



# 2017 SUSTAINABILITY REPORT

*Helping secure a healthier,  
safer future*



# INSIDE

This report is organized around the priorities of our Sustainability Strategy

## 3

### ABOUT THIS REPORT

## 4

### ABOUT VAREX



## 14

### INSPIRING INNOVATION



## 24

### PROTECTING THE ENVIRONMENT



## 32

### EMPOWERING PEOPLE AND COMMUNITIES



## 38

### ACTING WITH INTEGRITY

# WELCOME

*Welcome to our first Sustainability Report as Varex Imaging Corporation*

We manufacture cutting-edge medical X-ray imaging components and security solutions that help keep people healthy and safe. To develop the next generation of imaging technology, we must anticipate changes in markets and co-innovate with our partners. Sustainability plays an important part in enabling us to manage our risks and opportunities.

*In our first year as a stand-alone company, we have been working to understand our sustainability risks and identify our opportunities. We have established our new Sustainability Strategy, which will guide us in achieving our goals through 2030.*

**Established as an independent company in January 2017. Launched the Varex Code of Conduct, which guides our employees and everyone who works on our behalf, and other related policies**

**Completed our first materiality assessment to help shape our sustainability priorities**

**Launched a new Sustainability Strategy to drive our ambitions through 2030**

## INSPIRING INNOVATION

We talked to Varex's CEO, Sunny Sanyal, about why he thinks sustainability is crucial to business success.



**Q** *Varex is just starting out on its journey. With the challenges that come with leading a newly independent company, how much of a priority is sustainability?*

**A** For me, it's huge. Our Vision is to be a world leader in X-ray imaging components, and that leadership comes with responsibilities. Everything we do is innovative, but we need to do it responsibly, cost-effectively, and in a way that creates clear value for society. Our mission and vision must be centered on these concepts, because being able to deliver positive outcomes for our stakeholders, year-on-year, with consistent quality, while reducing our environmental footprint, will keep our customers engaged with us.

**Q** *So how are you working together to embed sustainability into the company?*

**A** At the moment, we're focused on expanding our "globally local" approach. Our business has always had a global footprint and we're working on infusing more global practices into our operations – setting global policies and goals that are delivered locally to develop closer relationships with our customers.

We rely heavily on the engagement of our employees. That's why we are focused on being a great place to work, with sustainability at the core of our business. It will help us attract people who agree with our priorities. It will also serve as a driving force of innovation. For the same reason, we look to partner with customers who align with our priorities.

It's this cultural alignment that allows us to be a market leader as we work together to evolve cutting-edge solutions that improve patient care, reduce X-ray exposure, and develop new technologies.



**Q** *And what is it that you, personally, feel most proud of in leading Varex into the future?*

**A** At the end of the day, when I think of the people around the world who we help through our products, I never fail to be amazed: the patients whose lives are improved and the millions of people who pass safely through borders and airports every day. It is this that drives me and, I believe, everyone at Varex, to grow our global business, and to do it sustainably. I invite you to read this report to find out more about what we do and to discover our goals for the future.

**Sunny Sanyal, CEO, Varex**

# ABOUT THIS REPORT

**As we continue on our sustainability journey, we want to drive continuous improvement across our business.**

This is our first Sustainability Report. It describes our new Sustainability Strategy and targets and summarizes our key achievements for the period January 1, 2017 to December 31, 2017, unless where fiscal year 2017 is noted. Varex's fiscal year 2017 was October 1, 2016 to September 29, 2017. Environmental figures include full calendar year data for the sites added as part of the PerkinElmer Medical Imaging acquisition that closed May 1, 2017. This report has been prepared using input from a wide range of Varex senior managers and experts, as well as the results of our materiality assessment (see pages 8 and 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 [2017 Annual Report](#).



## STANDARDS

This report has been produced in accordance with the GRI Standards: Core option. Please see our [2017 Varex Imaging Corporation GRI Content Index](#), which is part of our Sustainability Report.



## ASSURANCE

DNV GL was engaged to provide assurance of the content of this report. See the DNV GL Limited Assurance Statement on [pages 46 and 47](#).

# ABOUT VAREX

*We are proud of what we do*

We are a global leader in X-ray imaging components with more than 65 years of successful innovation. Our components are used in medical, industrial, and security imaging applications to detect, diagnose, and protect. 2017 began with the spin-off of Varex from leading cancer management company Varian Medical Systems. Our ambition is to be the world leader in imaging components through the delivery of high-quality products that enable our customers' success.

## OUR VISION IS SIMPLE

**To create the most innovative, cost-effective X-ray imaging solutions for our customers so, together, we can create a healthier and safer future.**

## WHAT WE DO

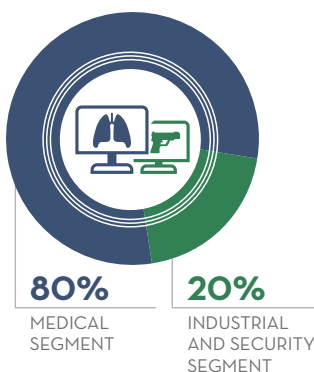
Varex is a leading independent supplier of X-ray imaging components: X-ray tubes, linear accelerators, digital detectors, high-voltage connectors, accessory components, and software.

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.

