



DIVISION OF
CORPORATION FINANCE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

March 20, 2023

Richard J. Walsh
Valero Energy Corporation

Re: Valero Energy Corporation (the "Company")
Incoming letter dated December 29, 2022

Dear Richard J. Walsh:

This letter is in response to your correspondence concerning the shareholder proposal (the "Proposal") submitted to the Company by the State of New Jersey Common Pension Fund D for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders.

The Proposal requests the board of directors seek and publish an audited report by February 2024 that describes the undiscounted expected value to settle obligations for the Company's asset retirement obligations with indeterminate settlement dates.

There appears to be some basis for your view that the Company may exclude the Proposal under Rule 14a-8(i)(7). In our view, the Proposal micromanages the Company. Accordingly, we will not recommend enforcement action to the Commission if the Company omits the Proposal from its proxy materials in reliance on Rule 14a-8(i)(7).

Copies of all of the correspondence on which this response is based will be made available on our website at <https://www.sec.gov/corpfin/2022-2023-shareholder-proposals-no-action>.

Sincerely,

Rule 14a-8 Review Team

cc: Jeffrey Warshauer
State of New Jersey Common Pension Fund D



Richard J. Walsh
Senior Vice President, General Counsel and Secretary
Valero Energy Corporation

December 29, 2022

By email to shareholderproposals@sec.gov

U.S. Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
100 F Street, N.E.
Washington, D.C. 20549

RE: Valero Energy Corporation 2023 Annual Meeting of Stockholders
Proposal of State of New Jersey Common Pension Fund D

Ladies and Gentlemen:

I am submitting this letter on behalf of Valero Energy Corporation, a Delaware corporation (“Valero”), pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Valero is seeking to omit a shareholder proposal and supporting statement (the “Proposal”) that it received from the State of New Jersey Common Pension Fund D (the “Proponent”), from inclusion in the proxy materials to be distributed by Valero in connection with its 2023 annual meeting of stockholders (the “2023 proxy materials”). Copies of the Proposal and related relevant correspondence received from the Proponent are attached hereto as Exhibit A. For the reasons stated below, we respectfully request that the Staff of the Division of Corporation Finance (the “Staff”) of the U.S. Securities and Exchange Commission (the “Commission”) not recommend action against Valero if Valero omits the Proposal from the 2023 proxy materials.

Valero currently intends to file its 2023 definitive proxy materials on or about March 24, 2023. In accordance with Staff Legal Bulletin No. 14D (Nov. 7, 2008), we are emailing this letter and its attachments to the Staff at shareholderproposals@sec.gov. A copy of this letter and its attachments are also being sent to the Proponent as notice of Valero’s intent to omit the Proposal from the 2023 proxy materials. We will promptly forward to the Proponent any response received from the Staff to this request that the Staff transmits by email only to Valero. Further, we take this opportunity to remind the Proponent that under the applicable rules, if the Proponent submits correspondence to the Staff regarding the Proposal, a copy of that correspondence should be concurrently furnished to the undersigned on behalf of Valero.

The Proposal

The text of the resolution in the Proposal states: “Shareholders request that the Board of Directors seek an audited report describing the undiscounted expected value to settle obligations for AROs with indeterminate settlement dates. The Board should obtain and ensure publication of the report by February 2024 at reasonable cost and omitting proprietary information.”

Basis for Exclusion

For the reasons described in this letter, we respectfully request that the Staff concur in Valero’s view that it may exclude the Proposal from the 2023 proxy materials pursuant to Rule 14a-8(i)(7) because it deals with a matter relating to Valero’s ordinary business operations – namely, management’s accounting judgments and conclusions.

Analysis

The Proposal Inappropriately Limits the Discretion of Management Through Micromanagement of Complex Accounting Determinations

The Proposal is excludable from the 2023 proxy materials because it seeks to micromanage Valero in relation to matters squarely within the realm of ordinary business operations best overseen by management. Rule 14a-8(i)(7) permits a company to exclude a shareholder proposal if the proposal deals with a matter relating to the company’s ordinary business operations. The general policy underlying the “ordinary business” exclusion is “to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting.” See Exchange Act Release No. 34-40018 (May 21, 1998) (the “1998 Release”). This general policy reflects two central considerations: (i) “[c]ertain tasks are so fundamental to management’s ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight,” and (ii) the “degree to which the proposal seeks to ‘micromanage’ the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment.”

A proposal in the form of a request for a report does not alter its essential relationship to ordinary business operations. In Exchange Act Release No. 34-20091 (Aug. 16, 1983), the Commission explained that the exclusion based on micromanagement also applies to a proposal that calls for a study or report if “the subject matter of the special report...involves a matter of ordinary business.” The Staff has consistently concurred in the exclusion under Rule 14a-8(i)(7) of proposals that seek additional disclosure of ordinary business matters, including with respect to accounting and financial disclosure. For example, in *Johnson Controls, Inc.* (Oct. 26, 1999), the Staff permitted the exclusion of a proposal requesting disclosure of “goodwill-net” and the “true value” of shareholders’ equity in financial statements, explaining that where “the subject matter of the additional disclosure sought in a particular proposal involves a matter of ordinary business,” such proposal may be excluded under Rule 14a-8(i)(7). See also *Merrill Lynch & Co., Inc.*

(Feb. 20, 2008) (permitting exclusion under Rule 14a-8(i)(7) of a proposal requesting disclosure of a collateral and other credit risk management policy for off balance sheet liabilities and exposure); *Union Pacific Corp.* (Jan. 28, 2005) (permitting exclusion under Rule 14a-8(i)(7) of a proposal requesting disclosure of revenue and on-time performance data from passenger operations in the annual report, noting that the proposal relates to ordinary business operations (“i.e., presentation of financial information”)); and *Lehman Brothers Holdings Inc.* (Feb. 5, 2008) (permitting exclusion under Rule 14a-8(i)(7) of a proposal requesting a report discussing potential financial exposure as a result of the mortgage securities crisis).

