Phillips 66
Form PRE 14A
March 11, 2016

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 ý

Filed by a Party other than the Registrant o

Check the appropriate box:
ý Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o Definitive Proxy Statement
o Definitive Additional Materials
o 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)

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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 , 2016

To My Fellow Shareholders:

On behalf of your Board of Directors and management, you are cordially invited to attend the Annual Meeting of Shareholders to be held at the Houston Marriott Westchase, 2900 Briarpark Drive, Houston, Texas 77042, on Wednesday, May 4, 2016, 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.

We are Phillips 66 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. We have a passion for operating excellence, which guides everything we do. It always will. I look forward to sharing more about your company when we gather for our annual meeting.

A commitment to shareholder engagement. We value the perspectives our shareholders provide through participation at our annual meeting and through direct conversations that we have throughout the year. We look forward to continuing our dialogue with you in the coming year. Prompted by your comments, last year we asked shareholders to vote on a proposal that would result in the annual election of all members of your board of directors. Although the proposal received significant support, it did not receive the 80 percent vote required for adoption. As your board of directors believes the proposal is in the best interest of Phillips 66, and in light of the significant support expressed by shareholders, we are again asking for a vote on this proposal this year.

Growing shareholder distributions. We understand the importance of shareholder distributions and emphasize growing those distributions through share repurchases and dividends. In 2015, we increased the dividend by 12 percent and returned $2.7 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 on 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.

Safety. Honor. Commitment. These are the values that guide how the 14,000 employees of Phillips 66 conduct business every day as they work to fulfill our mission to provide energy and improve lives. It is in the spirit of these values that we look forward to greeting you on May 4.

Sincerely,

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

Table of Contents

NOTICE OF 2016 ANNUAL MEETING OF SHAREHOLDERS

May 4, 2016

9:00 A.M. Central Daylight Time

Houston Marriott Westchase
2900 Briarpark Drive
Houston, Texas 77042

ITEMS OF BUSINESS

1. To elect the two 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 2016

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 consider and vote on a management proposal regarding the annual election of Directors

5. To transact other business properly coming before the meeting

RECORD DATE

You can vote if you were a shareholder of record on March 11, 2016.

ANNUAL REPORT

Our 2015 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.

By Order of the Board of Directors
Paula A. Johnson
Corporate Secretary

March , 2016

Table of Contents

TABLE OF CONTENTS

	Page
PROXY SUMMARY	3
CORPORATE GOVERNANCE OF THE COMPANY	8
Board Leadership Structure	8
Summary of Board Committees	10
Director Independence	10
Shareholder and Community Engagement	10
Communications with the Board	11
Director Meeting Attendance	11
Board's Risk Oversight	11
Code of Business Ethics and Conduct	12
Related Party Transactions	12
Board and Committee Evaluations	13
Nominating Processes of the Nominating and Governance Committee	13
PROPOSAL 1: ELECTION OF DIRECTORS	14
PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP	21
Audit and Finance Committee Report	22
PROPOSAL 3: ADVISORY APPROVAL OF EXECUTIVE COMPENSATION	23
COMPENSATION DISCUSSION AND ANALYSIS	24
Our Industry, Corporate Strategy and Business Performance	24
Our Compensation Philosophy	25
Elements of Compensation	26
Targets and Payouts for Compensation Elements	27
Other Benefits and Perquisites	35
Executive Compensation Governance	37
Role of the Human Resources and Compensation Committee	38
Human Resources and Compensation Committee Report	39
EXECUTIVE COMPENSATION TABLES	40
Summary Compensation Table	40
Grants of Plan-Based Awards	42
Outstanding Equity Awards at Fiscal Year End	43
Option Exercises and Stock Vested for 2015	44
Pension Benefits as of December 31, 2015	45
Nonqualified Deferred Compensation	46
Potential Payments upon Termination or Change in Control	47
NON-EMPLOYEE DIRECTOR COMPENSATION	51
Non-Employee Director Compensation Table	52
Outstanding Equity Awards at Fiscal Year End	53
Option Exercises and Stock Vested for 2015	53

Table of Contents

TABLE OF CONTENTS

	Page
EQUITY COMPENSATION PLAN INFORMATION	54
STOCK OWNERSHIP	54
Section 16(a) Beneficial Ownership Reporting Compliance	55
Securities Ownership of Officers and Directors	55
PROPOSAL 4: MANAGEMENT PROPOSAL REGARDING THE ANNUAL ELECTION OF DIRECTORS	56
ABOUT THE ANNUAL MEETING	57
SUBMISSION OF FUTURE SHAREHOLDER PROPOSALS	61
AVAILABLE INFORMATION	61
APPENDIX A CERTIFICATE OF AMENDMENT TO THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF PHILLIPS 66	A-1
APPENDIX B NON-GAAP FINANCIAL MEASURES	B-1

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 Phillps 66 as the "Company," "we" or "our." For more complete information regarding the Company's 2015 performance, please review the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

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 2016 is considered to be a routine matter. Your broker may not vote on any non-routine matters without instructions from you.

PROPOSALS REQUIRING YOUR VOTE

		MORE INFORMATION	BOARD RECOMMENDATION	VOTES REQUIRED FOR APPROVAL
PROPOSAL 1	Election of Directors	Page 14	FOR each Nominee	Majority of votes cast
PROPOSAL 2	Ratification of the Appointment of Ernst & Young LLP	Page 21	FOR	Majority of votes present
PROPOSAL 3	Advisory Approval of Executive Compensation	Page 23	FOR	Majority of votes present
PROPOSAL 4	Management Proposal Regarding the Annual Election of Directors	Page 56	FOR	80% of Voting Stock

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.

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.

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

VISIT OUR WEBSITE

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

Table of Contents

PROXY SUMMARY

WE ARE PHILLIPS 66

We are a diversified energy manufacturing and logistics company with a unique portfolio of assets in the Midstream, Chemicals, Refining and Marketing and Specialties businesses. Our industry is vitally important to the global economy. Fossil fuels, particularly oil and natural gas, continue to be 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 in a safe, efficient and environmentally responsible way. We improve lives by providing access to energy, which is essential to a high standard of living and health throughout the world.

Since the Company's inception in May 2012, our strategic priorities have remained unchanged.

Maintain Strong Operating Excellence	Deliver Profitable Growth	Enhance Returns on Capital	Grow Shareholder Distributions	Build a High-Performing Organization

2015 Performance Highlights

Top quartile Total Recordable Rate 0.19	Adjusted Earnings of $4.2 billion 60% above target	VCIP Return on Capital Employed (ROCE) of 16.1% 7.2 percentage points above Weighted Average Cost of Capital (WACC)	Dividend Compound Annual Growth Rate of 34% since May 2012	Robust succession planning
Top quartile Lost Workday Case Rate 0.03	Strong distribution growth in PSXP 41% Compound Annual Growth Rate since its 2013 IPO	Adjusted controllable costs of $5.9 billion 5% improved while absorbing company growth	From 2013 - 2015 54% of capital was reinvested in our strategic activities and 46% was distributed to shareholders	Leadership development
Crude capacity utilization of 91%			Total share repurchases and exchanges of $7.7 billion since May 2012	Organizational capabilities
				Performance management
				Pay for performance

Our financial performance in 2015 demonstrates the resiliency of our diversified portfolio in a low commodity price environment. We create value by focusing on operating excellence, enhancing returns in Refining and delivering on our Midstream and Chemicals growth programs. Our balance sheet is strong, and we maintain a disciplined approach to capital allocation. The graph on the next page shows our total shareholder return (TSR) compared to the S&P 100 Index and our performance peer group since May 2012.

Table of Contents

TSR Since May 2012

OUR 2015 SAY-ON-PAY VOTE RESULT AND SHAREHOLDER ENGAGEMENT EFFORT

At our 2015 Annual Meeting of Shareholders, holders of approximately 95 percent of our outstanding shares who cast an advisory vote on the Company's Say-on-Pay proposal voted in favor of the Company's executive compensation programs. Throughout the past year, we have engaged in dialogue with our largest shareholders, representing about 40 percent of shares outstanding, on various corporate governance topics, including executive compensation, and have received positive feedback. The Human Resources and Compensation Committee, which we may refer to as the Compensation Committee, values these discussions and encourages shareholders to provide comments about our executive compensation programs.

Based on the results of the 2015 vote and our ongoing dialogue with shareholders, as well as consideration of evolving best practices, the Compensation Committee has continued to examine our compensation programs to ensure that alignment with shareholders remains strong. While we received no prescriptive suggestions in these meetings with shareholders, we heard a consistent theme regarding the appropriate size and segment mix of our performance peer group, which we discussed further with the Compensation Committee. As a result, the Compensation Committee approved changes to our 2015 performance peer group. The peer group examination and the associated changes are discussed further in our ***Compensation Discussion & Analysis*** under *Peer Group Comparisons* beginning on page 27.

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 ...
ü	X
Target the majority of Named Executive Officer (NEO) compensation to be performance based	Provide tax gross-ups to our NEOs under the CICSP
ü	X
Link NEO compensation to shareholder value creation by having a significant portion of compensation at risk	Reprice stock options without shareholder approval
ü	X
Apply multiple performance metrics aligned with our corporate strategy to measure our performance	Price stock options below grant date fair market value
ü	X
Cap maximum payouts (number of shares) under our equity programs	Allow share recycling for stock options
ü	X
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
ü	X
Include absolute and relative metrics in our Long-Term Incentive programs	Allow hedging or pledging of Phillips 66 stock, or trading Company stock outside of approved windows
ü	X
Maintain stock ownership guidelines for executives	Pay dividends during the performance period on PSP targets
ü	X
Balance, monitor and manage compensation risk through regular assessments and robust clawback provisions	Allow transfer of equity awards (except in the case of death)
ü	X
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
ü	X
	Maintain individual change in control agreements

Intend to qualify compensation payments for deductibility under Internal Revenue Code Section 162(m) ü	
	X
Maintain a fully independent Compensation Committee ü	Have an employment agreement with the CEO X
Retain an independent compensation consultant ü	Have excessive perquisites
Hold a Say-on-Pay vote annually	

GOVERNANCE HIGHLIGHTS

This year, we are again asking shareholders to vote on a management proposal to move to the annual election of all Directors. See page 56 for details of that proposal. In addition, we already follow these other corporate governance best practices:

Majority voting for Directors	YES
Active shareholder engagement	YES
Substantial majority of independent Directors	YES
Independent Lead Director	YES
Independent Board Committees	YES
Executive sessions of independent Directors	YES
Stock ownership guidelines	YES
Prohibition on pledging and hedging of our stock	YES
Clawback policy	YES
Regular Board and Committee Self-Evaluations	YES
Risk oversight by the full Board and Committees	YES
Company does not have a poison pill	YES

Table of Contents

BOARD DIVERSITY AND INDEPENDENCE

Our business requires that we bring together a leadership team with a diversity of backgrounds, experience and thought. The composition of our executives and Board members reflects the commitment to diversity that we strive for throughout the organization. The charts below highlight the diversity and independence of our Directors.

ATTEND OUR 2016 ANNUAL MEETING OF SHAREHOLDERS

Date and Time:	9:00 a.m. (CDT) on Wednesday, May 4, 2016
Location:	Houston Marriott Westchase 2900 Briarpark Drive Houston, Texas 77042 (713) 978-7400
Record Date:	March 11, 2016

Table of Contents

PROXY STATEMENT

This proxy statement and accompanying proxy are being provided to shareholders on or about March 23, 2016, in connection with the solicitation by the Board of Directors of Phillips 66 of proxies to be voted at the 2016 Annual Meeting of Shareholders on May 4, 2016.

CORPORATE GOVERNANCE OF THE COMPANY

The Nominating and Governance Committee, which we may also refer to as 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 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 best and most effective in all circumstances. As a consequence, the Board of Directors periodically considers whether the offices of Chairman and CEO should continue to be combined and who should serve in such capacities. The Board of Directors also periodically reexamines its corporate governance policies and leadership structure to ensure that they continue to meet the Company's needs.

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

Table of Contents

- 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

Mr. McGraw served as our Lead Director in 2015. In February 2016, the Board of Directors appointed Mr. Tilton as the Lead Director. 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 while not interfering with operations
- providing the Chairman with input on the preparation of the agendas for the Board meetings 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
- 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 in the periodic discussion of CEO performance with the Compensation Committee

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 the work of the Board. The chairs of the Board's committees review their agendas and committee materials in advance, 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 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 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.

Table of Contents

CORPORATE GOVERNANCE OF THE COMPANY

SUMMARY OF BOARD COMMITTEES

	Mr. FERGUSON	Mr. GARLAND	Mr. LOOMIS	Mr. LOWE	Mr. MCGRAW	Mr. TILTON	Ms. TSCHINKEL	Dr. WHITTINGTON
Audit and Finance			X*	X			X	X
Executive	X	X*	X		X		X	
Human Resources and Compensation	X*				X	X		
Nominating and Governance	X				X*	X		
Public Policy			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. Mr. Lowe met the criteria to be considered independent beginning in May 2015, the third anniversary of our spin-off from ConocoPhillips. In making independence determinations, the Board of Directors specifically considered the fact that many of our Directors are directors, 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 12). 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 guiding principles 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. During 2015, we engaged with shareholders, representing about 40 percent of shares outstanding, and other interested parties, as part of our annual engagement efforts. Topics discussed included our strategy and performance; corporate governance matters; our executive compensation programs; and environmental and social concerns. We then shared the perspectives expressed in these discussions with the Board of Directors.

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.

Table of Contents

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

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 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 2015 Annual Meeting of Shareholders.

The Board of Directors met eight times in 2015. Each Director attended at least 75 percent of the aggregate of:

- the total number of meetings of the Board in 2015, and
- the total number of full-committee meetings held in 2015 by all committees of the Board on which she or he 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. In furtherance of 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 is updated by management 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.

Table of Contents

CORPORATE GOVERNANCE OF THE COMPANY

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 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 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 2015, there were no related party transactions in

Table of Contents

which the Company (or a subsidiary) was a participant and in which any director or executive officer (or their immediate 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. 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 three non-employee Directors, all of whom are independent under NYSE listing standards and our Corporate Governance Guidelines. The Nominating Committee identifies, investigates 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 eight, with two classes of three Directors each and one class of two 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 the nominees for director, as well as key experiences, qualifications, attributes and skills that led the Nominating Committee to conclude that such person is currently qualified to serve as a director, are set forth on the following pages.

NOMINEES FOR DIRECTORS TO BE ELECTED AT THE 2016 ANNUAL MEETING
for a three-year term ending at the 2019 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.

Greg C. Garland, 58

Director since April 2012

Mr. Garland serves as Chairman and CEO of Phillips 66. He was appointed Senior Vice President, Exploration and Production-Americas for ConocoPhillips in 2010. He was previously President and CEO of Chevron Phillips Chemical Company LLC (CPChem) from 2008 to 2010, having served as Senior Vice President, Planning and Specialty Products, CPChem, from 2000 to 2008. Mr. Garland also serves on the boards of Amgen Inc. and Phillips 66 Partners GP LLC, the general partner of Phillips 66 Partners LP.

Skills and qualifications:

Mr. Garland's 35-year career with Phillips Petroleum Company, CPChem and ConocoPhillips, and as CEO of Phillips 66, makes him well qualified to serve both as a Director and as Chairman of the Board. Mr. Garland's extensive experience in the energy industry makes his service as a Director invaluable to the Company. In addition to his other skills and qualifications, Mr. Garland's role as both Chairman and CEO of Phillips 66 serves as a vital link between the Board of Directors and management, allowing the Board to perform its oversight role with the benefit of management's perspective on business and strategy.

Table of Contents

John E. Lowe, 57

Director since April 2012

Mr. Lowe served as assistant to the CEO of ConocoPhillips, a position he held from 2008 until May 2012. He previously held a series of executive positions with ConocoPhillips, including Executive Vice President, Exploration and Production, from 2007 to 2008, and Executive Vice President, Commercial, from 2006 to 2007. Mr. Lowe is a Special Executive Advisor to Tudor, Pickering, Holt & Co. and serves on the boards of TransCanada Corporation and Apache Corporation, where he serves as non-executive Chairman.

Skills and qualifications:

Mr. Lowe has served on the boards of DCP Midstream, LLC and CPChem, two of the Company's significant joint ventures. He has extensive experience in and knowledge of the energy industry through his service on these boards and his 30-year career with Phillips Petroleum Company and ConocoPhillips.

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 2017 ANNUAL MEETING

William R. Loomis, Jr., 67

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. He currently serves on the board of L Brands, Inc.

Skills and qualifications:

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

Table of Contents

PROPOSAL 1: Election of Directors

Glenn F. Tilton, 67

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 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 experience in the energy industry and expertise in finance and capital markets matters.

Marna C. Whittington, 68

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. 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

DIRECTORS WHOSE TERMS EXPIRE AT THE 2018 ANNUAL MEETING

J. Brian Ferguson, 61

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 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, as well as in executive compensation.

Harold W. McGraw III, 67

Director since April 2012

Mr. McGraw is Chairman Emeritus of McGraw Hill Financial having served as Chairman of the Board from 1999 until 2015, as CEO from 1998 to November 2013 and as President and Chief Operating Officer from 1993 to November 2013. Mr. McGraw has been the Chairman of the International Chamber of Commerce since July 2013. He currently serves on the board of United Technologies Corporation.

Skills and qualifications:

As a former CEO and Chairman of the Board of a large, global public company with a significant role in the financial reporting industry, Mr. McGraw's experience allows him to provide Phillips 66 with valuable global financial, corporate governance and operational expertise.

Table of Contents

PROPOSAL 1: Election of Directors

Victoria J. Tschinkel, 68

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.

Skills and qualifications:

Ms. Tschinkel's extensive environmental regulatory experience makes her well qualified to serve as a member of the Board. In addition, her relationships and experience working within the environmental community position her to advise the Board on the impact of our operations in sensitive areas.

Our By-Laws require directors to be elected by the majority of the votes cast with respect to such director (i.e., the number of votes cast "for" a director must exceed the number of votes cast "against" that director). If a nominee who is serving as a Director is not elected at the Annual Meeting and no one else is elected in place of that Director, then, under Delaware law, the Director would continue to serve on the Board of Directors as a "holdover director." However, under our By-Laws, the holdover director would be required to tender his or her resignation to the Board. The Nominating Committee then would consider and recommend to the Board whether to accept or reject the tendered resignation, or whether some other action should be taken. The Board of Directors would then make a decision whether to accept the resignation taking into account the recommendation of the Nominating Committee. The Director who tenders his or her resignation would not participate in the Board's decision. The Board is required to publicly disclose (by a press release, a filing with the SEC or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors.

For information on the compensation of our non-employee Directors, please see the the discussion beginning on page 51.

NOMINATIONS

In selecting the 2016 nominees for Director, the Nominating Committee sought candidates 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. In addition to reviewing a candidate's background and accomplishments, the Nominating Committee reviewed candidates in the context of the current composition of the Board and the evolving needs of the Company's businesses. The Nominating Committee also considered the number of boards on which the candidate already serves. It is the Board's policy that at all times at least a substantial majority of its members meets the standards of independence promulgated by the NYSE and the SEC, and as set forth in the Company's Corporate Governance Guidelines. The Nominating Committee also seeks to ensure that 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, and energy-related industries, sufficient to provide sound and prudent guidance with respect to the Company's operations and interests. The Board seeks to maintain a diverse membership, but does not have a separate policy on diversity. The Board also requires that its members be able to dedicate the time and resources necessary to ensure the diligent performance of their duties on the Company's behalf, including attending Board and applicable committee meetings.

The following are some of the key qualifications and skills the Nominating Committee considered in evaluating the director nominees. The individual biographies above provide additional information about each nominee's specific experiences, qualifications and skills.

Table of Contents

CEO experience. Directors with experience as CEOs of public corporations provide the Company with valuable insights. These individuals have a demonstrated record of leadership qualities and a practical understanding of organizations, processes, strategy, risk and risk management and the methods to drive change and growth. Through their service as top leaders at other organizations, they also bring valued perspectives on common issues affecting other companies and Phillips 66.

Financial reporting experience. An understanding of finance and financial reporting processes is important. The Company measures its operating and strategic performance by reference to financial targets. In addition, accurate financial reporting and robust auditing are critical to the Company's success. We seek to have multiple directors who qualify as audit committee financial experts, and we expect all of our directors to be financially knowledgeable.

