Ceres
Mobilizing Business Leadership for a Sustainable World

Union of Concerned Scientists

February 25, 2015

Greg G. Maxwell
Executive Vice President, Finance and Chief Financial Officer
Phillips 66 Company
3010 Briarpark Drive
Houston, TX 77042

Dear Mr. Maxwell:

We write to you to express concern about the lack of public disclosure of physical risks due to climate change at Phillips 66's coastal refineries.

As investors who are exposed to climate change risks in our portfolios, the leading science-based nonprofit working for a healthy environment and a safer world, and the leading nonprofit working with investors, companies and public interest groups to accelerate the adoption of sustainable business practices, we have called on both policy makers and companies to take action to disclose and prepare for risks posed by climate change in addition to working to mitigate climate change.

Left unaddressed, climate change is expected to cause significant physical impacts with serious implications for investors and businesses as well as the environment. Indeed, the physical effects of climate change are already being felt. The year 2014 saw a record number of natural catastrophes, with more than 90% of the 980 events related to extreme weather and climate. These events caused total economic losses of more than $110 billion and insured losses of more than $31 billion.[1]

The U.S. Securities and Exchange Commission (SEC) issued guidance in 2010 that outlines expectations from companies in reporting on "material" regulatory, physical, and indirect risks, as well as opportunities related to climate change.

It appears that Phillips 66 recognizes that climate change poses a host of risks and must be addressed. However, as detailed in a new UCS report, *Stormy Seas, Rising Risks: What Investors Should Know About Climate Change Impacts at Oil Refineries*[2], Phillips 66 has only limited disclosure of physical risks from climate change in its SEC Form 10-K filing, despite the vulnerability of its coastal refineries. The report finds apparent risk from the physical impacts of climate change, particularly enhanced storm surge and sea level rise, at Phillips 66's Bayway refinery in Linden, New Jersey.

As you are aware, Superstorm Sandy caused a 7,770 gallon oil spill at the Bayway refinery in 2012. The refinery was shut down for several weeks due to flood damage, and incurred significant maintenance and repair expenses. Risk of such events in the future is likely to grow. Diminished refining utilization rates, downtime or closure of facilities due to direct damage, danger to employees, releases of environmental contamination, disruption in supply

[1] 2015 Munich Re, Geo Risks Research, NatCatSERVICE. As of January 2015.
[2] Union of Concerned Scientists. 2015. *Stormy Seas, Rising Risks: What Investors Should Know About Climate Change Impacts at Oil Refineries*. Online at *ucsusa.org/risingrisks*.

chains and distribution centers, and/ or power supply due to storm surge or sea level rise could have a material impact on production and related cash flows.

We would welcome the opportunity to hear your response and speak with you about the UCS report and this inquiry. Please contact Andrew Logan, Director, Oil and Gas Program at Ceres at 617-247-0700 ext. 133 or logan@ceres.org and Gretchen Goldman, Lead Analyst in the Center for Science and Democracy at the Union of Concerned Scientists, at 202-331-6942 or ggoldman@ucsusa.org. We will share your letter with the other signers or coordinate a phone call if you wish.

Thank you for your time and attention to these important issues.

Sincerely,

Bennett Freeman
Senior Vice President, Sustainability Research and Policy
Calvert Investments

Julie Fox Gorte, Ph.D
Senior Vice President for Sustainable Investing
Pax World Management LLC

Timothy Smith
Director of Environmental Social and Governance Shareowner Engagement
Walden Asset Management

Andrew Logan
Director, Oil and Gas Program
Ceres

Andrew Rosenberg, PhD
Director
Center for Science and Democracy
Union of Concerned Scientists