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EDITED TRANSCRIPT

PSX.N - Phillips 66 Annual Shareholders Meeting

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CORPORATE PARTICIPANTS

Greg C. Garland *Phillips 66 - Chairman & CEO*

Paula Ann Johnson *Phillips 66 - Executive VP of Legal and Government Affairs, General Counsel & Corporate Secretary*

PRESENTATION

Operator

Good morning, and welcome to the virtual webcast of the 2021 Annual Meeting of Shareholders of Phillips 66. I would like to introduce the company's Chairman, Chief Executive Officer, Greg Garland.

Greg C. Garland - *Phillips 66 - Chairman & CEO*

Good morning. It's my pleasure to welcome everyone and to call to order the Phillips 66 2021 Annual Meeting of Shareholders. The members of our executive leadership team are attending today's meeting through this live webcast as our members of our Board of Directors. In addition, Bill Strait, a representative of Ernst & Young, our independent auditors, is on this webcast.

As indicated on the agenda, we will first conduct the business of the meeting by presenting and voting on all the proposals. I will then provide an update on the company, after which we'll have a question-and-answer period. Before we begin the official business of today's meeting, Paula Johnson, our General Counsel and Corporate Secretary, will report on some of the formal matters related to the holding of this meeting.

Paula Ann Johnson - *Phillips 66 - Executive VP of Legal and Government Affairs, General Counsel & Corporate Secretary*

Thank you, Mr. Chairman. An agenda and the rules of conduct and procedures for the meeting are posted on the webcast screen, and we will conduct the meeting in accordance with these documents. If you are a shareholder, you'll be able to participate in the meeting today by voting and submitting questions. If you previously submitted a valid proxy, your vote will be cast as indicated. You do not need to vote at this meeting unless you wish to change your prior proxy vote. If you have not previously voted and would like to vote or if you'd like to change your prior proxy vote, you may do so by clicking on the voting button and using the electronic ballot provided.

The Board of Directors appointed James D. Gaughan to serve as the Inspector of Election for the meeting today, and Mr. Gaughan reports that holders of more than a majority of shares entitled to vote are present in person or by proxy. Therefore, a quorum is present to conduct the business of the meeting.

Finally, I would like to note that certain statements made in today's meeting may be forward-looking statements. Actual results may differ materially from the forward-looking statements. Factors that could cause actual results to differ are included in our SEC filings.

Greg C. Garland - *Phillips 66 - Chairman & CEO*

Thank you, Paula. We'll now move on to the official business of today's meeting. We have 6 proposals on the agenda today. I now declare the polls open.

The first order of business is to vote on the election of directors. This is proposal #1 in the proxy. The Board has nominated Julie Bushman and Lisa Davis for election for a 3-year term expiring at the 2024 annual meeting. Your Board recommends a vote for each nominee. Next, it's a proposal to amend the company's Certificate of Incorporation to eliminate the classified board structure. This is proposal 2 in the proxy statement. If adopted, the declassification will be phased in over a 3- year period. And beginning at the 2024 annual meeting, all directors will be elected for a 1-year term. Your Board recommends a vote for this proposal.

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Proposal 3 is the ratification of the selection of Ernst & Young as our independent registered public accounting firm for 2021. Your Board recommends a vote for the ratification of the selection of Ernst & Young.

The next item is proposal #4, which is a proposal for approval on an advisory basis of the company's named executive officer compensation, as disclosed in the company's proxy statement. Your Board recommends a vote for this proposal.

Proposal #5 is a shareholder proposal, requesting the company set and publish a report on greenhouse gas emissions targets. If a representative of the proponent for this proposal is on the line, please state your name and present your proposal.

Paula Ann Johnson - *Phillips 66 - Executive VP of Legal and Government Affairs, General Counsel & Corporate Secretary*

Mr. Chairman, it's my understanding that the shareholder proponents are having difficulty dialing into the line this morning. However, the proposal as presented by those shareholder proponents is included in the proxy materials.

Greg C. Garland - *Phillips 66 - Chairman & CEO*

Okay. Thank you. Well, the Board recommends that you vote against this proposal. And that's true for both of the proposal of the proponents?