The Staff, in numerous instances, has concurred that proposals relating to a company’s accounting judgments and conclusions concern ordinary business operations and were therefore excludable under Rule 14a-8(i)(7). See *Potomac Electric Power Co.* (Mar. 1, 1991) (permitting exclusion under Rule 14a-8(i)(7) of a proposal requesting disclosure of a “contingent liability account,” noting that the proposal relates to ordinary business matters (“i.e., the accounting policies and practices of the Company”)); *Otter Tail Corp.* (Jan. 13, 2004) (permitting exclusion under Rule 14a-8(i)(7) of a proposal requesting the publication in the company’s annual report of all goodwill impairment filings made with various agencies and an external report reviewing all accounting records regarding acquisitions in the past 13 years, noting that the proposal relates to ordinary business operations (“i.e., review of the choice of accounting methods”)); *General Electric Co.* (Feb. 10, 2000) (permitting exclusion under Rule 14a-8(i)(7) of a proposal relating to the accounting technique and use of funds for an executive compensation program, noting that the proposal relates to ordinary business operations (“i.e., choice of accounting methods”)); *The Mead Corp.* (Jan. 31, 2001) (permitting exclusion under Rule 14a-8(i)(7) of a proposal requesting a report on liability projection methodology and risk evaluation as relating to ordinary business operations); and *AmerInst Insurance Group Ltd.* (Apr. 14, 2005) (permitting exclusion under Rule 14a-8(i)(7) of a proposal requesting disclosure of the accounting, each calendar quarter, of the line items of “Operating and Management” expenses, noting that the proposal relates to ordinary business operations (“i.e., presentation of financial information”).

Here, as in *Johnson Controls* and the other examples of excluded proposals cited above, the Proposal requests a report, the subject matter of which relates to ordinary business matters. The additional disclosure sought by the Proposal focuses on Valero’s accounting judgments and conclusions by seeking an audited report describing Valero’s liabilities associated with the retirement of tangible long lived assets, referred to as asset retirement obligations (“AROs”). Specifically, the Proposal requests a report on the undiscounted expected value of AROs. However, that concept is incongruous with Valero’s accounting conclusion, acknowledged by the proponent’s supporting statement and required by a proper application of Generally Accepted Accounting Principles (“GAAP”) (as set forth in Accounting Standards Codification (“ASC”) Topic 410, *Asset Retirement and Environmental Obligations*), that the underlying assets have indeterminate lives. Valero explains in its annual report on Form 10-K for the fiscal year ended December 31, 2021 (the “2021 10-K”), excerpts of which are attached hereto as Exhibit B, that “assets at [Valero’s] refineries and plants have indeterminate lives for purposes of estimating asset retirement obligations because dates or ranges of dates upon which [Valero] would retire such

assets cannot reasonably be estimated at this time.” Valero further explains in the 2021 10-K that the component parts of the assets at Valero’s refineries and plants “can be used for extended and indeterminate periods of time as long as they are properly maintained and/or upgraded” and that these component parts have indeterminate lives because “it is [Valero’s] practice and current intent to maintain all [of Valero’s] assets and continue making improvements to those assets based on technological advances.” Nevertheless, the Proposal seeks to require Valero to produce a report implementing specific accounting judgments and conclusions that are inconsistent with Valero’s own accounting judgments and conclusions, as well as those of its independent auditors, as reflected in Valero’s audited financial statements. Valero’s accounting judgments and conclusions reflect the day-to-day business experience of Valero’s management relating to, and Valero’s independent auditors’ well-developed and deep knowledge of, the use, complexity, resilience, location, cost structure, margin capture, and maintenance of Valero’s assets, among a variety of other factors relevant to accounting for AROs.

In addition, the Staff has previously allowed the exclusion of proposals under Rule 14a-8(i)(7) that seek disclosures beyond that which is required by the Commission on the basis that such disclosure decisions are ordinary business matters. See *Santa Fe Southern Pacific Corp.* (Jan. 30, 1986) (permitting exclusion under Rule 14a-8(i)(7) of a proposal requesting disclosure of cost basis financial statements to all shareholders, noting that the proposal related to the conduct of ordinary business operations “(i.e., the determination to make financial disclosure not required by law)”; and *Citigroup Inc.* (Feb. 20, 2008) (permitting exclusion under Rule 14a-8(i)(7) of a proposal requesting disclosure of certain prescribed financial information on a website on a quarterly basis).

ASC 410-20-25-10 states that “instances may occur in which sufficient information to estimate the fair value of an asset retirement obligation is unavailable. For example, if an asset has an indeterminate useful life, sufficient information to estimate a range of potential settlement dates for the obligation might not be available. In such cases, the liability would be initially recognized in the period in which sufficient information exists to estimate a range of potential settlement dates that is needed to employ a present value technique to estimate fair value.” Consistent with such guidance and in accordance with GAAP, Valero disclosed in the 2021 10-K that “assets at [Valero’s] refineries and plants have indeterminate lives for purposes of estimating asset retirement obligations...[and Valero] will recognize a liability at such time when sufficient information exists to estimate a date or range of potential settlement dates that is needed to employ a present value technique to estimate fair value.” Furthermore, ASC 410-20-25-11 states that “[e]xamples of information that is expected to provide a basis for estimating the potential settlement dates, potential methods of settlement, and the associated probabilities include, but are not limited to, information that is derived from the entity’s past practice, industry practice, management’s intent, or the asset’s estimated economic life.” Valero’s conclusion that its assets at its refineries and plants have indeterminate lives is consistent with each such example, as are Valero’s accounting judgments with respect to such conclusion. As explained above, “it is [Valero’s] practice and current intent to maintain all [of Valero’s] assets and continue making improvements to those assets based on technological advances,” which has been historically and

currently supported by Valero's substantial sustaining and growth capital investments with respect to its refineries and plants, as described in the 2021 10-K. As noted in the 2021 10-K, (i) Valero's sustaining capital investments include investments that are expected to extend the useful life of Valero's assets and sustain the operating capabilities of Valero's assets, as well as facilitate compliance with applicable governmental regulatory requirements (such as emissions reductions requirements), and (ii) Valero's growth capital investments include investments in low-carbon projects and projects focused on market expansion, margin improvement and operating cost control. Moreover, the ASC guidance expressly provides that industry practice should bear on the determination, and the widespread refining industry practice is that most refinery assets have indeterminate lives and that potential ARO settlement dates related thereto are therefore not estimable under a proper application of GAAP. By seeking an audited report describing an undiscounted expected value to settle obligations in connection with the retirement of assets with indeterminate settlement dates, the Proposal requires that Valero and its independent auditors disregard industry practice, management's intent, and Valero's past and current accounting and investment practices, and instead implement specific accounting judgments and conclusions that Valero's management and independent auditors have determined are contrary to GAAP in the context of the specific facts and circumstances applicable to Valero.

