PHILLIPS 66 UK PENSION PLAN

GOVERNANCE STATEMENT FOR DEFINED CONTRIBUTION BENEFITS UNDER THE PHILLIPS 66 UK PENSION PLAN FOR THE YEAR ENDED 31 MARCH 2024

Introduction

This governance statement for the year ended 31 March 2024 (the "**Reporting Year**") is provided by the Chair of the board of directors of Phillips 66 Pension Plan Trustee Limited (the "**Trustee**"), trustee of the Phillips 66 UK Pension Plan (the "**Plan**"), as required by the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015) (collectively, the "**Administration Regulations**"), in relation to the Defined Contribution ("**DC**") section of the Plan and the Additional Voluntary Contribution ("**AVC**") arrangements under the Defined Benefit ("**DB**") section of the Plan.

As part of the overall governance of the Plan, the Trustee also has regard to the Pensions Regulator's:

- 2024 General Code of Practice – the new code of practice which came into force on 28 March 2024. The code contains new governance requirements and sets out the Pensions Regulator's expectations of how occupational pension schemes should be managed and the policies, practices and procedures that should be in place, in regard to both Defined Benefit and Defined Contribution pension arrangements.
- Code of practice no: 13 – Governance and administration of occupational trust-based scheme providing money purchase benefits; and
- Regulatory guidance for Defined Contribution schemes

Review of investment options

The Trustee makes available a range of "self-select" and "lifecycle profile" investment options to DC section and DB section AVC members of the Plan under a unit-linked life policy (the "LGIM Policy"), issued by Legal & General Assurance (Pensions Management) Limited and managed by Legal & General Investment Management Limited ("LGIM"). There is also a range of closed "legacy" options provided by The Standard Life Assurance Company ("Standard Life") and (until March 2024) a deposit account fund facility with Santander UK plc ("Santander") which was withdrawn by Santander in May 2024.

The Trustee regularly monitors the performance of the range of investment options provided and formally reviewed these options with advice from its Investment Consultant in May 2023. The Trustee concluded that the self-select funds continued to be suitable options for members and performed in line with their respective benchmarks or comparators, but that certain DC and DB AVC lifecycle strategies (including the Default Arrangement for DC members discussed in the next section) should be replaced with a range of "Target Date Funds", managed by LGIM, as follows.

Investment type	Investment options as at 1 April 2023	Action taken during the year	Investment options as at 31 March 2024
Default Arrangement for DC members	**2019 Target Income Drawdown Lifecycle Profile**	Removed, and all members mapped to Legal & General Flexible Drawdown Target Date Funds	Legal & General Flexible Drawdown Target Date Funds
Other lifecycle strategies	**2016 Target Annuity Lifecycle Profile**	Removed, and all members mapped to Legal & General Flexible Drawdown Target Date Funds	
	2016 Target Cash Lifecycle Profile	Removed, and all members mapped to Legal & General Cash Target Date Funds	Legal & General Cash Target Date Funds

All other self-select and lifecycle options remain unchanged.

PHILLIPS 66 UK PENSION PLAN

GOVERNANCE STATEMENT FOR DEFINED CONTRIBUTION BENEFITS UNDER THE PHILLIPS 66 UK PENSION PLAN

FOR THE YEAR ENDED 31 MARCH 2024

Default Arrangement for DC members

The DC section of the Plan is used as a Qualifying Scheme for auto-enrolment. As required by regulations, members who join the DC section of the Plan, and who do not expressly choose any investment option(s), are placed into a specific lifecycle strategy investment option of the Plan (the "**DC Default Arrangement**"), as described further below.

As noted above, effective from 18 October 2023 the DC Default Arrangement was changed to a strategy managed by LGIM, called the "Legal & General Flexible Drawdown Target Date Fund" range. The previous DC Default Arrangement (2019 Target Income Drawdown Lifecycle Profile) which was in place until 17 October 2023, was closed and ceased to be available as an investment option. Members were given the option to opt out from the switch and make their own investment selection to one or more of the self-select funds. Those who did not specify an alternative were transferred to the relevant Target Date Fund, based on the member's chosen intended Target Retirement Date ("**TRD**").

The DC Default Arrangement is governed by a separate Statement of Investment Principles adopted by the Trustee (the "**Default SIP**") which includes the Trustee policy on investment objectives and strategy for the available funds, along with how the associated risks in respect of the policy are measured and managed. As required by regulations, the current version of the Default SIP is published on the Trustee's public website and is also appended to this governance statement.

Other default arrangement

As part of the review of member investment options the 2016 Target Cash Lifecycle Profile was closed on 17th October 2023 and replaced with Legal & General Cash Target Date Funds.

Members were given the option to opt out from the switch and make their own investment selection to one or more of the self-select funds, and those who did not specify an alternative were automatically switched to the appropriate Legal & General Cash Target Date Fund based on their chosen Target Retirement Date. This creates what is known as a "technical" default arrangement which the Trustee is required to report on alongside the DC Default Arrangement. This technical default arrangement is also governed by the Default SIP.

Underlying asset allocations

The Trustee is required to disclose the asset allocations of investments for each default arrangement. The table below shows the percentage of assets allocated to specified asset classes over the year to 31 March 2024 as the fund progresses towards target retirement age.

As required by regulations, where the fund invests in one or more underlying funds, the asset allocation shown is that of the underlying funds. A description of the asset classes for each default arrangement is provided below the table.

Asset class	DC Default Arrangement				Other default arrangement			
	L&G Flexible Drawdown Target Date Funds				L&G Cash Target Date Funds			
	25 years old	45 years old	55 years old	65 years old	25 years old	45 years old	55 years old	65 years old
Cash	1.7%	1.7%	1.7%	13.2%	n/a	1.7%	5.0%	36.5%
Bonds	24.7%	24.6%	47.6%	66.4%	n/a	24.7%	46.9%	59.4%
Listed equities	73.6%	73.7%	50.7%	19.8%	n/a	73.6%	48.1%	4.1%
Private equity	0.0%	0.0%	0.0%	0.3%	n/a	0.0%	0.0%	0.0%
Infrastructure	0.0%	0.0%	0.0%	0.0%	n/a	0.0%	0.0%	0.0%
Property	0.0%	0.0%	0.0%	0.3%	n/a	0.0%	0.0%	0.0%
Private debt	0.0%	0.0%	0.0%	0.0%	n/a	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.00%	n/a	0.0%	0.0%	0.0%
Total	100%	100%	100%	100%	n/a	100%	100%	100%

Source: LGIM

Notes: Normal Retirement Date for the Fund is age 65 and members do not have the option of drawing their retirement benefits within the Plan. We have therefore used the following TDFs to represent members ages based on the assumption that members would retire at age 65. Members have the opportunity of selecting their own retirement date.