Paula Ann Johnson - *Phillips 66 - Executive VP of Legal and Government Affairs, General Counsel & Corporate Secretary*

It is, yes.

Greg C. Garland - *Phillips 66 - Chairman & CEO*

Okay. Thank you. So the Board would recommend a vote against both of those proposals. So both of those were last items that would need our vote today. So if you've not already done so, please submit your ballots, and we will give everyone a little time in case they still want to vote.

(Voting)

Greg C. Garland - *Phillips 66 - Chairman & CEO*

Okay. The polls are now closed, and that concludes the official business of our meeting. Paula, can you please report the preliminary results of the voting?

Paula Ann Johnson - *Phillips 66 - Executive VP of Legal and Government Affairs, General Counsel & Corporate Secretary*

Yes. Mr. Chairman, preliminary results are as follows. The first item is the election of directors. Each of the 2 nominees has received the requisite number of votes for election and will serve for a term until the 2024 annual meeting or until her successor is duly elected and qualified. For proposal #2, the proposal to approve an amendment to the company's Certificate of Incorporation to declassify the Board of Directors. Approximately 311 million votes have been cast for this proposal. This is less than the number required for approval of this proposal.

Next is the ratification of Ernst & Young as the independent auditors of Phillips 66 for 2021. There were approximately 372 million votes in favor of ratification. This is more than the number required for ratification.

Regarding proposal #4, the advisory vote on the compensation of our named executive officers, approximately 157 million votes have been cast for this proposal, and this is less than the number required for approval of the proposal.

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Next is proposal #5, the shareholder proposal regarding GHG emissions targets. Approximately 250 million votes have been cast in favor of this proposal, which is more than the votes required for approval of the proposal.

And finally, proposal #6 is the shareholder proposal regarding climate lobbying disclosures. Approximately 195 million votes have been cast in favor of this proposal, which also is more than the vote required for approval of the proposal.

Mr. Chairman, this concludes the report of preliminary voting. Details of the final voting results will be reported on in a Form 8-K that is filed with the SEC within 4 business days.

Greg C. Garland - *Phillips 66 - Chairman & CEO*

Okay, Paula. Thanks. So all the items of business of the meeting have now been completed. The meeting is now adjourned, and I will provide an update on our business.

Slide 2 contains our safe harbor statement. As Paula has mentioned, we're going to make forward-looking statements today. Factors that could cause the results to differ are here and in our filings with the SEC.

Slide 3, it's my pleasure to introduce to you the members of our Board of Directors; Gary Adams, Julie Bushman, Lisa Davis, Charles Holley, John Lowe, Denise Ramos, Glenn Tilton, and Marna Whittington. I'd like to thank them for their contributions and for their service to our company. We've been working on refreshing our Board with 4 directors retiring and adding 5 new directors in the last 5 years. We recognize the value of diversity in terms of capability, gender, age, race, ethnicity, background, tenures, professional experiences and perspectives.

We are committed to seeking visibly diverse candidates, including ethnic and minority candidates that bring expertise to provide sound and prudent guidance with respect to our strategy, risk management and operational objectives.

Moving on to Slide 4. Since we formed our company in 2012, our strategy has been consistent. Growth, returns and distributions, built on a strong foundation of operating excellence and a high-performing organization. We think we have the right strategy. We believe that it creates long-term shareholder value, and we remain committed to executing it well. Our strategy is purposefully broad, provide us with flexibility to evolve as the energy industry changes. Irrespective of the changing world around us, we will always strive to be one of the best operators in the industry with some of the most long-term competitive assets. As we look into the future, a growing global population will continue to increase demand for the products of energy. And we are prepared to meet that demand while participating in the transition to a lower carbon future. We're committed to being part of the solution to help the world address climate change. We remain committed to return-focused investments and disciplined capital allocation, including continued strong shareholder distributions.

