

Valence Environmental, Social and Governance Report 2024

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 a team consisting of leaders from Quality, EHS and HR 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.



Environmental

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 of our operations in compliance with applicable environmental laws, regulations, and internal policies and procedures.

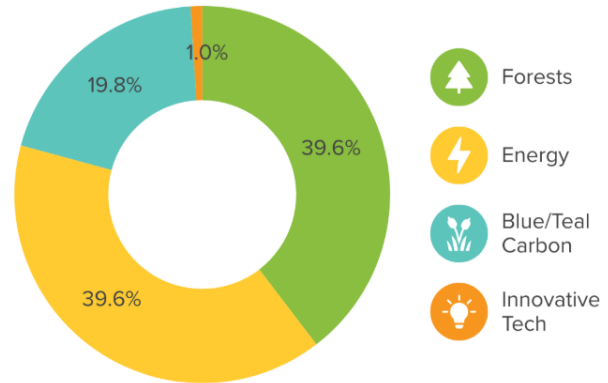
- We work closely with Original Equipment Manufacturers, insurance carriers, and regulatory agencies to identify risks, hazards and opportunities to minimize our impact on the environment, employees, and the communities that we operate in through responsible waste minimization strategies, a robust safety culture, and hazard identification programs.
- In 2020 through 2024, 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 2024 air travel and finalized our 2024 offset efforts and are proud to include our 2025 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 capital expenditure 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.

Current Portfolio Allocation

Carbon Dioxide Equivalent (CO2e) by Project Type



CARBON OFFSET CERTIFICATE

May 06, 2025 | Certificate Number: 0605250430202845

presented to

Valence Surface Technologies

for offsetting

186 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



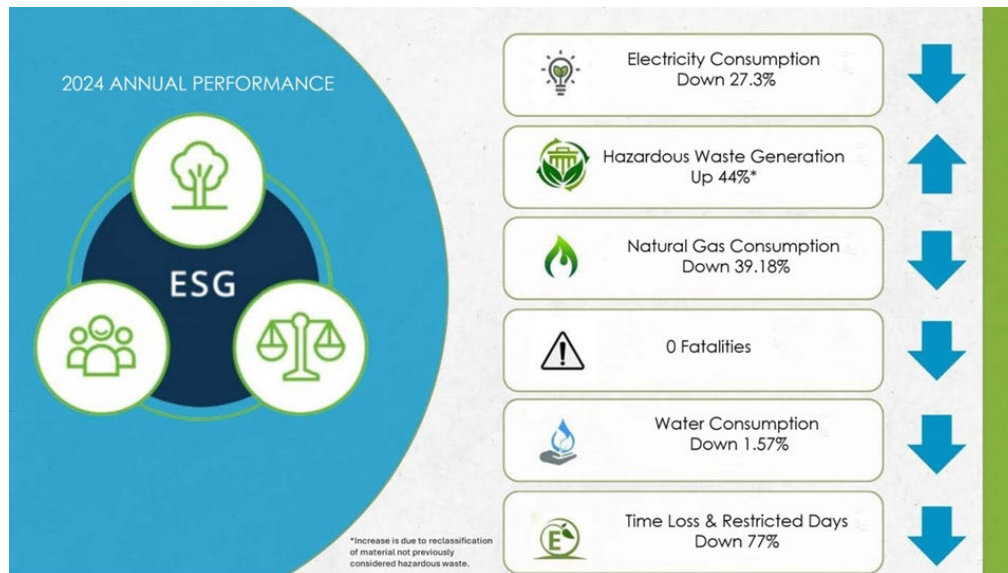
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2024 Annual Performance

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.

*The metrics are reported by units per labor hour



Other companywide 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 waste 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 of power during times of peak demand.



- In 2024, we were awarded \$81,000 in matching grant funds from local utilities and the US Department of Energy to aid in our efforts to reduce our energy consumption and greenhouse gas emissions.

Social

Our social program is rooted in a commitment to developing and deploying an engaged 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.