## HOW WE DO IT

While we innovate and expand our product offerings to new customers in new markets, we are committed to long-standing customer relationships, many of which are decades long. Together with our customers, we harness the power of collaborative innovation. It takes trusting, long-term partnerships to maximize the value of our components and deliver our Vision. Simply put, innovation born of collaboration is at the heart of everything we do.

## THE INDUSTRIES WE COVER



## WE SUPPLY

**Around 90%**

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

## WE SECURED

**\$650 million**

in new and renewed multi-year customer agreements in 2017<sup>1</sup>

## WE HAVE

**65+ years**

innovation

**Over 325**

patents as of December 2017

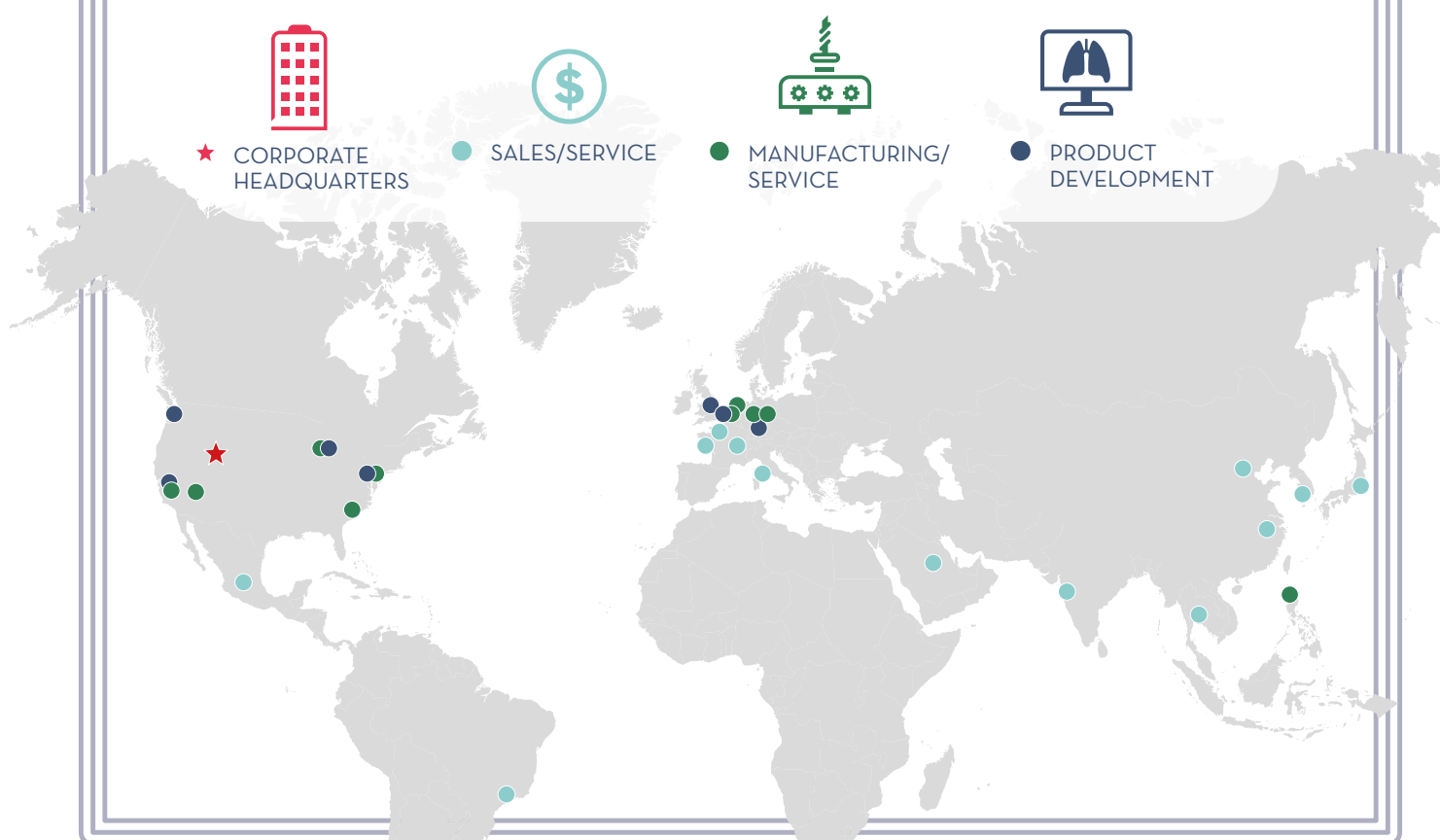
**500+**

engineers

<sup>1</sup> For our X-ray imaging components that included both incremental business with new customers and renewed business with existing customers.

# GLOBAL PRESENCE

Our global headquarters are located in Salt Lake City, Utah, in the United States. Two-thirds of our revenue is generated from customers located outside the United States. We currently manufacture products in four countries (the U.S., the Netherlands, Germany, and the Philippines) and have sales and service operations in 13 additional countries.

