



SECURING A HEALTHIER SAFER FUTURE

2019 ESG & Sustainability Report



WELCOME TO OUR 2019 ESG & SUSTAINABILITY REPORT

We are in the business of helping keep people healthy and safe by innovating cutting-edge X-ray imaging components for medical, industrial, and security purposes.

The landscape of our industry is ever evolving. We must anticipate market changes to ensure we always meet the needs of our customers. At the same time, we understand that, more and more, people want to work with companies who act responsibly. Our Sustainability Strategy plays an important role in helping us to identify new opportunities and mitigate risks.

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This report is organized around the priorities of our Sustainability Strategy.

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ABOUT THIS REPORT

We want to continuously drive improvement across our business through our Sustainability Strategy.

This is our third Sustainability Report. It describes our Sustainability Strategy and targets, and summarizes key achievements for the period January 1, 2019 to December 31, 2019, except where Fiscal Year 2019 (FY2019) is noted. Varex's fiscal year is October 1, 2018 to September 30, 2019. This report has been prepared with input from a wide range of Varex senior managers and experts, as well as using the results of our materiality assessment (see page 9).



REPORTING BOUNDARIES

All our business activities are in scope regardless of their function, unless stated otherwise.

You can read more about our overall governance and risk-management approach in our [2019 Annual Report](#).



STANDARDS

This report has been produced in accordance with the GRI Standards: Core option.

AN INTERVIEW

with Varex's CEO, Sunny Sanyal

2018 WAS A YEAR OF RESTRUCTURING FOR VAREX. HOW HAVE YOU BUILT ON THIS IN 2019 AND WHAT ARE YOUR PROUDEST SUSTAINABILITY ACHIEVEMENTS FROM THE YEAR?

In 2018, we further developed our sustainability strategy, focusing on the financial impact of these measures and doing the right thing by our employees. In 2019, we continued to expand on this, bringing our Sustainability Strategy to our global operations. We are also continuing to develop our corporate culture, encouraging diverse thoughts and opinions to keep our employees engaged with business activities.

We are now concentrating on bringing our facilities up to best practice standards, identifying opportunities to be more efficient in our resource use. This includes replacing facility lighting with energy-efficient LED lights and using more well water in our manufacturing processes.

HOW WILL SUSTAINABILITY CONTINUE TO PUSH VAREX FORWARD AS YOU WORK TOWARD YOUR 2030 GOALS?

Sustainability is of increasing importance to all our stakeholders and is something we want to integrate into every business decision. Our early efforts focused on improving our U.S. facilities. However, with 80% of our business outside of the U.S., we are now increasingly developing initiatives in the other areas where we operate.

Along with helping to safeguard the environment and build a more resilient company, we know that doing the right thing leads to positive financial results. By identifying new ways to be more energy and resource efficient, we will continue to cut our operational costs, with positive impact on our customers and other stakeholders.

Hitting financial goals is important, but we also want to show that we take a strong position with regards to sustainability. We know customers feel better about doing business with companies who act responsibly. Through our Solutions in Sight™ program, we work with our customers to develop products and imaging solutions that meet their needs. We also use it as a platform from which to engage them on our sustainability initiatives, our progress to date and their ideas for how we can improve.

WHAT ARE THE GLOBAL TRENDS THAT IMPACT VAREX'S OPERATIONS? WHAT CHALLENGES AND OPPORTUNITIES DO THESE POSE FOR YOUR BUSINESS, NOW AND IN THE FUTURE?

Varex is a global company. As such, we must keep an eye on social, economic, political and business trends all around the world. Anything that impacts the movement of goods between countries will have consequences for Varex. Through any challenge, we want to make sure we are a resilient company, both financially and operationally, so that we can ensure supply continuity for all our customers.

While we have operations on a global scale, we want to be a local company for our customers. That is why we are evolving our operations to ensure more of our processes can be done, and more of our products made, in-country rather than being shipped from one of our manufacturing facilities in another country. By developing ourselves as a globally local business, we are also ensuring that we stay resilient even in the face of national developments in the areas where we operate.

WHAT WOULD YOU LIKE TO SAY TO YOUR EMPLOYEES, CUSTOMERS, AND STAKEHOLDERS?

It is a difficult time for everyone, with the spread of COVID-19 impacting lives across the world. As an essential business, Varex's facilities have remained open as we dedicate time and resources to producing crucial components needed to combat the pandemic. We have implemented both a "work at home" policy and social distancing measures to keep all our employees safe and healthy as they continue to work. We are diligently working to keep our business partners, including our suppliers and customers, safe and we continue to communicate with our global value chain about the measures we have implemented during this unprecedented time.



SUNNY SANYAL,
CEO, VAREX



ABOUT VAREX

For more than 70 years, Varex has been leading globally in innovative X-ray imaging components. The components we design are used in medical, industrial, and security imaging applications to detect, diagnose, and protect.

Our vision

To be the preferred global partner for innovative x-ray imaging solutions.

What we do

Varex is a leading independent supplier of X-ray imaging components: X-ray tubes, linear accelerators, digital detectors, high voltage connectors, accessory components, and software.

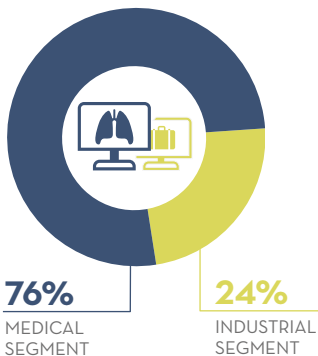
Our imaging solutions are designed to meet the needs of customers, and are used in medical imaging systems that span numerous diagnostic modalities; in industrial non-destructive testing and manufacturing inspection; and in security imaging applications such as cargo inspections for airport and border protection, and carry-on and checked baggage screening at airports.

OUR AMBITION

To remain a world leader in our business and to continue to deliver high-quality products that our customers trust.

At a glance

The industries we cover



We supply around

90%

of medical Original Equipment Manufacturers (OEMs) globally with our components

We have

expanded

our global service stations in China, Germany, and the U.S. to allow customers to source products locally, reducing travel costs and turnaround times

