

# **ConocoPhillips**

## **Annual Meeting of Stockholders**

### **TRANSCRIPT**

**Broadridge**  
**Event Date: May 16, 2017**

Ryan Lance:

Good morning, ladies and gentlemen. I'm Ryan Lance, Chairman and CEO of ConocoPhillips, and it's my pleasure to welcome all of you to the ConocoPhillips 2017 Annual Stockholders Meeting.

We are excited to host today's meeting through this virtual online platform, which allows us to open access and participation in the meeting to all stockholders and employees around the world. We believe this is the right choice for a global company as it affords the opportunity for greatly increased engagement with our stockholders at a significant cost savings.

While the meeting is virtual-only, we welcome questions from our stockholders. When we come to the Q&A portion, we will first give stockholders the opportunity to ask a question or make a short statement over the phone by calling 1-877-328-2502 and pressing \*1. That number is on the bottom right-hand of your screen. After taking calls, we will then take questions that are submitted online. You can submit your live questions through the text box also located on your screen.

Please remember that you may vote your shares online at any time during this meeting prior to the closing of the polls.

At this time, please let me take the opportunity to introduce you to the members of ConocoPhillips' board of directors. All of them are participating today, other than Mr. James E. Copeland Jr., who is scheduled to retire following this annual meeting.

In addition to myself, the members of our board present today are:

Richard L. Armitage. Rich is the President of Armitage International and former U.S. Deputy Secretary of State.

Richard H. Auchinleck. Dick is the retired President and Chief Executive Officer of Gulf Canada Resources Limited.

Charles E. Bunch. Chuck is the retired Chairman and Chief Executive Officer of PPG Industries Incorporated.

John V. Faraci. John is the former Chairman and Chief Executive Officer of International Paper Company.

Jody L. Freeman. Jody is the Archibald Cox Professor of Law at Harvard Law School and the Founding Director of the Harvard Law School Environmental Law and Policy Program.

Gay Huey Evans. Gay is the former Vice Chairman, Investment Banking and Investment Management, of Barclays Capital, and previously held various positions with Citigroup and the U.K. Financial Services Authority.

Arjun N. Murti. Arjun is Senior Adviser at Walburg Pincus and previously served as a partner of Goldman Sachs.

Robert A. Niblock. Robert is the Chairman, President and Chief Executive Officer of Lowe's Companies Incorporated.

And, Harold J. Norvik. Harold is the retired Chairman and partner of Econ Management AS and the retired Chairman, President and Chief Executive Officer of Statoil.

I'd like to thank our board members for their dedication and their willingness to serve.

Next, I'd like to introduce you to the members of the ConocoPhillips executive leadership team. Here with me are Janet Langford Carrig, our Senior Vice President Legal, General Counsel, and Corporate Secretary; and Ellen DeSanctis, our Vice President Investor Relations and Communications.

In addition to Janet and Ellen, the remaining members of the executive leadership team are also participating today and they are; Al Hirshberg, Executive Vice President Production, Drilling and Projects; Matt Fox, the Executive Vice President Strategy, Exploration and Technology; Don Walette, Executive Vice President Finance, Commercial, and our Chief Financial Officer; and Andrew Lundquist, Senior Vice President Government Affairs; and James McMorran, our Vice President Human Resources, Real Estate and Facilities Services.

Now we'll move to a review of the Company's performance in 2016 and our plans for 2017. Let me begin with the agenda. We'll first discuss our 2016 results, then our business plan and our achievements in delivering on that plan. And, after my prepared remarks, we'll call the meeting to order.

Our business review will include forward-looking statements. This is our standard reminder that actual results can differ materially. You should refer to our filings with the SEC for factors that could cause actual results to differ from our projections.

Now, let me move to our operating performance and accomplishments for 2016. Starting at the left with financial results, we continued lowering our breakeven price for the business by reducing our capital expenditures and our operating costs. Our capital expenditures last year were \$4.9 billion, down 52% from 2015. Thanks to our portfolio, we can now maintain flat production or grow modestly with one of the industry's lowest capital intensities. We continue exercising discipline on our operating costs. We adjusted our operating costs were down 19%.

These capital and cost reductions allow us to generate free cash flow at lower prices, which we'll allocate, in part, to shareholders via dividends and share repurchases. In late 2016, we initiated a \$3 billion share repurchase program. Strategically, we realized \$1.3 billion in proceeds from asset dispositions as part of our ongoing portfolio high-grading.

Our operational results were very strong with six project startups. Production grew 3% year over year, excluding Libya and adjusted for downtime and dispositions, which is notable because of our reduced capital spending. So the business ran well and, importantly, it ran safely.

2016 was our best safety performance as an independent E&P company. In fact, at bottom center, you'll see that we've cut our incident rate 70% since 2008. We've also improved our process safety and embedded into our culture the lifesaving rules that I mentioned last year.

We continue to be a safety leader. The chart at the bottom right compares the construction and utilities industries against oil and gas. Then, at the far right, is ConocoPhillips. Our injury rate is lower than all the others. We've made a lot of progress, but the job of safety is never done. It's a core part of our culture.

So, too, is environmental stewardship and sustainable development. Our commitment to those priorities continues. Our innovations in recycling and reusing water, reducing energy and material use, shrinking our land footprint and decreasing emissions all help reduce our environmental impact and enhance our sustainability.

We had a record year offsetting greenhouse gas emissions at our wildfire control project in Australia. This has brought the total offset for that project to 1.9 million tonnes. We also commissioned a new water-gathering facility in the Permian Basin. In fact, since 2013, we have reused or recycled a million gallons of produced water across our operation. Additionally, in 2016, we earned recognition as a leader from the Corporate Human Rights Benchmark. These achievements benefit all stakeholders including our shareholders.