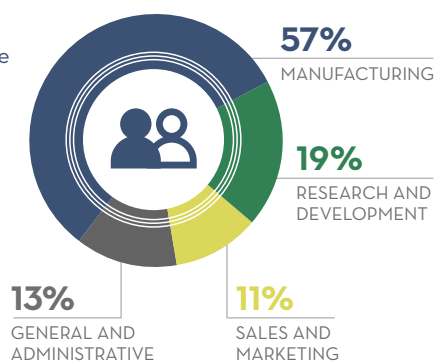


## WE HAVE

**1,977**

employees worldwide

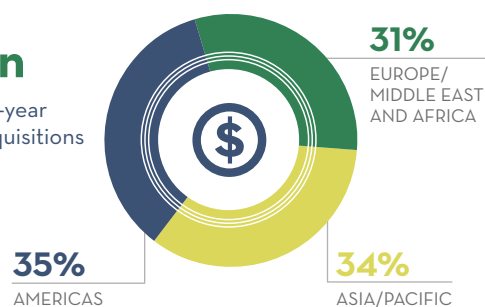
## OUR EMPLOYEES WORK ACROSS



## OUR FY2017 REVENUES WERE

**\$698 million**

+13% year-on-year including acquisitions



# CREATING SHARED VALUE

*There's no greater motivation than knowing that our efforts play a role in helping our fellow human beings.*

## CAPITAL



## HOW WE CREATE SHARED VALUE

**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 cutting-edge machines and technology to develop and manufacture our solutions.



### HUMAN

We foster diversity and inclusion to drive innovation and creativity.



### TECHNICAL FACILITIES

Our state-of-the-art manufacturing facilities are located around the world.



### 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 patents and trademarks, intellectual property, processes, and standards give us our competitive edge.

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



### 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 state-of-the-art manufacturing facilities ensure high standards of product quality and safety while managing our impact on the environment and local communities.

## RESPONSIBLE AND RESPONSIVE

**We are agile and responsive to market trends.**

We aspire to create sustainable value for all our stakeholders by enabling faster, easier, and more precise medical diagnostics, better imaging for industry, and safer borders and airports. Here, we show how Varex uses its resources and capital to deliver value for our stakeholders.



#### CIRCULAR 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, and we support society's transition toward a circular and lower carbon economy. > [Read more on page 26](#)



#### 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.

#### MEDICAL

The growing and aging global population places increasing pressure on healthcare systems. We are responding by 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, and packaged food safety scanning.

## WINNING TOGETHER

### Value created in 2017

#### INVESTORS

**\$1.3 billion**

market capitalization

#### CUSTOMERS

**25+ years**

average long-term  
customer relationship

#### SUPPLIERS

**\$198.5 million**

in goods and services procured  
from suppliers in 2017

#### SOCIETAL

**150,000**

digital detectors in use  
around the world

#### ENVIRONMENT

**8,002**

X-ray tubes accepted for  
salvage and recycling in 2017

# WHAT MATTERS MOST?

In September 2017, we carried out our first materiality assessment to identify the sustainability-related issues that have the biggest impact on society, on the environment, on the economy, and on the decisions made by our stakeholders.

We've used this understanding to help shape our new Sustainability Strategy and our first Sustainability Report as we aim to maximize our positive impact.

#### **A logical, step-based approach**

To carry out our first materiality assessment, we undertook a number of steps:





# THE RESULTS

Our assessment found that social and governance issues rate especially high – from product quality and customer care to ensuring high ethical standards in the way we do business and in our supply chain. Contributing to a safer, more secure world and being an employer of choice are also key issues. In addition, we need to focus on climate change, energy, and air quality together with resource efficiency across our operations and supply chain.

MATERIAL ISSUES	INSPIRING INNOVATION	PROTECTING THE ENVIRONMENT	EMPOWERING PEOPLE AND COMMUNITIES	ACTING WITH INTEGRITY
BETTER HEALTH	●		●	
PRODUCT SAFETY AND QUALITY	●		●	●
BEING AN EMPLOYER OF CHOICE			●	
BEING A GOOD NEIGHBOR			●	
SOURCING RESPONSIBLY		●		●
CLIMATE CHANGE, ENERGY, AND AIR QUALITY		●		
RESOURCE STEWARDSHIP		●		
RESPONSIBLE GROWTH	●			●
ETHICAL BUSINESS	●			●

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

# TOGETHER, WE CAN DO MORE

*As an industry leader, and in order to really make a difference in tackling our sustainability challenges, we need to work closely with our partners.*

Partnerships are at the heart of our Sustainability Strategy. We engage regularly with a wide range of key stakeholder groups; these relationships are integral to achieving our Vision.

## 57%

of employees took part in  
our last employee survey

## 55

Customer Net Promoter Score at the end  
of 2017 (scale of -100 to +100)

## Awards

ChamberWest Chamber of Commerce  
Business of the Year

Manufacturer of the Year by the  
Utah Manufacturers Association



### **Valuing our employees**

We depend on our diverse and talented workforce for long-term success and we engage them through a wide range of channels. When employees are valued and engaged, they are motivated to perform at their best and to contribute to a positive working environment.

### **First-class customer care**

Many of our customer relationships go back years and we are constantly forging relationships with new customers. To maintain high standards of product quality and drive innovation, we work as one team with our customers. We engage with them to understand their needs and we measure customer satisfaction using the Net Promoter Score (NPS) survey.

### **Relationships with investors**

Our investors want to know the latest – both strategic and tactical – and we benefit from hearing their views. Our engagement with current and prospective investors includes participation in analyst-sponsored investor conferences, domestic and international roadshow meetings, hosting investor visits to our headquarters and facilities tours, phone calls, and email exchanges.

