



WHEREAS: As evidence of the severe impacts from climate change mounts, policy makers, companies, and financial bodies have converged on the need to achieve [net zero greenhouse gas \(GHG\) emissions](#) globally to [maintain warming at 1.5° C](#).

[The International Energy Agency's](#) (IEA) Net Zero 2050 Scenario (NZE) describes an energy sector path for net zero GHG emissions. According to the IEA, no new investment in fossil supply projects is needed in a net zero scenario and the IEA anticipates oil demand dropping by nearly 75% globally by 2050.

In response, investors are calling for high-emitting, fossil fuel dependent companies to test their financial assumptions and resiliency against substantial [reduced-demand climate scenarios](#) including the NZE, and to [provide investors insights](#) about the [potential impact](#) on financial statements.

[An independent 2021 analysis](#) concluded that Valero's financial statements lack transparency on climate-related assumptions and estimates, that company disclosures do not appear to use 'Paris-aligned' assumptions and estimates, and that its third party audit did not address or assess climate-related assumptions.

In contrast, peers Shell and BP released more transparent disclosures in their audited financial statements, articulating the extent of consideration of climate change contingencies and risks. In 2020, BP, Shell and TotalEnergies reviewed their 2019 financial accounting practices in light of the accelerating low-carbon energy transition. All three subsequently adjusted critical accounting assumptions, resulting in material impairments, and disclosed how climate change affected the adjustments. [National Grid also noted](#) estimates inconsistent with 2050 "net zero" commitments.

[Valero's recently released](#) scenario analysis assesses global forecasts for oil demand under the Sustainable Development Scenario, but not the more stringent NZE. In its financial statements, Valero narratively acknowledges increased climate-related transition and physical risk, but not how those risks translate into financial impacts. Investors request further transparency on how such matters could impair Valero's business.

BE IT RESOLVED: Shareholders request that Valero's Board of Directors issue an audited report disclosing whether and how applying the assumptions of the International Energy Agency's Net Zero by 2050 pathway scenario would affect the assumptions, costs, estimates, and valuations underlying its financial statements, including those related to supply and demand, resiliency of assets, remaining asset lives, capital expenditures, and impairments. The Board should produce the report at reasonable cost and omitting proprietary information.



SUPPORTING STATEMENT: The proponent recommends the requested report be supported with reasonable assurance from an independent auditor.

[Investors with \\$103 trillion in assets](#) under management have already called for companies and their auditors to rigorously disclose climate risks in financial reporting, or value overstatement due to failing to integrate climate-related impacts on profits and financial positions.

In light of potential impairments from uncertain climate scenarios depressing product demand, it is urgent for investors to vote in favor of this proposal.