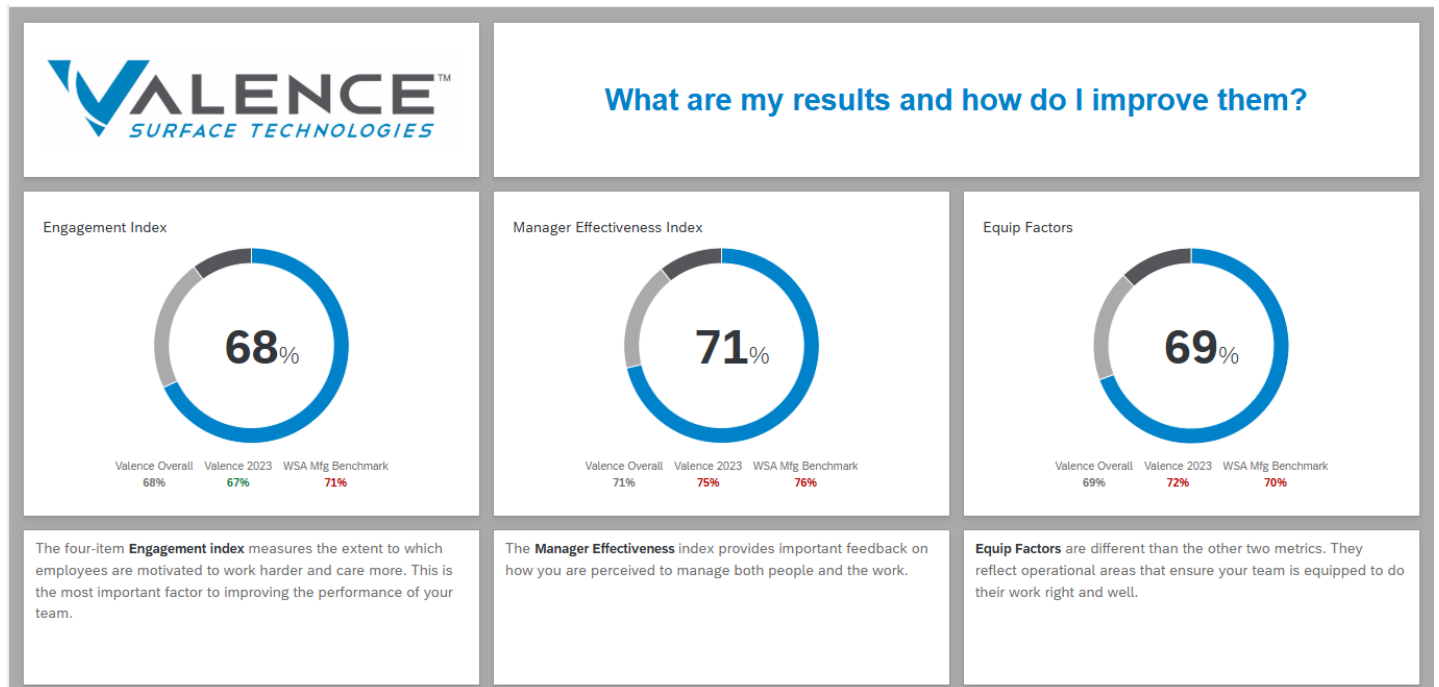
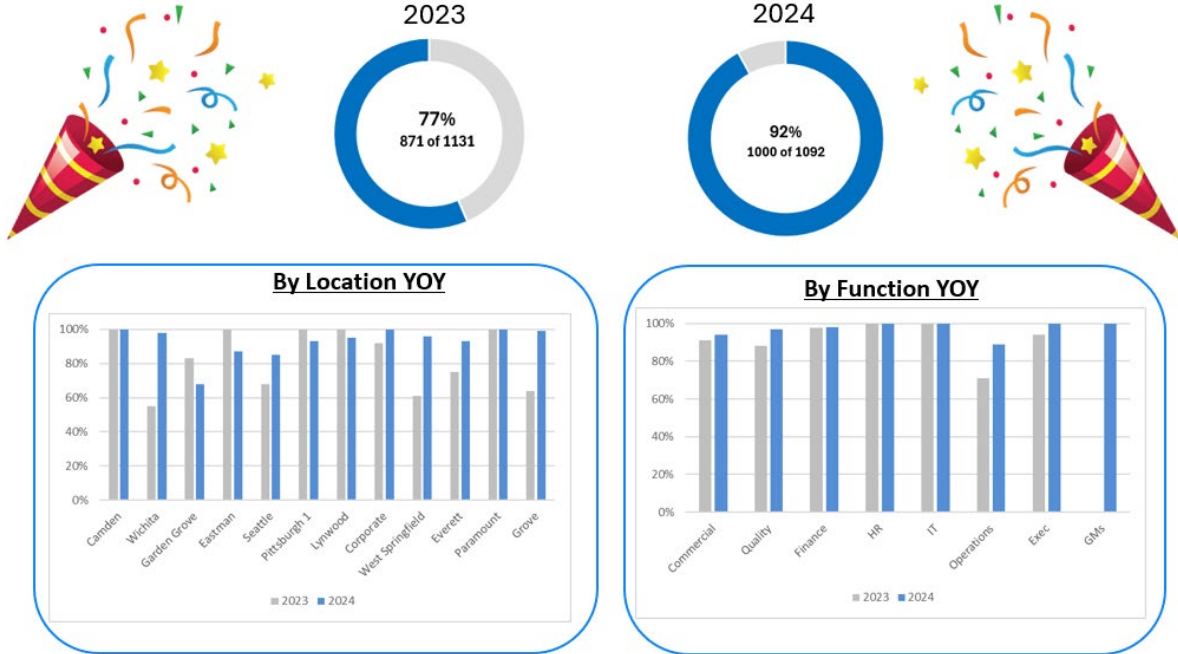
Employee Engagement

