



SAFETY. SUSTAINABILITY. SOLUTIONS.

2020 INTRODUCTORY ESG REPORT

INNOVATING SUSTAINABLE SOLUTIONS

Welcome to our 2020 Environmental, Social, and Governance (ESG) Report.

As a leader in environmental services, VLS is positioned not only to address and enact change within our own company but to enable change with our clients as well.

Through the following pages, the data and goals we have set for the present and future provide opportunities and sustainable economic growth for a 21st century company and its employees.

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CORE VALUES

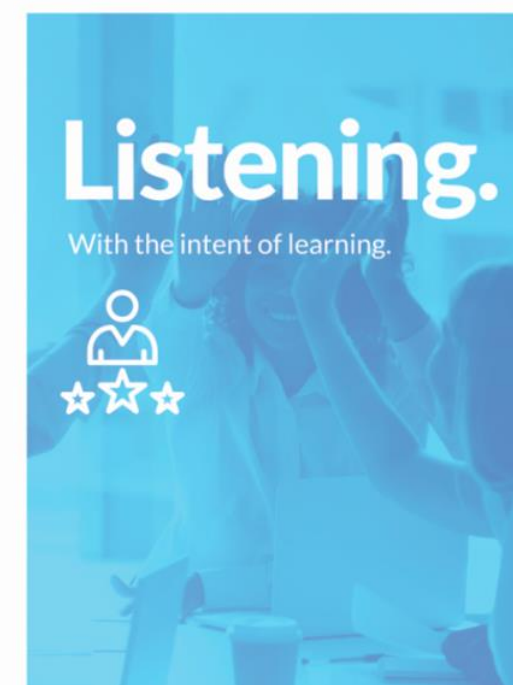
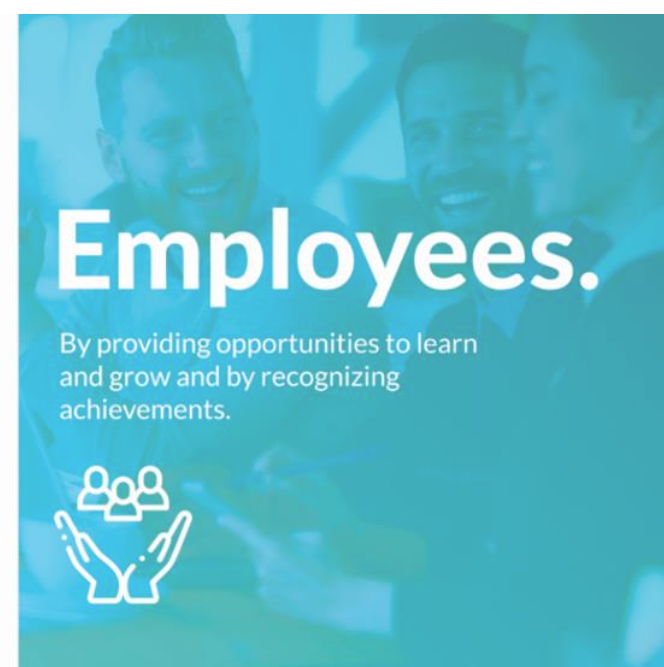
There must be a cultural foundation that has specific and non-negotiable pillars. These are the CORE VALUES that define a company.

We have had a steep growth curve since our inception in 2007. In 2020, we asked every employee to give feedback about the reasons and values that drive our success both now and in the past.

The feedback was tremendous. A diverse team of employees then brought these to life. What we talk about, and live by every day, are known as our CORE VALUES.

Each facility proudly displays our CORE VALUES poster as a reminder to our team of the culmination and passion for VLS Recovery Services.

Our Vision is driving sustainable, profitable growth, while making tomorrow better by what we do today.



LETTER FROM OUR CEO

It is without a doubt that 2020 was an extremely challenging year for everyone. VLS was particularly impacted by not only COVID-19 but by the busy hurricane season along the Gulf Coast. Hurricanes Laura and Sally destroyed our facility in Calcasieu and, more importantly, impacted many of our colleagues.

Our company has rapidly expanded in recent years. Since 2016, VLS has doubled in revenue, added a Marine Division to the business portfolio, and tripled the number of employees. It is our job as leaders to provide support and reassurances to our employees that we will continue offering opportunities to grow and survive as a Sustainable company.

With this in mind, we are proud to present VLS' first ESG Report. Now more than ever we must implement priorities and goals and gauge our success on those priorities and goals. We will work together as a team to infuse excellence into the process and

navigate through future challenges with confidence in our ability to set new industry standards.