Overall, I am proud of our accomplishments in 2016. Despite challenging commodity prices, the people of ConocoPhillips safely delivered very strong business result. Yet, despite this, our total shareholder returns of 10% lagged the TSRs of the integrated companies and our E&P peers, as you can see at the top of the slide. We believe this largely reflected last year's dividend reduction, which we addressed in the 2016 annual meeting. For a longer-term perspective, the bottom chart shows total returns since 2012 spin through the end of April. Notably, over these five years, we've achieved positive TSR and ranked at the top end of our peer group.

Maintaining a long-term focus is important in this cyclical business particularly in a more volatile commodity price world. And let me give you some insights into that world.

Our strategy work began with a view that oil prices will be lower and more volatile in the future. As the chart shows, not long ago, oil prices were high and relatively stable. We believe that has changed, as the insert chart of oil prices since the start of 2016 shows. This means the industry shouldn't count on rising commodity prices to build out its business models.

Instead, ConocoPhillips has positioned itself to withstand the cycles, not chase them up or down. We've shifted to managing the business for free cash flow. This offers greater downside resilience while preserving participation in the up cycles. This further means we need clearer priorities on allocating our free cash flow and that we can drive more predictable performance by maintaining a strong balance sheet and low cost structure, having a strong resource base and preserving strategic flexibility.

These foundational concepts form the basis for our new strategy and value proposition, which we rolled out to the market last November. Let me walk through this with our strategy on a page.

The top graph represents our aspiration to deliver value through the cycles. At \$50 to \$60 a barrel Brent, we will maintain our strong balance sheet and allocate our cash between per share and absolute growth. At higher or lower prices, we'll exercise flexibility to take the highest-value actions for shareholders. We expect this disciplined approach to generate double-digit total annual returns to our shareholders through a combination of margin and debt-adjusted per share production growth plus our dividend.

Our cash flow priorities are at the bottom, also shown as an example of how this would work during the next three years at \$50 per barrel Brent prices including our acceleration actions, which I'll discuss shortly. From left, we would maintain production, pay and grow the dividend and retire some debt. Including proceeds from dispositions, we will achieve our debt target, execute our repurchase program and deliver up to 2% high-return production growth all at \$50 a barrel Brent price.

Now, farther right, prices above \$50 per barrel Brent would yield available cash to buy more shares or increase investments in high-margin organic growth. And these aren't mutually exclusive. We could choose to do both.

We believe this strategy is achievable through the cycles, competitive among energy investments and compelling. It offers investors a disciplined formula for a volatile business. We believe we're uniquely positioned to deliver on it because of our strategic transformation and our portfolio.

When we first laid out our value proposition, we recognized that we needed to take action to accelerate our plan mainly through targeted asset sales. I am pleased to report that since November we've not only significantly exceeded but accelerated our three-year plan. Now let's look at that progress.

We're holding the line on CapEx at \$5 billion while anticipating up to 2% underlying production growth, excluding the impact of our 2017 divestitures. And we also recently announced a 6% dividend increase. The big news is our more than \$16 billion of announced dispositions in Canada and the San Juan Basin. These transactions improve underlying margins, allow us to significantly reduce debt and enable us to double our share repurchases to \$6 billion over three years.

So we're staying disciplined, honoring our priorities and making step-function improvements in our financial position. We're deleveraging, essential for withstanding the cycles. And we're returning to shareholders 20% to 30% of not only cash from operating activities, but also from disposition proceeds.

It took a lot of discipline to make these changes, but, so far, the market has responded favorably to our new value proposition. And let me show you that next.

Since November, we have delivered near peer-leading TSR performance to the end of April this year. We aren't declaring victory, but we're convinced our strategy is right, it's differential, it's shareholder-friendly and it's disciplined. It's built around core commodity business principles such as low breakeven price, low cost of supply resource base, capital flexibility and a strong balance sheet.

You might ask, "Why doesn't everybody do this?" Well, they can't because at the core of our strategy is what we consider an unmatched portfolio. Let's take a look at that.

This map shows our current focus areas by country. Just a few years ago, we were in 27 countries. Now, we are in less than half of that. This chart shows our production and resources already reflecting the dispositions announced this year and our capital. Even after the sale closings, we'll remain the largest independent E&P based on production and proved reserves with 1.2 million barrels a day in production, heavily weighted to liquids or liquids-priced gas like LNG. After the recently announced dispositions, we'll still have 14 billion barrels of resource with less than a \$50 per barrel cost of supply, balanced between conventional, unconventional and long-lived low-decline LNG and oil sands.

At bottom is our \$5 billion capital program, down from \$17 billion in 2014, but still the largest amongst the independent E&Ps. We're spending \$1.8 billion in the Lower 48, which is higher than many of the pure-play companies. We're also investing \$1.1 billion in Europe, \$900 million in Alaska, another \$900 million in Asia Pacific and the Middle East, and \$300 million in Canada. And included in these numbers is about \$600 million for exploration. So we're still a significant company, still investing substantially in profitable investments across the globe.

Now, let me wrap up by summarizing the tenets of our value-creation approach. Underlying everything are smart growth, superior returns and SPIRIT values.

By smart growth, we mean disciplined growth; spending within our cash flows, focused on free cash flow generation and allocating capital to the lowest cost of supply opportunities in an outstanding portfolio. Smart growth also sometimes mean shrinking to high-grade our portfolio and drive higher and superior returns.

And by superior returns, we mean maintaining our balance sheet strength and reducing cost to our breakeven price, all in service to driving higher financial returns. This is key to delivering our goal of double-digit annual returns through the cycles.

And, finally, our SPIRIT values. These include a relentless focus on safety, treating our people with respect, exercising integrity, taking responsibility for our actions and utilizing innovation and teamwork. We take these seriously.

And now, a few closing comments. Our industry faces uncertain times with uncertain markets, but we're charting our own course by executing a disciplined returns-based value proposition. We believe this strategy will stand the test of time and market volatility and deliver value through the cycles.

So that was a quick run-through of the business, but I hope it gives you confidence in how we're stewarding the business in this volatile environment.

Now, we'll move to the formal business items.