Even if Valero were able to estimate the undiscounted expected value of its AROs (which it is not able to do under a proper application of GAAP), such additional disclosure would not be required by GAAP, which recognizes that management experience should inform the proper accounting judgment. Under ASC 410-20-50, "[i]f the fair value of an asset retirement obligation cannot be reasonably estimated, that fact and the reasons therefore shall be disclosed." Valero has already complied with this requirement through its disclosures in the 2021 10-K and would be required to incur significant internal and external costs to accommodate the Proposal's request to implement accounting judgments and conclusions that are not supported by Valero's practice and intent relating to refining assets. The Proposal's request for an "audited report" would require Valero's management and independent auditors to substitute their own independent judgment and understanding of the proper accounting of Valero's AROs, developed from deep knowledge of and experience with Valero's refineries, with inappropriate accounting judgments that do not reflect an understanding of Valero's refineries or day-to-day operations, and to thereby reach accounting conclusions inconsistent with those reflected in Valero's audited financial statements.

In Staff Legal Bulletin 14L (Nov. 3, 2021) ("SLB 14L"), the Staff explained that when evaluating whether a proposal seeks to "micromanage" the company, it will focus on "the level of granularity sought in the proposal and whether and to what extent it inappropriately limits discretion of the board or management." Regarding the Proposal, ASC 410-20-25-9 states that "the determination as to whether the entity has the information to reasonably estimate the fair value of the asset retirement obligation is a matter of judgment that depends on the relevant facts and circumstances." The determination as to potential ARO settlement dates requires a highly complex analysis that depends on a number of interrelated factors specific to a particular company and a particular refinery. For instance, such determination is impacted by, among other factors, the use, complexity, resilience, location, cost structure, margin capture, and maintenance of a particular

refinery, and will vary depending on the particular company, its practices and the particular refinery. Therefore, the Proposal submitted to Valero probes into highly technical matters of accounting judgments relating to refining-related assets that require a specialized understanding of their characteristics, complex refining industry dynamics and day-to-day experience with their use, complexity, resilience, location, cost structure, margin capture, and maintenance. The Proposal seeks to “micromanage” Valero, in the sense contemplated by SLB 14L, by prescribing specific judgments and conclusions with respect to accounting for AROs, thereby limiting the discretion of management when management is best positioned to consider all relevant facts and circumstances to make the proper accounting determinations.

The Proposal Does Not Focus On Any Significant Policy Issue That Transcends The Company's Ordinary Business Operations

While Valero acknowledges that a proposal may raise issues with a “broad societal impact, such that [it] transcend[s] the ordinary business of the company,” the Proposal and its supporting statement raise no such issue. See SLB 14L. The Staff has routinely concurred in the exclusion of proposals in which mere references to social policy issues do not transform a proposal that fundamentally concerns ordinary business. See *Dollar General Corp.* (Mar. 6, 2020) (permitting exclusion under Rule 14a-8(i)(7) of a proposal requesting a report to shareholders on the use of contractual provisions requiring employees to arbitrate employment-related claims, noting that “notwithstanding some references in the supporting statement to potentially important social issues, the [p]roposal as a whole deals with a matter relating to the [c]ompany’s ordinary business operations.”). See also *Marriott International, Inc.* (Jan. 13, 2021) (permitting exclusion under Rule 14a-8(i)(7) of a proposal that requested a report on the “external social costs” created by a compensation policy, noting that referencing social policy issues that “have only tangential implications for the issues that constitute the central focus of a proposal, does not transfer an otherwise ordinary business proposal into one that transcends ordinary business.”)

In this case, the Proposal does not raise significant social policy issues that transcend the ordinary business of Valero. While the introduction to and the supporting statement of the Proposal attempt to fundamentally connect the proposed accounting report to the topic of a transition in the energy industry, the Proposal’s central focus is Valero’s accounting for AROs. Although the topic of transition in the energy industry is one of many factors assessed by Valero’s management with respect to its accounting for AROs, the application of management’s day-to-day business understanding of the use, complexity, resilience, location, cost structure, margin capture, and maintenance of its assets are overwhelmingly more relevant. As discussed above, the core of the Proposal deals with matters that fundamentally concern, and require day-to-day familiarity with, Valero’s ordinary business. Stated simply, the requirement of the Proposal, a report on the undiscounted expected value of liabilities related to the retirement of assets with indeterminate settlement dates, would require management to make accounting judgments and conclusions that

U.S. Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
December 29, 2022
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are not only contrary to a proper application of GAAP and management's assessment of the facts and circumstances relevant to Valero, but also do not transcend the ordinary business of Valero.

Conclusion

On the basis of the foregoing, Valero respectfully requests that the Staff concur that it will take no action if Valero excludes the Proposal from the 2023 proxy materials. If the Staff disagrees with the conclusions set forth in this letter, or should any additional information be desired in support of Valero's position, we would appreciate the opportunity to confer with the Staff concerning these matters prior to the issuance of the Staff's response.

If you have any questions with respect to this matter, please do not hesitate to contact me at the email address and telephone number appearing on the first page of this letter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Richard J. Walsh". The signature is written in a cursive, somewhat stylized font.

