

In 2016, Phillips 66 executed plans to operate well and complete noteworthy projects that position us for continued long-term growth and success. Even amid challenging market conditions, our 14,800 employees delivered outstanding results and made a lasting impact in their communities.

A number of significant accomplishments marked our progress in 2016. We achieved our safest year on record, with an industry-leading 0.15 total recordable rate. We had our lowest number of environmental incidents ever and stewarded programs that exceeded environmental standards.

Major Midstream projects were completed on time and on budget, including the world-class Freeport Liquefied Petroleum Gas Export Terminal and our initial expansion of the Beaumont Terminal. These quality assets will provide growth for decades. Finally, our talented researchers set the record for organic photovoltaic efficiency, a promising low-cost, environmentally friendly solar technology that we are progressing toward commercial scale. With a \$2.7 billion capital budget for 2017, we aim to expand and deliver value across our businesses.

We value and invest in people, both within our company and in the communities where we work and live. Our strategy to pursue diverse, talented employees has resulted in a significant number of our experienced new hires in our U.S. refining business being veterans. We also have worked to develop a generationally diverse workforce, with a balance of 30 percent millennials, 32 percent boomers and 38 percent generation X.

Our community giving is another source of great pride. We have enhanced our program to allow employees some paid time off to perform community service of their choice. The results are measurable: Just in the past year, our employees volunteered more than 61,000 hours at more than 600 charities. More than double this number of organizations received employee and company-matching gift funds. Since our inception, our employee charitable gift budget has doubled. As a company, we continue to champion science, technology, engineering and math and literacy programs to prepare today's children to become the next generation of innovators and leaders.

Our investments today in business, people and communities position us for long-term, sustainable success tomorrow and beyond. As the global population grows, access to reliable, abundant and affordable energy will remain critical to enabling improved standards of living. At Phillips 66, we are prepared to meet these needs safely and efficiently for years to come.



[www.phillips66.com](http://www.phillips66.com)

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A handwritten signature in black ink that reads "Greg Garland".

**Greg Garland**  
Chairman and CEO