

CONOCOPHILLIPS  
Form DEF 14A  
April 04, 2003

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. \_\_)**

Filed by the Registrant ☒ [X]

Filed by a Party other than the Registrant ☐ [ ]

Check the appropriate box:

- ☐ [ ] Preliminary Proxy Statement
- ☐ [ ] **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☒ [X] Definitive Proxy Statement
- ☐ [ ] Definitive Additional Materials
- ☐ [ ] Soliciting Material Pursuant to §240.14a-12

ConocoPhillips

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ [X] No fee required.
- ☐ [ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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1) Amount Previously Paid:

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4) Date Filed:

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**600 North Dairy Ashford**

**Houston, Texas 77079**

**NOTICE OF  
2003  
ANNUAL  
STOCKHOLDERS  
MEETING**

**MAY 6, 2003**

**and**

**PROXY  
STATEMENT**

Tuesday  
May 6, 2003  
10:30 a.m. local time

Omni Houston Hotel Westside  
13210 Katy Freeway  
Houston, Texas 77079

**April 4, 2003**

**Dear ConocoPhillips Stockholder:**

On behalf of your board of directors and management, you are cordially invited to attend the Annual Meeting of Stockholders to be held at the Omni Houston Hotel Westside, 13210 Katy Freeway, Houston, Texas on May 6, 2003 at 10:30 a.m.

It is important that your shares be represented at the meeting. Whether or not you plan to attend the meeting, please either complete and return the enclosed proxy card in the accompanying envelope or submit your proxy using the Internet or telephone procedures provided on the proxy card. Please note that submitting a proxy using any one of these methods will not prevent you from attending the meeting and voting in person.

You will find information regarding the matters to be voted on at the meeting in the enclosed proxy statement. ConocoPhillips 2002 Annual Report to Stockholders is either enclosed with these materials or has previously been mailed to you.

In addition to the formal items of business to be brought before the meeting, there will be a report on ConocoPhillips operations during 2002, followed by a question and answer period. Your interest in ConocoPhillips is appreciated. We look forward to seeing you on May 6.

Sincerely,

J. J. Mulva  
*President and  
Chief Executive Officer*

Archie W. Dunham  
*Chairman of the Board*

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**CONOCOPHILLIPS**

**600 North Dairy Ashford  
Houston, Texas 77079**

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**PROXY STATEMENT**

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**NOTICE OF 2003 ANNUAL MEETING OF STOCKHOLDERS**

Time	10:30 a.m. on Tuesday, May 6, 2003
Place	Omni Houston Hotel Westside 13210 Katy Freeway Houston, Texas 77079
Items of Business	<p>To elect five directors,</p> <p>To ratify the appointment of Ernst &amp; Young LLP as independent auditors for the Company for 2003, and</p> <p>To transact other business properly coming before the meeting.</p>
Who Can Vote	You can vote if you were a stockholder of record as of March 10, 2003.
Voting by Proxy	<p>Please submit a proxy as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. You may submit your proxy:</p> <p>Over the Internet,</p> <p>By telephone, or</p> <p>By mail</p> <p>For specific instructions, please refer to the section entitled About the Annual Meeting beginning on page 2 of this proxy statement and the voting instructions on the proxy card.</p>
Date of Mailing	<p>This notice and the proxy statement are first being mailed to stockholders on or about April 4, 2003.</p> <p>By Order of the Board of Directors</p> <p>E. Julia Lambeth <i>Corporate Secretary</i></p> <hr/>

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**About the Annual Meeting**

***Who is soliciting my vote?***

The board of directors of ConocoPhillips is soliciting your vote at the 2003 Annual Meeting of ConocoPhillips stockholders.

***What am I voting on?***

You are voting on:

Election of directors (*see page 8*), and

Ratification of the appointment of Ernst & Young LLP as ConocoPhillips independent auditors for 2003 (*see page 34*).

***Who is entitled to vote?***

You may vote if you were the record owner of ConocoPhillips common stock as of the close of business on March 10, 2003. Each share of common stock is entitled to one vote. As of March 10, 2003, we had 705,105,249 shares of common stock outstanding and entitled to vote. There is no cumulative voting.

***How many votes must be present to hold the meeting?***

Your shares are counted as present at the Annual Meeting if you attend the meeting and vote in person or if you properly return a proxy by Internet, telephone or mail. In order for us to hold our meeting, holders of a majority of our outstanding shares of common stock as of March 10, 2003 must be present in person or by proxy at the meeting. This is referred to as a quorum. Abstentions and broker non-votes will be counted for purposes of establishing a quorum at the meeting.

***What is a broker non-vote?***

If a broker does not have discretion to vote shares held in street name on a particular proposal and does not receive instructions from the beneficial owner on how to vote those shares, the broker may return the proxy card without voting on that proposal. This is known as a *broker non-vote*. Broker non-votes will have no effect on the vote for any matter properly introduced at the meeting.

***How many votes are needed to approve each of the proposals?***

The nominees for election as directors at the Annual Meeting who receive the highest number of FOR votes will be elected as directors. This is called plurality voting. Unless you indicate otherwise on your proxy card, the persons named as your proxies will vote your shares FOR all the nominees for director named in this proxy statement.

All other proposals require the affirmative FOR vote of a majority of those shares present in person or represented by proxy at the meeting and entitled to vote on the proposal.

***How do I vote?***

You can vote either *in person* at the meeting or *by proxy* without attending the meeting.

