

Phillips 66
Form DEF 14A
March 22, 2017

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[TABLE OF CONTENTS](#)

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
*Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934*
(Amendment No.)

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under § 240.14a-12

Phillips 66

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11
 - (1) Title of each class of securities to which transaction applies:

 - (2) Aggregate number of securities to which transaction applies:

 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

March 22, 2017

To My Fellow Shareholders:

The Board of Directors and executive leadership team cordially invite you to attend the 2017 Annual Meeting of Shareholders to be held at the Houston Marriott Westchase, 2900 Briarpark Drive, Houston, Texas 77042, on Wednesday, May 3 at 9:00 a.m. Central Daylight Time. You will find information regarding the matters to be voted on at the meeting in the attached proxy statement.

Your company. Phillips 66 is a diversified energy manufacturing and logistics company with a portfolio of midstream, chemicals, refining, and marketing and specialties businesses. Our diverse portfolio, resilient cash flow and disciplined capital allocation position us to capitalize on opportunities across the value chain. Our corporate strategy remains unchanged and clear we aim to deliver profitable growth, enhance returns on capital, and grow shareholder distributions, underpinned by strong operating excellence and a high-performing organization. These founding principles remain the pillars of all that we do. I look forward to sharing more about your company when we gather for our annual meeting.

Safety. Honor. Commitment. These are the values that guide how the 14,800 employees of Phillips 66 conduct business every day as they work to fulfill our mission to provide energy and improve lives. We are also guided by our four pillars of sustainability: operational excellence, environmental commitment, social responsibility and economic performance.

Our commitment to shareholder engagement. We value the perspectives our shareholders provide by participating at our annual meeting and engaging in conversations with us throughout the year. In 2016, we invited shareholders representing approximately half of our shares outstanding to discuss governance, compensation and other topics of interest to our shareholders. In response, shareholders provided valuable feedback that was shared with the full Board, which considered that feedback in its decision making process. As a result of these discussions, the Board adopted a proxy access bylaw earlier this year. The valuable input we receive from shareholders is very important to the Board and we look forward to continuing our dialogue in the coming year.

Growing shareholder distributions. We understand the importance of growing shareholder distributions in the form of share repurchases and dividends. In 2016, we increased the dividend by 13 percent and returned \$2.3 billion of capital to shareholders through dividends and share repurchases.

Your vote is important. Whether or not you plan to attend the annual meeting in person, and no matter how many shares you own, please vote by telephone or the Internet, or mark your vote on the enclosed proxy card and sign, date, and return it by mail. For additional information on voting your shares, please see the instructions in the proxy statement on page 57.

We look forward to greeting you on May 3.

Sincerely,

Greg C. Garland
*Chairman of the Board and
Chief Executive Officer*



Table of Contents

IMPROVING THE LIVES OF CURRENT AND FUTURE GENERATIONS

Phillips 66 supports educational programs that contribute to the vibrancy and resilience of communities. Recognizing that an educated workforce moves the world forward, we invest in teaching the skills that are critical to developing energy solutions for the 21st century. Key among these skills is competence in science, technology, engineering and math (STEM) disciplines.

One way we demonstrate that support is our participation with the MIND Research Institute, a nonprofit organization that develops visually based software to enhance learning and brings visual math instruction and game-based learning to local schools. MIND's signature ST Math program, game-based instructional software for K-12, is designed to boost math comprehension and proficiency through visual learning. With this program, we aim to instill a love of math in students and develop tomorrow's problem solvers.

Since 2014, Phillips 66 has contributed \$2.5 million to the Institute and sponsored the ST Math program in 50 schools, many of them in the communities in which we operate: Freeport, Brazoria, and Houston, Texas; Ponca City, Oklahoma; Billings, Montana; Ferndale, Washington; and Wilmington, California. We often accompany this gift with the technology needed to ensure a successful implementation, such as 3-D printers and Chromebook computers.

Among the children sitting in classrooms today are tomorrow's energy industry leaders. That's why Phillips 66 is investing in STEM education. We believe that this partnership will help us fuel students' interest in science, technology, engineering and math, while preparing them for the future.

NOTICE OF 2017 ANNUAL MEETING OF SHAREHOLDERS

May 3, 2017

9:00 A.M. Central Daylight Time

Houston Marriott Westchase
2900 Briarpark Drive
Houston, Texas 77042

Items of Business

1. To elect the three Directors named in this proxy statement
2. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2017
3. To consider and vote on a management proposal to approve, on an advisory (non-binding) basis, the compensation of our Named Executive Officers
4. To transact other business properly coming before the meeting

Record Date

You can vote if you were a shareholder of record on March 10, 2017.

Annual Report

Our 2016 Annual Report to Shareholders accompanies, but is not part of, these proxy materials.

Proxy Voting

Shareholders as of the Record Date are invited to attend the annual meeting. Whether or not you plan to attend in person, please vote in advance of the meeting by using one of the methods described in this proxy statement.

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This proxy statement and accompanying proxy are being provided to shareholders on or about March 22, 2017.