Industry experience. Directors with experience as executives or directors or in other leadership positions in the energy industry bring pertinent background and knowledge to the Board. These directors have valuable perspective on issues specific to the Company's business.

Global experience. As a global company, directors with global business or international experience provide valuable perspectives on our operations.

Environmental experience. The perspective of directors who have experience within the environmental regulatory field is valued as we implement policies and conduct operations in order to ensure that our actions today will provide the energy needed to drive economic growth and social well-being, while also securing a stable and healthy environment for tomorrow.

Risk management experience. Directors with experience as executives managing risk provide insight and guidance that enhance the Board's capabilities in performing its risk oversight responsibilities.

	MR. FERGUSON	**MR. GARLAND**	**MR. LOOMIS**	**MR. LOWE**	**MR. MCGRAW**	**MR. TILTON**	**MS. TSCHINKEL**	**DR. WHITTINGTON**
CEO Experience	ü	ü	ü		ü	ü		ü
Financial Reporting Experience	ü	ü	ü	ü	ü	ü	ü	ü
Industry Experience	ü	ü		ü		ü		ü
Global Experience	ü	ü	ü	ü	ü	ü	ü	ü
Environmental Experience	ü	ü	ü	ü		ü	ü	ü
Risk Management Experience	ü	ü	ü	ü	ü	ü	ü	ü

The lack of a "ü" for a particular item does not mean that the director does not possess that qualification, characteristic, skill or experience. We look to each director to be knowledgeable in these areas; however, the "ü" indicates that the item is a specific qualification, characteristic, skill or experience that the director brings to the Board.

Table of Contents

PROPOSAL 1: Election of Directors

COMMITTEES OF THE BOARD

COMMITTEE	MEMBERS	PRINCIPAL FUNCTIONS	NUMBER OF MEETINGS IN 2015
Audit and Finance	William R. Loomis, Jr.*(1) John E. Lowe Victoria J. Tschinkel Marna C. Whittington	Discusses, with management, the independent auditors and the internal auditors, the integrity of the Company's accounting policies, internal controls, financial statements, and financial reporting practices, and select financial matters, covering the Company's capital structure, complex financial transactions, financial risk management, retirement plans and tax planning. Reviews significant corporate risk exposures and steps management has taken to monitor, control and report such exposures. Monitors the qualifications, independence and performance of our independent auditors and internal auditors. Monitors our compliance with legal and regulatory requirements and corporate governance guidelines, including our Code of Business Ethics and Conduct. Maintains open and direct lines of communication with the Board and our management, internal auditors and independent auditors.	12
Executive	Greg C. Garland* J. Brian Ferguson William R. Loomis, Jr. Harold W. McGraw III Victoria J. Tschinkel	Exercises the authority of the full Board between Board meetings on all matters other than (1) those expressly delegated to another committee of the Board, (2) the adoption, amendment or repeal of any of our By-Laws and (3) those that cannot be delegated to a committee under statute or our Certificate of Incorporation or By-Laws.	0
Human Resources and Compensation	J. Brian Ferguson* Harold W. McGraw III Glenn F. Tilton	Oversees our executive compensation policies, plans, programs and practices. Assists the Board in discharging its responsibilities relating to the fair and competitive compensation of our executives and	6

		other key employees. Reviews at least annually the performance (together with the Lead Director) and sets the compensation of the CEO.	
Nominating and Governance	Harold W. McGraw III* J. Brian Ferguson Glenn F. Tilton	Selects and recommends director candidates to the Board to be submitted for election at Annual Meetings and to fill any vacancies on the Board. Recommends committee assignments to the Board. Reviews and recommends to the Board compensation and benefits policies for our non-employee Directors. Reviews and recommends to the Board appropriate corporate governance policies and procedures for our Company. Conducts an annual assessment of the qualifications and performance of the Board. Reviews and reports to the Board annually on succession planning for the CEO.	5
Public Policy	Victoria J. Tschinkel* William R. Loomis, Jr. John E. Lowe Marna C. Whittington	Advises the Board on current and emerging domestic and international public policy issues. Assists the Board with the development, review and approval of policies and budgets for charitable and political contributions. Advises the Board on compliance with policies, programs and practices regarding health, safety and environmental protection.	6

* Committee Chairperson

(1) Audit committee financial expert

Table of Contents

PROPOSAL 2: Ratification of the Appointment of Ernst & Young LLP

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm retained to audit the Company's financial statements. The Audit Committee has appointed Ernst & Young LLP to serve as the Company's independent registered public accounting firm for fiscal year 2016. Ernst & Young has been retained as the Company's independent registered public accounting firm continuously since 2012. The Audit Committee and the Board of Directors believe that the continued retention of Ernst & Young is in the best interests of the Company and its shareholders. We are asking you to vote on a proposal to ratify the appointment of Ernst & Young.

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSAL TO RATIFY THE APPOINTMENT OF ERNST & YOUNG LLP.

Approval of this proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the proposal. If the appointment of Ernst & Young is not ratified, the Audit Committee will reconsider the appointment.

SERVICES PROVIDED BY THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit services of Ernst & Young for fiscal year 2015 included an audit of our consolidated financial statements, an audit of the effectiveness of the Company's internal control over financial reporting, and services related to periodic filings made with the SEC. Additionally, Ernst & Young provided certain other services as described below. In connection with the audit of the 2015 consolidated financial statements, we entered into an engagement agreement with Ernst & Young that set forth the terms by which Ernst & Young performed audit services for us.

The Audit Committee is responsible for negotiating the audit fee associated with its retention of Ernst & Young. Ernst & Young's fees for professional services totaled $12.9 million for each of 2015 and 2014, which consisted of the following:

Fees (in millions)	**2015**	**2014**
Audit Fees(1)	$ 11.8	$ 11.6
Audit-Related Fees(2)	0.7	0.8
Tax Fees(3)	0.4	0.5
All Other Fees		
Total	**$ 12.9**	**$ 12.9**

(1) Fees for audit services related to the fiscal year consolidated audit, the audit of the effectiveness of internal controls, quarterly reviews, registration statements, comfort letters, statutory and regulatory audits and accounting consultations. Includes audit fees of Phillips 66 Partners LP of $1.3 million and $1.5 million for 2015 and 2014, respectively, which were approved by the Audit Committee of the General Partner of Phillips 66 Partners LP.

(2) Fees for audit-related services related to audits in connection with proposed or consummated dispositions, benefit plan audits, other subsidiary audits, special reports, and accounting consultations.

(3) Fees for tax services related to tax compliance services and tax planning and advisory services.

The Audit Committee has considered whether the non-audit services provided to Phillips 66 by Ernst & Young impaired the independence of Ernst & Young and concluded they did not.

The Audit Committee has adopted a pre-approval policy that provides guidelines for the audit, audit-related, tax and other non-audit services that Ernst & Young may provide to the Company. All of the fees in the table above were approved in accordance with this policy. The policy (a) identifies the guiding principles that must be considered by the Audit Committee in approving services to ensure that Ernst & Young's independence is not impaired; (b) describes the audit, audit-related, tax and other services that may be provided and the non-audit services that are prohibited; and (c) sets forth pre-approval requirements for all permitted services. Under the policy, the Audit Committee must pre-approve all services to be provided by Ernst & Young. The Audit Committee has delegated authority to approve permitted services to its Chair. Such approval must be reported to the entire Audit Committee at its next scheduled meeting.

One or more representatives of Ernst & Young will be present at the Annual Meeting. The representatives will have an opportunity to make a statement if they desire and will be available to respond to appropriate questions from the shareholders.

Table of Contents

PROPOSAL 2: Ratification of the Appointment of Ernst & Young LLP

AUDIT AND FINANCE COMMITTEE REPORT

The Audit Committee assists the Board of Directors in fulfilling its responsibility to provide independent, objective oversight of the financial reporting functions and internal control systems of Phillips 66. The Audit Committee currently consists of four non-employee Directors. The Board has determined that each member of the Audit Committee satisfies the requirements of the NYSE as to independence, financial literacy and expertise. The Board has determined that at least one member, William R. Loomis, Jr., is an audit committee financial expert as defined by the SEC. The responsibilities of the Audit Committee are set forth in the written charter adopted by the Board of Directors, which is available in the "*Investors*" section of the Company's website under the caption "*Governance*." One of the Audit Committee's primary responsibilities is to assist the Board in its oversight of the integrity of the Company's financial statements. The following report summarizes certain of the Audit Committee's activities in this regard for 2015.

Review with Management. The Audit Committee has reviewed and discussed with management the audited consolidated financial statements of Phillips 66 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, and management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, included therein.

Discussions with Independent Registered Public Accounting Firm. The Audit Committee has discussed with Ernst & Young LLP, independent registered public accounting firm for Phillips 66, the matters required to be discussed by Auditing Standard (AS) No. 61 as adopted by the Public Company Accounting Oversight Board, which is codified as AS No. 1301. The Audit Committee has received the written disclosures and the letter from Ernst & Young required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and has discussed with that firm its independence from Phillips 66.

Recommendation to the Phillips 66 Board of Directors. Based on its review and discussions noted above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements of Phillips 66 be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

THE PHILLIPS 66 AUDIT AND FINANCE COMMITTEE

William R. Loomis, Jr., Chairman
John E. Lowe
Victoria J. Tschinkel
Marna C. Whittington

Table of Contents

PROPOSAL 3: Advisory Approval of Executive Compensation

Shareholders are being asked to vote on the following advisory (non-binding) resolution:

> RESOLVED, that the shareholders approve the compensation of Phillips 66's Named Executive Officers (NEOs) as described in this proxy statement in the Compensation Discussion and Analysis section and in the Executive Compensation Tables (together with the accompanying narrative disclosures).

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" THE ADVISORY APPROVAL OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS.

Approval of this proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the proposal.

As required by Section 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Phillips 66 is providing shareholders with the opportunity to vote on an advisory resolution, commonly known as "Say-on-Pay," considering approval of the compensation of its NEOs.

The Compensation Committee, which is responsible for the compensation of our CEO and Senior Officers, has overseen the development of compensation programs designed to attract, retain and motivate executives who enable us to achieve our strategic and financial goals. The Compensation Discussion and Analysis and the Executive Compensation Tables, together with the accompanying narrative disclosures, allow you to view the trends in compensation and application of our compensation philosophies and practices for the years presented.

The Board of Directors believes that the Phillips 66 executive compensation programs align the interests of our executives with those of our shareholders. Our compensation programs are guided by the philosophy that the Company's ability to provide sustainable value is driven by superior individual performance. The Board believes that a company must offer competitive compensation to attract and retain experienced, talented and motivated employees. In addition, the Board believes employees in leadership roles within the organization are motivated to perform at their highest levels when performance-based pay represents a significant portion of their compensation. The Board believes that our philosophy and practices have resulted in executive compensation decisions that are aligned with Company and individual performance, are appropriate in value and have benefited the Company and its shareholders.

Because your vote is advisory, it will not be binding upon the Board of Directors. Nevertheless, the Compensation Committee and the Board will consider the outcome of the vote when evaluating future executive compensation arrangements.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (CD&A) details our executive compensation programs for 2015 and the decisions the Compensation Committee has made regarding 2015 compensation. This CD&A focuses on the compensation of our NEOs in 2015, who were:

Greg Garland	Chairman and Chief Executive Officer
Paula Johnson	Executive Vice President and General Counsel
Greg Maxwell	Executive Vice President and Chief Financial Officer
Tim Taylor	President
Larry Ziemba	Executive Vice President, Refining

At the end of 2015, Mr. Maxwell retired. In January 2016, Kevin J. Mitchell became our Executive Vice President and Chief Financial Officer.

CONTENTS OF CD&A

Our Industry, Corporate Strategy and Business Performance	24
Our Compensation Philosophy	25
Elements of Compensation	26
Targets and Payouts for Compensation Elements	27
Other Benefits and Perquisites	35
Executive Compensation Governance	37
Role of the Human Resources and Compensation Committee	38
Human Resources and Compensation Committee Report	39

OUR INDUSTRY, CORPORATE STRATEGY AND BUSINESS PERFORMANCE

Our industry is vitally important to the global economy. Fossil fuels, particularly oil and natural gas, continue to be 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 in a safe, efficient and environmentally responsible way. We improve lives by providing access to energy, which is essential to a high standard of living and health throughout the world.

We are a diversified energy manufacturing and logistics company with a unique portfolio of assets in the Midstream, Chemicals, Refining and Marketing & Specialties businesses. We are focused on processing, transporting, storing and marketing fuels and products globally. Integral to our portfolio of assets is our master limited partnership, Phillips 66 Partners LP (PSXP).

The 2015 energy landscape highlighted the volatile nature of our industry. Our operating plans reflect this changing environment; however, our overriding objective remains the same enable our high-performing workforce to execute our corporate strategy efficiently and effectively and remain vigilant and focused on safety and operating excellence in order to:

Deliver Profitable Growth

Optimize Returns

Grow Shareholder Distributions

One way we measure progress toward implementing our corporate strategy is through enterprise value growth. Through our disciplined capital allocation model, we increase our enterprise value by strategically investing capital in our higher-return businesses while returning a significant portion of capital to shareholders through dividends and share repurchases.

Table of Contents

Our 2015 performance results and strategic highlights are presented below.

STRATEGY	RESULTS	STRATEGIC HIGHLIGHTS
	Adjusted earnings of $4.2 billion 60% above target and $0.4 billion above 2014	Our 100,000 barrels-per-day Sweeny Fractionator One began operations. On schedule with strategic projects including the Freeport LPG export terminal, JV pipelines connecting the Bakken oil field to the Gulf Coast, the Beaumont storage and terminal facility and Bayou Bridge pipeline. CPChem completed the Cedar Bayou NAO expansion in June 2015, and is on schedule and on budget to complete the US Gulf Coast Petrochemicals project in mid-2017.
	PSXP distribution Compound Annual Growth Rate of 41% since its IPO in 2013	PSXP raised $1,474 million in capital, through its first follow-on equity and debt issuances, which funded asset drop downs and organic-growth projects.
	Clean product yield of over 84%	Our refineries completed $160 million of high-return projects.
	Refinery crude utilization of 91%	Despite a heavy planned turnaround schedule, we maximized capture of increased margins by running above capacity and delaying certain turnarounds.
	VCIP ROCE of 16.1%	VCIP ROCE was 7.2 percentage points above our WACC. Chemicals ROCE of 20%. Strengthened the DCP balance sheet with a $1.5 billion cash infusion positioning DCP to be self-funding in the current lower commodity price environment.
	Adjusted controllable costs of $5.9 billion	Operations managed costs 5% below budget while absorbing company growth including the Spectrum acquisition, Sweeny Fractionator One and Beaumont Terminal.
	$7.7 billion in share repurchases and exchanges since May 2012	Total common shares outstanding at year-end 2015 were 529 million, down 15% since spin-off and 3% from 2014. Consistent with our strategy, 54% of capital was reinvested

Dividend Compound Annual Growth Rate of 34% since May 2012	through our strategic activities and 46% was distributed to shareholders from 2013 to 2015.

OUR COMPENSATION PHILOSOPHY

Our compensation programs support our corporate mission of providing energy and improving lives. Our programs are aligned with key elements of our corporate strategy. Important tenets of our approach include:

We ensure executive compensation drives behaviors and actions consistent with shareholder interests, prudent risk-taking and a long-term perspective

We believe our compensation programs play an important role in our employee value proposition. They provide a competitive advantage by helping us attract, retain, motivate, and reward high-performing executive talent, as well as support succession planning

We pay for performance. Executives have a significant portion of compensation tied to the achievement of annual and long-term goals that promote shareholder value creation

We target and award reasonable and competitive compensation ranges, aligned with market median levels. Awards are then differentiated based on performance relative to targets/peers and market conditions.

We emphasize Phillips 66 stock ownership by requiring stock ownership levels for our executives that are set at a multiple of their annual base salary

We provide executives the same group benefit programs as we provide other employees, on substantially the same terms

We limit executive perquisites to items that serve a reasonable business purpose

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

ELEMENTS OF COMPENSATION

Significant Pay at Risk

Consistent with our philosophy that executive compensation should be linked to Company performance and directly aligned with shareholder value creation, a significant portion of NEO compensation is at risk and based on performance metrics tied to our corporate strategy. "At risk" means there is no guarantee that the target value of the awards will be realized. The Compensation Committee has complete authority to limit and even award nothing for the performance-based payouts and individual performance adjustments under the Variable Cash Incentive Program (VCIP) and Performance Share Program (PSP) based on its evaluation of performance. Stock options can expire with zero value if the Company stock price does not appreciate above the grant date price over the 10-year life of the options. RSUs may lose value depending on stock price performance. Therefore, for NEOs to earn and sustain competitive compensation, the Company must meet its strategic objectives, perform well relative to peers and deliver market-competitive returns to shareholders.

2015 Principal Elements of the Executive Compensation Programs

The following table summarizes the principal elements of the executive compensation programs and the performance drivers of each element.

KEY ELEMENTS OF PAY	DELIVERED VIA	TARGET AMOUNT	PERFORMANCE DRIVERS (AND WEIGHTING)
Base Salary	Cash	Benchmarked to peer median; adjusted for experience, responsibility and performance	Annual fixed cash compensation to attract and retain NEOs
Annual Incentives	VCIP	100% of Annual Performance-Based Compensation Target	Safety and Operating Excellence (25%) Cost Management (25%) 1-Year ROCE (25%) Adjusted Earnings (25%) Individual Modifier (+/ 50% of target)
Long-Term Incentives	PSP (3-year performance period)	50% of Long-Term Grant	Relative ROCE (25%) Absolute ROCE (25%) TSR (50%)
	Stock Options(1)	25% of Long-Term Grant	Long-term stock price appreciation for RSUs and stock options
	RSUs		

25% of Long-Term Grant

(1)

The Compensation Committee believes that stock options are inherently performance-based, as options have no initial value and grantees only realize benefits if the value of our stock increases above the option price following the date of grant. This practice aligns the interests of our NEOs and shareholders.

The Compensation Committee believes this mix is aligned with our compensation philosophy, reflects the cyclical nature of our business and supports executive retention.

Target Mix

The target mix of the compensation program elements for the CEO and other NEOs is shown below. The charts outline the relative size, in percentage terms, of each element of targeted compensation.

CEO target compensation mix is 90 percent at risk and 72 percent performance-based. The target mix for the other NEOs is 82 percent at risk and 66 percent performance-based. Both the CEO and other NEO target mix percentages are commensurate with their levels of responsibility.

Table of Contents

TARGETS AND PAYOUTS FOR COMPENSATION ELEMENTS

Peer Group Comparisons

In 2015, consistent with investor feedback and best practices, we enhanced our peer group comparisons to better reflect our business segments and long-term strategy. We use a performance peer group to evaluate our business results. We believe that our performance peer group is representative of the companies that investors use for relative performance comparisons. We use a compensation peer group to evaluate and determine our compensation levels for our NEOs. Our compensation peer group is comprised of a mix of companies from our performance peer group and companies from the broader market. The mix includes companies from the broader market because we draw our executive talent from a candidate pool that extends beyond the energy industry. We utilized the following peer groups for performance comparisons and compensation decisions.

Performance Peer Group Phillips 66 is uniquely positioned in the energy industry with a large refining base, a growing midstream NGL business and significant petrochemical exposure. To reflect our unique portfolio of assets, we expanded our peer group for performance comparison purposes to include companies from all three of our major businesses. The table below presents the sixteen companies in our 2015 performance peer group.

REFINING AND MARKETING	MIDSTREAM	CHEMICALS
Delek US Holdings, Inc.	Energy Transfer Equity, L.P.	Celanese Corporation
HollyFrontier Corporation	Enterprise Products Partners L.P.	The Dow Chemical Company
Marathon Petroleum Corporation	ONEOK, Inc.	Eastman Chemical Company
PBF Energy Inc.	Targa Resources Corp.	Huntsman Corporation
Tesoro Corporation		Westlake Chemical Corporation
Valero Energy Corporation		
Western Refining, Inc.		

In addition to the companies in our performance peer group, we evaluate our TSR performance against the S&P 100 Index. The Compensation Committee believes that the S&P 100 is an appropriate comparison for performance purposes because these are the companies with which we compete for capital in the broader market.

Compensation Peer Group Compensation peers include companies that are reasonably comparable to Phillips 66 based on three primary criteria assets, market capitalization, and business operations. Revenue is a secondary criteria due to the nature of our operations. The Compensation Committee believes reviewing each of these criteria is necessary in order to fully reflect the complex nature of our business and determine the optimal group of companies with which to compare Phillips 66.

