



Title: Global Compact Communication on Progress
Period covered: December 2016 – December 2017
Date: 01 December 2016

Statement of Continued Support

To our stakeholders,

As VSC's Chairman, I am once again pleased to confirm VSC Security's strong support for the Ten Principles of the United Nations Global compact. Holding these principles as an indispensable part of the foundation on which we conduct our business, we continue to evaluate our operations and policies to ensure the greatest possible application of these values.

This Communication on Progress will highlight VSC's efforts over the past year to continue improving its adherence to the Ten Principles in each of the key areas of Human Rights, Labour, the Environment and Anti-Corruption. We welcome this annual opportunity to review our business strategy, company policies and daily operations.

During this period and in conjunction with both our clients and host government, VSC has further enhanced and formalized our local national capacity building through a rigorous review and documentation process of our local workforce development planning.

Over a 6 month period spanning 2015 to 2016, VSC is proud to confirm that using our medics we delivered battlefield first aid training to over 1,000 Peshmerga soldiers protecting this key Kurdish frontline against the Islamic State.

Yours Sincerely

A handwritten signature in dark ink, appearing to read 'Keith Schuette', is written over a faint, light-colored circular watermark.

Keith Schuette
Chairman



Human Rights

VSC strongly supports Human Rights in its policies, management and operations. We work not only to ensure that we are not complicit in encroachments upon these rights through our business activities, we also strive to promote respect and voluntary adherence to them by our personnel, our clients and our peers in the business community as a whole.

VSC is a member of the International Code of Conduct Association for Private Security Companies (ICoCA). VSC's Managing Director, Charlie Mayne, was elected to the board of the association in September 2016. The ICoCA is an international body that places significant focus on the need for Private Security Companies (PSCs) to protect human rights.

The association assesses and monitors companies to ensure that they are reaching the governance and human rights standards required. VSC's active support of the association highlights the commitment that company and all its personnel have to the protection of human rights.

Assessment, Policy and Goals

VSC is committed to supporting the thirty articles of the Universal Declaration on Human Rights. As an indication of this commitment in our day-to-day operations we work within the guidelines of the Voluntary Principles on Security and Human Rights and are a signatory member of the International Code of Conduct for Private Security Companies.

Retaining a new Corporate Social Responsibility Advisor this year, VSC has undergone a complete audit of its policies, training practices and operational approach toward human rights. Having already demonstrated a strong commitment to human rights through our existing policies and obligations, this audit has further improved VSC's approach toward its commitments and provided better application of these principles in its operational practice. Initiatives undertaken as a result of the audit have also led to a significant improvement in the understanding and adoption of these values by the company's more than 250 personnel.

Going beyond the adherence to and application of human rights protocols in our business operations, VSC's overarching goal is to inspire and motivate both its peers and its personnel to actively pursue the respect and protection of human rights in all of their activities.

At the start of 2016 VSC was awarded ANSI:PSC1. This is the global certification standard for Private Security Companies (PSCs) operating in complex environments. The standard includes significant requirement for training and monitoring in relation to human rights. This includes a corporate level Human Rights Impact Assessment (HRIA) and the need to carry out a human rights risk assessment as part of VSC's formal risk assessment process for the company as a whole and on each project.



Implementation

VSC has developed and implemented a training program specifically designed to enhance understanding of our commitments with regard to the UN Global Compact and ensure universal adherence of our personnel to the Ten Principles and the values from which they are derived.

The training emphasizes the importance of individual support and participation in implementing these principles. It strives to establish a culture of respect for diversity and differences within the work place and beyond, giving focused attention to the importance of maintaining a universal and objective application of these values regardless of ethnicity, religion, class or political persuasion.

Measurement of Outcomes

The success of these efforts has been shown through a significant increase in the understanding of Human Rights issues consistently demonstrated by junior staff in their daily communications with the management team. The positive responses received from training participants, combined with the active involvement of personnel in the human rights initiatives that have been launched, also provide strong evidence that these values are being adopted and becoming part of the company's overall work culture.

