



**Environmental,
Social & Governance
Report
2021**

Environmental, Social & Governance Priorities

We believe that building long-term value for our customers, employees and shareholders includes a focus on the long-term sustainability of our business, good corporate citizenship, and a commitment to our employees and our communities. Across VSE, we seek to conduct our business in a manner that highly values responsible environmental, social and governance practices.

Environmental, Social and Governance Board Oversight

The Board and its committees oversee the development and execution of our Environmental, Social and Governance (ESG) strategy, including oversight of our policies, programs and initiatives related to environmental sustainability, health and safety, diversity, inclusion and equality, and charitable giving.

We are in the process of implementing the ESG governance framework approved by our Board. Under this framework, the Nominating and Governance Committee leads the coordination of the Board's ESG oversight activities. In that role, the Nominating and Governance Committee provides oversight of VSE's ESG strategy and communications, as well as continued oversight of our existing corporate governance policies and practices. In addition, the Nominating

and Governance Committee has the responsibility to assess whether the relevant ESG risks, opportunities and disclosure obligations are regularly reviewed and considered by the other Board committees.

The Audit and Compensation Committees support the Nominating and Governance Committee in its oversight role by taking the relevant risks, opportunities and disclosure obligations into account as part of the existing mandates under their respective charters. For example:

- The Compensation Committee maintains oversight with respect to the Company's human capital policies and strategies, including diversity and inclusion, pay equity and talent management.
- The Audit Committee maintains oversight with respect to the Company's overall risk management framework, ethics policies and financial transparency.



Environmental Responsibility

We seek to promote environmental sustainability, to conserve and enhance natural resources and to minimize environmental impact. Recent efforts to reduce our environmental impact include the following:

- Our Aviation segment is engaged in a comprehensive energy efficiency assessment of all of its repair and distribution facilities to identify potential physical plant and equipment upgrades to reduce the segment's overall energy consumption, and is developing a comprehensive paper, packaging and plastic recycling program to be implemented at major facilities throughout the United States.
- Our Fleet segment is committed to recycling, repurposing and reducing packaging material whenever possible in the product distribution and supply chain lifecycle. In 2021, VSE's Fleet segment diverted approximately 289 net tons of packing and shipping material from landfills by engaging a third-party recycling and environmentally focused waste reduction service.
- Our Federal and Defense Services segment sustainably disposed of a total of approximately 26,000 pounds (approximately 13 tons) of universal waste and hazardous waste in 2021. This material is primarily used in support of land vehicle, maritime and aircraft sustainment services for our federal customers, and is managed under a robust Regulated Waste Management Plan (RWMP.) The RWMP establishes a policy for compliance with all applicable environmental regulations, specifically the Resource Conservation and Recovery Act (RCRA), Subtitle C program and 40 CFR Parts 124, 260-268, and 272. VSE has established management practices for all VSE Federal & Defense facilities and operations that may generate, handle, or store universal waste and hazardous waste.

- VSE maintains a LEED Gold Certified headquarters building in Alexandria, Virginia. In 2021, VSE reduced total water consumption by approximately 6%, as compared to 2018, and reduced Site Energy Source Intensity and Source Energy Source Intensity by approximately 5.6% and 5.7%, respectively, as compared to 2018. (Source energy represents the total amount of raw fuel required to operate the building. Site energy is the amount of heat and electricity consumed by a building as reflected in utility bills.)



Social Responsibility

Health & Safety

Protecting the health and safety of our employees is a top priority, and VSE is committed to providing a safe working environment for all of our employees worldwide. We use local incident data and leading indicators to create programs and safety action plans to reduce conditions and behaviors that lead to at-risk situations. Our success is evidenced by the following:

- **Incident Monitoring.** Collection of incident data across all segments of our business to ensure a safe work environment.
 - » 2021 Recordable Incident Rate (RIR) of 1.13, with a benchmark of 1.50; industry average is 2.80
 - » 2021 Days Away From Work (DART) of 0.79, with a benchmark of 1.0; industry average is 1.50
- **Safety Programs.** Communication of safety metrics and practices to evaluate and drive a "Safety First" culture across all of our operations. Safety training for employees through annual trainings and specific site training based on risk factors, feedback and insights from similar locations.