Because our executive talent pool is broader than the energy industry, our compensation peer group consists of some of the companies from our performance peer group and large industrial companies with significant capital investments and complex international operations. At the time this compensation peer group was last reviewed in 2015, we were, in comparison to this group, in the 46th percentile in assets, 30th percentile in market capitalization and 93rd percentile in revenue. The 2015 compensation peer group is comprised of the following 26 companies.

Archer-Daniels-Midland Company	Ford Motor Company	The Procter & Gamble Company
The Boeing Company	General Dynamics Corporation	Sysco Corporation
BP p.l.c.	General Motors Company	Tesoro Corporation
Caterpillar Inc.	Honeywell International Inc.	Tyson Foods, Inc.
Chevron Corporation	Johnson & Johnson	United Parcel Service, Inc.
Deere & Company	Johnson Controls, Inc.	United Technologies Corporation
The Dow Chemical Company	Lockheed Martin Corporation	Valero Energy Corporation
E.I. du Pont de Nemours and Company	Marathon Petroleum Corporation	Verizon Communications Inc.
FedEx Corporation	Mondelez International, Inc.	

Base Salary

Base salary is designed to provide a competitive and fixed rate of pay recognizing employees' different levels of responsibility and performance. As the majority of our NEO compensation is performance-based and tied to long-term programs, base salary represents a less significant component of total compensation. In setting each NEO's base salary, the Compensation Committee considers factors including, but not limited to, the responsibility level for the position held, market data from the relevant peer groups for comparable roles, experience and expertise, individual performance and business results.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

Below is a summary of the annualized base salary for each NEO for 2015. Because these amounts reflect each NEO's annualized salary as of the dates indicated, this information may vary from the information provided in the "**Summary Compensation Table**" on page 40, which reflects actual base salary earnings in 2015, including the effect of salary changes during the year.

NAME	POSITION	BASE SALARY AS OF DECEMBER 31, 2014 ($)	BASE SALARY AS OF DECEMBER 31, 2015 ($)(1)
Mr. Garland	Chairman and Chief Executive Officer	1,522,512	1,575,816
Ms. Johnson	Executive Vice President and General Counsel	610,008	671,016
Mr. Maxwell	Executive Vice President and Chief Financial Officer	775,008	806,016
Mr. Taylor	President	985,008	1,024,416
Mr. Ziemba	Executive Vice President, Refining	679,272	701,352

(1) The December 31, 2015 base salary for Ms. Johnson reflects an increase for a promotion received during the year.

Mr. Garland, Ms. Johnson and Messrs. Maxwell, Taylor and Ziemba received base salary increases effective July 1, 2015, as part of the annual merit cycle for all employees. These merit increases in base salary brought each applicable NEO's base salary in line with respective peer group levels and reflect that each NEO met established performance requirements for their respective roles. The Compensation Committee determined these adjustments were appropriate to maintain our competitiveness in the market. Ms. Johnson received a grade promotion, effective July 1, 2015. This promotion prompted other actions, including target VCIP increases and supplemental prospective performance plan awards.

Variable Cash Incentive Program

The VCIP, which is our annual incentive program, is designed to:

- Reward annual performance achievements
- Align corporate, business and individual goals with shareholder interests and Company strategy
- Drive behaviors and actions consistent with shareholder interests
- Provide variability and differentiation based on corporate, business and individual performance

Each NEO's base VCIP award is tied solely to corporate performance rather than the performance of any individual business unit. We believe this structure is in the best interests of shareholders as it promotes collaboration across the organization.

The annual payout for NEOs is delivered as a cash bonus and is calculated as follows:

Eligible earnings are multiplied by a target percentage that is based on each NEO's salary grade level. At the end of the performance period, the Compensation Committee reviews the Company's performance to determine the Corporate Payout Percentage. This percentage is based on a mix of operational and financial metrics selected to drive the right behaviors. Metrics and weightings are outlined in the tables below. The Compensation Committee can award a Corporate Payout Percentage of zero up to the maximum of 200 percent.

The Compensation Committee then takes into account the individual accomplishments of each NEO when determining any individual performance adjustments. These can range from +/ 50 percent of target. Adjustments are based on measurable performance of the individual NEO that drives shareholder value.

Table of Contents

For 2015, the Compensation Committee used the following metrics, which are aligned with our corporate strategy, to evaluate corporate performance under the VCIP. This mix of financial and operational metrics was designed to ensure a balanced view of Company performance.

METRIC	CORPORATE WEIGHTING	RATIONALE
Safety, Process Safety and Operating Excellence	25%	Aligns payout with strategic focus on operating excellence
Cost Management	25%	Effective cost management maintains a focus on operating excellence as well as enhancing returns
ROCE	25%	Aligns payout with strategic focus on enhancing returns and growth initiatives
Adjusted Earnings	25%	Measures the effectiveness of strategic growth initiatives, operating excellence and quality of returns

Generally, target performance results in 100 percent payout of target bonus opportunity. Less-than-target performance will normally result in a payout between zero and 99 percent of target. Greater-than-target performance generally results in a payout between 100 percent of target and the maximum 200 percent, before individual adjustment.

Safety, Process Safety and Operating Excellence Metrics

Operating excellence, including personal and process safety as well as environmental stewardship, is critical to meeting our corporate strategy of growth, returns and distributions. We measure ourselves against others in our industry for safety and utilization metrics and target sustained improvement in environmental events compared to prior years.

In 2015, both our Total Recordable Rate (TRR) and Lost Workday Case Rate (LWCR) were first quartile compared to an industry group. Although our Process Safety Rate was better than target, our 2015 results were second quartile compared to this industry group. 2015 was our second best performance year for agency reportable environmental events. Despite a heavy turnaround schedule, our crude capacity utilization was 91 percent and better than industry average. Although the formulaic result would have produced a higher payout percentage, the Compensation Committee exercised negative discretion to reflect that our process safety results were slightly impaired year-over-year and the fact that our personal safety metrics were flat with 2014. All these considerations were used to determine a 160 percent payout for safety, process safety and operating excellence performance.

ROCESS SAFETY	COMPANY RESULTS		PAYOUT LEVELS BASED ON PERFORMANCE					
G EXCELLENCE	TARGET	ACTUAL	175-200%	100-175%	50-100%	0-50%	PAYOUT %	CO WEIGHT
RR	0.43	0.19	**1st Quartile**	2nd Quartile	3rd Quartile	4th Quartile	185%	5%
WCR	0.10	0.03	**1st Quartile**	2nd Quartile	3rd Quartile	4th Quartile	185%	5%
ty Rate	0.09	0.08	1st Quartile	**2nd Quartile**	3rd Quartile	4th Quartile	150%	5%
al Events	150	142	<125	**125-150**	150-175	>175	140%	5%
lization	90%	91%	>94%	**90%-94%**	86%-90%	<86%	140%	5%
, Process Safety and Operating							**160%**	**25%**

Cost Management

Cost management maintains focus on operating excellence and enhances our ability to deliver differentiated returns to shareholders. Our targets are based on our budget for the current year. We measure our costs per barrel relative to our peer group to ensure alignment with industry trends and to reflect operating decisions made in response to changing market conditions that vary from budget assumptions.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

In 2015, we were 5 percent improved versus our budget and were second in our peer group on costs per barrel. Additionally, we absorbed company growth costs associated with the Spectrum acquisition, start-up of Sweeny Fractionator One and the Beaumont terminal. These results were used to determine a 180 percent payout for Cost Management.

	COMPANY RESULTS		PAYOUT LEVELS BASED ON PERFORMANCE					PAYOUT	CORPO
RIC	**TARGET**	**ACTUAL**	**150-200%**	**100-150%**	**100%**	**50-100%**	**0%**	**%**	**WEIGHT**	**PA**
	$6,155	$5,853	**<Target**	**2%** Target	1% Target	<Target+5%	>Target+5%	**180%**	**25%**	**4**
gement*										
)										

* Cost management is a non-GAAP financial measure. See Appendix B for additional information.

Return on Capital Employed

ROCE is key to delivering returns to shareholders and achieving our growth initiatives. ROCE is a key metric for shareholders to determine the quality of our earnings relative to peers. The Compensation Committee reviews the relative ROCE as well as the absolute results to ensure we effectively compete for capital in the broader market. Our absolute targets are based on our WACC.

In 2015, the Compensation Committee considered that our VCIP ROCE was 7.2 percentage points above our target and that we were seventh out of 17 companies in our performance peer group, when determining a 145 percent payout for ROCE.

	COMPANY RESULTS		PAYOUT LEVELS BASED ON PERFORMANCE									PAYOUT	
YED	**TARGET**	**ACTUAL**	**200%**	**175%**	**150%**	**125%**	**100%**	**75%**	**50%**	**25%**	**0%**	**%**	**WEIG**
E*	8.9%	16.1%	**>11.9%**	11.2%	10.4%	9.7%	8.9%	8.2%	7.4%	6.7%	<5.9%	200%	12

			PAYOUT LEVELS BASED ON PERFORMANCE					
			160-200%	**80-160%**	**25-80%**	**0%**		
*	Median of peers	7th	1st-4th	**5th-10th**	11th-15th	16th or 17th	90%	12
ital Employed							**145%**	2

* VCIP ROCE is a non-GAAP financial measure. See Appendix B for additional information.

The following chart shows our VCIP ROCE performance relative to our peers.

RELATIVE VCIP ROCE[(1)]
(PERCENT)

(1) Relative ROCE calculations are based on Q3 YTD results annualized for 2015.

Adjusted Earnings

Adjusted earnings measures how effectively we are delivering on our growth, returns and distribution strategies. We measure our adjusted earnings compared to budgeted targets.

In 2015, we set an aggressive target in an increasingly uncertain commodity environment and outperformed our budget by 60 percent. Total adjusted earnings were $4.2 billion. Additionally, we generated cash from operations of $5.9 billion, excluding working capital. Although a strictly formulaic result would have produced a higher payout percentage, the

Table of Contents

Compensation Committee exercised negative discretion to reflect the current market environment when determining a 175 percent payout for adjusted earnings.

GS	COMPANY RESULTS		PAYOUT LEVELS BASED ON PERFORMANCE								COR
	TARGET	ACTUAL	200%	170-199%	125-169%	100-124%	70-99%	25-69%	0%	PAYOUT %	WEIGHT
	$2,619	$4,193	$4,200	**$3,500**	$3,000	$2,600	$2,300	$1,900	<$1,000	**175%**	**25%**

*

Adjusted earnings is a non-GAAP financial measure. See Appendix B for additional information.

Total Corporate Payout

The formulaic result of our individual metrics resulted in a Total Corporate Payout of 165 percent and is summarized below.

METRIC	PAYOUT PERCENTAGE	WEIGHT	CORPORATE PAYOUT
Safety, Process Safety and Operating Excellence	160%	25%	40.00%
Cost Management	180%	25%	45.00%
Return on Capital Employed	145%	25%	36.25%
Adjusted Earnings	175%	25%	43.75%
Total Corporate Payout			**165.00%**

Applying Project-Based and Shareholder Metrics to the Annual VCIP Payout

The Compensation Committee has the authority to adjust individual VCIP payouts by +/ 50 percent of the formula-based target payout amount. The Compensation Committee applies an additional individual performance adjustment to reflect project-based accomplishments that drove or detracted from shareholder value or for market-based considerations to more closely align the payout with shareholder returns. This flexibility allows us to reflect our unique business strategy and portfolio of assets as well as differentiate individual executive performance. The Compensation Committee made adjustments to individual compensation levels based on projects and initiatives leading to the successful execution of our strategy and the senior executives responsible for the success of these projects and initiatives.

The following initiatives and results were considered when making individual adjustment decisions.

ROWTH				RETURNS					
CPCHEM GROWTH PROJECTS	PSXP DISTRIBUTION GROWTH	CLEAN PRODUCT YIELD	REFINERY CRUDE UTILIZATION	REFINING HIGH-RETURN PROJECTS	CAPTURE REFINING MARGINS	CHEMICALS ROCE	DCP BALANCE SHEET	PSX ROCI
•	•	•	•	•	•	•	•	•
•	•						•	

The Compensation Committee approved total payouts for each of our NEOs as shown in the table below.

NAME	ELIGIBLE EARNINGS ($)	TARGET VCIP PERCENTAGE(1)	CORPORATE PAYOUT PERCENTAGE	INDIVIDUAL PERFORMANCE ADJUSTMENT PERCENTAGE	TOTAL PAYOUT ($)
Mr. Garland	1,549,164	160.00%	165%	20%	4,585,525
Ms. Johnson	640,512	86.00%	165%	20%	1,019,055
Mr. Maxwell	790,512	100.00%	165%	20%	1,462,447
Mr. Taylor	1,004,712	110.00%	165%	35%	2,210,366
Mr. Ziemba	690,312	83.00%	165%	15%	1,031,326

(1) Target percentages are weighted to reflect promotions and/or merit increases during 2015.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

Long-Term Incentive (LTI) Programs

Our LTI programs are designed to:

- Align corporate, business and individual goals with shareholder interests and corporate strategy and vision
- Drive behaviors and actions consistent with shareholder interests
- Encourage prudent risk taking and long-term perspective
- Support retention of high-performing talent and succession planning

LTI Mix

Our programs deliver 50 percent of long-term target value in the form of Performance Share Units (PSUs), 25 percent in the form of stock options and 25 percent in the form of RSUs.

We believe this mix of awards is aligned with our compensation philosophy, reflects the cyclical nature of our business, promotes retention of our high-performing talent, supports succession planning and is consistent with market practice.

There are three PSP programs in progress at any time. The table below summarizes the programs in effect during 2015:

PROGRAM	METRICS	PROGRAM TERMS
PSP 2013-2015		
PSP 2014-2016	50% ROCE 50% TSR	Paid in cash at the end of the performance period
PSP 2015-2017		

PSP 2013-2015 Payout

For 2015, the Compensation Committee considered the following results when approving the payout for PSP 2013-2015.

RELATIVE PSP ROCE[(1)]
(PERCENT)

(1) Relative ROCE calculations are based on full year results for 2013 and 2014 and Q3 YTD annualized for 2015.

Table of Contents

RELATIVE TSR
(PERCENT)

Return on Capital Employed

ROCE is an important measure of Company growth and overall performance. The Compensation Committee has used a ROCE measure as a metric in both the PSP program and the VCIP program; however, each applies ROCE to a different time period.

The target for absolute performance is based on our WACC for the performance period.

During the PSP 2013-2015 performance period, our absolute PSP ROCE was 15.8 percent, or 6.4 percentage points above our WACC target. Our relative performance was fifth out of 17 peer companies. The Compensation Committee used these results when determining a 180 percent payout for ROCE.

RN ON AL OYED IC	COMPANY RESULTS TARGET	ACTUAL	PAYOUT LEVELS BASED ON PERFORMANCE 200%	175%	150%	125%	100%	75%	50%	25%	0%	PAYOUT %	CORPO WEIGHT	PA
e PSP	9.4%	15.8%	**12.4%**	11.7%	10.9%	10.2%	9.4%	8.7%	7.9%	7.2%	6.4%	200%	25%	

	COMPANY RESULTS TARGET	ACTUAL	PAYOUT LEVELS BASED ON PERFORMANCE 160-200%	80-160%	25-80%	0%	PAYOUT %	CORPO WEIGHT	PA
PSP	Relative Ranking	5th	1st-4th	**5th-10th**	11th-15th	16th-17th	160%	25%	

eturn on Capital Employed	**180%**	**50%**

* PSP ROCE is a non-GAAP financial measure. See Appendix B for additional information.

Total Shareholder Return

TSR for the performance period is compared to our performance peer group and the S&P 100. Our TSR for the 3-year performance period was 72.3 percent, fifth out of 18 (including the S&P 100 Index) on a relative basis. The Compensation Committee used this ranking when determining a 160 percent payout for our TSR performance.

	COMPANY RESULTS		**PAYOUT LEVELS BASED ON PERFORMANCE**						
TOTAL SHAREHOLDER RETURN METRIC	**TARGET**	**ACTUAL**	**160-200%**	**80-160%**	**25-80%**	**0%**	**PAYOUT %**	**WEIGHT**	**CORPORATE PAYOUT**
Relative Total Shareholder Return	Relative Ranking	5th	1st-4th	**5th-10th**	11th-15th	16th-18th	**160%**	**50%**	**80%**

Total PSP 2013-2015 Payout

The formulaic result of these metrics yielded a Total PSP 2013-2015 payout of 170 percent.

METRIC	**PAYOUT PERCENTAGE**	**WEIGHT**	**CORPORATE PAYOUT**
PSP ROCE	180%	50%	90%
Relative TSR	160%	50%	80%
Total PSP 2013-2015 Payout			**170%**

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

In addition, for PSP 2013-2015 the Compensation Committee could apply performance adjustments to the payout of up to +/ 50 percent based on individual performance. The maximum payout inclusive of Company and individual performance adjustments is capped at 200 percent of target. Targets are prorated for changes in salary grade level during the remaining portion of the relevant performance period. The CEO provides input on individual adjustments for all NEOs (other than himself).

Accordingly, the Compensation Committee approved the following payouts for each NEO for the PSP 2013-2015 performance period:

NAME	TARGET SHARES (#)	CORPORATE PAYOUT PERCENTAGE	INDIVIDUAL PERFORMANCE ADJUSTMENT(1)	TOTAL SHARES(2) (#)	TOTAL VALUE ($)
Mr. Garland	96,129	170%		163,419	12,848,002
Ms. Johnson	17,799	170%		30,258	2,378,884
Mr. Maxwell	23,967	170%		40,744	3,203,293
Mr. Taylor	32,358	170%		55,009	4,324,808
Mr. Ziemba	20,480	170%		34,816	2,737,234

(1) No individual performance adjustments were given to NEOs for the PSP 2013-2015 performance period.

(2) The Total Shares were paid out in cash at the end of of the performance period.

2015 LTI Targets

The Company uses the compensation peer group described on page 27 to benchmark compensation levels and establish multiples of base salary tied to the median LTI opportunities for similar roles at peer organizations.

PSP 2015-2017 Targets

Through the PSP, a significant portion of NEO compensation is tied to Company and individual performance over a three-year period, which is evaluated by the Compensation Committee when determining payouts. Each year, the Compensation Committee establishes metrics that will be used to evaluate Company performance relative to internal performance goals as well as appropriate peer groups for the following three years.

The Compensation Committee uses corporate performance in relation to performance goals and benchmarks when determining award payouts. Payouts can range from 0-200 percent of target opportunity. Generally, target or peer median performance results in a payout equal to 100 percent of target opportunity. Performance below target or peer median performance normally results in a payout between 0 and 99 percent of target opportunity. Performance greater than target or peer median performance generally results in a payout between 100 percent and the maximum 200 percent of target opportunity.

Individual performance adjustments of up to +/ 50 percent of targets can be set at the beginning of the three-year performance period and no adjustments are made at payout.

For PSP 2015-2017, the PSP continued to be 50 percent of the LTI target. The total target units were set in February 2015 and are based on each executive's base salary, the executive's target percentage, Phillips 66's stock price on December 31, 2014 (less anticipated ordinary cash dividends during the performance period) and individual performance.

Stock Option Program

In 2015, 25 percent of the LTI target value was delivered to executives in the form of stock options. These are inherently performance-based as the stock price must increase before the executive can realize any gain. We believe stock options drive behaviors and actions that enhance

long-term shareholder value.

Generally, stock options are granted in February each year. The number of options awarded is based on the Black-Scholes-Merton model. The exercise price of stock options is set at 100 percent of the fair market value of our common stock on the date of grant. Stock options granted to our NEOs in February 2015 vest ratably over a three-year period and have a ten-year term. These stock options do not have voting rights nor entitle the holder to receive dividends. Based on its assessment of the individual performance of each NEO, the Compensation Committee may adjust an award by up to +/ 30 percent of the target amount at grant. The CEO provides input on the grant amounts and individual performance adjustments for all NEOs (other than himself). The Compensation Committee evaluates the individual performance of the CEO. The Compensation Committee did not make any individual performance adjustments to NEO stock option awards in 2015.

