

Phillips 66 – 2021 Climate Lobbying

Resolved: Shareholders request that the Board of Directors conduct an evaluation and issue a report within the next year (at reasonable cost, omitting proprietary information) describing if, and how, Phillips 66's lobbying activities (direct and through trade associations) align with the goal of limiting average global warming to well below 2 degrees Celsius (the Paris Climate Agreement's goal). The report should also address the risks presented by any misaligned lobbying and the company's plans, if any, to mitigate these risks.

Supporting Statement: According to the November 2019 "Emissions Gap Report" issued by the United Nations Environment Programme, critical gaps remain between the commitments national governments have made and the actions required to prevent the worst effects of climate change. Companies have an important and constructive role to play in enabling policy-makers to close these gaps.

Corporate lobbying activities that are inconsistent with meeting the goals of the Paris Climate Agreement, however, present regulatory, reputational, legal and financial risks to investors. These efforts also exacerbate systemic risks to our economies, as delays in implementation of the Paris Climate Agreement increase the physical risks of climate change – as we have seen in abundance in 2020 with wildfires and severe storms – and introduce uncertainty and volatility into our portfolios. We believe that Paris Climate Agreement-aligned climate lobbying helps to mitigate these risks, and contributes positively to the long-term value of our investment portfolios.

Of particular concern are the trade associations and other politically active organizations that speak for business but, unfortunately, too often present forceful obstacles to progress in addressing the climate crisis.

As investors, we view fulfillment of the Paris Climate Agreement's agreed goal—to hold the increase in the global average temperature to "well below" 2 °C above preindustrial levels, and to pursue efforts to limit the temperature increase to 1.5 °C—as an imperative. We are convinced that unabated climate change will have a devastating impact on our clients, plan beneficiaries, and the value of their portfolios. We see future "business as usual" scenarios of a 3-4 °C or greater increase in the global average temperature as both unacceptable and uninvestable.

In 2019, two hundred institutional investors managing \$6.5 trillion wrote to Phillips 66, seeking information on how the company is managing this critical governance issue. Insufficient information is presently available to help investors understand whether Phillips 66 works to ensure that its lobbying activities, directly, in the company's name, and indirectly, through trade associations, align with the Paris Climate Agreement's goals, and whether Phillips 66 takes any action to address any misalignments it has found. We believe Phillips 66's reply was not responsive to this request.

Thus, we urge the Board and management to assess the company's climate related lobbying and report to shareholders.