We conducted the 2024 Valence Employee Engagement Survey in October. It is critical for us to hear from our employees about their experience working at Valence and understanding what matters most to them. From the responses given to the survey, 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 to promote full transparency from employees.

In 2024, employee participation dramatically increased with 92% of the population choosing to provide feedback, compared to 77% in 2023. We saw a slight increase in overall engagement from 67 in 2023 to 68 in 2024.

Participation Rate



Understanding that employees are Valence's most valuable assets, we continually strive to attract and retain the best of the best. In 2024, we added an extra holiday and implemented a Non-Destructive Testing development program with retention incentives. Currently, 65 employees are enrolled in this program, ensuring depth to this critical role.

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.
- 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 2024.
- Many sites also focus on the health and wellness of our employees through activities and awareness campaigns. These include flu shot clinics, cancer awareness days, and heart disease prevention education. All employees also have access to courses and resources for wellness education.

Equal Opportunity Employment

Valence is committed to maintaining an environment that encourages and fosters positive relations and respect for all individuals. We actively recruit people from all backgrounds to bring together the absolute best talent to create and maintain a high performing 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 equality for all, 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 wish to have at each location. 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 stands behind our 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



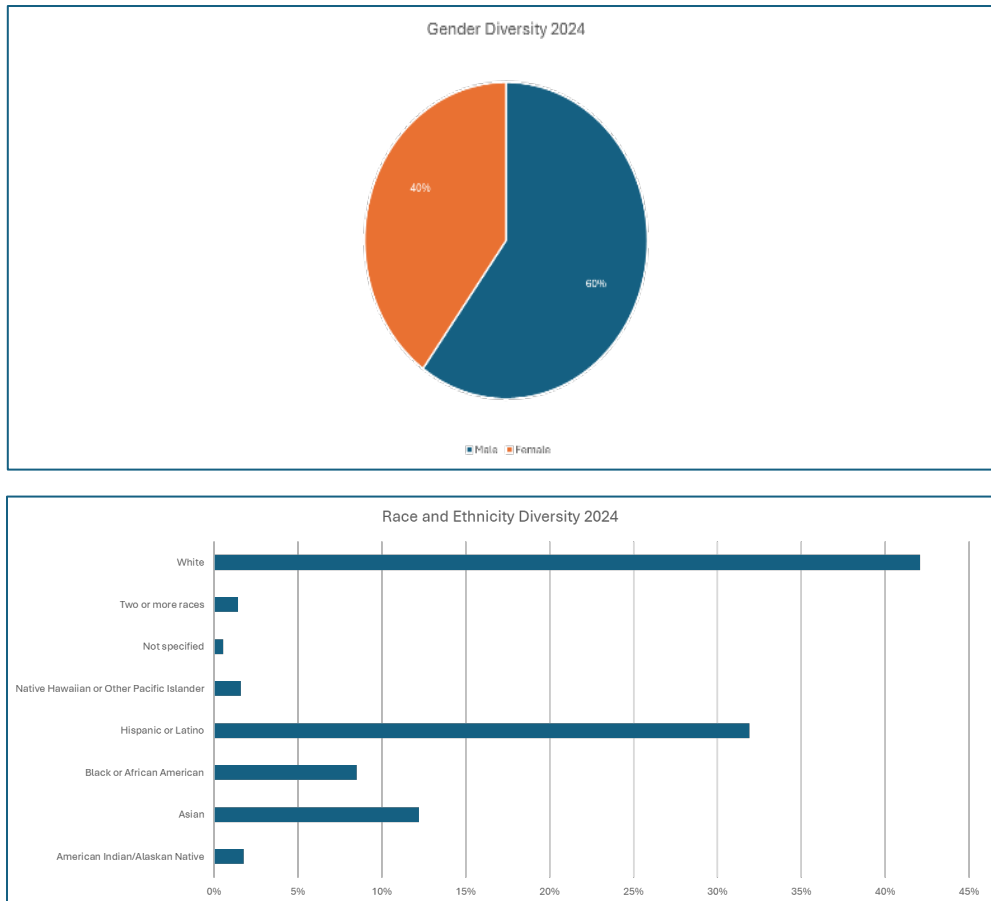
fundamental rights set out in the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. The guiding principles of this policy are:

- *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 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 each jurisdiction.
- *Conflict Minerals*
We maintain ongoing oversight during the procurement process to ensure that the materials sourced are free from conflict minerals—namely tungsten, tantalum, gold, and tin—originating from Covered Countries and linked to unlawful activities, including violations of human rights.

Reporting Demographic Metrics Drives Change

