

VALERO ENERGY CORP/TX  
Form DEF 14A  
March 21, 2018  
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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**

Filed by the Registrant

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))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

**Valero Energy Corporation**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

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No fee required.

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**Notice of 2018 Annual Meeting of Stockholders**

The 2018 annual meeting of stockholders of Valero Energy Corporation is scheduled to be held as follows:

<b>MEETING DATE &amp; TIME:</b>	<b>MEETING PLACE:</b>	<b>RECORD DATE:</b>
Thursday, May 3, 2018	Valero Energy Corporation	March 6, 2018
10 a.m., Central Time	One Valero Way	
	San Antonio, Texas 78249	

The purpose of the annual meeting is to consider and vote on the following:

<b>Voting Matters</b>	<b>Board Recommendation</b>	<b>Proxy Statement Disclosure</b>
1. Elect directors;	<b>FOR</b>	P. 9
	each director nominee	
2. Ratify KPMG LLP as independent auditor;	<b>FOR</b>	P. 60
3. Advisory vote to approve executive compensation;	<b>FOR</b>	P. 63
4. Amend Valero's Restated Certificate of Incorporation to remove supermajority vote requirements;	<b>FOR</b>	P. 64
5. Amend Valero's Restated Certificate of Incorporation to permit stockholders to act by written consent; and	<b>FOR</b>	P. 69
6. Other matters, if any, properly brought before the meeting.		

Valero Energy Corporation

One Valero Way

By order of the Board of Directors,

San Antonio, Texas 78249

J. Stephen Gilbert

March 21, 2018

Secretary

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### 2018 ANNUAL MEETING OF STOCKHOLDERS

Our Board is soliciting proxies to be voted at the Annual Meeting of Stockholders on May 3, 2018 (the Annual Meeting). The accompanying notice describes the time, place, and purposes of the Annual Meeting. Action may be taken at the Annual Meeting or on any date to which the meeting may be adjourned. Unless otherwise indicated the terms Valero, we, our, and us in this proxy statement refer to Valero Energy Corporation, to one or more of our consolidated subsidiaries, or to all of them taken as a whole. Board means our board of directors.

We are mailing our *Notice of Internet Availability of Proxy Materials* ( Notice ) to stockholders on or about March 21, 2018. On this date, you will be able to access all of our proxy materials on the website referenced in the Notice.

### RECORD DATE, SHARES OUTSTANDING, QUORUM

Holders of record of our common stock, \$0.01 par value ( Common Stock ), at the close of business on March 6, 2018 (the record date) are entitled to vote on the matters presented at the Annual Meeting. On the record date, 430,922,297 shares of Common Stock were issued and outstanding and entitled to one vote per share. Stockholders representing a majority of voting power, present in person or represented by properly executed proxy, will constitute a quorum.

### VOTING IN PERSON, REVOCABILITY OF PROXIES

If you attend the Annual Meeting and want to vote in person, we will give you a ballot at the meeting. If your shares are registered in your name, you are considered the stockholder of record and you have the right to vote the shares at the meeting. If, however, your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in street name. As a beneficial owner, if you wish to vote at the meeting, you will need to bring to the meeting a legal proxy from the stockholder of record (e.g., your broker) authorizing you to vote the shares.

You may revoke your proxy at any time before it is voted at the Annual Meeting by (i) submitting a written revocation to Valero, (ii) returning a subsequently dated proxy to Valero, or (iii) attending the Annual Meeting requesting that your proxy be revoked and voting in person at the Annual Meeting. If instructions to the contrary are not provided, shares will be voted as indicated on the proxy card.

### REQUIRED VOTES



For Proposal 1, as required by Valero's bylaws, each director is to be elected by a majority of votes cast with respect to that director's election.

Proposals 2 and 3 require approval by the affirmative vote of a majority of the voting power of the shares present in person or by proxy at the Annual Meeting and entitled to vote.

Proposals 4 and 5 require approval by the affirmative vote of the holders of at least 80 percent of the voting power of the outstanding Common Stock.

#### EFFECT OF ABSTENTIONS

Shares voted to abstain are treated as present for purposes of determining a quorum. In the election of directors (Proposal 1), pursuant to our bylaws, shares voted to abstain are not deemed votes cast, and are accordingly disregarded. When approval for a proposal requires (i) the affirmative vote of a majority of the voting power of the shares present in person or by proxy and entitled to vote (Proposals 2 and 3), (ii) the affirmative vote of a majority of the voting power of the issued and outstanding Common Stock, or (iii) the affirmative vote of the holders of at least 80 percent of the voting power of the issued and outstanding Common Stock (Proposals 4 and 5), then shares voted to abstain have the effect of a negative vote (a vote against).

