

Valence Environmental, Social and Governance Report 2025

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.



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.

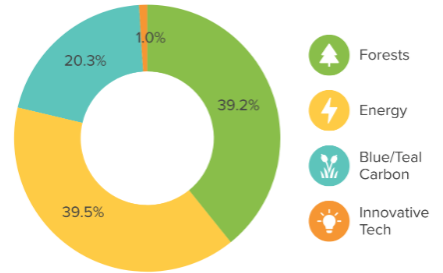
- We work closely with Original Equipment Manufacturers, insurance carriers, and regulatory agencies to identify risks, hazards and opportunities to minimize our impact on the environment, employees, and the communities that we operate in through responsible waste minimization strategies, a robust safety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

Mar 04, 2026 | Certificate Number: 0403260753455914

presented to

Valence Surface Technologies

for offsetting

173 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

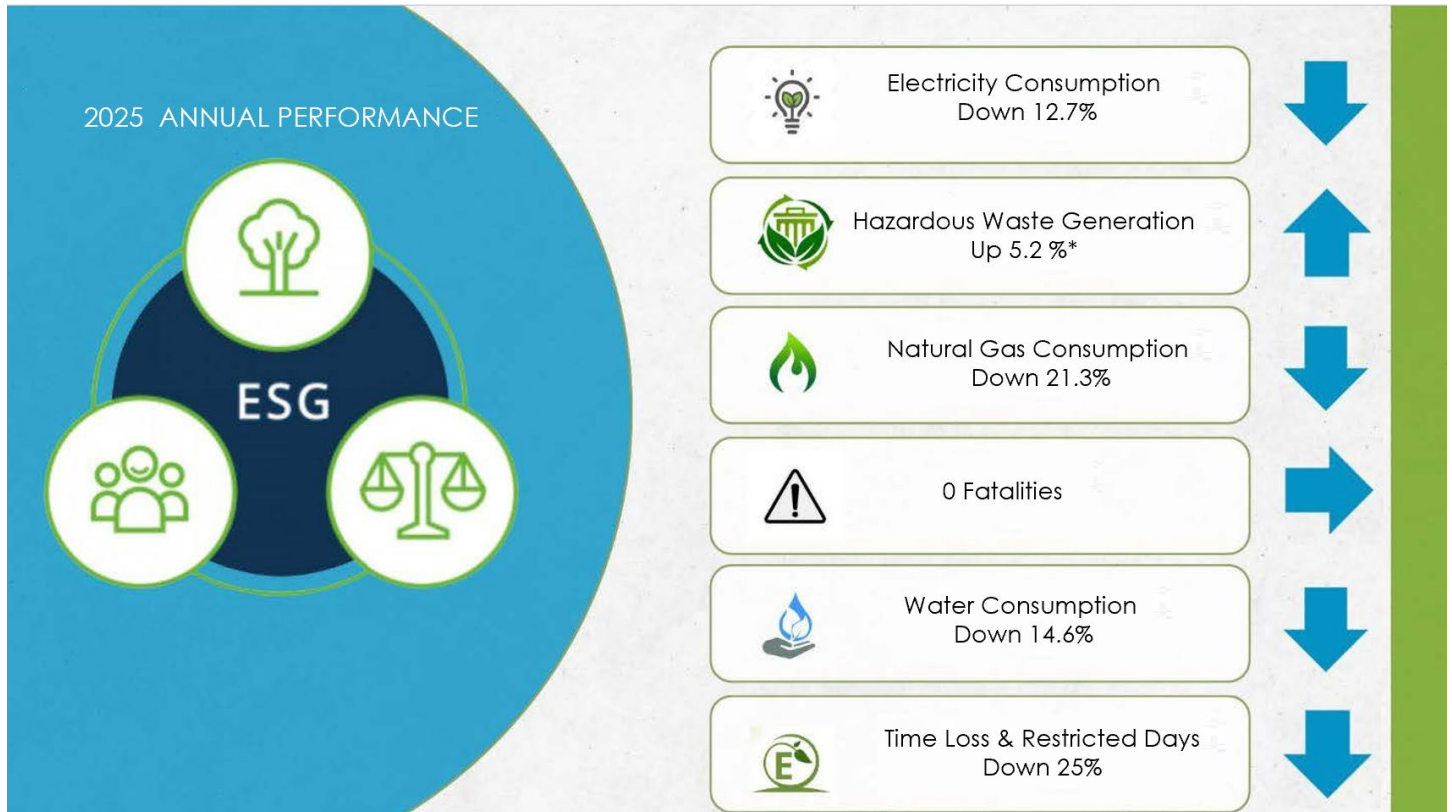
SUSTAINABLE TRAVEL INTERNATIONAL

EIN: 37-1461679



2025 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.
- Over \$2.4M spent on Capex investments made in improved stormwater management, reduced air emissions, fire protection, hoists and general safety improvements, enhanced containment of chemicals and waste, and enhancements to wastewater treatment and recycling processes. 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.
- 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.