Underlying asset allocations (continued)

Age 25: TDF vintage 2060 – 2065 *
Age 45: TDF vintage 2040 – 2045
Age 55: TDF vintage 2030 – 2035
Age 65: TDF vintage 2020 – 2025

*The Cash TDF 2060 – 2065 is not available within the Plan and therefore asset allocation information is not available. However, for reference purposes the underlying asset allocation is expected to be very similar to the Flexible Drawdown TDF at that age.

The following describes the types of investments covered by the above asset classes:

Cash – Cash and assets that behave similarly to cash e.g. treasury bills. It only includes invested cash and not the cash balance held by the Plan.
Bonds – Loans made to the bond issuer, usually a government or a company, to be repaid later.
Listed Equity – Shares in companies that are listed on global stock exchanges. Owning shares makes the Plan a part owner of the company, entitled to a share of the profits (if any) payable as dividends.
Private Equity – Unlisted equities that are not publicly traded on stock exchanges. Encompasses a broad range of investment styles, including:

- Venture Capital – Small, early-stage businesses that may have high growth potential, albeit at significant risk,
- Growth Equity – Relatively mature companies that are going through a transformational event with potential for growth,
- Buyout funds – Invested in more mature businesses, often taking a controlling interest. Leveraged buyout funds take out loans to raise the funds required to invest.

Infrastructure - physical structures, facilities, systems, or networks that provide or support public services including water, gas and electricity networks, roads, telecommunications facilities, schools, hospitals, and prisons.
Property – Real estate, potentially including offices, retail buildings which are rented out to businesses.
Private Debt – Other forms of loan that do not fall within the definition of a 'Bond'.
Other – Any assets that do not fall within the above categories.

Charges and transaction costs borne by members: General

The charges incurred for the various investment fund options offered to members are summarised in the tables below.

The charges consist of a combination of fees taken from the value of the pooled fund (as outlined below), and transaction costs that are borne by the member:

- Management fees: Income derived by the manager and associates which is deducted from the value of a pooled fund itself.
- Additional expenses: All payments made to parties providing services to a pooled fund other than the manager such as, but not limited to, the depositary, custodian, auditor, property related expenses to the extent these are not included in transaction costs, and any other fees or levies deducted from the pooled fund.

Together, these management fees and additional expenses are known as the annual "**Total Expense Ratio**" for the fund which is shown in the tables below.

- *Transaction costs*: Members may incur costs when making investments, switching between the funds that are available and in the day-to-day management of the funds. The costs for the various funds in the LGIM Policy are shown below. LGIM calculates these using "slippage" (arrival price) methodology as outlined by the Financial Conduct Authority (FCA), which can result in some funds showing a negative transaction cost either because the timing of the underlying investment yielded a gain, or the investor is trading in the opposite direction to the net flow of the fund.

None of the Plan's investments are subject to any performance-based fee.

Charges and transaction costs borne by members: current DC Default Arrangement

As noted above, the Trustee reviewed its investment options during the Reporting Year, resulting in the replacement of the previous DC Default Arrangement with the Legal & General Flexible Drawdown Target Date Fund range. Members invested in the DC Default Arrangement were mapped to the new Target Dated Funds based on their Target Retirement Date.

The annualised charges and transaction costs for each flexible drawdown target date fund during the Reporting Year are set out in the table below.

Legal & General Flexible Drawdown Target Date Fund (DC Default Arrangement):

Target Date Fund	Total Expense Ratio (% p.a.)	Transaction Costs (%)
Drawdown TDF 2060-2065	0.25	0.03
Drawdown TDF 2055-2060	0.25	0.03
Drawdown TDF 2050-2055	0.25	0.03
Drawdown TDF 2045-2050	0.25	0.03
Drawdown TDF 2040-2045	0.25	0.05
Drawdown TDF 2035-2040	0.25	0.05
Drawdown TDF 2030-2035	0.25	0.03
Drawdown TDF 2025-2030	0.25	0.05
Drawdown TDF 2020-2025	0.25	0.04

Source: LGIM

Charges and transaction costs borne by members: other default arrangement

As noted above, the Legal & General Cash Target Date Fund range is a ‘technical’ default arrangement and is available to both DC and DB AVC members.

The annualised charges and transaction costs for each cash target date fund during the Reporting Year are set out in the table below.

Legal & General Cash Target Date Fund (‘technical’ default arrangement):

Target Date Fund	Total Expense Ratio (% p.a.)	Transaction Costs (%)
Cash TDF 2050-2055	0.25	0.03
Cash TDF 2045-2050	0.25	0.03
Cash TDF 2040-2045	0.25	0.03
Cash TDF 2035-2040	0.25	0.05
Cash TDF 2030-2035	0.25	0.02
Cash TDF 2025-2030	0.25	0.00
Cash TDF 2020-2025	0.25	-0.04

Source: LGIM

Charges and transaction costs borne by members: self-select funds

There were nine self-select funds in place during the year, available to DC and DB AVC members. The annualised charges and transaction costs for each during the Reporting Year are set out in the table below.

Investment Provider	Asset Class	Investment Option	TER (% p.a.)	Transaction Costs (%)
Legal & General Assurance (Pensions Management) Limited	Equities	World Equity Index Fund – GBP Currency Hedged	0.16	0.00
		World Emerging Markets Equity Index Fund	0.20	0.19
	Multi-Asset Funds	Diversified Fund	0.34	-0.02
		Dynamic Diversified Fund	0.25	0.08
		Retirement Income Multi-Asset Fund	0.53	0.33
	Bonds	Over 15 Year Gilts Index Fund	0.06	0.00
		Investment Grade Corporate Bond – All Stocks Index	0.06	0.24
		Future Annuity Aware Fund *	0.15	0.22
	Cash	Sterling Liquidity Fund	0.13	-0.05

Source: LGIM, as at 31 March 2024
**This fund was previously known as the Pre-Retirement Fund*

The charges in the table above are built into investment daily unit prices and hence borne by members' retirement accounts.

As an alternative to these self-select funds, DC members can choose to invest in either (but not both) of the following lifecycle strategies described above:

- A Legal and General Flexible Drawdown Target Date Fund (the DC Default Arrangement); or
- A Legal and General Cash Target Date Fund.

DC members choosing a lifecycle strategy cannot also invest in a self-select fund at the same time.

The only available lifecycle strategy for DB AVC members for new investment is a Legal and General Cash Target Date Fund. Similar to the position with DC members, DB AVC cannot invest in a lifecycle strategy and any other self-select fund at the same time.