By Order of the Board of Directors

Paula A. Johnson
Corporate Secretary

March 22, 2017

Table of Contents

TABLE OF CONTENTS

	Page
<u>PROXY SUMMARY</u>	<u>3</u>
<u>PROXY STATEMENT</u>	<u>8</u>
<u>CORPORATE GOVERNANCE OF THE COMPANY</u>	<u>8</u>
<u>Board Leadership Structure</u>	<u>8</u>
<u>Summary of Board Committees</u>	<u>10</u>
<u>Director Independence</u>	<u>10</u>
<u>Shareholder and Community Engagement</u>	<u>10</u>
<u>Sustainability</u>	<u>11</u>
<u>Communications with the Board</u>	<u>11</u>
<u>Director Meeting Attendance</u>	<u>12</u>
<u>Board's Risk Oversight</u>	<u>12</u>
<u>Code of Business Ethics and Conduct</u>	<u>13</u>
<u>Related Party Transactions</u>	<u>13</u>
<u>Board and Committee Evaluations</u>	<u>14</u>
<u>Nominating Processes of the Nominating and Governance Committee</u>	<u>14</u>
<u>PROPOSAL 1: ELECTION OF DIRECTORS</u>	<u>15</u>
<u>PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP</u>	<u>23</u>
<u>Audit and Finance Committee Report</u>	<u>24</u>
<u>PROPOSAL 3: ADVISORY APPROVAL OF EXECUTIVE COMPENSATION</u>	<u>25</u>
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	<u>26</u>
<u>Executive Summary</u>	<u>26</u>
<u>Our Compensation Philosophy</u>	<u>27</u>
<u>Peer Group Comparisons</u>	<u>29</u>
<u>2016 Executive Compensation Programs</u>	<u>30</u>
<u>Other Benefits and Perquisites</u>	<u>37</u>
<u>Executive Compensation Governance</u>	<u>39</u>
<u>Role of the Human Resources and Compensation Committee</u>	<u>40</u>
<u>Human Resources and Compensation Committee Report</u>	<u>42</u>
<u>EXECUTIVE COMPENSATION TABLES</u>	<u>43</u>
<u>Summary Compensation Table</u>	<u>43</u>
<u>Grants of Plan-Based Awards</u>	<u>45</u>
<u>Outstanding Equity Awards at Fiscal Year End</u>	<u>46</u>
<u>Option Exercises and Stock Vested for 2016</u>	<u>47</u>
<u>Pension Benefits as of December 31, 2016</u>	<u>48</u>
<u>Nonqualified Deferred Compensation</u>	<u>49</u>
<u>Potential Payments upon Termination or Change in Control</u>	<u>50</u>

Table of Contents

TABLE OF CONTENTS

	Page
<u>NON-EMPLOYEE DIRECTOR COMPENSATION</u>	<u>53</u>
<u>Objectives and Principles</u>	<u>53</u>
<u>Non-Employee Director Compensation Table</u>	<u>54</u>
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	<u>55</u>
<u>STOCK OWNERSHIP</u>	<u>55</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>56</u>
<u>Securities Ownership of Officers and Directors</u>	<u>56</u>
<u>ABOUT THE ANNUAL MEETING</u>	<u>57</u>
<u>SUBMISSION OF FUTURE SHAREHOLDER PROPOSALS</u>	<u>61</u>
<u>AVAILABLE INFORMATION</u>	<u>61</u>
<u>APPENDIX A. NON-GAAP FINANCIAL MEASURES</u>	<u>A-1</u>

2 2017 PROXY STATEMENT

Table of Contents**PROXY SUMMARY**

This proxy summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting. Page references are supplied to help you find further information in this proxy statement. Throughout the proxy statement, we may refer to Phillips 66 as the "Company," "we" or "our." For more complete information regarding the Company's 2016 performance, please review the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

If you are a beneficial owner and do not give your broker instructions on how to vote your shares, the broker will return the proxy card to us without voting on proposals not considered "routine." This is known as a broker non-vote. Only the ratification of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2017 is considered to be a routine matter. Your broker may not vote on any non-routine matters without instructions from you.

Attend Our 2017 Annual Meeting of Shareholders

The Annual Meeting is open to all shareholders of Phillips 66, and each shareholder may bring one guest. You will need an admission ticket or proof of stock ownership to attend the meeting. Additional information regarding attending the meeting can be found under **About the Annual Meeting** beginning on page 57.

Date and Time: 9:00 a.m. (CDT) on Wednesday, May 3, 2017

Location: Houston Marriott Westchase
2900 Briarpark Drive
Houston, Texas 77042
(713) 978-7400

Record Date: March 10, 2017

Proposals Requiring Your Vote

PROPOSAL 1	Election of Directors	Page 15	FOR each Nominee	Majority of votes cast
PROPOSAL 2	Ratification of the Appointment of Ernst & Young LLP	Page 23	FOR	Majority of votes present
PROPOSAL 3	Advisory Approval of Executive Compensation	Page 25	FOR	Majority of votes present

Vote Right Away

Your vote is very important to us and to our business. Even if you plan to attend our Annual Meeting in person, please read this proxy statement carefully and vote right away using any of the following methods. In all cases, have your proxy card or voting instruction card in hand and follow the instructions.

