



Valence Environmental, Social and Governance Report 2022

Valence Surface Technologies (VST) and its entities strongly believe in the importance of environmental, social, and corporate governance ("ESG") to our business. We aspire to be responsible corporate citizens and believe that transparency and accountability are important foundations for creating value and building trust with our stakeholders to fulfill our long-term mission, vision, and strategy.

In 2021, we formally established our ESG policy, identifying the ESG considerations relevant to our business and integrating them into our business practices to ensure that ESG risk factors and opportunities are considered on a continuous basis. Our ESG program and policy is maintained by our CHRO and is reported quarterly to the Board of Directors. The purpose of this report is to update our key stakeholders on the progress we have made towards achieving the goals set forth in our ESG policy in 2021.



*E*nvironmental

Our environmental program is rooted in a commitment to protect and maintain the environment and minimize the impact our actions may have on it. We achieve this through eco-efficient management strategies and continuous improvement while working with local agencies to meet regulatory standards.

A core tenant of our business is quality and compliance. In accordance with this, we conduct all of our operations in compliance with applicable environmental laws, regulations, and internal policies and procedures.

- We undergo regular air, sanitary, sewer, fire, and State environmental protection agency audits. In 2022, third party audits resulted in no significant findings or violations. In addition to complying with all laws and regulations, we have taken actions that go above and beyond legal and regulatory requirements to reduce our environmental impact while still delivering on our commitment to our customers and key stakeholders.
- In 2020 through 2022, we have monitored all corporate travel and engaged in a carbon offset program with Sustainable Travel International to neutralize the impact our corporate air travel has on the environment.
- We have completed a review of 2022 air travel and finalized our 2022 offset efforts and are proud to include our 2022 Offset Certificate!

CARBON OFFSET CERTIFICATE

January 12, 2023 | Certificate Number: 011223

presented to

Valence Surface Technologies

for offsetting

200.40 MT of CO₂ emissions

By offsetting through Sustainable Travel International, you are supporting verified carbon offset projects that reduce greenhouse gas emissions, mitigate climate change impacts, and lead to healthier environments and communities around the globe.



Paloma Zapata
CEO, Sustainable Travel International

 **SUSTAINABLE
TRAVEL INTERNATIONAL**
EIN: 37-1461679



2022 Annual Performance

We endeavor to limit our impact on our environment, and the health and safety of our communities by ensuring continuous improvement of the following metrics. Please note that the increase in hazardous waste is solely due to the related fire at our facility in Eastman, Georgia.



*The metrics are reported by units per labor hour



Other company wide efforts to impact the VST environmental footprint include:

- Monitoring electricity, water and natural gas consumption and air emissions to address waste and inefficiencies;
- Enrollment in the DOE sponsored ISO 50001 Ready Program to prepare the organization for formal accreditation;
- Elimination, reduction, or substitution, where possible, of materials that have detrimental effects on human health and the local environment;
- Preferential consideration for recycling or destruction of hazardous wastes or processing byproducts;
- As an environmentally conscious organization, we are continuing to transition to environmentally friendly substitutes in our facilities.
 - Successfully removed the use of a vapor degreaser at one of our large sites;
 - Eliminated chromic acid anodizing in our Eastman, GA facility replacing it with non-chromated substitutes.
- Working together with our stakeholders on activities that promote environmental protection and stewardship;
- Source reclamation of spent materials and management of in-house processes to recycle wastewater for reuse;
- Improved inventory controls to ensure maximum utilization of time and temperature sensitive materials to reduce disposal of hazardous and excess material;
- Improved utilization power during times of peak demand;
- In 2022, worked with Industrial Assessment Center (DOE sponsored program), to reduce energy waste. They visited four sites and provided assessments and recommendations on reduction of energy consumption;



Our social program is rooted in a commitment to developing and deploying an engaged, diverse workforce, fostering a culture of transparency and organizational compliance, and giving back to our communities. We achieve this through an understanding that our employees are our most valuable assets and are critical to the success of our business. Valence also works to foster a culture of integrity and trust across all functions and locations within our organization.



Health & Safety

Our commitment to our employees begins first and foremost with a commitment to their health and safety.

- In accordance with this commitment, we conduct Monthly Safety Committee meetings at each site, which involves education, training, and remediation of documented safety hazards, and audits related to issues such as chemical safety, equipment, training, and occupational hazard prevention.
- Worker injury ratings were maintained well below industry standard. No fatalities

Valence received no formal findings during OSHA and State worker safety agencies in 2022.

Diversity, Equity, and Inclusion

Valence is committed to maintaining an environment that encourages and fosters positive relations and respect for all individuals. We actively recruit people from diverse backgrounds to build a supportive and inclusive workplace, and we take steps to ensure employees have a sense of belonging, value, and opportunity. We are committed to enforcing the Code of Ethics at all levels in order to create an environment free from discrimination, harassment, retaliation, and/or sexual misconduct.