On to Slide 5. I think that at last shareholders' meeting, we commented in the last 40 years, we've been in this business, we're facing a challenge unlike any other we had seen or experienced and that the people of our company, Phillips 66, were stepping up to the challenge in adapting and responding. Today, 1 year later, we can tell you that 2020, in spite of the challenges we face, was a year of outstanding operating performance in an incredibly tough environment. The pandemic presented new challenges for our company, our industry and for our people. And it stretch us in new ways. We persevered through it. The people of Phillips 66 demonstrated incredible resiliency and remain focused on operating excellence. Last year, we had the safest year in the history of our company. We also acted quickly, and we took the right steps to preserve liquidity and position the company to sustain during a period of prolonged uncertainty. We reduced costs by more than $500 million, reduced capital by over $700 million and suspended share repurchases.

Our strong balance sheet enabled us to access $4 billion in the capital markets. And we are on a path to efficiently repaying our debt. The measures we took were to protect the company, the security of the dividend and our strong investment-grade credit ratings. Also in 2020, we completed major growth projects, including the Gray Oak Pipeline and the Sweeny Hub Phase 2 expansion. We took steps to advance our lower carbon business platform with the announcement of our Rodeo Renewed project. In addition, we established an emerging energy group that is focused on advancing lower carbon opportunities. All that was achieved underscores the tremendous job our employees did in navigating a dynamic and challenging environment of 2020.

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Going on to Slide 6. Operating excellence is critical to everything that we do. We demonstrated that in 2020 with our record safety performance. Our combined workforce total recordable rate was 0.11. That's 30% better than our industry-leading rate in 2019 and 30x better than the average manufacturing facility in the United States. Our lost workday case rate was 0.02, approximately 75% better than U.S. refining average. Our process safety event rate improved by 60%, and we continued our decade-long trend of reducing environmental exceedances. I want to thank the people of Phillips 66 for their unwavering commitment to operating excellence.

Turning to Slide 7. We are further aligning our incentives to promote long-term value creation for our shareholders. For 2021, we have enhanced the design of our annual incentive program. Environment metric weighting will increase from 5% to 15%, with addition of 2 new metrics, low carbon priorities and greenhouse gas priorities, each weighted at 5%. Reducing emissions has been an ongoing effort at Phillips 66. We're committed to setting attainable targets for greenhouse gas reduction by the end of this year. Our annual incentive program balances financial and operational performance metrics, including environmental performance. Our long-term program balances absolute and relative metrics to support achievement of our strategy and drive outperformance relative to peers. Return on capital employed makes up 50% of our long-term program to ensure we continue to place a strong emphasis on returns above our weighted average cost of capital.

Slide 8. At Phillips 66, sustainability shapes how we define and execute our strategy, how we think about and manage risk, and sustainability starts with our Board of Directors. We have a robust health, safety and environmental program, and we continue to strive toward a 0 incident, 0 injury workplace. We disclosed key metrics in our sustainability report on our website. We are an inclusive workplace and are committed to employing a diverse workforce. We need the best and the brightest to develop and apply new technologies for cleaner and smarter energy production.

On to Slide 9. Our Emerging Energy group is focused on lower carbon opportunities. The most immediate opportunities will be around renewable fuels. Today, we are a large supplier of battery components, and we'll continue to develop technology for batteries. We're pursuing opportunities in renewable power, carbon capture and EVs. At Switzerland, we're building a hydrogen fueling stations, and we're adding 2 to 3 new sites per year. We will leverage our existing capabilities, asset integration, commercial expertise and marketing channels as we build out these new business opportunities.

Turning to Slide 10. At our San Francisco refinery, we recently began renewable diesel production from the hydro treater conversion project. The full refinery conversion is expected to be completed in early 2024, and will be one of the largest renewable fuel facilities in the world. The project will reduce the facility's greenhouse gas emissions by 50%, helping California meet its lower carbon objectives. At our Humber refinery in the United Kingdom, we're producing renewable diesel from used cooking oil, and we'll be expanding that production over the next couple of years. Combined, our portfolio of renewable fuel projects has a potential to supply 1 billion gallons per year by 2024.

