



Valence Environmental, Social and Governance Report 2023

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.

We formally established our ESG policy in 2021 and have continued to identify the ESG considerations relevant to our business and to integrate them into our business practices to ensure that ESG risk factors and opportunities are considered on a continuous basis. We are offering new capabilities to customers who supply and support clean energy and greenhouse gas reduction. 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 environmentally responsible management strategies, risk reduction, and continuous improvement while working with regulatory agencies to meet and exceed environmental standards.

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

- We work closely with OEM’s, insurance carriers, and regulatory agencies to identify risks, hazards, and opportunities to minimize our impact on the environment, employees, and the communities that we operate in through responsible waste minimization strategies, a robust safety culture, and hazard identification programs.
- In 2020 through 2023, 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 2023 air travel and finalized our 2023 offset efforts and are proud to include our 2024 Offset Certificate!
- We have dedicated significant resources and developed relationships with our insurance carrier to audit our operations to identify risks and mitigation opportunities. Investments in



capex projects have been approved for projects such as fire monitoring and suppression system upgrades, equipment upgrades, training, inspections, and natural disaster preparation.



What will our carbon offset certificate support?

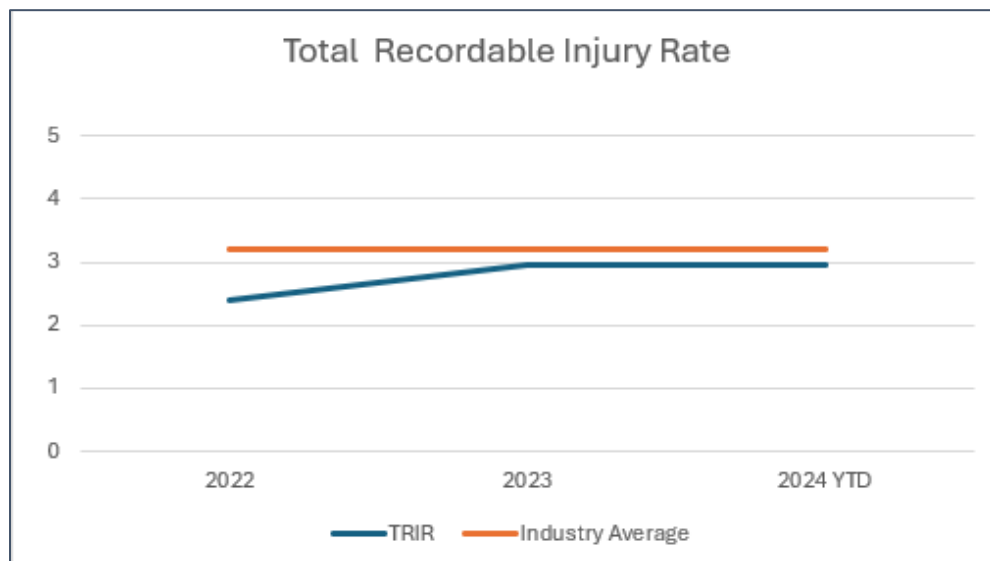
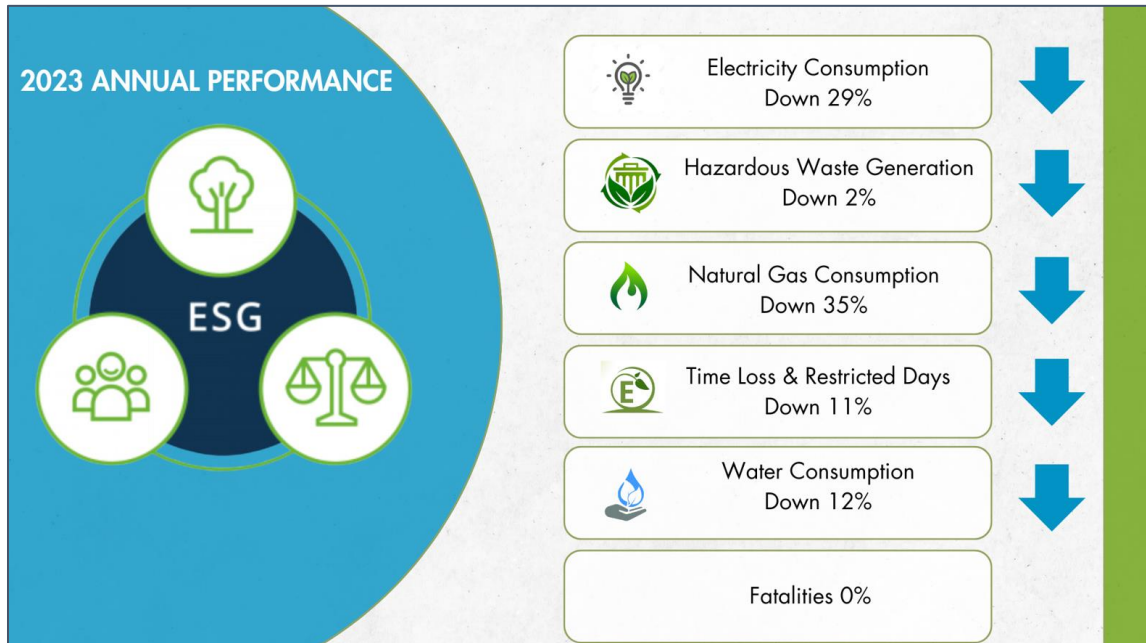
When we offset with Sustainable Travel International, we stretch our impact by distributing each dollar across the Climate Impact Portfolio. This includes a mix of forestry, energy, blue/teal carbon, and innovative tech projects. They carefully select every carbon offset project that is included in their portfolio, ensuring they comply not only with the most rigorous standards for carbon offsetting but pass their own due diligence test. In addition to fighting climate change, they seek out projects that deliver social and environmental benefits beyond CO2 reductions and contribute to the UN Sustainable Development Goals.



