TRANSCRIPT
ANNUAL MEETING OF SHAREHOLDERS

PHILLIPS 66 (NYSE: PSX)
May 6, 2020 at 10 a.m. ET

TRANSCRIPT

Operator:

Good morning and welcome to the virtual webcast of the 2020 Annual Meeting of Shareholders of Phillips 66. I would like to introduce the company's Chairman and Chief Executive Officer Greg Garland.

Greg C. Garland:

Good morning, ladies and gentlemen. It's my pleasure to welcome you to the 2020 Annual Meeting of Shareholders of Phillips 66. Joining me today through this webcast of the meeting are the members of our Executive Leadership Team, as well as each of the members of our board of directors.

Before we begin the formal meeting, we want to go over a few items regarding today's format. This is our first online shareholders' meeting, and we appreciate everyone's understanding regarding this new format. We know many of you are accustomed to an in-person meeting. This was not possible this year due to health and safety concerns related to COVID-19.

The thoughts and best wishes of our board and our Executive Leadership Team are with everyone who has been impacted by this pandemic.

I now call the meeting to order.

A meeting agenda and rules of conduct and procedures are posted on the webcast screen, and we will conduct the meeting in accordance with these documents. As indicated on the agenda, we will first conduct the business of the meeting by presenting and voting on all the proposals. After that portion of the meeting has been conducted, I will provide an update on the company, which will be followed by a question-and-answer period. We have found the best way to ensure we have plenty of time for your comments and questions is to save those for the Q&A session, after the business update.

While the meeting is virtual only, we welcome questions from our shareholders.

If you have any questions, we would ask that you submit them now in writing through the question field located on the bottom left of your screen. Though we may not be able to answer every question, we will do our best to provide a response to as many as possible.

Paula Johnson, General Counsel and Corporate Secretary, will report on some formal matters related to the holding of this meeting.

Paula Johnson:

Thank you, Mr. Chairman. The board of directors appointed James D. Gaughan to serve as the Inspector of Election. Mr. Gaughan reports that holders of more than a majority of shares entitled to vote at this meeting are present in person or by proxy. Therefore, a quorum is present to conduct the business of the meeting.

Any shareholder may vote at this meeting by following the instructions on the website you are using to access this meeting.

If you previously submitted a valid proxy by mail, internet or phone, your vote will be cast as indicated in your proxy submission. 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 now or if you would like to change your prior proxy vote, you may do so by clicking on the voting button and using the electronic ballot provided.

Greg C. Garland:

Thank you, Paula. The meeting will now consider the four proposals submitted to a vote of our shareholders.

Proposal 1 is the election of three directors to serve for a term expiring at the 2023 Annual Meeting of Shareholders. The nominees for election are Charles Holley, Glenn Tilton and Marna Whittington. Your board recommends a vote for these nominees.

Proposal 2 is the ratification of the selection of Ernst & Young as the company's independent registered public accounting firm for 2020. As indicated in the proxy statement, Scott Miracle, a representative of Ernst & Young, is here today through the webcast. Your board recommends a vote for the ratification of the selection of Ernst & Young.

Proposal 3 is the advisory vote to approve named executive officer compensation. Your board recommends a vote for this proposal.

Proposal 4 is the shareholder proposal requesting a report on risks related U.S. Gulf Coast petrochemical operations and investments.

A representative of As You Sow will present Proposal 4.

Operator, please open the line for the shareholder proponent.

Because no designated representative is present at this meeting, this proposal will not be placed before the meeting today.

Now that all of the proposals have been presented, I declare that the polls are now open and will remain open until voting has been completed.

As a reminder, any shareholder who hasn't yet voted or wishes to change their vote may do so by clicking on the voting button on the virtual meeting portal and following the instructions. Shareholders who have sent in proxies or voted via telephone or internet and do not want to change their vote, do not need to take any further action. I will pause for a moment to allow for any final voting.

I now hereby declare the polls are closed.

While the votes are being tabulated, I will provide an update on our business, after which we will answer any questions that you have.

Slide 2 contains our Safe Harbor Statement.

We are going to make forward-looking statements today. Actual results may differ. Factors that could cause results to differ are here and in our SEC filings.

It's my great pleasure to introduce you to the members of our board of directors – Gary Adams, Brian Ferguson, Charles Holley, John Lowe, Terry McGraw, Denise Ramos, Glen Tilton, Vicky Tschinkel and Marna Whittington.

I would like to thank them for joining us today and for their service to our company.

In the current environment, our focus continues to be on the well-being of our employees, their families and communities, and ensuring the financial and operational strength of our company.

In the 40 years I have been in the business, we are facing a challenge unlike any other that I have seen, and our people are stepping up to the challenge; they're adapting and they're responding. I am very proud of the people of Phillips 66, how they are living their values and our mission of providing energy and improving lives.