Richard J. Walsh

cc: Jeffrey Warshauer
Corporate Governance Officer
State of New Jersey Common Pension Fund D

Exhibit A: Shareholder proposal received from the State of New Jersey Common Pension Fund D

Exhibit B: Excerpts of Annual Report on Form 10-K for the fiscal year ended December 31,
2021

Exhibit C: Deficiency Notice

Exhibit D: Response to Deficiency Notice

Exhibit A

Shareholder Proposal



State of New Jersey

PHILIP D. MURPHY
Governor

DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT

ELIZABETH MAHER MUOIO
State Treasurer

SHEILA Y. OLIVER
Lt. Governor

SHOAIB KHAN
Director

November 10, 2022

Richard J. Walsh
Senior Vice President, General Counsel and Secretary
Valero Energy Corporation
One Valero Way
San Antonio, Texas 78249

Dear Mr. Walsh,

On behalf of the State of New Jersey Common Pension Fund D (the "Shareholder"), I submit the enclosed shareholder proposal (the "Proposal"), for inclusion in the proxy statement that Valero Energy Corporation (the "Company") plans to circulate to shareholders in anticipation of the 2023 annual meeting of shareholders (the "Annual Meeting"). The Proposal is being submitted under SEC Rule 14a-8. The Shareholder requests that the Company include the Proposal in the Company's proxy statement for the Annual Meeting.

The Shareholder has beneficially owned more than \$25,000 worth of the common stock of the Company from the date hereof for over one year continuously. The Shareholder intends to hold at least \$25,000 in market value of the common stock through the date of the Annual Meeting. A letter from the Shareholder's custodian bank documenting the Shareholder's ownership of more than \$25,000 worth of the common stock is enclosed.

Jeffrey Warshauer, Corporate Governance Officer, is available to meet with the Company via teleconference on December 13, 2022 and December 20, 2022, between 9:30 a.m. and 5 p.m. EDT.

The Proposal is attached. The Shareholder or its agent intends to appear in person or by proxy at the Annual Meeting to present the Proposal. I declare that the Shareholder has no "material interest" other than that believed to be shared by shareholders of the Company generally. Please direct all questions or correspondence regarding the Proposal to Jeffrey Warshauer, Corporate Governance Officer at [REDACTED]

Sincerely,

Shoaib Khan
Director

Report on asset retirement obligations

Oil and gas companies are legally required to decommission certain long-lived tangible assets at the end of their useful life. These liabilities are recognized as Asset Retirement Obligations (AROs) by the Financial Accounting Standards Board. The market for refined products such as gasoline will likely decrease as the global economy strives to decarbonize, and consumer demand and government directives shift to low carbon markets. The time to decommission refineries will likely come due sooner than originally anticipated and investors have little insight into the associated costs of this transition.

AROs are critical accounting estimates, yet useful detail on midstream and downstream AROs is omitted from financial reports due to uncertainty about the timing of decommissioning. Valero Energy Corporation owns 15 petroleum refineries located in the U.S., Canada, and the U.K., the majority of which are linked to the processing of high carbon products. However, the company discloses no information in its most recent annual report about its unrecognized AROs for refinery decommissioning. Rather, the company maintains "*(W)e believe that assets at our refineries and plants have indeterminate lives for purposes of estimating asset retirement obligations because dates or ranges of dates upon which we would retire such assets cannot reasonably be estimated at this time..*"

Rising climate transition risks and responsive corporate climate strategies may make it reasonably possible that near-term changes in legal or economic conditions could materially accelerate settlement of these liabilities. If companies choose not to recognize the fair value of AROs on grounds that assets have indeterminate lives, it is imperative that they disclose the *undiscounted* costs to settle these material off-balance sheet liabilities. If companies choose not to disclose these undiscounted costs it is possible that investors would not be able to assess the true risk-adjusted value of their investment.

Resolved: Shareholders request that the Board of Directors seek an audited report describing the undiscounted expected value to settle obligations for AROs with indeterminate settlement dates. The Board should obtain and ensure publication of the report by February 2024 at reasonable cost and omitting proprietary information.

Supporting statement: In the board and management's discretion we recommend such report also include: (1) a range of potential settlement dates based on the asset's estimated economic life, (2) probabilities associated with the potential settlement dates, with due consideration given to the potential impact of the energy transition, (3) whether, based on known information, it is reasonably possible that these assumptions and estimates will change in the near term. We believe that this information will allow investors to assess those liabilities considering the energy transition underway.



STATE STREET®

November 10, 2022

State of New Jersey Division of Investment

[REDACTED]

RE: Position Confirmation

To Whom It May Concern,

As of close of business on November 10, 2022, State Street Bank & Trust Company held under DTC participant number 0997 in excess of \$25,000.00 worth of common stock ("shares") of VALERO ENERGY CORP on behalf of STATE OF NEW JERSEY COMMON PENSION FUND D. The account has held in excess of \$25,000.00 worth of shares in VALERO ENERGY CORP continuously since close of business on November 10, 2021.

Security Name: VALERO ENERGY CORP

Cusip: 91913Y100

If there are any other questions or concerns regarding this matter, please feel free to contact me at [REDACTED]

[REDACTED]

Sincerely,

Matthew Grone
Assistant Vice President
State Street Bank & Trust

Exhibit B

Excerpts of Annual Report on Form 10-K for the fiscal year ended December 31, 2021

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-13175



VALERO ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

74-1828067

(I.R.S. Employer
Identification No.)

One Valero Way

San Antonio, Texas 78249

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(210) 345-2000**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock	VLO	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common stock held by non-affiliates was approximately \$31.9 billion based on the last sales price quoted as of June 30, 2021 on the New York Stock Exchange, the last business day of the registrant's most recently completed second fiscal quarter.

As of February 18, 2022, 409,303,630 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

We intend to file with the Securities and Exchange Commission a definitive Proxy Statement for our Annual Meeting of Stockholders scheduled for April 28, 2022, at which directors will be elected. Portions of the 2022 Proxy Statement are incorporated by reference in PART III of this Form 10-K and are deemed to be a part of this report.

VALERO ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

amount of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit.

Asset Retirement Obligations

We record a liability, which is referred to as an asset retirement obligation, at fair value for the estimated cost to retire a tangible long-lived asset at the time we incur that liability, which is generally when the asset is purchased, constructed, or leased. We record the liability when we have a legal obligation to incur costs to retire the asset and when a reasonable estimate of the fair value of the liability can be made. If a reasonable estimate cannot be made at the time the liability is incurred, we record the liability when sufficient information is available to estimate the liability's fair value.