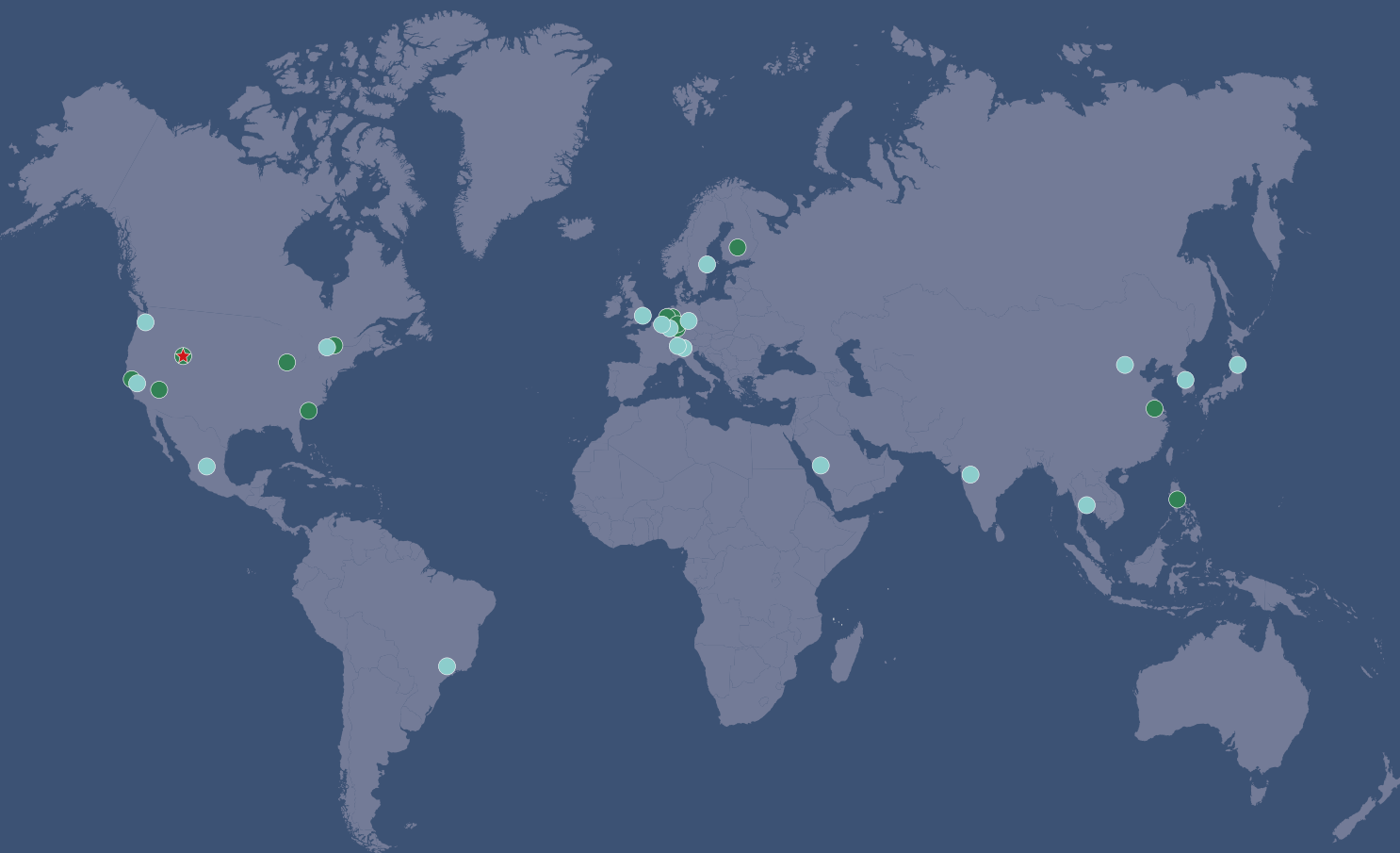
Where we work

Our global headquarters are located in Salt Lake City, Utah, in the U.S. Approximately two-thirds of our revenue is generated from customers outside of the U.S. We currently manufacture in six countries (U.S., Netherlands, Germany, Philippines, Finland, and China) and have sales and service operations in 13 countries.

★ CORPORATE HEADQUARTERS

● MANUFACTURING & PRODUCT DEVELOPMENT

● SALES & SERVICE OFFICES



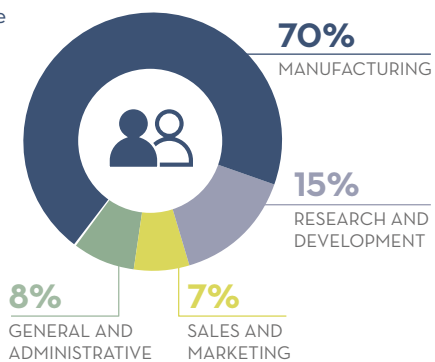
At a glance

We have

2,000

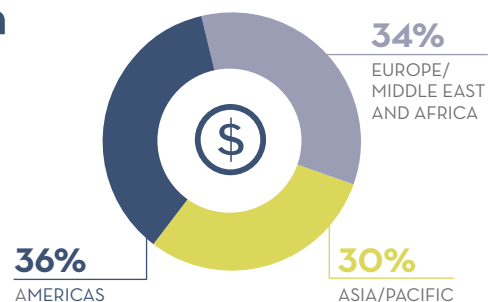
employees worldwide

Our employees work across



Our FY2019 revenues were

\$781 million



CREATING SHARED VALUE



We strive to continuously offer sustainable value to our stakeholders. We do this through producing high-quality and high-performing X-ray components that contribute to continuous improvement of images and results for a variety of medical diagnostics. Our components also help to keep ports, borders, and airports safer by offering improved imaging technology for cargo and baggage screening. Finally, we create value for our industrial customers by offering them products that transition industrial, non-destructive testing and inspection to digital images.

Capital

We use a wide range of inputs to create our products:



NATURAL

Natural resources such as energy, water, and virgin and recycled metals go into our products.



MANUFACTURED

We use machines and technology to develop and manufacture our solutions.



TECHNICAL FACILITIES

Our manufacturing facilities are located around the world.



HUMAN

We foster diversity to drive innovation and creativity.



FINANCIAL

Financial investments enable us to operate and grow our sustainable business.



SOCIAL

We build trusting relationships with customers, business partners, suppliers, and communities.



INTELLECTUAL

Our trade secrets, patents, trademarks, other intellectual property, processes, and standards give us a competitive edge.

Winning together in 2019

INVESTORS

\$1.16 billion

Market Capitalization as of 9/27/2019

CUSTOMERS

40+ years

Relationships with three of our largest customers

SUPPLIERS

\$470 million

In goods and services procured from suppliers in 2019

ENVIRONMENT

9,400

X-ray tubes accepted for recycling

Responsible and responsive

We are agile and responsive to market trends.

MEDICAL

A growing, aging global population is placing increased pressure on healthcare systems. In response, we are increasing efficiency and innovation in image quality, cost, and speed while reducing X-ray dosage and promoting access to our components in emerging markets.

INDUSTRIAL

Technological and industrial developments continue to advance the possibilities offered by our solutions, from inline manufacturing inspections and non-destructive testing to inspection of complex machined parts, cargo scanning, packaged food safety scanning, and inspection of infrastructures such as oil and gas pipelines and facilities.

Working with our customers, we harness the power of collaborative innovation at the cutting edge of our industry.

How we create shared value

Our strong corporate governance structure, Code of Conduct, and Sustainability Strategy drive us to create value in a sustainable way.

CIRCULAR ECONOMY

We aim to transition toward a circular and lower-carbon economy. By reusing and recycling our products and materials at the end of their life, we maximize value for our customers, our business, and the environment.