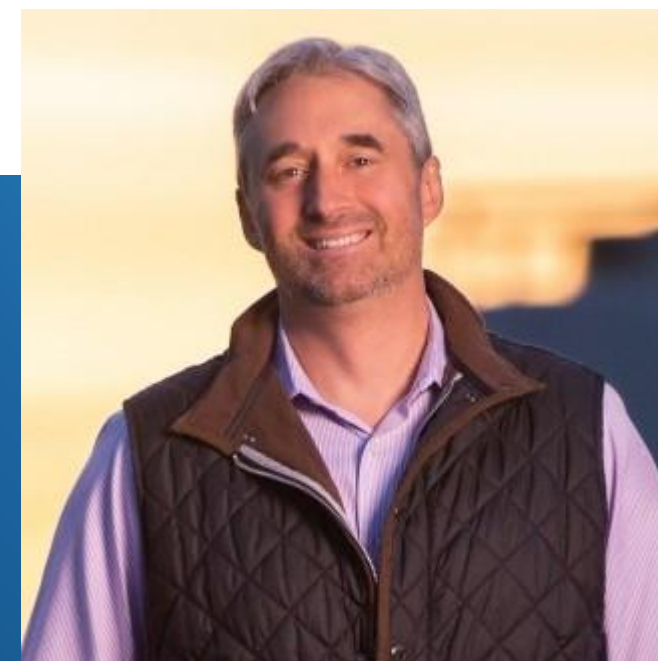
In this document we present the goals we aim to achieve through 2021 and beyond. We document where we are today and our path forward. With Sustainability as the backbone of the report, we outline these key goals.

- Safety
- Waste and Recycling
- Diversity and Inclusion
- Data Protection and Privacy
- Company Governance

These goals were selected among the many opportunities we must continue to develop as a Sustainable company. We are excited to work towards them as we develop other avenues for our continuous improvement and economic growth.



JOHN MAGEE
President and CEO



We are constantly seeking to improve the way we operate, as well as to provide our employees opportunities to learn and grow.

KEY FACTS

16 locations
550+ employees



BY THE NUMBERS 2020

1,619

barges cleaned and repaired

6,223

tank cars cleaned and repaired

55,064

tons of engineered fuel processed

288,777

tons of waste processed

1,250,000

tractor trailer miles driven

Shredded Heat™ is our trademarked, specification fuel that has helped many customers meet Zero Waste initiatives



PRIORITY INITIATIVES

With a focus on our **CORE VALUES**, we have developed a list of priorities that will guide us as we travel down the road of becoming a more **SUSTAINABLE** company.

OUR ENVIRONMENT

Reduce Waste and Emissions

- Air pollution
- Water pollution
- Diesel usage
- Benchmark carbon footprint

Increase Recycling and Reuse

- Facility in-house recycling
- Treatment of Railcar and Marine heels
- Waste-to-Energy over landfill
- Zero Waste

OUR SOCIAL

Reduce Safety Incidents

- SPHERA reporting
- Safety Essentials
- Employee Engagement

Develop Diversity, Equality, and Inclusivity Framework

- Committees
- Volunteers
- Charities

OUR GOVERNANCE

Increase Data Protection and Privacy

- IRONSCALES security platform
- Employee awareness
- Multifactor Authentication

Strengthen Audit Committee

- Board focus
- Transparency
- Code of Ethics

Our goal is to become the industry leader in Sustainable Solutions in the Industrial Services space.

WASTE MANAGEMENT DIVISION SUSTAINABILITY

SUSTAINABILITY IS OUR BUSINESS

As an environmental services company, we can have a tremendous impact on Sustainability.

how much coal, natural gas, and petroleum coke is offset by our material **288,777** tons, calendar 2020 **34%** increase year-over-year

CONTINUAL INVESTMENT

We are continually partnering with our suppliers to develop markets for waste-to-energy needs.

In 2021, we will finalize the opening of two long-awaited facilities.

Branford, Florida, will be a **\$2M** facility with **80,000+ tons per year** capacity built for the purpose of supplying fuel to the Argos and Ash Grove cement kilns. Fuel will offset coal at a 1:1 ratio.



Inez, Kentucky will be a **\$24M** facility and the nation's only true gasifier. It will process **80,000+ tons per year**. The patented process has an energy ratio over 625 kWh/ton, which is a 25% improvement over typical WTE. The process extracts 100% of the heating value of the feedstock.

GREENFIELD GROWTH

In 2020, we built a waste processing facility from the ground up in Hockley, Texas.