We have obligations with respect to certain of our assets at our refineries and plants to clean and/or dispose of various component parts of the assets at the time they are retired. However, these component parts can be used for extended and indeterminate periods of time as long as they are properly maintained and/or upgraded. It is our practice and current intent to maintain all our assets and continue making improvements to those assets based on technological advances. As a result, we believe that assets at our refineries and plants have indeterminate lives for purposes of estimating asset retirement obligations because dates or ranges of dates upon which we would retire such assets cannot reasonably be estimated at this time. We will recognize a liability at such time when sufficient information exists to estimate a date or range of potential settlement dates that is needed to employ a present value technique to estimate fair value.

Environmental Matters

Liabilities for future remediation costs are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Other than for assessments, the timing and magnitude of these accruals generally are based on the completion of investigations or other studies or a commitment to a formal plan of action. Amounts recorded for environmental liabilities have not been reduced by possible recoveries from third parties and have not been measured on a discounted basis.

Legal Contingencies

We are subject to legal proceedings, claims, and liabilities that arise in the ordinary course of business. We accrue losses associated with legal claims when such losses are probable and reasonably estimable. If we determine that a loss is probable and cannot estimate a specific amount for that loss but can estimate a range of loss, the best estimate within the range is accrued. If no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. Estimates are adjusted as additional information becomes available or circumstances change. Legal defense costs associated with loss contingencies are expensed in the period incurred.

Foreign Currency Translation

Generally, our foreign subsidiaries use their local currency as their functional currency. Balance sheet amounts are translated into U.S. dollars using exchange rates in effect as of the balance sheet date. Income statement amounts are translated into U.S. dollars using the exchange rates in effect at the time the underlying transactions occur. Foreign currency translation adjustments are recorded as a component of accumulated other comprehensive loss.

Other financing activities of \$2.0 billion consisted primarily of \$1.6 billion in dividend payments, \$208 million to pay distributions to noncontrolling interests, and \$156 million for the purchase of common stock for treasury.

Our Capital Resources

Our material cash requirements as of December 31, 2021 primarily consist of working capital requirements, capital investments, contractual obligations, and other matters, as described below. Our operations have historically generated positive cash flows to fulfill our working capital requirements.

Capital Investments

Capital investments are comprised of our capital expenditures, deferred turnaround and catalyst cost expenditures, and investments in nonconsolidated joint ventures, as reflected in our consolidated statements of cash flows as shown on page 75. Capital investments exclude strategic investments or acquisitions, if any.

We also identify our capital investments by the nature of the project with which the expenditure is associated as follows:

- *Sustaining capital investments* are generally associated with projects that are expected to extend the lives of our property assets, sustain their operating capabilities and safety (including deferred turnaround and catalyst cost expenditures), or comply with regulatory requirements. Regulatory compliance capital investments are generally associated with projects that are incurred to comply with governmental regulatory requirements, such as requirements to reduce emissions and prohibited elements from our products.

- *Growth capital investments*, including low-carbon growth capital investments that support the development and growth of our low-carbon renewable diesel and ethanol businesses, are generally associated with projects for the construction of new property assets that are expected to enhance our profitability and cash-generating capabilities, including investments in nonconsolidated joint ventures.

We have developed an extensive multi-year capital investment program, which we update and revise based on changing internal and external factors. The following table reflects our expected capital investments for the year ending December 31, 2022 by nature of the project and reportable segment, along with historical amounts for the years ended December 31, 2021 and 2020 (in millions). The following table also reflects capital investments attributable to Valero, which is a non-GAAP measure that we define and reconcile to capital investments below under “Capital Investments Attributable to Valero.”

	Year Ending December 31, 2022 (a)	Year Ended December 31,	
		2021	2020
Capital investments by nature of the project (b):			
Sustaining capital investments	\$ 1,290	\$ 1,129	\$ 1,126
Growth capital investments:			
Low-carbon growth capital investments	760	1,042	566
Other growth capital investments	340	296	798
Total growth capital investments	1,100	1,338	1,364
Total capital investments	\$ 2,390	\$ 2,467	\$ 2,490
Capital investments by segment:			
Refining	\$ 1,540	\$ 1,378	\$ 1,887
Renewable Diesel	780	1,048	548
Ethanol	40	15	21
Corporate	30	26	34
Total capital investments	2,390	2,467	2,490
Adjustments:			
Renewable Diesel capital investments attributable to the other joint venture member in DGD	(390)	(524)	(274)
Capital expenditures of other VIEs	-	(110)	(251)
Capital investments attributable to Valero	\$ 2,000	\$ 1,833	\$ 1,965

(a) All expected amounts for the year ending December 31, 2022 exclude capital expenditures that the consolidated VIEs other than DGD may incur because we do not operate those VIEs.

(b) Capital investments attributable to Valero by nature of the project are as follows (in millions):

	Year Ending December 31, 2022	Year Ended December 31,	
		2021	2020
Sustaining capital investments	\$ 1,275	\$ 1,105	\$ 1,110
Growth capital investments:			
Low-carbon growth capital investments	385	538	308
Other growth capital investments	340	190	547
Total growth capital investments	725	728	855
Total capital investments	\$ 2,000	\$ 1,833	\$ 1,965

We have publicly announced GHG emissions reduction/offset targets for 2025 and 2035. We believe that our expected allocation of growth capital into lower-carbon projects is consistent with such targets. Certain of these lower-carbon projects have been completed or are already in execution and the associated capital investments are included in our expected capital investments for 2022. Our capital investments in future years to achieve these targets are expected to include investments associated with certain lower-carbon projects currently at various stages of progress, evaluation, or approval. See “ITEMS 1. and 2. BUSINESS AND PROPERTIES-OUR COMPREHENSIVE LIQUID FUELS STRATEGY-Our Low-Carbon Projects” for a description of our low-carbon projects.

Capital Investments Attributable to Valero

Capital investments attributable to Valero is a non-GAAP financial measure that reflects our net share of capital investments and is defined as all capital expenditures, deferred turnaround and catalyst cost expenditures, and investments in nonconsolidated joint ventures, excluding the portion of DGD’s capital investments attributable to the other joint venture member and all of the capital expenditures of other consolidated VIEs.