Social

Our social program is built on a strong commitment to cultivating an engaged workforce, promoting transparency and organizational compliance, and supporting the communities we serve. We recognize that employees are our greatest asset and essential to our success. Valence is equally dedicated to nurturing a culture of integrity and trust across all departments and locations within our organization.

To strengthen our governance framework and reinforce our commitment to ethical business practices, the Company established an Ethics Oversight Committee in 2025. This cross-functional group is responsible for monitoring adherence to our Code of Conduct, evaluating potential ethical risks, and ensuring transparent and accountable decision-making across the organization. The Committee also provides strategic guidance on emerging compliance issues and supports a culture of integrity by promoting continual training, reporting mechanisms, and ethical awareness at all levels of the Company.

Employee Engagement

In 2025, we actively managed our action plans generated from the 2024 Employee Engagement Survey responses. While each site has its own unique action plan, action themes are consistent across all and include employee communication, career growth and development and manager effectiveness. In support of the communication action plans, we implemented quarterly all employee communication meetings with senior leaders sharing business and product updates to all sites.

Recognizing that our employees are Valence's most valuable asset, we remain committed to attracting and retaining top talent. To assist with this, in 2025 we communicated that our floating holiday would not be designated by the company but instead chosen by each employee, allowing them to use that day for what they find most important. Additionally, we offered a new benefit program covering long term care for our employees and their family in recognition of this critical need in many homes. Additionally, since we implemented a Non-Destructive Testing development program with retention incentives in 2024, we have grown our active certifications 23%. This program gives our employees the opportunity to grow their skill and compensation for that skill and Valence the benefit of depth to a critical need in the company.

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.
- Target for site time loss and restriction rate reduced for 2026 with employee incentives for goals achieved.
- Valence received no findings during OSHA and State worker safety agencies in 2025.
- 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

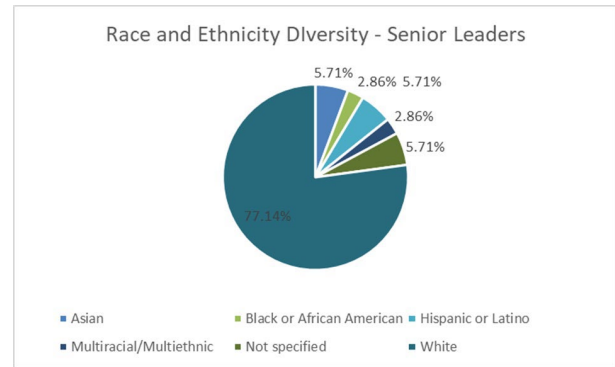
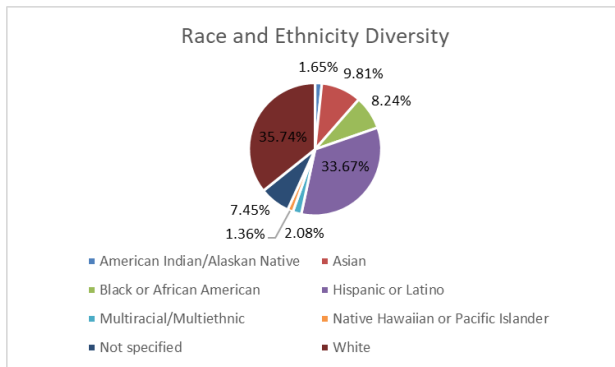
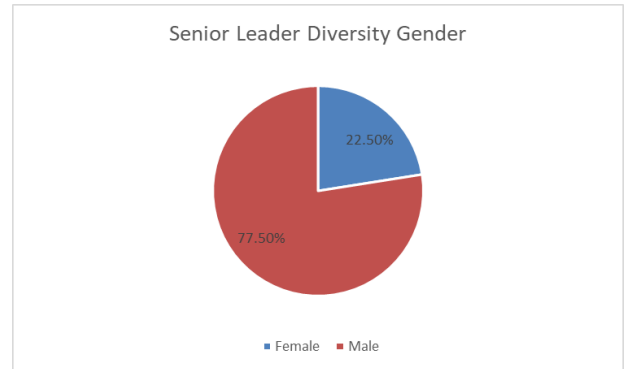
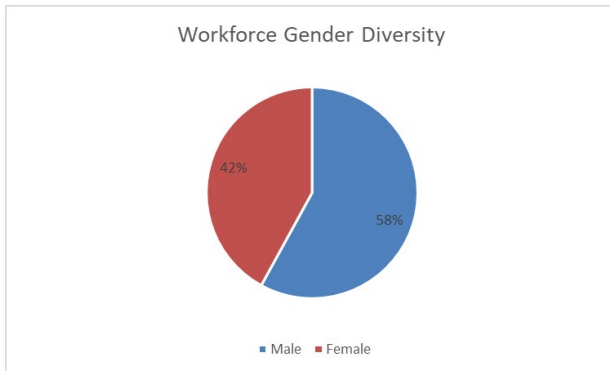
forced to do so. We prohibit the use of prison labor, forcibly indentured labor, bonded labor, slavery, or servitude.