Charges and transaction costs borne by members: closed and removed investment strategies

The following strategies were closed and removed to members during the Reporting Year.

2019 Target Income Drawdown Lifecycle (closed and removed on 17th October 2023)

Years to target retirement date	Total Expense Ratio %	Transaction Costs %
More than 25 years to retirement	0.16	0.00
Less than 25 years to retirement	0.16-0.32	-0.02-0.24
Less than 8 years to retirement	0.32	-0.02-0.24
Less than 7 years to retirement	0.32-0.345	-0.02-0.24
Less than 3 years to retirement	0.311-0.345	0.16-0.24
At retirement	0.311	0.24

Source: LGIM

Charges and transaction costs borne by members: closed and removed investment strategies (continued)

2016 Target Cash Lifecycle (closed and removed on 17th October 2023)

Years to target retirement date	Total Expense Ratio %	Transaction Costs %
More than 25 years to retirement	0.16	0.00
Less than 25 years to retirement	0.16-0.32	-0.05-0.10
Less than 8 years to retirement	0.32	-0.05-0.10
Less than 7 years to retirement	0.235- 0.32	-0.05-0.10
Less than 3 years to retirement	0.135 -0.235	-0.05-0.10
At retirement	0.135	-0.05

Source: LGIM

2016 Target Annuity Lifecycle (closed and removed on 17th October 2023)

Years to target retirement date	Total Expense Ratio %	Transaction Costs %
More than 25 years to retirement	0.016	0.00
Less than 25 years to retirement	0.16-0.32	-0.02-0.15
Less than 8 years to retirement	0.32	-0.02-0.15
Less than 7 years to retirement	0.235-0.32	-0.02-0.15
Less than 3 years to retirement	0.146-0.235	0.10-0.15
At retirement	0.146	0.15

Source: LGIM

Santander Deposit Account (closed and removed on 21 March 2024)

There were no charges or transaction costs associated with the Santander investment fund, which was a deposit account arrangement with a set rate of interest. Santander gave advance notification to the Trustee that this fund would be withdrawn effective from 24 May 2024, and as such, on 21 March 2024, members invested in this offering had their funds transferred by the Trustee into their AVC funds with Legal and General, if applicable, and where the member did not have a Legal and General AVC, their Santander fund was transferred to an appropriate Legal and General Cash Target Date Fund.

Charges and transaction costs borne by members: continuing legacy DB AVC funds

In relation to AVCs under the DB section of the Plan, some members have continuing "legacy" investments:

- provided under a unit-linked life policy issued by The Standard Life Assurance Company ("Standard Life"); or
- provided under the 2014 Lifecycle Profile, issued under the LGIM Policy.

These legacy funds continue to be invested in but are closed to any new investment.

The charges and transactions costs for investments held under the unit-linked policy issued by Standard Life for the year ending 31 March 2024 are set out in the table below.

Investment Provider	Asset Class	Investment Option	Effective TER (% p.a.)	Transaction Costs (%)
The Standard Life Assurance Company	Cash	Standard Life Deposit & Treasury Pension Fund	0.51	0.08
	Bonds	SL iShares Over 15-year Gilt Index Pension Fund	0.51	0.03
	Equities	SL BlackRock Managed (50:50) Global Equity Pension Fund	0.52	0.03
		SL iShares UK Equity Index Pension Fund	0.51	0.07

Source: Standard Life

Note: Standard Life charges a standard Annual Management Charge (AMC) of 1% per annum which is deducted daily. A rebate of 0.5% against this charge is then given as additional units each month, which has the effect of reducing the AMC (and resulting Total Expense Ratio (TER)) by 0.5%.

Notwithstanding the difference between daily deduction and monthly rebates, in the long term the effective AMC borne will be close to the actual AMC less the Rebate. The effective TER after the rebate is therefore shown.

The charges in the table above are built into investment daily unit prices and hence borne by members' retirement accounts.

The charges and transaction costs for investments held under the 2014 Target Annuity Lifecycle Profile for the Reporting Year are set out in the table below.

2014 Target Annuity Lifecycle:

Years to target retirement date	TER (% p.a.)	Transaction Costs (%)
More than 25 years to retirement	0.16	0.00
Less than 25 years to retirement	0.16 - 0.32	-0.02-0.15
Less than 10 years to retirement	0.34	-0.02
Less than 3 years to retirement	0.146 - 0.200	0.15
At retirement	0.146	0.15

Source: LGIM

Illustration of charges and transaction costs

Over time, charges and transaction costs can reduce the amount available to the member at retirement. The Trustee has set out below an illustration of the impact of charges and transaction costs on certain different investment funds. The illustration has been prepared in accordance with the Department of Work & Pension's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

As future investment returns and future costs and charges cannot be known in advance, the Trustee has for the purposes of this illustration, had to make several assumptions about what these might be.

The funds selected to illustrate the effect of costs and charges are as follows:

Default: L&G Flexible Drawdown TDF

Technical Default: L&G Cash TDF

Most expensive fund: L&G Dynamic Diversified Fund

Least Expensive fund: L&G Investment Grade Corporate Bond – All Stocks Index Fund

We have provided an illustration based on the youngest member aged 24. However, a Cash TDF is not available for a 24-year-old member. The youngest member within the LGIM Cash TDF is aged 34. We have therefore also provided illustrations based on a 34-year-old.

For the TDF illustrations we have assumed that a member is moved through the TDF vintages as they approach normal retirement age to mimic the changes in asset allocation and potential impact on charges and assumed investment returns. In practice members will remain invested in their TDF with the underlying asset allocation changing.

The funds and associated expenses and assumed investment returns used in the illustrations are therefore as follows:

<table>
<tr><th>Fund</th><th>TDF Vintage</th><th>Assumed investment return before charges and inflation</th><th>Total Expense Ratio (% p.a.)</th><th>Transaction Costs (%)</th></tr>
<tr><td rowspan="9">Default: Drawdown TDF</td><td>2060-2065</td><td>6%</td><td>0.25</td><td>0.03</td></tr>
<tr><td>2055-2060</td><td>6%</td><td>0.25</td><td>0.03</td></tr>
<tr><td>2050-2055</td><td>6%</td><td>0.25</td><td>0.03</td></tr>
<tr><td>2045-2050</td><td>4%</td><td>0.25</td><td>0.03</td></tr>
<tr><td>2040-2045</td><td>4%</td><td>0.25</td><td>0.05</td></tr>
<tr><td>2035-2040</td><td>4%</td><td>0.25</td><td>0.05</td></tr>
<tr><td>2030-2035</td><td>4%</td><td>0.25</td><td>0.03</td></tr>
<tr><td>2025-2030</td><td>4%</td><td>0.25</td><td>0.05</td></tr>
<tr><td>2020-2025</td><td>4%</td><td>0.25</td><td>0.04</td></tr>
<tr><td rowspan="7">Technical Default: Cash TDF</td><td>2050-2055</td><td>4%</td><td>0.25</td><td>0.03</td></tr>
<tr><td>2045-2050</td><td>4%</td><td>0.25</td><td>0.03</td></tr>
<tr><td>2040-2045</td><td>4%</td><td>0.25</td><td>0.03</td></tr>
<tr><td>2035-2040</td><td>4%</td><td>0.25</td><td>0.05</td></tr>
<tr><td>2030-2035</td><td>4%</td><td>0.25</td><td>0.02</td></tr>
<tr><td>2025-2030</td><td>4%</td><td>0.25</td><td>0.00</td></tr>
<tr><td>2020-2025</td><td>2%</td><td>0.25</td><td>0.00</td></tr>
<tr><td colspan="2">Most expensive Fund: L&G Dynamic Diversified Fund</td><td>4%</td><td>0.53</td><td>0.09</td></tr>
<tr><td colspan="2">Least expensive Fund: L&G Investment Grade Corporate Bond – All Stocks Index Fund</td><td>4%</td><td>0.06</td><td>0.03</td></tr>
</table>

Source: LGIM, Mercer

Illustration of charges and transaction costs (continued)

It is important to note that the assumed investment returns have been based on the Statutory Money Purchase Illustration (SMPI) assumptions as at 31 March 2024 which have been calculated under AS TM1 v5.1 methodology which is based on historic volatility. Of particular note, is that the Flexible Drawdown TDF and Cash TDF funds of the same vintage can lie in a different volatility range for the period which means that the assumed investment returns are different, even though the underlying asset allocation would be broadly similar. Also noteworthy is that during the period assessed, the bond and gilt market was exceptionally volatile which may impact the investment returns assumed.

Transaction costs for the L&G Flexible Drawdown and L&G Cash TDF are calculated over the 1 year to 31 March 2024 due to availability of data. Transaction costs for the L&G Self-Select options are based on an annualised average over the 5-year period to 31 March 2024. Where transaction costs have been negative, we've assumed zero.

Illustration: A young DC member's pension pot as it changes over time

Year End	Age	Default Drawdown TDF		Most expensive L&G Dynamic Diversified Fund		Least expensive L&G Investment Grade Corporate Bond – All Stocks Index Fund	
		Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	25	£7,621	£7,599	£7,555	£7,508	£7,552	£7,546
6	30	£49,955	£49,454	£47,171	£46,144	£47,081	£46,938
11	35	£98,452	£96,721	£90,044	£86,674	£89,722	£89,252
16	40	£145,156	£141,507	£136,442	£129,192	£135,721	£134,705
21	45	£195,583	£189,153	£186,654	£173,795	£185,343	£183,528
26	50	£250,181	£239,840	£240,995	£220,585	£238,873	£235,972
31	55	£309,086	£293,766	£299,802	£269,670	£296,619	£292,305
36	60	£372,483	£351,139	£363,444	£321,161	£358,913	£352,816
41	65	£441,186	£412,175	£432,317	£375,178	£426,113	£417,815

Source: Mercer, LGIM

Illustration of charges and transaction costs (continued)

Illustration: A 34-year-old member's pension pot as it changes over time

Year End	Age	Default Drawdown TDF		Technical Default Cash TDF		Most expensive L&G Dynamic Diversified Fund		Least expensive L&G Investment Grade Corporate Bond – All Stocks Index Fund	
		Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	35	£7,552	£7,531	£7,552	£7,531	£7,555	£7,508	£7,552	£7,546
6	40	£47,084	£46,619	£47,084	£46,619	£47,171	£46,144	£47,081	£46,938
11	45	£89,753	£88,204	£89,735	£88,205	£90,044	£86,674	£89,722	£89,252
16	50	£135,887	£132,442	£135,778	£132,446	£136,442	£129,192	£135,721	£134,705
21	55	£185,674	£179,506	£185,539	£179,511	£186,654	£173,795	£185,343	£183,528
26	60	£239,260	£229,581	£238,957	£229,589	£240,995	£220,585	£238,873	£235,972
31	65	£297,103	£282,854	£290,573	£277,376	£299,802	£269,670	£296,619	£292,305

Source: Mercer, LGIM

Additional Notes

1. Average annual charges are as provided by LGIM, as at 31 March 2024.
2. The DWP regulations require that where possible, the transaction costs assumed in these illustrations are based on an annualised average of the previous five years' transaction costs for each fund. Transaction costs for the L&G Flexible Drawdown TDF and L&G Cash TDF are calculated over the 1-year period to 31 March 2024 due to availability of data. Transaction costs for the L&G Self-Select options are an average over the 5-year period to 31 March 2024.
3. Where the annualised average transaction cost for a fund is negative, the Trustee has assumed these costs to be nil, as negative costs are not expected to continue consistently over time.
4. Growth rate assumptions are based on the SMPI assumptions as at 31 March 2024, which under the new AS TM1 v5.1 methodology are calculated based on past volatility of the funds.
5. Inflation is assumed to be 2.5% per annum
6. The starting fund size is assumed to be nil, starting annual contribution amount is assumed be £7,500 per annum for both a 24- and 34-year-old. They are both assumed to retire at 65.
7. The member's contributions are assumed to increase over time in line with inflation.

Net Investment Returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the **2021 Regulations**') require the Trustee to report on the net investment returns for its default arrangement and for each fund in which Plan members were invested during the Plan year. Net investment returns refer to the returns on funds minus all transaction costs and charges.

The tables below, which have been produced in line with statutory guidance, contain the net investment returns for the DC Default Arrangements and the other DC and DB AVC funds in which members were invested in at the Plan year end at three different ages. The net returns for those investment options which were closed during the year have been provided in the Appendix. Note that the annualised net returns differ by age due to the different asset allocations of the TDFs by age.

Net Investment Returns (continued)

Default Arrangements		
	Age of member at the start of the period	**Annualised net returns to 31 March 2024 (%)**
L&G Flexible Drawdown TDF (DC Default Arrangement)	25	10.8
	45	10.9
	55	9.2
L&G Cash TDF (Technical Default)	25	N/A **
	45	10.8
	55	8.9

Source: LGIM
** Since Inception (12 October 2023)*
***No L&G Cash TDF available for a member aged 25. Youngest member is aged 31.*
Performance shown net of all charges and transaction costs. Performance has been calculated based on the vintage of TDF a member would be invested in based on a normal retirement age of 65.