We are a 50 percent joint venture member in DGD and consolidate its financial statements. As a result, all of DGD’s net cash provided by operating activities (or operating cash flow) is included in our consolidated net cash provided by operating activities. DGD’s members use DGD’s operating cash flow (excluding changes in its current assets and current liabilities) to fund its capital investments rather than distribute all of that cash to themselves. Because DGD’s operating cash flow is effectively attributable to each member, only 50 percent of DGD’s capital investments should be attributed to our net share of capital investments. We also exclude all of the capital expenditures of other VIEs that we consolidate because we do not operate those VIEs. See Note 13 of Notes to Consolidated Financial Statements for more information about the VIEs that we consolidate. We believe capital investments attributable to Valero is an important measure because it more accurately reflects our capital investments.

Capital investments attributable to Valero should not be considered as an alternative to capital investments, which is the most comparable GAAP measure, nor should it be considered in isolation or as a substitute for an analysis of our cash flows as reported under GAAP. In addition, this non-GAAP measure may not be comparable to similarly titled measures used by other companies because we may define it differently, which may diminish its utility.

	Year Ended December 31,	
	2021	2020
Reconciliation of capital investments to capital investments attributable to Valero		
Capital expenditures (excluding VIEs)	\$ 513	\$ 1,014
Capital expenditures of VIEs:		
DGD	1,042	523
Other VIEs	110	251
Deferred turnaround and catalyst cost expenditures (excluding VIEs)	787	623
Deferred turnaround and catalyst cost expenditures of DGD	6	25
Investments in nonconsolidated joint ventures	9	54
Capital investments	<u>2,467</u>	<u>2,490</u>
Adjustments:		
DGD's capital investments attributable to our joint venture member	(524)	(274)
Capital expenditures of other VIEs	(110)	(251)
Capital investments attributable to Valero	<u>\$ 1,833</u>	<u>\$ 1,965</u>

Contractual Obligations

Below is a summary of our contractual obligations (in millions) as of December 31, 2021 that are expected to be paid within the next year and thereafter. These obligations are reflected in our balance sheets, except (i) the interest payments related to debt obligations, operating lease liabilities, and finance lease obligations and (ii) purchase obligations.

	Payments Due by Period		
	Short-Term	Long-Term	Total
Debt obligations (a)	\$ 1,110	\$ 10,926	\$ 12,036
Interest payments related to debt obligations (b)	527	5,868	6,395
Operating lease liabilities (c)	351	1,157	1,508
Finance lease obligations (c)	228	2,476	2,704
Other long-term liabilities (d)	-	2,464	2,464
Purchase obligations (e)	23,211	8,669	31,880

(a)Debt obligations are described in Note 10 of Notes to Consolidated Financial Statements, which is incorporated by reference into this item and includes a maturity analysis of our debt. Debt obligations exclude amounts related to net unamortized debt issuance costs and other.

(b)Interest payments related to debt obligations are the expected payments based on information available as of December 31, 2021.

(c)Operating lease liabilities and finance lease obligations are described in Note 6 of Notes to Consolidated Financial Statements, which is incorporated by reference into this item and includes maturity analyses of remaining minimum lease payments. Operating lease liabilities and finance lease obligations reflected in this table include related interest expense.

(d)Other long-term liabilities are described in Note 9 of Notes to Consolidated Financial Statements, which is incorporated by reference into this item. Other long-term liabilities exclude amounts related to the long-term portion of operating lease liabilities that are separately presented above.

(e)Purchase obligations are described in Note 11 of Notes to Consolidated Financial Statements, which is incorporated by reference into this item. Purchase obligations are based on (i) fixed or minimum quantities to be purchased and (ii) fixed or estimated prices to be paid based on current market conditions.

Exhibit C

Deficiency Notice

Attachments:

VLO - State of NJ - 2022 Deficiency Notice - 11-18-2022.pdf

*** EXTERNAL EMAIL ***

From: Rueda, Giovanna
Sent: Friday, November 18, 2022 11:47 AM
To: 'Warshauer, Jeffrey [TREAS]' [REDACTED]
Subject: RE: Valero - State of New Jersey Common Pension Fund D

Thanks, Jeff.
I am also enclosing a deficiency notice for your review.
We look forward to your response and engagement on December 13.

Best regards,

Giovanna

Giovanna Rueda
Valero
Executive Director, ESG

One Valero Way | San Antonio, TX 78249 | Phone: [REDACTED]

From: Warshauer, Jeffrey [TREAS] [REDACTED]
Sent: Thursday, November 17, 2022 3:30 PM
To: Rueda, Giovanna [REDACTED]
Cc: Butler, Danielle [REDACTED]; Ngo, Karen [REDACTED]
Subject: Re: Valero - State of New Jersey Common Pension Fund D

Hi Giovanna -

Any of those times work well for me. We look forward to speaking with you all then.

Regards,
Jeff

From: Rueda, Giovanna [REDACTED]
Sent: Wednesday, November 16, 2022 10:22 AM
To: Warshauer, Jeffrey [TREAS] [REDACTED]

Cc: Butler, Danielle [REDACTED]; Ngo, Karen [REDACTED]

Subject: [EXTERNAL] Valero - State of New Jersey Common Pension Fund D

***** CAUTION *****

This message came from an **EXTERNAL** address [REDACTED]. **DO**
NOT click on links or attachments unless you know the sender and the content is safe.
**New Jersey State Government Employees Should Forward Messages That May Be Cyber Security
Risks To [REDACTED].**

Good morning Jeffrey,

We received your letter dated November 10, 2022 and we are still reviewing your shareholder proposal. In the meantime, we would like to schedule a call with you. Based on your availability, we are available for a call on December 13 from 9:30 am to 11am; or from 2pm to 3 pm ET. Would any of these times work for you?

Thank you and best regards,

Giovanna

Giovanna Rueda
Valero / ESG

One Valero Way | San Antonio, TX 78249 | Phone: [REDACTED]

Attachments:

VLO - State of NJ - 2022 Deficiency Notice - 11-18-2022.pdf; cfs1b14f.pdf; cfs1b14.pdf; eCFR __ 17 CFR 240.14a-8 -- Shareholder proposals.pdf; cfs1b14g.pdf

*** EXTERNAL EMAIL ***

From: Rueda, Giovanna
Sent: Friday, November 18, 2022 11:50 AM
To: 'Warshauer, Jeffrey [TREAS]'; [REDACTED]
Subject: FW: Valero - State of New Jersey Common Pension Fund D

Apologies, Jeff. Resending with complete attachments.

