Valero Energy Corporation, through its subsidiaries, is an international manufacturer and marketer of transportation fuels and other petrochemical products. Valero, a Fortune 50 company based in San Antonio, Texas, with approximately 10,000 employees, is an independent petroleum refiner and ethanol producer, including 15 petroleum refineries with a combined throughput capacity of approximately 3.1 million barrels per day and 11 ethanol plants with a combined production capacity of approximately 1.4 billion gallons per year. In addition, Valero owns the 2 percent general partner interest and a majority limited partner interest in Valero Energy Partners LP, a midstream master limited partnership. Approximately 7,400 outlets carry Valero’s brand names in the United States, Canada, United Kingdom and Ireland.

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△ As part of their “Challenge for Charity” United Way team competition in 2016, Valero employees proudly collect nearly 9,000 backpacks for ChildSafe, representing a total value of more than $100,000. The backpacks are distributed to schoolchildren of all ages in San Antonio who are served by the agency.
A Message to Our Stakeholders

At Valero, “fuel” has several meanings. We are a major manufacturer and marketer of transportation fuels – from gasoline to ethanol to renewable diesel – that we all depend upon every day. But we also are “fueled by” many things, including an unwavering drive to be the best corporate citizen.

We are pleased once again to present our annual Social Responsibility Report, which highlights how our people execute our Guiding Principles in safety, environmental stewardship, community support, employee programs and corporate governance that serves all stakeholders.

In 2016, we certainly had outstanding performance in operations, as we achieved our best-ever marks in occupational and process safety, reliability and environmental stewardship.

As safety continues to be our foundation for success, we earned a record-low refinery employee incident rate that once again was far-lower than the industry average. Our combined employee and contractor incident rate also was a record low.

Safe processes mean reliable operations, and we achieved our lowest rate of refinery process safety incidents and highest “mechanical availability” – meaning, the percentage of time our units are available to run. Our ethanol plants had no process safety events.

We’re proud of our environmental performance, as we recorded our lowest-ever number of environmental incidents, and a one-third reduction from the year before. And Valero remains committed to alternative fuels.

Our employees fuel our communities with generous giving and volunteer support. For a third consecutive time, Valero was named to the Civic 50, a listing of America’s most community-minded companies by Points of Light – and the top company in the energy sector.

We remain an employer of choice in the energy industry, with well-paying jobs, attractive benefits and an award-winning health and wellness program.

And Valero upholds its reputation with a solid commitment to stakeholders and sound corporate governance. We once again were the top independent refiner on Fortune magazine’s World’s Most Admired Companies list.

Also, Institutional Investor magazine selected Valero among its Most Honored Companies – including the best overall investor relations program in the integrated oil sector.

In all these ways, and more, we both fuel and are fueled by responsible corporate citizenship. As always, we hope you enjoy our report!

Joe Gorder
Chairman, President and
Chief Executive Officer
Valero’s Vision

Valero will be the premier manufacturer, distributor and marketer of quality transportation fuels and petrochemical feedstocks, while serving the needs of our employees, communities and stakeholders.

Guiding Principles:

- **Safety**
  Safety is our foundation for success.

- **Environment**
  We produce environmentally clean products and are committed stewards of the environment.

- **Community**
  We share our success with the communities where we live and work through volunteerism, charitable giving and the economic support of being a good employer.

- **Employees**
  We consider our employees a competitive advantage and our greatest asset. As such, we provide them with a safe and rewarding work environment with opportunities for growth and personal development.

- **Stakeholders**
  Our stakeholders are our partners to whom we pledge to deliver operational excellence, disciplined management of capital and long-term value.

Commitment To Excellence Management System (CTEMS)

Our Commitment To Excellence Management System (CTEMS) directs us in achieving our Guiding Principles. In driving operational excellence, CTEMs establishes a proprietary systematic approach to planning, executing, checking and acting to improve our everyday work activities across the entire company. It also further enhances our commitment to ensuring the health and safety of our employees and protecting the environment.

CTEMS has nine elements:

1. Leadership Accountability
2. Protecting People and Environment
3. People and Skills Development
4. Operations Reliability and Mechanical Integrity
5. Technical Excellence and Knowledge Management
6. Change Management
7. Business Competitiveness
8. External Stakeholder Relationships
9. Assurance and Review

Operational excellence means reliable and predictable operations, which make our facilities safer and more efficient. CTEMS has counted many successes, in areas ranging from change management to risk assessment, fixed-equipment inspection and preventive maintenance. We will continue to assess existing programs against expectations defined in CTEMS.
Safety is our foundation for success.
As a Senior Planner in the maintenance department at the Valero Ardmore Refinery in Oklahoma, Dereque Jones knows that creating buy-in and ownership of safety programs are key to success. He has been part of a leading safety and health indicators program at Valero, including job audits and observations that measure management and employee involvement.

“The indicators provide us with opportunities to improve both safe work practices and communication necessary for open dialogue on known or potential hazards,” Jones said. “I rely heavily on this high level of communication daily.”

The program helped Valero achieve its best year ever for both occupational and process safety. Also, Valero’s Ardmore and Houston refineries received prestigious Silver Elite awards from American Fuel & Petrochemical Manufacturers in 2016, recognizing the top 5 percent of member refineries across a range of occupational and process safety indicators.

**OCCUPATIONAL SAFETY**

We track employee and contractor safety-event rates by total incidents recorded per 200,000 working hours, known as the Total Recordable Incidence Rate, or TRIR.

In 2016, Valero established a company record-low refinery employee TRIR of 0.35, while our contractors continued their strong safety performance, at 0.30. Our combined employee and contractor rate of 0.32 also is a new low, well below the industry average for refinery employees of about 0.6, and a 53 percent drop since 2010.

Four Valero refineries – Ardmore; Benicia, in California; and St. Charles and Meraux in Louisiana – completed 2016 with no employee recordable safety incidents. The four sites combined have gone more than 10 years without a safety incident.

And Benicia won the Valero Chairman’s Safety Award, after going more than three years and 4 million working hours without an employee injury, a new company record.

The performance reflects Valero’s strong safety and health indicators program that uses proactive and predictive measures to avoid incidents. These include timely completion of safety work orders, safety-related action items and incident investigations.

Further, job audits and observations reinforce the communication important to employees such as Jones at Ardmore, in which everyone looks out for one another in a theme of continuous improvement.

“'To me, safety means caring about people and doing the right thing, knowing the risks around us and how to mitigate those risks,'” said Jeff Montgomery, Supervisor-Operations at Ardmore. “And looking out for each other so we can all go home to our families each day without injury.”

2016 Social Responsibility Report
Pembroke Refinery Earns Valero VPP Star

The Pembroke refinery in Wales became the latest Valero refinery to become a VPP “Star” site.

In the United States, a Voluntary Protection Program Star is regarded as the highest plant safety designation by the Occupational Safety and Health Administration (OSHA). While Pembroke is not subject to OSHA regulation, it submitted to a rigorous audit by a team of independent OSHA-trained inspectors that is nearly identical to VPP inspections of refineries in the U.S., under an internal Valero VPP program (known as the “Valero Protection Program” in the United Kingdom).