I now call the formal part of the annual meeting to order. We will first present the four proposals submitted by management for approval and then I will ask each of the stockholder representatives participating today to present their proposals by phone. We will save all comments and questions for a Q&A session after the proposals have been presented. After the Q&A period, we will announce the results of the voting. If you have not voted, I encourage you to vote now online.

Janet, can you report whether a quorum is present for the conduct of business?

Janet Langford Carrig: Our Inspector of Elections reports that stockholders entitled to cast more than 88% of the votes eligible to be cast at this meeting are present or represented by proxy therefore a quorum is present and the meeting may proceed.

Ryan Lance: Thank you, Janet. The meeting will now consider the six business items as described in our proxy statement. We will present each of the business items one at a time.

For the stockholder representatives presenting a proposal, please state your name and verify that you are a stockholder or representative of a stockholder. I will ask that you keep your comments to five minutes in the interest of time.

Item 1 is a proposal to elect 10 directors to serve for a term of one year. As indicated in the proxy statement, the board of directors recommends that the stockholders elect the director nominees.

Item 2 is a proposal to ratify the appointment of Ernst & Young as the Company's independent registered public accounting firm for 2017. The Audit and Finance Committee reappointed Ernst & Young to serve as ConocoPhillips' independent registered public accounting firm for 2017 and seeks ratification of that appointment by the stockholders. As indicated in the proxy statement, representatives of Ernst & Young are participating today and available to answer questions you may have for them during the Q&A session.

Item 3 is an advisory proposal to approve the compensation of our named executive officers as disclosed in the proxy statement. As indicated in the proxy statement, the board of directors recommends that the stockholders vote in favor of this proposal.

Item 4 is an advisory vote on the frequency of the vote on the compensation of our named executive officers. As indicated in the statement, the board of directors expects that it will adopt the frequency receiving the highest number of votes.

Item 5 is a stockholder proposal for the Company to provide an annual report on payments used for lobbying and grassroots lobbying. The introduction and supporting statement will be limited to five minutes.

Operator, is Tim Smith from Walden Asset Management available to introduce this proposal and make a brief supporting statement?

Operator: He is. Mr. Smith, your line is open.

Tim Smith: Good morning, Mr. Lance, board members and fellow shareholders. My name is Tim Smith of Boston, Massachusetts, and I'm pleased to be with you for our 2017 virtual stockholder meeting.

I am here representing Walden Asset Management, a long-term owner of ConocoPhillips, which, with its parent company, owns approximately 678,000 shares. And I'm pleased to move this resolution Number 5 on behalf of Walden and over 20 co-filers.

Walden truly appreciates ConocoPhillips' leadership on environmental, social and governance issues, which, Mr. Lance, you mentioned quite prominently in your speech, which we appreciate. We also recognize and appreciate the ongoing constructive dialogue, which goes back over a decade, with management on issues like indigenous peoples' rights, climate change, fracking, lobbying, issues like that.

As we all can see, this resolution seeks to expand our company's disclosure on lobbying. This is the sixth year this resolution has been presented, receiving approximately 25% last year.

I think we all know the global investor concern about company public policy advocacy and lobbying especially by oil and gas companies on climate change has expanded rapidly. For example, this year, this resolution is sponsored by approximately 25 sponsors including the pension funds of the States of Rhode Island and Connecticut and a prominent Swedish pension fund called AP7.

Why is there such intense new interest in the global oil company role in advocating on climate policy? Well, of course, we can go back to the Paris Agreement and the urgency that's emanated from that to work on climate change. We all know that global oil companies have a significant role in influencing laws and regulation through direct public policy advocacy or through third parties, but none of us can tell what Conoco's lobbying record looks like without more information and our present disclosure on lobbying, I would respectfully submit, has significant gaps.

For example, there's no report of the issues Conoco focuses on in lobbying or how our board oversees it. And while ConocoPhillips, along with other companies, files quarterly reports with the government, these reports are very hard to decipher. It would be so simple if Conoco could do a small chart of the lobbying expenditures in the last five years. For example, ConocoPhillips spent approximately \$18 million in lobbying in the last five years. This could easily be summarized and broken down.

And, as we've noted, ConocoPhillips refuses to disclose the specific dollar amount of payments to trade associations that engage in lobbying nor the portion used for lobbying. So these become forms of secret funding for lobbying. It could be \$50,000; it could \$250,000 given to a trade association. And neither do we disclose expenditures for lobbying at the state level.

Thus, we're urging our company to carefully review our lobbying and public policy advocacy, making sure that it works with our values and doesn't work against needed solutions for climate change.

One final example is the role of trade associations on public policy and particularly their role in a campaign to eliminate the filing of shareholder resolutions. The attack on shareholder resolutions is led, in part, by the Business Roundtable, more recently joined by the U.S. Chamber of Commerce. And our CEO is a prominent member of the Business Roundtable, as he should be; it's an important group of prominent CEOs.

But the Business Roundtable is making a proposal that to file a resolution, for example with Apple, you'd need to own \$1 billion in Apple stock; an impossibility, obviously. So, we're concerned about why the BRT, a prestigious organization, would go to such efforts to eliminate this shareholder right. Many of the sponsors of resolutions are major pension funds, long-term institutional investors. As Mr. Lance knows, these are not special interest groups, as the BRT says, but, as ConocoPhillips well knows, are long-term stockholders in companies.

So resolutions to Conoco, even a decade ago, urged the Company to take environmental or social issues into account in its decision-making. And, to its credit, Conoco did so. The dialogue was fruitful. The resolution or the input was useful. So we don't believe ConocoPhillips encouraged or supported this attack on shareholder rights by the BRT, but we are concerned that we may be standing by silently as our trade association uses our dues and our reputation to try to destroy shareholder rights.

So I finish by saying; in short, the resolution process is often helpful, helpful even, as our Corporate Secretary would testify, it's occasionally a pain in the neck and we acknowledge that. We do urge ConocoPhillips and, you, Mr. Lance, to call on the Business Roundtable where you have great influence to end this attack on shareholder resolutions. And I make this call on behalf of numerous state and city pension funds and foundations, investment firms, mutual funds, who are part of a coalition to try to protect our rights.