- **COVID-19 Response.** Implementation of new safety protocols and procedures across all of our facilities following recommendations by the U.S. Centers for Disease Control and Prevention in response to the COVID-19 pandemic. A task force of senior leaders aligned with regional management to continuously monitor the impact of COVID-19 on employees and proactively implement measures and practices for the health and safety of our employees and in response to applicable local laws and ordinances.

Inclusion and Diversity

VSE is committed to having a diverse and inclusive workplace. Currently, our workforce is approximately 31% female and 69% male. Approximately 42% of our employees identify with a racial minority, and 17% of our employees are Veterans. We strive to create an organization that reflects the diversity of our customers and the communities where we live and work. Our initiatives include the following:

- **Inclusion & Diversity Council.** An employee-centric council, championed by senior leaders, which focuses on increasing awareness around inclusion and diversity in our workplace, facilitates discussion, and continues to drive our efforts to build an environment where diverse backgrounds are appreciated, and diverse ideas are heard. In 2021, our I&D Council formalized our VSE Inclusion Policy and implemented a round-table series to encourage open dialogue and feedback amongst employees.
- **Culture of Communication.** “Speak Up: Let Your Voice Be Heard” is one of the core cultural values at VSE. Open and candid dialogue, feedback and communication around experiences, concerns and/or discriminating behaviors is critical to our employees’ experience and to our culture. In addition to employee roundtables, Town Halls, and “Ask Me Anything”

forums with our executive team, VSE provides an employee “ethics hotline,” available 24 hours a day, seven days a week, as a method of anonymously reporting complaints or concerns by employees. Reports received through the ethics hotline are immediately referred to the Chief Legal Officer and the Vice President, Internal Audit, for investigation and communicated to the Chair of the Audit Committee or Compensation and Human Resources Committee, as appropriate.

- **Employee Resource Groups.** Employee-led groups connecting members who share a common affinity such as ethnicity, gender, cultural identity, or constituency to share and discuss experiences, including VSE Women in the Workforce.

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Talent Acquisition and Development

Attracting, developing and retaining talented employees is critical to our success and is an integral part of our human capital management strategy. Our talent acquisition and human resources teams provide a holistic approach to managing and enriching the employee lifecycle, from

selection and onboarding of our employees through continuous development and succession planning. Our initiatives include the following:

- **Leadership Essentials Training**, a 14 week training program for people leaders, providing foundational leadership skills and training for VSE leaders.
- **Employee Recognition Programs** designed to recognize and acknowledge employees for being stewards of VSE's Core Values, including Employee of the Month Program for our Federal and Defense Services segment and Wheeler Fleet "WOW!" cards to recognize exceptional performance of individuals.
- **Years of Service and Retirement Awards** are awards given to our employees for achieving milestone service levels in increments of 5 years or retirement awards for employees with over 10 years of service who retire while at VSE.
- **Employee Net Promoter Score (NPS)** survey conducted quarterly as a pulse survey to measure employee engagement by business segment. These results are shared broadly with our employees and we proactively take action to improve our scores and foster a more engaging and enriching culture for our employees.

- **Talent Succession Assessments** performed annually in conjunction with individual performance reviews in which managers provide regular feedback and coaching to assist with the development of our employees, including the use of individual development plans to assist with individual career development.

Community Involvement

Philanthropy is an important aspect of our commitment to strengthening our communities. Whether by contributions to local non-profits by operating segments, promoting personal contributions from individuals, or direct volunteer activities by employees, VSE promotes the well-being of the communities in which we live and work. In recent years, our community involvement has included the following:

- Maintaining our status as a **Virginia Values Veterans** (V3) certified Company, demonstrating that VSE values Veterans and has made a public commitment to continue to hire Veterans into our workforce.
- An employee charitable contribution matching program (launching in 2022) providing up to \$300 per employee in a company match for employee donations to the charitable cause of their choice.