Moving on to Slide 11. We recognize that innovation drives value creation and accelerates transformation. Our energy research and innovation organization is focused on the technologies of today and also the technologies for the future. We see innovation opportunities to lower our environmental footprint and to build new businesses. Our energy research and innovation organization works hand-in-hand with our Emerging Energy group. We're advancing solid oxide fuel cells, organic photovoltaic polymers, next-generation batteries and renewable fuels. In addition, we're experimenting with hydrogen, carbon capture and storage. We're pursuing solar energy to power assets and looking at wind opportunities. We're building on a culture of innovation and developing digital capabilities through our AdvantEdge66 initiatives. We're deploying technology for data-driven operations, optimizing across the value chain to improve efficiencies and deliver better results. We are positioning Phillips 66 to be competitive long term.

On Slide 12, our high-performing organization is a key component of our strategy. It is defined by culture, capability and performance. Our greatest resource is our people and a differentiator for us because the people of Phillips 66 believe in our vision and demonstrate our values every day. Our core values of safety, honor and commitment, guide our actions as we provide energy and improve lives. In March, we released our inaugural Human Capital Management Report, which can be accessed on our website includes workforce metrics, and it demonstrates how effective human capital management is critical to our long-term strategy and business results.

Turning to Slide 13. We have 14,300 employees across the globe who are committed to making a difference where they live and work. In 2020, our employees continue to volunteer for causes that matter to them. Much of our focus last year was on helping those impacted by the pandemic and natural disasters. Last year, we contributed approximately $6 million to COVID-19 and disaster relief funds. Since we formed as a company, Phillips

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66 employees have volunteered over 0.5 million hours of their time to local communities. Our company has contributed $225 million to organizations promoting education, safety and the environment since 2012.

Turning to Slide 14. In 2020, we returned $2 billion to our shareholders. Since 2012, we returned over $28 billion to our shareholders. Disciplined capital allocation is fundamental to our strategy. Our long-term objective is to reinvest 60% of cash flow back into the business, and return 40% to our shareholders. We prioritize sustaining capital and funding the dividend. We remain committed to strong shareholder distributions, and this includes a secure, competitive and growing dividend. As cash generation improves, we'll continue to take a disciplined approach to capital allocation, including debt repayment.

So we'll wrap up on the next slide, which is Slide 15, with total shareholder return. Our diversified portfolio and strategy position us to create value and achieve superior returns for our shareholders. We're seeing signs of improvement in the economic recovery. We are optimistic about the back half of 2021 and the future of our company. Looking forward, we'll play a key role in advancing a lower carbon future. Phillips 66 continues to be a compelling investment opportunity. We remain focused on disciplined capital allocation and creating long-term value for our shareholders.

I want to thank you for being with us here today, and thank you for your interest in Phillips 66. So that completes our review of the company today. We'll now move to a Q&A session. And so Paula, do we have any questions?

QUESTIONS AND ANSWERS

Paula Ann Johnson - *Phillips 66 - Executive VP of Legal and Government Affairs, General Counsel & Corporate Secretary*

We do have 1 question, Mr. Chairman, and that question is, will management commit to limiting themselves to encouraging our employees to get the COVID vaccine?

Greg C. Garland - *Phillips 66 - Chairman & CEO*

Well, I think, first of all, we would encourage everyone to get the COVID vaccine. I think that in our survey work of our employees, we have a very, very high percentage of employees that either already had the vaccine or going to get the vaccine. And I think here in Houston, it's over 80%. So I think we're very encouraged by our employee response in terms of the uptake in getting the vaccine. But I think we would encourage everyone to take the vaccine.

Paula Ann Johnson - *Phillips 66 - Executive VP of Legal and Government Affairs, General Counsel & Corporate Secretary*

Mr. Chairman, that concludes all of the questions.

Greg C. Garland - *Phillips 66 - Chairman & CEO*

Okay. Thank you, Paula. So I want to thank everyone for joining the meeting today. I want to thank you for your continued support and your interest in Phillips 66. Stay well.

Operator

Thank you, ladies and gentlemen. This concludes today's meeting. You may now disconnect.

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