Mr. Lance, we'd appreciate hearing from you about your response on that particular point and thank you very much for the opportunity to present.

Ryan Lance: Well, thank you, Tim. We appreciate your ongoing engagement with the Company.

As to the proposal, the board's response to it begins on Page 83 of the proxy statement. The board votes — recommends that you vote against this proposal.

Item 6 is a stockholder proposal for the Company to publish an annual report disclosing the extent to which executive incentive compensation promotes resilience to low-carbon scenarios. The introduction and supporting statement will be limited to five minutes.

Operator, is Tim Brennan, from the Unitarian Universalist Association, available to introduce this proposal and make a brief supporting statement?

Operator: He is. Mr. Brennan, your line is open.

Tim Brennan: Thank you. Mr. Chairman and members of the board and fellow shareholders, thanks for the opportunity to speak today. I'm Tim Brennan. I'm the Treasurer of the Unitarian Universalist Association. And we are a long-term shareholder in the Company.

Before addressing my — our proposal, I just wanted to say — make a comment about the format of the meeting. I actually welcome the online virtual meeting. I think it provides a great opportunity for more shareholders to participate and, in our case, it can save some travel. But I do really miss the in-person meeting. I think there's something about a-- the eye-to-eye contact and the personal contact in an annual general meeting which is lacking in this. So I would really urge the Company to consider a hybrid version. That's actually what the UUA does with our own annual general meeting. We have 2,000 delegates present and we also have people participating virtually. So just for consideration.

I'm here to move our proposal, which is number 6 on the card. And that asks ConocoPhillips Human Resources and Compensation Committee to report annually to shareholders on the extent to which ConocoPhillips incentive compensation programs for senior executives promote resilience to low-carbon scenarios associated with efforts to limit global temperature rises to 2 degrees Celsius.

As the manager of endowments entrusted to us by our congregations, and we're in every state in the Union, we take our fiduciary duties very seriously. We are, in some ways, the definition of a long-term investor, with many of the trusts and endowments we manage dating back to the 19th century. And, as people of faith, Unitarian Universalists are committed to an even greater responsibility; the stewardship of the Earth itself.

I want to note, along with Tim Smith, that we very much appreciate the commitment of the Company to shareholder engagement. The UUA has participated in several dialogues addressing issues important to the Company including relations with indigenous peoples, methane emissions, climate change and other issues.

An important aspect of our stewardship is ensuring that compensation arrangements promote long-term view of value creation and align the interests of top executives with those of long-term shareholders. You know, as you addressed, Mr. Lance, in your remarks, the oil and gas industry is undergoing disruptive transformational change that creates a lot of uncertainty. We've already seen a large and sustained drop in crude oil prices, as you referenced, from over \$100 a barrel to about \$50 today, as low -- I think it got down into the \$20s. And many observers, as you did, are characterizing this as a new normal. We're seeing a dramatic move towards electrification of transport and many experts are now talking about reaching peak oil — I'm sorry, peak demand in the near future.

Furthermore, with the global agreement through the Paris Accord, the temperature increases must be kept below 2 degrees Celsius. Regular structures throughout the world are creating incentives to decarbonize the energy system. Positioning the Company for long-term value creation in this environment is challenging.

It's been said that you get what you incent. As long-term shareholders, we're looking for executive compensation structures that drive long-term value creation. We're pleased to see that the Company has adopted a robust scenario-planning strategic planning approach and, for the last several years, UUA has submitted proposals for this annual general meeting suggesting that the Company move away from the reserve replacement ratio as a metric in incentive compensation plan for its executives, and we're pleased to see now that the Company has done so.

But Institutional Shareholder Services noted that incentive plans as described in the proxy are difficult for shareholders to understand and specifically their inadequate disclosure of targets. Therefore, we believe that a report to shareholders that we've asked for on how incentive compensation is aligned with global efforts to limit temperature increases is appropriate and helpful and would be good disclosure.

Thanks for your time.

Ryan Lance:

Thank you, Tim. Certainly appreciate your comments on the virtual meeting, as well. We'll take all the comments from our shareholders as we go through this process this year and make adjustments as necessary.

Now, the board's response to this proposal begins on Page 85 of the proxy statement. The board recommends that you vote against this proposal.

Now, if you have not already voted online, please do so at this time, and I will close the polls at the end of the Q&A session.

We will now take questions from the stockholders. I'll first take questions or comments from any stockholder by phone. You may call 1-877-328-2502 and press \*1 to be placed in the queue. Please mute the audio on your computer if you're on the Q&A phone line. We will take one question or comment from each caller at a time. Please limit yourself to three minutes. If you wish to reenter the queue after your question or comment you can press \*1.

After we take your calls, we will then answer questions that have been submitted online. In case we are unable to answer all questions submitted due to time constraints, we will post answers to all questions submitted in writing on our website within 72 hours.

So, operator, do we have any stockholders that are on the phone?

Operator:

The first question comes from Mary Minette. Please go ahead.

Mary Minette:

Thank you. My name is Mary Minette and I'm Director of Shareholder Advocacy for Mercy Investment Services, a long-time shareholder of ConocoPhillips. Mercy manages the assets of the Sisters of Mercy of the Americas, an international community of Roman Catholic women, and we work to align our investments with the faith and values of the Mercy community, which include a critical concern for the care of the Earth.

Mercy and many other investors, collectively representing trillions of dollars in assets under management, are wrestling with a question. In light of the global commitment to transition to a low-carbon economy, what is the future of the oil and gas industry? None of us can predict with precision how responses to climate change will impact the industry and not all players in the industry will navigate the change equally.

For several years, ConocoPhillips has told investors it integrates low-carbon scenarios in its strategic portfolio management process. Last year, the Company substantially increased its disclosure on this topic, providing investors insight into how these low-carbon scenarios fit into its business planning process. We have learned that the Company evaluates its portfolio of assets across a range of low-carbon scenarios to identify leading indicators of change in the business environment. This enables actions to lower the cost of supply, shorten project cycle times and develop technology to reduce costs, curb emissions and cut product losses.