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### 2018 ANNUAL MEETING OF STOCKHOLDERS

#### BROKER NON-VOTES

Brokers holding shares must vote according to the specific instructions they receive from the beneficial owners of the stock. If your broker does not receive specific voting instructions from you, in some cases the broker may vote the shares in the broker's discretion. However, the New York Stock Exchange (the "NYSE") precludes brokers from exercising voting discretion on certain proposals without specific instructions from the beneficial owner. This results in a "broker non-vote" on the proposal. A broker non-vote (i) is treated as "present" for purposes of determining a quorum, (ii) has the effect of a negative vote when a majority of the voting power of the issued and outstanding shares is required for approval of a particular proposal, and (iii) has no effect when a majority of the voting power of the shares present in person or by proxy and entitled to vote or a plurality or majority of the votes cast is required for approval.

Proposal 2 is deemed to be a routine matter under NYSE rules. A broker or other nominee generally may vote uninstructed shares on routine matters, and therefore no broker non-votes are expected to occur for Proposal 2. Proposals 1, 3, 4, and 5 are considered non-routine under applicable rules. Because a broker or other nominee cannot vote without instructions on non-routine matters, we expect an undetermined number of broker non-votes to occur on these proposals.

#### SOLICITATION OF PROXIES

Valero pays the cost for soliciting proxies and the Annual Meeting. In addition to solicitation by mail, proxies may be solicited by personal interview, telephone, and similar means by directors, officers, or employees of Valero, none of whom will be specially compensated for such activities. Valero also intends to request that brokers, banks, and other nominees solicit proxies from their principals and will pay such brokers, banks, and other nominees certain expenses incurred by them for such activities. Valero retained Georgeson LLC, a proxy soliciting firm, to assist in the solicitation of proxies for a fee of \$17,500, plus reimbursement of certain out-of-pocket expenses.

For participants in our qualified 401(k) plan ("Thrift Plan"), the proxy card will represent (in addition to any shares held individually of record by the participant) the number of shares allocated to the participant's account in the Thrift Plan. For shares held by the Thrift Plan, the proxy card will constitute an instruction to the trustee of the plan on how to vote those shares. Shares for which instructions are not received may be voted by the trustee per the terms of the plan.

**Table of Contents****INFORMATION REGARDING THE BOARD OF DIRECTORS**

Valero's business is managed under the oversight of our Board. Our Board conducts its business through meetings of its members and its committees. During 2017, our Board held seven meetings and the standing Board committees held 13 meetings. No member of the Board attended less than 75 percent of the meetings of the Board and committees of which he or she was a member. All Board members are expected to attend the Annual Meeting, and all of our Board members attended the 2017 annual meeting.

**Independent Directors**

**Independent Directors.** Our *Corporate Governance Guidelines* require a majority of the Board to be independent. The Board presently has 10 non-management directors and one member from management: Joseph W. Gorder (our Chief Executive Officer). As a member of management, Mr. Gorder is not an independent director under NYSE listing standards. The Board determined that all of our non-management directors who served on the Board at any time in 2017 met the Board's independence requirements. Those independent directors were:

H. Paulett Eberhart	Philip J. Pfeiffer	Stephen M. Waters
Kimberly S. Greene	Robert A. Profusek	Randall J. Weisenburger
Deborah P. Majoras	Susan Kaufman Purcell	Rayford Wilkins, Jr.
Donald L. Nickles		

**Independent Committees.** The Board's Audit Committee, Compensation Committee, and Nominating/Governance and Public Policy Committee are composed entirely of directors who meet the independence requirements of the NYSE. Each member of the Audit Committee also meets the additional independence standards for Audit Committee members required by the SEC.

**Independence Standards and Determination.** The Board determines independence on the basis of the standards specified by the NYSE, the standards listed in our *Corporate Governance Guidelines*, and other facts and circumstances the Board may consider relevant. In general, our *Corporate Governance Guidelines* require that an independent director must have no material relationship with Valero. A relationship is not material under the guidelines if it:

- is not a relationship that would preclude a determination of independence under Section 303A.02(b) of the NYSE Listed Company Manual;
- consists of charitable contributions by Valero to an organization in which a director is an executive officer that do not exceed the greater of \$1 million or two percent of the organization's gross revenue in any of the last three years;

consists of charitable contributions to any organization with which a director, or any member of a director's immediate family, is affiliated as an officer, director, or trustee pursuant to a matching gift program of Valero and made on terms applicable to employees and directors, or is in amounts that do not exceed \$1 million per year; and

is not a relationship required to be disclosed by Valero under Item 404 of Regulation S-K (regarding related person transactions).