Eight U.S. Valero refineries are OSHA VPP Star Sites – the most of any refiner – in addition to internal VPP designations at the Jean Gaulin refinery in Quebec, and now Pembroke. Three Valero asphalt terminals also hold VPP Stars – with approval of the St. James terminal in Louisiana in 2016 – as does the company’s Aviation Department. Benicia; Texas City, Texas; and Jean Gaulin earned VPP re-approvals in 2016.

“It took exceptional teamwork from everyone on site to deliver this result,” said Ed Tomp, Pembroke refinery Vice President and General Manager. “The assessment team could not have been more impressed with the people of Pembroke refinery.”

At the close of the audit in December, hundreds of refinery employees and contractors assembled to hear comments from the assessment team, led by Mike Maddox, executive director of the Voluntary Protection Program Participants’ Association.

Particular praise focused on the areas where Pembroke had achieved industrywide best practices.

The team provided positive comments on a range of practices, policies and programs in place at Pembroke, such as mechanical integrity, operability standards, the refinery’s long-standing apprenticeship program, leadership visibility and employee engagement in the site’s health and safety culture.

PROCESS SAFETY AND RELIABILITY

Valero refineries continue to make significant strides in key areas of process safety and reliability. Intense reliability assessments, which directly support process safety improvements, review equipment and management systems to ensure Valero’s practices are strong and effective.

In 2016, we recorded our best-ever PSE Tier 1 performance, the industry’s primary process safety metric, and highest refinery mechanical availability, a leading reliability measure.

Process Safety Event Rates*

(Three-year rolling averages of PSE Tier 1* events per 200,000 work hours)

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* Tier 1, as defined within American Petroleum Institute Recommended Practice 754

Process Safety

Valero achieves process safety excellence through its focus on safe and reliable operations. Our proprietary management systems allow us to consistently deliver predictable and desirable operating results, and focus on areas of greatest opportunity for improvement.

Our state-of-the-art investigation methods increase understanding of incident causes, drive improvement in management systems and strengthen work practices to prevent similar incidents from recurring.

In 2016, we recorded our lowest-ever, three-year rolling average of PSE Tier 1 events per 200,000 work hours – 0.066, representing a 16 percent reduction from our previous best in 2015, and a 65 percent drop from 2010, the year our industry began tracking the metric.
Benicia, Valero’s Chairman’s safety award-winner, recorded no Tier 1 process safety events in 2015 and 2016, and Valero’s entire fleet of 11 ethanol plants also had no process safety events both years.

**Reliability Programs**

There has been measurable improvement in overall reliability of Valero’s refineries. Beginning in 2009, Valero’s reliability technical networks developed and implemented comprehensive assessments that identify opportunities to further improve safety and reliability performance.

The Electrical Safety and Reliability Network (ESARN) and Materials and Inspection Network (MAIN) initially rolled out reliability assessments. Process Automation and Control Effectiveness Network (PACE) and Rotating Equipment Reliability Network (ROTO) followed in 2014.

Since the initial rollout, Valero has significantly reduced the number of unplanned refinery outages. **In 2016, Valero refineries achieved 96.9 percent mechanical availability, which is the highest company percentage ever recorded.** Excluding scheduled turnarounds, availability topped 99 percent.

The Houston refinery won the Valero Chairman’s Award for reliability for having the highest reliability outside of turnarounds in 2016.

**EMERGENCY PREPAREDNESS**

Valero has implemented an emergency preparedness program to ensure its response readiness. We train and prepare to make sure that in the event of an emergency, we do the best job possible to protect personnel, the community and our environment. Our program includes:

- A consistent emergency management process and organization that has the ability to provide immediate and comprehensive corporate support and response
- Qualified emergency response teams at each of our operating facilities, and/or relationships with local fire departments
- Regular training for responders and managers in emergency management, incident command and tactical operations

“It’s not always easy to stop people in action or speak up in meetings when you see a potential hazard. I care about the people I work with, and I don’t want anyone to be injured because of my lack of assertiveness. That responsibility is the essence of a safety culture.

Process safety incidents can be serious. It is part of my job to identify those hazards in the design, through process safety reviews and management of change reviews. Using critical thinking to engineer out potential hazards is one of the most rewarding parts of my job because I am protecting our people.”

Katie Ring
Senior Process Engineer, Ardmore Refinery
I’ve met so many wonderful people in our Valero family who I truly love. Each one of them is a son, daughter, father or mother to someone else. It is our job as a company to keep everyone safe.

Whether it’s something simple like picking up trash when you see it, being involved in a job safety analysis or management of change process to get something changed properly, everything we do has an element that is driven by the safety of our employees and communities.

Kim Duvall
Senior Process Control Engineer, Ardmore Refinery
Valero Refineries Boost AFPM Safety Awards

Including the prestigious Elite Silver Safety Awards earned by Ardmore and Houston, Valero petroleum refineries earned industry praise in 2016 with 15 safety awards from American Fuel & Petrochemical Manufacturers (AFPM), the industry’s major trade association.

In all, eight Valero petroleum refineries received at least one safety honor from AFPM, recognizing performance over the previous year. The awards honored AFPM member companies operating U.S. refineries and petrochemical plants, as well as associate-member contractors, for superior occupational and process safety performance as reflected by safety records and practices.

“Everyone has done such a great job and we have a lot to be proud of,” said Sean Horne, Vice President-Safety. “Our team earned two more AFPM awards than the previous year, and we just keep getting stronger.

“We have strong processes, procedures, and hazard identification and mitigation practices in place,” he said. “Even with those core pieces in place, it takes people to make them work. We have increased awareness and focus on the day-to-day aspects of safety.”

AFPM awards and their evaluation criteria:

Elite Silver Safety Award: This award is presented to the top 5 percent of member company refineries and petrochemical plants that have exhibited excellent industry safety performance and program innovation as determined by the selection committee.

Meritorious Safety Performance Award: Recipients must achieve an employee total recordable incidence rate (TRIR) of 0.6 incidents, or less, per 200,000 working hours at their site for calendar year 2015.

Award for Safety Achievement: 1,000,000+ Employee Hours – Recipients must have worked 1 million or more employee hours without a lost employee workday case involving days away from work.

Award for Safety Achievement: 1+ Years – Recipients must have worked one or more years (365 consecutive days) without a lost workday case involving days away from work.

Also, to be eligible for an award, plants must not have incurred any major process safety incidents resulting in employee, contractor or subcontractor days away and/or work restrictions; a third-party fatality; or an officially declared community evacuation or community shelter-in-place during 2015.
The Valero Energy Pipeline Public Awareness Program actively works to enhance safety and environmental protection by raising public awareness and knowledge of the company’s operations. In particular, the program reaches out to public officials and key stakeholder audiences to share information not only about the presence of pipelines in their areas but their role in transporting energy.

Valero operates its Pipeline Control Center in San Antonio for all of its pipeline and terminal locations, with emergency contact numbers posted on its website, where informational brochures also are available.