LGIM Self-Select Funds	Annualised net returns to 31 March 2024 (%)	
	1 year	**5 years**
World Equity Index Fund – GBP Currency Hedged	25.6	11.9
World Emerging Markets Equity Index Fund	5.5	3.6
Diversified Fund	8.0	4.0
Dynamic Diversified Fund	6.4	3.5
Retirement Income Multi-Asset Fund	6.3	-*
Over 15 Year Gilts Index Fund	-5.1	8.2
Investment Grade Corporate Bond – All Stocks Index Fund	5.7	-0.4
Future World Annuity Aware**	2.7	-3.5
Sterling Liquidity Fund	4.9	1.6

Source: LGIM
Performance shown net of all charges and transaction costs. Performance of standalone self-select options is independent of age.
**Performance data not available for these time periods due to inception date of funds.*
***This fund was previously known as the Pre-Retirement Fund*

Standard Life Funds	Annualised net returns to 31 March 2024 (%)	
	1 year	**5 years**
SL BlackRock Managed (50:50) Global Equity Pension	13.0	7.8
SL iShares UK Equity Index Pension Fund	7.7	4.9
SL iShares Over 15 Year Gilt Index Pension Fund	-5.1	-8.6
Standard Life Deposit and Treasury Pension Fund	4.6	1.1

Source: Standard Life Standard Factsheets
Performance shown net of all charges and transaction costs. Performance of funds is independent of age.

Net Investment Returns (continued)

2014 Target Annuity Lifecycle Age of member at the start of the period	Annualised net returns to 31 March 2024 (%)	
	1 year	5 years
Age 25	25.9	11.8
Age 45	20.2	8.3
Age 55	10.0	4.3

Source: LGIM

Value for Members

During the Reporting Year, the Trustee, assisted by Mercer, undertook a "Value for Members" assessment to determine the extent to which the DC and DB AVC investment fund options provided by LGIM, represented value for money. In this context, the Trustee notes that the Pensions Regulator considers that a pension scheme offers value for money where the costs and charges deducted from members' retirement accounts provide good value in relation to the benefits and services members receive, when compared to other options available in the market.

Having considered the guidelines set out by the Pensions Regulator, and advice from Mercer, the value for members assessment undertaken by the Trustee examined investment management charges relative to standard institutional fees for equivalent size mandates, Mercer manager research ratings, and historical fund performance. In particular:

- fees payable on the LGIM range of investment options are competitive when compared to charges for equivalent sized mandates and are well below the cap of 0.75% p.a. that applies to fees charged to auto-enrolment default investment arrangements.
- performance of the LGIM index-tracking investment options has been in line with appropriate benchmarks.
- the funds are highly rated by Mercer as having good prospects of achieving their risk and return objectives; and
- the costs of administration are borne by the Plan sponsor, Phillips 66 Limited, and not by members.

The Trustee also regularly reviews the investment funds held by members under the legacy DB AVC arrangement with Standard Life. Although the charges are, overall, above those under the LGIM Policy (albeit still lower than the charge cap of 0.75% p.a.) they are not considered by the Trustee to be out of line with the traditional AVC market.

In carrying out the value for members assessment, the Trustee also considered the wider benefits members receive from the Plan, which include:

- The oversight and governance of the Trustee, including ensuring the Plan is compliant with relevant legislation, and holding regular meetings to monitor the Plan and address any material issues that may impact members.
- Investment - the design of the DC Default Arrangement and how this reflects the interests of the membership, as well as the range of self-select investment fund options and strategies.
- Administration - the efficiency of administration processes and the extent to which the Plan Administrator met or exceeded its service level standards; and
- Communication - the quality of communications delivered to members; the quality of support services such as the Plan website where members can view fund information and make changes; any online tools such as retirement modelling; and practical support to members to allow them to make decisions on their pension investments.

Overall, the Trustee believes the Defined Contribution and DB AVC investment fund options offered during the Reporting Year represented good value for members.

PHILLIPS 66 UK PENSION PLAN

GOVERNANCE STATEMENT FOR DEFINED CONTRIBUTION BENEFITS UNDER THE PHILLIPS 66 UK PENSION PLAN

FOR THE YEAR ENDED 31 MARCH 2024

Trustee Knowledge and Understanding (“TKU”)

The board of directors of the Trustee is under a statutory duty to possess, or have access to, sufficient knowledge and understanding in relation to the Plan, including, but not limited to:

- a working knowledge of the Trust Deed and Rules.
- a working knowledge of the current Statements of Investment Principles.
- a working knowledge of documents setting out the Trustee’s current policies.
- sufficient knowledge and understanding of the law relating to pensions and trusts; and
- sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes.

The board of directors of the Trustee takes its training and development responsibilities seriously and an induction process is in place for newly appointed directors to complete an external trustee training course and the Pensions Regulator’s Trustee Toolkit within six months of appointment, together with additional training depending on the director’s role. As a minimum, all directors are required to refresh their Trustee Toolkit training every two years.

Ongoing development of the board of directors of the Trustee includes specific training from the Trustee’s professional advisors as necessary to support the Trustee’s annual work plan and respond to current ‘hot topics’, and an annual ‘away day’ which provides time to consider specific focus areas in more detail and broaden trustee development and capability.

The Trustee keeps a record of the training completed by each member of the board including:

- completion of the initial induction training;
- periodic ‘refresh’ of the Pensions Regulator’s Trustee Toolkit training;
- training and updates provided by the Trustee’s advisers and the Pensions Regulator (including modules of the Pensions Regulator’s Trustee Toolkit);
- updates at quarterly Trustee board meetings;
- attendance at external workshops/seminars/events; and
- attendance at committee meetings.

The Trustee is also ably supported by pensions expertise provided by the Plan sponsor, Phillips 66 Limited, and by the Trustee’s own professional advisers.

Through the combination of this expertise, knowledge and resource, the Trustee is satisfied that it meets its statutory duty in relation to TKU and, accordingly, the Trustee is satisfied that it can properly exercise its functions as trustee of the Plan.

Plan Administration (processing of “core financial transactions”)

The Trustee outsources the administration of the Plan to a specialist third party provider, Gallagher (Administration & Investment) Limited (“**Gallagher**”), formerly known as Buck (Administration & Investment) Limited. Gallagher has administered the Plan since October 2022, and brings extensive administrative experience and specialist knowledge in pension plan administration processes and controls.

A key element of good administration is the prompt and accurate processing of core financial transactions, including:

- investment of contributions received.
- switching of member funds between the different investment options offered, including lifecycle switches and monthly rebalancing.
- payment of member benefits to beneficiaries; and
- transfer-out of assets relating to a member from the Plan to a new provider.

