

**VALERO ENERGY CORPORATION**  
**CORPORATE GOVERNANCE GUIDELINES**

The following guidelines have been adopted by the Board of Directors (the “Board”) of Valero Energy Corporation (“Valero” or the “Company”) to establish ethical governance standards for the Company. These Guidelines represent one component of Valero’s governance program. Other documents that direct Valero’s governance affairs include Valero’s certificate of incorporation, bylaws, *Code of Business Conduct and Ethics*, *Code of Ethics for Senior Financial Officers*, and the charters of its various Board committees.

**Article I. Director Qualification Standards**

1. The Board’s Nominating/Governance Committee is responsible for reviewing the composition of the Board as well as the qualifications of the individual members of the Board and its various committees. This review includes consideration of the Board members’ independence, character, judgment, integrity, diversity, age, skills (including financial literacy) and experience in the context of the overall needs of the Board. Nominees for director will be recommended to the Board by the Nominating/Governance Committee in accordance with the policies and principles in its charter.
2. The Board shall be composed of a majority of directors who meet the criteria for independence required by the New York Stock Exchange (“NYSE”). Under the NYSE’s listing standards, a director is not independent unless the Board of Directors affirmatively determines that the director has “no material relationship” with the Company. As provided for in the NYSE listing standards, the Board has adopted categorical standards or guidelines to assist the Board in making its independence determinations with respect to each director. A director’s relationship with Valero falls within the guidelines adopted by the Board if that relationship:
  - is not a relationship that would preclude a determination of independence under Section 303A(2)(b) of the NYSE Listed Company Manual;
  - consists of charitable contributions by Valero to an organization in which a director is an executive officer and Valero’s contributions do not exceed the greater of \$1 million or 2% of the organization’s gross revenue in any of the last three years;
  - consists of charitable contributions by Valero 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 generally, or is in amounts that do not exceed \$1 million per year;
  - is not a relationship required to be disclosed in Valero’s proxy statement (or annual report on Form 10-K) per Item 404 of the SEC’s Regulation S-K.
3. Valero’s certificate of incorporation requires the Board to have at least five members. Valero’s bylaws specify that the number of directors on the Board shall be determined by the Board, but shall not be less than five or more than thirteen directors. The Board generally believes that a membership of five to thirteen directors is appropriate.

4. Each director is expected to devote sufficient time and efforts to his or her duties as a member of the Board. Directors should not serve on more than three other boards of public companies in addition to the Company's board. The Nominating/Governance Committee will periodically assess each director's ability to fulfill his or her responsibilities to the Company if he or she serves on more than three other public-company boards.
5. The Board generally believes that directors who materially change their principal occupation or assume a new position with materially increased responsibilities since the date they were elected to the Board should consider, and provide the Board the opportunity to consider, whether they will be able to continue to devote sufficient time to the affairs of the Board, and, will, therefore, offer to resign from the Board in such circumstances. The Board does not believe that every instance of a change in occupation, position or responsibilities would require resignation from the Board. But the Board believes that there should be an opportunity for the Board, through its Nominating/Governance Committee, to review the continued appropriateness of Board membership under the circumstances.
6.
  - A. A duly elected or appointed director may serve on the Board of Directors until he or she reaches the age of 72. A person who reaches the age of 72 while a director may serve the remainder of his or her term of office, but, subject to the following procedures, the term of his or her office shall be deemed to end at the next annual meeting of stockholders at which directors are elected (an "Annual Meeting") that occurs after such person reaches the age of 72.
  - B. Directors may continue to serve in office after age 72 upon satisfaction of the following. Upon reaching age 72, and, if still serving as a director, upon each birth date thereafter, a director will be deemed to tender an offer of resignation (an "Offer") to the Board. Following a director's Offer, the Nominating/Governance Committee shall make a recommendation to the Board at or before the Board's next regularly scheduled meeting, as to whether to accept or reject the director's Offer. If the Board accepts the Offer, then the director's term of office shall end at the next Annual Meeting that occurs following the Offer. If the Board rejects the director's Offer, then the director's term of office shall end at the second Annual Meeting that occurs following the Offer.
  - C. If, during a director's continuation of service pursuant to the foregoing procedures, the director's class to which he or she is assigned is scheduled to stand for reelection to the Board at an Annual Meeting, then a director whose most recent Offer has been rejected will stand for reelection at such Annual Meeting with the class to which the director is assigned. If that director is then duly elected by the stockholders, the director's term of office will end at the next Annual Meeting following his or her election (notwithstanding that the other duly elected members of that class may serve for three-year terms).
  - D. Nothing in the foregoing shall be deemed to limit the right of a director to resign his or her position at any time pursuant to Section 3 of Article II of the Company's bylaws.
7. The Company's certificate of incorporation requires the Board to be divided into Class I, Class II and Class III directors, with each class serving a staggered three-year term. The Board does not believe that it should establish term limits. The Board believes that directors who have served on the Board for an extended period of time are able to provide valuable insight into the operations and future of the Company based on their experience with and

understanding of the Company's history, policy and objectives. As an alternative to term limits, the Board believes that its evaluation and nomination processes described in these Guidelines and in the charter of the Nominating/Governance Committee serve as an appropriate check on each Board member's continued effectiveness.