In contrast to this thoughtful and prudent approach to risk management, some oil and gas companies have taken a head-in-the-sand approach, telling concerned investors that they don't believe a transition is likely. We want to take this opportunity to thank ConocoPhillips for its leadership in this area for both the approach it is taking to manage the risks associated with a transition to a low-carbon economy as well as the effort it has put into disclosing this information to investors. As our understanding of the issues evolves, we hope that ConocoPhillips will strive to maintain this leadership position.

Thank you.

Ryan Lance:

Thank you, Mary. We appreciate your comments. As you mentioned, we've used scenarios to plan around carbon constraints for some time now to try to understand the future supply, demand and commodity prices. And three of those scenarios, as you describe, meet the IPCC's 2 degree emissions trajectories out to 2035. So we use that to stress test our portfolio and will continue to do so. So thank you for your comments.

Operator, do we have any other questions?

Operator:

The next question comes from Meredith Block. Please go ahead.

Meredith Block:

Thank you and good morning, Mr. Lance, board of directors and other shareholders. My name is Meredith Block, with Rockefeller and Company in New York.

ConocoPhillips has been a leader among E&P companies at taking climate change into consideration as posing a material risk to its business. This is evident in your comprehensive risk management strategies, including the use of scenario planning, as well as Mr. Lance's public support for the United States remaining in the Paris Climate Agreement.

As shareholder representative, we believe that the United States having a seat at the table will remain important for businesses like ConocoPhillips going forward. The removal of the United States from the Paris Climate Agreement could have negative unforeseen consequences having to do with regulation, trade negotiations, taxes and the ability to fairly do business abroad. Since the Company has demonstrated support for proactive and

practical climate policy and clearly recognizes the business case for staying in this agreement, we are hopeful that the Company will continue to use its voice in support of the Paris Agreement.

So my question specifically is for Mr. Lance. Given the administration is close to a decision on this treaty, how does the Company intend to communicate and demonstrate its support for the United States to remain a party to the Paris Climate Agreement?

Thank you for your time.

Ryan Lance: Thank you, Meredith. Yes, as you point out, the Company has long advocated in and around the climate issues back even 15 years ago when we joined the cap and trade effort and, more recently, as we've advocated on behalf of the United States staying in the Paris Climate Change Agreement.

We do that for a number of reasons. We think the U.S. should participate in these discussions and be a participant in a global discussion that climate needs to have. And, certainly, it provides us the opportunity to encourage other nations to incorporate their commitments underneath the agreement and then share technology to lower emissions. As the United States has already seen, switching to natural gas and those market forces associated with that have driven our emission profile in the United States down dramatically over the last few years. So we think there is the right solution and to be able to participate in the Paris Accord is important, we think, as a country and something we'll continue to support as a company.

Operator, are there any other questions?

Operator: The next question comes from Carly Greenberg. Please go ahead.

Carly Greenberg: Thank you. Hello, everyone. My name is Carly Greenberg. I am here today on the proxy of the Brainerd Foundation in Seattle, Washington.

I wanted to say a comment on the election of directors and mostly to commend ConocoPhillips for its longstanding commitment to board diversity, including the inclusion of women and people of color on our board. Not only does Conoco have an exceptionally well-qualified board of leaders, but we also have been a leader for championing racial and gender diversity among our directors for years. For example, 20% of Conoco's board members are women. We are glad that this is a part of our company's culture and see it as a wise business decision.

The issue of board diversity is increasingly being recognized as an issue of good governance to many investors. For example, the 30% Coalition, which works to improve board diversity, has investors with over \$2.5 trillion in assets promoting improvements in diversity at the board level. Furthermore, investors like the State of Massachusetts and Rhode Island are voting against boards that are inadequately diverse. These are signs of the growing seriousness with which investors take this issue. At present, national progress is slow. Only 19% of board members in the S&P 500 are women. So with those sorts of statistics, we are glad that our board stands as an example to other companies.

Thank you for your leadership.

Ryan Lance: Thank you for your comments, Carly. Yes, we view diversity and inclusion as important throughout the whole company including the board.

Any other questions, operator?

Operator: The next question comes from Timothy Smith. Please go ahead.

Timothy Smith: Yes. Thank you very much. I just wanted to pick up on Tim Brennan's comments about the virtual meeting and note I think the audio is very clear and also the folks have worked very hard to make it clear about how to get into the meeting. We appreciate their work. It would be helpful, at least, though, to have a video so that we could be watching to see, Mr. Lance, how you're responding to questions and how the board is responding. So a thought there.

You are well aware that numerous investors are quite concerned about going to virtual-only meetings. I agree with Tim Brennan; having a hybrid meeting is an exceptionally good idea. But, increasingly, you're hearing investors for like New York City who are strongly opposed to the virtual-only process and they've communicated to Conoco and other companies saying that they urge you to go to a hybrid meeting next year and, if not, they're ready to vote no on board members that serve on the Governance Committee. In addition, the Council of Institutional Investors, which is the coalition of America's largest pension funds with portfolios that have over \$3 trillion, adopted a guideline stating that cyber meetings should only be a supplement.

So, you know, annual meetings are one of the few opportunities for top management and the board to interact face to face with a cross-section of their shareholders. You've had people come to your meetings for many years thanking you for specific things and asking questions. Investors consider that kind of interaction important. It allows questions to be posed directly to the Chair of the Audit or Comp or Governance Committees. I know we can do that on the phone, but it feels very different, especially if a company is in the midst of a scandal. So can you imagine Wells Fargo having a virtual-only meeting this year? It would have been an absolute travesty when the company faces such controversy. So we are worried that when ConocoPhillips, a respected company in governance, moves in this direction, it actually creates a slippery slope.

And if I was there personally, Mr. Lance, I'd thank you for your comments about the lobbying proposal and indicate that the response is in the proxy, but I would have followed up on the question about what you plan to do with the Business Roundtable. So I'd like to do that now, sir, and ask if you'd go on the record about where ConocoPhillips stands on the BRT's campaign to eradicate shareholder resolutions. Thank you.