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BY INTERNET USING YOUR
COMPUTER

BY TELEPHONE

BY MAILING YOUR PROXY
CARD

Visit 24/7
www.proxyvote.com

Dial toll-free 24/7
(800) 690-6903

**Cast your ballot, sign your
proxy card**
and send by mail in the
enclosed postage-paid envelope

If you hold your Phillips 66 stock in a brokerage account (that is, in "street name"), your ability to vote by telephone or over the Internet depends on your broker's voting process. Please follow the directions on your proxy card or voting instruction card carefully. If you plan to vote in person at the Annual Meeting and you hold your Phillips 66 stock in street name, you must obtain a proxy from your broker and bring that proxy to the meeting.

2017 PROXY STATEMENT 3

Table of Contents

PROXY SUMMARY

If you hold your stock through a Phillips 66 employee benefit plan, please see page 58 for information about voting.

Review and download this proxy statement and our Annual Report.

Sign up for electronic delivery of future Annual Meeting materials to save money and reduce the impact on the environment at www.proxyvote.com.

Visit 24/7

www.phillips66.com

Your Company

Phillips 66 is a diversified energy manufacturing and logistics company. With a unique portfolio of assets in the Midstream, Chemicals, Refining, and Marketing and Specialties businesses, the Company processes, transports, stores and markets fuels and products globally. Our industry is vitally important to the global economy. Fossil fuels, particularly oil and natural gas, are the world's primary energy source and are expected to remain so for decades to come. These sources are abundant and reliable, affordable and efficient. Phillips 66's mission is to provide energy and improve lives through operating excellence, delivering energy safely, efficiently and sustainably. We improve lives by responsibly providing energy products that are essential for a high standard of living and health throughout the world.

Our financial performance in 2016 demonstrated the resiliency of our diversified portfolio in a volatile market. We create value by focusing on operating excellence, enhancing returns in Refining and executing our Midstream and Chemicals growth programs. Our balance sheet is strong, and we maintain a disciplined approach to capital allocation. The graph below shows our total shareholder return (TSR) since May 2012 compared to the S&P 100 Index and our performance peer group, which is detailed in **Peer Group Comparisons Performance Peer Group** in the **Compensation Discussion and Analysis**.

4 2017 PROXY STATEMENT

Table of Contents

PROXY SUMMARY

Since the Company's inception in May 2012, our strategic priorities have remained unchanged. The following graphic summarizes highlights of our performance during 2016 as measured by our compensation program performance targets, which are discussed in the **Compensation Discussion and Analysis**.

Summary of Governance Best Practices

Earlier this year, in response to feedback we received from our shareholders, our Board adopted a proxy access bylaw, which is included among our corporate governance best practices summarized below:

BEST PRACTICES

Majority voting for Directors

Provide 3%/3 year/20% proxy access right

Robust shareholder engagement program covering large percentage of outstanding shares and proxy advisory firms

Substantial majority of independent Directors

Independent Lead Director with clearly defined responsibilities

Independent Board Committees

Executive sessions of independent Directors

Stock ownership guidelines

Prohibition on pledging and hedging of our stock

Clawback policy

Regular Board and Committee self-evaluations

Risk oversight by the full Board and Committees

Company does not have a poison pill

Board Diversity and Independence

Our business requires that we not only bring together a knowledgeable and qualified leadership team, but one with diverse backgrounds, experiences and perspectives. The composition of our Board and the experiences and backgrounds of our executives reflect the Company's ongoing organizational commitment to diversity. In addition, the Nominating and Governance

Table of Contents

PROXY SUMMARY

Committee, which we may also refer to as the Nominating Committee, seeks Board members who possess the highest personal and professional ethics, integrity and values, and are committed to representing the long-term interests of the Company's shareholders. The Nominating Committee regularly reviews the composition of the Board and the evolving needs of the Company's businesses to ensure the Board reflects a range of talents, ages, skills, experiences, diversity, and expertise, particularly in the areas of accounting and finance, management, domestic and international markets, leadership, environment, and energy-related industries, sufficient to provide sound and prudent guidance with respect to the Company's strategic and operational objectives. The charts below highlight the diversity and independence of our ten-member Board of Directors.

Our Shareholder Engagement Effort

Throughout the past year, we invited shareholders representing approximately half of our shares outstanding to discuss topics of interest to our shareholders. In response, shareholders provided valuable feedback that was shared with the full Board, which considered that feedback in its decision making process. Topics discussed included our strategy and performance; corporate governance matters; our executive compensation programs; and environmental and social concerns. As a direct result of these discussions, we recently adopted a proxy access bylaw giving shareholders holding at least 3 percent of our shares for at least 3 years the right to include in the proxy statement director nominees for up to 20 percent of the Board (but not less than two nominees). In addition, we encouraged shareholders at the last two annual meetings to approve a management proposal to eliminate our classified board structure and permit all directors to be elected annually. Unfortunately, the proposal did not receive the required vote to pass in either year. We consulted with our proxy solicitor, who advised us, based on its analysis of our shareholder base, that the proposal would likely not be successful this year. We also discussed this topic with our largest investors and they conveyed understanding for this conclusion. Therefore, we are not resubmitting the proposal at the Annual Meeting, but will continue to discuss this matter and others with our investors to ensure they have a meaningful voice in our boardroom.