## **Article II. Director Responsibilities**

1. The Board is the ultimate decision-making body of the Company except with respect to those matters reserved to the vote of the Company's stockholders. Directors are responsible for exercising their business judgment in good faith and acting in what they reasonably believe to be in the best interests of the Company. In discharging that obligation, directors are entitled to rely on the honesty and integrity of their fellow directors and the Company's executives and outside advisors and auditors. The directors are also entitled to (i) have the Company purchase reasonable directors' and officers' liability insurance on their behalf, and (ii) the benefits of indemnification to the fullest extent permitted by law and the Company's certificate of incorporation, bylaws and any indemnification agreements.
2. Directors are expected to attend Board meetings and meetings of the committees on which they serve. Directors are expected to attend the annual meeting of stockholders of the Company at which directors are elected. Directors are expected to meet as frequently as necessary to properly discharge their responsibilities. The Chairman of the Board and Corporate Secretary are responsible for collecting and distributing to the Board all information that is important to the Board's understanding of the business to be conducted at a Board or committee meeting. The information generally should be distributed in writing to the directors before each meeting, and directors are expected to review these materials in advance of the meeting.
3. The Chairman will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on meeting agendas. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans during at least one Board meeting each year.
4. The Board does not have a general policy with respect to the separation of the offices of Chairman of the Board and Chief Executive Officer. The Board believes that this issue is best addressed as part of the Company's overall succession planning process, and that it is in the best interests of the Company for the Board to make any determination regarding separation of such offices upon any election of a new Chief Executive Officer or Chairman of the Board.
5. The Company's non-management directors will meet in executive session without management at least quarterly at regularly scheduled meetings of the Board. Each year, the Board will appoint one of its non-management members to serve as the "presiding director" for meetings of the non-management directors; his or her name will be disclosed in the Company's annual proxy statement. For purposes of these Guidelines, the term "non-management directors" shall mean the members of the Board who (i) are not current employees of the Company or any of its affiliates, and (ii) have not been employees of the Company or any of its affiliates at any time during the past five years. Each executive session of non-management directors shall include such matters as the non-management directors deem appropriate. No formal action of the Board shall be taken at these meetings, though the non-management directors may recommend matters for subsequent consideration by the full Board.

6. Interested persons may send communications directly to the presiding director or the non-management directors as a group by sending such communication in writing to the Company in an envelope addressed to “Presiding Director” or “Non-Management Directors” in care of the Corporate Secretary, P.O. Box 696000, San Antonio, Texas 78269.

### **Article III. Board Committees**

1. The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating/Governance Committee. All of the members of these committees will be “independent” directors under the criteria established by the NYSE. The Board may appoint additional standing and temporary committees as it deems appropriate. In general, committee members will be appointed by the Board upon recommendation from the Nominating/Governance Committee. The Board believes that consideration should be given to rotating committee members periodically, but the Board does not feel that rotation should be mandated as a policy.
2. Each of the Audit Committee, Compensation Committee and Nominating/Governance Committee shall have a charter that complies with the listing standards of the NYSE and all applicable laws and regulations. Each other standing committee may have a charter as determined in the discretion of the Nominating/Governance Committee.
3. The Chair of each committee, in consultation with committee members and Company management, will determine a schedule of regular committee meetings and will develop the committee’s agenda for each meeting. The schedule of meetings for each committee will be furnished to all directors.

### **Article IV. Director Access to Management, Employees and Advisors**

1. Directors have free access to members of management and employees of the Company. To the extent appropriate, directors are expected to copy the Chairman of the Board or Corporate Secretary on any written communications between a director and an officer or employee of the Company. Such communications should not be directive other than as relates to routine administrative matters.
2. The Board expects regular attendance and participation of executive officers of the Company at each Board meeting, subject to the Board’s right in all instances to meet in executive session or with a more limited number of management representatives.

### **Article V. Director Compensation**

1. The form and amount of director compensation will be determined by the Board upon recommendation of the Compensation Committee in accordance with the policies and principles set forth in its charter and any NYSE listing standard or other applicable rules. The Compensation Committee will conduct a periodic review of director compensation.
2. The Board believes that all directors should own equity in the Company in accordance with the guidelines, policies and plans approved by the Compensation Committee. The Board acknowledges that a director’s independence may be jeopardized if his or her compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters

into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated.

#### **Article VI. Director Orientation and Continuing Education**

1. All new directors must participate in an orientation program of the Company as soon as reasonably practical after joining the Board. The orientation generally should include presentations by senior management and other appropriate individuals to familiarize new directors with the Company's operations, strategic plans, significant risks, compliance programs (including policies and procedures for the purchase and sale of Company stock), *Code of Business Conduct and Ethics*, principal officers, and internal and independent auditors.
2. The Board will also consider whether continuing education in certain areas is warranted for its directors. The Company will pay all reasonable expenses for a director's participation in continuing education programs approved by the Nominating/Governance Committee.