As Waste-to-Energy demand in North America continues at an 18% growth rate year-over-year, we have continued our Westward expansion. We built a greenfield waste processing facility in Houston

that was commissioned at the beginning of 2020. Our impact on Sustainability in the state of Texas has been over 43,850 tons shifted from landfill to Waste-to-Energy.

43,850 tons

Removed from landfill by our grass-roots Houston Waste Management facility.



WASTE MANAGEMENT DIVISION **SUSTAINABILITY****CO-PROCESSING CEMENT KILN FUEL**

Co-processing is the simultaneous recycling of mineral materials and recovery of energy within one single process: cement manufacturing.¹

Kilns only process waste that has been pre-qualified to tight specifications. VLS processes waste that can't be traditionally recycled (aluminum, glass) and has exclusive partnerships with cement kilns to co-process our Shredded Heat™.

Kiln Fuel Co-Processing Provides a Sustainable Solution for Waste**Zero Ash to Landfill**

Ash is stabilized in the cement, which is the final treatment of the material and leaves zero residue (zero landfill).

**Reduces Emissions**

Limestone is a key ingredient in cement and acts as a natural scrubber. Higher temperatures ensure total neutralization of acid gases like sulphur oxides and hydrogen chlorides.

**Higher Destruction Efficiency**

Kiln temperatures twice that of incinerators coupled with a long retention time produces a 99.99% destruction efficiency of organics compounds.

**Recovers 100% of Energy**

The simultaneous recycling and recovery mechanisms of co-processing are an industrial application of the Sustainability.

**Recycles Mineral Content of Waste**

The mineral part of the waste replaces primary mineral materials (such as limestone, clay or iron).

**Reduces Greenhouse Gases**

Co-processing reduces the usage of fossil fuels usage while avoiding emissions of alternative treatments like incineration or landfill.

RAILCAR DIVISION SUSTAINABILITY

SUPPORTING SUSTAINABLE TRANSPORTATION

At VLS, we are committed to providing rail services to ensure that goods are managed safely, efficiently, and sustainably—for the interest of our customers, shareholders, and employees in all the communities we serve.

Railcars also play a role in reducing the overall environmental footprint of the transportation industry. VLS reporting aligns with the Sustainability Accounting Standards Board (SASB), where we report our Air Quality Emissions, Employee Health and Safety, Competitive Behavior, and Accident and Safety Management.

How we impact the environment today

We have invested in equipment and developed procedures that have allowed us to reduce the number of confined space entries and the time spent in a confined space environment in certain types of blasting applications.



- Investment in sustainable cleaning
- Recyclable blast media
 - Reduced tank entries
 - Solutions for our customers



our **CONTINUAL INVESTMENT**

Scrubber upgrade

- \$750,000 investment online by end of 2021

We believe the industry can serve a vital role in ensuring a sustainable global infrastructure for years to come. Our goal is to continue as a sustainability leader in the railcar industry by enhancing the value proposition of the rail supply chain to move more freight by rail.

MARINE DIVISION SUSTAINABILITY

HOW WE HAVE IMPACTED THE ENVIRONMENT

REMEDIATING A SUPERFUND SITE



State Marine of Port Arthur
Palmer Bridge Line



Beautiful views of the
renewed site used
by VLS Marine

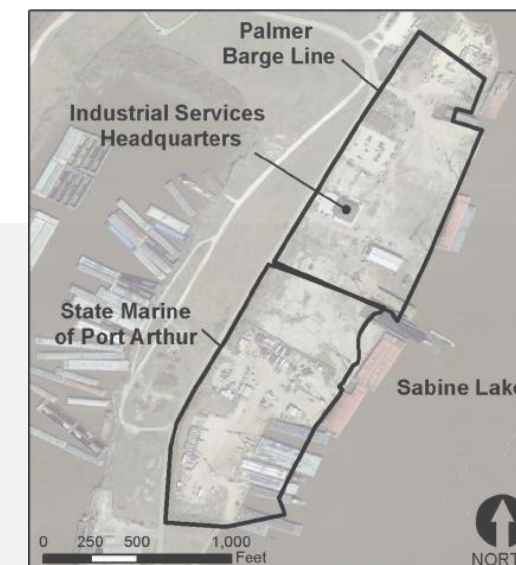
From the 1970s until the 1990s, marine industrial activities took place at both the State Marine of Port Arthur (State Marine) and Palmer Barge Line (Palmer Barge) Superfund sites, which are adjacent Superfund sites located in Port Arthur, Texas.

In 2001, EPA completed a time-critical removal action to address immediate threats to human health and ecological receptors posed by the site. Cleanup included the removal and off-site disposal of waste materials, water treatment, oil/water separation and stabilization and off-site disposal of sludge materials. Improper waste disposal practices contaminated soil and

sediment with metals and hazardous chemicals at both sites. Cooperation among EPA, the Texas Commission on Environmental Quality (TCEQ), the cleanup parties, and current property owners resulted in the sites' successful cleanup.