SUPPLY CHAIN

We work with our suppliers to create a responsible supply chain that drives sustainability, quality, and efficiency while managing impacts such as human rights and the environment.

MANUFACTURING

Our manufacturing facilities yield high standards of product quality and safety while managing our impact on the environment and local communities.

CUSTOMERS

Working with our customers, we harness the power of collaborative innovation at the cutting edge of our industry, creating innovative and cost-effective X-ray imaging solutions in response to the changing needs of our society.

SOCIETY

By innovating and delivering products that meet high quality, safety, and environmental standards, we enable our customers to deliver health and security benefits for society.

OUR SUSTAINABILITY STRATEGY

Securing a healthier, safer future

We approach every business decision we make with sustainability in mind. From innovating and manufacturing new products and services to building relationships with local communities, as well as our customers, our Strategy serves as a guideline for acting responsibly, focuses on our actions in four key areas where we believe we can have the biggest impact, and includes ambitious goals to be achieved by 2030.



Delivering the Sustainable Development Goals

Our Strategy has been informed by, and contributes to, the [UN Sustainable Development Goals \(SDGs\)](#) for 2030.

Our goals for 2030



INSPIRING INNOVATION

We will collaborate with **our customers** to create products that impact the lives of millions of people, guided by our Sustainable Innovation Criteria.



PROTECTING THE ENVIRONMENT

We will strive to minimize **our impact on the environment** by working toward zero manufacturing waste and carbon neutrality.

We will reduce the need **for raw materials** by designing our products for recycling and reuse.



EMPOWERING PEOPLE AND COMMUNITIES

We will develop our strategy to invest a percentage of our profits in:

- Helping people to develop their human potential
- Empowering youth, women, and minorities to develop the skills they need to excel
- Supporting health in communities where we operate



ACTING WITH INTEGRITY

We will work with **our suppliers** to promote a responsible supply chain.

We will work with the **UN Global Compact (UNGC)** and other international players to help protect and respect human rights across our value chain—from sourcing to customer.



Materiality

We want to understand the environmental, social, and governance (ESG) issues that matter most to our stakeholders and that will have the biggest impact on our business. That is why, in 2020, we performed our second materiality assessment, to understand if changes to our business in the last three years have impacted our material issues. The results of this assessment are used to refine our Sustainability Strategy to help us maximize our positive impact on the environment, society, and the economy. Included in our latest materiality assessment were issues identified by the Sustainability Accounting Standards Board (SASB) standards. We are also looking to respond to the SASB index in the future to ensure we are being as transparent as possible with our stakeholders on our ESG issues.

Our key issues

Our 2020 assessment showed that the issues that Varex has been focusing on the last few years are still just as relevant to us as they were before. Ranking of high importance were certainly our continued commitment to high quality for products and investment in innovation, as well as our responsibility to be an ethical business. Contributing to better health and a safer and more secure world remain key issues—driving the core of what we do as a business. Being an employer of choice also continues to be critical in a competitive space. When it comes to the environment, the issues of climate change, energy, and air quality matter to our stakeholders, with growing attention on a zero-waste and circular economy.

Some key emerging issues that were identified were the importance of having a corporate purpose and culture, sustainable manufacturing, and risk management. We'll continue to drive forward our strategy with an eye on these issues, focusing on priorities that our stakeholders care about.

Below are the issues we have addressed through our Sustainability Strategy and our ambitions through 2030.

MATERIAL ISSUES	INSPIRING INNOVATION	PROTECTING THE ENVIRONMENT	EMPOWERING PEOPLE AND COMMUNITIES	ACTING WITH INTEGRITY
Better health	◆		◆	
Safer, more secure world	◆		◆	
Product safety and quality	◆		◆	◆
Customer care	◆			◆
Being an employer of choice			◆	
Being a good neighbor		◆	◆	◆
Sourcing responsibly		◆		
Climate change, energy, and air quality		◆		
Resource stewardship	◆			◆
Responsible growth				
Ethical business	◆			◆



3

major customer
agreements renewed, with
560 patents globally

150,000

Varex detectors in
use globally

We launched nearly four
dozen new or updated
products in FY2019 across
all of our product lines

Tube reliability to meet customer needs

More and more, medical practitioners are choosing 3D digital tomosynthesis over traditional 2D mammography. This is because, by using tomosynthesis, a high volume of data can be collected over a short period of time, using shorter pulses and a predictive algorithm to create a 3D scan. The challenge is the tube lifespan: when developing high-resolution images, higher demands are put on the filaments. In response, in 2019, we developed a dual-filament solution, wherein stress on the tubes is reduced. This development will allow our customers to continue to take high-quality X-ray images without needing to frequently replace the tubes.



INSPIRING INNOVATION

Innovation is at the heart of Our Vision to create a healthier, safer future. The products we develop enable our customers to deliver the best possible services to those who need them most, from cutting-edge illness detection to powerful security screening.

We drive innovation to ensure we offer the most affordable, high-quality diagnostics and the most imaging solutions possible. We want to be proactive in addressing our customers' requirements. That is why we work closely with them to identify opportunities, and develop our R&D processes, to meet the needs of the future.

We have 316 engineers dedicated to research and innovation. In 2019, they helped us to bring nearly four dozen new or updated products to market.

OUR FOCUS AREAS

- A safer, more secure world
- Product safety and quality
- Caring for our customers

UN SUSTAINABLE DEVELOPMENT GOALS



Sustainable Innovation Criteria

To guide our product development processes, we have in place four Sustainable Innovation Criteria. These criteria have been designed to embed sustainability at the forefront of every product design decision:

- Delighted user experience
- Optimized dose efficiency
- Clearer images and effective differentiation
- Reduced environmental impact

In 2019, we increased our efforts to develop more energy-efficient products. This included looking for alternative materials for detectors, moving from aluminum to a lighter and cheaper moldable plastic. By switching to silicone glass materials for our glass array, we are able to develop thinner components that require less energy and fewer resources to make.

OUR 2030 AMBITION

We will collaborate with our customers to create products that impact the lives of millions of people, guided by our Sustainable Innovation Criteria

BETTER HEALTH

For us, innovating for better health means developing the next generation of detection and diagnosis products and solutions that are used in systems around the globe.

Helping to save lives with cutting-edge products

We are always on the lookout for ways to work with our customers to develop affordable X-ray components that deliver better medical screening at a lower dosage. In 2019, we launched a new curved array nanotube (NT) prototype at the Radiological Society of North America (RSNA) 2019 Annual Meeting and Exhibition. This disruptive technology will change how medical practitioners scan patients, providing a stable, clean x-ray profile and automatically controlled dose. Given the smaller size of NTs than traditional filaments, components could contain an array of up to 25 different tubes, allowing doctors to create more accurate images in

a shorter amount of time, minimizing patient discomfort. Furthermore, unlike traditional coiled-filament bulbs, which need to heat up to produce X-rays, nanotubes can run at room temperature. This means they can be turned on quickly and start working straight away without having to wait for them to heat up. Work is currently underway with researchers to develop NT technology for use on a commercial scale.