Additional mechanisms for gauging the comprehension and applicability of these principles are being considered, including the development of further interactive training programs and a potential future audit of VSC's documentation procedure.

Labour Principles

As with all service oriented companies, VSC recognizes its personnel as our most important asset. We work hard to establish diversity within the workplace, and to ensure mutual recognition and respect for the rights of others. In an environment where opportunities can be limited for minorities and those that may be physically impaired, we proudly offer equal opportunity employment with an emphasis on extending such opportunities to those who may otherwise be disadvantaged in the local business climate.

Assessment Policy and Goals

With the rights of its personnel clearly defined in VSC's Employee Handbook, VSC has also outlined the foundational principles and expectations for their deportment in our operations through our various corporate policies and the company HR Manual. Disciplinary infractions and general misconduct are addressed with compassion and clearly defined benchmarks.

Striving to uphold a productive and healthy working environment, VSC encourages feedback from its staff and maintains a rigorous investigative procedure to ensure that every employee concern or issue is dealt with fairly, reasonably, and at the appropriate management level.



VSC also works with all their providers and partners to ensure they take a similar approach in their labour force management and operational guidelines.

Implementation

Providing extensive training requirements and opportunities, VSC makes workforce development a major focal point of its management strategy. With clearly defined roles and responsibilities for each position and an impartial system for advancement, employees are amply incentivized to realize their greatest possible potential.

Our commitment in this key area of our business has been further demonstrated, as the first Oil & Gas services provider to submit a Local Workforce Development Plan (LWDP) for review by our host government. The LWDP is an important step in the process of ensuring local personnel are utilised wherever possible and that the necessary training is in place to ensure this goal. It also requires our commitment to the host government's principles of labour.

Operating in the security industry, VSC takes the safety and protection of its personnel very seriously. Targeted training, the retention of medical teams and a comprehensive procedure for addressing any incidents which may occur, combine to reveal VSC's commitment in this important area.

Understanding that the prevention of discrimination only begins with the hiring process, VSC has a strict no tolerance policy toward workforce discrimination of any type. Clearly stated within the employee handbook, prompt disciplinary action is taken any time such actions may occur regardless of the perpetrator's rank or seniority.

VSC also has an employee support fund, which is available to make loans or grants for personnel who may need to provide urgent support for family members. This is managed by the VSC employee committee, which have been elected by their fellow workers on the specific project. The council meets every 6 weeks and the meetings are always chaired by a member of the board.

Measurement of Outcomes

The grievance mechanisms which were previously developed continue to provide important opportunities for personnel to air any concerns or complaints that they may have, as well as providing management with vital insight into the overall health of VSC's work environment and culture.

VSC's commitment to diversity continues to be proven through its high ratio of handicapped and female personnel in business support roles and through the inclusion of local minorities in its general operational workforce.



Encouraging our staff to raise any safety concerns they may have with the management team, VSC continues to document and track all safety incidents complete with a thorough examination of lessons learned and the implementation of reasonable preventative actions which result from these efforts.

Environment

The promotion of greater environmental responsibility through preventative action and the use of environmentally friendly technology remains a key focus for VSC. With a combined approach at both the corporate and individual level, VSC strives not only to reduce the company's environmental impact at the commercial level, but works to engender a culture of environmental awareness amongst our staff in their personal spheres of influence as well.

Assessment, Policy and Goals

Despite the limited direct environmental risk and impact of its commercial operations, VSC has demonstrated its commitment to this issue through adopting a written environmental policy and implementing a thorough list of procedures to minimize its footprint in this area.

In addition to utilizing IVMS systems, adhering to progressive vehicle emissions standards, minimizing vehicle idle times and reducing fuel consumption, VSC also monitors the waste disposal and recycling methods of its vehicle maintenance partners and encourages employees to participate in recycling and rubbish collection.