Service Level Agreements (“**SLAs**”) are in place with Gallagher to, inter alia, process, as appropriate, the above transactions in relation to members and their retirement accounts in the Plan in accordance with agreed timescales.

Plan Administration (processing of "core financial transactions") (continued)

As administrators for the Plan, Gallagher:

- completes all investment transactions with LGIM through "Straight-Through Processing" which is an electronic transfer between the administrator and LGIM. This process assists the Plan in seeking to meet the level of service which the Trustee expects to be provided to members. There is no such system in operation for those DB section members with AVCs with the legacy provider, Standard Life.
- uses an internal workflow system to monitor SLAs in conjunction to being monitored by the client team manager. Daily reports are issued to all levels of management within Gallagher that allow the monitoring of SLA performance, work pipeline and profile of cases.
- monitors bank accounts daily to identify receipt of members' monies (transfers in, disinvestments and contributions) from which starts the process to invest those monies or pay benefits.
- has dedicated staff members who process the core financial transactions for the Plan; and
- has in place a procedure that all payment transactions are peer reviewed and authorised by one senior administrator or team leader (transactions less than £250,000) or two senior administrators and/or team leader (transactions over £250,000). Transactions are then reviewed and released for payment by a treasury administrator and there is a final authorisation by an Administration Manager or above.

The Trustee monitors performance against agreed timescales through quarterly reports and fortnightly meetings with Gallagher and Phillips 66 and is satisfied that over the Reporting Year:

- Gallagher operated appropriate procedures, checks and controls, and operated within agreed SLAs for core financial transactions.
- there have been no material administration errors in relation to processing of core financial transactions; and
- core financial transactions have been processed promptly and accurately during the Reporting Year in all material respects.

Legal Notes

This document contains a summary of certain provisions of the LGIM Policy, the Standard Life Policy, the agreement with Santander and of the Plan's governing legal documents (together the "**Formal Legal Documents**").

This document confers no rights to benefits. Rights to benefits are conferred only by the Formal Legal Documents, as amended from time to time.

If there is any difference between what is summarised in this document and the Formal Legal Documents, the Formal Legal Documents will prevail.

For and on behalf of Phillips 66 Pension Plan Trustee Limited

Gary Taylor

Chair of the Board of Directors **Date**: 30 October 2024

PHILLIPS 66 UK PENSION PLAN

DEFAULT ARRANGEMENTS
STATEMENT OF INVESTMENT PRINCIPLES

ADOPTED WITH EFFECT FROM 18 OCTOBER 2023

This default arrangements Statement of Investment Principles replaces with effect from 18 October 2023, the default arrangements Statement of Investment Principles previously in force

A. Introduction

1. Phillips 66 Pension Plan Trustee Limited (the "**Trustee**") is the trustee of the Phillips 66 UK Pension Plan (the "**Plan**").

2. The Plan is divided into two benefit sections:

   2.1 a Defined Benefit Section, and

   2.2 a Defined Contribution Section.

3. Members of the Defined Benefit Section have paid or, if they are in pensionable service, may continue to pay voluntary contributions to acquire money purchase benefits within the Defined Benefit Section.

4. In the Defined Contribution Section, members have "**Retirement Accounts**".

5. Those Retirement Accounts are adjusted for investment returns and expenses.

6. The Trustee arranges for contributions or notional contributions credited to Retirement Accounts to be paid to its "**Selected Investment Vehicle Provider**", currently Legal & General Assurance (Pensions Management) Limited ("**LGPMC**").

7. The Trustee has selected certain investment options provided by the Selected Investmen Vehicle Provider through its contract with the Trustee. Those investment options are referred to as "**Selected Investment Vehicles**" for individual investment funds, and "**Selected Automatic Switch Facilities**" (currently made available by way of "**Target Date Funds**") for lifecycle funds.

B. Requirement to prepare a statement of investment principles governing decisions about investments for the purposes of default arrangements

1. In relation to any "**default arrangement**", as defined in Regulation 1(2) of the Occupational Pension Schemes (Investment) Regulations 2005 (the "**Investment Regulations**"), Regulation 2A of the Investment Regulations requires the Trustee to prepare, in writing, a statement of investment principles governing decisions about

investments for the purposes of each default arrangement of the Plan, and which covers at least the following matters:

(a) The aims and objectives of the Trustee in respect of such investments;
(b) The Trustee's policy in relation to investment in illiquid assets;
(c) The Trustee's policies in relation to matters mentioned in Regulations 2(3)(b), 2(3)(c) and 2(3)(d) of the Investment Regulations; and
(d) An explanation of how such aims, objectives and policies noted above (together the "**default strategy**") are intended to ensure that assets are invested in the best interests of relevant members and relevant beneficiaries.

2. The Plan:

2.1 has a default arrangement in relation to the Defined Contribution Section (the "**DC Default Investment Option**"), and

2.2 has a default arrangement, in relation to the way money purchase benefits in the Defined Benefit Section may be invested (the "**DB Default Investment Option**").

3. This document is the statement of investment principles governing decisions about investments for the purposes of each default arrangement in compliance with Regulation 2A of the Investment Regulations.

4. In relation to:

4.1 the DC Default Investment Option, the investment arrangement is the Flexible Drawdown Target Date Funds provided by LGPMC, described in more detail in the current Investment Policy Implementation Document for the Plan prepared by the Trustee ("**IPID**").

4.2 the DB Default Investment Option, that the investment arrangement is the Cash Target Date Funds provided by LGPMC, described in more detail in the IPID.

C. Matters relating to the DC Default Investment Option

1. Aims and objectives of the DC Default Investment Option together with the Trustee's policies in relation to kinds of investments to be held and balance between different kinds of investments

1.1 A proportion of members will actively choose the DC Default Investment Option because they feel it is most appropriate for them.

1.2 However, the majority of the Defined Contribution Section members do not typically make an active investment decision in relation to their Retirement Accounts and the amounts credited to those Retirement Accounts are invested in the DC Default Investment Option as a result.

1.3 In relation to the DC Default Investment Option:

(a) Target Date Funds aim to grow members' pension savings by investing in growth assets, such as equities and diversified growth funds, when they are a long way from their Target Retirement Date (TRD). The aim is to provide growth with some protection against downside risks.

(b) As a member's Retirement Account balance grows, investment risk will have a greater impact on member outcomes. Therefore, the aim of the Target Date Funds is to seek to reduce investment risk as the member approaches their TRD, by investing in lower-risk assets such as bonds.