### **Supporting communities**

We want to create shared value for our business and our stakeholders, and one of the ways we do that is by investing our time and money in the talent and health of local communities and charitable organizations. In 2017, we supported a range of associations, including the American Cancer Society, MESA/STEP Industry Advisory Council, the Society of Women Engineers, the National Multiple Sclerosis Society, The Road Home, and P3 Utah.

### **Partnering for industry**

We support various business organizations and collaborate with our peers to forward shared interests relating to legislative and regulatory priorities. We also actively promote the growth of the technology industry and advocate for fair tax treatment for manufacturers.

We engage directly with government bodies to understand our compliance obligations and to advocate for a positive environment in which to manufacture and sell our products.



# OUR SUSTAINABILITY STRATEGY

*Helping secure a healthier, safer future*

We are at the start of our sustainability journey as a stand-alone business. As we continue to grow, we want to empower communities, generate growth, and unlock new opportunities while keeping people and the planet healthy and safe.



Our new Sustainability Strategy aims to embed sustainability in every part of our business – from research and development (R&D) and manufacturing to local communities and customer relationships. It focuses on the four areas where we believe we can make the greatest contribution and includes ambitious goals through 2030 that will drive us to maximize the value we create.

Leaders from 193 countries of the world came together in 2015 to face the future. Seventeen goals were set to achieve a world in 2030 rid of poverty and hunger, and safe from the worst effects of climate change. The United Nations Sustainable Development Goals help guide our Sustainability Strategy and highlight the areas where we can be an influence for good.

## Our 2030 Ambitions

 <h3>INSPIRING INNOVATION</h3> <p><b>We will partner with our customers</b> to create products that impact the lives of millions of people, guided by our Sustainability Innovation Criteria.</p>	 <h3>PROTECTING THE ENVIRONMENT</h3> <p><b>We will strive to minimize our impact</b> on the environment by working toward zero manufacturing waste and carbon neutrality.</p> <p><b>We will reduce the need for raw materials</b> by designing our products for recycling and reuse.</p>	 <h3>EMPOWERING PEOPLE AND COMMUNITIES</h3> <p><b>We aim to develop our strategy</b> to invest a percentage of our profits in:</p> <ul style="list-style-type: none"> <li>– Helping people develop their human potential</li> <li>– Empowering youth, women, and minorities to develop the skills they need to excel</li> <li>– Supporting health in communities where we operate</li> </ul>	 <h3>ACTING WITH INTEGRITY</h3> <p><b>We will work with our suppliers</b> to promote a responsible supply chain.</p> <p><b>We will work with the UN Global Compact (UNGC)</b> and other international players to help protect and respect human rights across our value chain – from sourcing to customer.</p>
<div>3 9 10 17</div>	<div>12 13 17</div>	<div>5 8 10 11 17</div>	<div>8 12 16 17</div>



### Delivering the Sustainable Development Goals

Our strategy has been informed by – and shapes our contribution to – the [UN Sustainable Development Goals \(SDGs\)](#) for 2030, which aim to benefit people and the planet.

#### RELEVANT UN SUSTAINABLE DEVELOPMENT GOALS

<b>3</b> Good health and wellbeing	<b>11</b> Sustainable cities and communities
<b>5</b> Gender equality	<b>12</b> Responsible consumption and production
<b>8</b> Decent work and economic growth	<b>13</b> Climate action
<b>9</b> Industry, innovation and infrastructure	<b>16</b> Peace, justice, and strong institutions
<b>10</b> Reduced inequalities	<b>17</b> Partnerships for the goals





# INSPIRING INNOVATION

*Innovating with our customers  
for a healthier, safer future*

Innovation is our lifeblood. From detecting illnesses in patients to discovering potential diseases and hazardous materials in foods and containers, our job is to innovate so that our customers can provide the best services to the people and places that need them most.

We drive innovation with our customers to provide affordable, high-quality diagnostics and cutting-edge imaging solutions that help keep people healthy and safe. Our markets are characterized by rapid change, so success depends on developing and commercializing new technological solutions efficiently and enhancing existing product lines. We have more than 500 engineers dedicated to research and innovation. With 55 PhDs between them, they helped us introduce 13 new products in 2017 and we have some 20 more in the pipeline for 2018.

## OUR FOCUS AREAS

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

## UN SUSTAINABLE DEVELOPMENT GOALS

- 3 Good health and wellbeing
- 9 Industry, innovation and infrastructure
- 10 Reduced inequalities
- 17 Partnerships for the goals

## 150,000

digital detectors in use around the world  
– about a third of the global total

## \$650 million

– the value of new and renewed multi-year  
customer agreements in 2017

## 13


new products launched



## OUR 2030 AMBITION

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



A man and a woman are smiling and posing for a photo in a snowy mountain landscape. The man is wearing a dark blue ski helmet with goggles and a dark blue jacket. The woman is wearing a blue ski helmet with goggles and a dark blue jacket. They are both wearing ski gloves. The background shows a snowy mountain peak under a clear blue sky.

*“Varex’s components play a very real role in protecting people’s health.”*

## Saving lives

*Securing a healthier future through the eyes of one of our employees*

Our role in protecting people’s health became very real for Wes Jones, a Varex employee in Pittsford, New York. This story begins in 2014, when Wes found a lump on his leg. Initially, nothing was detected by doctors, but progress was finally made in 2015, when he was diagnosed with cancer and underwent chemotherapy, surgery and radiation therapy followed by a lengthy recovery. Four out of the five machines used to treat Wes were fitted with Varex tubes. He continues to be monitored using CT scanners with Varex tubes every six months. As someone who has benefited directly, Wes now knows first-hand how Varex components play a very real role in protecting people’s health.