While emergencies are rare, Valero conducts annual exercises for its pipeline operating systems throughout the company.

SECURITY

Valero’s advanced technology, sophisticated monitoring equipment and highly trained security personnel ensure facilities and assets are safe and secure. Our security enhancement initiatives continually safeguard Valero’s employees, our facilities and communities. Ongoing security initiatives at Valero’s facilities include:

- Development of facility security plans and security assessments for all refineries, terminals and ethanol plants
- Full compliance with the Transportation Worker Identification Credential (TWIC), a federal program designed to secure our nation’s ports and modes of transportation*
- Commitment to protecting our borders against national security threats by participating in the Customs-Trade Partnership Against Terrorism (C-TPAT) program with U.S. Customs and Border Protection**
- Membership in and full collaboration with the American Fuel & Petrochemical Manufacturers Security Committee

* The U.S. Transportation Security Administration (TSA) implemented this program in 2007 to further secure maritime refineries and terminals. Most of Valero’s refineries and terminals are covered by the Marine Transportation Security Act and therefore are regulated by TWIC.

** C-TPAT is a partnership with U.S. Customs to secure global supply chains. Membership in C-TPAT is a prerequisite to the Importer Self Assessment (ISA) program. As a member of ISA, Valero agrees to self audits of transactions with U.S. Customs and Border Protection.
Valero engages with local communities in a variety of emergency preparedness activities. In October 2016, and after more than a year of planning, the Valero Jean Gaulin Refinery in Quebec hosted a major multi-agency “tabletop” drill simulating a marine incident, attracting roughly 150 stakeholders representing a dozen organizations from various levels of government, emergency services and others.

Called “Operation Lighthouse,” the large-scale exercise was conducted entirely within the confines of the Lévis convention and exhibition center – with no deployment of equipment or personnel in the field, but with laptops, video monitors and other presentation materials.

Throughout the day, participants managed various situations of the simulated incident as it evolved, with roles and responsibilities of each organization clearly determined.

“We achieved our objective to bring together the main emergency-measures stakeholders and have them work with one another,” said Martine Péloquin, Vice President and General Manager of the Jean Gaulin refinery.

Even the work leading up to the event brought participating organizations together and provided them with a forum to exchange ideas and views on emergency preparedness best practices.

And the activity didn’t end with the exercise. Each organization held follow-up meetings, and a comprehensive report was developed to identify areas of needed improvement or training opportunities.
We produce environmentally clean products and are committed stewards of the environment.
Over the past decade, Valero has made major capital investments by installing flare-gas measurement and recovery systems and wet-gas scrubbers on fluidized catalytic cracking units, and making enhancements in sulfur-recovery unit technologies. This, combined with a focus on operational excellence and improved reliability, has led to performance that is among the best in the industry.

**In 2016, Valero achieved its best-ever environmental performance, reducing its number of incidents by one-third from the previous year. And over the past decade, performance has improved by more than 70 percent.**

We accomplished this by focusing on enhanced incident investigations and taking corrective actions to prevent recurrence of environmental events.

Six refineries either set or tied environmental performance records. Memphis received the Valero Chairman’s Environmental award after reducing reportable events nearly 95 percent over the past three years.

By maintaining our emphasis on reliability, operational excellence and enhanced incident investigations, we will continue to target best-in-class environmental performance.

Valero once again was named in Newsweek magazine’s Green Rankings of top 500 U.S. publicly traded companies, one of the world’s most-recognized assessments of corporate environmental performance.

**What We Do**

Here are just a few ways Valero works to improve and enhance the environment:

- We recover usable oil from waste materials and reprocess the remaining oily solids through a method called coker injection, transforming them into a high-value fuel. This process avoids the generation and disposal of hazardous wastes. **In 2016, that volume was approximately 2 million gallons. Through this process, we recycled 9,863 dry tons of material in 2016, an 18 percent increase over 2015.** Six Valero refineries currently employ coker recycling processes.

- **In 2016, Valero recycled approximately 14.7 million pounds of spent refining catalyst material that otherwise would be disposed in landfills, up nearly 16 percent from two years earlier.** The recovered metals are used by manufacturers. Used catalyst from a fluidized catalytic cracking unit at Pembroke that previously was sent to a facility in Germany is now turned into briquettes and recycled into insulation materials in Wales.

- Valero continually seeks opportunities to use treated domestic wastewater for refinery use, potentially saving billions of gallons of fresh water for other community and residential uses each year.

- Valero operates 11 ethanol plants in the Midwest.

- Diamond Green Diesel, a joint venture of Valero subsidiary Diamond Alternative Energy LLC and Darling Ingredients Inc., is expanding the capacity of its plant at Norco, Louisiana, producing renewable diesel fuel from animal fats, used cooking oil and corn oil.

- Valero also operates a 50-megawatt wind farm that partly powers the McKee refinery, at Sunray, Texas.

- Our employees participate in a variety of environmental stewardship efforts, from restoring woodlands and wetlands to helping create habitat for sensitive species.
Flaring, Criteria Emissions

Flares are used to combust gases which otherwise would be emitted during outages and other events. However, Valero has taken aggressive steps to reduce the need for flaring to begin with, by working to avoid outages and improving reliability.

Additionally, Valero has implemented a companywide flaring reduction initiative that includes the installation of flare-gas recovery systems, flare-flow meters and sulfur analyzers on the majority of its flares.

Since 2007, reportable refinery flaring events have been reduced by more than 68 percent. And Valero has reduced emissions from routine flaring events by more than 70 percent from 2012 levels.

Valero also has focused on reducing total “criteria” emissions of other gases and compounds. Since 2007, the total criteria-emission rate dropped more than 60 percent through 2015, the most-recent year reported.

Greenhouse-Gas Emissions

Valero closely follows regulatory developments and participates in professional and public-policy forums that address greenhouse gases.

Valero intends to continue to reduce its greenhouse-gas and other air emissions through adoption of new technologies, and improved and more efficient operations. The average per-barrel greenhouse-gas emissions for 2012-2015 decreased by 15 percent from the previous four-year average, according to most-recent available data.

Through initiatives such as flare-gas recovery, on-site power and steam co-generation, and alternative energy, Valero continues to produce clean and renewable fuels for the world’s energy needs.

Energy Conservation

Valero continues to improve energy conservation at its facilities. Our refineries consistently have ranked among the top facilities in energy efficiency, in industrywide surveys.

Our comprehensive Energy Stewardship Program has sharply focused on improvements in operations such as in distillation and other production processes, to boost efficiency.

In 2016, our refineries’ energy consumption stood at 0.39 million British thermal units per barrel of throughput, down from the previous year, due to continuing conservation efforts.

Refining Total Energy Use
(Million Btu per barrel of throughput*)
Employees and their families took part in their first viewing of an endangered bird being “banded” at Valero’s Jefferson ethanol plant in 2016.

The Jefferson plant is one of about 30 sites in Wisconsin creating habitat for peregrine falcons, the world’s fastest birds, to nest and reproduce. Employee volunteers built a nest box and placed it high up in an old grain elevator stairway well with window access, and away from pests like raccoons that have eaten eggs in the past.