(c) the Target Date Funds are fully managed by Legal & General Investment Management ("**LGIM**") and the Trustee has delegated the design and underlying investments of these funds to LGIM, which are described in more detail in the IPID.

(d) based on its understanding of the Defined Contribution Section's membership, the Trustee has adopted the Flexible Drawdown Target Date Funds provided by LGPMC, on the basis that it is likely to meet a typical member's requirements, by targeting flexible drawdown at retirement.

Note: It does not mean that members have to take their benefits in this format at retirement.

(e) members who intend to take their retirement benefits via other methods have the option of choosing their own investment strategy, or alternative Target Date Fund.

1.4 Taking into account the demographics of the Plan's membership and the Trustee's view of how the membership will behave at retirement, the Trustee believes that the DC Default Investment Option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Plan's demographics if sooner.

1.5 When reading this document, it is important to remember that references to investments or to asset classes are to those investments or asset classes which are accessed via investment options under a unit-linked life policy issued by the Selected Investment Vehicle Provider under its contract with the Trustee and references to investments and asset classes in this document should be read accordingly.

2. **Trustee's policy in relation to risks, including the ways in which the risks are to be managed, in relation to the DC Default Investment Option**

2.1 The Trustee recognises that members assume investment risks and, are exposed to different types of risk at different stages of their working lifetimes. The key risk is that members will have insufficient income in retirement or that their income will not meet their expectations.

2.2 The types of risk that the Trustee has considered are as follows:

(a) the risk of Target Date Funds not meeting their objective ("**manager risk**"). This risk is considered by the Trustee and its advisers both upon the initial selection of a Selected Investment Vehicle Provider and the Target Date Funds and on an ongoing basis thereafter. The Trustee, through its investment adviser, monitors the performance of the Target Date Funds on a regular basis and compares the investment returns with relevant benchmarks and comparators.

(b) the risk of holding Target Date Funds that cannot be easily sold should the need arise ("**liquidity risk**"). Steps have been taken to satisfy the Trustee that there is sufficient liquidity to meet the likely demands of the members.

(c) the risk that may arise from a lack of diversification within each of the Target Date Funds ("**concentration risk**"). The assets underling each of the Target Date Funds are well diversified.

(d) the risk that the Selected Investment Vehicle Provider becomes insolvent so that the Target Date Funds in question are affected by the insolvency of the Selected Investment Vehicle Provider ("**insolvency risk**"). The Trustee, through its investment adviser, monitors the ongoing creditworthiness of the Selected Investment Vehicle Provider.

(e) the risk of erosion by inflation ("**inflation risk**"). If investment returns lag inflation over the period of membership, the real (i.e.net of inflation) value of the members' individual accounts will decrease. The Trustee acknowledges that unexpectedly high future inflation is likely to cause a reduction in the real value of members' accounts.

(f) the risk that the value of interest-bearing securities would be at risk if a bond issuer or licensed deposit taker defaults on their commitments (**"default risk")**. Similarly, if the issuer of any equities becomes insolvent, that would adversely affect the value of those equities. This risk is managed through diversification within the Target Date Funds in question.

(g) the risk that there will be costs of converting a member's accumulated defined contribution account into pension benefits at retirement (**"conversion risk"**). The latter is influenced by a number of factors and depends on how the member intends to take their benefits at retirement.

(h) the risk of the DC Default Investment Option being unsuitable for the requirements of some members (**"suitability risk"**) (see **1.4** above).

(i) the risk of fraud, poor advice or acts of negligence (**"operational risk"**). The Trustee has sought to minimise such risk by aiming to ensure that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

(j) the risk of having errors in communication to members (**"communication error risk"**). The Trustee aims to manage the risk of error in communication to members as to their investment options through an appropriate review of those communications before issue.

(k) the risk that environmental, social and governance, including climate change, (collectively "**ESG**") matters have a financially material impact on a member's retirement benefits (**"ESG risk"**). The management of this risk has been considered and investment managers are expected to integrate this into their processes. The Trustee reviews the investment managers' policies and actions in relation to ESG issues on at least an annual basis.

2.3 Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner.

2.4 The Trustee monitors manager risk in terms of performance of the Target Date Funds in question compared to relevant benchmarks and comparators on a regular basis, along with monitoring any significant issues with the Selected Investment Vehicle Provider in question that may impact its ability to meet the performance targets set by the Trustee or that may impact the security of the underlying assets.

3. <u>Investment Manager Arrangements for the DC Default Investment Option</u>

3.1 The Target Date Funds managed by LGIM have been chosen based on LGIM's capabilities and therefore, their perceived likelihood of achieving the expected return and risk characteristics within the DC Default Investment Option.

3.2 The Trustee looks to its Investment Consultant, an organisation suitably qualified to provide such advice and authorised and regulated by the Financial Conduct Authority, for their view of LGIM's management of the Target Date Funds. The Investment Consultant's views assist with decisions around selection, retention and realisation of manager appointments.

3.3 If the investment objective for the Target Date Funds changes, the Trustee will review the appointment to ensure it remains appropriate and consistent with the Trustee's investment objectives for the DC Default Investment Option.

3.4 As the Trustee invests in Target Date Funds which are fully managed by LGIM, it accepts that it has no ability to specify the risk profile and return targets of the manager. However, the Target Date Funds were selected to align with the overall investment objectives for the DC Default Investment Option.

3.5 The Trustee receives regular performance reports, which present performance of the Target Date Funds against relevant benchmarks and comparators.**3.6** The Trustee maintains a focus on long-term performance. It may review LGPMC's appointment if the Target Date Funds have extended periods of underperformance, there is a material change in personnel or there is other news that may severely impact the outcome of the investment.

3.7 The Trustee believes that the appropriate time horizon within which to assess the considerations above should be viewed at a member level. Each Target Date Fund targets a different five year 'target range' and members invested in a Target Date Fund will be invested in a 'target range' which is aligned to their TRD. The default arrangements are reviewed on at least a triennial basis and the Trustee can replace the Target Date Funds should it deem these to be unsuitable.

4. Expected return on investments for the DC Default Investment Option

4.1 The DC Default Investment Option is fully managed by LGIM, balancing different kinds of investments to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their target retirement date.

5. Realisation of investments for the DC Default Investment Option

5.1 The investments held in the DC Default Investment Option will be realised in relation to a member:

(a) if the member decides to switch out of the DC Default Investment Option into one of the other available investment options for their Retirement Account, and

(b) where it is necessary to convert the investments credited to the member's Retirement Account into cash for the purpose of paying benefits or making a transfer.

