

Health, Safety and Environmental Management System



At Phillips 66 we take the time
to work safely, every job, every day.

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This brochure provides an overview of each of the 15 elements. For complete information go to <http://hse.phillips66.net>.



Chairman's Message



Greg Garland
Chairman and
Chief Executive Officer

HSE leadership is the responsibility of line management, and employee participation is a key component of our HSE efforts. Through the implementation of the HSE Management System, our businesses identify and eliminate, or mitigate work hazards and risks.

Dear Phillips 66 Stakeholders,

At Phillips 66, we are committed to the health and safety of our employees and everyone who works in our facilities and lives in the communities where we operate.

I am pleased to share with you our Health, Safety and Environment Management System (HSEMS), which provides the framework to allow us to achieve zero incidents, injuries and illnesses within Phillips 66. By following the principles of operating excellence, we minimize the potential impact on our neighbors and the environment.

HSE leadership is the responsibility of line management, and employee participation is a key component of our HSE efforts. Through the implementation of the HSEMS, our businesses identify and eliminate, or mitigate work hazards and risks. This process builds on the principle that all incidents are preventable.

My leadership team and I are committed to meeting the objectives outlined in this brochure. Please join us in ensuring that HSE considerations are embedded into every task and business decision we make.

This brochure will give you an overview of the Phillips 66 HSEMS and our commitment to excellence. Take the time to work safely, every job, every day.

A stylized, handwritten signature in blue ink that reads "Greg". The signature is fluid and cursive, with a large initial "G" and a long, sweeping underline.

Operational Excellence

At Phillips 66 we take the time to work safely, every job, every day.

Our Safety Culture

Every employee or contract worker should expect a safe working environment. Any worker has the right to stop any job they believe to be unsafe. Safe operations also lead to enhanced efficiency and less environmental impact from our operations.

Incidents and Near Misses

In Phillips 66, employees and contractors report both incidents and near misses. Although a near miss is an event without immediate consequences, we recognize it could have resulted in an injury, property damage or environmental impact. Furthermore, if a potential hazard is identified, we believe reporting is not enough. We will implement corrective actions to address the root cause and reduce the risk of recurrence.



Maintaining a strong safety culture and delivering superior HSE performance takes teamwork. It demands a dedicated and engaged leadership working with a committed and skilled workforce. Together we strive to achieve a workplace free of injuries, illnesses and incidents.

HSE Management System (HSEMS)

To meet these goals, Phillips 66 has implemented the HSEMS, which provides a framework our businesses worldwide will use to identify and eliminate, or mitigate work hazards and risks. This process builds on the principle that all incidents are preventable. HSE considerations must be embedded into every task and business decision.

As HSE leaders, line management will be accountable for developing, implementing and maintaining their business unit's HSEMS. You will also play a key role in educating employees and promoting their participation in HSE work processes and activities. Each year the HSEMS will be assessed to guide continuous improvement and help Phillips 66 achieve the highest standards of excellence.

"The HSE Management System provides a framework our businesses worldwide will use to identify and eliminate, or mitigate work hazards and risks.

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Greg Garland, Chairman and CEO

HSE Management System Overview

Our HSEMS is a process designed to systematically identify, assess and manage the operational risks to employees, contractors, stakeholders, business and the environment. The routine application of the HSEMS provides on-going identification, prioritization and control of these risks. This standard establishes a continuous improvement process for the implementation of the HSE Policy, leadership expectations and core values. It has four distinct phases as shown in the diagram below.

Within these four phases are 15 interrelated elements. Proper implementation of each element is essential for the effective functioning of the HSEMS. In some instances, Focus Area Specific Requirements are included in the elements to highlight a requirement.

Each phase of the process builds on the previous phases.

The elements in the **PLAN** phase identify the hazards, risks and regulatory requirements that must be addressed. These elements also identify the risk mitigation requirements that will be built-out in the **DO** phase and provide for the establishment of strategic plans, goals and objectives.

The elements in the **DO** phase detail the specific implementation tools needed to manage the risks and requirements previously identified in the **PLAN** phase.

The **ASSESS** phase provides for detailed monitoring and auditing to ensure risks and requirements are being identified, assessed and managed.

The **ADJUST** phase calls for reviews of the HSEMS and its implementation in order to identify strengths, gaps and opportunities for improvement.



Elements of the HSE Management System

The elements in the PLAN phase identify the hazards, risks and regulatory requirements that must be addressed.

PLAN

Element 1 – Policy & Leadership

Leaders are expected to show a command of HSE policy and actively drive the implementation and execution of the various requirements and principles. They will communicate policy to employees, contractors and others who work at company sites and confirm the information is accessible and understood.

Fostering a safety culture that supports the goal of zero HSE incidents is critical to the success of Phillips 66. By championing HSE activities and work processes and engaging the workforce on HSE issues and concerns, leaders can promote a work environment where employees identify, communicate and address unsafe acts, conditions and events.