To vote by proxy, you must either:

fill out the enclosed *proxy card*, date and sign it, and return it in the enclosed postage-paid envelope,



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vote by *telephone* (instructions are on the proxy card), or

vote by *Internet* (instructions are on the proxy card).

If you hold your ConocoPhillips stock in a brokerage account (that is, in *street name* ), your ability to vote by telephone or over the Internet depends on your broker's voting process. Please follow the directions on your proxy card or voting instruction form carefully.

Even if you plan to attend the meeting, we encourage you to vote your shares by proxy. If you plan to vote in person at the Annual Meeting, and you hold your ConocoPhillips stock in *street name*, you must obtain a proxy from your broker and bring that proxy to the meeting.

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***How do I vote if I hold my stock through ConocoPhillips employee benefit plans?***

If you hold your stock through ConocoPhillips employee benefit plans, you must either:

fill out the enclosed *voting instruction form*, date and sign it, and return it in the enclosed postage-paid envelope, or

vote by *telephone* (instructions are on the voting instruction form).

You will receive a separate voting instruction form for each employee benefit plan in which you have an interest. Please pay close attention to the deadline for returning your voting instruction form to the plan trustee. The voting deadline for each plan is set forth on the voting instruction form. Please note that different plans may have different deadlines.

***Can I change my vote?***

Yes. You can change or revoke your vote at any time before the polls close at the Annual Meeting. You can do this by:

signing another proxy card with a later date and returning it prior to the meeting,

sending our Corporate Secretary a written document revoking your earlier proxy,

voting again by telephone or over the Internet prior to 11:00 p.m. Eastern Daylight Time on May 5, 2003, or

voting again at the meeting.

***Is my vote confidential?***

Yes. Our policy treats as confidential all proxies, ballots and voting tabulations, including telephone voting, that identify stockholders, except when:

the law requires disclosure,

the stockholder writes comments on the proxy card,

there is a proxy contest or other solicitation of proxies based on an opposition proxy statement, or

any matter for stockholder approval requires the vote of more than a majority of the shares present at any meeting.

If you hold shares through one of ConocoPhillips domestic employee benefit plans, the provisions of the plans and related trust agreements require that your voting directions to each plan's trustee will be confidential.

***Who counts the votes?***

We have hired Mellon Investor Services LLC, our transfer agent, to count the votes represented by proxies cast by ballot, telephone and the Internet. Employees of Mellon Investor Services will act as Inspectors of Election.

***Will my shares be voted if I don't provide my proxy and don't attend the Annual Meeting?***

If you do not provide a proxy or vote your shares held in your name, your shares will not be voted.

If you hold your shares in street name, your broker may be able to vote your shares for certain routine matters even if you do not provide the broker with voting instructions. The election of directors and the ratification of Ernst & Young LLP as our independent auditors for 2003 are considered routine matters.

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For matters not considered routine, if you do not give your broker instructions on how to vote your shares, the broker may return the proxy card without voting on that proposal. This is a broker non-vote.

If you hold your shares through one of ConocoPhillips employee benefit plans and do not vote your shares, your shares (along with all other shares in the plan for which votes are not cast) will be voted pro rata by the trustee in accordance with the votes directed by other participants in the plan who elect to act as a fiduciary entitled to direct the trustee of the applicable plan on how to vote the shares.

### ***How are votes counted?***

In the election of directors, you may vote FOR all of the nominees or your vote may be WITHHELD with respect to one or more of the nominees. For any other proposal, you may vote FOR, AGAINST or ABSTAIN. If you ABSTAIN, it has the same effect as a vote AGAINST

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### ***What if I return my proxy but don't vote for some of the matters listed on my proxy card?***

If you return a signed proxy card without indicating your vote, your shares will be voted FOR the nominee directors listed on the card and FOR the ratification of Ernst & Young LLP as ConocoPhillips independent auditors for 2003.

### ***Could other matters be decided at the Annual Meeting?***

Several stockholders have presented proposals which have been properly excluded from this proxy statement. We do not know whether any stockholder intends to bring an excluded proposal before the meeting. If a stockholder proposal that was excluded from this proxy statement is brought before the meeting, the proxies will be voted against the proposal by the persons named in your proxies. We are not aware of any other matters that will be considered at the Annual Meeting. If any other matters arise at the Annual Meeting, the persons named in your proxies will vote in accordance with their best judgment.

### ***Who can attend the meeting?***

The Annual Meeting is open to all holders of ConocoPhillips common stock. Each stockholder is permitted to bring one guest.

### ***Do I need a ticket to attend the Annual Meeting?***

Yes, you will need an admission ticket or proof of ownership of ConocoPhillips stock to enter the meeting. If your shares are registered in your name, you will find an admission ticket attached to the proxy card sent to you. If your shares are in the name of your broker or bank or you received your materials electronically, you will need to bring evidence of your stock ownership, such as your most recent brokerage statement. All stockholders will be required to present valid picture identification. IF YOU DO NOT HAVE VALID PICTURE IDENTIFICATION AND EITHER AN ADMISSION TICKET OR PROOF THAT YOU OWN CONOCOPHILLIPS STOCK, YOU MAY NOT BE ADMITTED INTO THE MEETING.

### ***How can I access ConocoPhillips proxy materials and annual report electronically?***

This proxy statement and the 2002 annual report are available on our website at [www.conocophillips.com](http://www.conocophillips.com). Most stockholders can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail.