The plant invited employees and their families to attend as Greg Septon, a prominent peregrine falcon researcher, visited and carefully banded a small chick for tracking purposes. “It’s amazing to be close to these vibrant birds, and we get to be a part of it,” said Matt Hill, a Lead Production Specialist at Jefferson, who assisted Septon.

Septon, former director of the Milwaukee Public Museum’s Natural History Outreach Section, led a peregrine falcon recovery program in the late 1980s that helped revive a dwindling population in the Midwest. Prior to his efforts, peregrines were placed on the federal list of endangered species in 1970. They were removed from the federal list in 1999, but remain on Wisconsin’s endangered birds list.

A pair of male and female adult falcons has visited the plant for years and produced several chicks – including one this time, safe from raccoons and other hazards, and dubbed “Lex” by a girl attending the banding. The parent falcons split their duties, taking turns incubating the egg while the other hunted for food.

“I've always been interested in this program,” said Hill. “I’m very proud of our plant’s role in contributing to the sustainability of the peregrine population in the Midwest.”
After nearly 20 years, Michael Cooper figured he’d seen it all in refining. Then he learned about a new venture, next door to his St. Charles refinery, in which a Valero subsidiary would take discarded animal fat, used cooking oil and waste corn oil and turn it into renewable diesel fuel, in a partnership.

“I thought, ‘You’ve got to be kidding me. This can’t be right,’” he recalled. Many of his co-workers had the same reaction. But Cooper decided to join the effort – and he’s glad he did.

In 2016, Diamond Green Diesel, as the joint venture with Darling Ingredients Inc. is called, launched its second expansion in three years and has been highly successful. Companies such as UPS and Boeing have tested the waters with renewable diesel fuel, as has a major theme park for its bus fleet.

For Cooper, still a Valero employee but now Superintendent-Operations of Diamond Green Diesel, it has meant a career rebirth.

“It’s been a renewed inspiration for me to see that we can take waste and turn it into a viable product,” he said, “not only as a means to eliminate waste, but we also recycle our waste here, which is a tremendous help to the landfills. And to be able to contribute to reducing emissions across the board is very satisfying to me.”

The product meets the most stringent of emission standards. But don’t call it biodiesel, which primarily is made from soybean oil and fats, and is susceptible to freezing temperatures and separation during storage, and can’t be transported through traditional diesel pipelines.

Renewable diesel and petroleum diesel are chemically identical, but with the environmental benefits, produced from renewable products such as recycled cooking oil from restaurants, out-of-date foods and meats from grocery stores and waste corn oil from Valero’s ethanol plants. And it can be transported and stored traditionally.

“Not in a lifetime did I think I’d be turning animal-fat waste into a high-quality product such as renewable diesel,” said Cooper, who grew up on a farm near a meat-packing plant. “The evolution we’ve seen here has really been phenomenal.”
Ethanol is a clean-burning, high-octane renewable fuel produced by fermenting processed corn starch with yeast, and is blended with gasoline. A Valero plant can process up to 48 million bushels of corn into as much as 135 million gallons of ethanol annually.

The product left after ethanol is removed from fermented corn mash is a valuable livestock feed called distillers grains. Distillers grains make an excellent feed supplement for beef and dairy cattle, swine and poultry, and a plant can produce up to 400,000 tons annually.

We process the entire kernel of corn – with one bushel yielding approximately 2.8 gallons of ethanol and 18 pounds of distillers grains – generating little liquid or solid waste.

Valero’s Charles City plant won the Chairman’s Award for overall ethanol-plant excellence, after recording no environmental scorecard events, as well as no lost-time injuries or scorecard process safety events, in three years.
ENVIRONMENTAL JUSTICE

Valero takes pride in being a good neighbor and the first energy company to adopt a formal Environmental Justice Policy and initiate a real outreach to fence-line communities.

The company diligently looks for ways to build relationships along the fence line, such as in regular meetings with local community advisory panels (CAP), and expand upon its outreach in an effort to continue improving the quality of life of its fence-line neighbors.

For example, working with Community In-power and Development Association Inc. (CIDA) in Port Arthur, Texas, Valero supports the Karate School and Lionhearted Boxing Academy, which provide activities for local children in a positive environment.

Also, because of Valero’s help, CIDA works in neighboring communities around the refinery to support preschools and middle schools in shuttling students in a van donated by the company to special activities and field trips, at no cost to the struggling institutions. And with Valero’s support, CIDA and Lionhearted paid tuition for a young girl from low-income housing – a straight-A student with an interest in law – to attend a national youth forum in 2016.

“These are just a few ways in which Valero is helping to improve the quality of life for those living near the fence line,” said Hilton Kelley, CIDA founder and executive director. “Also, its continued effort to find ways to reduce emission levels and to hire local residents are major keys to help uplift our community.”

Our Environmental Justice Policy

Valero strives to operate as a good neighbor and to look for opportunities to work with local officials and directly with fence-line neighbors to improve quality of life for its neighbors and communities.

Valero aims to treat its fence-line neighbors fairly, regardless of race, color, national origin, culture or income. We work to ensure that our neighbors have an opportunity to understand our proposed activities, and to provide them with a meaningful opportunity to have their concerns heard, with the goal of providing them with greater comfort in our operations.
The Valero Jean Gaulin Refinery marine terminal in Lévis, Quebec, unveiled giant frescoes on two tanks depicting a historic image of the nearby St. Lawrence River, as part of an overall enhancement program in cooperation with the local community.

The frescoes, which are visible from a bike path along the river, measure 15 meters high and 27 meters in diameter. The unique enhancement program was announced in June 2015, after work with a liaison committee consisting of company stakeholders, and various organizations including the City of Lévis and the community.

Other Valero projects have included a greenbelt between the plant and residential neighborhoods, featuring the 160-acre Valero Les Écarts Park, offering many walking and cycling paths. Valero also acquired the adjacent Boisé de l’Abbaye Valero woodland, where employees in 2016 continued a project to reforest 3,000 trees per year for 12 years, in cooperation with regional organizations.

The frescoes initiative “further confirms the merits of the interventions we have made in cooperation with the people from the area,” said Martine Peloquin, Vice President and General Manager of the refinery. “It is a source of pride for Valero Energy and all of its employees to deliver concrete initiatives that can positively impact the community.”

The enhancement program of the refinery’s marine facilities continued with plans for a phase-by-phase installation of a stylized screen to improve the appearance of pipelines bordering the river.
We share our success with the communities where we live and work through volunteerism, charitable giving and the economic support of being a good employer.
For a third consecutive time, Valero made the list of America’s 50 most community-minded major companies – The Civic 50 – and was recognized as the top energy-sector company on the list. The list is an annual initiative of Points of Light, the world’s largest organization dedicated to volunteer service, recognizing companies for their commitment to improve the quality of life in communities where they do business.

PHILANTHROPY

Overall in 2016, Valero, its employees and charitable organizations generated more than $41 million for worthy charities or causes, through direct donations or fundraising.