Element 2 – Risk Assessment

A business unit's HSEMS will contain a description of Risk Assessment activities performed, including both formal and informal Hazard Identification and Risk Assessment of those hazards. Processes or procedures shall include provisions for communicating hazards to potentially



affected personnel. In addition, assessed risks must be communicated to and addressed by specified levels of business unit supervision and management. Formal Risk Assessments must be documented, implemented and maintained.

The HSEMS will have processes and procedures to document the three basic steps associated with risk assessment: Hazard Identification, Risk Evaluation & Analysis, and Risk Treatment. The business unit shall periodically update the various risk assessments based on audits, reviews and changing regulatory requirements.

The scope of the assessments shall include activities, operations, projects and products from acquisition or inception through decommissioning, abandonment and disposal. The assessment shall consider normal, abnormal and emergency operating conditions. Importantly, it will address related impacts to the business unit, its staff, facilities, contractors, customers, the general public, the environment and the surrounding community.



PLAN

Element 3 – Legal Requirements & Standards of Operation

To assure compliance with legal requirements and applicable Standards of Operation, business units will maintain a process to monitor changing laws and regulations. Responsibilities will be assigned at the task level with an owner accountable for ensuring that legal requirements are identified, communicated and consistently monitored.

HSE legal requirements comprise all legal constraints imposed on the operation, including laws and regulations, permits, registrations, orders, consent decrees and commitments made in permit applications and in other legal documents. Phillips 66 will, as a minimum, comply with all applicable legal requirements of the country or region of operation.



Element 4 – Strategic Planning, Goals & Objectives

Business units must have a documented strategic planning, goals and objectives process for HSE. The Strategic HSE Plan, which will include both a 5-year plan and annual goals and objectives, will be developed, communicated and measured. Goals and objectives will address continuous improvement opportunities, as well as identified gaps in efforts associated with environmental stewardship, personnel safety, occupational health, process safety and sustainable development.

Progress will be reviewed at least annually by business unit management with input from employees and stakeholders. Employees will set annual HSE goals, which specify actions that will be taken to promote a strong HSE culture and achieve HSE performance targets.



The elements in the DO phase detail the specific implementation tools needed to manage identified risks and requirements.

DO

Element 5 – Structure & Responsibility

An organizational structure of HSE roles, responsibilities and accountabilities will be documented and communicated, including site-level employee participation. Business unit management will provide the resources and structure essential for implementation, operation and maintenance of the HSEMS. The system will also manage changes in personnel and organizational structure.



Element 6 – Programs & Procedures

Programs and procedures will be established and maintained to manage significant risks and comply with legal requirements and Standards of Operation. They will be accessible to employees, contractors, and government entities as appropriate.

Business units will develop a written program which will include compulsory procedures, as well as others deemed necessary to the business. For each item, the business unit will provide a procedure to identify and mitigate risk. Programs and procedures must be reviewed regularly and updated as necessary.



Element 7 – Asset & Operation Integrity

To minimize HSE risks associated with operations and equipment failure, business units will develop programs and procedures to ensure that assets are properly designed, fabricated, installed, operated and maintained. Asset integrity programs include quality assurance/quality control and defined inspection and maintenance intervals for critical process equipment.

In addition, business units will implement programs to ensure safe operating procedures, assess and manage risk due to asset and operating deviations, and utilize Management of Change procedures and Pre-Startup Safety Reviews.

Element 8 – Emergency Preparedness

Each facility or site will have a written Emergency Response plan in place. The plan will include a process for identifying potential emergency situations and planning for mitigation and control. Employees will be trained according to their responsibilities and assignments under the plan, and drills will be conducted periodically and critiqued. At least once a year the emergency response plans and documents will be fully reviewed.

At the corporate level, the company will maintain a Crisis Management Plan with personnel in place to provide prompt and effective support to supplement actions taken at the emergency site. The company will also utilize Regional Response Teams to support businesses during major emergencies.

Element 9 – Awareness, Training & Competency

Each business unit will establish and implement a program which ensures that all employees have the necessary skills, training and competency to perform assigned duties in a safe, environmentally and socially responsible manner. This training, which will be presented in a language the trainee understands, includes: HSE policy and compliance; operations, mechanical and technical skills; emergency preparedness and response; and mandated certifications. The program will also include plans for providing orientation and HSE training to contractors and verifying their participation.

To manage changing requirements, the business unit will develop training needs analysis and a training matrix for the organization. Where specific competencies are required for various jobs, the required skill level will be stated. In addition, documented methods will monitor training compliance and report results to business unit management.

Element 10 – Nonconformance Investigation & Corrective Action

To ensure the proper handling of nonconformances, near misses and incidents, the business unit will closely adhere to a written process that specifies how such events will be reported, investigated, addressed and tracked to closure. The process will include provisions for workers to report hazards.

Investigations will be conducted in a timely manner and must focus on determining all causes, including the root

cause, and identifying management system deficiencies. Corrective actions must address immediate and systemic causes. Investigations that reveal worthy lessons will be shared with other business units.