If you own ConocoPhillips stock in your name, you can choose this option and save us the cost of producing and mailing these documents by checking the box for electronic delivery on your proxy card, or by following the instructions provided when you vote by telephone or over the Internet. If you hold your ConocoPhillips stock through a bank, broker or other holder of record, please refer to the information provided by that entity for instructions on how to elect to view future proxy statements and annual reports over the Internet.

If you choose to view future proxy statements and annual reports over the Internet, you will receive a proxy card next year containing the Internet address to use to access our proxy statement and annual report. Your choice will remain in effect until you tell us otherwise. You do not have to elect Internet access each year. If you later change your mind and would like to receive paper copies of our proxy statements and annual reports, please contact Mellon Investor Services at 1-800-356-0066 (from the United States, Canada and Puerto Rico), at 1-201-329-8660 (from all other locations) or via the Internet at <https://vault.melloninvestor.com/isd>.

## **The Merger**

This is the first proxy statement and Annual Meeting of Stockholders since we completed the merger of Conoco Inc. and Phillips Petroleum Company on August 30, 2002. As a result of the merger, Conoco and Phillips became wholly owned subsidiaries of ConocoPhillips. Each share of Phillips common stock was converted into one share of ConocoPhillips common stock and each share of Conoco common stock was converted into 0.4677 shares of ConocoPhillips common stock. Information about stock and stock-based awards has been adjusted to reflect the merger exchange ratio where appropriate.

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**Board of Directors Information**

***What is the makeup of the Board of Directors and how often are the members elected?***

Our Board of Directors currently has 16 members. Our Board is classified into three classes serving staggered three-year terms. Directors for each class are elected at the Annual Meeting of Stockholders held in the year in which the term for their class expires.

***What if a nominee is unable or unwilling to serve?***

That is not expected to occur. If it does, shares represented by proxies will be voted for a substitute nominated by the Board of Directors.

***How are directors compensated?***

Directors who are ConocoPhillips employees receive no additional compensation for serving on the board of directors. Compensation for non-employee directors consists of equity and cash.

*Equity Compensation*

Non-employee directors receive an annual grant of restricted stock units with an aggregate value of \$90,000 on the date of grant. Restrictions on the units issued to non-employee directors will lapse three years after the date of grant or in the earlier event of retirement, disability, death or a change of control. Directors forfeit the units if their service terminates for any other reason before the restrictions lapse. Before the restrictions lapse, directors cannot sell or otherwise transfer the units, but the units are credited with dividend equivalents in the form of additional restricted stock units. One year prior to the date the restrictions on the units would otherwise lapse, directors can elect upon the lapsing of the restrictions to delay settlement of the restricted stock units until retirement from the Board, to receive a cash payment equal to the value of the units at the market value of ConocoPhillips stock, or to have the value of the units credited to the director's deferred compensation account.

Directors who were formerly directors of Conoco or Phillips also hold restricted stock and/or restricted stock units that were received as part of their compensation for service on those boards. The service requirements for shares or units that were granted after the announcement of the merger, November 18, 2001, will be satisfied by continued service on the ConocoPhillips Board of Directors.

Former Conoco directors received grants of restricted stock units both upon initial election to the Conoco board and on an annual basis. All restricted stock units are currently vested. The restrictions on the restricted stock units granted upon initial election to the Conoco board lapse in June 2003 for directors elected in 2000, and in October 2006 for directors initially elected in 2001. The restrictions on restricted stock units granted annually to Conoco directors lapse three years after the date of grant.

The restrictions on a percentage of the restricted stock and restricted stock units issued prior to January 1, 2003 to former directors of Phillips begin lapsing the year the director reaches age 66. All restrictions will lapse in the year the director reaches age 70. A director may choose to delay the lapsing of the restrictions until retirement from the Board. The director also may elect to have the value of the shares as to which the restrictions have lapsed credited to the director's deferred compensation account or may receive unrestricted stock.

*Cash Compensation*

All non-employee directors receive \$90,000 annual cash compensation. Non-employee directors serving in specified committee positions also receive the following additional cash compensation:

Chair of the Audit and Compliance Committee	\$ 15,000
Chair of the Compensation Committee	\$ 10,000
Chair of the other committees	\$ 5,000
All other Audit and Compliance Committee members	\$ 5,000

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All cash fees are payable monthly. Directors may elect on an annual basis to receive all or part of their cash compensation in restricted or unrestricted stock, or to have the amount credited to the director's deferred compensation account. All restrictions placed on stock granted in lieu of cash compensation during a calendar year lapse on the same date as the restrictions lapse on restricted

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stock units granted for the equity compensation for that year.

### *Deferral of Compensation*

Directors can elect to defer their cash compensation and the value of the restricted stock and restricted stock units for which restrictions have lapsed. Deferred amounts are deemed to be invested in various mutual funds selected by the director. Compensation deferred prior to January 1, 2003 by former directors of Conoco and of Phillips continues to be deferred and is deemed to be invested as selected by the director. The deferred amounts may be paid as a lump sum or as installment payments following retirement from the Board.

The future payment of any compensation deferred by non-employee directors of ConocoPhillips after January 1, 2003 and former directors of Phillips prior to January 1, 2003 is funded in a grantor trust designed for this purpose. The future payment of any cash compensation deferred by former directors of Conoco prior to January 1, 2003 is not funded.