Discrimination or harassment based on race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status, or on any other legally prohibited basis is unlawful, violates our company policy, and is not tolerated. Any form of retaliation against anyone who has complained of, or formally reported, discrimination, harassment, or sexual misconduct, or has participated in an investigation of such a complaint, regardless of whether the complaint relates to the complaining person or someone else, will not be tolerated, and violates both the company's policy and applicable law.

To further promote this commitment to diversity and inclusion, Valence maintains or has enacted the following initiatives.

We maintain an "Open Door" Policy that encourages employees to present ideas, ask questions, and raise concerns, especially those of a legal or ethical nature, and those relating to quality of work, directly to any level of leadership without fear of retaliation. We also re-launched the Valence Integrity Hotline in 2022 to further promote the "Valence Speak Up" culture we want to foster and support. This communication is essential to ensure our employees are





fully aware of the Valence Integrity Hotline where concerns can be reported and to understand all reporters have the option to remain anonymous.

Valence has also implemented a Human Rights Policy, to promote human rights in the communities in which we live and work. The policy is guided by the United Nations' Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights the international human rights principles encompassed within these as well as the principles concerning fundamental rights set out in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. The guiding principles of this policy are:

- *Children and Young Workers*
As a fundamental principle, we do not employ children or support the use of child labor. We do encourage the creation of educational, training or apprenticeship programs tied to formal education for young people.
- *Freedom of Engagement*
We believe that people should work because they want or need to, not because they are forced to do so. We prohibit the use of prison labor, forcibly indentured labor, bonded labor, slavery, or servitude.
- *Equality of Opportunity*
We recognize, respect, and embrace the cultural differences found in the worldwide marketplace. Our workplace is a meritocracy where our goal is to attract, develop, promote, and retain the best people from all cultures and segments of the population, based on ability. We have zero tolerance for discrimination or harassment of any kind.
- *Compensation*
We ensure that compensation meets or exceeds the legal minimums and is competitive with industry standards. Our compensation philosophy is clearly communicated to employees and is in full compliance with all applicable laws.
- *Freedom of Association*
We recognize and respect the freedom of individual Valence employees to join, or refrain from joining, legally authorized associations or organizations.
- *Relationships with Indigenous People*
Within the framework of our Values, we respect the cultures, customs and values of the people in communities where we operate and take into account their needs, concerns, and aspirations.
- *Human Trafficking*
Human trafficking is modern-day slavery - involving force, fraud or coercion to obtain some type of labor or commercial sex act. Human trafficking takes many forms, including the illegal employment of children, procurement of a sex act (whether legal or illegal) or use of forced labor. No company funds may be used to engage in, facilitate

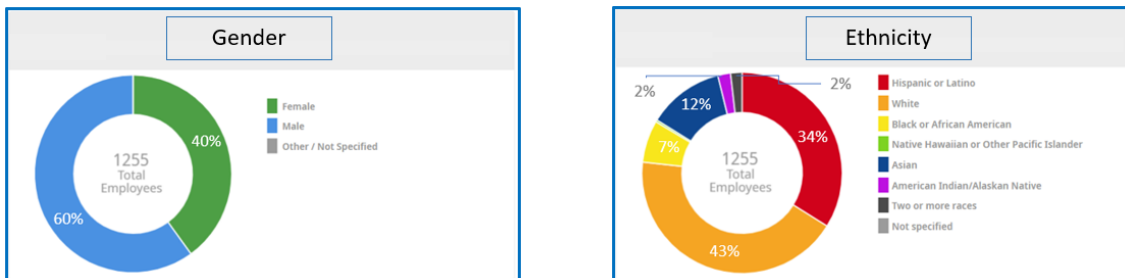


or support activities or markets that engage in human trafficking regardless of the legality of the activity in a given jurisdiction.

Reporting Diversity Metrics Drives Change

In 2021, we began formally reporting diversity statistics to our Board of Directors, including across gender and ethnicity, as well as across its management. We also launched our Diversity, Equity, and Inclusion Policy.

Total Company – Diversity Metrics – 2022



Community Engagement & Charitable Giving

We are committed to the communities in which we live and work and our employees set an example we are proud to share.

In March of 2022, Valence and our local firefighters responded to a fire in one of the buildings at our Eastman, Georgia facility. On a Sunday morning, the Eastman Fire Department arrived on site and began a battle that would last well into the night. As the fight ensued, the fire department and emergency medical personnel from surrounding counties arrived in great force to extinguish the blaze and secure the area to ensure safety. These valiant efforts prevented the spread of the fire, sparing some of the equipment and customer parts that were present in the impacted building.