In addition, the Human Resources and Compensation Committee, which we refer to as the Compensation Committee, values these discussions and encourages shareholders to provide comments about our executive compensation programs. Based on the overwhelmingly positive result of our 2016 say-on-pay vote (95% support), as well as the feedback received during ongoing shareholder engagement meetings, we believe our shareholders approve of our executive compensation program and recognize its link to our business strategy. Nevertheless, we continue to evaluate our compensation program in light of evolving best practices to ensure alignment with shareholder interests.

Table of Contents

PROXY SUMMARY

Summary of Compensation Best Practices

In conjunction with our corporate strategy, executive compensation philosophy and shareholder feedback, the following best practices are reflected in our executive compensation programs:

WE DO ...

WE DO NOT ...

Target the majority of Named Executive Officer (NEO) compensation to be performance based

Provide excise tax gross-ups to our NEOs under our CICSP

Link NEO compensation to shareholder value creation by having a significant portion of compensation at risk

Reprice stock options without shareholder approval

Apply multiple performance metrics aligned with our corporate strategy to measure our performance

Price stock options below grant date fair market value

Cap maximum payouts (number of shares) under our equity programs

Allow share recycling for stock options

Employ a "double trigger" for severance benefits and equity awards under our Key Employee Change in Control Severance Plan (CICSP)

Have evergreen provisions in our active equity plans

Include absolute and relative metrics in our Long-Term Incentive (LTI) programs

Allow hedging or pledging of Phillips 66 stock, or trading Phillips 66 stock outside of approved windows

Maintain stock ownership guidelines for executives Chief Executive Officer (CEO) 6x base salary; other NEOs 3-5x base salary

Pay dividends during the performance period on Performance Share Program (PSP) targets

Balance, monitor and manage compensation risk through regular assessments and robust clawback provisions

Allow transfer of equity awards (except in the case of death)

Have extended vesting periods on stock awards, with a minimum one-year vesting period required for stock and stock option awards

Provide separate supplemental executive retirement benefits for individual NEOs

Intend to qualify compensation payments for deductibility under Internal Revenue Code (IRC) Section 162(m)

Maintain individual change-in-control agreements

Maintain a fully independent Compensation Committee

Have an employment agreement with the CEO

Retain an independent compensation consultant

Have excessive perquisites

Hold a Say-on-Pay vote annually

2017 PROXY STATEMENT 7

Table of Contents

PROXY STATEMENT

This proxy statement and accompanying proxy are being provided to shareholders on or about March 22, 2017, in connection with the solicitation by the Board of Directors of Phillips 66 of proxies to be voted at the 2017 Annual Meeting of Shareholders on May 3, 2017.

CORPORATE GOVERNANCE OF THE COMPANY

The Nominating Committee and the Board of Directors, which we may also refer to as the Board, annually review the Company's governance structure to take into account changes in Securities and Exchange Commission (SEC) and New York Stock Exchange (NYSE) rules, as well as current best practices. Our Corporate Governance Guidelines, posted on the "Investors" section of the Company's website under the "Governance" caption and available in print upon request (see **Available Information** on page 61), address the following matters, among others:

director qualifications

director responsibilities

committees of the Board

director access to officers, employees and independent advisors

performance evaluations of the Board

director orientation and continuing education

director compensation

Chief Executive Officer (CEO) evaluation and succession planning

BOARD LEADERSHIP STRUCTURE

Chairman and CEO Roles

Although the Board of Directors has the authority to separate the positions of Chairman and CEO if it deems appropriate, the Board believes it is in the best interest of the Company's shareholders to combine them. Doing so enables one person to guide the Board in setting priorities for the Company and in addressing the risks and challenges the Company faces. The Board of Directors believes that, while its non-employee Directors bring a diversity of skills and perspectives to the Board, the Company's CEO, by virtue of his day-to-day involvement in managing the

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Company, currently is best suited to serve as Chairman and perform this unified role.

The Board of Directors believes that no single organizational model is the most effective in all circumstances. As a consequence, the Board periodically considers whether the offices of Chairman and CEO should continue to be combined and who should serve in such capacities. The Board also periodically reexamines its corporate governance policies and leadership structure to ensure that they continue to meet the Company's needs. As part of this review, the Board rotated committee chairs and committee membership in 2016. The decision to rotate committee positions was not taken lightly given the benefits that can come from continuity and the expertise of members. The Nominating Committee, however, believed that rotating committee positions would be beneficial, providing fresh perspectives and enhancing Directors' familiarity with different aspects of the Company's business while maintaining subject matter expertise on all committees.

8 2017 PROXY STATEMENT

Table of Contents

CORPORATE GOVERNANCE OF THE COMPANY

Independent Director Leadership

The Board of Directors has adopted strong governance practices to ensure that an appropriate balance of power exists between the non-employee Directors and management, including:

appointing a Lead Director

requiring a substantial majority of independent directors

having only independent directors serve on the Audit and Finance Committee, which we may also refer to as the Audit Committee; the Compensation Committee; and the Nominating Committee

holding executive sessions of the non-employee Directors at each Board meeting

having only independent directors evaluate the CEO's performance annually and approve the CEO's pay