### *Charitable Gift Programs*

The charitable gift programs of both Conoco and Phillips continue. These programs allow eligible directors to designate charities and tax-exempt educational institutions to receive a donation from us of up to \$1 million upon their death. Former Conoco directors were eligible for the program after one year of service, while former Phillips directors were eligible after five years of service. The donations will be payable over five years for the Conoco program and ten years for the Phillips program. These programs may be funded through the purchase of life insurance policies on the lives of the directors. We are the owner and beneficiary of all insurance policies purchased to fund the programs.

### *Directors' Matching Gift Program*

All active and retired directors are eligible to participate in the Directors' Annual Matching Gift Program, which provides a dollar-for-dollar match of a gift of cash or securities, up to a maximum of \$15,000 per donor for active directors and \$7,500 per donor for retired directors during any one calendar year, to charities and educational institutions, excluding religious, political, fraternal or athletic organizations, that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

### *Stock Ownership*

Directors are expected to own stock with a value equivalent to five times their annual equity compensation, or \$450,000 at current compensation levels, and are expected to reach this level of target ownership within five years of joining the board. Actual shares of stock, restricted stock or restricted stock units, including deferred stock units, may be counted in satisfying the stock ownership guidelines.

## ***How were former Conoco directors compensated before the merger?***

Directors who were Conoco's employees received no additional compensation for serving on the board of directors. Upon election to the board, non-employee directors received a grant of restricted stock units with an aggregate value on the date of grant equal to \$100,000. On an annual basis, non-employee directors received a cash fee of \$50,000, and a grant of restricted stock units with an aggregate value on the grant date of \$50,000.

Directors received a fee of \$1,000 for each board or committee meeting attended. In addition, a board member who served as chairman of a standing committee received a supplement of \$5,000 annually.

Shares underlying restricted stock units granted to directors upon initial election to the board were not permitted to be sold or voted for a period of five years. Dividend equivalents in the form of additional units were credited during this period. Restricted stock units granted upon initial election to the board became vested at a rate of 20% of the grant per year of completed board service following the award. Shares underlying restricted stock units that were granted annually to directors were not permitted to be sold or voted for a period of three years, but dividend equivalents in the form of additional units were credited during such period. Restricted stock units which were annually awarded vested immediately upon grant.

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***How were former Phillips directors compensated before the merger?***

Directors who were Phillips employees received no additional compensation for serving on the board of directors. Each non-employee director who chaired a committee received \$126,500 per year, while the other non-employee directors received \$125,000 per year. Half of this compensation was paid in Phillips stock, which was permitted to be either unrestricted or restricted stock. The other half was paid as cash, but was permitted to be deferred or taken as additional restricted or unrestricted stock.

Dividends payable on restricted stock were reinvested in restricted stock. The restrictions on a percentage of the restricted shares began lapsing five years prior to retirement from the board. All restrictions lapsed in the year the director reached age 70. A director may have chosen to delay the lapsing of the restrictions until retirement from the board of directors. The director also was permitted to elect to credit the value of lapsed shares to the director's deferred compensation account, or was permitted to take possession of the shares.

Prior to retirement, Phillips also provided each director with life insurance. The amount of coverage, which was based on length of board service, began at \$200,000 and increased to a maximum of \$300,000.

***How often did the Board meet in 2002?***

The ConocoPhillips Board of Directors met four times in 2002. Each director attended at least 75% of the Board meetings and the meetings of the committees on which he or she served, except Norman R. Augustine, who was unable to attend one meeting of the Committee on Directors' Affairs.



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**Election of Directors and Director Biographies**

***(Proposal 1 on the Proxy Card)***

***Who are this year's nominees?***

The Class I directors standing for election this year to hold office until the 2006 Annual Meeting of Stockholders and until his or her successor is elected are:

*Richard H. Auchinleck, 52,*  
Director since August 2002

Director of Conoco from 2001 to 2002  
President and Chief Executive Officer of Gulf Canada Resources Limited from February 1998 to June 2001  
Chief Operating Officer of Gulf Canada from July 1997 to February 1998  
Chief Executive Officer for Gulf Indonesia Resources Limited from September 1997 to February 1998

*William K. Reilly, 63,*  
Director since August 2002

Director of Conoco from 1998 to 2002  
President and Chief Executive Officer of Aqua International Partners, an investment group which finances water improvements in developing countries, since June 1997  
Member of the Board of:  
E.I. du Pont de Nemours and Company  
Ionics, Incorporated  
Royal Caribbean Cruises Ltd.

*Randall L. Tobias, 61,*  
Director since August 2002

Director of Phillips from 1992 to 2002  
Chairman Emeritus of Eli Lilly and Company since January 1999  
Chairman of the Board of Directors and Chief Executive Officer of Eli Lilly and Company from July 1993 through December 1998  
Member of the Board of:  
Kimberly-Clark Corporation  
Knight-Ridder, Inc.  
Interactive Intelligence, Inc.  
Windrose Medical Properties Trust

*Victoria J. Tschinkel, 55,*  
Director since August 2002

Director of Phillips from 1993 to 2002  
Director of Florida Nature Conservancy since January 2003  
Senior Environmental Consultant to Landers & Parsons, a Tallahassee, Florida law firm, from 1987 to 2002

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Former Secretary of the Florida Department of Environmental Regulation

*Kathryn C. Turner, 55, Director since August 2002*

Director of Phillips from 1995 to 2002

Chairperson and Chief Executive Officer of Standard Technology, Inc., an engineering and manufacturing firm she founded in 1985

Member of the Board of:

Carpenter Technology Corporation

Schering-Plough Corporation

Tribune Company

**WE RECOMMEND THAT YOU  
VOTE FOR THE ELECTION  
OF THESE DIRECTORS**

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***Who are the directors continuing in office?***

***Class II Directors Term Expires in 2004***

*David L. Boren, 61,*  
Director since August 2002

Director of Phillips from 1994 to 2002  
President of the University of Oklahoma since November 1994  
Former United States Senator from the State of Oklahoma  
Member of the Board of:  
AMR Corporation  
Texas Instruments Incorporated  
Torchmark Corporation

*Kenneth M. Duberstein, 58,*  
Director since August 2002

Director of Conoco from 2000 to 2002  
Chairman and CEO of the Duberstein Group, a strategic planning and consulting company, since 1989  
White House Chief of Staff and Deputy Chief of Staff to President Ronald Reagan and Deputy Under Secretary of Labor during the Ford Administration  
Member of the Board of:  
The Boeing Company  
Fannie Mae  
Fleming Companies, Inc.  
The St. Paul Companies, Inc.  
Member of the Board of Governors for the NASD and the American Stock Exchange

*Ruth R. Harkin, 58,*  
Director since August 2002

Director of Conoco from 1998 to 2002  
Senior Vice President, International Affairs and Government Relations of United Technologies Corporation and Chair of United Technologies International, UTC's international representation arm, since June 1997

*William R. Rhodes, 67,*  
Director since August 2002

Director of Conoco from 1998 to 2002  
Chairman of Citicorp/ Citibank since March 2003  
Senior Vice Chairman of Citigroup, Inc. since December 2001  
Senior Vice Chairman of Citicorp/ Citibank from December 2001 to March 2003  
Vice Chairman of Citigroup, Inc. from May 1999 to December 2001  
Vice Chairman of Citicorp/ Citibank from July 1991 to December 2001

*J. Stapleton Roy, 67, Director since August 2002*

Director of Phillips from 2001 to 2002  
Managing director of Kissinger Associates, Inc. since January 2001  
Assistant Secretary of State for Intelligence and Research from 1999 to 2000  
U.S. Ambassador to:  
Singapore (from 1984 to 1986)  
People's Republic of China (from 1991 to 1995)

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Indonesia (from 1996 to 1999)  
Member of the Board of Freeport-McMoRan Copper &  
Gold Inc.

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***Class III Directors Term Expires in 2005***

*Archie W. Dunham, 64,*  
Director since August 2002

Chairman of the Board of ConocoPhillips since August 2002  
Director of Conoco from 1998 to 2002  
President and Chief Executive Officer of Conoco from 1996 to 2002 and Chairman of the Board from 1999 to 2002  
Member of the Board of:  
Louisiana-Pacific Corporation  
Phelps Dodge Corporation  
Union Pacific Corporation

*Norman R. Augustine, 67,*  
Director since August 2002

Director of Phillips from 1989 to 2002  
Chairman of the Executive Committee of the Board of Directors of Lockheed Martin Corporation since August 1997  
Chairman of the Board of Directors of Lockheed Martin Corporation from August 1997 through March 1998  
Chief Executive Officer of Lockheed Martin from January 1996 through July 1997  
Member of the Board of:  
The Black & Decker Corporation  
The Procter & Gamble Company  
Lockheed Martin Corporation

*Larry D. Horner, 68,*  
Director since August 2002

Director of Phillips from 1991 to 2002  
Chairman of Pacific USA Holdings Corporation from August 1994 to June 2001  
Past Chairman and Chief Executive Officer of KPMG Peat Marwick  
Member of the Board of:  
Atlantis Plastics, Inc.  
Technical Olympic USA, Inc.  
UTStarcom, Inc.  
Mobotron International Inc.

*J. J. Mulva, 56,*  
Director since August 2002

President and Chief Executive Officer of ConocoPhillips since August 2002  
Director of Phillips from 1994 to 2002  
Chairman of the Board of Directors and Chief Executive Officer of Phillips from October 1999 to August 2002  
Vice Chairman of the Board of Directors, President and Chief Executive Officer of Phillips from June 1999 to October 1999  
President and Chief Operating Officer of Phillips from 1994 to June 1999

*Charles C. Krulak, 61,*  
Director since August 2002

Director of Conoco from 2000 to 2002  
Chairman and Chief Executive Officer of MBNA Europe Bank Limited since January 2001  
Senior Vice Chairman of MBNA America from September 1999 through January 2001  
Commandant of the Marine Corps and member of the Joint Chiefs of Staff from June 1995 to September 1999  
Holds the Defense Distinguished Service Medal, the Silver Star Medal, the Bronze Star Medal with Combat V and two gold stars, the Purple Heart with gold star and the Meritorious Service Medal

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*Frank A. McPherson, 69,*  
Director since August 2002

Director of Conoco from 1998 to 2002

Chairman and Chief Executive Officer of Kerr-McGee Corporation from 1983 until February 1997

Past Director of the Federal Reserve Bank (10th District)

Member of the Board of:

BOK Financial Corporation

Tri-Continental Corporation

Seligman Group of Mutual Funds

**Table of Contents*****What are the Committees of the Board?***

Our Board of Directors has the following committees:

<b>Committee</b>	<b>Members</b>	<b>Principal Functions</b>	<b>Number of Meetings in 2002**</b>
Audit and Compliance	Frank A. McPherson* Kenneth M. Duberstein Ruth R. Harkin Larry D. Horner J. Stapleton Roy Kathryn C. Turner	Discusses with management, the independent auditors, and the internal auditors the integrity of our accounting policies, internal controls, corporate governance, financial statements, financial reporting practices and significant corporate risk exposures, and steps management has taken to monitor, control and report such exposures. Monitors the qualifications, independence and performance of our independent auditors and internal auditors. Monitors our overall direction and compliance with legal and regulatory requirements and corporate governance, including our code of business conduct and ethics. Maintains open and direct lines of communication with the Board and our management, internal auditors and independent auditors.	5
Executive	Archie W. Dunham* Kenneth M. Duberstein Frank A. McPherson J. J. Mulva Randall L. Tobias Victoria J. Tschinkel	Exercises the authority of the full Board between Board meetings on all matters other than (1) those matters expressly delegated to another committee of the Board, (2) the adoption, amendment or repeal of any of our By-Laws and (3) matters which cannot be delegated to a committee under statute or our Certificate of Incorporation or By-Laws.	0
Compensation	Randall L. Tobias* Norman R. Augustine Charles C. Krulak William R. Rhodes	Oversees and administers our executive compensation policies, plans and practices. Assists the Board in discharging its responsibilities relating to the fair and competitive compensation of our executives and other key employees.	3
Directors Affairs	Kenneth M. Duberstein* Norman R. Augustine Charles C. Krulak Randall L. Tobias	Selects and recommends director candidates to the Board to be submitted for election at the Annual Meeting and to fill any vacancies on the Board. Recommends committee assignments to the Board. Reviews and recommends to the Board compensation and benefits policies for our directors. Reviews and recommends to the Board appropriate corporate governance policies and procedures for our company. Conducts an annual assessment of the qualifications and performance of the Board. Annually reviews and reports to the Board on the performance of management and succession planning for the Chief Executive Officer.	3
Public Policy	Victoria J. Tschinkel* Richard H. Auchinleck David L. Boren William K. Reilly	Advises the Board of current and emerging domestic and international public policy issues. Assists the Board in the development and review of policies and budgets for charitable and political contributions.	3

\* Committee Chairperson

\*\* Since completion of the merger in August 2002



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***Do the committees have written charters?***

Yes. Our Audit and Compliance Committee charter is attached as Appendix A to this proxy statement. The charters for our Audit and Compliance Committee, Executive Committee, Compensation Committee, Committee on Directors' Affairs and Public Policy Committee can be found on ConocoPhillips' website at [www.conocophillips.com](http://www.conocophillips.com).

**Audit and Compliance Committee Report**

The Audit and Compliance Committee of the Board of Directors of ConocoPhillips (the "Audit Committee") is responsible for providing independent, objective oversight for ConocoPhillips' financial reporting functions and internal control systems. The Audit Committee is currently composed of six directors. Each of the members of the Audit Committee is independent as defined by current New York Stock Exchange listing standards. The Audit Committee operates under a written charter adopted by ConocoPhillips' Board of Directors, a copy of which is attached to this proxy statement as Appendix A.

*Review with Management.* The Audit Committee has reviewed and discussed with management ConocoPhillips' audited consolidated financial statements for the year ended December 31, 2002.

*Discussions with Independent Auditing Firm.* The Audit Committee has discussed with Ernst & Young LLP, independent auditors for ConocoPhillips, the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended. The Audit Committee has received the written disclosures and the letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as amended, and has discussed with that firm its independence from ConocoPhillips.

*Recommendation to the ConocoPhillips Board of Directors.* Based on its review and discussions noted above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in ConocoPhillips' Annual Report on Form 10-K for the year ended December 31, 2002.

THE CONOCOPHILLIPS AUDIT AND COMPLIANCE COMMITTEE

Frank A. McPherson, *Chairman*

Kenneth M. Duberstein  
Ruth R. Harkin  
Larry D. Horner  
J. Stapleton Roy  
Kathryn C. Turner

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## **Executive Compensation**

### **Compensation Committee Report to Stockholders on Executive Compensation**

The Compensation Committee of the Board of Directors of ConocoPhillips (the "Compensation Committee") was formed following the merger to administer ConocoPhillips' executive compensation programs. The Compensation Committee is composed solely of independent, outside directors who qualify as non-employee directors under Rule 16b-3 of the Securities Exchange Act of 1934 and as outside directors under section 162(m) of the Internal Revenue Code. The respective compensation committees of Conoco and Phillips made decisions, prior to the merger, regarding salary levels, awards of stock options, restricted stock, annual incentive awards and long-term incentive plan payouts. The members of the Compensation Committee, in certain instances, are therefore reporting about determinations made by the prior Conoco and Phillips compensation committees. Although stock and stock-based awards prior to the merger may have been originally denominated in Phillips or Conoco common stock, information about those awards has been adjusted to reflect the merger exchange ratio where appropriate.

#### **Compensation Philosophy**

Both Conoco's and Phillips' executive compensation programs were principally designed to give executives strong incentives to focus on and achieve the respective company's business objectives. Each company's compensation program used, to varying degrees, annual performance-based incentives, stock options and restricted stock or restricted stock units. Both companies significantly varied compensation with performance against company business objectives, including relative industry performance, and encouraged executives to maximize stockholder value by aligning executive interests with those of stockholders.