In 2021, we began formally reporting demographic statistics to our Board of Directors, including across gender and ethnicity, and across management.

Total Company – Demographic Metrics – 2024



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 across our neighbors, customers and those who support our community.



Governance

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 were sent to the Valence Audit Committee.
- In 2023, Valence furthered 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.
- In 2024-2025, Valence contracted a certified third-party to conduct cybersecurity audits of key corporate and site networks/systems and implement the Microsoft Government Cloud Community (GCCH) enclave to align with CMMC 2.0 requirement for securing Controlled Unclassified Information.
- 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 full compliance with regulatory and industry standards through a combination of third-party independent audits and a robust internal **Management Operating System**. This system is fully integrated with the **AS9100 aerospace framework**, guiding how we align operations, manage risk, and make informed decisions.

To maintain compliance and drive continuous improvement, we conduct:

- **Monthly Executive Leadership Reviews**
- **Monthly Operating Reviews**
- **Internal and External Quality Audits**



We also adhere strictly with **CUI, ITAR, EAR, and FAA** requirements.

Each Valence site conducts **monthly internal audits** focused on process improvement and risk mitigation. Results from all audits—internal and external—are reviewed during a **cross-site quality meeting** to share findings, drive accountability, and implement containment actions.

Audit Cadence

- **AS/ISO Audits:** Annual
- **Nadcap Audits:** Annual, with eligibility for **Merit Status** (18–24 months) after two successful cycles
- **Internal Process Audits:** Conducted annually at all sites

2024 Audit Summary

- **132 Total Audits (AS9100, Nadcap, OEM)**
 - **85 Zero-Finding Audits (67%)**
- **11 AS9100 Audits**
 - 14 Minor Findings
- **17 Nadcap Audits**
 - 11 Major Findings, 34 Minor Findings
- **10 of 11 Sites Maintained Nadcap Merit Status**



- **2 Sites Transitioned to Valence Management Quality System (MQS)**
- **61 New Approvals Gained**

All audit findings have been resolved through structured **problem-solving**, leveraging **cross-site best practices and shared knowledge**.

Governance & Risk Management

Auditors – Grant Thornton

In 2024, 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 the 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 recommendations 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.