Our business is essential, and we are focused on providing critical energy products and services for customers. The safety and health of our workforce is a top priority. Phillips 66 has implemented the appropriate steps to protect our workforce that are consistent with the CDC, national, state and local directives.

We are focused on conserving cash and maintaining strong liquidity to manage through this unprecedented down cycle. We secured a $2 billion term loan facility and issued $1 billion of senior unsecured notes.

We suspended our share repurchase program. Through March 18, we bought $443 million of our shares. We are reducing capital by $700 million and lowering costs by $500 million in 2020.

In Midstream, we deferred the Red Oak Pipeline and Sweeny Frac 4 projects. Phillips 66 Partners deferred Liberty Pipeline and postponed its final investment decision on ACE Pipeline. In Refining, we have deferred and cancelled certain discretionary projects.

We have reduced refinery runs across the system in response to lower-product demand.

These steps provide additional liquidity and flexibility as we navigate this global crisis. By doing so, we are protecting the company, the security of the dividend and our strong investment- grade credit rating. We remain focused on disciplined capital allocation and creating long-term value for shareholders.

Our vision is to provide energy and improve lives. The nearly 15,000 employees of Phillips 66 live out this vision every day.

In 2019, Phillips 66 employees volunteered a record 88,000 hours. Since we formed as a company, they have donated nearly half a million hours of their time to local communities. At Phillips 66, we match employee contributions to charitable organizations dollar for dollar. In 2019, over 2,000 organizations received support through our matching gift program.

Phillips 66 has contributed $191 million to organizations promoting education, safety and the environment.

We recently contributed $3 million to COVID-19 relief efforts in the communities where we live and operate. These funds will provide essential support for first responders, food banks, health care and other critical organizations serving vulnerable populations.

Our commitment to operating excellence is unwavering.

In 2019, we maintained our industry leading safety performance and ran well across our Refining system. We achieved a 94% utilization rate, exceeding the industry average.

We are honored that five of our refineries were recently recognized by AFPM for 2019 safety performance. Our Ferndale, Santa Maria, Borger, Lake Charles and Bayway refineries received Distinguished Safety Awards, the highest annual safety award in our industry.

AFPM also recognized CPChem's Borger, Conroe, Orange and Port Arthur facilities for exemplary 2019 safety performance.

During the first quarter of 2020, we achieved strong safety performance. Our recordable rate was a record low 0.09.

I want to thank our employees for their steadfast commitment to operating excellence, and congratulations to all of our distinguished safety award winners.

In Midstream, the growth strategy has been focused on three areas: crude oil pipelines from key shale oil basins to the U.S. Gulf Coast; terminals on the Gulf Coast providing storage and export capability; and building out the NGL value chain, including transportation, fractionation and export.

During 2019, Midstream achieved strong results with contributions from our growth investments completed over the last three years contributing to another record year of adjusted earnings for the segment.

We made significant progress executing our major growth projects highlighted on this slide. We commenced operations on the 900,000 BPD Gray Oak Pipeline and advanced the Sweeny Hub expansion.

Our Chemicals segment consists of our 50% joint-venture interest in Chevron Phillips Chemical Company.

The two major petrochemical projects in development at CPChem are still in the early phases. We take a long-term view in our investment decisions, and we remain constructive around the long-term demand outlook for petrochemicals.

Our Refining business consists of 13 refineries in the U.S. and Europe, with a total crude capacity of 2.2 million barrels per day.

Our Refining capital projects are focused on enhancing margins by improving yield of higher-value products and increasing crude feedstock flexibility. We completed multiple high-return projects, including

the Lake Charles isomerization unit, as well as multiple low-capital projects that increased distillate production by 25,000 barrels per day.

Our Marketing & Specialties business is a high-return business for us. It generates stable earnings with low-capital intensity and ensures ratable refinery pull through.

Disciplined capital allocation is fundamental to our strategy. We believe it creates value for our shareholders. Our long-term objective is to reinvest 60% of cash flow back into the business and return 40% to our shareholders.

In 2019, we increased the quarterly dividend 12.5% and returned $3.2 billion to shareholders. Since 2012, we have returned $26 billion to shareholders and reduced our initial shares outstanding by 33%.

Our employees are committed to Phillips 66's core values of safety, honor and commitment, impacting how we conduct our business, make decisions and engage with others.

We believe that by working for the greater good, creating an environment of trust, seeking different perspectives and striving to achieve excellence, we fulfill all the very best of who we are and who we want to be.

Our people are our greatest asset, and they are key to accomplishing our vision of providing energy, improving lives.

Sustainability is important to Phillips 66. We recognize that ESG done well is critical to our success, creates value for our shareholders and it is essential to achieve our vision of providing energy and improving lives. ESG starts at the very top with our board of directors. They oversee our strategy, and they understand the risk associated with our business.