2023 Annual Environmental, Health & Safety 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.

*The metrics are reported by units per labor hour



Year	TRIR	Industry Average
2022	2.4	3.2
2023	2.95	3.2
2024 YTD	2.95	3.2



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

- Monitoring natural resource consumption and greenhouse gas emissions with a specific corporate reduction goal of 20% by 2030.
- Elimination, reduction, or substitution, where possible, of materials that have detrimental effects on human health and the 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.
 - Eliminated a chromic acid anodizing process in our Lynwood, CA 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 2023, we were awarded grants from local utilities and the US Department of Energy to aid in our efforts to reduce our energy consumption and greenhouse gas emissions.



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.

Employee Engagement Survey

We were excited to invite all Valence employees to participate in the 2023 Valence Employee Engagement Survey in September. It was important for us to hear from our employees about their



experience working at Valence and understanding what matters most to them. From those results, every site along with corporate is building action plans that focus on what is important to our employees and what will make a difference.

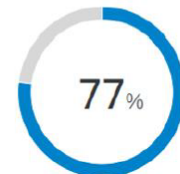
The survey was administered by Qualtrics and Workforce Science Associates, so that we did not receive any individual responses and no data was reported by department/function with less than five responses, thus ensuring the survey responses remained confidential.

Valence: First Full Employee Engagement Survey For Internal Valence Surface Technologies Use Only