- In the U.S., the Valero Energy Foundation – Valero’s philanthropic arm – contributed approximately $12.5 million plus in-kind donations to improve the lives of those who live in or near the communities where Valero has major operations, funding nonprofit agencies that serve predominantly disadvantaged children and families within four pillars: basic needs, education, health care, and civic/arts and culture.
- Valero Energy in Canada donated more than $1 million to charities in Eastern Canada. The Jean Gaulin refinery received the top award in the Business and Social Commitment category for large organizations at the 2016 Fidéides Awards, presented by the Quebec City Board of Trade and Industry.
- Valero continues to be a strong supporter of United Way in the U.S. as a two-time national Spirit of America Award winner. Employee pledges and projected company matches topped $12.3 million in 2016, for donations in 2017. In Canada, company and employee pledges to Centraide/United Way were more than $600,000.
- In 2016, with the overwhelming support of its sponsors, the Valero Texas Open and Benefit for Children raised a record $10.5 million for children’s charities – among the most of any PGA Tour event – distributed everywhere Valero has major operations in the U.S. Employees select the charities to receive funding. Since becoming title sponsor in 2002, and through 2016, Valero has raised $111.4 million.

VOLUNTEERISM

Valero established the Valero Volunteer Council in 1983. Today, volunteering continues to thrive and remains a vital aspect of Valero’s company culture. Each location has a council serving its local community. Through the years, the councils have built a strong bond with many local charities, organizations and agencies where Valero has a presence.

- Valero in Canada, through its Benefit for Children golf tournament, has raised $4.7 million for children’s charities throughout Quebec, Ontario and the Atlantic provinces the past 12 years. The event in 2016 raised $446,000. The Valero Benefit for Children Golf Classic in the United Kingdom raised £136,000 (nearly $170,000) in just its third year.
- The company’s Velo Valero cycling teams raised nearly $160,000 in rides benefitting the National Multiple Sclerosis Society and the American Diabetes Association in 2016.

- Valero employees companywide logged more than 148,000 volunteer hours in 2016 for hundreds of community projects, including mentorships, shelter support, holiday events and a host of other activities.
- Employees serve on boards of nonprofit organizations wherever Valero has major operations. In San Antonio, 145 company leaders serve on 183 boards.
- Valero is a strong supporter of food banks wherever it operates, sponsoring several food drives each year. Since 2008, volunteers have donated more than 1.5 million pounds of food, or monetary food equivalents.
Valero Covers Big Part of United Way Budgets

Across the U.S., Valero funds major portions of local United Way chapter activities.

For example, employee pledges and company matches at Port Arthur fund two-thirds of its local United Way budget, while Ardmore accounts for more than half of its chapter’s revenue. The Meraux refinery provides a majority of United Way funds in its parish.

Valero’s ethanol plants at Albert City and Hartley combined make up more than half of the revenue of the chapter that serves its areas. Plants at Fort Dodge, Albion and Jefferson, among others, are the largest per-capita contributors to their chapters.

The Bill Greehey refineries in Corpus Christi, Texas, combined with the Three Rivers refinery and the Corpus Christi asphalt terminal account for the largest contribution to their United Way chapter, or more than one-fifth of its budget. McKee is the largest contributor in its county.

Employee pledges and company match at St. Charles topped $1 million, representing its chapter’s largest per-capita contribution and about one-third of its revenue. Wilmington, outside Los Angeles, and Houston both made the top-25 list of contributors in their sprawling urban areas, while the Valero Payment Service Center in Amarillo, Texas, and Memphis both made the top 10 in their areas.

Additionally, several locations cooked up creative events to augment pledges, such as Ardmore’s third-annual Valero United Way BBQ Showdown including a cook-off that has become a communitywide event, raising $44,000 for United Way.

MILITARY SUPPORT

The Valero Energy Foundation and Valero Volunteers have provided support to more than 70 organizations and programs around the U.S. that serve military members and their families.

In 2016, this included Operation Homefront, Operation Comfort, Fisher House Foundation, USO, Military Warriors Support Foundation, the American GI Forum, the U.S. Veterans Initiative, the Coast Guard Foundation, the Navy League of the United States, Soldiers’ Angels, Injured Marines Semper Fi Fund, Marine Corps League and many more.

A record 525 members of the U.S. military in 2016 were treated to a traditional Thanksgiving meal courtesy of Valero Volunteers, at headquarters. It was the 12th annual Thanksgiving with the Troops event.

Valero Volunteers additionally have built numerous Habitat for Humanity homes throughout Valero’s communities. Valero has contributed nearly $1.3 million and thousands of volunteer hours helping to sponsor or build Habitat homes since 2008.
Valero Energy Foundation’s Four Pillars of Support

Basic Needs

In 2016, the Valero Energy Foundation provided approximately $3.2 million in assistance to agencies that provide basic needs of life to disadvantaged children and families, including shelter, food and clothing necessary for the development of a strong community and for individual self-sufficiency. Support for emergency shelters, children’s homes and area food banks are just a few examples of this support.

Civic

Valero believes in improving the quality of life for all in the communities where it has major operations. Through its support of civic programs and the arts, Valero and the Valero Energy Foundation provided approximately $1.7 million in support of quality arts programs, including partnerships with art, history and children’s museums, as well as digital media in schools.

Education

Valero is a strong advocate of education and contributes to programs, agencies or organizations that share the same focus. In 2016, the foundation provided nearly $4 million in support to education-related programs throughout the U.S. Support included $3 million over five years to KIPP San Antonio, part of a national network of free college-preparatory public schools for underserved communities; $1 million for Monarch Academy at Morgan’s Wonderland, serving special-needs children; and $500,000 for literacy programs at Corpus Christi.

The company additionally supports mentoring programs, school-supply and uniform drives and “Career Days” at area schools; provides internships for various degree programs; and is title sponsor of the Valero Alamo Bowl, which has awarded approximately $2.6 million in scholarships.

Health Care

Overall in 2016, the foundation provided about $3.5 million in support to various health-care providers and health-related programs and services.

Major gifts include support of various children’s hospitals as well as university medical centers for research to discover cures for Alzheimer’s, Multiple Sclerosis and Cancer.

Basic Needs 25%
Education 33%
Health Care 28%
Civic 14%

Port Arthur refinery Associate Process Engineer Mallori Pherson assists high school students building a marshmallow tower to spark interest in engineering at a Junior Achievement Job Shadowing Luncheon.

Many sites held diaper drives to observe Valero Volunteer Week, including the largest ever for the Texas Diaper Bank in San Antonio.

The Valero Energy Foundation supports arts and culture programs, such as the Youth Orchestra of San Antonio.

Valero presented a $1 million gift to Driscoll Children’s Hospital in Corpus Christi to fund expansion.
Volunteers of the Year
Employees nominate outstanding Valero Volunteers at each location for Valero’s Volunteer of the Year Award. Here are two winners recognized during 2016:

“Seeing that devastation, and how many people volunteered in providing basic needs to the people of Nepal, inspired me to volunteer … I volunteered in almost every event that was organized by the Volunteer committee.”

