Two Degree Transition Plan

WHEREAS:
As long-term shareholders in the Valero Corporation, we would like to understand how our company is planning for the risks and opportunities presented by global efforts to keep temperatures within the below 2-degrees Celsius goals of the Paris Climate Agreement.

A 2017 report from Carbon Tracker predicts that in a 2-degree economy global oil demand could decline by as much as 23 percent over a 15-year period. Market and regulatory changes such as adoption of electric vehicles and regulations to increase fuel efficiency hold the potential to reduce demand for petroleum-based fuels permanently, with significant implications for refining margins. The report concludes that in a low-carbon future Valero risks a potential decline in earnings of more than half.

In addition, as climate change brings sea level rise and more frequent and severe storms and droughts, Valero's coastal assets are at risk, as the recent hurricanes in Texas and Florida aptly demonstrate. Valero's ethanol plants use significant amounts of water, as does the corn in its supply chain, and are highly vulnerable to drought conditions and competing demands for water in the Midwestern states.

A 2-degree world will also provide opportunities as, for example, corporations seek to reduce transportation emissions, airlines look to adopt advanced biofuels, and automakers and utilities work to develop electric vehicle charging networks.

Investors are increasingly focused on the need for robust climate disclosure. In June 2017, the Task Force on Climate-related Financial Disclosures finalized its guidelines for reporting on climate risk, recommending that companies evaluate the potential impact of different scenarios, including a 2-degree scenario, on their businesses, strategy, and financial planning. Investors representing over $25 trillion in assets endorsed the Task Force recommendations, and one of Valero's peers, Marathon Petroleum, recently produced a report using these guidelines to analyze its vulnerabilities to climate risk.

Valero reports in its most recent citizenship report that it has increased energy efficiency and reduced greenhouse gas emissions on a per barrel basis; however, it does not report any goals for reducing overall emissions. While Valero also reports significant investments in biofuel production, initiatives to reduce flaring, and the use of renewable energy and co-generation to power some of its operations, it has not articulated a clear strategy to position its business for a potential low-carbon future.

RESOLVED:
Shareholders request that Valero issue a report by December 30, 2018 with board oversight, at reasonable cost and omitting proprietary information, on Valero's strategy for aligning its business plan with the well below 2-degree Celsius goal of the Paris Agreement, while continuing to provide safe, affordable and reliable energy.

Supporting Statement: This report could include:

- The impact of a below 2-degree scenario on Valero's current business model, business lines and products;
- Plans to increase the climate resilience of assets and operations; and
- Plans to integrate technological, regulatory and business model innovations such as advanced biofuels, fuel cells, and electric vehicle charging infrastructure.