Experiencing the power of Varex components first hand

For Director of Production, John Collings, the impact our products can have on medical care are clearer than for most employees. When, a few years ago, his son broke his arm, three different Varex components were used to help the doctors fix it. To identify how bad the break was, one of Varex's RAD detectors

was used. Following this, our fluoro detectors were used to provide real-time imaging and video sequencing to aid in resetting the bones. Finally, to verify that the bones set in place after the cast had been put on, another version of our RAD detectors was used—a product for which John himself was the Program Manager.

Looking ahead

Target	KPI	Progress in 2019
Collaborate with our customers to enable more effective and efficient user experience and results	Increase the number of scans that can be conducted per day/year by newly installed tubes/ systems Percentage of new products that meet our Sustainable Innovation Criteria	100% of new products met Sustainable Innovation Criteria
Invest 8–10% of annual revenue in product research, development, and innovation	R&D expenditure Number of new patents	\$78 million invested in R&D 17 U.S. and 66 international patents

2019 KEY HIGHLIGHTS

\$78 million invested in R&D

80+ new patents globally

Enabling more efficient diagnoses

Included in our Sustainable Innovation Criteria is a commitment to develop an enhanced user experience. As well as aiming for optimized scanning, satisfactory patient comfort and improved portability, we are also researching how to develop our components to ensure an efficient diagnosis. In 2019, we launched several new technologies to improve diagnostic abilities. Collaborating with one of our customers, we developed a new fluoroscopy product for use in more detailed analysis during heart surgeries. Using a complementary metal oxide semiconductor (CMOS), the detector allows medical practitioners to create a high-resolution image using smaller pixels. Reducing electronic noise in this way allows surgeons to effectively place stents that open blocked arteries and restore the flow of blood.

Our team has been working with NSTDA Thailand (National Science and Technology Development Agency) on a government-funded project for over 10 years to bring dental CT scanners to the whole country of Thailand. We are now collaborating with NSTDA Thailand to develop a radiology system for use in government hospitals.

Improving accessibility and affordability

Increasing product yield is a priority for us, as it not only increases our resource efficiency by reducing scrap, but also allows us to improve our manufacturing processes and lower costs.” I would also stay away from saying we’re making our products more affordable, as that implies we strive to lower prices.

In 2019, we launched a strategy to leverage our regional operations across the world to meet our customers’ service requirements

and provide product maintenance and repairs locally, in country. By offering our customers a more local service, we can reduce export license fees and shipping costs. This has also cut the purchasing process from around nine months to just a few weeks.





A SAFER, MORE SECURE WORLD



The security and industrial market is always evolving, representing new challenges for governments and technologies. From tackling global terrorism threats to reducing the health risks associated with contaminated foods, we collaborate with our customers to develop solutions that can be used to keep people safe.

Innovating for a safer world

The security products we develop are used extensively at global border controls to scan for contraband and radioactive objects. Our X-ray components are also important in the industrial sector, used in non-destructive testing and manufacturing inspections. In 2019, we invested significantly in infrastructure to increase the reliability and quality of our components for security and industrial purposes.

To ensure the components we develop address the safety requirements of our customers, in 2019 we set out to better understand the use of radiation in product safety in three areas: food; blood donations and transfusion; and cannabis.

In 2019, Varex acquired X-ray detector company Direct Conversion, which produces detectors for use in medical, dental, and industrial settings. Their XC-TDI series detectors are particularly valuable in the global food industry, where they are used to scan for foreign objects such as plastics, glass, and metals in food items. Through doing so, imperfections can be identified in individual products without having to destroy them.

We are also investigating how to address certain sterilization applications with industrial X-ray sources. For example, following the widespread legalization of cannabis, efforts have increased to eliminate harmful mold or bacteria by using X-ray sterilization. In addition, there is a desire to replace radioactive sources currently used to sterilize blood with X-rays with other methods of sterilization.



Developing customers' imaging abilities

Industrial imaging applications are becoming increasingly complex. To equip our customers with the knowledge and skills they need to operate them, in 2019 we opened an Industrial X-ray Application Development Testing and Inspection Lab in Franklin Park, Illinois. Here our customers can test out our products, develop their own applications, and work with our experts to develop their understanding of X-ray components.



Taking safety inspections to the skies

When a company decides to build new infrastructure, it needs to first ensure that there are no oil or gas leaks that could pose a risk to people. It also needs to determine the condition of existing infrastructure, looking for instances of corrosion or similar deterioration.

To do these inspections, more and more often, drones are being utilized. By flying drones that contain our X-ray components over a building site or a multistory refinery scheduled for renovation, issues can be inspected that are otherwise inaccessible to people. This technique is also being utilized for offshore inspections. Through this, faults can be identified for repair, reducing the risk of oceanic oil spills.

Looking ahead

Target	KPI	Progress in 2019
Collaborate with our customers to innovate our products to enable more effective and efficient user experience and results	Percentage of new products that meet our Sustainable Innovation Criteria	100% of new products met Sustainable Innovation Criteria
Continuously invest in product innovation	R&D expenditure	\$78 million invested in R&D

2019 KEY HIGHLIGHTS

Approximately 5,000 X-ray tubes produced for use in airport baggage scanning systems around the world

7% increase in industrial segment revenues in FY2019

PRODUCT SAFETY AND QUALITY

Ensuring our products are safe and of the highest quality is the most important consideration for us. It is key to protecting our customers and providing them with solutions that support better health and a safer, more secure world.

Designing for quality

Quality, reliability, and durability are key considerations for each product we design, and we perform hundreds of tests to ensure they all meet the highest possible standards. When customers return a faulty product, we carry out a full assessment to determine the issue. This information can then be used to prevent the same problem recurring. We also meet with key customers on a monthly basis to understand what they expect from us in terms of product quality, safety, and reliability; the outcomes of these discussions inform future product developments.

Extending product life with predictive maintenance

The majority of our components are designed for medical equipment, meaning they must be reliable to ensure accurate and sustainable X-ray outputs. To improve our ability to predict the lifecycles of tubes for CT scanners, we have developed a smart card. This card, which will be incorporated into each tube, interacts with other components in the CT scanner and feeds information back to the customer. This will then allow scanner operators to monitor the performance of tubes and to predict maintenance needs. In this way, tube longevity is increased while unnecessary maintenance costs are reduced.

Managing radiation

Many of the products we develop rely on X-ray energy. We are subject to strict regulations regarding the manufacturing, handling, storage, transportation, and disposal of radioactive substances.

At the 2019 RSNA Annual Meeting and Exhibition, we introduced a new detector to the Varex Z Platform. The IGZO 3131Z detector can create high-resolution images while emitting a lower dose of X-ray.



Innovative technology with energy discrimination

The acquisition of Direct Conversion offers an exciting opportunity to bring together Varex's global reach with Direct Conversion's technological advancements to introduce photon-counting technologies to a wider market.