Table of Contents

Restricted Stock Units

In 2015, 25 percent of the LTI target value was delivered to executives in the form of RSUs. The Compensation Committee believes maintaining RSUs in our LTI program complements the overall compensation mix for our executives by:

- Driving the right behaviors and actions consistent with creating shareholder value
- Providing diversification of compensation in recognition of the cyclical nature of our industry
- Resulting in actual share ownership aligned with our stock ownership guidelines
- Supporting executive retention

RSUs are typically granted in February each year. The number of units is determined based on the fair market value of Company stock on the date of grant. RSUs awarded to our NEOs in February 2015 cliff vest at the end of the three-year holding period and are delivered to the NEOs in the form of unrestricted Company stock. These RSUs do not carry voting rights but do generate dividend equivalents during the holding period. The Compensation Committee assesses the individual performance of each NEO, and based on that assessment may adjust an award by up to +/ 30 percent of the target amount at grant. The CEO provides input regarding awards made to all NEOs (other than himself). The Compensation Committee evaluates the individual performance of the CEO.

Driving Future Shareholder Value

Our strong 2015 results and the success of our strategic initiatives outlined previously were due in large part to the strong management and oversight of our key senior executives. When determining individual adjustments for the performance-based programs, the Compensation Committee reviewed the contributions of each of our executives to Company results and successful project outcomes.

2015 LTI Target Compensation

The Compensation Committee approved the following targets for the NEOs for 2015. The Compensation Committee considered the individual performance of each NEO as outlined above when determining these targets. These values do not reflect prospective promotional adjustments to PSP targets and may not match the accounting values presented in the "**Grants of Plan-Based Awards**" table on page 42.

NAME	PSP 2015-2017(1) ($)	STOCK OPTIONS(2) ($)	RSUs(3) ($)	TOTAL TARGET ($)
Mr. Garland	5,526,719	2,763,359	2,763,359	11,053,437
Ms. Johnson	1,040,064	472,756	520,032	2,032,852
Mr. Maxwell	1,491,890	678,132	745,945	2,915,967
Mr. Taylor	2,265,518	985,008	1,182,010	4,432,536
Mr. Ziemba	1,158,159	526,436	579,079	2,263,674

(1) PSP 2015-2017 targets include individual adjustments for Ms. Johnson and Messrs. Maxwell, Taylor and Ziemba of 10, 10, 15 and 10 percent, respectively.

(2)

The Compensation Committee did not approve any individual adjustments to stock option targets.

(3) RSU targets include individual adjustments for Ms. Johnson and Messrs. Maxwell, Taylor and Ziemba of 10, 10, 20 and 10 percent, respectively.

OTHER BENEFITS AND PERQUISITES

Below is a summary of other compensation elements available to our NEOs in addition to the five main programs described above:

Broad-Based Employee Benefit Programs

NEOs participate in the same basic benefits package available to our other U.S. salaried employees. This package includes qualified pension; 401(k) plan; medical, dental, vision, life, and accident insurance plans, as well as flexible spending arrangements for health care and dependent care expenses; and our matching gift program.

Additional Executive Perquisites

In line with our compensation philosophy to provide compensation and benefits aligned with market practice, in 2015 we provided our NEOs financial planning and executive health benefits. These benefits were imputed to the executives and included in All Other Compensation in the "**Summary Compensation Table**" on page 40.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

Comprehensive Security Program

The Board has adopted a comprehensive security program to address the increased security risks for certain senior executives. Mr. Garland was the only NEO in 2015 designated by the Board as requiring increased security under this program. This program allows for certain additional security measures in specific situations when the senior executive is traveling by car or airplane on Company business. An additional security review of his personal residence is also included. Any additional costs to the Company for these activities are reported as All Other Compensation and included in the "**Summary Compensation Table**" on page 40.

Executive Retirement Plans

We maintain the following supplemental retirement plans for our NEOs.

Voluntary Deferred Compensation Plan This plan (the Phillips 66 Key Employee Deferred Compensation Plan, which we refer to as the KEDCP) provides tax-efficient retirement savings by allowing executives to voluntarily defer both the receipt and taxation of a portion of their base salary and annual bonus until a specified date or when they leave the Company. Further information on the KEDCP is provided in the "**Nonqualified Deferred Compensation**" table beginning on page 46.

Defined Contribution Restoration Plan This plan (the Phillips 66 Defined Contribution Make-Up Plan, which we refer to as the DCMP) restores benefits capped under our qualified defined contribution plan due to Internal Revenue Code limits. Further information on the DCMP is provided in the "**Nonqualified Deferred Compensation**" table beginning on page 46.

Defined Benefit Restoration Plan This plan (the Phillips 66 Key Employee Supplemental Retirement Plan, which we refer to as the KESRP) restores Company-sponsored benefits capped under the qualified defined benefit pension plan due to Internal Revenue Code limits. Further information on the KESRP is provided in the "**Pension Benefits as of December 31, 2015**" table beginning on page 45.

Executive Life Insurance

We provide life insurance policies to all U.S.-based employees with a face value approximately equal to their annual base salary. For our NEOs, the face value of this coverage is approximately two times their annual base salary.

Executive Severance and Change in Control Plans

We do not maintain individual severance or change in control agreements with our executives. However, we maintain the Phillips 66 Executive Severance Plan (which we refer to as the ESP) and the Phillips 66 Change in Control Severance Plan (which we refer to as the CICSP) to accomplish several specific objectives, including:

Ensuring shareholder interests are protected during business transactions by providing benefits that promote senior management stability

Providing and preserving an economic motivation for participating executives to consider a business combination that might result in an executive's job loss

Competing effectively in attracting and retaining executives in an industry that features frequent acquisitions and divestitures

Executives may not participate in both plans as a result of the same severance event. Among other benefits, the ESP provides a payment equal to one and one-half or two times the executive's base salary, depending on salary grade level, if he or she is involuntarily terminated without cause. The CICSP provides a payment equal to two or three times the executive's base salary, depending on salary grade level, if the executive is

involuntarily terminated without cause in connection with a change in control or the executive terminates employment for good reason within two years after a change in control. This "double trigger" requirement is in the best interest of shareholders and is considered a best practice.

Details of potential payments under these plans are outlined in the "*Potential Payments upon Termination or Change in Control*" section beginning on page 47. These plans do not provide any tax gross-up protections.

Table of Contents

Personal Use of Company Aircraft

The primary purpose of our corporate aircraft is to facilitate Company business. In the course of conducting Company business, executives may occasionally invite a family member or other personal guest to travel with them to attend a meeting or function. When such travel is deemed taxable to the executive, we provide further payments to reimburse the costs of the inclusion of this item in his or her taxable income.

EXECUTIVE COMPENSATION GOVERNANCE

Clawback Provisions

Short- and long-term compensation, deferred compensation and nonqualified retirement benefits received by any executive are subject to clawback provisions if financial or other data is materially misstated due to negligence or misconduct on the part of the executive, as determined by the Compensation and Audit Committees.

Stock Ownership

The Compensation Committee believes stock ownership guidelines align executive performance with shareholder value creation and mitigate compensation risk. Each executive must own at least the following amounts of Phillips 66 common stock within five years from the date of program eligibility:

EXECUTIVE LEVEL	SALARY MULTIPLE
Chairman and CEO	6
President	5
Executive Vice President	4 / 5

RSUs, but not stock options or PSP targets, are included when determining the amount of stock owned by an executive. Compliance with the stock ownership guidelines is reviewed annually. All NEOs currently comply with these stock ownership guidelines or are on track to comply within the applicable five-year period.

Tax Considerations Internal Revenue Code (IRC) Section 162(m)

The Compensation Committee considers the deductibility of compensation under IRC Section 162(m) when making decisions and generally attempts to structure elements of executive compensation to meet the requirements for deductibility. However, the Compensation Committee has the flexibility to design and maintain the programs in the most beneficial manner to shareholders, including payments that may be subject to the deductibility limits under IRC Section 162(m).

For 2015 the Compensation Committee believes it has taken the necessary steps intended to qualify payments made under the VCIP and awards made under the LTI programs (PSP and RSUs) as performance-based under IRC Section 162(m).

Trading Policies

Our insider trading policy prohibits all employees and directors from trading Company stock while in possession of material, non-publicly disclosed information. This policy requires executives and directors, as well as employees with regular access to insider information, to follow specific pre-clearance procedures before entering into transactions in our stock. Our policy prohibits hedging transactions related to our stock or pledging our stock, including any stock the executive or director may hold in excess of his or her stock ownership guideline requirements.

Independent Compensation Consultant

The Compensation Committee retains Meridian Compensation Partners, LLC as its independent executive compensation consultant. The Compensation Committee has evaluated whether Meridian's work raised any conflict of interest and determined that no such conflict exists.

The primary role of this consultant is to advise the Compensation Committee on:

Our compensation programs and processes relative to external corporate governance standards

The appropriateness of our executive compensation programs in comparison to those of our peers

The effectiveness of the compensation programs in accomplishing the objectives set by the Compensation Committee with respect to executives

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Risk Assessment

The Compensation Committee oversees management's risk assessment of all elements of our compensation programs, policies and practices for all employees. Management has concluded that our compensation programs, policies and practices are not reasonably likely to have a material adverse effect on the Company. Relevant provisions of our programs include, but are not limited to:

- LTI metrics are aligned with our corporate strategy to ensure continued focus on actions that drive shareholder value
- VCIP and PSP compensation targets increase with each pay grade, emphasizing shareholder value creation over time
- Maximum payouts under VCIP and PSP programs are appropriately limited to balance risk-taking with long-term strategic goals
- Maintaining a level of discretion in the performance-based programs, which enables the Compensation Committee to award zero payouts to executives who perform poorly
- Clawback provisions that allow for reduction in awards for executives who expose the Company to undue risk
- LTI design that provides incentives for retention and Company and individual performance
- Stock ownership guidelines that align executive interests with those of shareholders

ROLE OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

Authority and Responsibilities

The Compensation Committee is responsible for providing independent, objective oversight of our executive compensation programs and determining the compensation for our CEO and anyone who meets our definition of a Senior Officer. Currently, our internal guidelines define a Senior Officer as an officer of the Company who reports directly to the CEO or any other officer of the Company who is either a Senior Vice President or above or a reporting officer under Section 16(b) of the Exchange Act. As of December 31, 2015, we had 10 Senior Officers. The compensation tables that follow provide information about our CEO and certain of our Senior Officers. In addition, the Compensation Committee acts as plan administrator of the compensation programs and benefit plans for our CEO and Senior Officers and as an avenue of appeal for current and former Senior Officers regarding disputes over compensation and benefits.

The Compensation Committee oversees the Company's executive compensation philosophy, policies, plans and programs for our CEO and Senior Officers to ensure:

- Alignment of our executive compensation programs with the long-term economic interests of shareholders
- Competitiveness of compensation within the markets in which Phillips 66 competes for talent
- Retention of top talent and CEO and Senior Officer succession planning

One of the Compensation Committee's responsibilities is to assist the Board in its oversight of the integrity of the Company's "*Compensation Discussion and Analysis*" beginning on page 24. The report on page 39 summarizes certain of the Compensation Committee's activities concerning compensation earned during 2015 by our NEOs who are identified on page 24.

A complete listing of the authority and responsibilities of the Compensation Committee is set forth in its written charter adopted by the Board of Directors, which is available in the "*Investors*" section of our website under the caption "*Governance*."

Members

The Compensation Committee consists of three members who meet all requirements for "non-employee," "independent" and "outside" director status under the Exchange Act, NYSE listing standards, and the IRC, respectively. The members of the Compensation Committee and the member to be designated as Chair, like the members and Chairs of all the Board committees, are reviewed annually by the Nominating Committee, which recommends committee appointments to the full Board. The Board of Directors has final approval of the committee structure of the Board.

Table of Contents

Meetings

The Compensation Committee holds regularly scheduled meetings in association with regular Board meetings and meets by teleconference between such meetings as necessary to discharge its duties. The Compensation Committee reserves time at each regularly scheduled meeting to review matters in executive session without management present except as specifically requested by the Compensation Committee. Additionally, the Compensation Committee meets jointly with the Lead Director, who is also a member of the Compensation Committee, at least annually to evaluate the performance of the CEO. In 2015, the Compensation Committee had five regularly scheduled meetings and one additional telephonic meeting. More information regarding the Compensation Committee's activities at such meetings can be found in the "*Compensation Discussion and Analysis*" beginning on page 24.

Continuous Improvement

The Compensation Committee is committed to a process of continuous improvement in exercising its responsibilities. To that end, the Compensation Committee:

- Receives ongoing training regarding best practices for executive compensation
- Regularly reviews its responsibilities and governance practices in light of ongoing changes in the legal and regulatory arena and trends in corporate governance. This review is aided by the Company's management and consultants, the Compensation Committee's independent compensation consultant, and, when deemed appropriate, independent legal counsel
- Annually reviews its charter and proposes any desired changes to the Board of Directors
- Annually conducts a self-assessment of its performance that evaluates the effectiveness of the Compensation Committee's actions and seeks ideas to improve its processes and oversight
- Regularly reviews and assesses whether the Company's executive compensation programs are having the desired effects without encouraging an inappropriate level of risk
- Regularly reviews all its activities, including its self-assessment and a compensation risk assessment, with the full Board of Directors

HUMAN RESOURCES AND COMPENSATION COMMITTEE REPORT

Review with Management. The Compensation Committee has reviewed and discussed with management the "*Compensation Discussion and Analysis*" presented in this proxy statement beginning on page 24.

Discussions with Independent Executive Compensation Consultant. The Compensation Committee has discussed with Meridian Compensation Partners, LLC (Meridian), an independent executive compensation consulting firm, the executive compensation programs of the Company, as well as specific compensation decisions made by the Compensation Committee. Meridian was retained directly by the Compensation Committee, independent of the management of the Company. The Compensation Committee has received written disclosures from Meridian confirming no other work has been performed for the Company by Meridian, has discussed with Meridian its independence from Phillips 66, and believes Meridian to be independent of management.

Recommendation to the Phillips 66 Board of Directors. Based on its review and discussions noted above, the Compensation Committee recommended to the Board of Directors that the "*Compensation Discussion and Analysis*" be included in the Phillips 66 proxy statement on Schedule 14A and the Phillips 66 Annual Report on Form 10-K for the year ended December 31, 2015.

HUMAN RESOURCES AND COMPENSATION COMMITTEE

J. Brian Ferguson, Chairman
Harold W. McGraw III
Glenn F. Tilton

Table of Contents

EXECUTIVE COMPENSATION TABLES

The following tables and accompanying narrative disclosures provide information concerning total compensation earned by our CEO and other NEOs as of December 31, 2015 for services to Phillips 66 or any of our subsidiaries during 2015, 2014 and 2013.

SUMMARY COMPENSATION TABLE

The following table summarizes the compensation for our NEOs for fiscal years 2015, 2014 and 2013.

NAME AND POSITION	YEAR	SALARY ($)(1)	BONUS ($)(2)	STOCK AWARDS ($)(3)	OPTION AWARDS ($)(4)	NON-EQUITY INCENTIVE PLAN COMPENSATION ($)(5)	CHANGE IN PENSION VALUE AND NONQUALIFIED DEFERRED COMPENSATION EARNINGS ($)(6)	ALL OTHER COMPENSATION ($)(7)	TOTAL ($)
Greg C. Garland, Chairman and CEO	2015	1,549,164	8,290,120	2,763,828	4,585,525	5,531,249	211,253	22,931,139	
	2014	1,510,427	8,732,652	2,393,385	2,658,351	8,984,486	229,132	24,508,433	
	2013	1,441,667	7,276,484	2,658,045	4,108,750	4,045,846	311,413	19,842,205	
Paula A. Johnson, Executive Vice President and General Counsel	2015	640,512	1,802,647	472,884	1,019,055	592,646	71,233	4,598,977	
	2014	596,676	1,634,565	371,420	590,709	879,304	76,683	4,149,357	
	2013	501,105	1,671,395	201,240	732,865	280,204	75,173	3,461,982	
Greg G. Maxwell, Executive Vice President and CFO	2015	790,512	2,237,846	678,240	1,462,447	112,616	95,704	5,377,365	
	2014	714,286	2,206,861	504,070	772,143	308,349	83,743	4,589,452	
	2013	633,546	1,899,948	412,542	1,013,039	74,263	130,368	4,163,706	
Tim G. Taylor, President	2015	1,004,712	3,447,557	985,332	2,210,366	183,866	133,338	7,965,171	
	2014	888,188	3,451,492	570,395	1,052,503	199,465	107,152	6,269,195	
	2013	717,285	2,130,711	538,317	1,264,574	169,823	169,629	4,990,339	
Larry M. Ziemba, Executive Vice	2015	690,312	1,737,253	527,520	1,031,326	594,011	92,695	4,673,117	
	2014	674,396	1,712,742	504,070	671,698	1,110,517	110,040	4,783,463	

President, Refining	2013	626,768	1,829,619	400,803	1,002,202	246,458	122,450	4,228,300

(1)

Includes any amounts that were voluntarily deferred under our KEDCP.

(2)

Because our annual bonus program (VCIP) has mandatory performance measures that must be achieved before any payout can be made to our NEOs, VCIP payments are shown in the Non-Equity Incentive Plan Compensation column of the table rather than the Bonus column.

(3)

Amounts shown represent the aggregate grant date fair value of awards determined in accordance with U.S. generally accepted accounting principles (GAAP). Assumptions used in calculating these amounts are included in Note 20 Employee Benefit Plans in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2015 (our "2015 Form 10-K").

The amounts shown for stock awards reflect awards under our PSP and RSU programs, and any off-cycle awards. No off-cycle awards were granted to our NEOs during 2015. These include awards that are expected to be finalized as late as 2017. The amounts shown for awards from the PSP relate to performance periods that began in 2013, 2014 and 2015 and that end in 2015, 2016 and 2017, respectively.

Amounts shown, relating to PSP, are targets set for the PSP awards, because it is the probable outcome at the setting of the target for the applicable performance period that the target will be achieved consistent with the accounting treatment under GAAP. If the maximum payout were used for the PSP awards the amounts shown relating to PSP would double, although the value of the actual payout would depend on the stock price at the time of the payout. If the minimum payout were used, the amounts for PSP awards would be reduced to zero. Actual payouts with regard to the targets set for the performance period that ended in 2015 were approved by the Compensation Committee at its February 2016 meeting. Those payouts were as follows (with values shown at fair market value on the date of payout): Mr. Garland, $12,848,002; Ms. Johnson, $2,378,884; Mr. Maxwell, $3,203,293; Mr. Taylor, $4,324,808; and Mr. Ziemba, $2,737,234.

Earned payouts under the PSP 2013-2015 have been, and under the PSP 2014-2016 and PSP 2015-2017 are expected to be, made in cash at the end of the applicable performance period and will be forfeited if the NEO is terminated prior to the end of the performance period (other than for death or following disability or after a change in control). If the NEO retires after age 55 and with five years of service, the NEO is entitled to a prorated award for any ongoing program in which he or she participated for at least 12 months.

(4)

Amounts shown represent the aggregate grant date fair value of awards determined in accordance with GAAP. Assumptions used in calculating these amounts are included in Note 20 Employee Benefit Plans in the Notes to Consolidated Financial Statements in our 2015 Form 10-K.

(5)

These are amounts paid under our annual bonus program (VCIP), including bonus amounts that were voluntarily deferred under our KEDCP. See note (2) above. These amounts were paid in February following the year of service.

(6)

Reflects the actuarial increase in the present value of the benefits under our pension plans determined using interest rate and mortality rate assumptions consistent with those used in our financial statements. There are no deferred compensation earnings reported in this column, as our nonqualified deferred compensation plans do not provide above-market or preferential earnings.

Table of Contents

(7)

We offer limited perquisites to our NEOs, which, together with Company contributions to our qualified savings and nonqualified defined contribution plans, are reflected in the All Other Compensation column as summarized below:

NAME	YEAR	PERSONAL USE OF COMPANY AIRCRAFT ($)(a)	ANCILLARY AUTOMOBILE BENEFITS PROVIDED BY COMPANY ($)(b)	EXECUTIVE HOME SECURITY ($)(c)	GROUP LIFE INSURANCE PREMIUMS ($)(d)	MISCELLANEOUS PERQUISITES AND TAX REIMBURSEMENTS ($)(e)	MATCHING GIFT PROGRAM ($)(f)	COMPANY CONTRIBUTIONS UNDER NON-QUALIFIED SAVINGS PLAN ($)(g)	COMPANY CONTRIBUTIONS TO NON-QUALIFIED DEFINED CONTRIBUTION PLANS ($)(h)
Mr. Garland	2015	23,712	8,279	6,688	7,994	9,664		26,500	128,416
Ms. Johnson	2015				1,768	331	5,083	26,500	37,551
Mr. Maxwell	2015		249		4,079	4,825	7,500	26,500	52,551
Mr. Taylor	2015	5,435			7,958	5,474	14,000	26,500	73,971
Mr. Ziemba	2015				5,468	3,196	15,000	26,500	42,531

(a)

The Phillips 66 Comprehensive Security Program requires in certain circumstances that Mr. Garland fly on Company aircraft. The amount presented above represents the approximate incremental cost to Phillips 66 for personal use of the aircraft. Approximate incremental cost has been determined by calculating the variable costs for each aircraft during the year, dividing that amount by the total number of miles flown by that aircraft, and multiplying the result by the miles flown for personal use during the year. Incremental costs for flights to the hangar or other locations without passengers, commonly referred to as "deadhead" flights, are included in the calculation.