In gratitude for their heroic efforts, Valence Eastman held an appreciation luncheon for all the people that stepped up and came to help when we needed it the most. We extended the invitation to several local businesses and governmental agencies that provided office space and support, as we worked diligently to restore operations. The Valence team donated some needed equipment to the Eastman Fire Department to demonstrate our sincere appreciation.



In addition, our Eastman, Georgia employees supported the Eastman Fire Department children's toy drive during the holidays by providing wrapped toys and gifts for families and children who may otherwise go without.



We work with various charities on a case-by-case basis. This commitment will not only support each specific community in which we operate but is also intended to foster a company-wide culture of giving that will boost employee morale and satisfaction. Valence has launched a Rewards and Recognition program that will provide recognition through our platform to employees who provide at least four hours of community service. Our Rewards and Recognition Platform was launched in 2022.



We have launched AwardCo, our new employee recognition program!

Did you know that there are **MANY** ways you can earn AwardCo points?

- Serve on a **Safety Committee!**
- Give time to a **non-profit** in your **community!**
- Milestone **Anniversaries!**
- Go **Above and Beyond!**

RECOGNIZE

Celebrate

REWARD

MANAGE



Cybersecurity

We invest significant resources and constantly focus on Cybersecurity risks.

- Beginning with the 2021 audit, the Valence Audit Committee—a committee of the Board of Directors—formally reviewed cyber risk as part of the annual audit process.
- We ensure our mobile devices remain configured in a secure manner in real-time and use several factors for identity protection.



- We have removed access to non-business essential web applications from company owned devices to mitigate potential risk stemming from the use of social media applications.
- We conduct the following periodic assessments and monitoring to mitigate the risk and impact from Cyber Incidents:
 - 24/7 monitoring of all internal and external network traffic.
 - Monthly reviews with our Virtual Security Operations Center (vSOC) partner.
 - Quarterly Vulnerability and Threat scanning on all networks.
 - Annual network penetration testing from 3rd parties.
 - Annual Cyber Risk Assessment review and Incident Response Plan review.
 - Annual employee Cyber awareness training.

Valence handles Controlled Unclassified Information (CUI), which is government-created or owned information that requires safeguarding or dissemination controls consistent with applicable laws, regulations, and government-wide policies.

- In 2021, the Department of Defense approved an Interim Rule to usher in a new enforcement framework. In response, management formally reviews our processes and systems to ensure we are fully compliant with the updated rule. We report on cyber and data security threats and mitigation quarterly to our Board of Directors.

Compliance and Management Operating System

Valence ensures compliance with all relevant regulations through third party independent audits and our internal Management Operating System, which is intertwined with the aerospace industry specific AS9100 framework by which we operate, align activities, review risk, and make decisions. To maintain compliance within this system, we conduct monthly executive leadership team meetings, Monthly Operating Reviews, and Internal/External Quality audits. Valence also operates in compliance with all CUI, ITAR, EAR, and FAA regulations.



Each Valence site also conducts monthly internal audits with a focus on improving processes and mitigating business risk. There is an established quality meeting with the purpose of sharing all the results of all external and internal audits across all business sites for review, input and containment.

All AS/ISO audits are annual. Nadcap accreditation allows merit status after 2 successful annual external audits, which can allow for extension from annual to 18-24 months. However, each process is subjected to auditing internally on an annual basis.



2022 Audit Summary:

- Zero "Major" findings on 11 AS9100 audits.
- Zero findings on 5 out of 11 AS9100 audits.
- Nadcap Audits: out of 9 audits, 2 "Major" and 10 "minor" findings.
- 10 out of 11 Nadcap audits are at Merit.



All Majors and Minor findings from audit have been shared and resolved through problem solving using cross-site best practices and shared knowledge.

Governance & Risk Management

Auditors – Grant Thornton

Valence's Board of Directors formally convened nearly a dozen times, including both quarterly Board meetings and ad hoc meetings to address specific topics, in 2021 to provide appropriate corporate governance oversight and review, among other things, the strategic direction, quality of leadership and management, internal controls, and operating performance. In addition to full Board of Directors meetings, Valence maintains two Board committees focused on critical governance and risk management areas—audit and compensation.

- In 2022, Valence conducted a third-party financial audit for the 2021 financials with our auditors, Grant Thornton. Throughout 2022, the Audit Committee oversaw the audit process and met with both management and the auditors. Following formal recommendation from the Audit Committee, the Board of Directors reviewed and approved this independent audit in May 2022.
- The 2022 audit process was completed in the first half of the year. As previously covered, the process included a review of cyber risk by the committee.
- In 2021, the Compensation Committee established a review process for 2021 employee compensation programs, including salaries, bonuses, and equity-based compensation.

Conclusion

Valence is pleased to share the progress we have made towards our ESG commitments to date, and we look forward to continuing to provide updates on the Company's continued developments. ESG remains a critical part of the company culture and is viewed as a part of the value creation defined by the company brand.