

RESOLVED:

Shareholders request that the Board of Directors conduct an evaluation and issue a report within the next year (at reasonable cost and omitting proprietary information) describing if, and how, Valero's lobbying activities (direct and through trade associations) align with the Paris Climate Agreement's goal of limiting average global warming to well below 2 degrees Celsius and how the company plans to mitigate risks presented by any misalignment.

SUPPORTING STATEMENT:

According to the 2019 annual "Emissions Gap Report" issued by the United Nations Environment Programme, critical shortfalls remain between the commitments national governments have made and the actions needed to prevent the worst effects of climate change.<sup>1</sup> Companies have an important and constructive role to play in closing these gaps.

Corporate lobbying activities that are inconsistent with meeting the goals of the Paris Agreement present regulatory, reputational and legal risks to companies and their investors. Delays in implementation of the Paris Agreement increase the physical risks of climate change, pose a systemic risk to economic stability and introduce uncertainty and volatility into our portfolios. We believe that Paris-aligned climate lobbying helps to mitigate these risks and contributes positively to the long-term value of our investment portfolios.

Trade associations and other politically active organizations that speak for business but, too often present forceful obstacles to progress in addressing the climate crisis are particularly concerning to investors.

Two hundred institutional investors managing \$6.5 trillion in assets wrote to Valero in 2019 seeking information on how the company is managing this critical governance issue, and investors have also raised these concerns in meetings with the company and in a follow up letter sent in fall 2020. Valero's replies have not been responsive to these requests.

Insufficient information is presently available to help investors understand whether Valero works to ensure that its direct lobbying activities, as well as its indirect lobbying through trade associations, align with the Paris Agreement's goals, and whether Valero takes any action to address any misalignments it has found. Although Valero discloses its direct and indirect lobbying expenditures, its policies do not appear to require regular board oversight of lobbying expenditures and activities.

Valero is currently a member of trade associations that have taken public stances against climate legislation and regulations at the state and federal level including the American Fuel and Petrochemical Manufacturers Association (AFPM) and the Western States Petroleum Association (WSPA).<sup>2</sup> In the past year, BP, Total and Shell dropped their memberships in the AFPM after reviewing their trade associations for consistency with their company positions on climate issues; BP noted that it had "no areas of full alignment" with AFPM and also dropped its membership in the WSPA.<sup>3</sup>

For these reasons we urge the Board and management to assess Valero's climate-related lobbying and report to shareholders.

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<sup>1</sup> <https://www.unenvironment.org/resources/emissions-gap-report-2019>

<sup>2</sup> <https://www.washingtonpost.com/climate-environment/2020/02/25/bp-pull-out-trade-groups-over-climate-policies/>

<sup>3</sup> <https://www.reuters.com/article/us-bp-lobbying/bp-to-quit-main-u-s-refining-lobby-over-carbon-policy-idUSKCN20K1QM>