Direct Conversion was one of the first companies to mainstream launch affordable hybrid photon-counting detectors. These powerful detectors create images by directly converting the incoming X-rays into signal and counting them. The captured information contains energy-specific data that software can process, so technicians are able to produce a more detailed, higher-quality X-ray image including material differentiation, and to come to more data focused diagnoses.

Looking ahead

Target	KPI	Progress in 2019
Unify global operations to a single quality management system	Percentage product acceptance rate	100% product acceptance rate
Achieve high product quality for our customers		

By interacting with various parts in end products, our smart card will allow customers to schedule downtime in a predictable manner.

2019 KEY HIGHLIGHTS

Introduction/launch of a smart CT scanner product in 2019





CARING FOR OUR CUSTOMERS: WORKING TOGETHER FOR SUCCESS

Our success relies on our customers being successful. That's why we develop our products and services with customer needs in mind. We have cultivated relationships, some for over 40 years, to ensure we are creating shared value.

Ensuring customer satisfaction

Alongside performing more manufacturing processes on a local level, we are also developing a more regional customer service approach. To facilitate this, we have now established service centers in three regions: China, the U.S., and Europe. Not only will this provide customers with the access they need to receive products in a timely fashion, it also means we can offer them a quicker repair service if product issues arise.

Developing our products and services

We want to use the knowledge and experience we have developed over the years to help our customers become leaders in their respective industries. This is why, in 2019, we completed the launch of our Solutions in Sight™ program. Through the program, we are optimizing our customer interactions, using their feedback to provide more personalized services, with product developments focused on offering solutions to customer needs. The development of our globally local approach to customer service is the next step in this journey, allowing us to get closer to our customers and better understand their needs.



Protecting our customers' data

We value and respect our customers' privacy and are committed to complying with all relevant data protection laws in the areas where we operate. We adhere to ISO 27000 principles to improve information security and to develop a culture of information compliance among our employees. In 2019, we added new business units to our European operations, which are held to the same system of data privacy as our existing operations.



Offering our customers sub-system packages

We have established our reputation as a producer and supplier of cutting-edge components for inclusion in vital scanning technologies. To date, that has meant providing our customers with single items that fit into a larger system. However, in 2019, we advanced our customer offering, developing a range of sub-system packages. These packages will provide our customers with complete, fully optimized sub-systems rather than just pieces of an imaging solution, allowing them to go to market quicker.

Looking ahead

Target	KPI	Progress in 2019
Keep our Net Promoter Score (NPS) at 50 or above	NPS	We did not perform an NPS in 2019; we are in the process of running one for 2020
Improve our customer survey response rate	Percentage customer survey response rate	We did not perform a customer survey in 2019; we are in the process of running one for 2020

2019 KEY HIGHLIGHTS

Developed a range of complete, fully optimized system packages consisting of multiple products



9,437

tubes returned for recycling

1,144

short tons of waste diverted
from landfill

7.6

metric tons of GHG
emissions reductions from
2017 to 2019

Upcycling wooden packaging

At our facility in the Philippines, cables for use in components are delivered in large wooden drums. Rather than simply disposing of the drums once they have served their purpose, our team have implemented measures designed to give them a second life. Where possible, wooden packaging is sent off for recycling, or sold as scrap for reuse. Other wooden drums are sold to be upcycled into new furniture, occasionally even returning to our facilities as furniture for our employees.



PROTECTING THE ENVIRONMENT

As the impacts of climate change become more apparent, we have a responsibility to manage our carbon footprint and promote a circular economy. As a global company, we are well placed to develop our operations and collaborate with others to safeguard the environment for the future.

We want to act in ways that benefit not only our business, but the planet as well. We continue to research novel ways that we can reduce our greenhouse gas (GHG) emissions and use resources more responsibly to mitigate climate change. We also work with our customers and suppliers to identify ways they can reduce their own environmental footprints.

Building a culture of environmental stewardship must be a business-wide endeavor. That is why we regularly engage with our employees on topics of sustainability, including during new hire orientations. We are currently in the process of developing refresher trainings for employees who have been with Varex for a significant period of time.

OUR FOCUS AREAS

- Resource stewardship
- Climate change, energy, and air quality

UN SUSTAINABLE DEVELOPMENT GOALS



OUR 2030 AMBITION

We will strive to minimize our impact on the environment by working toward zero manufacturing waste and carbon neutrality. We will reduce the need for raw materials by designing our products for recycling and reuse.



RESOURCE STEWARDSHIP

////////////////////////////////////

We rely on raw materials to produce many of our components. However, we are committed to developing a more circular economy, diverting materials from landfill at their end-of-life. We also continue to identify areas of our operations where we can use resources more efficiently and reduce waste.

Promoting a circular economy

We are transitioning toward a closed-loop manufacturing process, continuously on the lookout for ways that we can reduce resource waste. We are advancing the development of products that can be recovered at end-of-life and recycled back into new products. We also collaborate with our suppliers to identify ways to eliminate unnecessary packaging and use more recyclable alternatives.

Giving old materials new life

Wherever possible, we recycle resources back into our processes. However, occasionally, this is not possible and so we reach out to other companies to identify alternative ways to recycle materials. That is why, for over a decade, we have worked with a local company in Utah to sell them our used methanol and isopropyl alcohol (IPA).



Closing the loop on plastic

We use a combination of plastic and steel drums to transport chemicals to and from our manufacturing facilities. The steel drums we reuse as containers to transport scrap metals to recycling facilities. To ensure our plastic drums are also reused, we reached out to Mark's Barrel Company (MBC). Once the drums have reached the end of their useful life at Varex, we send them to MBC to be shredded and recycled back into new containers.

Looking ahead

Target	KPI	Progress in 2019
Zero waste: work toward the circular economy	Short tons of waste recycled	1,100 short tons of material recycled
	Short tons of waste to landfill	9,437 tubes recovered
	Percentage waste diversion rate	63.04% diversion rate
	Number of tubes/panels taken back each year	
Continue to improve and reduce our water use across our global manufacturing operations Develop a closed-loop water process	Water use (m ³)	3.8 million cubic meters
Innovate our products in collaboration with our customers to become more environmentally sustainable, guided by our Sustainable Innovation Criteria Conduct life-cycle assessments (LCA) of our products to better understand their environmental impact	Percentage of new products that meet our Sustainable Innovation Criteria LCAs carried out	100% of new products met Sustainable Innovation Criteria