Employee Engagement Survey 77% Participation

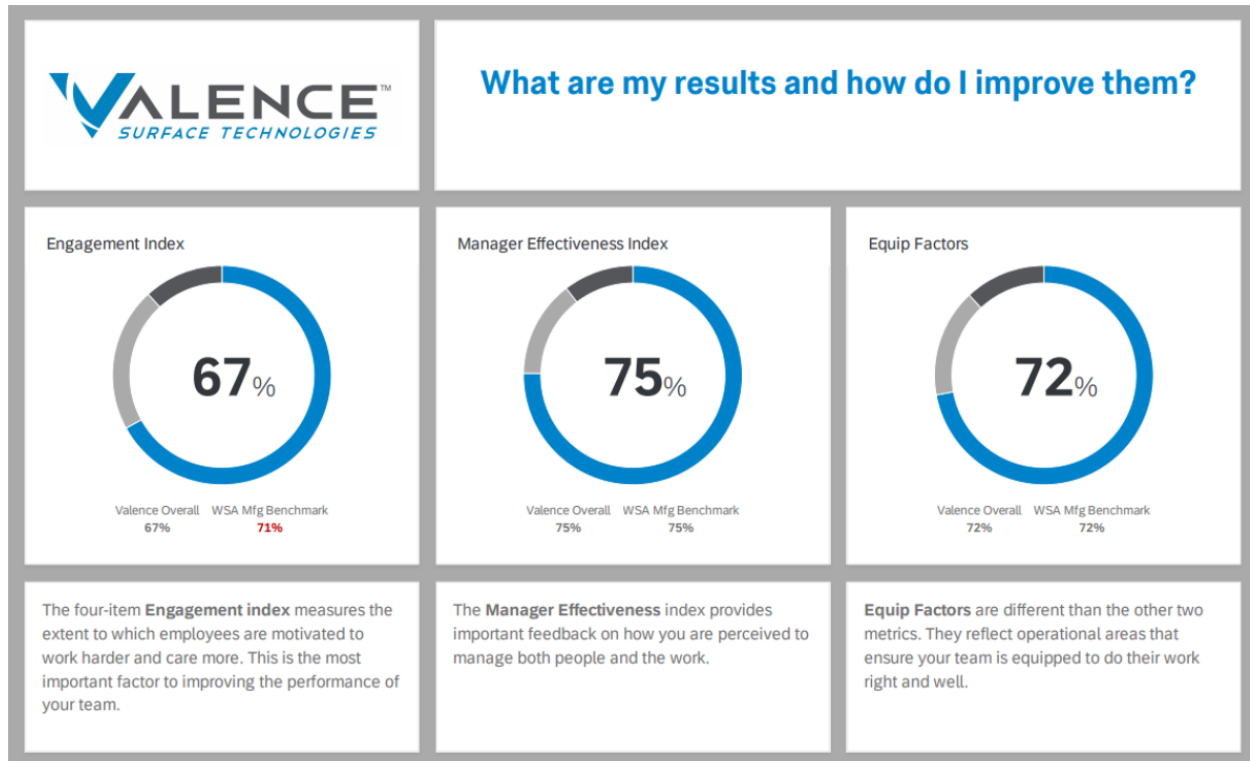
Overall Participation



Responses
871 of 1131

Participation by Location

Name	Invited	Respond	Participation Rate
Location			
Wichita	149	82	<div style="width: 55%;"></div>
West Springfield	174	107	<div style="width: 61%;"></div>
Grove	119	76	<div style="width: 64%;"></div>
Seattle	145	98	<div style="width: 68%;"></div>
Everett	52	39	<div style="width: 75%;"></div>
Garden Grove	118	98	<div style="width: 83%;"></div>
Corporate	36	33	<div style="width: 92%;"></div>
Camden	85	85	<div style="width: 100%;"></div>
Eastman	81	81	<div style="width: 100%;"></div>
Lynwood	101	101	<div style="width: 100%;"></div>
Paramount	13	13	<div style="width: 100%;"></div>
Pittsburgh 1	58	58	<div style="width: 100%;"></div>



Health & Safety

Our commitment to our employees begins primarily 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.
- All employees participate in biannual safety events aimed at education and identification of hazards. Observations are tracked to timely resolution.
- Valence has committed to significant investments in fire monitoring and automatic suppression systems at all facilities.
- Worker injury ratings were maintained well below industry standard. No fatalities.
- Valence received no major findings during OSHA and State worker safety agencies in 2023.