Glenn Tilton has served as our Lead Director since February 2016. In appointing a Lead Director, the Board of Directors considered it useful and appropriate to designate an independent Director to serve in a lead capacity to coordinate the activities of the non-employee Directors and to perform such other duties and responsibilities as the Board of Directors may determine. Specifically, those duties include:

advising the Chairman on an appropriate schedule of Board meetings, seeking to ensure that the non-employee Directors can perform their duties responsibly without interfering with operations

providing the Chairman with input on the preparation of the agenda for each Board meeting and assuring that there is sufficient time for discussion of all agenda items

advising the Chairman on the quality, quantity and timeliness of the flow of information from management to the non-employee Directors in order that they may perform their duties effectively and responsibly, including specifically requesting certain materials be provided to the Board

recommending to the Chairman the retention of consultants who report directly to the Board of Directors

interviewing all board candidates and making nomination recommendations to the Nominating Committee and the Board of Directors

assisting the Board of Directors and Company officers in assuring compliance with and implementation of the Corporate Governance Guidelines

ensuring that he or she or another appropriate Director is available for engagement with shareholders when warranted

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having the authority to call meetings of the non-employee Directors, as well as to develop the agenda for and moderate any such meetings and executive sessions of the non-employee Directors

acting as principal liaison between the non-employee Directors and the Chairman on sensitive issues

participating with the Compensation Committee in the periodic discussion of CEO performance

ensuring the Board of Directors conducts an annual self-assessment and meeting with the CEO to discuss the results of the annual self-assessment

working with the Nominating Committee to recommend the membership of the various Board committees, as well as selection of the committee chairs

The Board of Directors believes that its current structure and processes encourage its non-employee Directors to be actively involved in guiding its work. The chairs of the Board's committees review their respective agendas and committee materials in advance of each meeting, communicating directly with other Directors and members of management as each deems appropriate. Moreover, each Director is free to suggest agenda items and to raise matters at Board and committee meetings that are not on the agenda.

Our Corporate Governance Guidelines require that the non-employee Directors meet in executive session at every Board meeting and, when there are non-employee Directors who are not independent, that the independent Directors meet in executive session at least annually. The Lead Director presides at such executive sessions. Each executive session may include discussions of, among other things, (1) the performance of the Chairman and the CEO, (2) matters concerning the

Table of Contents

CORPORATE GOVERNANCE OF THE COMPANY

relationship of the Board of Directors with the members of senior management, and (3) such other matters as the non-employee Directors deem appropriate. No formal action of the Board of Directors is taken at these meetings, although the non-employee Directors may subsequently recommend matters for consideration by the full Board. The Board of Directors may invite guest attendees to make presentations, respond to questions, or provide counsel on specific matters within their areas of expertise.

SUMMARY OF BOARD COMMITTEES

Effective October 2016, based upon the recommendation of the Nominating Committee, the membership of the Board committees was revised as set forth below.

Audit and Finance	X*		X	X		X		X	
Executive Committee	X	X*	X	X			X		X
Human Resources and Compensation	X				X		X		X*
Nominating									
and Governance	X		X*			X			X
Public Policy	X	X	X	X*	X	X	X	X	X

*

Committee Chair

The charters for our Audit Committee, Executive Committee, Compensation Committee, Nominating Committee, and Public Policy Committee can be found in the "Investors" section on the Phillips 66 website under the "Governance" caption. Shareholders may also request printed copies of these charters by following the instructions located under the caption **Available Information** on page 61.

DIRECTOR INDEPENDENCE

The Corporate Governance Guidelines also contain director independence standards, which are consistent with the standards set forth in the NYSE listing standards, to assist the Board of Directors in determining the independence of the Company's Directors. The Board of Directors has determined that each Director, except Mr. Garland, meets the standards regarding independence set forth in the Corporate Governance Guidelines and is free of any material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Mr. Garland is not considered independent because he is an executive officer of the Company. In making independence determinations, the Board of Directors specifically considered the fact that many of our Directors are directors, current or retired officers or shareholders of companies with which we conduct business. In addition, some of our Directors serve as employees of, or consultants to, companies that do business with Phillips 66 and its affiliates (as further described in **Related Party Transactions** on page 13). Finally, some of our Directors may purchase retail products (such as gasoline, fuel additives or lubricants) from the Company. In all cases, it was determined that the nature of the business conducted and the interest of the Director by virtue of such position were immaterial both to the Company and to such Director.

SHAREHOLDER AND COMMUNITY ENGAGEMENT

The Company's values embrace shareholder engagement as an important tenet of good governance. We value the views of our shareholders and believe that positive dialogue builds informed relationships that promote transparency and accountability. Although the Lead Director or other members of the Board are available to participate in meetings with shareholders as appropriate, management has the principal responsibility for shareholder communication. As part of our annual engagement efforts in 2016, we invited shareholders representing approximately half of our shares outstanding, and other interested parties, to discuss matters of interest to them. Topics discussed included our strategy and performance; corporate governance matters; our executive compensation programs; and environmental and social concerns. The valuable feedback received was then shared with the full Board, which considered the feedback in its decision making process. As a direct result of these discussions, we adopted a proxy access bylaw giving shareholders holding at least 3 percent of our shares for at least 3 years the right to include in the proxy statement director nominees for up to 20 percent of the Board (but not less than two nominees). In addition, we encouraged shareholders at the last two annual meetings to approve a

10 2017 PROXY STATEMENT

Table of Contents

CORPORATE GOVERNANCE OF THE COMPANY

charter amendment that would eliminate the classified board structure and permit all directors to be elected annually. Unfortunately, the proposal did not receive the required vote to pass in either year. We consulted with our proxy solicitor, who advised us, based on its analysis of our shareholder base, that the proposal would likely not be successful this year. We also discussed this topic with our largest investors and they conveyed understanding for this conclusion. Therefore, we are not resubmitting the proposal at the Annual Meeting, but will continue to assess the proposal and its potential for adoption in the future.