2019 KEY HIGHLIGHTS

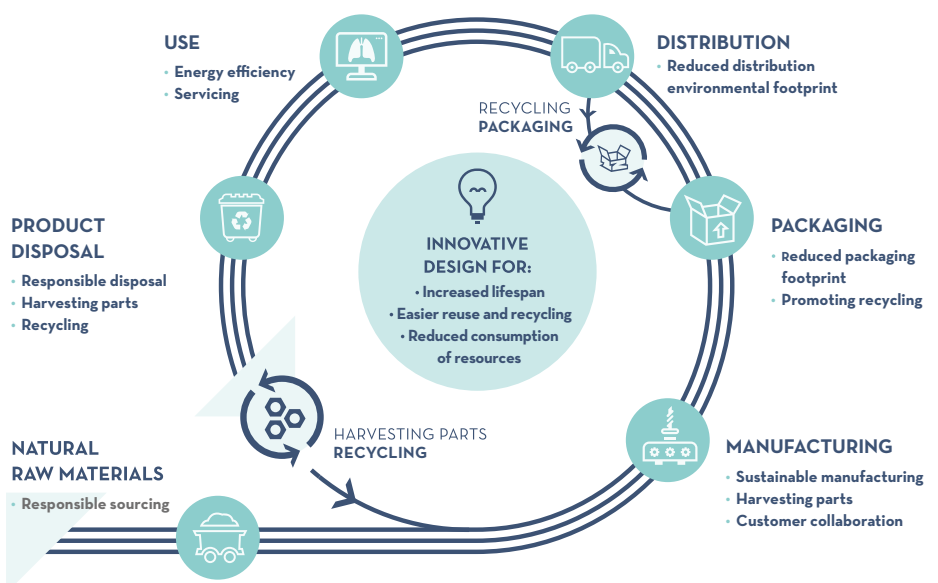
1,144 short tons of waste recycled

3,898,232 m³ of water used in 2019

Innovating sustainably

Whenever we design a new product, we consider the environmental impact. This includes taking into consideration how it will be handled at its end-of-life and what waste will be produced throughout its lifecycle. To aid these considerations, we developed a set of Sustainable Innovation Criteria. These Criteria guide our efforts to develop products that are more resource efficient by:

- Designing for the circular economy
- Reducing our use of precious metals
- Increasing our use of reusable/recyclable materials





CLIMATE CHANGE, ENERGY, AND AIR QUALITY

The effects of climate change are already being felt globally, with weather conditions increasing in extremity and resources becoming more scarce. We understand that we have a role to play in limiting climate change and its consequences, and continuously work to reduce our operational impacts.

Flight to freight: reducing GHG emissions

We produce emissions at every stage of our operations, from our supply chain to manufacturing, to the transportation and distribution of our products. This gives us a large scope to reduce our environmental footprint by identifying areas for improvement and implementing action plans.

We are currently in the process of developing our product-transportation processes, looking for ways to move more of our products by ship than airplane to reduce our GHG emissions. While also reducing our carbon footprint, shipping products via ocean could reduce transportation costs from approximately \$35,000 to \$3,000.

We are also updating our on-land transportation solutions between China and the EU. Where possible, we are opting for train transportation rather than trucks, while consolidating several shipments means we can transport the same volume while making fewer trips.

Developing more sustainable buildings

With more than 30 facilities worldwide, we are well positioned to reduce our environmental impact through upgrading buildings. Our strategy is simple—be as energy efficient as possible. However, to achieve this, we are investigating increasingly innovative solutions to reduce our day-to-day energy use.

In our Franklin Park office in Chicago, Illinois, as well as our facilities in Salt Lake City, Utah, and Las Vegas, Nevada, we are replacing our lighting with energy-efficient LED bulbs. In 2019, we replaced all the windows in our Liverpool, New York, office with high-efficiency, double-pane windows, increasing energy efficiency and reducing our gas bill by 15%.

Looking ahead

Target	KPI	Progress in 2019
Continue to reduce direct energy use across our global operations	Direct energy use in megajoules (MJ)	83,669,534
	Energy intensity by revenue in MJ	\$781,000,000 \$9.33 per megajoule
Improve indirect energy use across our global operations	Indirect energy use in MJ (or multiples)	156,877,161
Reduce our Scope 1 and 2 GHG emissions across our global operations	Metric tons CO ₂ e broken down by Scope	8,099 metric tons of CO ₂ e (Scope 1)
		13,957 metric tons of CO ₂ e (Scope 2)
Reduce our Scope 3 GHG emissions across our global operations (including employee air travel and product transportation)	Metric tons CO ₂ e	1,433.45 metric tons of CO ₂ e, 68% reduction from 2018
Decrease our emissions to air across our global operations	Metric tons NO _x , SO _x , VOCs	NO _x : 0.39 metric tons SO _x : 0.09 metric tons VOCs: 0.11 metric tons

2019 KEY HIGHLIGHTS

15% reduction in Scope 1 and 2 emissions vs. 2018

Installed high-efficiency windows in our Liverpool, NY, office



29%

of the company's Board
members are women

\$3,000

in scholarships provided to
high school students

Our corporate culture

At Varex, we are focusing on “making the invisible visible”: bringing to light the innovations and passion of our people, which our success as a company rests on. That is why we are developing a strong corporate culture with a strategy that puts our people first. Through our Solutions in Sight™ program, we are getting our employees engaged in every area of our business, including providing financial updates every quarter. We also host townhalls four times a year, during which current company projects, successes, and areas for improvement are discussed. We value diverse thinking; these townhalls enable everyone to voice their opinions and ideas for developing the business and company culture.



EMPOWERING PEOPLE AND COMMUNITIES

Our employees are at the heart of every Varex success. That is why we are committed to creating workspaces where our people feel supported to bring their best selves to work. It is also why we focus on being the best neighbor we can be for our local communities.

We want our business to thrive, but this can only happen if we support the people that work for and surround Varex. We work with our local communities, as well as volunteering time and resources, to benefit the health of the areas where we live and work. Through our global wellness program, we are putting a stronger emphasis on our employees' wellbeing while we continue to seek out opportunities to build a more diverse and inclusive workforce.

OUR FOCUS AREAS

- Being an employer of choice
- Being a good neighbor

UN SUSTAINABLE DEVELOPMENT GOALS



OUR 2030 AMBITION

We will develop our strategy to invest in:

- Enabling people to develop their potential—focusing on youth, minorities, and women—by helping them acquire the skills they need to advance their careers
- Supporting health research in communities where we operate



BEING AN EMPLOYER OF CHOICE



We know that diverse minds lead to innovation, which is why we are building a culture of inclusion. To do so we must attract, develop, and retain the finest talent in the industry. We value people for their differences and welcome those who share our passion. As an employer of choice, the health, safety, and wellbeing of our employees is a key consideration for us in every decision we make.



Promoting diversity and inclusion

We are proud to have built a workforce that champions diverse minds and fosters inclusivity. We remain committed to the Parity Pledge™, showing our continued dedication to considering female candidates for all vice-president and Board-level positions. Many of our employees have also signed the Pledge, signalling their support for gender-equal pay.

In 2019, we advanced our commitment to gender parity in hiring, and approximately 25% of our global workforce is now made up of women.



Developing our employees

Each year, we set individual development goals for our employees. We engage with them throughout the year to discuss progress against these targets. To support them in achieving personal objectives and progress at Varex, we offer a range of training opportunities.