# BETTER HEALTH

For Varex and its customers, innovating for better health means developing the next generation of cutting-edge products and solutions with a goal of enabling access to more accurate medical detection and diagnosis.

## Saving lives

As technology evolves, we are partnering with our customers to seize on opportunities to provide better medical screening, combined with greater affordability and reduced X-ray dosage. We are committed to helping to improve affordable access to healthcare. This means designing our products with efficient production in mind. As we expand into new markets, we have a great opportunity to help our customers strengthen healthcare provision by sharing our expertise and solutions.



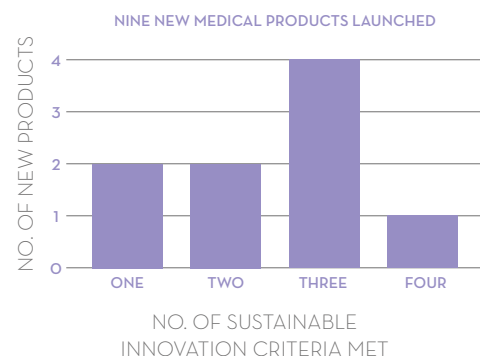
## SUSTAINABLE INNOVATION

We are constantly growing our portfolio and enabling our customers to get innovative solutions to market faster. In 2017, we established and started embedding four new Sustainable Innovation Criteria into our product development processes for both medical and industrial products to improve their sustainability.

### Sustainable Innovation Criteria

- Better user experience (faster and more reliable scanning, better patient comfort, and improved portability)
- Improved dose efficiency – the right amount of radiation where needed including lower dose for humans
- Clearer images and improved differentiation
- Reduced environmental impact through less power and raw materials usage

## NEW MEDICAL PRODUCTS MEETING OUR SUSTAINABLE INNOVATION CRITERIA IN 2017







## 2017 key highlights

### MeVis software

improves the accuracy of breast and lung cancer diagnostics

### New paddle for mammography screening

reduces patient discomfort during exam

### High-power compact cardiovascular tube

offers high patient throughput and imaging with low dose

### New CT tube scans the entire heart in just one rotation

which lowers X-ray dosage and reduces the chance of needing to redo the scan



## LOOKING AHEAD

### GOALS

Develop sustainable new products with more effective and efficient user experiences and results that improve imaging for health applications.

Consistently innovate our products to be our customers' partner of choice.

### KPIs

Percentage of new products that met our four Sustainable Innovation Criteria:

- Better user experience (faster and more reliable scanning, better patient comfort, and improved portability)
- Improved dose efficiency – the right amount of radiation where needed including lower dose for humans
- Clearer images and improved differentiation
- Reduced environmental impact through less power and raw materials usage.

R&D expenditure (in US Dollars).

### TARGETS

Establish new Sustainable Innovation Criteria by 2017.  
100% of our new products to meet at least two of our Sustainable Innovation Criteria by 2018.  
100% of our new products to meet three Sustainable Innovation Criteria by 2019.

Invest 8–10% of annual revenue in product R&D every year.

### PROGRESS IN 2017

● New Sustainable Innovation Criteria established.  
100% of our new medical products met at least one of our Sustainable Innovation Criteria and 55.5% (five of nine products) met three or more.

● \$67 million invested in R&D.