Ryan Lance: Well, thank you, Tim, and appreciate your comments about the, again, about the virtual meeting. Of course, we'll take all the comments from the shareholders as we consider what we do. Just as a bit of context around that, I would point out that participation has been dropping significantly in our annual shareholder meeting over the last five years and, just by virtue of the questions we've had today, we've more than doubled participation in our meeting. So there's something here about a hybrid meeting, but we take your points as well.

With respect to the BRT, we do support what they're trying to do in terms of some of the resolution. I think your example of a \$1 billion with Apple is a little bit misleading. I think it's appropriate that for resolutions to come shareholders need to have a significant ownership in the company. We don't agree with all of the aspects of what the BRT is doing and we are trying to improve that. But, just in terms of a general overall approach to what they're trying to accomplish, we are supportive of that effort.

So, operator, any other questions? And, as a reminder to everybody, too, please press \*1 to get into the queue on the Q&A line.

Operator: The next question comes from Tim Brennan. Please go ahead.

Tim Brennan: Thank you. This is Tim Brennan from the Unitarian Universalist Association. I won't take up much time because I'm actually making a similar comment to the one made by Rockefeller and Company. But it's just to ask you, Mr. Lance, we appreciate the statements you've made about staying in the Paris Agreement, but it is a particularly perilous time. The White House is in the midst of a decision-making process. ExxonMobil has now weighed in again directly to the president urging him to stay in the agreement and I would request that you do the same.

Ryan Lance: All right. Thank you, Tim. We have weighed in.

Operator, is there another question?

Operator: We do have a follow-up from Carly Greenberg. Please go ahead.

Carly Greenberg: Thank you. And thank you again for the chance to ask one more question. Picking up on Tim's question about the BRT proposal, I can understand ConocoPhillips wanting shareholders to hold a significant portion of stock before filing. But I just did the math and, according to what the Financial CHOICE Act's proposal is, a shareholder would have to hold nearly \$600 million worth of ConocoPhillips stock for three years in order to be able to file a shareholder proposal.

Personally, I feel like the size of an investor's holding does not necessarily negate or influence the importance of the issues that they may wish to bring to the Company, and so I was wondering if you could comment on that.

Ryan Lance: Well, I think that's the part of the BRT proposal that we're trying to comment on. As you can imagine, with all the companies associated with that association, it's a large group of people. I think the principle that people are trying to get is -- you cite the \$600 million to be able to do a resolution. I think we're trying to impact that. What we want to avoid is somebody who owns a share or five shares being able to put in a resolution each and every year. So I think that's where the discussion is happening within BRT is; what is that appropriate threshold amount.

Operator, any other questions?

Operator: The next question comes from Kathy Mulvey. Please go ahead.

Kathy Mulvey: Oh, great. Thank you for the opportunity to participate. I am also with the Unitarian Universalist Association.

And I have a question. I was disappointed to note that ConocoPhillips funded a new report by IHS Markit criticizing the recommendations of the Task Force on Climate Related Financial Disclosures. As you know, this task force was set up by the Financial Stability Board, recognizing the potential systemic risks posed by climate change to the global economy and economic system. And, through an open collaborative process in December of last year, the task force released its recommendations report, recommending disclosure of climate-related financial risks in mainstream financial filings and specifically recommending that companies disclose what a 2 degree Celsius scenario would mean for their businesses' strategies and financial planning. There was an extensive consultation period around those recommendations and, overall, respondents expressed general support for the recommendations.

So we also note that the U.S. Chamber of Commerce, which is referenced in item number 5 on policy advocacy and lobbying, is reportedly hosting an event today to highlight this report. So I'd like to ask how funding this report and opposing the climate action

recommended by the task force is consistent with ConocoPhillips' stated commitments to disclosure and transparency and with its own use of climate change scenarios.

Ryan Lance:

Yeah. Thank you, Kathy. We don't see those as mutually inclusive. I think the issue that we took with the report was that not many in the business community were engaged as part of that process. And I think what it does is it upends the whole premise of materiality that the SEC uses when reporting our results. And, while we use scenarios and we believe in that, we won't stop using scenarios to address some of the climate, the scenarios that we use aren't appropriate for other companies that might have to react to that. So we felt like it was a one-size-fits-all approach that wasn't really appropriate given the issue or the principle around materiality that the SEC uses and that we all use in reporting our results and when we describe our risks to our plans.

So, while we'll continue to disclose and talk about the risks of climate and what our scenario planning exercises do, we thought this approach was a bit heavy-handed and went over the top with respect to some of the principles that we use when we disclose our annual results. And our company is different than even other fossil fuel companies or E&P companies in the business, and we're different than other manufacturing companies in this business. We all have different risks, and we all have different degrees of materiality. But thank you.

Any other questions, operator?

Operator:

We do have a question from Steve Mason. Please go ahead.

Steve Mason:

Greetings, Mr. Lance and board members and all others participating in this meeting. My apparent difficulty with technology has dropped me down in the queue apparently. And, thankfully, the operator came back on and helped me with my affliction. Given my position in the queue, I'm going to revise and condense my comments because many of the items that I was going to mention have been addressed already.

I would just like to offer, as it relates to the matter of type of meeting that is conducted by ConocoPhillips, that one thing that is unavoidably lost in a virtual meeting is the opportunity for spontaneity and interaction that comes when you're in an elbow-rubbing, eyeball-looking kind of situation. And I would just ask that that circumstance also be considered as you contemplate the merits of possibly going to a hybrid system. It's clear that participation has been higher. I can speak from personal experience since I've been at all of the last nine meetings in Houston and miss the opportunity to greet you personally.