We have a robust Health, Safety and Environmental program as demonstrated by our industry leading performance. We continue to work toward a zero incident, zero injury workplace.

Phillips 66 is one of the few energy companies with a dedicated technology program. We invest in research and technology to better understand our impacts to the air, the land and the water and how we can use our natural resources more sustainably. We have reduced emissions 27% since we formed as a company.

We continually strive to enhance our ESG reporting and provide additional transparency. We disclose our key safety and environmental performance metrics in our sustainability report on our website. Our 2020 Sustainability Report will be available in June.

We are investing in next-generation technologies for a lower- carbon economy. We believe that many forms of energy will be needed to support the increasing global demand.

This slide shows some of the things we are doing today, as well as projects in development.

We're performing research on energy of the future, including renewable fuels, organic photovoltaics, current and next-generation batteries, and solid oxide fuel cells.

We're developing a portfolio of renewable diesel projects that meet low-carbon fuel standards.

We are pursuing hydrogen fueling and solar power. In 2019, we installed our first hydrogen fueling station in Switzerland.

We are positioning Phillips 66 to be competitive long-term.

In closing, I want to emphasize that while the current environment presents challenges, the people of Phillips 66 can be relied upon to deliver exceptional performance.

We are committed to disciplined capital allocation and long-term value creation for our shareholders.

We have a strong, diversified portfolio that positions us to achieve superior returns for our shareholders. We are optimistic about our future.

That completes my report. Paula, will you please report the preliminary results of the voting?

Paula Johnson:

Before I do that Mr. Chairman. We were informed that there was a malfunction in unmuting the line of a shareholder proponent. So at this time Operator, if you could unmute the line. As You Sow, if they are available to present their proposal.

Daniel Stewart:

Good morning Mr. Chairman, members of the board, fellow shareholders. My name is Daniel Stewart, and I want to thank you for the opportunity to present proposal number 4, submitted by As You Sow.

The proposal requests a report on the public health risks of expanding petrochemical operations in areas increasingly likely to experience climate change-induced storms, flooding and sea level rise.

Due to the COVID-19 pandemic, 2020 has seen unprecedented disruption. With lives at stake, government action has been insufficient to avert massive loss of life and economic devastation. This shock demonstrates just how critical early action and planning is to mitigate known and likely global catastrophes. Even as the energy sector grapples with the impacts of COVID-19, it must not put aside preparation and action to stem the risks of the climate crisis.

Petrochemical operations use hazardous chemicals that are dangerous when released to the environment. Already, storms like Hurricane Harvey have shown how vulnerable plants operated by Phillips 66 and CPChem, a joint venture of Chevron and Phillips 66, are to extreme weather.

During Hurricane Harvey, flooding at Phillips 66's facilities resulted in upsets and equipment malfunctions that led to alarming chemical leaks. Nearby community members reported health impacts such as respiratory illness, nausea and headaches, among others. Some health issues may be long-term and worse than captured by initial reports.

We know that hurricanes like Harvey are becoming more frequent and severe as the impacts of the climate crisis worsen. And yet, Phillips 66 has plans to significantly expand petrochemical investments in high-risk regions like the Gulf Coast.

As investors, we seek disclosures with sufficient detail on how the company's decision-making considers future severe and evolving climate risks and how that impacts where and how to invest in the build-out of

sensitive infrastructure. Existing risk management systems are proving demonstrably inadequate to handle new climate threats, and peer companies are already facing legal challenges on this issue.

The requested proposal will help the company better assess the risks of infrastructure damage, financial penalties, litigation, human health consequences and reputational damage. Disclosing such information is also important to investors to assess whether and how well management's actions mitigate risk from expanding petrochemical investments in areas increasingly prone to climate change-induced storms, flooding, and sea level rise.

Thank you.

Greg C. Garland:

Thank you for presenting that proposal. Paula?

Paula Johnson:

Thank Mr. Chairman, preliminary results, based on the voting of shares represented by valid proxies on file and tabulated at the meeting this morning show that:

All of the director nominees have been elected to serve until the 2023 annual meeting.

The appointment of Ernst & Young for 2020 has been ratified.

Shareholders have approved the compensation of our named executive officers.

The shareholder proposal has passed.

Mr. Chairman, this concludes the report of preliminary voting. Details of the final voting results will be reported in a Form 8-K to be filed within four business days.

Greg C. Garland:

Thank you, Paula. The business of the shareholders meeting is now concluded.

We will now answer questions that shareholders have submitted through the meeting platform.

It doesn't appear that there are any questions. So with that, this concludes the 2020 annual meeting. Thank you for your continued support and your interest in Phillips 66.