○ ONGOING

● ACHIEVED

● MORE TO DO

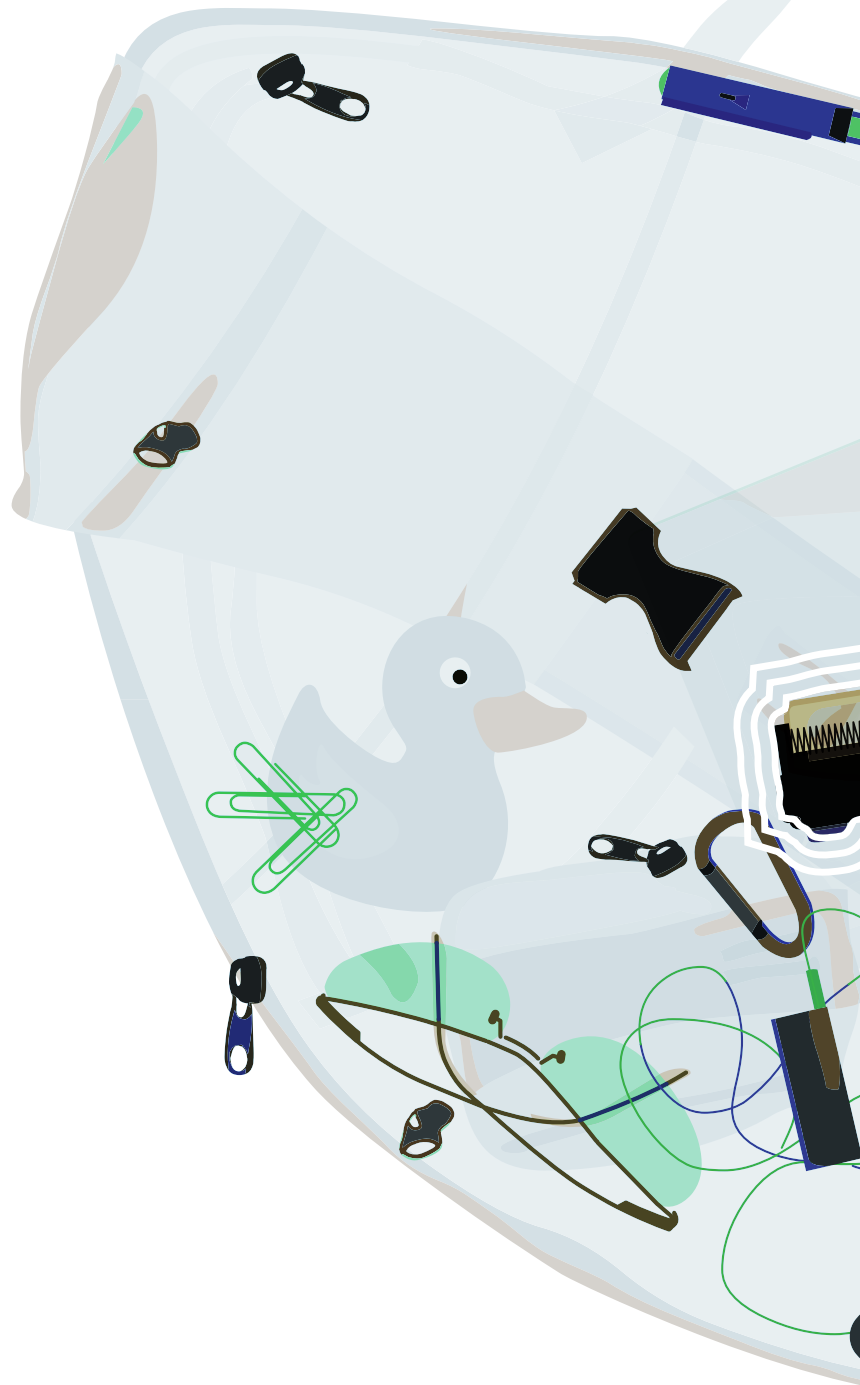
A SAFER,  
MORE  
SECURE  
WORLD

Society's safety and security challenges are constantly evolving, posing a challenge to governments and industry everywhere. From tackling the threat of global terrorism to reducing the health risks of contaminated food, we are collaborating with our customers to unlock the potential of technological innovation.

## Detecting risks

For the security market, we supply our customers with components that equip the world's airports and checkpoints with tools for screening baggage against potential threats and contraband, such as weapons, drugs, and explosives, and improve screening effectiveness at airports for checked baggage as well as mobile cargo screening and other industrial inspection applications. The majority of checked baggage in North America and Europe is scanned using equipment containing Varex components.

For the industrial sector, our X-ray imaging components are used in non-destructive testing and manufacturing inspections. This includes food and beverage, automotive, aerospace, medical joint replacement sectors, oil and gas plants, and nuclear power facilities.



## LOOKING AHEAD

### GOALS

Develop sustainable new products with more effective and efficient user experiences and results that improve imaging for security applications.

Consistently innovate our products to be our customers' partner of choice.

### KPIs

Percentage of new products that met our 4 Sustainable Innovation Criteria.

R&D expenditure (in US Dollars).

### TARGETS

Establish new Sustainable Innovation Criteria by 2017.

100% of our new products to meet at least two of our Sustainable Innovation Criteria by 2018.

100% of our new products to meet all three Sustainable Innovation Criteria by 2019.

Invest 8-10% of annual revenue in product R&D every year.

### PROGRESS IN 2017

● New Sustainable Innovation Criteria established.

Launched five new industrial products. 100% of them met two of our Sustainable Innovation Criteria.

● \$67 million invested in R&D.

○ ONGOING

● ACHIEVED

● MORE TO DO

### INNOVATING FOR A SAFER WORLD

In 2017, we launched five new industrial products, all of which met two of our new Sustainable Innovation Criteria (see page 16). We take improving the resolution and identification of our products very seriously, as we know even a small improvement has a positive impact on keeping our society safe.

## 2017 key highlights

Our linear accelerators are at the heart of cargo-screening operations around the world

The majority of checked baggage in North America and Europe is scanned using our components

Our VF50 X-ray tube is used in a system to scan rice and other foods for cadmium and heavy metals – materials that pose a major health risk to consumers around the world

# PRODUCT SAFETY AND QUALITY

The safety and quality of our products is paramount. It protects our customer relationships and it is fundamental to supporting better health and a safer, more secure world.

## Product quality

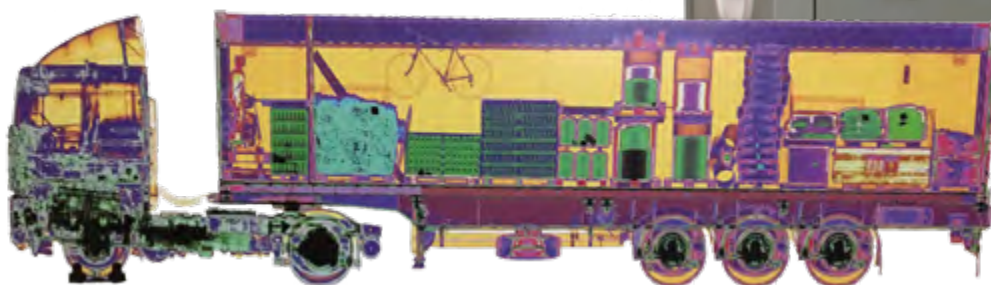
*Quality at every stage – from design and manufacture to customer installation*

Our Quality Management System aims to unify all our operations to implement consistent risk assessment and management tools as well as customer inspection, test, and quality criteria. Internally, we design our processes for quality, sometimes involving hundreds of tests per product. As our business expands, we must maintain the same high-quality standards and procedures. When a product is returned to us by a customer, it undergoes a risk assessment to identify the problem so that we can correct it going forward.

