



November 17, 2021

Via email: investorrelations@valero.com, Rich.walsh@valero.com

Rich Walsh
Corporate Secretary
Valero Energy Corporation
One Valero Way
San Antonio, TX 78249

Dear Mr. Walsh:

The Unitarian Universalist Association, a long-time shareowner of Valero Energy Corporation (the “Company”), is hereby submitting the attached proposal (the “Proposal”) pursuant to the Securities and Exchange Commission’s Rule 14a-8 to be included in the proxy statement of the “Company” for its 2022 annual meeting of shareholders. The UUA is co-filing this resolution with Mercy Investment Services. The resolution requests that the Board authorize the preparation of a report, to be updated annually, that discloses near- and long-term GHG gas reduction targets aligned with the Paris Agreement’s goal of maintaining global temperature rise at 1.5 degrees Celsius, and a plan to achieve them.

The Unitarian Universalist Association (“UUA”) is a faith community of more than 1000 self-governing congregations that brings to the world a vision of religious freedom, tolerance, and social justice. With roots in the Jewish and Christian traditions, Unitarianism and Universalism have been forces in American spirituality from the time of the first Pilgrim and Puritan settlers. The UUA is also an investor with an endowment valued at approximately \$267 million, the earnings from which are an important source of revenue supporting our work in the world. The UUA takes its responsibility as an investor and shareowner very seriously. We view the shareholder resolution process as an opportunity to bear witness to our values at the same time that we enhance the long-term value of our investments.

The UUA through its Unitarian Universalist Common Endowment Fund has continuously beneficially owned, for at least three years as of the date hereof, at least \$2,000 worth of the Company’s common stock. Verification of this ownership will be sent under separate cover. The UUA intends to continue to

hold such shares through the date of the Company's 2022 annual meeting of shareholders.

The UUA defers to the lead filer, Mercy Investment Services, in all decision-making regarding this proposal. Please contact Mary Minette at 703-507-9651 or mminette@mercyinvestments.org with any questions or to arrange for a meeting. If need be, I can be reached directly at (617) 620-0574 or tbrennan@uua.org.

Very truly yours,



Timothy Brennan,
Special Advisor on Responsible Investing

cc: Andrew McGeorge, Treasurer & CFO, UUA
Mary Minette, Mercy Investment Services

Enclosure: Shareholder resolution



Whereas

In 2018, the Intergovernmental Panel on Climate Change (IPCC) advised that net greenhouse gas (GHG) emissions must fall 45 percent by 2030 and reach net zero by 2050 to limit warming below 1.5 degrees Celsius and prevent the worst consequences of climate change.

Absent such deep emissions reductions, the IPCC (2021) projects continued increases in global surface temperatures, sea levels, extreme weather events, forest fires, and agricultural losses. Environmental changes will, in turn, increase physical and systemic risks for investors and companies, including supply chain dislocations, reduced resource availability, lost productivity, commodity price volatility, and physical infrastructure damage that could, in turn, compel new regulations and transition costs.

As the largest independent petroleum refiner in the world, Valero Energy Company (“Valero”) is highly exposed to climate risks. While Valero has adopted short-term GHG reduction measures, the Company has not committed to reduce emissions in line with the goals of Paris Agreement, nor do its goals cover scope 3 emissions in its supply chain or from use of its products. More ambitious action is necessary to address the Company’s full climate impact, its physical risks, and the transition risks associated with a global shift from a fossil fuel-based economy.

Valero is falling behind peer companies in curbing its GHG emissions. Phillips 66 recently set a target for its scope 3 emissions. Marathon Petroleum is reporting its scope 3 emissions, has set midterm emissions targets, and is aligning its capital spending with a planned transition to lower carbon fuels. Royal Dutch Shell, BP, and Equinor are examples of oil and gas companies that have announced ambitious targets to reduce emissions and align their capital spending and business activities with the net zero goals of the Paris Agreement.

Valero maintains that it leads the industry in producing low-carbon renewable fuels. Ramping up the scale, pace and rigor of its climate-related initiatives could unlock opportunities for growth in new products such as aviation biofuels and help the company to avoid investing in assets that will lose value as the global economy transitions away from fossil fuel-based transportation fuels over the coming decades.

Resolved

Shareholders request Valero issue a report within a year, and annually thereafter, at reasonable expense and excluding confidential information, that discloses near- and long-term GHG gas reduction targets aligned with the Paris Agreement’s goal of maintaining global temperature rise at 1.5 degrees Celsius, and a plan to achieve them. Reporting should cover the company’s full range of operational and supply chain emissions.

Supporting Statement

In assessing targets, we recommend, at management’s discretion:

- Taking into consideration approaches used by groups like the Science Based Targets initiative;
- Developing a low carbon transition plan showing evidence of implementation to meet Valero's goals;
- Considering support targets for renewable energy, energy efficiency, alternative fuels production and other measures deemed appropriate by management; and
- Committing to reduce local community health impacts from cumulative operational emissions.