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Approximately **42%** of our employees identify with a racial minority, and **17%** of our employees are **Veterans.**

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- Annual corporate donations by VSE of approximately \$600,000 since 2019 to a nonprofit scholarship-funding organization focused on expanding education opportunities for children from families that have limited financial resources to enable children to achieve a greater level of excellence in their education.
- Annual donations by our Fleet segment of approximately \$200,000 per year to local educational organizations that provide scholarships to low income families to attend schools in Pennsylvania.
- The **“KC-10 Holiday Sleigh,”** a personalized toy drive and holiday assistance program, led and supported by our team at our Federal and Defense Services Aircraft Modernization & Maintenance site in Greensboro, North Carolina.
- **Breast Cancer Awareness Walk** sponsorship for the John B. Amos Cancer Center and St. Francis Breast Cancer Center by our VS2 Central Issuing Facility team in Fort Benning, Georgia.
- **A House of Heroes Workday** where employees and their family members from our Fort Benning, Georgia site volunteer to assist local Veterans and their families with home repairs and yard projects.
- Participation in the **Patapsco Heritage Greenway** watershed cleanup at Patapsco Valley State Park by our Energetics team in Ellicott City, Maryland.
- Collection drives for a local **Humane Society**, “Animals With Our Love”, organized by our VSE Aviation Services team in Independence, Kansas.
- Donations to the local community by the Charity Squad, an employee-led organization in our Wheeler Fleet Solutions business that raises money through grassroots efforts and donates the proceeds to people in need in the local community, including donations to

homeless shelters, food banks, fire victims, hurricane victims, people with financial hardship and other needs in southwest Pennsylvania.



Governance Responsibility

The Board is committed to conducting business in a responsible, legal and ethical manner. The Board seeks to promote the success and continuity of the Company’s business by continuing to promote employee and management engagement, oversee the Company’s business and activities, and develop a succession planning process and strategic plan. The Board also maintains a commitment to effective governance by ensuring:

Board Independence

Our Board is composed entirely of independent directors other than our CEO, John Cuomo. The current composition of the Board reflects a diversity of viewpoints, professional experience and backgrounds. The Board continues to evaluate effective succession planning and refreshment of the composition of the Board. This process resulted in the election of one new independent director in 2022 with diverse business and governance background.

Cybersecurity & Data Protection

We believe that managing cybersecurity, privacy and data protection is a vital part of our responsibilities to our customers, employees and other stakeholders. We have built a comprehensive governance structure for managing related risks, which we believe will ultimately build a competitive advantage for our Company. Our initiatives include:

- **Cybersecurity & Data Protection Governance Structure.** At each quarterly meeting of the Board, there is an update from our Chief Information Officer/ Chief Information Security Officer on cybersecurity,

privacy, data protection, security and/or technology risks, risk mitigation activities, best practices within the Company and from other companies, the effectiveness of our security measures and other related matters.

- **Information Security.** We have structured our information security program to align with a combination of industry frameworks, including the National Institute of Standards and Technology (NIST), Center for Internet Security (CIS), and upcoming Cybersecurity Maturity Model Certification (CMMC), to secure our systems.
- **Monitoring & Breach Response.** We have a dedicated team that monitors our systems utilizing a combination of security tools, services, and third parties to address evolving threats and complex regulatory requirements. Our robust breach response protocols are designed to provide timely and accurate breach notifications to affected parties.
- **Cybersecurity Framework.** Our information security program is independently assessed by a third party as part of the Company’s enterprise risk management. The conclusions of such third-party assessment are discussed with our Board.
- **Cybersecurity Awareness Training.** We provide various types of security awareness training and threat simulation to employees throughout the year to drive awareness of typical security risks as well as new and evolving risks to our Company.