After cleanup, the sites sat idle for a period before beneficial reuse took place. Superfund site restoration and reuse can revitalize a local economy with jobs, new businesses, tax revenues and spending. Cleanup may also take place while there are active land uses on site. Today, site reuses include industrial barge cleaning and repair operations and office space.

BENEFICIAL EFFECTS



- Three subsidiaries of Tubal-Cain Marine Services (now VLS Recovery Services, Marine Division) operate on site. These industrial barge cleaning and repair businesses generate tens of millions of dollars in annual sales and contribute millions of dollars in estimated annual employee income.
- Reuse also allowed a subsidiary headquarters to be relocated on site. Tubal-Cain Marine Services designed and constructed the building in a way that it would not impact landfill wastes below the ground surface.
- In 2017, site properties had a total property value in the hundreds of thousands of dollars and contributed thousands of dollars in annual property taxes to Jefferson County.

SAFETY

At VLS Recovery Services, our commitment to health, safety and the environment is at the heart of everything we do – it is our topmost priority and remains at the forefront of our mandate for excellence.

With the impact of natural disasters and on-going challenges of COVID-19, the EH&S leadership team placed its continued focus on the safety and well-being of our employees.

No company can operate Sustainably without a comprehensive and effective Safety program. The team emphasizes and communicates with all employees our culture of safety.

We have implemented several environmental, health, and safety programs.

- Reporting
- Observing
- Training
- Newsletters
- Audits

As always, Safety is the common thread infused in all our decisions.

We must focus on materials and waste to be a Sustainable operation. Reducing waste from our processes, recycling waste where we can, and reusing waste materials when feasible.

We are excited to present the goals and opportunities to develop VLS as a Sustainable organization.

13
consecutive months
ZERO INCIDENTS
July 2019 – July 2020

85%
TRIR reduction calendar
year 2020

82%
below TRIR
industry average

* Industry Average = is based on the average injury rates for our industry as published by the Bureau of Labor Statistics (BLS). BLS updates these averages each year.

In fulfilling this commitment, we aim to abide by the following principles in recognition of our responsibilities toward the health and safety of all persons:

- ✓ The safety of everyone in our facilities is the responsibility of all employees.
- ✓ Eliminate foreseeable hazards that may result in personal injuries, work-related illness, preventable accidents and damages to property.
- ✓ Establish procedures and operating philosophies to ensure that employees perform their jobs properly and safely.
- ✓ Provide and maintain a healthy and safe work environment as indicated by acceptable organization practices and in compliance with regulatory requirements.
- ✓ Continuously improve internal safety, health and environmental management systems.

LETTER FROM OUR VICE PRESIDENT OF HR

It became evident with VLS' fast paced growth there was a need for a centralized Human Resources Department. From the beginning, VLS understood it had to establish a company culture centered around its employees. This set in motion the foundation for our Core Values initiative .

Our Core Values are based on integrity, excellence, safety, continuous improvement, listening, and most of all the employees. All aspects of our signature Core Values platform are important, however with a focus on continuous improvement within our organization and listening with the intent to learn, we provide an open landscape for problem solving, training, and broadening our communication for our team members.

At VLS, we place a tremendous value on diversity. Without a diversity of background and thought, we are unable

to challenge the status quo and identify newer and better ways to deliver our services and benefits. To that end, we review a broad slate of candidates when recruiting for any position. While there is always room for improvement, VLS is proud of its diverse and multicultural workforce, especially that several of our senior roles are filled with women or people of color.

Going forward as part of our strategic plan for inclusion, team members are working to establish an Advisory Board for Diversity, Equality, and Inclusion and a committee focused on wellbeing and mental health. Our goal is to attract and recruit the best talent to continue to foster our incredible growth and develop as one of the most successful companies in our industry.