ConocoPhillips' goal is to provide a total compensation package that will enable it to attract, retain, motivate and reward a highly qualified, diverse global workforce. The Compensation Committee intends to achieve this goal for our executive workforce by:

encouraging stronger executive performance by making a substantial percentage of total executive compensation variable, or at-risk, through annual incentive compensation, the granting of stock options and long-term incentive awards;

allowing executives to share in ConocoPhillips' successes and failures by varying compensation with business performance;

benchmarking target compensation levels at competitive levels within the industry;

motivating individual performance by linking rewards to the accomplishment of individual goals and objectives, leadership principles and ConocoPhillips values; and

integrating all elements of compensation into a comprehensive package that aligns ConocoPhillips' goals, efforts and results throughout the organization.

In determining overall target executive compensation levels, the Compensation Committee will consider the compensation structures of other major companies in the global energy industry, such as Exxon Mobil Corporation, ChevronTexaco Corporation, BP p.l.c. and Royal Dutch Petroleum Company and Shell Transport and Trading Company p.l.c. (which together comprise the Royal Dutch/ Shell Group), as well as other U.S.-based integrated petroleum companies, and upstream or downstream companies such as Anadarko Petroleum Corporation, Marathon Oil Corporation, Occidental Petroleum Corporation and Valero Energy Corporation. In addition, other large U.S.-based multinationals will be considered because the competition for executive talent for ConocoPhillips extends beyond the energy industry. The Compensation Committee relies on independent third-party consultants for input regarding competitive compensation levels. Because compensation will be based on company, business unit, and individual performance, as appropriate, total compensation of executives may significantly exceed or fall short of industry medians.

ConocoPhillips' businesses are extremely capital intensive, requiring large investments, in most cases over a number of years, before tangible financial

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returns are achieved. The Compensation Committee will base executive compensation decisions on qualitative measures relating to individual performance, as well as on quantitative measures relating to performance of ConocoPhillips and its business units such as total return to stockholders and relative improvement of return on capital employed. It will also take into account external factors, such as commodity prices, that may have positively or negatively affected such measures.

### **Executive Compensation Actions for 2002**

In November 2001, in connection with the signing of the merger agreement, the compensation committees of Conoco and Phillips approved new employment agreements for Mr. Dunham and Mr. Mulva, respectively. The Conoco and Phillips compensation committees considered it important to enter into the agreements with Mr. Dunham and Mr. Mulva to induce them to remain with their respective companies through the merger and for a significant time thereafter to facilitate integration and ultimate realization of the value of the merger. The compensation committees also considered it important for Mr. Dunham to serve as Chairman of the Board of ConocoPhillips and for Mr. Mulva to serve as Chief Executive Officer of ConocoPhillips.

The employment agreements, which are described beginning on page 27 of this proxy statement under the caption "Employment Agreements," became effective upon the closing of the merger.

### **Base Salaries**

Prior to the merger, the base salaries of the executive officers were set by the respective compensation committees of Conoco and Phillips. Base salaries for both Conoco and Phillips were generally set based on competitive compensation levels for similar positions in peer companies. There was no change in Mr. Mulva's base salary during 2002. On the closing of the merger, pursuant to his employment agreement, Mr. Dunham's annual base salary was increased from \$1,350,000 to \$1,375,000 to be equal to Mr. Mulva's base salary.

The Compensation Committee will annually review the salaries of all executive officers and employees with salaries greater than \$300,000. Base salaries will be set according to competitive compensation levels for similar positions in peer companies, and salaries will be adjusted over time to recognize market trends and individual levels of performance and contribution.

### **Incentive Compensation Programs**

#### ***Annual Incentives***

Annual incentives for 2002 performance were generally determined according to the applicable Phillips and Conoco programs established by the respective compensation committees prior to the merger, except as amended by the ConocoPhillips Compensation Committee to permit payouts based on ConocoPhillips' performance without business unit differentiation and to provide for a common individual performance adjustment methodology. In accordance with the individual company programs, the quantitative performance measures the Compensation Committee considered for 2002 incentive compensation included:

Conoco's 2002 pro forma cash from operations versus operating plan objectives;

Conoco's 2002 pro forma after-tax operating income versus operating plan objectives;

ConocoPhillips' one-year and three-year total return to stockholders relative to the peer companies previously identified by the respective companies;

ConocoPhillips' total return to stockholders since the closing of the merger relative to the peer index; and

ConocoPhillips' 2002 return on capital employed relative to the peer companies previously identified by the respective companies.

Because of the extraordinary nature of 2002, participant awards for the heritage incentive programs (the Conoco Global Variable Compensation Plan and the Phillips Annual Incentive Compensation Plan) were based on company performance, without differentiation

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1 ENI S.p.A., Occidental, Total Fina Elf S.A., Amerada Hess Corporation, Unocal Corporation, Marathon, ExxonMobil, ChevronTexaco, Royal Dutch/ Shell Group, BP and Repsol YPF S.A.



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among business units. Both plans paid out at the same percent of target award.

In addition to these financial performance measures, the Compensation Committee also considered core values of safety, ethics and environmental stewardship as well as the smooth implementation of the merger.

The Compensation Committee used qualitative performance measures, including those listed below, for executives in assessing the portion of incentive compensation attributable to individual performance under the Conoco and Phillips programs:

success in developing and implementing strategic plans;

contribution to the growth and success of ConocoPhillips;

merger related integration results;

leadership in the industry and community;

performance versus predetermined personal job objectives; and

social and ethical responsibility.

The Committee made the final determinations of performance for the Chairman and the CEO and received input from the Chairman and the CEO on the performance of the senior executives on these qualitative measures in making its final determinations of performance for these senior executives.