We also believe that engagement and good governance involve participating in political or public policy activities that advance the Company's goals, are consistent with Company values and improve the communities where we work and live. A number of federal, state and local laws govern corporate involvement in such activities, and we maintain policies and procedures to comply with these laws. The Public Policy Committee is responsible for overseeing our political and public policy work and related activities about which it receives regular reports. Additional information about our involvement in political or public policy activities is available on our website.

SUSTAINABILITY

Phillips 66 is dedicated to meeting the world's energy needs responsibly, efficiently and sustainably. For us, sustainability means manufacturing and delivering affordable, clean products in a safe and environmentally sound manner. Our sustainability efforts are built on four pillars: operational excellence, environmental commitment, social responsibility and economic performance.

More than one-third of our U.S. refineries have earned the U.S. Environmental Protection Agency ENERGY STAR® Award, which recognizes their top-quartile energy efficiency performance. In addition, 25 of our sites have received Voluntary Protection Program (VPP) certification for their strong safety records and comprehensive safety and health management systems.

Our commitment to excellence compels us to invest in environmental projects and sustaining capital to improve our operations. The results are industry-leading practices and improved environmental performance. We invested more than \$5.4 billion in refining environmental projects and improvements from 2003 through 2015. During that time, we reduced SOx emissions by 90 percent, NOx emissions by 55 percent and particulate matter by 57 percent.

Phillips 66 is investing in its future by conducting research to manage water consumption, improve energy efficiency and provide technology to change the future of power generation. We seek solutions for tomorrow's energy needs, from opportunities to blend biofuels into clean products to co-founding forward-looking think tanks, such as the Fuels Institute. Phillips 66 is one of the few energy companies with a state-of-the-art Research Center. We have more than 350 scientists and engineers in Bartlesville, Oklahoma, conducting research to enhance the safety and reliability of our operations and to develop future air, water and energy solutions.

Additional information regarding our commitment to sustainability, including our Sustainability Highlights Brochure, can be found in the Sustainability section of our website.

COMMUNICATIONS WITH THE BOARD

To support shareholder engagement, the Company maintains a process for shareholders and interested parties to communicate with the Board of Directors. Shareholders and interested parties may communicate with the Board of Directors by contacting our Corporate Secretary, Paula A. Johnson, as provided below:

Mailing Address: Corporate Secretary
Phillips 66
P.O. Box 4428
Houston, TX 77210

Phone Number: (281) 293-6600

Internet: "Investors" section of the Company's website (www.phillips66.com) under the "Governance" caption

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Relevant communications are distributed to the Board of Directors or to any individual Director or Directors, as appropriate, depending on the facts and circumstances outlined in the communication. In that regard, the Board has requested that

2017 PROXY STATEMENT 11

Table of Contents

CORPORATE GOVERNANCE OF THE COMPANY

certain items unrelated to its duties and responsibilities not be distributed, such as: business solicitations or advertisements; junk mail and mass mailings; new product suggestions; product complaints; product inquiries; résumés and other forms of job inquiries; spam; and surveys. In addition, material that is considered hostile, threatening, illegal or similarly unsuitable will be excluded. Any communication that is filtered out is made available to any non-employee Director upon request.

DIRECTOR MEETING ATTENDANCE

Recognizing that director attendance at the Company's Annual Meeting can provide the Company's shareholders with an opportunity to communicate with the Directors about issues affecting the Company, the Company actively encourages our Directors to attend the Annual Meeting of Shareholders. All of our Directors attended the 2016 Annual Meeting of Shareholders.

The Board of Directors met six times in 2016. Each Director attended at least 75 percent of the aggregate of:

the total number of meetings of the Board held in 2016 during his or her tenure, and

the total number of full-committee meetings held in 2016 by all committees of the Board on which he or she served.

BOARD'S RISK OVERSIGHT

The Company's management is responsible for the day-to-day conduct of our businesses and operations, including management of risks the Company faces. To fulfill this responsibility, our management has established an enterprise risk management program designed to identify and facilitate management of the significant and diverse risks facing the Company and the approaches to mitigate such risks. The Board of Directors has broad oversight responsibility over the Company's enterprise risk management program and receives management updates on its development and implementation. In this oversight role, the Board of Directors is responsible for satisfying itself that the risk management processes designed and implemented by the Company's management are functioning as intended, and that necessary steps are taken to foster a culture of risk-adjusted decision making throughout the organization.

In executing its responsibilities, the Board of Directors has delegated to individual committees certain elements of this oversight function, while retaining oversight responsibility for strategic risks. In this context, the Board of Directors delegated authority to the Audit Committee to facilitate coordination among the Board's committees with respect to oversight of the Company's risk management programs. Accordingly, the Audit Committee regularly receives updates on the enterprise risk management program and discusses the Company's risk assessment and risk management policies to ensure that our risk management programs are functioning properly.