Implementation

Daily vehicle inspections are a routine part of VSC operations. With a comprehensive checklist covering vehicle safety apparatus and mechanical functionality, these checks not only serve as a safety precaution for our staff and clients, they also ensure that leaks and mechanical hazards are addressed in a timely manner before causing more extensive environmental damage.

Measurement of Outcomes

The auditing of our vehicle maintenance partners resulted in a number of recommendations for improvement that have been documented and communicated. These will continue to be tracked in the coming year, and our partners have been notified that compliance with these recommendations will be treated as a significant part of our evaluation process in determining their suitability for future contract renewals.

A focus on litter collection at work sites has been particularly effective in helping to establish a culture of respect for the environment within the company, and have been well received by our staff. Connecting environmental responsibility with a respect for the preservation of ancestral lands has proven to be an effective method for driving local buy-in to this issue.

Anti-Corruption

Given VSC's working environment and area of operations, the risk of participating in, facilitating or benefitting from corrupt practices is certainly present. However, it is through understanding these specific risks that proper mitigation measures can be adopted in order to ensure that VSC not only avoids involvement in corruption, but also that we serve as an example to our peers with regard to the advantages of conducting business in a forthright and fully ethical manner.

Assessment, Policy and Goals

With absolute zero tolerance toward corruption of any type, an evaluation of our ethical practices compliance this year confirmed that VSC has a solid policy and procedural foundation on which its business and operational practices are based. VSC's Corporate Policy on Business Ethics clearly lays out our approach to corruption on both the corporate and individual levels. The policy illustrates our commitment to the UN Convention Against Corruption, as well as our adherence to the anti-corruption elements of the Voluntary Principles and the International Code of Conduct for Private Security Companies. Additionally, VSC gives significant attention to the issue of corruption and ethics in its Employee Handbook and its Corporate Code of Conduct, as well as in other policies and procedures.

VSC has been operating in the region since 2006 and has been committed to corruption free business practices throughout this time. However, in spite of our strong record and solid foundation in the policies mentioned above, our analysis this year did reveal some room for improvement with regard to the comprehension of these policies by some members of our staff. Accordingly, we have taken measures to address this issue. By working the UNGC principles into much of our routine training staff are now all aware that we have a no tolerance policy toward corruption and the ways in which they can also avoid and not be drawn into a personal situation where corruption is a risk.

We are proud of our record in this area, and we look forward to the continued development of the tools at our disposal to ensure the strongest possible adherence to ethical and corruption free business practices.

Implementation

This year, VSC has significantly enhanced and expanded its already strong training and procedural practices in the area of ethics and anti-corruption. Training involving the direct communication of VSC's policies in this area has specific examples of unethical actions even on a low level and has been embraced as a means of improving the overall awareness of this issue at all levels of our operations.

In addition to the implementation of enhanced training, VSC has also articulated and adopted a Local Hiring/Equipment Procurement Procedure to regulate and normalize this aspect of our business and minimize the potential for malpractice. We have also introduced



an Approved Vender List (AVL) in order to more clearly establish our position toward this issue with our contractors and service providers.

Measurement of Outcomes

While VSC's corruption-free record is a powerful indicator in itself of our strength in this area, the enhanced training techniques and improved procedural practices that have been implemented this year are already showing positive results with regard to the general comprehension and awareness of our personnel on this issue.

We will continue to perform regular audits of our compliance in the area of ethics and anti-corruption, looking for additional means of improving our performance and the transparency of our operational practices.

Notable achievements

- Accreditation to ANSI:PSC1 and ISO:9001
- 100% of staff have received compliance training
- Member of ICoCA and MD elected to board as industry representative
- Compliance wording incorporated into employee Contracts
- Compliance wording incorporated into third party, supplier Contracts
- Local Workforce Development Plan submitted to the Ministry of Natural Resources, Kurdistan
- Over 1,000 Peshmerga soldiers trained in battlefield first aid and issued with personal medical kits