*Phillips*

The 2002 annual incentive awards for former Phillips executives were made under the Annual Incentive Compensation Plan ( AICP ). The Phillips compensation committee, using both internally generated data and data obtained from independent, third-party consultants, had previously established targets for individual AICP awards based on individual salary grades. The target percentages were adjusted to recognize changes in salary grades during the year. Under the AICP, individual awards could range from 0% to more than 200% percent of the target amount for the award year, based upon the Phillips compensation committee's assessment of total company, business unit and individual performance.

To determine the 2002 payout under AICP, the ConocoPhillips Compensation Committee reviewed one year (2002) ConocoPhillips relative total return to stockholders as well as one year (2002) ConocoPhillips relative return on capital employed. The major business units were reviewed in such areas as operating efficiency and return on capital employed compared to their original operating plan objectives. In addition, the Compensation Committee also reviewed ConocoPhillips performance for its core values of safety, ethics and environmental stewardship, ConocoPhillips total return to stockholders from the merger date to year end relative to the peer index, and the smooth implementation of the merger. Based on these considerations, the standard award for all employees under the AICP was set at 90% of target for the year. Individual employee adjustments were also made to recognize individual performance. All awards were paid in cash.

A total of \$5,846,074 was awarded to 19 executives with annual base salaries of more than \$300,000 for 2002 performance under the AICP. Mr. Mulva received an annual incentive award under the AICP of \$1,612,000. The Compensation Committee determined this amount considering ConocoPhillips' financial performance and Mr. Mulva's leadership in areas such as safety, ethics and environmental performance as well as his role in the smooth implementation of the merger integration.

*Conoco*

The 2002 annual incentive awards for former Conoco executives were made under the Global Variable Compensation Plan ( GVC ). At the beginning of 2002 Conoco's compensation committee assigned each former Conoco executive a target GVC award based on salary grades using a competitive assessment of award opportunities for similar positions within Conoco's peer group. Actual awards could vary from 0% to more than 200% of the target based on the Conoco compensation committee's assessment of both business and individual performance.

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To determine the 2002 payout under the Conoco GVC Plan, the ConocoPhillips Compensation Committee reviewed Conoco's total company pro forma 2002 after tax operating income and cash from operations compared to Conoco's original operating plan objectives. There was no differentiation among business units. In addition, the Compensation Committee also reviewed

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ConocoPhillips performance for its core values of safety, ethics and environmental stewardship, ConocoPhillips total return to stockholders over a three-year period (2000-2002), ConocoPhillips total return to stockholders from the merger date to year end relative to the peer index, and smooth implementation of the merger. Based on these considerations, the standard award for all employees under the GVC Plan was set at 90% of target for the year. Individual employee performance adjustments were also made to recognize individual performance. All awards were paid in cash.

A total of \$4,839,675 was paid to 12 executives with annual base salaries of more than \$300,000 for 2002 performance under the GVC Plan. Mr. Dunham's GVC award was calculated at \$1,612,000 in recognition of his 2002 performance. The Compensation Committee determined this amount considering ConocoPhillips' financial performance and Mr. Dunham's leadership in areas such as safety, ethics and environmental performance as well as his role in the smooth implementation of the merger integration.

### ***Long-Term Incentives***

The compensation committees of both Conoco and Phillips, as well as the ConocoPhillips Compensation Committee, awarded long-term incentives for 2002. Historically, Phillips primarily utilized stock options and restricted stock or restricted stock units issued under a long-term incentive plan, while Conoco's primary long-term compensation was in the form of stock options, although restricted stock units were granted to Mr. Dunham, Mr. McKee and Mr. Nokes in 2002.

ConocoPhillips' executive stock-based compensation programs are designed to provide competitive compensation, to offer an incentive to employees primarily responsible for the growth and success of ConocoPhillips, to retain key employees, and to align employees' interests with those of stockholders.

Beginning in 2003, ConocoPhillips' primary long-term incentive compensation will be a Stock Option and a Performance Share Program. Approximately 70% of the long-term incentive award will be in the form of stock options, while the remaining 30% will be in the form of restricted stock awarded under the Performance Share Program. Individual awards may be adjusted up or down based on the subjective evaluation of the individual's performance and potential. The Performance Share Program is designed to maximize medium and long-term stockholder value by encouraging management team alignment and the long-term commitment of key executives. This program rewards medium term performance against our peer group of companies.

### ***Phillips Long-Term Incentive Plan***

The Phillips Long-Term Incentive Plan or LTIP was administered by the Phillips compensation committee. Under the LTIP, the Phillips compensation committee annually established a three-year performance period over which it compared Phillips' total stockholder return and return on capital employed with the total stockholder return and return on capital employed for Phillips' oil industry peers.

The approval of the merger by Phillips stockholders on March 12, 2002, constituted a change of control under the Omnibus Securities Plan of Phillips Petroleum Company and resulted in the immediate payout of the Performance Periods VIII and IX.

With respect to Performance Period VIII, which commenced January 1, 2000 and ended March 12, 2002, it was determined that Phillips ranked second of the thirteen peers (the twelve in addition to Phillips included: BP, Royal Dutch/ Shell Group, ExxonMobil, TotalFinaElf, ChevronTexaco, Unocal, Amerada Hess, ENI, Conoco, Marathon, Repsol and Occidental) for total stockholder return and fifth of the thirteen peers for return on capital employed. The performance for the period placed P