Under the NYSE's listing standards, a director is not deemed independent unless the Board affirmatively determines that the director has no material relationship with Valero. The Board has reviewed pertinent information concerning the background, employment, and affiliations (including commercial, banking, consulting, legal, accounting, charitable, and familial relationships) of our directors, and the Board has determined that each of our non-management directors and each member of the Audit, Compensation, and Nominating/Governance and Public Policy Committees has no material relationship with Valero, and is therefore independent.

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**INFORMATION REGARDING THE BOARD OF DIRECTORS**

**Committees of the Board**

Our Board has three standing committees:

Audit Committee,  
Compensation Committee, and  
Nominating/Governance and Public Policy Committee.

The committees' charters are available on our website at:

[www.valero.com](http://www.valero.com) <sup>u</sup> [Investors](#) <sup>u</sup>

[Corporate Governance](#) <sup>u</sup> [Governance Documents](#) <sup>u</sup>  
[Charters.](#)

**AUDIT COMMITTEE**

The Audit Committee assists the Board in oversight of the integrity of Valero's financial statements and public financial information, Valero's compliance with legal and regulatory requirements, the qualifications and independence of Valero's independent auditor, and the performance of Valero's internal audit function and independent auditors. The Audit Committee met five times in 2017. We make additional disclosures about the Audit Committee in this proxy statement under the caption "Risk Oversight" and in connection with "Proposal No. 2 Ratify Appointment of KPMG LLP as Independent Auditors" below.

**Members of the Audit Committee are:**

Randall J. Weisenburger (Chair),  
H. Paulett Eberhart,  
Susan Kaufman Purcell, and  
Stephen M. Waters.

**Notes:**

***Audit Committee Financial Experts.*** The Board has determined that each of the following directors is an audit committee financial expert (as defined by the SEC) and that each is independent under applicable regulations/standards: (1) Mr. Weisenburger, (2) Ms Eberhart, and (3) Mr. Waters. For more information regarding their experience, see "Proposal No. 1 Election of Directors Information Concerning Nominees and Directors."

## COMPENSATION COMMITTEE

The Compensation Committee reviews and reports to the Board on matters related to compensation programs, policies, and strategies. The Compensation Committee's duties are further described in Compensation Discussion and Analysis below and in the committee's charter. The Compensation Committee met five times in 2017. The Compensation Committee has, for administrative convenience, delegated authority to our Chief Executive Officer to make non-material amendments to Valero's benefit plans and to make limited grants of stock options and restricted stock to new hires who are not executive officers.

### **Members of the Compensation Committee are:**

Rayford Wilkins, Jr. (Chair),  
Philip J. Pfeiffer, and  
Robert A. Profusek.

### **Notes:**

The *Compensation Committee Report* for fiscal year 2017 appears in this proxy statement immediately preceding Compensation Discussion and Analysis.

***Compensation Committee Interlocks and Insider Participation:*** *There are no compensation committee interlocks. None of the members of the Compensation Committee has served as an officer or employee of Valero or had any relationship requiring disclosure by Valero under Item 404 of the SEC's Regulation S-K, which addresses related-person transactions.*

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**INFORMATION REGARDING THE BOARD OF DIRECTORS**

**NOMINATING/GOVERNANCE AND PUBLIC POLICY COMMITTEE**

The Nominating/Governance and Public Policy Committee assists the Board in its oversight responsibilities with respect to corporate governance, Board membership, and public policy matters. The committee's specific purposes are to:

- identify individuals qualified to become Board members, consistent with criteria approved by the Board;
- select, or to recommend that the Board select, director nominees;
- develop and recommend a set of corporate governance principles applicable to Valero;
- assist the Board in identifying, evaluating, and monitoring public policy trends and social and political issues that could impact our business activities and performance;
- assist the Board in oversight of Valero's climate-related risks and opportunities;
- consider and make recommendations for our strategies relating to corporate responsibility, contributions, and reputation management; and
- oversee and lead the Board's and the committees' annual self-evaluation of performance.

**Members of the committee are:**

Deborah P. Majoras (Chair),  
Kimberly S. Greene, and  
Donald L. Nickles.