Our 2019 mentoring program had over 100 participants. Through this six-month voluntary program, participants attended weekly meetings with a mentor from the leadership team to discuss opportunities for development. In 2019, we also formed the Varex University, a development program which offers leadership skills classes. The curriculum, which is developed by the Training and Development Manager, with input from Varex's CEO, Sunny Sanyal, covers topics that employees and managers have voiced an interest in learning about.

Building the workforce of the future

Each summer Varex runs an internship program, designed to introduce young people to the technology sector. In 2019, the program accepted 29 interns across our global operations. During the program, interns work on projects that will have real-life impacts for the business. They also meet with members of the executive team to learn more about the work Varex does in different departments.

Ensuring employee health, safety and wellbeing

We want to create workspaces where everyone feels safe and supported and where supporting health and wellbeing is a collective endeavor. In 2019, thanks to continued efforts, there were no recorded work-related fatalities.

We are aware that, as a business, we have a responsibility to support the mental health and wellness of our people. In 2019, Varex provided wellness credits to all U.S.-based employees. The credits could be put toward a variety of activities that promoted healthy living, with several people using them to invest in at-home exercise equipment. One employee used the credits to support a transition to a primarily plant-based diet, while another invested in orthotics to reduce the pain caused by plantar fasciitis.



Supporting employees during COVID-19

In response to the COVID-19 pandemic in 2020, we increased our support services. In the Philippines, for essential workers living on-site, we provided groceries for their families, while a shuttle service was provided for employees travelling between work and home.

Looking ahead

Target	KPI	Progress in 2019
Train and develop our employees	100% of employees trained	100% received training
Continuously reduce our recordable accident rate	Recordable accident rate	1.38 OSHA rate (2018: 1.19)
Establish a baseline for global safety	DART target rate of 0.5 (as of 2018)	0.65 DART rate (2018: 0.30)
Zero work-related fatalities	Zero fatalities of direct employees Zero fatalities of contractors	Zero fatalities
Invest in developing talent by supporting the higher education and continuous learning of our employees through the Education Stipend program	Continue to invest in the Education Stipend program	\$246,660 invested in 2019
	Increase employee engagement in program	74 employees benefited from the program
Create a better workplace for parents by establishing a maternity and paternity leave policy	100% of women that return and stay after maternity leave	100% returned
Be an equal-pay employer globally	Equal pay for women and men (U.S. only)	73% male: 27% female
Roll out a global survey on equal opportunities	Percentage of weighted-average comparative salary ratio	
Grow a diverse talent pipeline, including increasing the numbers of female and ethnic minority employees at Varex	Continue to increase the number of female employees	23% of employees in 2019 were female

2019 KEY HIGHLIGHTS

No work-related fatalities in 2019

74 employees enrolled in the Education Stipend program in 2019

Checking off bucket lists, together

Before Bobby Clauson, a valued member of the Varex team for over 25 years, passed away from cancer, he made a list of things that he wanted to do. To help him fulfill his bucket list, Bobby's colleagues banded together to cross off as many items as possible and to help care for him at home. Hundreds of employees donated funds to this endeavor, raising \$8,000 that Varex matched, bringing the total to \$16,000. To start off, Bobby wanted to see Park City, so they made the trip up. Not long after, Bobby's friend and colleague Mike rented an RV so they could travel to Yellowstone National Park to see Old Faithful.

Bobby was a life-long Carolina Panthers fan, so Varex employees reached out to the team, who invited him to attend the opening game of their season in North Carolina. Although the game was delayed due to a storm, and Bobby's favorite player Cam Newton had a not-so-great day, Bobby had an incredible time surrounded by colleagues who had become his family over the years, despite what was happening to his Fantasy Football team.

After returning, Bobby made the journey to work one more time to hang out with the colleagues who had been his work family for the past 25 years.





BEING A GOOD NEIGHBOR

Being a good corporate citizen is what underpins our ambition to be an employer of choice. Through working with our local communities, we are helping to build a healthier and safer future for all.



Giving back to the community

We know that supporting the development of the areas where we live and work is the right thing to do, not only for our neighbors but for our business as well. We focus our philanthropic efforts in three key areas: health, and health research; STEM education; and diversity and inclusion. In 2019, Varex supported a range of organizations, while our employees participated in various activities to raise money for the causes that matter most to them.

Going head-to-head for the Angel's Hands Foundation

When eight Varex employees from our Salt Lake City office got together to form a hockey team, they had no idea that just a few years later the team would have grown to 18 people. The group, which is made up of employees from all areas of the business, from manufacturing to HR to leadership, has grown so large that it has now split into two teams—The Angels and Squatch. In 2018, the hockey teams had an opportunity to team up with local organization the Angel's Hands Foundation, which provides support to families with medical needs and expenses that are not covered by insurance. In 2019, we expanded on this relationship, hosting a fundraiser hockey match, where The Angels went head-to-head with Squatch. With the addition of a raffle, ice cream socials, and a BBQ for Varex employees, the teams raised just over \$4,300 for the Angel's Hands Foundation.



Supporting the STEM innovators of the future

In November 2019, Varex supported, and participated in, “Inspiring Girls for the Future”, a free career exploration event hosted at Weber State University, Utah. Throughout the day, girls between the ages of 12 and 16 were given the opportunity to connect with female professionals in a range of sectors, including science, architecture, finance, communications, mental health counseling, and medicine. Varex sent along Kate Bullion, an Electrical Engineer, and Occupational Nurse Collette Renstrom, both of whom engaged with students on the life-saving benefits of pursuing a career in science, technology, engineering, and mathematics (STEM).



Celebrating women in business

In recognition of International Women’s Day, on March 7, 2019, Utah’s World Trade Association hosted the eighth annual Women in International Business Conference. The event, of which Varex was a corporate sponsor, featured panels of experts from Utah’s international business sector. This included Varex’s Manager of Customer Service Programs, Whitney Bullock, who contributed to discussions on global business etiquette, local resources, online platforms, and safety challenges.



Helping local children

In the Philippines, our employees have donated to a local orphanage for over a decade now. The funds that they raise go toward hosting an annual Christmas party for the children. In addition to this, in 2019, our team in the Philippines collected pre-owned clothes, toys, and books for the Municipality of Calamba to be distributed, along with donations, among several local villages. Additionally, a donation of shoe racks went to a local special education school.

Looking ahead

Target	KPI	Progress in 2019
Investing in improving lives through better health and community impact	Investment in organizations in communities where we operate	Continued engagement and donations to local organizations with employee initiatives
Work with local high schools to support and invest in the development and education of young women	Continue investing in the development and education of students through scholarships and other programs	\$3,000 invested in scholarships Three scholarships provided

2019 KEY HIGHLIGHTS

\$3,000 invested in scholarships with local high schools



100%

of reports to the Ethics
Hotline investigated

99%

of employees trained on the
Code of Conduct

3

of our largest and key suppliers
involved in the Supplier
Engagement program

Governance

The Varex Board of Directors represents the interests of our investors and other stakeholders. It is responsible for, among other things, approving annual operating budgets and executive compensation, as well as providing general oversight and input on our corporate strategy and business performance.