(b)

The use of a car and driver is sometimes required by our Comprehensive Security Program for certain executives, including Mr. Garland. The values shown for Messrs. Garland and Maxwell represent the actual cost of car rental with driver service.

(c)

The use of a home security system is required as part of our Comprehensive Security Program for certain executives and employees, including Mr. Garland, based on risk assessments made by our Crisis Management and Security Manager. The amount shown represents upgrade costs to Mr. Garland's home security system with features required by us that are in excess of the cost of a "standard" system typical for homes in his neighborhood. Mr. Garland pays for the cost of the "standard" system.

(d)

We maintain life insurance policies and/or death benefits for all our U.S.-based salaried employees (at no cost to the employee) with a face value approximately equal to the employee's annual salary. We maintain group life insurance policies on each of our NEOs equal to approximately two times his or

her annual salary. The amounts shown are for premiums paid by us to provide the additional group life insurance above what is provided to the broad-based employees.

(e)

The amounts shown primarily reflect payments by us relating to certain taxes incurred by the NEOs. These payments primarily occur when we request family members or other guests to accompany an NEO to a Company function and, as a result, the NEO is deemed to make personal use of Company assets such as Company aircraft and thereby incurs imputed income. We believe this type of expense is appropriately characterized as a business expense and, if the NEO incurs imputed income in accordance with applicable tax laws, we will generally reimburse the NEO for any increased tax costs. The amounts for Mr. Garland also include gifts received in his capacity as Chairman of the Board of Directors. The amounts for Mr. Taylor also include gifts received as part of the executive leadership team.

(f)

We maintain a Matching Gift Program under which certain gifts by employees to qualified educational or charitable institutions are matched by the Company. The program matches up to $15,000 annually. The amounts shown reflect the actual payments made by us in 2015. Mr. Garland made certain contributions in 2015 that will be matched by the Company in 2016 and will be reported in the 2017 proxy statement.

(g)

Under the terms of our tax-qualified defined contribution plans, we make contributions to the accounts of all eligible employees, including the NEOs.

(h)

Under the terms of our nonqualified defined contribution plans, we make contributions to the accounts of all eligible employees, including the NEOs. See the "**Nonqualified Deferred Compensation**" table and accompanying narrative and notes beginning on page 46 for more information.

Table of Contents

EXECUTIVE COMPENSATION TABLES

GRANTS OF PLAN-BASED AWARDS

The following table provides additional information about plan-based compensation disclosed in the "**Summary Compensation Table**" on page 40. This table includes both equity and non-equity awards.

		ESTIMATED FUTURE PAYOUTS UNDER NON-EQUITY INCENTIVE PLAN AWARDS(2)			ESTIMATED FUTURE PAYOUTS UNDER EQUITY INCENTIVE PLAN AWARDS(3)		ALL OTHER STOCK AWARDS: NUMBER OF SHARES OF STOCK OR UNITS (#)	ALL OTHER OPTION AWARDS: NUMBER OF SECURITIES UNDERLYING OPTIONS (#)	EXERCISE OR BASE PRICE OF OPTION AWARDS ($/SH)	GRANT DATE FAIR VALUE OF STOCK AND OPTION AWARDS ($)(4)
NAME	THRESHOLD GRANT DATE(1)	TARGET ($)	MAXIMUM ($)	THRESHOLD ($)	TARGET (#)	MAXIMUM (#)				
Mr. Garland		2,478,662	6,196,655							
	2/3/2015						37,275			2,763,382
	2/3/2015				83,303	166,606				5,526,738
	2/3/2015							146,700	74.135	2,763,828
Ms. Johnson		550,840	1,377,100							
	2/3/2015						7,015			520,057
	2/3/2015				15,676	31,352				1,040,024
	7/1/2015				3,722	7,444				242,566
	2/3/2015							25,100	74.135	472,884
Mr. Maxwell		790,512	1,976,280							
	2/3/2015						10,062			745,946
	2/3/2015				22,487	44,974				1,491,900
	2/3/2015							36,000	74.135	678,240
Mr. Taylor		1,105,183	2,762,958							
	2/3/2015						15,944			1,182,008
	2/3/2015				34,148	68,296				2,265,549
	2/3/2015							52,300	74.135	985,332
Mr. Ziemba		572,959	1,432,398							
	2/3/2015						7,811			579,068
	2/3/2015				17,457	34,914				1,158,185
	2/3/2015							28,000	74.135	527,520

(1)

The grant date shown is the date on which the Compensation Committee approved the target awards. Ms. Johnson received a promotion effective July 1, 2015, in recognition of her individual accomplishments and to maintain alignment with the market. The Compensation Committee approved this promotion at its July 2015 meeting. The grant shown above on the promotion date represents the promotional target received under the PSP for the performance periods that end in 2015, 2016 and 2017. The PSP targets are adjusted

prospectively for promotions only during the performance period to reflect the executive's new base salary and target percentage for the remainder of the performance period using the stock price established at the beginning of the performance period. The number of promotional target units and their fair market value on the date of grant for the PSP performance periods ending in 2015, 2016 and 2017, respectively, are as follows: 561 units, $26,962; 1,130 units, $80,857; and 2,031 units, $134,747.

(2)

Threshold and maximum awards are based on the provisions in the VCIP. Actual awards earned can range from 0 to 200 percent of the target awards, with a further possible adjustment of +/ 50 percent of the target award for individual performance. The Compensation Committee retains the authority to make awards under the program and to use its judgment in adjusting awards, including making awards greater than the amounts shown in the table above, provided the award does not exceed amounts permitted under the 2013 Omnibus Stock and Performance Incentive Plan of Phillips 66, approved by shareholders. Actual payouts under the annual bonus program for 2015 are calculated using base salary earned in 2015 and reflected in the "Non-Equity Incentive Plan Compensation" column of the "**Summary Compensation Table**" on page 40.

(3)

Threshold and maximum awards are based on the provisions of the PSP. Actual awards earned can range from 0 to 200 percent of the target awards. Performance periods under the PSP cover a three-year period, and since a new three-year period commences each year, there could be three overlapping performance periods ongoing at any time. In 2015, all the NEOs received an award for the three-year performance period beginning in 2015 and ending in 2017. The Compensation Committee retains the authority to make awards under the PSP using its judgment, including making awards greater than the maximum payout shown in the table above, provided the award does not exceed amounts permitted under the 2013 Omnibus Stock and Performance Incentive Plan of Phillips 66.

(4)

For equity incentive plan awards, these amounts represent the grant date fair value at target level under the PSP as determined pursuant to GAAP. For Stock Option awards, these amounts represent the grant date fair value of the option awards using a Black-Scholes-Merton-based methodology. Actual value realized upon option exercise depends on market prices at the time of exercise. For other stock awards, these amounts represent the grant date fair value of the RSU awards determined pursuant to GAAP. See Note 20 Employee Benefit Plans in the Notes to Consolidated Financial Statements in our 2015 Form 10-K, for a discussion of the relevant assumptions used in this determination.

Table of Contents

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table lists outstanding Phillips 66 equity grants for each NEO as of December 31, 2015.

Some awards held by NEOs at the time of our spin-off from ConocoPhillips were adjusted or substituted as described below in order to preserve the intrinsic value, remaining vesting periods, and other terms and conditions of ConocoPhillips awards outstanding on April 30, 2012, in accordance with the Employee Matters Agreement entered into with ConocoPhillips.

NEOs with exercisable ConocoPhillips Stock Options received options to purchase both ConocoPhillips and Phillips 66 common stock

NEOs with unexercisable ConocoPhillips Stock Options received substitute options to purchase only Phillips 66 common stock

NEOs with Restricted Stock and PSU awards for completed performance periods under the ConocoPhillips PSP received both ConocoPhillips and Phillips 66 Restricted Stock and PSUs

NEOs with Restricted Stock and RSUs received under all ConocoPhillips programs, other than the ConocoPhillips PSP, received Phillips 66 Restricted Stock and RSUs

The table below includes outstanding Phillips 66 shares and options that resulted from the adjustments described above, but it does not include the ConocoPhillips shares and options that resulted from these adjustments.

	OPTION AWARDS(1)					STOCK AWARDS			
NAME	GRANT DATE	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) EXERCISABLE(2)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) UNEXERCISABLE(3)	OPTION EXERCISE PRICE ($)	OPTION EXPIRATION DATE	NUMBER OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (#)(7)	MARKET VALUE OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED ($)	EQUITY INCENTIVE PLAN AWARDS: NUMBER OF UNEARNED SHARES, UNITS OR OTHER RIGHTS THAT HAVE NOT VESTED (#)(8)	EQUITY INCENTIVE PLAN AWARDS: MARKET OR PAYOUT VALUE OF UNEARNED SHARES, UNITS OR OTHER RIGHTS THAT HAVE NOT VESTED ($)
Mr. Garland	2/10/2011	12,165		31.250	2/10/2021				
	2/9/2012	169,228		32.030	2/9/2022				

	2/7/2013	105,666	52,834(4)	62.170	2/7/2023				
	2/6/2014	42,100	84,200(5)	72.255	2/6/2024				
	2/3/2015		146,700(6)	74.135	2/3/2025				
						791,372	64,734,230	340,474	27,850,773
Ms. Johnson	2/10/2011	16,735		31.250	2/10/2021				
	2/9/2012	23,406		32.030	2/9/2022				
	2/7/2013	8,000	4,000(4)	62.170	2/7/2023				
	2/6/2014	6,533	13,067(5)	72.255	2/6/2024				
	2/3/2015		25,100(6)	74.135	2/3/2025				
						106,216	8,688,469	66,898	5,472,256
Mr. Maxwell	2/9/2012	35,419		32.030	2/9/2022				
	2/7/2013	16,400	8,200(4)	62.170	2/7/2023				
	2/6/2014	8,866	17,734(5)	72.255	2/6/2024				
	2/3/2015		36,000(6)	74.135	2/3/2025				
						143,936	11,773,965	77,358	6,327,884
Mr. Taylor	2/9/2012	77,260		32.030	2/9/2022				
	2/7/2013	21,400	10,700(4)	62.170	2/7/2023				
	2/6/2014	10,033	20,067(5)	72.255	2/6/2024				
	2/3/2015		52,300(6)	74.135	2/3/2025				
						209,688	17,152,478	128,094	10,478,089
Mr. Ziemba	2/10/2011	72,630		31.250	2/10/2021				
	2/9/2012	101,909		32.030	2/9/2022				
	2/7/2013	15,933	7,967(4)	62.170	2/7/2023				
	2/6/2014	8,866	17,734(5)	72.255	2/6/2024				
	2/3/2015		28,000(6)	74.135	2/3/2025				
						205,711	16,827,160	67,298	5,504,976

(1) All options shown in the table have a maximum term for exercise of ten years from the grant date. Under certain circumstances, the terms for exercise may be shorter, and in certain circumstances, the options may be forfeited and cancelled. All awards shown in the table have associated restrictions upon transferability.

Table of Contents

(2)

The dates presented in this column represent the date the awards were granted by ConocoPhillips for grants prior to the spin-off from ConocoPhillips, and by Phillips 66 for all other awards. The awards granted prior to the spin-off were converted to Phillips 66 equity awards in connection with the spin-off and in accordance with the Employee Matters Agreement and remain subject to the same general terms and conditions.

(3)

The options shown in this column vested and became exercisable in 2015 or prior years (although under certain termination circumstances, the options may still be forfeited). Options become exercisable in one-third increments on the first, second and third anniversaries of the grant date.

(4)

Represents the final one-third of the February 7, 2013 grant, which became exercisable on February 7, 2016. In the case of Mr. Maxwell, all options became exercisable upon his retirement at the beginning of 2016.

(5)

Represents the final two-thirds of the February 6, 2014 grant, half of which became exercisable on February 6, 2016 and the other half of which will become exercisable on February 6, 2017. In the case of Mr. Maxwell, all options became exercisable upon his retirement at the beginning of 2016.

(6)

Represents the February 3, 2015 grant. One-third of the grant became exercisable on February 3, 2016, one-third will become exercisable on February 3, 2017, and one-third will become exercisable on February 3, 2018. In the case of Mr. Maxwell, all options became exercisable upon his retirement at the beginning of 2016.

(7)

These amounts include unvested restricted stock and RSUs awarded under the PSP for performance periods ending on or before December 31, 2014 and awarded as annual awards. All awards for performance periods ending on or before December 31, 2014 continue to have restrictions upon transferability. Restrictions on PSP awards for performance periods ending on or before December 31, 2012 lapse upon separation from service. Restrictions on PSP awards for later performance periods lapse five years from the grant date unless the NEO elected prior to the beginning of the performance period to defer lapsing of the restrictions until separation from service. Awards are subject to forfeiture if, prior to lapsing, the NEO separates from service for a reason other than death, disability, layoff, retirement after reaching age 55 with five years of service, or after a change of control, although the Compensation Committee has the authority to waive forfeiture. The awards have no voting rights, but do entitle the holder to receive dividend equivalents in cash. The value of the awards reflects the closing price of our stock, as reported on the NYSE, on December 31, 2015 ($81.80). These amounts also include the awards under the PSP for the performance period that ended December 31, 2015 and paid out in cash in February 2016, as follows: Mr. Garland, 163,419 units valued at $12,484,002; Ms. Johnson, 30,258 units valued at $2,378,884; Mr. Maxwell, 40,744 units valued at $3,203,293; Mr. Taylor, 55,009 units valued at $4,324,808; and Mr. Ziemba, 34,816 units valued at $2,737,234.

(8)

Reflects potential awards from ongoing performance periods under the PSP for performance periods ending December 31, 2016 and December 31, 2017. These awards are shown at maximum levels; however, there is no assurance that awards will be granted at, below or above target after the end of the relevant performance

periods, as the determination to make a grant and the amount of any grant is within the judgment of the Compensation Committee. Until an actual grant is made, these unearned awards pay no dividend equivalents. The value of these unearned awards reflects the closing price of our stock, as reported on the NYSE, on December 31, 2015 ($81.80).

OPTION EXERCISES AND STOCK VESTED FOR 2015

The following table summarizes the value received from stock option exercises and stock grants vested during 2015:

	OPTION AWARDS		STOCK AWARDS	
NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ON EXERCISE ($)	NUMBER OF SHARES ACQUIRED ON VESTING (#)	VALUE REALIZED ON VESTING ($)
Mr. Garland			24,808	1,977,818
Ms. Johnson			4,181	318,677
Mr. Maxwell			4,165	331,864
Mr. Taylor			2,452	195,486
Mr. Ziemba	74,467	5,256,366		

Table of Contents

PENSION BENEFITS AS OF DECEMBER 31, 2015

Our defined benefit pension plan covering NEOs, the Phillips 66 Retirement Plan, consists of multiple titles with different terms. NEOs are only eligible to participate in one title, but may have frozen benefits under one or more other titles.

	Title I(1)	**Title II(2)**	**Title III**	**Title IV**
Current Eligibility	Mr. Garland	Messrs. Maxwell and Taylor	Mr. Ziemba	Ms. Johnson
Normal Retirement			Age 65	
Early Retirement	Age 55 with five years of service or if laid off during or after the year in which the participant reaches age 50	Executives may receive their vested benefit upon termination of employment at any age	Age 55 with ten years of service	Age 50 with ten years of service
Benefit Calculation(3)	Calculated as the product of 1.6 percent times years of credited service multiplied by the final average eligible earnings	Based on monthly pay and interest credits to a cash balance account created on the first day of the month after an executive's hire date. Pay credits are equal to a percentage of total salary and annual bonus.	Calculated as the product of 1.6 percent times years of credited service multiplied by the final average eligible earnings	
Final Average Earnings Calculation	Calculated using the three highest consecutive compensation years in the last ten calendar years before retirement plus the year of retirement	N/A	Calculated using the highest consecutive 36 months of compensation in the last 120 months of service prior to retirement	Calculated using the higher of the highest three years of compensation or the highest consecutive 36 months of compensation
Eligible Pension Compensation(4)	Includes salary and annual bonus	Includes salary and annual bonus	Includes salary	Includes salary and annual bonus
Benefit Vesting		Employees vest after three years of service		
Payment Types	Allows payments in the form of several annuity types or a single lump sum		Allows payments in the form of several annuity types, but does not allow a	Allows payments in the form of several annuity types or a single lump sum

	single lump sum payment
IRS limitations	Benefits under all Titles are limited by the Internal Revenue Code. In 2015, that limit was $265,000. The Internal Revenue Code also limits the annual benefit available under these Titles expressed as an annuity. In 2015, that limit was $210,000 (reduced actuarially for ages below 62).

(1)

Mr. Maxwell has a frozen benefit under Title I from prior years of service with predecessor companies.

(2)

NEOs whose combined years of age and service total less than 44 receive a six percent pay credit, those with 44 through 65 receive a seven percent pay credit and those with 66 or more receive a nine percent pay credit.

Interest credits are applied to the cash balance account each month. This credit is calculated by multiplying the value of the account by the interest credit rate, based on 30-year U.S. Treasury security rates adjusted quarterly.

(3)

An early benefit reduction is calculated on Title I by reducing the benefit 5% for each year before age 60 that benefits are paid. An early benefit reduction is calculated on Title III by reducing the benefit 6.67% for each year before age 60 that benefits are paid, unless the participant has at least 85 points awarded, with one point for each year of age and one point for each year of service. Title IV early benefit reduction is calculated by reducing the benefit by 5% per year for each year before age 57 that benefits are paid and 4% per year for benefits that are paid between ages 57 and 60. The benefit calculation for Titles I, III and IV is reduced by the product of 1.5% of the annual primary social security benefit multiplied by years of credited service, although a minimum reduction limit of 50% may apply.

(4)

Under Title I, if an executive receives layoff benefits, then the eligible compensation calculation also includes the annualized salary for the year of layoff (rather than the actual salary for that year) and years of service are increased by any period for which layoff benefits are calculated.

Table of Contents

EXECUTIVE COMPENSATION TABLES

The following table lists the pension program participation and actuarial present value of each NEO's defined benefit pension as of December 31, 2015.

NAME	PLAN NAME	NUMBER OF YEARS CREDITED SERVICE (#)(1)	PRESENT VALUE OF ACCUMULATED BENEFIT ($)	PAYMENTS DURING LAST FISCAL YEAR ($)
Mr. Garland	Phillips 66 Retirement Plan-Title I	26	1,363,824	
	Phillips 66 Key Employee Supplemental Retirement Plan(2)		23,737,437	
Ms. Johnson	Phillips 66 Retirement Plan-Title IV	13	504,684	
	Phillips 66 Key Employee Supplemental Retirement Plan(2)		1,925,821	
Mr. Maxwell	Phillips 66 Retirement Plan-Title I	23	709,208	
	Phillips 66 Retirement Plan-Title II	4	91,417	
	Phillips 66 Key Employee Supplemental Retirement Plan(2)		369,264	
Mr. Taylor	Phillips 66 Retirement Plan-Title II	4	92,367	
	Phillips 66 Key Employee Supplemental Retirement Plan(2)		514,023	
Mr. Ziemba	Phillips 66 Retirement Plan-Title III	39	1,448,507	
	Phillips 66 Key Employee Supplemental Retirement Plan(2)		3,654,900	

(1) Years of credited service include service recognized under the predecessor ConocoPhillips plans from which these plans were spun off effective May 1, 2012. Mr. Maxwell is credited with a total of 27 years of service under the plans described above. The number of years of service credited under Title I is frozen at 23 years of service, and the number of years of service counted under Title II increased each year that he was employed by us prior to his retirement. His years of service under Title I are related to his employment with ConocoPhillips predecessor companies prior to 2000.