Manoj Joshi, Texas City
After a massive earthquake hit his native Nepal in 2015, he raised money and sponsored a project to rebuild homes there. In Texas City, he coordinated Bike Around the Bay to benefit the Galveston-Bay Foundation.

“Valero is the first company I have worked for where volunteering is such a big thing, and it’s great … It is amazing to see around 100 volunteers come together on several projects (at Mudchute Farm) … to make a huge difference.”

Neil Freeman, West Ferry Circus (London)-Field
He co-founded Sleaford Oktoberfest, raising money for charities, and volunteered for a cleanup project at Mudchute Farm, which benefits disadvantaged children in London.

Valero Volunteers Keep an ‘Adopted’ Family from Being Evicted
For one San Antonio family, it meant the difference between being evicted or not, following a long hospital stay for their chronically sick child.

In 2016, on the same day the Differding family learned their son, Cody, was being released from Christus Santa Rosa Hospital, they received the unsettling news from their landlord. Cody is on a ventilator and had been in the hospital several weeks, fighting a serious infection.

After Valero Volunteers found out the family was facing eviction, they not only provided Christmas gifts for the family, but collected money to pay the family’s rent for November and December – and for January and February.

As a result, the family was able to stay in their home and continue care for Cody, while Christus helped arrange additional support.

The Differdings sent the volunteers a card signed by all family members, reading in part, “It is truly a blessing knowing there are still good people in this world. We could not thank you enough.”

In all, Valero’s adopt-a-family efforts in 2016 benefited more than 100 families served by four agencies in San Antonio.

Many companies have an “adopt-a-family” program, in which employees provide holiday gifts to families served by social-service organizations.
Three Rivers Employees Make Ponce Park a Welcoming Place

For a year, employees at Valero’s Three Rivers’ Refinery in Texas worked on plans to rejuvenate a run-down park located less than a mile from the refinery. More than 90 employees and contractors later, Ponce Park once again is a welcoming place for local children and families.

“The park had definitely seen better days,” said Elaine Lopez, refinery Staff Environmental Engineer and President of its Volunteer Council. “It was worn down and in poor condition. There was also a large concrete slab in the middle of the park and no real shade. It just wasn’t a nice place for kids.

The large number of employees and contractors made improvements to the baseball field, basketball court and seating areas; trimmed trees; replaced mulch at the playground area; added some shade structures; and, yes, removed the large concrete slab in the middle of the park.

The project also included pre-work with Brock Industries, to help with sanding and power-washing.

“This was definitely a team effort,” said Harry Wright, Vice President and General Manager of the Three Rivers refinery. “I’m proud of our employees and what we were able to accomplish.”

The project was done in partnership with the Boys and Girls Club, the Three Rivers High School Ag Department, the City of Three Rivers and several local companies.

Valero’s Special ‘Angel’ and United Way Volunteer of the Year

Respite Care of San Antonio Inc. is a special place where angels, magic and the spirit of happy children live.

For 14 years, one mysterious angel has made a huge difference. Ingrid Engstrom, Accountant at Valero headquarters, received a United Way Volunteer of the Year Award in the crisis intervention category, after years of donating hundreds of Christmas and back-to-school gifts for respite-care children – in anonymity.

True to her modesty, she politely declined invitations to attend gift-distribution events at the center, which provides support for families caring for a child or loved one with developmental disabilities. She thought it would take away from the magic of Christmas, so she asked the center not to disclose her name, even though she paid for the gifts.

But center president and CEO Bert Pfiester, now retired, finally decided it was time people knew – contacting Valero Chairman and CEO Joe Gorder before nominating her for the award. “It was my privilege to share that about Ingrid,” he said. “We have hundreds of volunteers, but she’s stayed with us as the need has increased.”

She reluctantly agreed to accept her award.

“I believe the two most important days in a child’s life are the first day of school and Christmas morning,” she said. “I still believe in Santa. The joy of giving – that’s Santa Claus. It just fills my heart.”
We consider our employees a competitive advantage and our greatest asset. As such, we provide them with a safe and rewarding work environment with opportunities for growth and personal development.
Valero is an employer of choice in the fuels manufacturing and marketing industries because it believes that investing in its employees is the most important investment in the future of the company.

We compensate and reward our employees competitively, provide high-quality training and development opportunities, invest in their well-being and health, maintain the highest safety standards in our offices and plants, and foster a value-based company culture.

Our “Every Day Is Game Day” approach to our business is led by our approximately 10,000 hard-working employees across the globe, or “Team Valero.” We support and foster a work environment of respect, teamwork and accountability, to promote individual growth and development, team success and, ultimately, company success.

At Valero, each member of our team is recognized for their unique talents and contributions. Our diversity and inclusion efforts are not just an initiative, but how we recruit, hire, develop and retain the most-talented and committed workforce in the industry.

**COMPENSATION AND BENEFITS**

Valero provides its employees with comprehensive and diverse health, wellness and financial benefits as well as competitive pay and rewards programs that incentivize individual and companywide performance.

Valero’s health and welfare benefit programs are designed to meet the varying needs of all of Valero’s employees and their families through subsidized medical, dental and vision programs, and a variety of optional benefits. Our generous offerings ensure that all of our employees and their family members have access to quality and affordable health care.

Competitive financial benefit programs, including pension plans, retirement savings plans with a company matching program, and income-protection plans provide employees with options for building long-term financial security for themselves and their families.

**TRAINING AND DEVELOPMENT**

Valero’s Training and Development programs are designed to enhance the professional skills of employees and improve their performance and success on the job.

A variety of training programs and methods are offered to meet employee, department and organization needs and objectives. All employees are given training opportunities to further specific skills when needed. Additional resources are available to support their ongoing development.

Comprehensive technical training programs are in place, ranging from beginner to advanced curriculum as well as mandated regulatory training.

In addition, Valero offers a tuition-reimbursement program for full-time and part-time employees to attend a public or private university.
Katharine Farmer stepped out onto a roof terrace of the Marriott Rivercenter Hotel in May 2016 and prepared to rappel down the tower’s side, into the open air over the Riverwalk and downtown San Antonio. Although an activity not many would take on, Farmer, along with other members of a brave Valero team, was up to the challenge.

“I thought I was going to be more nervous, but everyone who was helping us was so relaxed, and there were a bunch of Valero employees cheering each other on,” said Farmer, Supervisor-University Relations.

Farmer was taking part in Over the Edge, maybe the ultimate team-building exercise and the rappelling portion of the annual SAS (San Antonio Sports) Corporate Cup Challenge. Over the Edge benefited Junior Achievement of South Texas.

Each of 12 Valero employees who entered had to raise $1,000 just to participate, and rappelled from the 19th story of the hotel down to the fourth level. Valero came in second place for this particular challenge, raising $12,549, of an overall $74,330 from 68 total participants. Valero also was the second-largest team in the event.

The Corporate Cup Challenge is an annual event that pits San Antonio area businesses against one another in friendly competitions and sporting events that raise money for charities supporting worthy causes throughout the San Antonio area and South Texas.