From: Rueda, Giovanna
Sent: Friday, November 18, 2022 11:47 AM
To: 'Warshauer, Jeffrey [TREAS]'; [REDACTED]
Subject: RE: Valero - State of New Jersey Common Pension Fund D

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Best regards,

Giovanna

Giovanna Rueda
Valero
Executive Director, ESG

One Valero Way | San Antonio, TX 78249 | Phone: [REDACTED]

From: Warshauer, Jeffrey [TREAS]; [REDACTED]
Sent: Thursday, November 17, 2022 3:30 PM
To: Rueda, Giovanna; [REDACTED]
Cc: Butler, Danielle; [REDACTED]; Ngo, Karen; [REDACTED]
Subject: Re: Valero - State of New Jersey Common Pension Fund D

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Jeff

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Sent: Wednesday, November 16, 2022 10:22 AM
To: Warshauer, Jeffrey [TREAS] [REDACTED]
Cc: Butler, Danielle [REDACTED]; Ngo, Karen [REDACTED]
Subject: [EXTERNAL] Valero - State of New Jersey Common Pension Fund D

***** CAUTION *****

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Thank you and best regards,

Giovanna

Giovanna Rueda
Valero / ESG

One Valero Way | San Antonio, TX 78249 | Phone: [REDACTED]



Richard J. Walsh
Senior Vice President,
General Counsel and
Secretary

November 18, 2022

VIA EMAIL

Jeffrey Warshauer
Corporate Governance Officer
State of New Jersey Common Pension Fund D

Re: Stockholder Proposal

Dear Sirs or Madams:

This will acknowledge receipt of the letter, dated November 10, 2022, in which the State of New Jersey Common Pension Fund D (the “Proponent”) has submitted a stockholder proposal (the “Proposal”) in connection with Valero’s 2023 annual meeting of stockholders. By way of rules adopted pursuant to the Securities Exchange Act of 1934 (as amended, the “Exchange Act”), the U.S. Securities and Exchange Commission (the “SEC”) has prescribed certain procedural and eligibility requirements for the submission of proposals to be included in a company’s proxy materials. I write to provide notice of certain defects in the Proponent’s submissions, as described below.

Pursuant to Exchange Act Rule 14a-8(b)(1)(iii), the Proponent must provide Valero with a written statement that it is able to meet with Valero in person or via teleconference no less than 10 calendar days, nor more than 30 calendar days, after submission of the Proposal. The Proponent must include its contact information as well as business days and specific times that it is available to discuss the Proposal with Valero. The Proponent’s cover letter provided with the Proposal states that the Proponent is available to meet with Valero on December 13, 2022, and December 30, 2022, each of which is more than 30 calendar days after the Proponent’s submission of the Proposal. Please provide the Proponent’s availability to discuss the Proposal on dates that are no less than 10 calendar days, nor more than 30 calendar days, after November 10, 2022, in accordance with Rule 14a-8(b)(1)(iii).

In addition, pursuant to Exchange Act Rule 14a-8(b)(i), to be eligible to submit a proposal, the Proponent must be a Valero stockholder, either as a registered holder or as a beneficial holder (*i.e.*, a street name holder), and must have continuously held at least:

(a) \$2,000 in market value of Valero securities entitled to vote on the Proposal for at least three years preceding and including the date the Proposal was submitted to Valero;

(b) \$15,000 in market value of Valero securities entitled to vote on the Proposal for at least two years preceding and including the date the Proposal was submitted to Valero; or

(c) \$25,000 in market value of Valero securities entitled to vote on the Proposal for at least one year preceding and including the date the Proposal was submitted to Valero (collectively, the “Ownership Requirements”).

Our records do not indicate that the Proponent is a registered holder of Valero’s common stock. Exchange Act Rules 14a-8(b)(2) and (3) and SEC staff guidance provide that if the Proponent is not a registered holder the Proponent must prove its eligibility by submitting to Valero either:

1. a written statement from the “record” holder of the Proponent’s securities (usually a broker or bank) verifying that, at the time the Proponent submitted the Proposal, the Proponent continuously held the requisite amount of Valero securities to satisfy at least one of the Ownership Requirements; or
2. a copy of a filed Schedule 13D, Schedule 13G, Form 3, Form 4, Form 5, or amendments to those documents or updated forms, demonstrating that the Proponent continuously held the requisite amount of Valero securities to satisfy at least one of the Ownership Requirements, and any subsequent amendments reporting a change in ownership level, along with a written statement that the Proponent continuously held the requisite amount of Valero securities to satisfy at least one of the Ownership Requirements.

To date, we have not received sufficient proof of the Proponent’s ownership of Valero securities. The proof of ownership statement, dated November 10, 2022, and submitted by State Street Bank & Trust Company, (the “Proof of Ownership”), states that “*the account* has held in excess of \$25,000.00 worth of shares in Valero Energy Corp. continuously since close of business on November 10, 2021 [emphasis added].” The Proof of Ownership, however, does not clarify the ownership of “the account” for the relevant period, in order to confirm that *the Proponent* has held in excess of \$25,000.00 worth of Valero securities continuously since the close of business on November 10, 2021. As such, the Proponent has not submitted proof of ownership from the DTC (as defined below) participant through which the securities are held verifying that the Proponent has continuously held the requisite amount of Valero securities to satisfy at least one of the Ownership Requirements.

In order for us to properly consider the Proponent’s request, please provide to us acceptable documentation from the DTC participant through which the Valero securities are held that the Proponent is a Valero stockholder and has continuously held the requisite amount of Valero securities to satisfy at least one of the Ownership Requirements. You should be able to confirm the identity of the DTC participant by asking the Proponent’s broker or bank. If the broker is an introducing broker, you may also be able to learn the identity and telephone number of the DTC participant through the Proponent’s account statements, because the clearing broker identified on the account statements will generally be a DTC participant.