- *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 their needs, concerns, and aspirations into account.
- *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 – 2025



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.



The 'G' in the logo is a large, blue, stylized letter. The word 'overnance' is in a smaller, blue, sans-serif font, starting with a lowercase 'o'.

Cybersecurity

We continue to enhance our cybersecurity posture through strong leadership commitment, adoption of industry best practices, and alignment with defense-sector standards. Key initiatives include:

- Partnering with a leading CMMC consulting firm to assess current controls, define a compliance roadmap, and guide enterprise-wide implementation.
- Deploying Microsoft GCC High government cloud environment to ensure secure management of controlled and export-regulated data.
- Engaging a virtual Security Operations Center (vSOC) to provide 24/7 monitoring, threat detection, vulnerability management, incident response, and forensic support.
- Expanding our cybersecurity team to drive enterprise security strategy and execution.
- Strengthening employee awareness through ongoing training and regular phishing and social engineering exercises.

Compliance Governance and Management System

Valence maintains rigorous compliance with all regulatory and industry requirements through a combination of independent third-party audits and a fully integrated internal **Management Operating System (MOS)**. Our MOS is aligned to the AS9100 aerospace quality framework and provides the structure for operational decision-making, risk management, and continuous improvement across all sites.

Structured Governance Through SQPDA

All Monthly Operating Reviews (MORs) follow Valence's standardized **SQPDA framework—Safety, Quality, People, Delivery, and Accountability**. This framework ensures a disciplined, consistent, and balanced review of operational performance. Each category incorporates defined KPIs, risk identification, and action tracking to drive transparency, rapid issue escalation, and cross-functional alignment.

- **Safety:** Performance indicators, leading indicators, and risk controls
- **Quality:** Conformance, escapes, audit readiness, and process capability
- **People:** Workforce stability, skills development, and engagement
- **Delivery:** Customer commitments, throughput, and schedule performance
- **Accountability:** Ownership of corrective actions, governance, and follow-through

SQPDA is used at the executive, site, and operational levels, enabling shared expectations and consistent deployment of best practices across the enterprise.

Compliance Framework

Valence maintains full compliance with **CUI, ITAR, EAR, FAA**, and all applicable aerospace customer requirements. Compliance is supported by:

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

Each site performs **monthly internal audits** focused on process discipline, risk mitigation, and proactive identification of nonconformances. Audit results from all sites are reviewed in cross-site quality forums to share lessons learned, strengthen accountability, and accelerate containment and corrective actions.

Audit Cadence

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

2025 Audit Summary

- **145 Total Audits (AS9100, Nadcap, OEM)**
- **90 Zero-Finding Audits out of 145**
- **11 AS9100 Audits**
 - 15 Minor Findings
- **17 Nadcap Audits**
 - 15 Major Findings, 32 Minor Findings
- **10 of 11 Sites Maintained Nadcap Merit Status**
- **60 New Approvals Gained**



All audit findings were closed through structured problem-solving methodologies and reinforced by cross-site knowledge sharing and best-practice deployment.

Governance & Risk Management

Auditors – Grant Thornton

In 2025, 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 2025, Valence conducted a third-party financial audit for the 2024 financials with our auditors, Grant Thornton. Throughout 2025, 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 2026.
- 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.