**Notes:**

The committee met three times in 2017. The committee recommended to the Board each director listed in this proxy statement in Proposal No. 1 as nominees for election as directors at the Annual Meeting. The committee also considered and recommended the appointment of a Lead Director to preside at meetings of the independent directors without management, and recommended assignments for the Board's committees. The full Board approved the recommendations of the committee and adopted resolutions approving the slate of director nominees to stand for election at the Annual Meeting, the appointment of a Lead Director, and Board committee assignments.

**Selection of Director Nominees**

The Nominating/Governance and Public Policy Committee solicits recommendations for Board candidates from a number of sources, including our directors, our officers, individuals personally known to our Board members, and third-party research. In addition, the Committee will consider candidates submitted by stockholders when submitted in accordance with the procedures described in this proxy statement under the caption "Miscellaneous Stockholder Communications, Nominations, and Proposals."

The Committee will consider all candidates identified through the processes described above and will evaluate each of them on the same basis. The level of consideration the Committee will extend to a stockholder's candidate will be commensurate with the quality and quantity of information about the candidate that the nominating stockholder makes available to the Committee.

**Proxy Access.** Our amended and restated bylaws permit a stockholder, or a group of up to 20 stockholders, that has owned at least three percent of our outstanding Common Stock for at least three years to nominate and include in our proxy statement candidates for our Board, subject to certain requirements. Each stockholder, or group of stockholders, may nominate candidates for director, up to a limit of the greater of two or 20 percent of the number of directors on the Board. Any nominee must meet the qualification standards listed in our bylaws. The procedures for nominating a candidate pursuant to our proxy access provisions are described in this proxy statement under the caption "Miscellaneous Stockholder Communications, Nominations, and Proposals."

## EVALUATION OF DIRECTOR CANDIDATES

The Nominating/Governance and Public Policy Committee is charged with (i) assessing the skills and characteristics that candidates for election to the Board should possess and (ii) determining the composition of the Board as a whole. The assessments include consideration of:

- applicable independence standards;
- skills and experience necessary for service on the Board's committees; and
- skills and expertise to serve the needs of the Board as a whole.



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**INFORMATION REGARDING THE BOARD OF DIRECTORS**

Each candidate must meet certain minimum qualifications, including:

independence of thought and judgment;  
the ability to dedicate sufficient time, energy, and attention to the performance of duties, taking into consideration the candidate's service on other public company boards; and  
skills and expertise complementary to those of the existing Board members; in this regard, the Board will consider its need for operational, managerial, financial, governmental affairs, technology, human resources, or other expertise.

The Committee also considers:

diversity concepts such as race, gender, national origin, age, and geography;  
the ability of a prospective candidate to work with the then-existing interpersonal dynamics of the Board; and  
the candidate's ability to contribute to the collaborative culture among Board members.

Based on this initial evaluation, the Committee will determine whether to interview a proposed candidate and, if warranted, will recommend that one or more of its members, other members of the Board, and/or senior officers, as appropriate, interview the candidate. Following this process, the Committee ultimately determines its list of nominees and recommends the list to the full Board for consideration and approval.

**Leadership Structure of the Board**

Our bylaws provide that the Chairman of the Board has the power to preside at all meetings of the Board. Joseph W. Gorder, our Chief Executive Officer, serves as the Chairman of the Board. Although the Board believes that the combination of the Chairman and Chief Executive Officer roles is appropriate in current circumstances, Valero's *Corporate Governance Guidelines* do not establish this approach as a policy, and in fact, the Chairman and Chief Executive Officer roles were separate from 2005-2007 and from May-December 2014.

The Chief Executive Officer is appointed by the Board to manage Valero's daily affairs and operations. We believe that Mr. Gorder's extensive industry experience and direct involvement in Valero's operations make him best suited to serve as Chairman in order to:

lead the Board in productive, strategic planning;  
determine necessary and appropriate agenda items for meetings of the Board with input from the Lead Director and Board committee chairs; and

determine and manage the amount of time and information devoted to discussion of agenda items and other matters that may come before the Board.

***Oversight by Independent Directors.*** Our Board structure includes strong oversight by independent directors. Mr. Gorder is the only member from our management (past or present) who serves on the Board; all of our other directors are independent. Each of the Board's committees is chaired by an independent director, all committee members are independent, and our Board has named an independent Lead Director whose duties are described in the following section.

### **Lead Director and Meetings of Non-Management Directors**

Our Board appoints a Lead Director whose responsibilities include leading the meetings of our non-management directors outside the presence of management. Following the recommendation of the Nominating/Governance and Public Policy Committee, the Board selected Robert A. Profusek to serve as Lead Director during 2018. He also served as Lead Director in 2017. Our Board regularly meets in executive session outside the presence of management, generally at each Board and committee meeting, as led by Mr. Profusek.