(2) The Phillips 66 Key Employee Supplemental Retirement Plan restores Company-sponsored benefits capped under the qualified defined benefit pension plan to Internal Revenue Code limits. All employees, including our NEOs, participate in the plan.

NONQUALIFIED DEFERRED COMPENSATION

Our NEOs are eligible to participate in two nonqualified deferred compensation plans, the Phillips 66 KEDCP and the Phillips 66 DCMP.

The KEDCP allows NEOs to defer up to 50 percent of their salary and up to 100 percent of their VCIP. The default distribution option is a lump sum payment paid at least six months after separation from service. NEOs may elect to defer payments from one to five years, and to receive annual, semiannual or quarterly payments for a period of up to fifteen years. NEOs may also elect to defer their VCIP to a specific date in the

future.

The DCMP is a nonqualified restoration plan for employer contributions that cannot be made to our 401(k) plan either due to an NEO's salary deferral under the KEDCP or due to the Internal Revenue Code annual limit on compensation that may be taken into account under a qualified plan. Distributions are made as a lump sum six months after separation from service, unless the NEO elects to receive one to fifteen annual payments beginning at least one year after separation from service.

Each NEO directs investments of his or her individual accounts under the KEDCP and DCMP. Both plans provide a broad range of market-based investments that may be changed daily. No investment provides above-market returns. The aggregate performance of these investments is reflected in the "**Nonqualified Deferred Compensation**" table below.

Benefits due under these plans are paid from our general assets, although we also maintain rabbi trusts that may be used to pay benefits. The trusts and the funds held in them are Company assets. In the event of our bankruptcy, NEOs would be unsecured general creditors.

Table of Contents

The following table provides information on nonqualified deferred compensation as of December 31, 2015:

APPLICABLE PLAN(1)	BEGINNING BALANCE ($)	EXECUTIVE CONTRIBUTIONS IN LAST FISCAL YEAR ($)	COMPANY CONTRIBUTIONS IN THE LAST FISCAL YEAR ($)(2)	AGGREGATE EARNINGS IN LAST FISCAL YEAR ($)(3)	AGGREGA WITHDRAWA DISTRIBUTI
s 66 Defined Contribution Make-Up Plan	675,010		128,416	24,906	
s 66 Key Employee Deferred nsation Plan	1,138,685			(105,411)	
s 66 Defined Contribution Make-Up Plan	107,048		37,551	4,409	
s 66 Key Employee Deferred nsation Plan					
s 66 Defined Contribution Make-Up Plan	153,194		52,551	9,765	
s 66 Key Employee Deferred nsation Plan	511,916			(10,498)	
s 66 Defined Contribution Make-Up Plan	311,459		73,971	6,758	
s 66 Key Employee Deferred nsation Plan	1,694,316			12,153	
s 66 Defined Contribution Make-Up Plan	568,904		42,531	(10,486)	
s 66 Key Employee Deferred nsation Plan	894,773			18,186	

(1) We have two defined contribution deferred compensation programs for our executives the DCMP and the KEDCP. As of December 31, 2015, participants in these plans had 96 investment options. 34 of the options were the same as those available in our 401(k) plan and the remaining options were other mutual funds approved by the plan administrator.

(2) These amounts represent Company contributions under the DCMP. These amounts are also included in the "All Other Compensation" column of the "**Summary Compensation Table**" on page 40.

(3) These amounts represent earnings on plan balances from January 1 to December 31, 2015. These amounts are not included in the "**Summary Compensation Table**" on page 40.

(4) The total reflects contributions by our NEOs, contributions by us, and earnings on balances prior to 2015; plus contributions by our NEOs, contributions by us, and earnings from January 1, 2015 through December 31, 2015 (shown in the appropriate columns of this table, with amounts that are included in the "**Summary Compensation Table**" on page 40 shown in footnote 2 above). The total includes all contributions by our NEOs and by us reported in this proxy statement and our proxy statements from prior years as follows: $525,898 for Mr. Garland, $119,650 for Ms. Johnson, $177,787 for Mr. Maxwell, $248,998 for Mr. Taylor,

and $177,558 for Mr. Ziemba.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The tables at the end of this section summarize the potential value, as of December 31, 2015, of the incremental benefits to be received by each NEO due to an involuntary termination without cause or a change in control event as of December 31, 2015.

Each of our NEOs is expected to receive amounts earned during his or her period of employment unless he or she voluntarily resigns prior to becoming retirement-eligible or is terminated for cause. Such amounts include:

- VCIP earned during the fiscal year
- Grants under the PSP for the most-recently completed performance period and ongoing performance periods in which the executive participated for at least one year
- Previously granted restricted stock and RSUs
- Vested Stock Option grants
- Amounts contributed and vested under our defined contribution plans
- Amounts accrued and vested under our pension plans

Although normal retirement age under our benefit plans is 65, early retirement provisions allow receipt of benefits at earlier ages if vesting requirements are met. For our incentive compensation programs (VCIP, Stock Options, and PSP), early retirement is generally defined as termination at or after the age of 55 with five years of service.

As of December 31, 2015, all of our NEOs except Ms. Johnson were retirement-eligible under both our benefit plans and our compensation programs. Therefore, as of December 31, 2015, a voluntary resignation of any NEO other than Ms. Johnson

Table of Contents

would have been treated as a retirement. Because the NEOs other than Ms. Johnson were then eligible for retirement under these programs, they would have been able to resign and retain all awards earned under the current PSP and earlier programs. As a result, the awards to them under these programs are not included in the incremental amounts reflected in the tables below. Please see the "**Outstanding Equity Awards at Fiscal Year End**" table on page 43 for more information.

In addition, our NEOs participate in two severance plans: the Phillips 66 ESP and the Phillips 66 CICSP. Executives are not entitled to receive benefits under both plans as a result of the same change in control event.

Executive Severance Plan The ESP provides that if we terminate the employment of an executive other than for cause, the executive will receive the following benefits, which may vary depending on salary grade level:

- A lump sum payment equal to one and one-half or two times the sum of the executive's base salary and current target annual bonus
- A lump sum payment equal to the present value of the increase in pension benefits that would result from crediting the executive with an additional one and one-half or two years of age and service under the pension plan
- A lump sum payment equal to the Company cost of certain welfare benefits for an additional one and one-half or two years
- Continued eligibility for a pro rata portion of the annual bonus paid with respect to the year of termination
- Layoff treatment under our compensation plans that generally allows the executive to retain grants of Restricted Stock and RSUs, and maintain eligibility for PSP awards for ongoing periods in which he or she had participated for at least one year

Amounts payable under the ESP are offset by any payments or benefits payable under any of our other plans, and may also be reduced in the event of willful and bad faith conduct demonstrably injurious to the Company. As described above, the ESP and CICSP are Company plans under which awards and payments are subject to clawback provisions and to forfeiture or recoupment, in whole or in part, under applicable law, including the Sarbanes-Oxley Act and the Dodd-Frank Act.

Change in Control Severance Plan The CICSP provides that if, within two years of a change in control of the Company, an executive's employment is terminated, other than for cause, or by the executive for good reason, the executive will receive the following benefits, which may vary depending on salary grade level:

- A lump sum payment equal to two or three times the sum of the executive's base salary and the higher of the current target annual bonus or the average of the annual bonuses paid for the previous two years
- A lump sum payment equal to the present value of the increase in pension benefits that would result from crediting the executive with an additional two or three years of age and service under the pension plan
- A lump sum payment equal to the Company cost of certain welfare benefits for an additional two or three years
- Continued eligibility for a pro rata portion of the annual bonus paid with respect to the year of termination

After a change in control, the CICSP may not be amended or terminated if doing so would be adverse to the interests of any eligible participant without the participant's written consent. Amounts payable under the CICSP are offset by any payments or benefits payable under any of our other plans, and may also be reduced in the event of willful and bad faith conduct demonstrably injurious to the Company.

Certain assumptions have been made in preparing each of the tables below. Benefits that would be available generally to all or substantially all salaried employees on the U.S. payroll are not included in the amounts shown. The following assumptions were also made:

Short-Term Incentives In the event of an involuntary not-for-cause termination unrelated to a change in control, the amount reflects one and one-half or two times current VCIP target. In the event of an involuntary termination or termination by the executive for good reason related to a change in control, the amount reflects two or three times current VCIP target or two or three times the average of the prior two VCIP payouts.

Long-Term Incentives For the performance periods related to PSP, amounts for the period that ended in 2015 are shown based on the cash amount received in February 2016 for the 2013-2015 performance period, while amounts for other periods are prorated to reflect the portion of the performance period completed by the end of 2015 and

Table of Contents

shown at target payout levels. For the PSP awards, Restricted Stock and RSUs, amounts reflect the closing price of our stock as reported on the NYSE on December 31, 2015 ($81.80).

Stock Options For Stock Options with an exercise price lower than our stock's closing price on December 31, 2015, amounts reflect the intrinsic value as if the options had been exercised on December 31, 2015, but only for options the NEO would have retained for the specific termination event.

Incremental Pension Values Regardless of whether the value is provided directly through a pension plan or through the relevant severance plan, in the event of an involuntary not-for-cause termination unrelated to a change in control, the amount reflects the single sum value of deeming one and a half or two additional years of age and service. In the event of an involuntary or good reason termination related to a change in control, the amount reflects the single sum value of deeming two or three additional years of age and service.

Post-employment Health & Welfare In the event of an involuntary not-for-cause termination not related to a change in control, the amount reflects the value of certain health and welfare benefits for one and a half or two additional years of service which is paid in a lump sum. In the event of an involuntary or good reason termination related to a change in control, the amount reflects the value of certain health and welfare benefits for two or three additional years of service which is paid in a lump sum.

Mr. Garland

EXECUTIVE BENEFITS AND PAYMENTS UPON TERMINATION	INVOLUNTARY NOT-FOR-CAUSE TERMINATION (NOT CIC) ($)	INVOLUNTARY OR GOOD REASON TERMINATION (CIC) ($)	DEATH ($)	DISABILITY ($)
Base Salary	3,151,632	4,727,448		
Short-term Incentive	5,042,612	10,150,652		
2013-2015 (performance period)				
2014-2016 (performance period)				
2015-2017 (performance period)				
Restricted Stock/Units from prior performance				
Stock Options/SARs:				
Unvested and Accelerated				
Incremental Pension	5,076,655	6,229,676		
Post-employment Health & Welfare	43,280	64,920		
Life Insurance			3,151,632	
	13,314,179	21,172,696	3,151,632	

Ms. Johnson

EXECUTIVE BENEFITS AND PAYMENTS UPON TERMINATION	INVOLUNTARY NOT-FOR-CAUSE TERMINATION (NOT CIC) ($)	INVOLUNTARY OR GOOD REASON TERMINATION	DEATH ($)	DISABILITY ($)

		(CIC) ($)		
Base Salary	1,342,032	2,013,048		
Short-term Incentive	1,194,408	1,985,361		
2013-2015 (performance period)	2,378,884	2,378,884	2,378,884	2,378,884
2014-2016 (performance period)	865,771	865,771	865,771	865,771
2015-2017 (performance period)	538,326	538,326	538,326	538,326
Restricted Stock/Units from prior performance	6,213,364	6,213,364	6,213,364	6,213,364
Stock Options/SARs:				
Unvested and Accelerated	379,603	395,636	395,636	395,636
Incremental Pension	2,324,070	2,647,479		
Post-employment Health & Welfare	14,617	21,926		
Life Insurance			1,342,032	
	15,251,075	17,059,795	11,734,013	10,391,981

Table of Contents

EXECUTIVE COMPENSATION TABLES

Mr. Maxwell

EXECUTIVE BENEFITS AND PAYMENTS UPON TERMINATION	INVOLUNTARY NOT-FOR-CAUSE TERMINATION (NOT CIC) ($)	INVOLUNTARY OR GOOD REASON TERMINATION (CIC) ($)	DEATH ($)	DISABILITY ($)
Base Salary	1,612,032	2,418,048		
Short-term Incentive	1,612,032	2,677,773		
2013-2015 (performance period)				
2014-2016 (performance period)				
2015-2017 (performance period)				
Restricted Stock/Units from prior performance				
Stock Options/SARs:				
Unvested and Accelerated				
Incremental Pension	206,905	279,446		
Post-employment Health & Welfare	32,195	48,293		
Life Insurance			1,612,032	
	3,463,164	5,423,560	1,612,032	

Mr. Taylor

EXECUTIVE BENEFITS AND PAYMENTS UPON TERMINATION	INVOLUNTARY NOT-FOR-CAUSE TERMINATION (NOT CIC) ($)	INVOLUNTARY OR GOOD REASON TERMINATION (CIC) ($)	DEATH ($)	DISABILITY ($)
Base Salary	2,048,832	3,073,248		
Short-term Incentive	2,253,716	3,475,616		
2013-2015 (performance period)				
2014-2016 (performance period)				
2015-2017 (performance period)				
Restricted Stock/Units from prior performance and inducement				
Stock Options/SARs:				
Unvested and Accelerated				
Incremental Pension	184,395	276,592		
Post-employment Health & Welfare	46,453	69,680		
Life Insurance			2,048,832	
	4,533,396	6,895,136	2,048,832	

Mr. Ziemba

EXECUTIVE BENEFITS AND PAYMENTS UPON TERMINATION	INVOLUNTARY NOT-FOR-CAUSE TERMINATION (NOT CIC) ($)	INVOLUNTARY OR GOOD REASON TERMINATION (CIC) ($)	DEATH ($)	DISABILITY ($)
Base Salary	1,402,704	2,104,056		
Short-term Incentive	1,164,244	2,510,850		
2013-2015 (performance period)				
2014-2016 (performance period)				
2015-2017 (performance period)				
Restricted Stock/Units from prior performance				
Stock Options/SARs:				
Unvested and Accelerated				
Incremental Pension	269,656	419,727		
Post-employment Health & Welfare	46,086	69,128		
Life Insurance			1,402,704	
	2,882,690	5,103,761	1,402,704	

Table of Contents

NON-EMPLOYEE DIRECTOR COMPENSATION

The primary elements of our non-employee Director compensation program are equity compensation and cash compensation. As described below, the first changes to the program since our spin-off were effective January 1, 2016.

OBJECTIVES AND PRINCIPLES

Compensation for non-employee Directors is reviewed annually by the Nominating Committee, with the assistance of such third-party consultants as the Nominating Committee deems advisable, and set by action of the Board of Directors. The Board's goal in designing such compensation is to provide a competitive package that will enable it to attract and retain highly skilled individuals with relevant experience and reflects the time and talent required to serve on the board of a complex, multinational corporation. The Board seeks to provide sufficient flexibility in the form of payment to meet individual needs while ensuring that a substantial portion of director compensation is linked to the long-term success of the Company. In furtherance of our commitment to be a socially responsible member of the communities in which we participate, the Board believes that it is appropriate to extend the Phillips 66 matching gift program to charitable contributions made by individual Directors.

Equity Compensation

In 2015, each non-employee Director received a grant of RSUs with an aggregate value of $170,000 on the date of grant. Restrictions on the units issued to a non-employee Director will lapse in the event of retirement, disability, death, or a change of control, unless the Director has elected to receive the shares after a stated period of time. Directors forfeit the units if, prior to the lapse of restrictions, the Board finds sufficient cause for forfeiture (although no such finding can be made after a change in control). Before the restrictions lapse, Directors cannot sell or otherwise transfer the units, but the units are credited with dividend equivalents in the form of additional RSUs. When restrictions lapse, Directors will receive unrestricted shares of Company stock as settlement of the RSUs.

Cash Compensation

In 2015, each non-employee Director received $115,000 in cash compensation for service as a Director. Non-employee Directors serving in specified committee or leadership positions also received the following additional cash compensation:

	LEAD / CHAIR	MEMBER
Lead Director	$50,000	N/A
Audit and Finance Committee	$25,000	$10,000
Human Resources and Compensation Committee	$20,000	$7,500
All Other Committees	$10,000	N/A

The total annual cash compensation is payable in monthly cash installments. Directors may elect, on an annual basis, to receive all or part of their cash compensation in unrestricted stock or in RSUs (such unrestricted stock or RSUs are issued on the last business day of the month valued using the average of the high and low prices of Phillips 66 common stock as reported on the NYSE on such date), or to have the amount credited to the Director's deferred compensation account as described below. The RSUs issued in lieu of cash compensation are subject to the same restrictions as the annual RSUs described above under "*Equity Compensation.*"

Program Changes for 2016

The Nominating Committee annually evaluates the non-employee Director compensation program. Taking into account that no changes had been made to the program since our spin-off in 2012 and studying the director compensation at our peers and across market indices, the Nominating Committee recommended, and the Board approved, an increase in non-employee Director compensation beginning January 1, 2016. The annual equity grant was increased to $200,000 and the cash compensation was increased to $125,000. Further, the additional cash compensation for committee or leadership service was revised as set forth below:

	LEAD / CHAIR	MEMBER

Lead Director	$50,000	N/A
Audit and Finance Committee	$25,000	$10,000
Human Resources and Compensation Committee	$25,000	$10,000
All Other Committees	$10,000	N/A

Deferral of Compensation

Non-employee Directors can elect to defer their cash compensation under the Phillips 66 Deferred Compensation Program for non-Employee Directors (the "Director Deferral Plan"). Deferred amounts are deemed to be invested in various mutual

Table of Contents

NON-EMPLOYEE DIRECTOR COMPENSATION

funds and similar investment choices (including Phillips 66 common stock) selected by the Director from a list of investment choices available under the Director Deferral Plan.

The future payment of any compensation deferred by non-employee Directors of Phillips 66 may be funded in a grantor trust designed for this purpose.

Directors' Matching Gift Program

All active and retired non-employee Directors are eligible to participate in the Directors' Annual Matching Gift Program. This provides a dollar-for-dollar match of gifts of cash or securities, up to a maximum during any one calendar year of $15,000 per donor for active Directors and $7,500 per donor for retired Directors, to charities and educational institutions (excluding certain religious, political, fraternal, or collegiate athletic organizations) that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code or meet similar requirements under the applicable law of other countries. Amounts representing these matching contributions are contained in the "All Other Compensation" column of the "**Non-employee Director Compensation Table**" below.

Other Compensation

The Board believes that it is important for spouses or significant others of Directors and executives to attend certain meetings to enhance the collegiality of the Board. The cost of such attendance is treated by the Internal Revenue Service as income and is taxable to the recipient. The Company reimburses Directors for the cost of resulting income taxes. Amounts representing this reimbursement are contained in the "All Other Compensation" column of the "**Non-employee Director Compensation Table**" below.

Stock Ownership

Directors are expected to own as much Company stock as the aggregate amounts of the annual equity grants during their first five years on the Board. Directors are expected to reach this level of target ownership within five years of joining the Board. Actual shares of stock, Restricted Stock, or RSUs, including deferred stock units, may be counted in satisfying the stock ownership guidelines. All current directors are in compliance with the guidelines.

NON-EMPLOYEE DIRECTOR COMPENSATION TABLE

Phillips 66 benchmarks its non-employee Director compensation design and pay levels against a group of peer companies. The Company targets the median of this peer group for all elements of non-employee Director compensation.

The following table summarizes the compensation for our non-employee Directors for 2015 (for compensation paid to our sole employee Director, Mr. Garland, please see "*Executive Compensation Tables*" beginning on page 40):

NAME	FEES EARNED OR PAID IN CASH ($)(1)	STOCK AWARDS ($)(2)	OPTION AWARDS ($)	NON-EQUITY INCENTIVE PLAN COMPENSATION ($)	CHANGE IN PENSION VALUE AND NONQUALIFIED DEFERRED COMPENSATION EARNINGS ($)	ALL OTHER COMPENSATION ($)(3)	TOTAL ($)
J. Brian Ferguson	135,000	170,010				2,777	307,787
William R. Loomis, Jr.	140,000	170,010				33,342	343,352
John E. Lowe	120,000	170,010				10,400	300,410
Harold W. McGraw III	182,500	170,010				356	352,866
Glenn F. Tilton	122,500	170,010				16,547	309,057

Victoria J. Tschinkel	135,000	170,010		15,964	320,974
Marna C. Whittington	125,000	170,010		20,072	315,082

(1)

Reflects 2015 base cash compensation of $115,000 payable to each non-employee Director. In 2015, non-employee Directors serving in specified committee positions also received the additional cash compensation described above. Compensation amounts reflect adjustments related to various changes in committee assignments by Board members throughout the year, if any. Amounts shown include any amounts that were voluntarily deferred to the Director Deferral Plan, received in Phillips 66 common stock, or received in RSUs. Mr. Tilton elected to defer his cash compensation.