Element 11 – Communication

Business units will implement processes and procedures to facilitate effective internal communication of HSE-related issues, including policy, risk assessment and expectations for compliance. Communication will focus on education and employee involvement. Care must be taken to facilitate two-way communication between management and the workforce and to identify and remove any potential barriers.

Processes and procedures shall be in place to communicate important HSE information to external stakeholders. These procedures must define responsibility for addressing inquiries from external parties. Each step in the process must be documented.

Element 12 – Document Control & Records

Each business unit will produce a written HSE Management System document. It must, at a minimum, comply with the Phillips 66 HSEMS Standard and will detail how the business unit will execute its HSEMS. The business unit will put processes in place to ensure that documents and records are accessible and to specify how they are identified, managed and maintained. Processes will dictate specific employee roles and responsibilities. Documents will be periodically reviewed and revised as necessary, with obsolete documents managed in accordance with the company Records Management System.

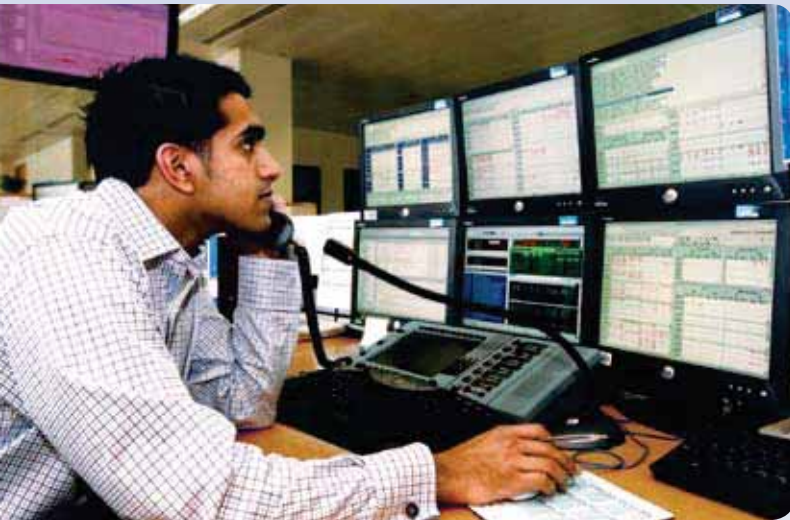


The ASSESS phase provides for detailed monitoring and auditing to ensure that risks and requirements are being identified, assessed and managed.

ASSESS

Element 13 – Measuring & Monitoring

To determine if HSEMS goals and objectives are being met, business units will have a process in place to measure and monitor their operations and activities. The process will assess the implementation and effectiveness of operational controls and track and evaluate health, occupational safety,



process safety and environmental performance. It will also assure compliance with Legal Requirements and monitor compliance with required Training.

Performance measures will be generated and made available periodically. Such measures will provide management with the tools to understand trends and impacts and identify opportunities for improvement.

Element 14 – Audits

Each business unit will establish and maintain auditing processes that assess the adequacy and effectiveness of HSE controls and compliance with legal requirements and Standards of Operation. Joint ventures, partnerships and contractors will be included in the auditing process. Audit programs will be documented and include a process for communicating results to management and provisions for periodic review and corrective actions.

The ADJUST phase calls for reviews of the HSEMS and its implementation in order to identify strengths, gaps and opportunities for improvement.

ADJUST

Element 15 – Review

Business units will implement a documented process to review the content and functionality of the HSEMS. Reviews will include data, such as leading and lagging metrics, audit findings, and nonconformance and incident statistics. The process will assess system strengths and weaknesses and include, as appropriate: the need for policy or management system changes; objectives, goals and work plans in light of changing circumstances and

the commitment to continuous improvement; resource allocation for system implementation and maintenance; and significant issues from risk assessments and changing regulatory requirements. Conducted annually by a team that includes the business unit leader, the review will identify actions for improvement and further the organization's HSE goals and objectives.

Health, Safety and Environment Policy



At Phillips 66 we take the time to work safely, every job, every day.

Our Commitment

Phillips 66 is committed to the safety of everyone who works in our facilities, lives in the communities where we operate or uses our products. We will conduct our business with care for the environment. We strive for world class operating excellence by integrating our Health, Occupational Safety, Process Safety and Environmental principles throughout our businesses with a commitment to continuous improvement.

Our Action Plan

- Comply with all applicable laws and regulations.
- Attain incident free operations through the systematic risk identification and mitigation.
- Use resources efficiently and minimize environmental impact.
- Ensure a safe, healthy and secure work place.
- Provide our employees and contractors with the knowledge and capability to achieve HSE excellence, including empowering them to stop work they believe is unsafe.
- Set operational and compliance objectives and be accountable for our performance.
- Communicate our principles and results to employees, contractors, regulators, communities and other stakeholders.

Phillips 66 will implement this action plan and be recognized for our HSE excellence through active leadership and employee ownership.

A handwritten signature in blue ink, reading "Greg C. Garland".

Greg C. Garland
Chairman and CEO