6. Extent to which ESG considerations are taken into account in relation to the DC Default Investment Option

6.1 The Trustee recognises that social, environmental and governance, including climate change, (collectively "**ESG**") matters may impact investment risk and return outcomes and hence the ability to meet investment objectives. The Trustee also recognises that financially material ESG matters present risks and opportunities that may require additional consideration.

6.2 The Trustee's policy regarding financially material ESG matters is that the extent to which such matters are taken into account in making day-to-day investment decisions, including decisions relating to the selection, retention and realisation of investments, is delegated to LGIM and the Trustee expects LGIM to recognise that the Trustee's primary responsibility is to act in the best financial interests of the beneficiaries of the Plan.

6.3 Each of the Target Date Funds that are used in the default arrangement is an investment option under a unit-linked life policy which has been issued by the Selected Investment Vehicle Provider to the Trustee.

6.4 Accordingly, it is the responsibility of the Selected Investment Vehicle Provider, to determine the extent to which the assets are allocated (which, in turn, back its obligations under the unit-linked life policy) are invested, so that ESG considerations are taken into account in the selection, retention and realisation of investments (and also to the extent that those considerations are relevant to the achievement of the investment objectives of each such internal fund).

6.5 The Trustee will monitor how ESG considerations are integrated within the Target Date Funds. Monitoring is undertaken on a regular basis.

6.6 Generally, individual members' and beneficiaries' views on non-financial matters (including their ethical views and views in relation to ESG issues and present and future quality of life of the members and beneficiaries of the Plan) are not explicitly sought or taken into account in making day-to-day investment decisions, though they may be considered by the Trustee in its discretion as and when they arise.

7. Rights attaching to investments and engagement for the DC Default Investment Option

7.1 The Trustee believes that good stewardship can have a long-term positive impact on Plan asset risks and returns.

7.2 The Trustee expects its investment managers to have effective stewardship, both through voting and engagement. Although the Trustee's policy is to delegate responsibility for stewardship including the exercise of voting rights, to their investment managers, the Trustee monitors and engages with how the investment managers vote in relation to the Trustee's priorities.

7.3 The Trustee has agreed the size of the Plan's holdings as primary determinant of what constitutes a significant vote, or priority for stewardship activities undertaken by the Plan's investment managers on behalf of the Trustee. The Trustee will therefore focus its reporting on the largest holdings within its portfolio.

7.4 The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. As the Plan's assets are invested in pooled funds, the Trustee expects the appointed investment managers to undertake these activities in line with their general policies on stewardship and current best practice (including the UK Corporate Governance Code and UK Stewardship Code) as provided to the Trustee from time to time, considering the long-term financial interests of members and beneficiaries. The Trustee seeks to appoint investment managers who have strong stewardship policies, reflecting where relevant recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these stewardship policies are implemented in practice.

7.5 Investment manager stewardship activity is monitored at least annually by collating information on significant votes and engagements carried out over the Plan year, and is summarised in the Plan's publicly available Annual Implementation Statement. The Trustee engages with managers on all investment-related matters, including stewardship and voting, as part of its ongoing monitoring cycle, which includes when they present from time to time at the Trustee's Investment Committee meetings and via written correspondence where appropriate.

8. Total Expense Ratio for the DC Default Investment Option

8.1 In selecting the Selected Investment Vehicle Provider and the DC Default Investment Option, the Trustee has taken account of the annual management charges which apply to each investment option and all other additional expenses.

8.2 The Trustee, after taking advice from its Investment Consultant, considers that these charges, taken in the round, provide value for money and are a material factor in determining the net of charges investment return for members invested in the DC Default Investment Option. Annual management charges are reviewed regularly to ensure they still provide good value for money.

8.3 As part of the statutory annual value for money assessment required by the Trustee for defined contribution benefits provided under the Plan, the Trustee reviews the investment manager fees along with portfolio turnover costs. However, as the Plan invests through pooled funds, the Trustee is unable to define target portfolio turnover ranges for funds.

9. Illiquid assets in the DC Default Investment Option

9.1 The Trustee considers illiquid assets as assets of a type which cannot easily or quickly be sold or exchanged for cash; including where such assets are invested as a component of a daily-dealing multi-asset fund. The Plan's DC Default Investment Option includes an allocation to illiquid investments through its investment in the Target Date Funds, which are collective investment schemes, such as Direct Property and Private Credit. Members are invested in the illiquid investments within the de-risking period of the Target Date Funds, which begins around 15 years from a member's target retirement date.

9.2 The Trustee is comfortable indirectly investing in a small proportion of illiquid assets through the Target Date Funds, to experience the potential for higher returns and benefits of diversification relative to more traditional asset classes (such as bonds or equities) that illiquid assets can offer. While these benefits are recognised by the Trustee, it is also aware of the risks of investment in illiquid assets to members. Given the potential for valuations of illiquid assets to not reflect their true value at a given time as well as concerns over liquidity management.

9.3 As the Target Date Funds are fully managed by LGIM, the Trustee expects LGIM to consider investment in illiquid assets and the suitability of such an investment as part of its overall management of the Target Date Funds.

9.4 In selecting investments for the DC Default Investment Option the Trustee uses both qualitative and quantitative analysis to consider the expected impact of different strategic allocation mixes. For any future investment, the Trustee carefully considers whether the investment provides value for members, taking account of the return potential and associated risks. It is the Trustee's policy to review the allocation and investment strategy of the DC Default Investment Option on at least a triennial basis. Such reviews will include whether the incorporation of illiquid asset investments is appropriate.

10. Explanation of how the aims and objectives for the DC Default Investment Option are intended to ensure that assets backing the DC Default Investment Option are invested in the best interests of those whose Retirement Accounts are invested in the DC Default Investment Option

The preceding provisions of this **Section** C set out how the aims, objectives and policies there specified are intended by the Trustee to ensure that the assets backing the Retirement Accounts of those invested in the DC Default Investment Option are invested in the best interests of the members holding those Retirement Accounts.

D. DB Default Investment Option in respect of money purchase benefits in the Defined Benefit Section

The provisions of **Section** C apply with the following changes in relation to the DB Default Investment Option:

1. references to the DC Default Investment Option should be read as references to the DB Default Investment Option.

2. section C.1.3.(d) should read as follows:

Based on its understanding of the DB Section's membership, the Trustee has adopted the Cash Target Date Funds provided by LGPMC, on the basis that it is likely to meet a typical DB member's requirement for maximising tax-free cash in retirement.

Adopted with effect from 18 October 2023 by the Trustee of the Phillips 66 UK Pension Plan

Signed: ....

for and on behalf of
Phillips 66 Pension Plan Trustee Limited
as trustee of the Phillips 66 UK Pension Plan

Name: Gary Taylor

Position: Director & Chair