(2)

Amounts represent the grant date fair market value of RSUs. Under our non-employee Director compensation program, non-employee Directors received a 2015 grant of RSUs with an aggregate value of $170,000 on the date of grant, based on the average of the high and low prices for Phillips 66 common stock, as reported on the NYSE, on such date. These grants are made in whole shares with fractional share amounts rounded up, resulting in shares with a value of $170,010 being granted on January 15, 2015.

Table of Contents

(3)

Includes the amounts attributable to the following:

NAME	PERSONAL USE OF COMPANY AIRCRAFT ($)(a)	MISCELLANEOUS PERQUISITES AND TAX REIMBURSEMENTS ($)(b)	MATCHING GIFT AMOUNTS ($)(c)	TOTAL ($)
Mr. Ferguson	1,821	956		2,777
Mr. Loomis	2,578	10,764	20,000	33,342
Mr. Lowe		3,150	7,250	10,400
Mr. McGraw		356		356
Mr. Tilton		1,547	15,000	16,547
Ms. Tschinkel		964	15,000	15,964
Dr. Whittington	1,803	3,269	15,000	20,072

(a)

On occasion, the Company may request Directors to invite guests to accompany them on business trips, Directors may be asked to accompany executives on business trips other than Board meetings, or a Director or guest may be returned to a location other than their home. When these situations occur and we are required to impute income to the Director, incremental costs to Phillips 66, if any, are reported in this table. The incremental cost is determined by calculating the variable costs for each aircraft during the year, dividing that amount by the total number of miles flown by the aircraft, and multiplying the result by the miles flown for personal use during the year.

(b)

The amounts shown primarily reflect payments by us relating to certain taxes incurred by the Directors. These payments primarily occur when we request family members or other guests to accompany a Director to a Company function and, as a result, the Director is deemed to make personal use of Company assets such as Company aircraft and thereby incurs imputed income. In such circumstances, if the Director is imputed income in accordance with the applicable tax laws, we will generally reimburse the Director for the increased tax costs. The amounts shown include gifts received for their role as members of the Board of Directors.

(c)

We maintain a Matching Gift Program under which we match certain gifts by Directors to charities and educational institutions (excluding certain religious, political, fraternal, or athletic organizations) that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code or meet similar requirements under the applicable law of other countries. For active Directors, the program matches up to $15,000 with regard to each program year. The amounts shown reflect the actual payments made by us in 2015. Mr. Loomis made certain gifts in the fourth quarter of 2014 that were matched by the Company in 2015 in addition to his 2015 contributions. Mr. Garland is eligible for the program as an executive of the Company, rather than as a Director. Information on the value of matching gifts for Mr. Garland is shown in the "**Summary Compensation Table**" on page 40 and the notes to that table.

The following table lists outstanding equity grants for each non-employee Director as of December 31, 2015:

NAME	GRANT DATE	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) EXERCISABLE	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) UNEXERCISABLE	OPTION EXERCISE PRICE ($)	OPTION EXPIRATION DATE	NUMBER OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (#)
Mr. Ferguson						12,698
Mr. Loomis						14,545
Mr. Lowe						12,698
Mr. McGraw						30,804
Mr. Tilton						12,698
Ms. Tschinkel						11,571
Dr. Whittington						12,698

OPTION EXERCISES AND STOCK VESTED FOR 2015

The following table summarizes the value received from stock option exercises and stock grants vested in 2015:

NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ON EXERCISE ($)	NUMBER OF SHARES ACQUIRED ON VESTING (#)	VALUE REALIZED ON VESTING ($)
Mr. Ferguson				
Mr. Loomis				
Mr. Lowe				
Mr. McGraw				
Mr. Tilton				
Ms. Tschinkel			1,306	77,850
Dr. Whittington				

Table of Contents

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information about Phillips 66 common stock that may be issued under all existing equity compensation plans as of December 31, 2015:

Plan category	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS(1,2) (a)	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS(3) (b)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (a))(4) (c)
Equity compensation plans approved by security holders	12,746,393	$ 41.27	40,694,393
Equity compensation plans not approved by security holders			
Total	12,746,393	$ 41.27	40,694,393

(1) Includes awards issued under the Omnibus Stock and Performance Incentive Plan of Phillips 66 and awards issued under the 2013 Omnibus Stock and Performance Incentive Plan of Phillips 66.

(2) Includes an aggregate of 5,431,739 Incentive Stock Options and Nonqualified Stock Options issued to employees, 28,005 Restricted Stock Awards granted under historical long-term incentive plans, and 3,556,826 Performance Share Units. The number of securities to be issued includes 3,729,823 Restricted Stock Units, of which 212,731 were issued to non-employee Directors. Some awards held by ConocoPhillips employees at our spin-off were adjusted or substituted with a combination of ConocoPhillips and Phillips 66 equity. Awards representing a total of 13,071,435 shares were issued to ConocoPhillips employees, of which 3,841,964 remain outstanding as of December 31, 2015. The awards issued to ConocoPhillips employees are included in the outstanding awards listed above.

(3) The weighted-average exercise price reflects the weighted-average price for outstanding Incentive Stock Options and Nonqualified Stock Options only. It does not include stock awards outstanding.

(4) Total includes forfeited shares under the Omnibus Stock and Performance Incentive Plan of Phillips 66 that are now available for grant under the 2013 Omnibus Stock and Performance Incentive Plan of Phillips 66.

STOCK OWNERSHIP

HOLDINGS OF MAJOR SHAREHOLDERS

The following table sets forth information regarding persons who we know to be the beneficial owners of more than five percent of our issued and outstanding common stock (as of the date of such shareholder's Schedule 13G filing with the SEC):

	COMMON STOCK	
NAME AND ADDRESS	**NUMBER OF SHARES**	**PERCENT OF CLASS**
Berkshire Hathaway Inc.(1) 3555 Farnam Street Omaha, Nebraska 68131	75,550,745	14.32%
BlackRock, Inc.(2) 55 East 52nd Street New York, NY 10055	28,243,947	5.35%
The Vanguard Group(3) 100 Vanguard Blvd. Malvern, PA 19335	31,318,814	5.94%

(1) Based solely on an Amendment to Schedule 13G filed with the SEC on February 16, 2016, by Warren E. Buffett on behalf of himself and Berkshire Hathaway Inc., National Indemnity Company, National Liability & Fire Insurance Co., Berkshire Hathaway Assurance Corp., Columbia Insurance Company, Fruit of the Loom Pension Trust, Flightsafety International Inc. Retirement Income Plan, Geico Corporation Pension Plan Trust, Johns Manville Corporation Master Pension Trust, and General Re Corp. Employee Retirement Trust, as updated by the most recent Form 4 filed by such ownership group dated February 12, 2016, which also added National Fire & Marine Insurance Co., Berkshire Hathaway Homstate Insurance Co., and Berkshire Hathaway Specialty Insurance Co. to the ownership group.

(2) Based solely on an Amendment to Schedule 13G filed with the SEC on February 10, 2016, by BlackRock, Inc. on behalf of itself, BlackRock Advisors, LLC, BlackRock Financial Management, Inc., BlackRock Investment Management, LLC, BlackRock Investment Management (Australia) Limited, BlackRock Investment Management (UK) Ltd, BlackRock (Channel Islands) Ltd., BlackRock (Luxembourg) S.A., BlackRock (Netherlands) B.V., BlackRock Fund Managers Limited, BlackRock Life Limited, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Asset Management Schweiz AG, BlackRock (Singapore) Limited, BlackRock Advisors (UK) Limited, BlackRock Fund Advisors, BlackRock International Limited, BlackRock Institutional Trust Company, N.A., BlackRock Japan Co. Ltd., BlackRock Asset Management North Asia Limited, and Xulu, Inc.

(3) Based solely on an Amendment to Schedule 13G filed with the SEC on February 11, 2016, by The Vanguard Group on behalf of itself, Vanguard Fiduciary Trust Company, and Vanguard Investments Australia, Ltd.

Table of Contents

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires directors and executive officers of Phillips 66, and persons who own more than 10 percent of a registered class of Phillips 66 equity securities, to file reports of ownership and changes in ownership of Phillips 66 common stock with the SEC and the NYSE, and to furnish Phillips 66 with copies of the forms they file. To our knowledge, based solely upon a review of the copies of such reports furnished to the Company and written representations of our officers and directors, during the year ended December 31, 2015, all Section 16(a) reports applicable to those officers and directors were filed on a timely basis.

SECURITIES OWNERSHIP OF OFFICERS AND DIRECTORS

The following table sets forth the number of shares of our common stock beneficially owned as of March 11, 2016, by each Phillips 66 Director, by each NEO and by all of our directors and executive officers as a group. Together these individuals beneficially own less than one percent of our common stock. The table also includes information about stock options, restricted stock, RSUs and Deferred Stock Units credited to the accounts of our directors and executive officers under various compensation and benefit plans. For purposes of this table, shares are considered to be "beneficially" owned if the person, directly or indirectly, has sole or shared voting or investment power with respect to such shares. In addition, a person is deemed to beneficially own shares if that person has the right to acquire such shares within 60 days of March 11, 2016.

	NUMBER OF SHARES OR UNITS		
NAME OF BENEFICIAL OWNER	TOTAL COMMON STOCK BENEFICIALLY OWNED	RESTRICTED/DEFERRED STOCK UNITS(1)	OPTIONS EXERCISABLE WITHIN 60 DAYS(2)
Mr. Garland	72,577	676,428	472,993
Ms. Johnson	17,595	87,200	73,574
Mr. Maxwell(3)	32,398	104,488	89,751
Mr. Mitchell(3)	5,972	55,862	3,300
Mr. Taylor	36,183	172,262	136,159
Mr. Ziemba	10,643	177,254	225,504
Mr. Ferguson	234	15,276	
Mr. Loomis	59,902	17,123	
Mr. Lowe	30,000	15,276	
Mr. McGraw(4)	873	33,390	
Mr. Tilton	5,900	15,276	
Ms. Tschinkel(5)	36,619	11,399	
Dr. Whittington	2,500	15,276	
Directors and Executive Officers as a Group (14 Persons)(3)	291,443	1,408,947	1,073,495

(1) Includes RSUs or Deferred Stock Units that may be voted or sold only upon passage of time.

(2) Includes beneficial ownership of shares of common stock which may be acquired within 60 days of March 11, 2016, through stock options awarded under compensation plans.

(3)

Effective January 1, 2016, Kevin J. Mitchell replaced Mr. Maxwell as our Chief Financial Officer. The holdings of Mr. Maxwell, an NEO in this proxy statement, and the holdings of Mr. Mitchell, an executive officer as of the record date, are both included in this table. Only Mr. Mitchell's holdings are included in the total for all directors and executive officers as a group.

(4)

Includes 373 shares held on behalf of the Harold W. McGraw Family Foundation, Inc., of which Mr. McGraw serves on the board, or various trusts for the benefit of various family members of Mr. McGraw and for which trusts Mr. McGraw serves as trustee and has voting and investment power. Mr. McGraw disclaims beneficial ownership of all securities held by the foundation and the trusts.

(5)

Includes 85 shares of common stock owned by the Erika Tschinkel Trust and 31,003 shares of common stock owned jointly with Ms. Tschinkel's spouse.

Table of Contents

PROPOSAL 4: Management Proposal Regarding the Annual Election of Directors

Currently, the Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") of the Company provides for a staggered Board divided into three classes of directors, with each class elected for three-year terms.

After considering the advantages and disadvantages of declassification, including the opinion of major investors of the Company and views of commentators, the Board has determined it is in the best interests of the Company and its shareholders to amend the Certificate of Incorporation and the By-Laws of the Company to declassify the Board over the next three years. This will result in a fully declassified Board by the 2019 Annual Meeting of Shareholders.

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSAL TO AMEND THE CERTIFICATE OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS.

The affirmative vote of the holders of 80 percent of the outstanding shares of stock entitled to vote generally on the election of directors on the Record Date is required to approve this Proposal. We submitted this proposal in 2015 and, while it received significant support, it did not receive the 80 percent vote required for adoption. Because brokers may not cast a vote on this proposal without your instruction, it is important that you vote your shares.

The proposed amendment to the Certificate of Incorporation would eliminate the classification of the Board over a three-year period and provide for the annual election of all directors beginning at the 2019 Annual Meeting of Shareholders. The proposed amendment to the Certificate of Incorporation would become effective upon the filing of a Certificate of Amendment with the Secretary of State of the State of Delaware, which the Company would file promptly following the Annual Meeting if our shareholders approve the amendment. Board declassification would be phased-in over a three-year period, beginning at the 2017 Annual Meeting of Shareholders, as follows:

At the 2016 Annual Meeting, two nominees will be elected to the Board to serve for a three-year period ending at the 2019 Annual Meeting.

The three Directors elected for three-year terms at the 2014 Annual Meeting will continue to serve until the 2017 Annual Meeting. Nominees for the three director positions expiring at the 2017 Annual Meeting will be elected for one-year terms ending at the 2018 Annual Meeting.

The three Directors elected for three-year terms at the 2015 Annual Meeting will continue to serve until the 2018 Annual Meeting. Nominees for the six expiring director positions at the 2018 Annual Meeting will be elected for one-year terms ending at the 2019 Annual Meeting.

At the 2019 Annual Meeting, the terms of the two Directors elected for three-year terms in 2016 and the six Directors elected to one-year terms in 2018 will all expire, and all nominees presented for election to the Board at the 2019 Annual Meeting will be elected to one-year terms.

Beginning with the 2019 Annual Meeting of Shareholders, all Directors will stand for election at each annual meeting of shareholders for a one-year term expiring at the subsequent annual meeting of shareholders. The proposed amendment does not change the present number of Directors or the Board's authority to change that number and to fill any vacancies or newly created directorships.

Delaware law provides, unless otherwise addressed in the certificate of incorporation, that members of a board that is classified may be removed only for cause. The proposed amendment provides that, once the Board is fully declassified as of the 2019 Annual Meeting of Shareholders, directors may be removed with or without cause. Before that time, directors serving in a class elected for a three-year term at any annual meeting of shareholders from 2014 through 2016 may be removed only for cause. Directors elected for a one-year term at each annual meeting of shareholders from 2017 through 2018 may be removed with or without cause.

The proposed Certificate of Amendment to the Certificate of Incorporation is attached to this Proxy Statement as **Appendix A**. If our shareholders approve the proposed amendment to the Certificate of Incorporation, the Board will make certain conforming changes to the Company's By-Laws.

Table of Contents

ABOUT THE ANNUAL MEETING

Who is soliciting my vote?

The Board of Directors of Phillips 66 is soliciting proxies to be voted at the 2016 Annual Meeting of Shareholders of Phillips 66.

Who is entitled to vote?

You may vote if you were the record owner of Phillips 66 common stock as of the close of business on March 11, 2016, the record date established by the Board of Directors. Each share of common stock is entitled to one vote. As of March 11, 2016, we had [xx] shares of common stock outstanding and entitled to vote. There is no cumulative voting.

How many shares must be present to hold the meeting?

In order for us to hold our meeting, holders of a majority of our outstanding shares of common stock as of March 11, 2016, must be present in person or by proxy at the meeting. This is referred to as a quorum. Your shares are counted as present at the Annual Meeting if you attend the meeting and vote in person or if you properly return a proxy by Internet, telephone or mail. Abstentions and broker non-votes will also be counted for purposes of establishing a quorum at the meeting.

What is a broker non-vote?

Applicable rules permit brokers to vote shares held for the benefit of their clients on routine matters when the brokers have not received voting instructions from the beneficial owner on how to vote those shares. The ratification of an independent auditor is an example of a routine matter on which brokers may vote in this manner. Brokers may not vote shares held for the benefit of their clients on non-routine matters, such as the election of directors, proposals relating to executive compensation and proposals to amend certificates of incorporation and certain other corporate governance changes, unless they have received voting instructions from the beneficial owner on how to vote those shares. Shares that are not voted by brokers on non-routine matters are called broker non-votes.

How many votes are needed to approve each of the proposals?

Each of the director nominees requires the affirmative "**FOR**" vote of the majority of the votes cast in person or by proxy at the meeting. All other proposals, except Proposal 4, require the affirmative "**FOR**" vote of a majority of those shares present in person or represented by proxy at the meeting and entitled to vote. Proposal 4 requires the affirmative "**FOR**" vote of the holders of 80 percent of the outstanding shares of stock entitled to vote generally on the election of directors on the Record Date. Accordingly, a broker non-vote on Proposal 4 has the same effect as a vote against the proposal.

How do I vote?

You can vote either *in person* at the meeting or *by proxy*.

This proxy statement, the accompanying proxy card and the Company's 2015 Annual Report to Shareholders are being made available to the Company's shareholders on the Internet at *www.proxyvote.com* through the notice and access process. The Company's 2015 Annual Report to Shareholders contains consolidated financial statements and reports of the independent registered public accounting firm, management's discussion and analysis of financial condition and results of operations, information concerning the quarterly financial data for the past two fiscal years, and other information.

To vote by proxy, you must do one of the following:

Vote over the *Internet* (instructions are on the proxy card)

Vote by *telephone* (instructions are on the proxy card)

If you elected to receive a hard copy of your proxy materials, fill out the enclosed *proxy card*, date and sign it, and return it 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 voter instruction form carefully.

Even if you plan to attend the Annual Meeting, we encourage you to vote your shares by proxy. 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.

Table of Contents

ABOUT THE ANNUAL MEETING

How do I vote if I hold my stock through a Phillips 66 employee benefit plan?

If you hold your stock through a Phillips 66 employee benefit plan, you must either:

- Vote over the *Internet* (instructions are in the email sent to you or on the notice and access form)
- Vote by *telephone* (instructions are on the notice and access form)
- If you elected to receive a hard copy of your proxy materials, fill out the enclosed *voting instruction form*, date and sign it, and return it in the enclosed postage-paid envelope

You will receive a separate voting instruction form for each employee benefit plan in which you hold Phillips 66 stock. Please pay close attention to the deadline for returning your voting instruction form to the plan trustee. The voting deadline for each plan is set forth on the voting instruction form. Please note that different plans may have different deadlines.

How can I revoke my proxy?

You can revoke your proxy by sending written notice of revocation of your proxy to our Corporate Secretary so that it is received prior to 5:00 p.m. Central Time on May 3, 2016.

Can I change my vote?

Yes. You can change your vote at any time before the polls close at the Annual Meeting, which will void any earlier vote. You can change your vote by:

- Voting again by telephone or over the Internet prior to 11:59 p.m., Eastern Daylight Time, on May 3, 2016
- Signing another proxy card with a later date and returning it to us prior to the meeting
- Voting again at the meeting

If you hold your Phillips 66 stock in street name, you must contact your broker to obtain information regarding changing your voting instructions.

Who counts the votes?

We hired Broadridge Financial Solutions, Inc. to count the votes represented by proxies and cast by ballot, and appointed Jim Gaughan of Carl T. Hagberg and Associates to act as Inspector of Election.

Will my shares be voted if I don't provide my proxy and don't attend the Annual Meeting?

For shares held in your name, if you do not provide a proxy or vote your shares at the Annual Meeting, those shares will not be voted.

If you hold shares in street name, your broker may be able to vote those shares for certain "routine" matters even if you do not provide the broker with voting instructions. Only the ratification of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2016 is considered to be a routine matter.

If you do not give your broker instructions on how to vote your shares, the broker will return the proxy card without voting on proposals not considered "routine." This is a broker non-vote. Without instructions from you, the broker may not vote on any proposals other than the ratification of Ernst & Young LLP as our independent registered public accounting firm for 2016.

How are votes counted?

For all proposals, you may vote "**FOR**," "**AGAINST**," or "**ABSTAIN**." If you vote to "**ABSTAIN**" on the election of directors, it is not considered as a vote cast and, therefore, your vote will reduce the number, but not the percentage, of affirmative votes needed to elect the nominees. If you vote to "**ABSTAIN**" on the other proposals, your shares are still considered as present and entitled to vote and, therefore, your abstention has the same effect as a vote "**AGAINST**."

What if I return my proxy but don't vote for some of the matters listed on my proxy card?