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 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 promotes 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 continue to promote our Valence Integrity Hotline, "Valence Speak Up," to foster and support the culture we want to instill. This communication is essential to ensure our employees are fully aware of the Valence Integrity Hotline where concerns can be reported, and 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:



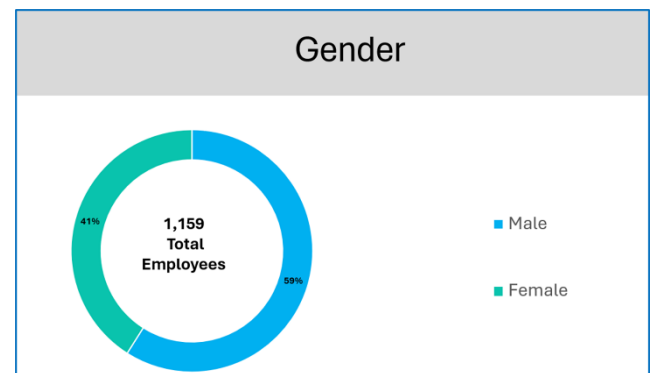
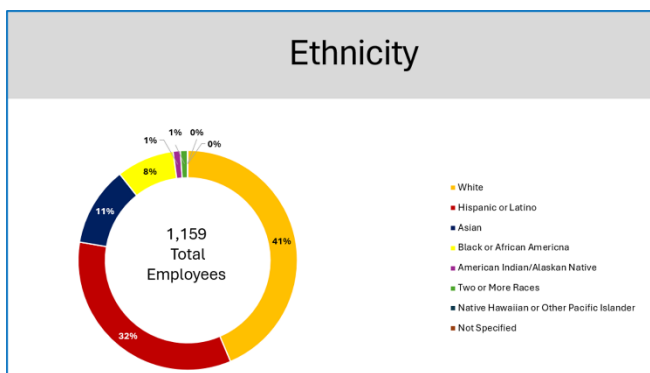
- *Children and Young Workers*
As a fundamental principle, we do not employ children or support the use of child labor. We do encourage the creation of educational, training or apprenticeship programs tied to formal education for young people.
- *Freedom of Engagement*
We believe that people should work 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 complies 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 consider their needs, concerns, and aspirations.
- *Human Trafficking*

Human trafficking is modern-day slavery - involving force, fraud, or coercion to obtain a type of labor or commercial sex act. Human trafficking can take on 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 each jurisdiction.

Reporting Diversity Metrics Drives Change

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

Total Company – Diversity Metrics – 2023



Valence Women’s Network

We were excited to launch the Valence Women’s Network (VWN) in 2023 as the first Employee Resource Group (ERG) at the company.

The purpose of VWN is to provide an encouraging environment for Valence women leaders and individual contributors to focus on learning and development, networking, and mentorship. We believe that by providing an inclusive, supportive environment for women at Valence, we can differentiate ourselves by attracting and developing female talent.

VWN is intended to be an inclusive organization and although it is focused on Valence women, membership is open to everyone at Valence: women and allies. An ally is someone that is supportive of and focused on advancing the key initiatives of VWN.