## Managing radiation

*Applying best practice standards in radiation risk management*

Our products are designed to harness the power of X-ray energy to pioneer advances in many applications. We are subject to strict regulation concerning the manufacturing, handling, storage, transport, and disposal of radioactive substances. We also collaborate with our customers to reduce the radiation dose received by patients.





## LOOKING AHEAD

GOALS	KPIs	TARGETS	PROGRESS IN 2017
Deliver high-quality products.	Percentage product acceptance rate.	Achieve a 99% product acceptance rate every year.	<div> <div></div> Our baseline product acceptance rate was 98.97%.* </div>
	Percentage of operations under standardized quality management system.	Unify global operations to a single quality management system by 2019.	<div> <div></div> Plan developed to standardize quality management system. </div>

\* Does not include detectors manufactured in Santa Clara.

○ ONGOING

● ACHIEVED

● MORE TO DO

## Radiation safety

*Focus on Las Vegas, Nevada*

Our facility in Las Vegas makes linear accelerators that are capable of producing far more radiation than any other radiation source we have within our facilities. The site is licensed to hold a very specific list of radioactive materials, and safety is paramount. We follow the ALARA (“as low as is reasonably achievable”) principle. Our robust radiation safety program is designed to protect people and the environment with a major focus on employee training.



# CARING FOR OUR CUSTOMERS: A PARTNER FOR SUCCESS

**Customer success is key to our ability to create value, and several of our customer relationships span four decades.**

We work in highly competitive markets that are characterized by rapidly evolving technology and pricing pressures. To stay ahead, we must combine first-class customer care with industry-leading product quality, technology, and performance. This means anticipating shifts in market preferences and working as an extension of our customers' team. We develop specifications for unique products through win-win relationships with our customers: as their business grows, so do we, and together we improve health, safety, and security for society.

## **Data security and privacy**

*We are committed to complying with the laws for protecting personal and customer data*

Because of the international nature of our business, and the need to support customer equipment, we collect and process personal data. Our Privacy Policy, the related policies and procedures, and our practices are designed to comply with relevant data protection standards and regulations, including the requirements of the EU Directive 95/46/EC (Data Protection Directive), the European Union's General Data Protection Regulations. Varex is certified under the EU-U.S. Privacy Shield Framework and the Swiss-U.S. Privacy Shield Framework.



## LOOKING AHEAD

### GOALS

Continue collaborative partnerships with customers.

### KPIs

Net Promoter Score (NPS).  
Customer care survey response rate.

### TARGETS

Launch our first customer care survey in 2017 and maintain an NPS of 50 or higher.  
Improve customer response rate by Account Managers contacting 100% of active customers by 2018.  
Address 100% of feedback received in 2018 and yearly going forward.

### PROGRESS IN 2017

● We launched our first customer care survey and achieved a net promoter score of 55 and a 4% customer response rate.

○ ONGOING    ● ACHIEVED    ● MORE TO DO

## 2017 key highlights

We use the Net Promoter Score (NPS) to assess the loyalty of our customer relationships. NPS scores range from -100 to +100; a positive score is considered good, a score above 50 is considered excellent.

**In 2017, we achieved a net promoter score of 55**

### Noted areas for improvement:

- Encourage greater customer response rates, including via the company website, and through direct contact with Account Managers
- Close the customer feedback loop – show customers we are listening and making improvements based on comments





## In the dog house

*Our employees show how reusing waste can be fun and creative*

"It all started when I received the required approval and a fellow worker helped me load two used wooden crates into my truck. Back at home, I partially disassembled them and got to work on some calculations. It wasn't simple, but I was able to give the crate a roof with a steep Alpine pitch. I purchased a few items to make it deluxe and insulated and, for extra style, some silver and black paint. Now, this shipping crate is a dog house for our Catalan sheepdog, a rare breed originating from Spain. His fur is so "Wookiee"-like, we call him Chewbacca. Thanks Varex for your recycling program. You reduced the company's waste and helped our family give tons of unconditional love."

Jim Anton, Safety Manager at Varex Imaging







# PROTECTING THE ENVIRONMENT

*Promoting the circular economy and managing our environmental footprint*

We strive to embed sustainability across all our operations, not just because it is the right thing to do, but because it makes good business sense. We are consistently working with our customers to make products more sustainable. Driving innovation, reducing risks, and cutting costs, our efforts to reduce our environmental impacts span the entire lifecycle of our products and value chain.