If you return a signed proxy card without indicating your vote, your shares will be voted "**FOR**" the director nominees listed on the card, "**FOR**" the ratification of Ernst & Young LLP as the independent registered public accounting firm for Phillips 66

Table of Contents

for fiscal year 2016, "**FOR**" the approval of the compensation of our Named Executive Officers, and "**FOR**" the proposal regarding declassification of the Board of Directors.

Could other matters be decided at the Annual Meeting?

We are not aware of any other matters to be presented at the Annual Meeting. If any other matters are properly brought before the Annual Meeting, the persons named in your proxy will vote in accordance with their best judgment. Discretionary authority to vote on other matters is included in the proxy.

When will the Company announce the results of the vote?

Within four business days of the Annual Meeting, we will file a Current Report on Form 8-K announcing the results of the vote at the Annual Meeting.

Who can attend the Annual Meeting?

The Annual Meeting is open to all holders of Phillips 66 common stock. Each shareholder is permitted to bring one guest. No cameras, recording equipment, large bags, briefcases or packages will be permitted in the Annual Meeting, and security measures will be in effect to provide for the safety of attendees.

Do I need a ticket to attend the Annual Meeting?

Yes, you will need an admission ticket or proof of ownership of Phillips 66 stock to enter the meeting. If your shares are registered in your name, you will find an admission ticket attached to the proxy card sent to you. If your shares are held in the name of your broker or bank or you received your materials electronically, you will need to bring evidence of your stock ownership, such as your most recent brokerage statement. All shareholders will be required to present valid picture identification. **IF YOU DO NOT HAVE VALID PICTURE IDENTIFICATION AND EITHER AN ADMISSION TICKET OR PROOF THAT YOU OWN PHILLIPS 66 STOCK, YOU MAY NOT BE ADMITTED INTO THE MEETING**.

How can I access the Phillips 66 proxy materials and annual report electronically?

This proxy statement, the accompanying proxy card and the Company's 2015 Annual Report are being made available to the Company's shareholders on the Internet at *www.proxyvote.com* through the notice and access process. Most shareholders can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail.

If you own Phillips 66 stock in your name, you can choose this option, and help conserve resources and save the cost of producing and mailing these documents, by checking the box for electronic delivery on your proxy card or by following the instructions provided when you vote by telephone or over the Internet. If you hold your Phillips 66 stock through a bank, broker or other holder of record, please refer to the information provided by that entity for instructions on how to elect to view future proxy statements and annual reports over the Internet.

If you choose to view future proxy statements and annual reports over the Internet, you will receive a Notice of Internet Availability next year containing the Internet address to use to access our proxy statement and annual report. Your choice will remain in effect unless you change your election following the receipt of a Notice of Internet Availability. You do not have to elect Internet access each year. If you later change your mind and would like to receive paper copies of our proxy statements and annual reports, you can request both by phone at 800-579-1639, by email at *sendmaterial@proxyvote.com*, through the Internet at *www.proxyvote.com* or by writing to Phillips 66, c/o Broadridge Financial Solutions, Inc., 51 Mercedes Way, Edgewood, NY 11717. You will need your 12-digit control number located on your Notice of Internet Availability to request a package. You will also be provided with the opportunity to receive a copy of the proxy statement and annual report in future mailings.

Will my vote be kept confidential?

The Board of Directors has a policy that shareholder proxies, ballots, and tabulations that identify shareholders are to be maintained in confidence. No such document will be available for examination, and the identity and vote of any shareholder will not be disclosed, except as necessary to meet legal requirements and allow the inspectors of election to certify the results of the shareholder vote. The policy also provides

that inspectors of election must be independent and cannot be employees of the Company. Occasionally, shareholders provide written comments on their proxy card that may be forwarded to management.

Table of Contents

ABOUT THE ANNUAL MEETING

What is the cost of this proxy solicitation?

The Board of Directors has sent you this proxy statement. Our directors, officers and employees may solicit proxies by mail, by email, by telephone or in person. Those persons will receive no additional compensation for any solicitation activities. We will request banking institutions, brokerage firms, custodians, trustees, nominees and fiduciaries to forward solicitation materials to the beneficial owners of common stock held of record by those entities, and we will, upon the request of those record holders, reimburse reasonable forwarding expenses. We will pay the costs of preparing, printing, assembling and mailing the proxy materials used in the solicitation of proxies. In addition, we have hired Alliance Advisors, LLC to assist us in soliciting proxies, which it may do by telephone or in person. We anticipate paying Alliance Advisors, LLC a fee of $15,000, plus expenses.

Why did my household receive a single set of proxy materials?

Securities and Exchange Commission (SEC) rules permit us to deliver a single copy of an annual report and proxy statement to any household not participating in electronic proxy material delivery at which two or more shareholders reside, if we believe the shareholders are members of the same family. This benefits both you and the Company, as it eliminates duplicate mailings that shareholders living at the same address receive and conserves resources and reduces printing and mailing costs. This rule applies to any annual reports, proxy statements, proxy statements combined with a prospectus or information statements. Each shareholder will continue to receive a separate proxy card or voting instruction card. Your household may have received a single set of proxy materials this year. If you prefer to receive your own copy now or in future years, please request a duplicate set by phone at 800-579-1639, through the Internet at *www.proxyvote.com*, by email at *sendmaterial@proxyvote.com*, or by writing to Phillips 66, c/o Broadridge Financial Solutions, Inc., 51 Mercedes Way, Edgewood, NY 11717. Shareholders sharing the same address can request delivery of a single copy of these materials using the same methods described in the preceding sentence. If a broker or other nominee holds your shares, you may continue to receive some duplicate mailings. Certain brokers will eliminate duplicate account mailings by allowing shareholders to consent to such elimination, or through implied consent if a shareholder does not request continuation of duplicate mailings. Because not all brokers and nominees may offer shareholders the opportunity to request eliminating duplicate mailings, you may need to contact your broker or nominee directly to discontinue duplicate mailings to your household.

Table of Contents

SUBMISSION OF FUTURE SHAREHOLDER PROPOSALS

Under SEC rules, if a shareholder wants us to include a proposal in our proxy statement and form of proxy for the 2017 Annual Meeting of Shareholders, our Corporate Secretary must receive the proposal at our principal executive offices by November 23, 2016. Any such proposal must comply with the requirements of Rule 14a-8 promulgated under the Exchange Act.

Under our By-Laws, and as SEC rules permit, shareholders must follow certain procedures to nominate a person for election as a director at an annual or special meeting, or to introduce an item of business at an annual meeting (other than a proposal submitted under Rule 14a-8). Under these procedures, shareholders must submit the proposed nominee or item of business by delivering a notice to the Corporate Secretary at the following address: Corporate Secretary, Phillips 66, P.O. Box 4428, Houston, Texas 77210. We must receive notice as follows:

We must receive notice of a shareholder's intention to introduce a nomination or proposed item of business for an annual meeting not less than 90 days nor more than 120 days before the first anniversary of the prior year's meeting. Assuming that our 2016 Annual Meeting is held on schedule, we must receive notice pertaining to the 2017 Annual Meeting no earlier than January 4, 2017 and no later than February 3, 2017.

However, if we hold the annual meeting on a date that is not within 30 days before or after such anniversary date, and if our first public announcement of the date of such annual meeting is less than 100 days prior to the date of such meeting, we must receive the notice no later than 10 days after the public announcement of such meeting.

If we hold a special meeting to elect directors, we must receive a shareholder's notice of intention to introduce a nomination no later than 10 days after the earlier of the date we first provide notice of the meeting to shareholders or announce it publicly.

As required by Article II of our By-Laws, a notice of a proposed nomination must include information about the shareholder and the nominee, as well as a written consent of the proposed nominee to serve if elected. A notice of a proposed item of business must include a description of and the reasons for bringing the proposed business to the meeting, any material interest of the shareholder in the business and certain other information about the shareholder. You can obtain a copy of our By-Laws by writing the Corporate Secretary at the address above, or via our website under the "*Governance*" caption.

AVAILABLE INFORMATION

SEC rules require us to provide an annual report to shareholders who receive this proxy statement. Additional printed copies of the annual report to shareholders, as well as our Corporate Governance Guidelines, Code of Business Ethics and Conduct, charters for each of the committees of the Board of Directors and our Annual Report on Form 10-K for the year ended December 31, 2015, including the financial statements and the financial statement schedules, are available without charge to shareholders upon written request to Phillips 66 Investor Relations Department, P.O. Box 4428, Houston, Texas 77210 or via the Internet at *www.Phillips66.com*. We will furnish the exhibits to our Annual Report on Form 10-K upon payment of our copying and mailing expenses.

Table of Contents

Appendix A

Certificate of Amendment to the
Amended and Restated Certificate of Incorporation
of
Phillips 66

Phillips 66, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify:

1. That Article FIFTH of the Amended and Restated Certificate of Incorporation of the Corporation is hereby amended to read in its entirety as follows:

FIFTH: A. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors. The total number of directors constituting the entire Board shall be not less than six nor more than twenty as determined from time to time by resolution adopted by affirmative vote of a majority of the entire Board of Directors. ~~The directors, other than those who may be elected by the holders of any series of Preferred Stock under specified circumstances, shall be divided, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as is reasonably possible, each with a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until his or her successor shall have been duly elected and qualified. Unless otherwise required by law, any vacancy on the Board of Directors or newly created directorship may be filled only by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been appointed expires and until their successors are duly elected and qualified, or until their earlier death, resignation, removal or departure from the Board of Directors for other cause.~~

Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances:

(1) Commencing with the election of directors at the 2017 annual meeting of stockholders, there shall be two classes of directors: (i) the directors in the class elected at the 2015 annual meeting of stockholders and having a term that expires at the 2018 annual meeting of stockholders, and (ii) the directors in the class elected at the 2016 annual meeting of stockholders and having a term that expires at the 2019 annual meeting of stockholders. Directors elected at the 2017 annual meeting of stockholders shall be elected for a one-year term expiring at the 2018 annual meeting of stockholders.

(2) Commencing with the election of directors at the 2018 annual meeting of stockholders, there shall be one class of directors: those directors elected at the 2016 annual meeting of stockholders and having a term that expires at the 2019 annual meeting of stockholders. Directors elected at the 2018 annual meeting of stockholders shall be elected for a one-year term expiring at the 2019 annual meeting of stockholders.

(3) From and after the election of directors at the 2019 annual meeting of stockholders, the Board of Directors shall cease to be classified and the directors elected at the 2019 annual meeting of stockholders (and each annual meeting of stockholders thereafter) shall be elected for a term expiring at the following annual meeting of stockholders.

Unless otherwise required by law, in the event of any increase or decrease in the authorized number of directors at any time when the Board of Directors is divided into a class or classes, each director then serving as a member of a class of directors shall continue as a director of the class of which he or she is a member until the expiration of the director's term or the director's death, retirement, resignation, or removal. Each newly created directorship on the Board of Directors that results from an increase in the number of directors and any vacancy occurring in the Board of Directors shall be filled only by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, pursuant to Section 223 of the DGCL. Any director elected to fill a newly created directorship that results from an increase in the number of directors shall be elected for a term expiring at the next annual meeting of stockholders and until their successor is duly elected and qualified, or until their earlier death, retirement, resignation, removal or departure from the Board of Directors for other cause, and any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of the predecessor director. Current directors serving in a class that was elected for a three-year term at the annual meetings of stockholders held from 2014 through 2016 may be removed only for cause. All other directors may be removed either with or without cause.

Notwithstanding the foregoing, whenever the holders of outstanding shares of one or more series of Preferred Stock are entitled to elect a director or directors of the Corporation separately as a series or together with one or more other series pursuant to a resolution of the Board of Directors providing for the establishment of such series, such director or directors shall not be subject to the foregoing provisions of this Article FIFTH, and the election, term of office, removal

Table of Contents

and filling of vacancies in respect of such director or directors shall be governed by the resolution of the Board of Directors so providing for the establishment of such series and by applicable law.

~~B. Subject to applicable law, any director or the entire Board of Directors may only be removed with cause, such removal to be by the affirmative vote of the shares representing at least a majority of the votes entitled to be cast by the Voting Stock.~~

~~Notwithstanding the foregoing, whenever holders of outstanding shares of one or more series of Preferred Stock are entitled to elect directors of the Corporation pursuant to the provisions applicable in the case of arrearages in the payment of dividends or other defaults contained in the resolution or resolutions of the Board of Directors providing for the establishment of any such series, any such director of the Corporation so elected may be removed in accordance with the provisions of such resolution or resolutions.~~

~~C~~***B***. There shall be no limitation on the qualification of any person to be a director or on the ability of any director to vote on any matter brought before the Board or any Board committee, except (i) as required by applicable law, (ii) as set forth in this Certificate of Incorporation or (iii) any By-Law adopted by the Board of Directors with respect to the eligibility for election as a director or the qualification for continuing service as a director upon reaching a specified age or, in the case of employee directors, with respect to the qualification for continuing service of directors upon ceasing employment from the Corporation.

~~D~~***C***. Except as (i) required by applicable law or (ii) set forth in this Certificate of Incorporation, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors.

~~E~~***D***. The following provisions are inserted for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

(1) The By-Laws of the Corporation may be adopted, altered, amended or repealed (i) by the affirmative vote of the shares representing a majority of the votes entitled to be cast by the Voting Stock; PROVIDED, HOWEVER, that any proposed alteration, amendment or repeal of, or the adoption of any By-Law inconsistent with, Section 3, 7, 10, 11, 12 or 13 of Article II of the By-Laws or Section 1, 2 or 11 of Article III of the By-Laws or Section 4, 5 or 12 of Article IV of the By-Laws (in each case, as in effect on the date hereof), or the alteration, amendment or the repeal of, or the adoption of any provision inconsistent with, this sentence, by the stockholders shall require the affirmative vote of shares representing not less than 80% of the votes entitled to be cast by the Voting Stock; and PROVIDED, FURTHER, HOWEVER, that in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, amendment, repeal or adoption of the new By-Law or By-Laws must be contained in the notice of such special meeting, or (ii) by action of the Board of Directors of the Corporation; p*rovided*, *however*, that in the case of any such action at a meeting of the Board of Directors, notice of the proposed alteration, amendment, repeal or adoption of the new By-Law or By-Laws must be given not less than two days prior to the meeting. The Provisions of this paragraph (~~E~~***D***)(1) of this Article FIFTH are subject to Section 12 of Article ***II***~~IV~~ of the By-Laws.

(2) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the DGCL, this Certificate of Incorporation, and any By-Laws adopted by the stockholders; PROVIDED, HOWEVER, that no By-Laws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such By-Laws had not been adopted.

2. The foregoing amendment to the Amended and Restated Certificate of Incorporation of the Corporation was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to the Amended and Restated Certificate of Incorporation to be executed by the undersigned officer, duly authorized, as of the day of 2016.

Phillips 66

By: _____

Name:
Title:

Table of Contents

Appendix B

NON-GAAP FINANCIAL MEASURES

The discussion of our results in this proxy statement includes references to our "adjusted earnings," "cash from operations, excluding working capital," "VCIP ROCE," "PSP ROCE," and "cost management" amounts. "Adjusted controllable costs" is used interchangeably with "cost management," and "ROCE" is displayed on both an absolute basis and a basis relative to our peer group. These measures are not measures of financial performance under U.S. generally accepted accounting principles (GAAP) and may not be defined and calculated by other companies using the same or similar terminology.

Adjusted Earnings

Adjusted earnings is a non-GAAP financial measure because it excludes from net income certain items of expense or income that management does not consider representative of our core operating performance. Management uses this measure as a factor in its assessment of performance for the purposes of compensation decisions. A reconciliation of adjusted earnings to net income attributable to Phillips 66, the most directly comparable GAAP financial measure, is set forth below.

	MILLIONS OF DOLLARS	
YEARS ENDED DECEMBER 31	**2014**	**2015**
Net Income Attributable to Phillips 66	**$ 4,762**	**$ 4,227**
Adjustments:		
Asset dispositions	(494)	(265)
Impairments	200	256
Pending claims and settlements	(10)	(23)
Lower-of-cost-or-market inventory adjustments	30	33
Pension settlement expenses		49
Certain tax impacts		(84)
Discontinued operations	(706)	
Adjusted earnings	**$ 3,782**	**$ 4,193**

Cash from Operations, excluding working capital

Cash from operations, excluding working capital provides a view of how much cash our operating activities generate, without regard to working capital changes, which can create timing differences that may cause variability in a given period's cash flow. A reconciliation of cash from operations, excluding working capital to cash provided by operating activities, the most directly comparable GAAP financial measure, is set forth below.

	MILLIONS OF DOLLARS
YEAR ENDED DECEMBER 31	**2015**
Cash provided by operating activities (CFO)	**$ 5,713**
Adjustments:	
Net working capital impacts	221
CFO excluding working capital	**$ 5,934**

VCIP and PSP ROCE

We believe VCIP ROCE and PSP ROCE are important metrics for evaluating the quality of capital allocation decisions, measuring portfolio value, and measuring the efficiency and profitability of capital investments. Management uses these measures as factors in its assessment of performance for the purposes of compensation decisions. VCIP ROCE and PSP ROCE are ratios, the numerator of which is adjusted earnings plus after-tax interest expense, and the denominator of which is average adjusted total equity plus total debt.

Table of Contents

Our calculation of absolute VCIP ROCE and PSP ROCE, which is based on full-year 2015 results, and their reconciliation to ROCE prepared using GAAP amounts, is set forth below.

	MILLIONS OF DOLLARS EXCEPT AS INDICATED				
YEARS ENDED DECEMBER 31	PSP AVERAGE 2013 2015	2015	2014	2013
Phillips 66 Absolute VCIP/PSP ROCE				
Numerator				
Net Income		4,280	4,797	3,743
After-tax interest expense		201	173	178
GAAP ROCE earnings		4,481	4,970	3,921
VCIP adjustments*		(34)	(980)	182
VCIP ROCE earnings		**4,447**	**3,990**	**4,103**
Denominator				
GAAP average capital employed**		31,749	29,595	28,130
In-process capital		(3,016)	(1,675)	(370)
VCIP cash adjustment		(1,141)	(2,303)	(1,437)
VCIP average capital employed		**27,592**	**25,617**	**26,323**
VCIP/PSP ROCE (percent)	15.8%	16.1%	15.6%	15.6%
GAAP ROCE (percent)	14.9%	14.1%	16.8%	13.9%

*
Primarily related to gains on asset dispositions and losses from asset impairments.

**
Total equity plus total debt.

Our calculation of relative VCIP ROCE and PSP ROCE, which is based on annualized September year-to-date 2015 results, and their reconciliation to ROCE prepared using GAAP amounts, is set forth below.

	MILLIONS OF DOLLARS EXCEPT AS INDICATED				
YEARS ENDED DECEMBER 31	PSP AVERAGE 2013 2015	SEP YTD 2015	2014	2013
Phillips 66 Absolute VCIP/PSP ROCE				
Numerator				
Net Income		3,614	4,797	3,743
After-tax interest expense		153	173	178
GAAP ROCE earnings		3,767	4,970	3,921
VCIP adjustments*		(94)	(980)	182

VCIP ROCE earnings		**3,673**	**3,990**	**4,103**
Denominator				
GAAP average capital employed**		31,801	29,595	28,130
In-process capital		(3,016)	(1,675)	(370)
VCIP cash adjustment		(1,103)	(2,303)	(1,437)
VCIP average capital employed		**27,682**	**25,617**	**26,323**
VCIP/PSP ROCE (percent)***	16.2%	17.7%	15.6%	15.6%
GAAP ROCE (percent)	15.5%	15.8%	16.8%	13.9%

*
Primarily related to gains on asset dispositions and losses from asset impairments.

**
Total equity plus total debt.

***
Sep YTD 2015 annualized.

Table of Contents

Cost Management

Cost management uses "adjusted controllable costs" as a measure of how effectively we manage costs versus internal targets. Management uses this measure as a factor in its assessment of performance for the purposes of compensation decisions. Adjusted controllable costs is a non-GAAP financial measure because it excludes certain costs that management believes are not directly relevant to VCIP compensation decisions. A reconciliation of adjusted controllable costs to the sum of operating expenses and selling, general and administrative expenses, the most directly comparable GAAP measures, is set forth below.

	MILLIONS OF DOLLARS	
YEAR ENDED DECEMBER 31		**2015**
Operating expenses	**$**	**4,294**
Selling, general and administrative expenses		**1,670**
Adjustments:		
Certain employee benefits		(268)
Foreign currency and utility price impacts		157
VCIP controllable costs	**$**	**5,853**