



PHILLIPS 66 UK PENSION PLAN (“THE PLAN”) — DEFINED BENEFIT SECTION: ADDITIONAL VOLUNTARY CONTRIBUTIONS — CHANGES TO THE LIFECYCLE STRATEGIES

We are writing to you as a member of the Defined Benefit section of the Plan who currently pays, or has previously paid, Additional Voluntary Contributions (“AVCs”) into one or more of the Legal & General funds offered, to make you aware of upcoming changes to the investment options available to you. Note that if you have AVCs with either Standard Life or Santander, these are not impacted by any of the changes in this letter.

A. WHAT IS CHANGING?

Following a review of the current AVC investment offerings by the Trustee of the Plan (“the Trustee”) and advice from the Trustee’s investment adviser, the following changes are being made to the AVC funds offered with Legal & General with effect from 18 October 2023.

(a) 2016 Cash Lifecycle Strategy

The 2016 Target Cash Lifecycle Profile, which is currently available as a self-select lifecycle strategy, will close and cease to be available for investment from 18 October 2023. This is being replaced by a broadly equivalent new target date fund range managed by Legal & General, the Legal & General Cash Target Date Funds.

The Legal & General Cash Target Date Funds are being made available as a self-select lifecycle strategy for all members and may suit those members who specifically wish to use their AVC account to target cash and cash-like investments at retirement.

If your AVCs are invested in the current 2016 Target Cash Lifecycle Profile, your AVC account will automatically be switched to the Legal & General Cash Target Date Funds with effect from 18 October 2023 and placed into the appropriate fund based on your chosen Target Retirement Date (please refer to the enclosed Frequently Asked Questions for more information).

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(b) 2014 Annuity Lifecycle Strategy

The 2014 Target Annuity Lifecycle Profile, a self-select lifecycle strategy which is currently closed to new investment but remains operational, will not be impacted.

If your AVCs are invested in the 2014 Target Annuity Lifecycle Profile, no changes are proposed to your pension account at this time.

(c) Other self-select funds

If your AVCs are invested in, or you want to invest in, the other (non-lifecycle strategy) self-select funds currently available, at this time no change is proposed to the range of these funds offered.

As a reminder, self-select funds mean that you can build your investment portfolio using one or more of the funds available and you are able to freely change how your AVC account is invested. Remember, if you take an active role in managing your AVC account through the self-select investments, it is important to consider from time to time whether your investments remain suitable for your needs.

If your AVCs are invested in one or more of the other available self-select funds, at this time no change is proposed to your current investments; you will however have the option to move to the new Legal & General Cash Target Date Funds, at any time after 18 October 2023.

B. WHAT ARE TARGET DATE FUNDS?

Target Date Funds are a range of funds that allow you to match the investment strategy of your AVC account according to your TRD. They work in a similar way to the current lifecycle profiles in the Plan, however instead of switching between different funds as you approach retirement, you are invested in just one fund.

Each Target Date Fund targets a different five year 'target range' within which you are expecting to retire. This means that should you change your TRD and as a result your new TRD falls out of the target range, the Target Date Fund you are invested in should change to align with your new TRD.

Moving the lifecycle strategy option available as an AVC investment option under the Plan to a Target Date Funds approach managed by our specialist investment manager, Legal & General, is designed to give members added cost-effective flexibility and agility in capturing ever-evolving opportunities in the pensions investments market and to allow better differentiation and alignment of investment glidepaths amongst individual members with differing TRDs.

The Target Date Funds are intended to allow you to match your investment strategy for your AVC account according to your TRD. Each Target Date Fund is intended to adjust the way your AVC savings are invested as you move closer to retirement, with the intention of targeting when and how you want to use your AVC account.

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In the same way that the current lifecycle strategies follow a glidepath that de-risks over time, Target Date Funds aim to reduce your exposure to investment risk, particularly as you approach your retirement date, by adjusting the mixture of assets within the fund. As you progress through your working life and get closer to retirement, the mix of investments within the fund should be adjusted accordingly. If you're a long way from your TRD, the fund will invest more of your pension savings in higher-risk investments, such as equities. Although such investments could be more likely to fluctuate in value in the short term, this type of investment could also be expected to generate higher returns to grow your AVC savings over the longer term. If you're closer to retirement, more of your AVC savings will be invested in lower-risk investments, such as bonds. Although these types of investments may be expected to generate lower returns, your AVC account may also be less likely to fluctuate in value, and so these types of investments are aimed at enabling you to plan for your retirement with more confidence. There is, however, no guarantee that a Target Date Fund will achieve this aim. The value of investments is not guaranteed and may change over time.