The Board is supported by three committees: the Audit Committee, the Compensation and Management Development Committee, and the Nominating and Corporate Governance Committee. Additionally, a Management Team, headed by the CEO, supports the Board in executing our strategy and day-to-day business management. Our Sustainability Leadership Group reports to the Nominating and Corporate Governance Committee on an annual basis and is comprised of the CEO, Chief Financial Officer, General Counsel, Sustainability Manager, and Director of Facilities and Equipment.

[Further information on our corporate governance is available online.](#)



ACTING WITH INTEGRITY



We want to be a company that customers trust. That starts with acting in a responsible manner, putting integrity, fairness, and accountability at the forefront of every business decision we make.

We aim to tackle human rights issues throughout our entire value chain. This includes eliminating the use of conflict minerals in our supply chain and working closely with our suppliers to reduce their environmental impacts. We also work hard to ensure there are no cases of animal testing in our research, design, or manufacturing processes.

Our Code of Conduct

We want our workplace culture to be one where our employees understand, and actively engage with, our ethical responsibilities. They should feel comfortable to raise concerns without fear of retaliation, and our Code of Conduct provides guidance on business activities where questions could arise. The Code is available on our website in multiple languages and applies to all our employees, who are required to complete annual training on it.

The Code of Conduct is split into four focus areas:

- Marketplace
- How we treat each other
- Community and environment
- Company assets and information

Read our [Code of Conduct](#) online

OUR FOCUS AREAS

- Governance
- Ethical business
- Responsible supply chain

UN SUSTAINABLE DEVELOPMENT GOALS



OUR 2030 AMBITION

We will work with our suppliers to promote a responsible supply chain

We will work with the UNGC and other international players to help protect and respect human rights across our value chain



ETHICAL BUSINESS

Having employees that are passionate about what they do is integral to our business. We encourage shared responsibility for our actions to build a company that we can all be proud of.

As a global company, Varex, and our employees, are subject to laws in many different countries. Non-compliance could result in civil and criminal liability, as well as damage to our assets and reputation. We work with our suppliers, and organizations such as the UNGC, to ensure we operate ethically and transparently, and in line with local regulations.

Creating a culture of compliance

Building strong compliance starts with ensuring all our employees understand the Varex Code of Conduct. To do so, we provide annual ethics training that all employees are required to complete. We are also adapting our training to provide all employees with more practical guidance. In addition, increased practical training for managers and Human Resources business partners will equip them with the knowledge they need to answer any questions our employees, customers or agents may have.

Our sites around the world are certified through the Medical Device Single Audit Program (MDSAP), recognized by participating countries, ensuring our practices satisfy the requirements of several regulatory jurisdictions. This process, which we have already adopted in our facilities, is set to be mandatory by 2021.

Respecting customer privacy

We have a responsibility to protect the privacy of our customers. We provide employees with regular data protection training and comply with data protection regulations where we operate.



2019 KEY HIGHLIGHTS

Globally, Varex's facilities are MDSAP certified

Looking ahead

Target	KPI	Progress in 2019
Train employees on our Code of Conduct	100% employees trained on our Code of Conduct	99% employees trained on our Code of Conduct
Move toward signing on the UNGC commitments	N/A	Ongoing process
Promote reporting through the Ethics Hotline and foster a culture of openness and integrity	100% of Ethics Hotline reports investigated	100% of Ethics Hotline reports investigated

RESPONSIBLE SUPPLY CHAIN

Being an ethical business does not stop with our direct operations. We work closely with our suppliers to identify areas in our supply chain where we could improve and to develop responsible, sustainable solutions.



Ensuring supply chain compliance

Third parties representing Varex, including our suppliers, are required to comply with our Code of Conduct. Our Supply Chain/Procurement Team works with new suppliers to review our terms and conditions. We are constantly on the lookout for ways to build a more responsible supply chain, which is why we have broadened our list of expectations for new and potential suppliers globally. As well as considering technical abilities and quality standards, we now also vet potential suppliers based on their performance in relation to ESG issues. This includes providing surveys that suppliers are required to complete, and outlining ESG expectations

in supplier contracts. The standards our suppliers and subcontractors are expected to meet are publicly available [online](#).

We consider our key suppliers to be anyone that we buy materials or components from to build our products. We audit our key suppliers regularly to ensure compliance, and in 2019 audited three for material issues and for safety and quality. Since amending our supplier expectations to consider ESG topics, we have had no instances where non-compliance with these topics has required us to terminate a supplier contract.

Ensuring ethical conflict mineral standards

We collect data from relevant suppliers on a regular basis to ensure they uphold ethical standards regarding conflict minerals (tin, gold, tungsten and tantalum). Using the standardized Conflict Minerals Reporting Template, we aim for a feedback rate of 85% and, in 2019, received data from 80.7% of the suppliers we reached out to.

We know our customers are concerned about what goes into the products they buy. That is why we publicly publish our [data findings](#) on conflict minerals in our supply chain. In 2019, we began work to compile a list of parts that contain conflict minerals, to ensure we are offering our customers transparent information.

Making phthalates a thing of the past

When the Restriction of Hazardous Substances (RoHS) Guide set deadlines for removing phthalates from products by 2019, Varex began a robust program to ensure compliance. This included working closely with various key suppliers to ensure the products we source from them are phthalate free.

In Japan, we have a long-standing relationship with a company that supplies us with coated glass for use in our flat panel detectors. Traditionally, this glass is coated with a white painted reflector that increases detector sensitivity. In 2019, we built on this relationship, working closely with our supplier to remove phthalates from the white paint that they use.

By identifying alternatives to coat these glass sheets, our supplier was able to remove phthalates from their paint without impacting the quality of their product or the effectiveness of our detectors.

Looking ahead

Target	KPI	Progress in 2019
Establish a supplier survey on conflict minerals and work toward 100% response rate	100% supplier survey response rate	80.7% supplier survey response rate
Train the Strategic Sourcing Team on human rights and conflict minerals	100% of Strategic Sourcing Team trained on human rights and conflict minerals	100% of Strategic Sourcing Team trained on human rights and conflict minerals
Create a strategy to approach work with key suppliers on human rights issues		
Develop a supplier engagement program with Tier 1 suppliers to improve sustainability performance	100% of Tier 1 suppliers involved in program	89.8%

2019 KEY HIGHLIGHTS

100% of our products are now phthalate free

Three key suppliers audited for material issues, safety, and quality



FORWARD-LOOKING STATEMENTS

This report contains “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, including information about sustainability goals and targets, and planned social, safety and environmental policies, programs, and initiatives, are forward-looking statements that involve risks and uncertainties that could cause our actual results to differ materially from those anticipated. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations are included in our annual and quarterly reports filed with the Securities and Exchange Commission, which by this reference are incorporated herein. We assume no obligation to update or revise the forward-looking statements in this report because of new information, future events, or otherwise.

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