I also, though, will now turn to the other matter that I wanted to do, which is to be a bit of a cheerleader for the Company, as I've been recently, especially as it relates to shareholder engagement. I've seen an evolution over the years that is encouraging. I'd like to express appreciation for the opportunity to meet along the way with members of the Company staff, board, other shareholders and even you, Mr. Lance. That has been appreciated. Appreciate the ongoing relationship with Sabrina Watkins and James Viray. And, we, on behalf of the shareholders, we think that it's a good sign that the shareholders, to the shareholders, I'm sorry, that despite the economic and financial challenges, the Company has continued to fill the position currently held by James Viray.

However, any time there is the kind of turnover that has occurred in the past two-and-a-half years in that position, unavoidably progress will be slowed. And we are interested, as we move forward, in seeing the pace quicken again in terms of the internal - and the development of internal and external measureable social indicators of the Company's fulfilment of its human rights position including attention to the rights of indigenous peoples and the locations where the Company does its business. We are encouraged by

the interaction with the folks that we've had and we look forward to continued good interactions. And thank you for your time.

Ryan Lance: Yes. Thank you, Steve. And thank you for your continued engagement with the Company. I recognize you've been a constant participant in our annual meetings and have been involved with our Sustainable Development group for quite a number of years and we appreciate that engagement. And, again, we'll take your comments under consideration with respect to the virtual meeting.

Operator, any other questions?

Operator: We have no more questions on the phone.

Ryan Lance: All right. At this time, I'll turn to questions that have been submitted online and ask Ellen to -- have any of those questions come in?

Ellen DeSanctis: Thank you, Ryan. I'm going to take these in the order that they were submitted. I'm going to read them verbatim. And, just as a reminder to our listeners, if we're not able to complete all the questions, address them and answer them in the time we have today, we will post answers to all of the questions that were submitted online, that we don't address, within 72 hours.

Ryan, our first question is; why should the stockholders trust the board of directors and ELT to lead ConocoPhillips when they have failed to run the Company in a cost-effective manner in the past three years?

Ryan Lance: Yes. Thank you for the question. You know we've certainly taken pretty significant steps over the last three years to transform the Company.

As I described in my comments about the performance of the Company, we've cut the capital program by two-thirds, certainly shifted our investments to shorter-cycle programs, lower cost of supply. We've reduced our operating costs from \$10 billion to \$6 billion. We've exited high-cost areas like the deepwater and really sold assets that we weren't funding in our portfolio. And we've moved away from production growth as a driving goal. Instead, we're committed to delivering values through the cycles by executing the value proposition we described, a very disciplined returns-based value proposition.

So we're positioning for a lot of volatility and to do that you need a low breakeven price, a low cost of supply resource base and a strong balance sheet. And that's what we've been committed to doing over the last couple years, as this industry has experienced a very significant downturn. So I think we're on the right track and headed in the right direction as a company.

Ellen, any other questions?

Ellen DeSanctis: Yes, Ryan. Our second question is; proven reserves have declined two years in a row and now sit at about 70% of where they were two years ago. That doesn't seem like a good trend for an upstream company. What is being done to stop the bleeding?

Ryan Lance: Yes, thank you. It's important to note that, you know, reserves have been reduced, largely driven by the SEC and their reporting requirements and our divestitures we've had as a company. But, importantly, significant resources remain for the Company. Under the SEC rules and guidelines, we're required to remove from our books those reserves which cannot be economically developed in a timely manner due to low prices. But, as those prices improve, the reserves get rebooked.

And I would point out that, even after our Canadian and San Juan dispositions, as we stated, we still have 14 billion barrels of resources that have a cost of supply, on average, of \$35 a barrel. And these resources were unaffected by some of those market changes that we talked about. But, you know, how fast we rebook reserves are a function of the regulatory definitions and how fast we choose to invest capital back into the portfolio.

One example I cite when answering this question is; look at our Eagle Ford position where we have 3 billion barrels of resources, but have only booked 500 million barrels to date. So, as drilling and activity continues there, we expect to book an additional 2.5 billion barrels in the reserve category as we move resources to reserves. So I think we're addressing the issue and we have a plan, a very robust plan over the course of the next decade, to continue to increase the reserves of the Company.

Next question, Ellen?

Ellen DeSanctis: Yes. And this will be our final question. We are running out of time here, Ryan. What are the prospects for ConocoPhillips continuing to seek organic growth overseas?

Ryan Lance: Yes, thank you. We continue to look for competitive opportunities, really, both inside and outside the U.S. I'd say a lot of our exploration activity today is focused on places like Malaysia and Norway. We're considering new investment opportunities in Colombia and Chile that provide both scale and flexibility for the Company. That's combined with our current exploration efforts both in the Lower 48 and Alaska. So we believe in a global diverse company. Global being an important part of that so we continue to look for good opportunities even outside of the U.S. and North America.

Great. Well, thank you. I think that brings us to the end. Any questions that we have not answered that were received online we will answer within 72 hours and place them on our webpage. We appreciate all the stockholders' participation today, and we'll get back to the business of the meeting.

So I declare the polls have closed. The Inspector of Elections has filed certifications of our preliminary results of the voting. So, Janet, would you please read those results?

Janet Langford Carrig: Mr. Chairman, the preliminary results based on the voting of shares represented by valid proxies on file and tabulated at the meeting this morning show that each of the 10 nominees for election have been elected as directors to serve a one-year term expiring at next year's annual meeting. Each director nominee received at least 93% of the votes present at today's meeting.

The appointment of Ernst & Young as the independent registered public accounting firm for ConocoPhillips for 2017 has been ratified, having received the favorable vote of more than 98% of the votes present at today's meeting.

The advisory approval of executive compensation has not passed, with more than 68% of the votes present at today's meeting abstaining or cast against the proposal. The Human Resources and Compensation Committee and the board will take the outcome of this vote into account when considering future executive compensation arrangements.

The frequency receiving the highest number of votes on the advisory vote on the frequency of the vote on executive compensation is one year, with more than 91% of the votes present at today's meeting cast in favor of one year.

The stockholder proposal for the Company to provide an annual report on payments used for lobbying and grassroots lobbying has not passed, with more than 76% of the votes present at today's meeting abstaining or cast against the proposal.