The Legal & General Target Date Funds invest in a range of Legal & General's underlying funds with the level of expected risk and return varying depending on how far you are from your TRD. The funds are constructed in five-year target ranges, and if you are currently invested in the 2016 Target Cash Lifecycle Profile your investments will be moved to the Legal & General Cash Target Date Funds, and your AVC account will be defaulted into the fund which most closely matches your TRD. For example, if your TRD is 2048, you will be defaulted into the 2045–2050 Target Date Fund.

Please note that if you are invested in the 2014 Target Annuity Lifecycle Profile or the self-select range of funds, no change is proposed to your investment selections at this time.

By way of comparison, appended to this mailing are charts that show the underlying mix of funds (and how they change over time on the glidepath to retirement) under the current Cash Lifecycle Strategy, and an illustration of how these will look under the Cash Target Date Funds.

C. WHAT HAPPENS NEXT?

The switch to the new Legal & General Cash Target Date Funds as described above are due to occur on 18 October 2023.

If your AVCs are invested in the 2016 Target Cash Lifecycle Profile and do not want your AVC account to be automatically moved to the new Legal & General Cash Target Date Funds as described above in section A: (a), you can amend your investment selections to one or more of the self-select funds via the "Investment Changes" tile on the pension portal, accessible via My HR Tools or by visiting **phillips66ukpensionplan.co.uk**. For the Target Date Funds to work best, it's really important that we have the right Target Retirement Date for you, as this will determine the timing of your investment changes as you move towards retirement. You can amend your TRD via the 'Do' tab on the pension portal.

You will not be able to amend your TRD during the blackout window that runs from 29 September 2023 to 18 October 2023 inclusive.

If you do not take any action, any holdings you have in the 2016 Target Cash Lifecycle Profile along with any AVCs you pay, will be automatically switched into your relevant TRD fund in the new Legal & General Cash Target Date Funds (as appropriate) with effect from 18 October 2023.

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If your AVCs are invested in the 2014 Target Annuity Lifecycle Profile or one of the other self-select range of funds, there will be no change.

Note that to implement the change from the 2016 Target Cash Lifecycle Profile to the Legal & General Cash Target Date Funds a blackout-period is required where the whole switching and disinvestment functionality has to be taken offline, i.e. you will be unable to switch investment funds during this period. This means that even if your AVCs are invested in self-select funds and you wish to continue to be invested in this way, you will still not be able to amend your fund choice during the blackout period.

The blackout period runs from 29 September 2023 until 18 October 2023 inclusive while the switches are being implemented and you will not be able to amend any of your investment choices or transfer your AVCs out of the Plan during this period. The monthly AVCs will be processed as normal.

D. INVESTMENT MANAGER CHARGES

The annual management charge (“AMC”) for AVCs under the Legal & General Cash Target Date Funds will be 0.25%. For reference, the charge for the underlying funds under the 2016 Target Cash Lifecycle Profile varies between 0.14% and 0.32%. AMCs applicable to each of the AVC investment offerings are provided under question 7 of the enclosed Frequently Asked Questions document.

Where changes to the Plan’s AVC investment options result in switches to your investments, transaction costs may be incurred when buying and selling units in the underlying funds. The Trustee is working closely with Legal & General to minimise these transaction costs and believes that, on the basis of advice from its investment adviser, any costs incurred are outweighed by the broader benefits that the new investment options provide.

E. FREQUENTLY ASKED QUESTIONS (FAQS)

Please see the enclosed FAQ document for further information in relation to Target Date Funds and the changes occurring on 18 October.

F. FUND PERFORMANCE

Please remember that the value of your AVC savings investments is not guaranteed and may change over time. The value of your AVC investments may go up or down, and there is no guarantee that the value of your pension fund will be at least equal to the value of the AVCs paid to it.

Please note that the new Target Date Funds may not be the most appropriate option for you, and you should review carefully how you wish your AVC account to be invested, taking professional financial advice as necessary (and at your own cost). It is your responsibility to ensure that your AVC account is invested in line with your individual circumstances, your attitude to risk and your own plans for your retirement.

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G. IMPORTANT LEGAL NOTES

Please read the enclosed Important Legal Notes at the end of this mailing which apply equally to these changes to your investment options, to this letter and to the accompanying FAQs.

Yours sincerely

**For and on behalf of Phillips 66 Pension Plan Trustee Limited
(Trustee of the Phillips 66 UK Pension Plan)**