WO businesses strengthen our company and the communities we call home. These partnerships enable local economic development and help improve competition and sustainability while also enhancing our long-term performance. In a recent audit, we met or exceeded each of the U.S. Defense Logistics Agency requirements for spending with diverse suppliers.

In May 2017, the [Defense Logistics Agency \(DLA\)](#) completed a small-business compliance review and awarded Phillips 66 its highest rating, saying in part, “We commend you for your exemplary performance in exceeding ALL of the negotiated goals in each socioeconomic category. Phillips 66 exceeded its goals in Small Business, Woman-Owned Small Business, Small Disabled Business, HUBZONE, and Service Disabled Veteran-Owned Small Business. Accordingly, Phillips 66 has been assigned a rating of OUTSTANDING.”

We support many diversity councils, including the [National Minority Supplier Development Council \(NMSDC\)](#) and regional councils of the [Women’s Business Enterprise National Council](#). Additionally, Phillips 66 participates in a number of NMSDC events to identify potential suppliers. Our [Supplier Diversity Position](#) promotes innovative thinking to improve business opportunities with diverse suppliers.



PONCA CITY REFINERY
Ponca City, Oklahoma

DIVERSIFYING OUR SUPPLY CHAIN

From 2013-2016, we increased our spending with diverse suppliers by 5 percent at our refineries in Los Angeles and Rodeo, California; Borger, Texas; and Ponca City, Oklahoma.

In selecting suppliers, we identify promising diverse and small businesses to include in the Request for Proposal (RFP) process and work to support their opportunities. For example, if a business has not been through the RFP process, we work with them to build their skills in preparing a competitive package and understanding contract clauses in corporate agreements. We offer guidance to small firms throughout our qualification process and when applying to third parties for administrative exemptions for which they qualify.

Many of our business partners are located in the communities where our employees live and work, and their success has a positive impact on the community. Recent successful supplier diversity contracts include:

- The janitorial contract at our facility in Linden, New Jersey.
- The filter supplier for our Roxana, Illinois, facility.
- The preferred supplier of office supplies and products for headquarters locations in Houston, Texas, and Bartlesville, Oklahoma.

Our inclusion program has led to many successes. For example, a small, woman-owned business that supplied de-icer experienced such growth that it has outgrown the small-business standard.

To register for a supply opportunity with Phillips 66, please contact our Supplier Diversity team at Phillips66SupplierDiversity@p66.com.



BAYWAY RAIL RACK
Linden, New Jersey