The Lead Director, working with the committee chairs, sets agendas and leads the discussion of regular meetings of the Board outside the presence of management, provides feedback regarding these meetings to the Chairman, and otherwise serves as liaison between the independent directors and the Chairman. The Lead Director regularly communicates with the Chairman between meetings of the Board to discuss policy issues, strategies, governance, and other matters that arise throughout the year. The Chairs of the Board's committees also communicate regularly with the Lead Director to discuss policy issues facing Valero and the Board and to recommend agenda items for consideration at future Board meetings. The Board believes that this approach appropriately and effectively complements Valero's combined Chief Executive Officer/Chairman structure.

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**INFORMATION REGARDING THE BOARD OF DIRECTORS**

Our *Corporate Governance Guidelines* enumerate the duties and responsibilities of the Lead Director, which include: (a) serving as a liaison between the Chairman and the independent directors, (b) consulting with the Chairman on agendas for board meetings, (c) reviewing and approving information sent to the Board as and when appropriate, (d) the authority to call meetings of the independent directors, (e) setting agendas and leading the discussion of regular executive session meetings of the Board outside the presence of management and providing feedback regarding these meetings to the Chairman, and (f) receiving, reviewing, and acting upon communications from stockholders or other interested parties when those interests should be addressed by a person independent of management.

**Risk Oversight**

The Board considers oversight of Valero's risk management to be a responsibility of the full Board. The Board's role in risk oversight includes receiving regular reports from its committees and from members of senior management on areas of material risk to Valero, or to the success of a particular project or endeavor under consideration, including operational, financial, legal, regulatory, strategic, political, reputational, environmental, cybersecurity, and climate-related risks. For example, the Board recently completed a review with management of Valero's policies and procedures concerning issues of workplace diversity, sexual harassment and discrimination, and ensuring a safe workplace.

The full Board (or appropriate Board committee) regularly receives reports from management to enable the Board (or committee) to assess Valero's risk identification, risk management, and risk mitigation strategies. When a report is vetted at the committee level, the chair of that committee thereafter reports on the matter to the full Board. This enables to the Board and its committees to coordinate the Board's risk oversight role. The Board also believes that risk management is an integral part of Valero's annual strategic planning process, which addresses, among other things, the risks and opportunities facing Valero in the long term.

One of the Audit Committee's responsibilities is to discuss with management Valero's major financial risk exposures and the steps Valero has taken to monitor and control those exposures, including our risk assessment and risk management policies. In this regard, our chief audit officer prepares a comprehensive risk assessment report and reviews that report with the Audit Committee. This report identifies material business risks for Valero and identifies Valero's internal controls that respond to and mitigate those risks. Valero's management regularly evaluates these controls, and the Audit Committee is provided regular updates regarding the effectiveness of the controls. The Audit Committee also has oversight responsibility regarding management's annual assessment of, and report on, Valero's internal control over financial reporting. In addition, senior management reports regularly to the Audit Committee regarding Valero's initiatives and strategies respecting cybersecurity and information technology risks.

Our Nominating/Governance and Public Policy Committee reviews our policies and performance in areas of employee and contractor safety, environmental compliance, governmental affairs, reputation management, climate-related risks and opportunities, and policy matters generally. Valero's General Counsel and the Vice President Public Policy & Strategic Planning attend all meetings of the Committee. In addition, members from senior management report, at least annually, to the Committee regarding Valero's safety and environmental risks, strategies,

and assessments. The Committee also assists the Board in oversight of Valero's climate-related risks and opportunities (described further in "Climate Change Disclosure" below).

Our Compensation Committee assesses the risk of our compensation programs. Our compensation consultant regularly attends meetings of the Committee to provide updates on compensation related risks and trends. See also, "Risk Assessment of Compensation Programs" elsewhere in this proxy statement.

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**CLIMATE CHANGE DISCLOSURE**

In 2017, the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD) issued its final recommendations on reporting climate-related financial information. Valero is presently at work preparing drafts of a report with ongoing Board oversight led by the Nominating/Governance and Public Policy Committee that is aligned with the main principles outlined in the recommendations of the TCFD. We plan to include the results of a stress-test of our business against the International Energy Agency's hypothetical 450 Scenario (also known as the 2 degree scenario). Following the full Board's final review of the report, we expect to publish our report in the third quarter of 2018.

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