The Board of Directors, either directly or through its committees, exercises its oversight function with respect to all material risks to the Company, which are identified and discussed in the Company's public filings with the SEC. The Board of Directors

Table of Contents

CORPORATE GOVERNANCE OF THE COMPANY

receives regular updates from its committees on individual areas of risk falling within each committee's area of oversight and expertise, as outlined below:

CODE OF BUSINESS ETHICS AND CONDUCT

Phillips 66 has adopted a Code of Business Ethics and Conduct for Directors and Employees designed to help resolve ethical issues in an increasingly complex global business environment. Our Code of Business Ethics and Conduct applies to all directors and employees, including the CEO and the Chief Financial Officer. Our Code of Business Ethics and Conduct covers topics including, but not limited to, conflicts of interest, insider trading, competition and fair dealing, discrimination and harassment, confidentiality, payments to government personnel, anti-boycott laws, U.S. embargoes and sanctions, compliance procedures and employee complaint procedures. Our Code of Business Ethics and Conduct is posted on the "*Investors*" section of our website under the "*Governance*" caption. Shareholders may also request printed copies of our Code of Business Ethics and Conduct by following the instructions located under the caption **Available Information** on page 61.

RELATED PARTY TRANSACTIONS

Our Code of Business Ethics and Conduct requires that all directors and executive officers promptly bring to the attention of the General Counsel and, in the case of Directors, the Chair of the Nominating Committee or, in the case of executive officers, the Chair of the Audit Committee, any transaction or relationship that arises and of which she or he becomes aware that reasonably could be expected to constitute a related party transaction. Any such transaction or relationship is reviewed by the Company's management and the appropriate Board Committee

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to ensure that it does not constitute a conflict of interest and is reported appropriately. Additionally, the Nominating Committee conducts an annual review of related party transactions between each of our directors and the Company (and its subsidiaries) and makes recommendations to the Board regarding the continued independence of each Board member. In 2016, there were no related party transactions in which the Company (or a subsidiary) was a participant and in which any director or executive officer (or their immediate

2017 PROXY STATEMENT 13

Table of Contents

CORPORATE GOVERNANCE OF THE COMPANY

family members) had a direct or indirect material interest. The Nominating Committee also considered relationships that, while not constituting related party transactions where a director had a direct or indirect material interest, nonetheless involved transactions between the Company and an organization with which a director is affiliated, either directly or as a partner, shareholder or officer. Included in its review were ordinary course of business transactions with companies employing a director, such as ordinary course of business transactions with ITT Inc., of which Ms. Ramos serves as CEO and President. The Nominating Committee determined that there were no transactions impairing the independence of any member of the Board.

BOARD AND COMMITTEE EVALUATIONS

Each committee performs an annual self-assessment, and the Nominating Committee and Lead Director oversee an annual self-assessment of the Board, which includes an evaluation survey and individual discussions between the Lead Director and each other Director. A summary of the results of each committee's self-assessment is presented to the committee and discussed in executive session. The Lead Director presents a summary of the results of the Board evaluation to the Board in executive session. Any matters requiring further action are identified and action plans developed to address the matter.

NOMINATING PROCESSES OF THE NOMINATING AND GOVERNANCE COMMITTEE

The Nominating Committee consists of four non-employee Directors, all of whom are independent under NYSE listing standards and our Corporate Governance Guidelines. The Nominating Committee identifies, considers and recommends director candidates to the Board of Directors with the goal of creating a balance of knowledge, experience and diversity. Generally, the Nominating Committee identifies candidates through the use of a search firm or the business and organizational contacts of the directors and management. Our By-Laws permit shareholders to nominate candidates for director election at a shareholders meeting whether or not such nominee is submitted to and evaluated by the Nominating Committee. Shareholders who wish to submit nominees for election at an annual or special meeting of shareholders should follow the procedures described under **Submission of Future Shareholder Proposals** on page 61. The Nominating Committee will consider director candidates recommended by shareholders. If a shareholder wishes to recommend a candidate for nomination by the Nominating Committee, he or she should follow the same procedures referred to above for nominations to be made directly by the shareholder. In addition, the shareholder should provide such other information deemed relevant to the Nominating Committee's evaluation. Candidates recommended by the Company's shareholders are evaluated on the same basis as candidates recommended by the Company's directors, CEO, other executive officers, third-party search firms or other sources.

Table of Contents

PROPOSAL 1: Election of Directors

Our By-Laws provide that the Directors are divided into three classes, which are to be as nearly equal in size as possible, with one class being elected each year. The Board of Directors has set the current number of Directors at ten, with two classes of three Directors each and one class of four Directors. Any director vacancies created between annual shareholder meetings (such as by a current director's death, resignation or removal for cause or an increase in the number of directors) may be filled by a majority vote of the remaining directors then in office. Any director appointed in this manner would hold office for a term expiring at the annual meeting of shareholders at which the term of office of the class to which he or she has been appointed expires. If a vacancy resulted from an action of our shareholders, only our shareholders would be entitled to elect a successor.

We expect each nominee will be able to serve if elected. If, however, a nominee is unable to serve and the Board of Directors does not elect to reduce the size of the Board, shares represented by proxies will be voted for a substitute nominated by the Board of Directors.