The stockholder proposal for the Company to publish an annual report disclosing the extent to which executive incentive compensation promotes resilience to low-carbon scenarios has not passed, with more than 93% of the votes present at today's meeting abstaining or cast against the proposal.

Mr. Chairman, that concludes the report of preliminary voting. Details of the final results will be available for all stockholders in our filings with the SEC within four business days. Stockholders may also obtain the voting results by calling or writing the office of the Corporate Secretary.

Ryan Lance:

Thank you, Janet. That completes the business scheduled for today. I want to thank you all for your participation. And our meeting is now concluded. Thank you all for attending.

## Questions and Answers

May 16, 2017

*Online questions were addressed in the order they were submitted, subject to time constraints. Online questions that were answered can be found in the meeting [transcript](#). This document/posting contains answers to questions that were not addressed because of time constraints.*

**1) What is ConocoPhillips management doing to preserve the viability of the company as the world transitions from fossil fuels to renewable energy? What is management's vision for ConocoPhillips 25 and 50 years from now?**

**2) With billions of dollars actively removed from the coffers of fossil fuel companies, specifically, how is ConocoPhillips transitioning to a post-fossil-fuel economy? How will this company be relevant in the future?**

Fifty years from now, companies in our industry will have evolved significantly and in different ways – some will be producing oil and gas, Carbon Capture and Storage may be actively used, natural gas will have helped reduce global emissions, and there will be technologies and products we can't even imagine right now.

ConocoPhillips has been around for more than a century, and we are taking actions at the right pace to be successful for the long term under a number of scenarios that include potential economic, social and environmental conditions. We use scenarios to stress test our portfolio and to plan for carbon constraints as part of future ranges of overall supply, demand and commodity prices. Three of our carbon constrained scenarios meet Intergovernmental Panel on Climate Change 2-degree emissions trajectories out to 2035.

Fossil fuels currently make up around 80 percent of the energy mix today. Through 2040, total energy demand is predicted to grow in all scenarios and global population is anticipated to grow by almost three billion people. Even the International Energy Agency's lowest-carbon scenario indicates that continued investment in oil and gas development will be needed for decades to come.

We take climate change concerns seriously: We've been taking actions on reducing our emissions, investing in technology and engaging with policymakers and key stakeholders for over a decade. We are positioned to deliver value through the cycles and policy uncertainties with a low breakeven price, a low cost of supply resource base, a strong balance sheet and strategic flexibility.

**3) My question is about the dividend. Last year you said you were committed to maintaining the dividend, but about two months later your board cut the dividend over 50 percent. Why should anyone believe what you have to say today? Also, both Exxon and Chevron maintained their dividends.**

We understand stockholders were disappointed with the dividend reduction and our 2016 stock price performance. The dividend reduction was a very difficult decision brought on by the weakest oil and gas price environment we had seen in many years, along with an unexpected decision by the rating agencies to downgrade the debt of producing companies.

We did not foresee sub-\$30 per barrel Brent prices, but when this occurred we took the necessary actions to conserve cash and protect the balance sheet. We did what we believe was right for the long term health of the business.

In response to the weaker commodity price market environment, we've taken significant additional steps over the past three years to transform our company.

- We've cut our annual capital program by two-thirds, and shifted our investments to short-cycle programs with the lowest cost of supply.
- We reduced our adjusted operating costs from \$9.7 billion to \$6.5 billion annually.
- We've exited high-costs areas of business, like deepwater exploration.
- We've sold assets that did not compete for funding within our portfolio.
- We've moved away from production growth as a driving goal.

As part of our new strategy, we remain committed to returning cash to shareholders via our dividend and our flexible share repurchases.

**4) This question is for the Board of Directors Compensation Committee members, to be addressed individually. Since ConocoPhillips is much smaller than it once was, and continues to shrink, how do you justify the high level of executive compensation? Ryan Lance and others seem to be struggling to find something for which COP is still the largest. The metric keeps changing. It is a fallacy and a poor goal.**

Our goals are to attract, retain, and motivate high-quality employees and to maintain high standards of principled leadership so that we can responsibly deliver energy to the world and provide sustainable value for our stakeholders, now and in the future.

The Human Resources and Compensation Committee (HRCC, the Committee) uses two separate categories of primary peer groups in designing our compensation programs: the *compensation peer group* and the *performance peer group*. ConocoPhillips utilizes a compensation peer group in setting compensation targets because these companies are broadly reflective of the industry in which it competes for business opportunities and executive talent and because the Committee believes these peers provide a good indicator of the current range of executive compensation. Performance peers are those companies in our industry in relation to which the Committee believes we can best measure performance concerning financial and business objectives and opportunities. The companies chosen as compensation and performance peers have the following characteristics that led to their selection: complex organizations; publicly traded (and not directed by a government or governmental entity); very large market capitalization; very large production and reserves; competitors for exploration prospects and competitors for the same talent pool of potential employees. The peer groups are shown on page 45 of the Proxy Statement and include companies that are larger and smaller than ConocoPhillips.

The HRCC used the compensation peer group for benchmarking purposes in setting total compensation targets and targets within each individual program and for benchmarking the compensation of ConocoPhillips' Named Executive Officers. In addition, for the CEO and staff executive positions, the HRCC considers the Fortune 100 Industrials (non-financial companies) when setting target compensation. Staff executive positions include executives who have duties not solely or primarily related to our operations, such as finance, legal, accounting and human resources. The HRCC is advised by an independent executive compensation consultant.

The HRCC believes our performance is best measured against both large independent E&P companies and the largest publicly held, international, integrated oil and gas companies against which we compete in our business operations. Therefore, for our performance based programs, the Committee assessed our actual performance for a given period by using the performance peer group.

The Committee believes that our ability to responsibly deliver energy and provide sustainable value is driven by superior individual performance and that a company must offer competitive compensation to attract and retain experienced, talented, and motivated employees. To achieve our goals, the HRCC establishes target compensation levels that are competitive with those of other companies with whom we compete for executive talent.