Notable fundraising activities also included blood and food drives, with the crowning event at University of the Incarnate Word in San Antonio, featuring a number of different athletic events for both spectators and participants to enjoy. Valero has made the event a key part of its employee engagement program.
TOTAL WELLNESS PROGRAM

Valero’s Total Wellness Program was designed in recognition that employees with higher levels of health and financial wellness are more engaged and able to contribute to their own success, their team’s success and the overall success of the company. The program offers many valuable benefits and innovative programs promoting and encouraging health and financial wellness. Through these offerings, our employees can engage in healthy and fulfilling lifestyles and make sound financial choices to promote their total wellness.

- A **fitness center** is located at the corporate headquarters in San Antonio and is available to employees, spouses and retirees at no charge, around the clock. The Port Arthur, Bill Greehey (Corpus Christi), McKee, Texas City and St. Charles refineries also have fully equipped fitness centers.
- A new exercise and fitness room opened in 2016 at Valero’s Canadian main office in Montreal, called Vitalité (Vitality), with a host of equipment and exercise machines.
- Other employees who do not have access to an on-site fitness facility may use Valero’s **fitness membership subsidy benefit**. This benefit allows employees to select health club of their choice.
- Valero operates six **on-site wellness clinics** – at headquarters and the Bill Greehey, McKee, Port Arthur, Texas City and St. Charles refineries. The clinics assist employees with at-work health emergencies as well as routine medical issues, with doctors and nurses available five days a week.
- Valero provides **annual, on-site health risk assessments** that are free for employees and at reduced fees for spouses and retirees. The assessments provide confidential evaluations of current health, appraisals of health risks and recommendations on improving health. Each year, Valero also offers on-site flu vaccinations to employees at no cost.
- Valero offers a variety of financial wellness workshops designed for different generations of employees at work. These workshops help employees understand key behaviors that can help them make effective financial decisions throughout their careers.

Financial Workshops Help Employees Achieve Total Wellness

Healthy financial habits and practices can help employees prepare for and recover from financial challenges that may arise from time to time. Recognizing the need for sound education, information and tactics, Valero has developed targeted workshops for employees at all levels of their career.

Since 2005, the company has provided a Planning for Retirement workshop. This workshop provides information on the transition to retirement, specifics of the employee Thrift Plan and Pension Plan, retiree health and welfare benefits, Medicare and Social Security, and the process and resources available as employees retire from the company.

In 2016, Valero developed and provided two additional financial workshops targeted to its early- and mid-career employees.

- **Financial Habits That Matter** workshop provides information on budgeting, building an emergency fund, managing debt, saving for the future and basic principles of investing. The Preparing for your Future workshop provides information on income sources for long-term saving, maximizing Thrift Plan savings, college-expense planning and early planning for retirement.
The company offers several employee promotion programs, services and regular “Lunch & Learn” sessions focused on health and financial wellness.

All employees and their immediate family members have access to a free, confidential employee assistance program that is available 24 hours a day, offering counseling on a variety of personal, family and work issues.

The company offers a scholarship program, an adoption assistance program, and a family gift program for new parents to assist employees with specific financial needs.

For promoting and embracing the well-being of its employees, Valero earned the Healthy Workplace Award: Platinum Recognition, the top-level award from the San Antonio Business Group on Health in collaboration with the Mayor’s Fitness Council.

RESPECTING DIVERSITY

At Valero, we promote inclusion and diversity, respecting individuals’ backgrounds, perspectives and talents. We are committed to employ and retain the most qualified individuals without regard to race, color, gender, gender identity, religion, disability, veteran status or any other protected category.

Valero recognizes that respecting diversity fosters creative thinking, teamwork, open communication and opportunity. Valero’s policies and procedures support its core values and promote a positive and diverse working environment.

As a federal government contractor, Valero is also an Affirmative Action employer and maintains plans, programs, procedures and practices to fulfill specific objectives in that area. Although we have Affirmative Action requirements, it is Valero’s commitment to promote a positive working environment for all employees and respect their differences.

By promoting an atmosphere of acceptance throughout the company, each member of the Valero team feels truly valued, respected and included.

Everett “Ed” Moton, a Head Operator at the Port Arthur refinery, has been a valuable player on Team Valero for the past 36 years. In fact, in all those years, he’s never called in sick.

“That alone speaks volumes about his work ethic,” said Clint Mitchell, Complex Manager at the refinery. “He always takes pride in his work and in developing new operators. He is the type of role model you want out of all your senior operators.”

Moton in 2016 was recognized for his outstanding service as the plant’s first recipient of a “Top Hand” award.

The honor is awarded on length of service, quality of work, professionalism, safety performance, attendance and civic activities.

Mitchell and other co-workers cite not only Moton’s strong work ethic, but his positive demeanor as well.

In particular, his leadership and willingness to help early-career employees develop their talents have served as a motivator and encouragement to fellow workers.

“Ed sets a great example in the field by taking ownership of his crew’s activities and bringing a great attitude to work every day,” said Matt Dooley, the refinery’s Director of Operations. “His work commitment is outstanding.”
Valero’s ‘Safe Fund’ Underscores Company’s Caring Culture

Valero’s Safe Fund program has brought relief for many employees who have experienced catastrophic events, such as the extreme storms and flooding that hit Louisiana in 2016.

During the year, Valero granted a total of $257,700 to 39 employees dealing with events that created significant financial hardships, further demonstrating the company’s caring culture in serving the needs of its employees.

Those events have included natural disasters such as hurricanes, fires or tornadoes. The Louisiana floods, which the Red Cross called the worst natural disaster to strike the United States since Hurricane Sandy in 2012, affected employees at the Valero St. Charles Refinery, outside New Orleans.

In addition to $100,000 donated by the Valero Energy Foundation to Red Cross for flood relief, our Safe Fund program provided financial relief to more than 25 employees, totaling $197,500.

One of the recipients, Byron Robinson, a Mechanic 1 at St. Charles, said the generous help his family received was much-needed and timely, following tornado winds that damaged his home. “Had it not been for the assistance provided by Valero, represented by Valero St. Charles Refinery,” he said, “our hardships would have been compounded. This is why I am representing my family in expressing our gratitude.”
Our stakeholders are our partners to whom we pledge to deliver operational excellence, disciplined management of capital and long-term value.
Valero’s vision is to be the premier manufacturer, distributor and marketer of quality transportation fuels and petrochemical feedstocks, while serving the needs of our employees, communities and stakeholders.

This vision is fueled by integrity, adhering to the highest standards of ethical conduct and corporate responsibility.

Our strong corporate governance principles, implemented under the guidance of the board of directors, are a major driving force of our Guiding Principles. Our governance affairs are directed by our Corporate Governance Guidelines, Code of Business Conduct and Ethics and the charters of the board’s committees.

**BOARD OF DIRECTORS**

At the close of 2016, the board included one member from our management (our Chairman, President and Chief Executive Officer) and 10 non-management directors. Each of the non-management directors meets the independence requirements of the New York Stock Exchange (NYSE) listing standards.

The board has the following committees: the Audit Committee, Compensation Committee, and Nominating/Governance and Public Policy Committee. The committees are composed entirely of independent directors.