ELLEN SPARA

Vice President of HR



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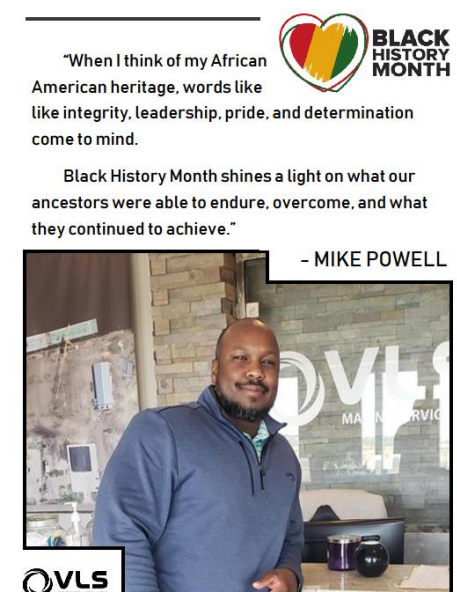
DIVERSITY AND INCLUSION

VLS is determined to foster a company culture of inclusivity and diversity. Respect for differences within our teams facilitates a global introspective for problem solving. We are proud to support and employ a collaborative group of individuals whose backgrounds and varied experiences are the foundation of our success.

our GOALS

Create an Advisory Board for Diversity, Equality, and Inclusion consisting of a blend of employees from each facility and/or division along with employees within the corporate level. Its main purpose is to have open dialogue as to behaviors, education, platforms, and/or guidelines to establish a more inclusive work environment.

Establish an exploratory committee to provide resources for the physical and emotional wellbeing of employees. Partner and collaborate with local and national organizations to create alliances and policies to ensure the psychological safety for individuals employed by VLS.



COMMUNITY OUTREACH

VLS is committed to supporting and giving back to the communities in which we operate. Whether it is providing space for a youth baseball team or as a board member for an organization that creates green space and trails to combat the effects of carbon emissions, we are passionate about creating an environment of volunteering and philanthropy.

our GOALS

1. Set aside two dedicated volunteer days company wide
2. Select two to three organizations for Corporate charitable giving
3. Each facility vote on a site-specific organization of their choice
4. Facilities enroll in the local Chamber of Commerce (US and Mexico)

our ORGANIZATIONS AND SPONSORSHIPS

Pet pro Life Adoption & Placement / Founder, CEO, COB

Children's Advocacy Center

Christmas Toy Drive

Serving Community Needs 501c(3)

Board member of SPACE

Chamber of Commerce Member

Bobby Jo Lewis Foundation / Director & Board member

Local Humane Societies

Meals on Wheels

Hope Center for Children

B.A.B.E.S (Beating Alzheimer's By Embracing Science)

Rally 4 Reilly & Friends (Spinal Cord Injuries)

Girl Scouts of America

United Way

YMCA

Scripps Health Charities

Adopt A Highway

Local Ministerial Programs

DATA PROTECTION AND PRIVACY GOALS

Focusing on protecting our company data is an increasingly important need for the sustainability of our enterprise. Recent events have underscored the tremendous need to be safe, secure, and informed. Our task is to continually stay ahead of the issues while educating our employees on the significance of security.

our ACCOMPLISHMENTS

BUILD OUT THE FOUNDATION

Our legacy structure supported the business from the beginning of VLS in 2007. In 2020 and 2021, we will build out the foundation for a long-term, sustainable IT infrastructure.

MOVE TO THE CLOUD

This year, we moved services from the legacy file server structure to MS 365 SharePoint. This move gains much needed additional security and administration capabilities. Security is enhanced with the implementation of a dual layer of multifactor authentication. With centralized information, our IT team can view and act on information flowing through our databases.

our GOALS

Base our IT on the NIST framework going forward and working towards the metrics.

Implement Data Security and Classification program.

Create a Data Security Metrics document.

Create Cybersecurity Risk Management Framework based on NIST cybersecurity framework Sentinel One

What does it mean to move to the cloud?

CORE FEATURES TO SUSTAINABLE IT ARCHITECTURE

- Visibility into data activity.
- Microsoft Defender gives us data integrity and user activity monitoring.
- Dashboards, severity monitors, and testing.
- Using an AI powered phishing prevention tool.
- Assessing users, finding our weakest links, and then providing Social Engineering training.



GOING FORWARD

We are excited to begin our journey in Sustainability reporting. We live in a world that is increasingly focused on Sustainability. VLS has always had a focus on ESG, we just didn't know the words for it. Now we do, and we have an opportunity to be more focused in our efforts. Below is a summary of how we plan to do that.

sustainable ENVIRONMENT

- Significantly increase tonnage capacity in our Waste Division
- Reduce air emissions from our Railcar Cleaning sites

sustainable SOCIAL

- Invest in diversity and inclusion programs
- Protect our best assets – our people – through the continued investment in safety, training, and equipment

sustainable GOVERNANCE

- Secure our data and privacy with continued investment in programs that set us on a track to sustainable growth

We look forward to our next report for calendar 2021. It is an exciting time to assess where we are today and to develop goals that continue our journey along the path of sustainability.



WASTE MANAGEMENT | RAILCAR CLEANING | MARINE SERVICES

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