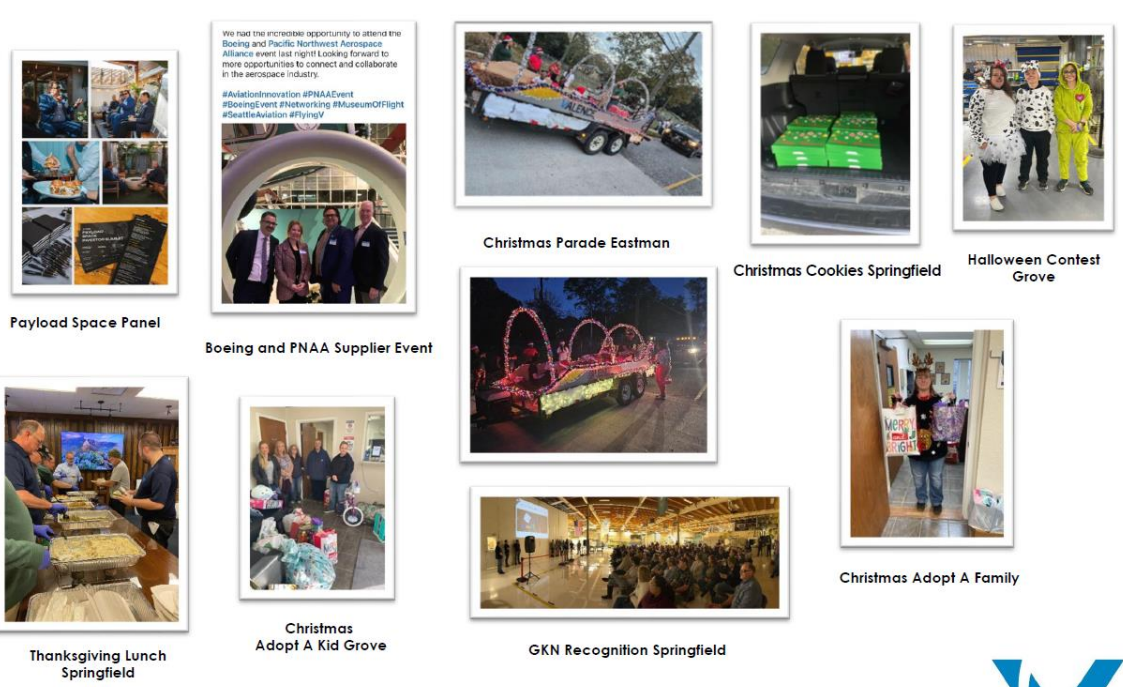
Mission Statement: We empower women at all levels to achieve their aspirations and equip them to excel in their personal and professional lives.

Our VWN sponsor, Valence Chief Executive Officer Chris Celtruda, was there to kick off our first meeting, pictured here with Patricia Hamrick, CHRO and Bel-Ayre Robbins, Supply Chain Manager.



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. Our involvement spans from our neighbors, customers and those who support our community.





Cybersecurity

We invest significant resources and constantly focus on Cybersecurity risks.

- The United States Department of Defense requires the Aerospace supply chain to comply with the Cybersecurity Model Maturity (CMMC); this is the standard Valence uses to assess cybersecurity risk.
- In 2019, Valence contracted a virtual Security Operations Center (vSOC) to continuously monitor our network traffic, server logs, and O365 email accounts.
- In 2021, Valence contracted a qualified third-party firm to conduct a cybersecurity assessment and results sent to the Valence Audit Committee—a committee of the Board of Directors.
- In 2023, Valence contracted another qualified third-party to conduct cybersecurity audits of key corporate and site networks/systems.
- To further our commitment to Cyber and Data Security, Valence hired a full time Cybersecurity Manager to focus on mitigating risk and lead our internal Cybersecurity Team.
- Valence conducts the following monitoring and periodic assessments to improve our cyber hygiene and reduce risk for our customers and employees:
 - Review and update Cyber policies and procedures
 - 24/7 monitoring of all internal and external network traffic
 - Third party network penetration test; Cyber Vulnerability and Threat scans
 - Employee Cyber education and training along with “Phishing” test
 - Annual Cyber Risk Assessment review and Incident Response Plan review

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.

2023 Audit Summary:

- 101 Total Audits (AS9100, Nadcap, OEM) – 53 zero finding audits
- 14 AS9100 Audits – 15 Minors
- 17 Nadcap Audits – 8 Major, 26 Minors
- Maintained Nadcap Merit
- 1 site 1st time Nadcap
- 2 sites transitioned to Valence Management Quality System (MQS).



All Major 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

In 2023, Valence's Board of Directors formally convened four times, in addition to informal ad hoc meetings to address specific topics, 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 2024, Valence conducted a third-party financial audit for the 2023 financials with our auditors, Grant Thornton. Throughout 2023, 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 will review and approve this independent audit in May 2024.
- In 2023, the Compensation Committee established a review process for 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.