The Senior Vice President of Health, Safety and Environmental administers a program of audits of Valero facilities and reports annually to the Nominating/Governance and Public Policy Committee regarding Environmental, Health and Safety, and Process Safety Management, performance, audit results and other significant audit matters. Each Valero facility is audited by a team of trained environmental or health and safety auditors, including “peer auditors” from other Valero facilities.

**Institutional Investor Names Valero ‘Most Honored,’ Gorder Top CEO**

A key measure of corporate reputation and integrity is how the investment community views your company and its management.

Institutional Investor magazine, one of the most authoritative publications in the investment world, named Valero among its “Most Honored Companies” based on results in Best CEO, CFO, IR Professional, IR Program and Website categories of its “2017 All-America Executive Team” rankings, from investment community surveys.

Joe Gorder earned overall Best CEO for the integrated oil sector; Mike Ciskowski, Valero Executive Vice President and Chief Financial Officer, earned a second-place nod from equity analysts for Best CFO; and John Locke, Valero Vice President-Investor Relations, tied for overall second in the sector’s Best IR Professional category. Valero also won for the sector’s Best IR Program and Best Website.

Companies that earn two or more top-three appearances in the categories are recognized as a “Most Honored Company.”

Institutional Investor asked portfolio managers and equity analysts within securities and research firms to name the best CEOs, CFOs and investor relations professionals at the U.S. companies they cover, with nearly 3,200 investment professionals responding, representing some 900 financial services firms.

They evaluated businesses on their performance in each of eight IR attributes, including accessibility of senior management; quality, depth and timeliness of answers to inquiries; constructive conference calls; and transparency of financial reporting and disclosure.
For more information on the board committees and their responsibilities, stakeholder engagement, business compliance and other governance matters not included in this report, please consult the Investor Relations pages of our website, www.valero.com.

**CODE OF BUSINESS CONDUCT AND ETHICS**

The Code of Business Conduct and Ethics guides the employees and directors of Valero and its subsidiaries to fair, ethical, honest and lawful conduct.

- Through our Code, we exhibit our strong and clear commitment to ethics as part of our core values. From safety to confidentiality to proper use of company assets and accurate reporting of financial information, the Code strives to ensure that our company and our employees maintain the highest standards of ethical behavior at all times. We treat it as a critical document for all Valero employees to read, understand and put into practice every day.
- Valero is committed to training its employees about ethical business practices, and we have several mechanisms in place to instill the importance of our Code of Business Conduct and Ethics.
- The company nurtures an open and trusting environment in which employees are encouraged to look for opportunities to strengthen ethical behavior. Valero has established a confidential, toll-free hotline for employees to call with questions or reports of perceived improper behavior.

**PUBLIC POLICY AND ADVOCACY**

As Valero and our industry provide products that consumers need, and support jobs and the economy, we seek to be an advocate of sound public policy that affects our business, customers, employees, shareholders and communities. We believe that constructive participation in the political process is an important means of enhancing stockholder value and fostering good corporate citizenship.

Valero’s political activities consist primarily of sponsoring the Valero Energy Corporation Political Action Committee, known as VALPAC. VALPAC solicits and accepts voluntary contributions from eligible employees and stockholders of Valero. VALPAC makes political contributions to support federal, state and local candidates for elective public office who promote the protection and advancement of a strong energy industry and support effective legislation important to Valero and its stockholders, regardless of party affiliation.

**SUPPORTING OUR ECONOMY**

As the world’s largest independent petroleum refiner, and one of the largest fuel-brand marketers and ethanol producers, Valero has a significant economic impact on the communities where it operates. For example:

- In 2016, we directly supported about 10,000 jobs with payroll bolstering local economies.
- We spend more than $2 billion annually on maintenance and growth projects that boost construction jobs.
- Annually, we spend tens of billions of dollars procuring refinery feedstocks, refined products, supplies and services.
- Valero annually pays an average of more than $1 billion in total taxes.
- We continue to buy domestic oil from areas such as the Permian Basin and Eagle Ford Shale formation.

All told, our expenditures multiply many times in support of local and national economies, and governments that provide vital services. Valero’s support extends to pursuing corporate strategies that boost stockholder value. Valero aims to achieve one of the highest cash returns among its peers through dividends and stock buybacks.
### Valero Highlights

#### Safety
- Posted company’s lowest-ever refinery employee incident rate of 0.35 recordable incidents per 200,000 working hours, compared with an industry average of about 0.6
- Recorded its lowest-ever combined employee and contractor incidence rate of 0.32
- Posted its lowest-ever process safety event rate, a three-year rolling average of 0.066 Tier 1 API events per 200,000 working hours – a 65 percent reduction since 2010
- Recorded its highest-ever refinery mechanical availability, at 96.9 percent

#### Environment
- Recorded its lowest-ever number of environmental incidents, a one-third reduction from the previous year and a 70 percent improvement the past decade
- Reduced total criteria emissions more than 60 percent since 2007
- Reduced reportable refinery flaring events more than 68 percent since 2007
- Reduced emissions from routine flaring more than 70 percent since 2012
- Reduced average greenhouse-gas emissions 15 percent over latest four years, compared with previous four-year average
- Reduced refining total energy use more than 17 percent since 2009

#### Community
- Generated more than $41 million for worthy charities or causes through direct donations or fundraising by the company, its employees and its charitable foundation
- Pledged $12.3 million to United Way for 2017, from employee pledges and company matches
- Raised a record $10.5 million for children’s charities from the Valero Texas Open and Benefit for Children, among the largest charity events on the PGA Tour
- Logged more than 148,000 volunteer hours for hundreds of community projects

#### Awards
- Top independent refiner on Fortune magazine’s World’s Most Admired Companies list
- Ranked No. 5 in the Platts Top 250 Global Energy Company Rankings 2016 for outstanding global financial and industry performance
- Named to Institutional Investor magazine’s list of Most Honored Companies, including Best CEO to Joe Gorder, second place to Mike Ciskowski from equity analysts for Best CFO, second place (tie) to John Locke for Best IR Professional from equity analysts and institutional shareholders, Best IR Program and Best Website, all for the integrated oil sector
- Received 15 safety awards from American Fuel & Petrochemical Manufacturers (AFPM), including two Elite Silver Safety Awards
- Made Newsweek magazine’s 2016 Green Rankings of the top 500 publicly traded companies for environmental performance
- Named third consecutive time to list of America’s 50 most community-minded major companies – The Civic 50, an initiative of Points of Light – and the leading company in the energy sector on the list
- Most refineries approved as Voluntary Protection Program Star Sites (eight), OSHA’s highest plant safety designation, after voluntarily submitting to and passing rigorous safety audits
- Three asphalt terminals with VPP Stars, as well as aviation department
- Top award to Jean Gaulin refinery in the Business and Social Commitment category for large organizations at the 2016 Fidéïdes Awards, presented by the Quebec City Board of Trade and Industry
- Large Employer of the Year award to Pembroke refinery at the Pembrokeshire College Apprenticeship Awards ceremony, recognizing the refinery’s exemplary commitment to training and supporting young people in apprenticeships