In this regard, I direct your attention to the SEC’s Division of Corporation Finance Staff Legal Bulletin No. 14 (at C(1)(c)(1)-(2)), which indicates that, for purposes of Exchange Act Rule 14a-8(b)(2), written statements verifying ownership of securities “must be from the record holder of the shareholder’s securities, which is usually a broker or bank.”

Please note that most large U.S. brokers and banks deposit their customers' securities with, and hold those securities through, the Depository Trust Company ("DTC"), and the Division of Corporation Finance advises that, for purposes of Exchange Act Rule 14a-8(b)(2)(i), only DTC participants or affiliates of DTC participants "should be viewed as 'record' holders of securities that are deposited at DTC" (Staff Legal Bulletin No. 14F at B(3) and No. 14G at B(1)-(2)) (copies of these and other Staff Legal Bulletins containing useful information for proponents when submitting proof of ownership to companies can be found on the SEC's website at: <http://www.sec.gov/interp/legal.shtml>). You can confirm whether the Proponent's broker or bank is a DTC participant by asking the broker or bank or by checking DTC's participant list, which is available at <https://www.dtcc.com/-/media/Files/Downloads/client-center/DTC/DTC-Participant-in-Alphabetical-Listing-1.pdf>.

Consistent with the foregoing, if the Proponent intends to demonstrate ownership by submitting a written statement from the "record" holder of the Proponent's securities, please provide to us a written statement from the DTC participant record holder of the Proponent's securities verifying (a) that the DTC participant is the record holder, (b) the number of securities held in the Proponent's name, and (c) that the Proponent has continuously held the requisite amount of Valero securities to satisfy at least one of the Ownership Requirements.

If the DTC participant that holds the Proponent's securities is not able to confirm individual holdings but is able to confirm the holdings of such Proponent's broker or bank, then the Proponent may satisfy the proof of ownership requirements by obtaining and submitting two proof of ownership statements verifying that, for at least the applicable period preceding and including the date the Proposal was submitted, the requisite number of Valero securities were continuously held. The first statement should be from the Proponent's broker or bank confirming the Proponent's ownership. The second statement should be from the DTC participant confirming the broker or bank's ownership.

Your response may be sent to my attention at the address above or by email (giovanna.rueda@valero.com). Pursuant to Exchange Act Rule 14a-8(f), your response must be postmarked or transmitted electronically no later than 14 days from the date you receive this letter.

Please note that because the Proponent's submission has not satisfied the procedural requirements described above, we have not yet determined whether the submission could be omitted from the Valero proxy statement on other grounds. If you adequately correct the procedural deficiencies within the 14-day time frame, we reserve the right to omit the Proposal pursuant to Rule 14a-8 on other valid grounds for such action.

Copies of Exchange Act Rule 14a-8 and Staff Legal Bulletins Nos. 14, 14F and 14G are enclosed for your convenience.

If you have any questions or would like to speak with a representative from Valero about your Proposal, please contact me at [REDACTED] or Giovanna Rueda at [REDACTED].

[Signature page follows.]

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Walsh". The signature is written in a cursive style with a large, stylized initial "R".

Richard J. Walsh

Exhibit D

Response to Deficiency Notice



State of New Jersey

DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT

PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

ELIZABETH MAHER MUOIO
State Treasurer

SHOAIB KHAN
Director

December 1, 2022

Richard J. Walsh
Senior Vice President, General Counsel and Secretary
Valero Energy Corporation
One Valero Way
San Antonio, Texas 78249

Dear Mr. Walsh,

This letter addresses the alleged deficiencies you identified in the letter dated November 18, 2022.

In accordance with SEC rules, we are required to offer our availability between 10 and 30 calendar days from the date of our shareholder proposal submission. As such, representatives from the New Jersey Division of Investment are available to meet with the Valero Energy Corporation (the "Company") via teleconference on December 7, 2022 and December 9, 2022 between 9:00 a.m. and 5:30 p.m. Central Time. A meeting is currently scheduled for 9 a.m. CT on December 13, 2022 but if either of these new proposed times, or another that may be more convenient for the Company, are preferred, we would be happy to accommodate.

The State of New Jersey Common Pension Fund D (the "Shareholder"), has beneficially owned more than \$25,000 worth of the common stock of the Company for over one year continuously from November 10, 2022, the date of our submission. The Shareholder has continued to hold and intends to maintain ownership of at least \$25,000 in market value of the common stock through the date of the Annual Meeting. While we believe the original proof of ownership letter from the Shareholder's custodial bank aligned with regulatory requirements, a new proof of ownership letter from State Street Bank & Trust is enclosed. This letter documents the Shareholder's continuous ownership of 242,465 shares of Valero common stock with an approximate value of \$32 million as of November 10, 2022, satisfying the requirement of more than \$25,000 worth of the common stock continuously held for one year. Also, we note that State Street Bank & Trust is a participant in DTC and has included their DTC participant number in their letter. As such, State Street Bank & Trust is the "record" holder of the shares.

This new proof of ownership letter follows the suggested format provided by the Securities and Exchange Commission staff in its Staff Legal Bulletin No.14L (November 3, 2021) under section E. This format is intended to resolve overly technical interpretations that may arise from industry complexity. We hope this brings clarity to the issue and believe that this is sufficient to demonstrate that the Shareholder meets the requisite minimum ownership requirements under Rule 14a-8(b).

Please direct all questions or correspondence regarding the Proposal to Jeffrey Warshauer, Corporate Governance Officer at [REDACTED].

Sincerely,



Shoaib Khan
Director



STATE STREET

November 28, 2022

State of New Jersey Division of Investment
[REDACTED]

RE: Proof of Ownership

To Whom It May Concern,

As of November 10, 2022, State of New Jersey Common Pension Fund D held, and has held continuously for at least one year, 242,465 shares of Valero Energy Corporation common stock.

Security Name: VALERO ENERGY CORP
Cusip: 91913Y100

If there are any other questions or concerns regarding this matter, please feel free to contact Benjamin Cruz at [REDACTED].

Sincerely,

Benjamin Cruz
Assistant Vice President
State Street Bank & Trust
DTC No. 0997