The names, principal occupations and certain other information about each nominee for director, as well as key experiences, qualifications, attributes and skills that led the Nominating Committee to conclude that each nominee is currently qualified to serve as a director, are set forth on the following pages.

For information on the compensation of our non-employee Directors, please see the the discussion beginning on page 53.

Nominees for Directors to be Elected at the 2017 Annual Meeting for a three-year term ending at the 2020 Annual Meeting

Each nominee requires the affirmative vote of a majority of the votes cast in person or by proxy at the meeting.

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" EACH OF THE FOLLOWING DIRECTOR NOMINEES.

William R. Loomis, Jr.

Age 68

Director since April 2012

Mr. Loomis has been an independent financial advisor since 2009. He was a general partner and Managing Director of Lazard Freres & Co. from 1984 to 2002, the CEO of Lazard LLC from 2000 to 2001 and a Limited Managing Director of Lazard LLC from 2002 to 2004. Mr. Loomis served as a director of L Brands Inc. from 2005 to 2016.

Skills and qualifications:

Mr. Loomis has extensive executive experience and financial expertise, as well as substantial history as a senior strategic advisor to complex businesses and multiple executives.

Table of Contents

PROPOSAL 1: Election of Directors

Glenn F. Tilton

Age 68

Director since April 2012

Mr. Tilton served as Chairman of the Midwest of JPMorgan Chase & Co. from 2011 to June 2014. From September 2002 to October 2010, he served as Chairman, President and CEO of UAL Corporation, a holding company, and United Air Lines, Inc., an air transportation company and wholly-owned subsidiary of UAL Corporation. Mr. Tilton previously spent more than 30 years in increasingly senior roles with Texaco Inc., including Chairman and CEO in 2001. He served as Non-Executive Chairman of the Board of United Continental Holdings Inc. from 2010 to 2013 and currently serves on the boards of Abbott Laboratories and AbbVie Inc. (as lead director).

Skills and qualifications:

Mr. Tilton has strong management experience overseeing complex multinational businesses operating in highly regulated industries, as well as 30 years of experience in the energy industry and expertise in finance and capital markets matters.

Marna C. Whittington

Age 69

Director since May 2012

Dr. Whittington was CEO of Allianz Global Investors Capital, a diversified global investment firm, from 2002 until her retirement in January 2012. She was Chief Operating Officer of Allianz Global Investors, the parent company of Allianz Global Investors Capital, from 2001 to 2011. Prior to that, she was Managing Director and Chief Operating Officer of Morgan Stanley Asset Management. Dr. Whittington started in the investment management industry in 1992, joining Philadelphia-based Miller Anderson & Sherrerd. Previously, she was Executive Vice President and CFO of the University of Pennsylvania, from 1984 to 1992. Earlier, she served as Budget Director and, subsequently, Secretary of Finance for the State of Delaware. Dr. Whittington served on the board of Rohm & Haas Company from 1989 to 2009 and currently serves on the boards of Macy's, Inc. and Oaktree Capital Group, LLC.

Skills and qualifications:

Dr. Whittington has extensive knowledge of and substantial experience in financial, investment, and banking matters, and has served on compensation committees. She also provides valuable insight from her previous experience serving on the board of a chemicals company and as a statewide cabinet officer.

Table of Contents

PROPOSAL 1: Election of Directors

The following Directors will continue in office until the end of their respective terms. Included below is a listing of each continuing Director's name, age, tenure and qualifications.

Directors Whose Terms Expire at the 2018 Annual Meeting

J. Brian Ferguson Age 62 Director since April 2012

Mr. Ferguson retired as Chairman of Eastman Chemical Company (Eastman) in 2010 and as CEO of Eastman in 2009. He became the Chairman and CEO of Eastman in 2002. He served on the board of NextEra Energy Inc. from 2005 to 2013 and currently serves on the board of Owens Corning.

Skills and qualifications:

Mr. Ferguson has over 30 years of leadership experience in international business, industrial operations, strategic planning and capital raising strategies.

Harold W. McGraw III Age 68 Director since April 2012

Mr. McGraw is Chairman Emeritus of S&P Global Inc. (previously McGraw Hill Financial), having served as Chairman of the Board from 1999 until 2015, as President and Chief Executive Officer from 1998 to November 2013 and as President and Chief Operating Officer starting in 1993. Mr. McGraw is the Honorary Chairman of the International Chamber of Commerce. He currently serves on the board of United Technologies Corporation.

Skills and qualifications:

Mr. McGraw's experience leading a large, global public company with a significant role in the financial reporting industry provides him with valuable global financial, corporate governance and operational expertise.

Table of Contents

PROPOSAL 1: Election of Directors

Victoria J. Tschinkel

Age 69

Director since April 2012

Ms. Tschinkel currently serves as the Vice-Chairwoman of 1000 Friends of Florida and previously was its Chairwoman. In addition, Ms. Tschinkel is a director of the National Fish and Wildlife Foundation, serving on the Gulf Benefits Committee. She served as State Director of the Florida Nature Conservancy from 2003 to 2006, was senior environmental consultant to Landers & Parsons, a Tallahassee, Florida law firm, from 1987 to 2002, and was the Secretary of the Florida Department of Environmental Regulation from 1981 to 1987.