#### **Article VII. Management Succession and CEO Evaluation**

1. The Compensation Committee shall oversee the Company's management succession planning programs and shall make periodic reports thereof to the Board. The full Board will work with the Compensation Committee to evaluate potential successors to the office of Chief Executive Officer. The Chief Executive Officer should at all times make available his recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.
2. The Compensation Committee will conduct an annual review of the Chief Executive Officer's performance. Performance goals and objectives for the Chief Executive Officer's compensation will be determined by the Compensation Committee. The Compensation Committee will evaluate the Chief Executive Officer's performance in light of the criteria, goals and objectives established by the committee, and will make a report of its evaluation to the non-management directors meeting in executive session. The non-management directors will review the Compensation Committee's report in order to confirm that the Chief Executive Officer is providing effective leadership for the Company.
3. In the event of an emergency or the retirement of the Chief Executive Officer, Section 4 of Article V of the Company's bylaws provides that any vacancy occurring in that office because of death, resignation, removal or otherwise may be filled by the Board for the unexpired term of the office. Section 8 of Article V of the Company's bylaws provides that in the absence or disability of the Chief Executive Officer, the President of the Company shall exercise the powers and perform the duties of the Chief Executive Officer unless such authority shall have been delegated by the Board, the Board's Executive Committee or the Chief Executive Officer to another person.

#### **Article VIII. Annual Performance Evaluation**

The Board and its committees will conduct annual self-evaluations to determine their effectiveness. The Nominating/Governance Committee will oversee the evaluation and will report to the Board with an assessment of the Board's performance.

**Article IX. Common Stock Ownership and Retention Guidelines  
for Directors and Officers**

1. **Oversight.** The Compensation Committee will be responsible for monitoring compliance with these stock ownership guidelines.
2. **Ownership and Retention Guidelines for Directors.**
  - A. **Non-Employee Director Stock Ownership Guidelines.** Non-employee directors are expected to acquire and hold during their service as a Valero Board member shares of Valero’s common stock (“Common Stock”) equal in value to at least three times the annual cash retainer for non-employee directors.
  - B. **Time Period.** Non-employee directors have five years from their initial election to the Board to meet the target stock ownership guideline, and they are expected to continuously own sufficient shares to meet the guideline once attained.
  - C. **Shares that count toward meeting the stock ownership guidelines:**
    - Shares owned (*e.g.*, restricted shares, shares obtained upon option exercise, shares purchased in the open market, etc.)
    - Shared ownership (*e.g.*, shares owned or held in trust by immediate family)
    - Shares the receipt of which have been deferred
    - Restricted stock units
  - D. **Shares that do not count toward meeting the stock ownership guidelines:**
    - Unexercised stock options
  - E. **Stock Retention Guidelines.** Until such time as the director reaches his or her share ownership guideline, the director will be required to hold 50% of the shares of Common Stock received upon lapse of the restrictions upon restricted stock and upon exercise of stock options (net of any shares utilized to pay for the exercise price of the option and tax withholding).
3. **Ownership and Retention Guidelines for Officers.**
  - A. **Stock ownership guidelines for officers of the Company are as follows.**

	<u>Value of Shares Owned</u>
Chief Executive Officer	5x base salary
President	3x base salary
Executive Vice Presidents	2x base salary
Senior Vice Presidents	1x base salary
Vice Presidents	1x base salary
  - B. **Time Period.** Company officers are expected to meet the applicable guideline no more than five years after first becoming subject to it, and they are expected to continuously own sufficient shares to meet the guideline once attained.

- C. **Shares that count toward meeting the stock ownership guidelines:**
- Shares owned (*e.g.*, restricted shares, shares obtained upon option exercise, shares purchased in the open market, etc.)
  - Shared ownership (*e.g.*, shares owned or held in trust by immediate family)
  - Shares the receipt of which have been deferred
  - Restricted stock units
  - Shares held in thrift/savings plan account(s) (*e.g.*, 401(k) plan account)
- D. **Shares that do not count toward meeting the stock ownership guidelines:**
- Unexercised stock options
  - Unvested and/or unpaid performance shares
- E. **Stock Retention Guidelines.** Until such time as the officer reaches his or her share ownership guideline, the officer will be required to hold 50% of the shares of Common Stock received upon lapse of the restrictions upon restricted stock, upon the vesting of performance shares, and upon exercise of stock options (net of any shares utilized to pay for the exercise price of the option and tax withholding).
- F. **Consent required for sale of 20% or more of shares of Common Stock.** Any officer who desires to sell 20% or more of his or her shares of Common Stock must receive the approval of the Chief Executive Officer in advance; the Chief Executive Officer must receive the approval of the Compensation Committee in advance.