## OUR FOCUS AREAS

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

## UN SUSTAINABLE DEVELOPMENT GOALS

- 12** Responsible consumption and production
- 13** Climate action
- 17** Partnerships for the goals

## 2017 key highlights

New baselines established for climate change, waste, water, and air quality impacts (see pages 27 and 29)

### **LEED<sup>2</sup> Gold Certification achieved**

for the expansion of our global headquarters in Salt Lake City, Utah

### **BREEAM<sup>3</sup> 4 star accreditation**

targeted as we design our new facility in the Netherlands

## 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.



<sup>2</sup> LEED, or Leadership in Energy and Environmental Design, is the most widely used green building rating system in the world.

<sup>3</sup> BREEAM is the world's leading sustainability assessment method for master planning projects, infrastructure and buildings.

# RESOURCE STEWARDSHIP

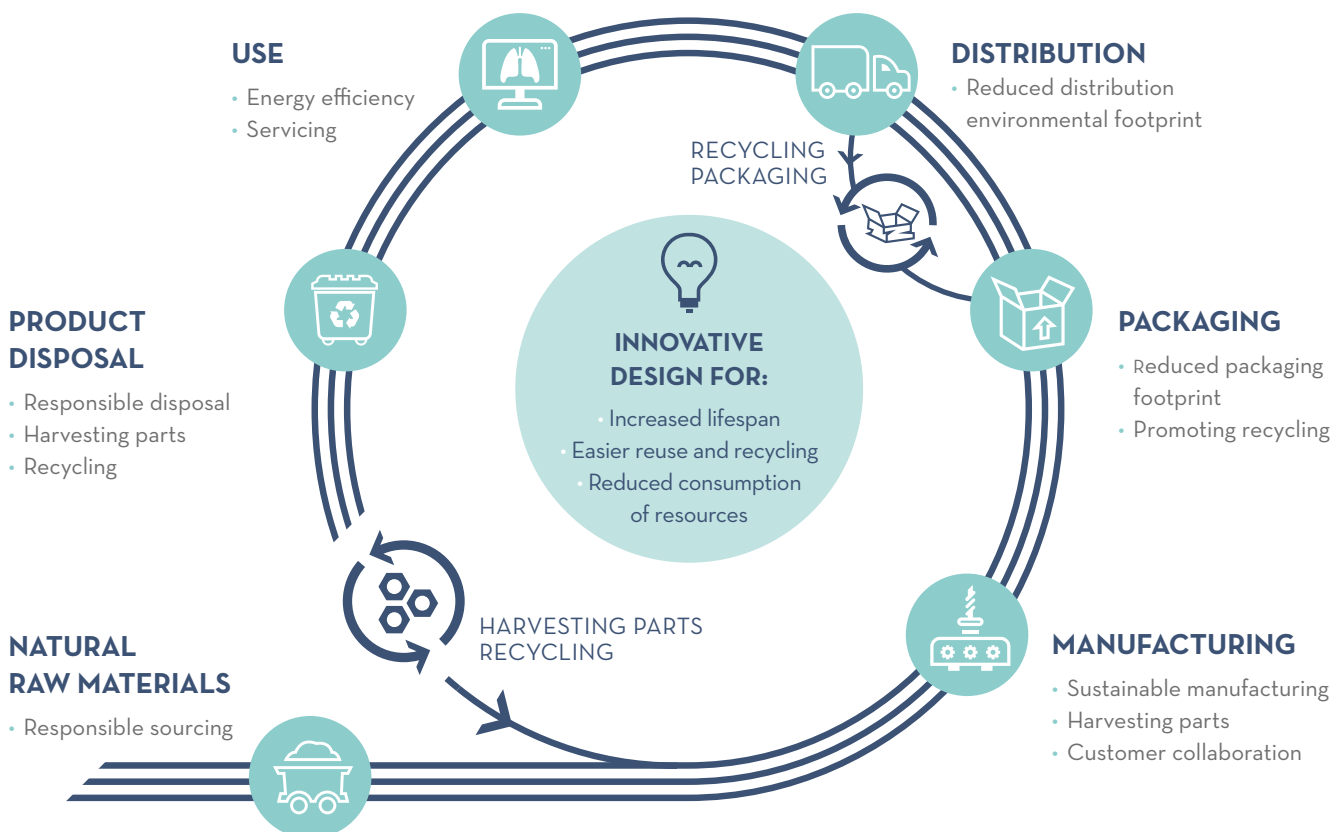
As we expand our production footprint, supporting the transition to a circular economy is key as we focus on sustainable innovation, waste reduction, and efficient use of resources.

We use a wide range of raw materials for making our products. These materials include energy and water, tungsten, lead, iridium, and copper, rhenium, molybdenum zirconium, and various high grades of steel alloy.

Our environmental innovation criteria aim to drive continued improvement in the resource efficiency of our products through:

- Design for the circular economy
- Reduced use of precious metals
- Increased use of reusable/recyclable materials

We intend to increase our focus on water stewardship and undertake a water risk assessment of our operations in 2018.





## 2017 key highlights

### 8,002 X-ray tubes

accepted for salvage/recycling

### 2,015 flat panel detectors

were returned by customers for repair and/or upgrades to extend useful life

### 60 metric tons of metal

was recycled

### Supporting the transition toward a circular economy

The traditional model of making products that are then used and discarded has led to scarce resources and environmental degradation. In contrast, the circular economy aims to extract maximum value from natural resources by keeping them in use for as long as possible – reducing waste, carbon, emissions, and pollution. We support the transition toward a circular economy in a variety of ways:

#### *Increasing the lifespan of our products*

Some of our products have a lifespan of 25 years and we are working to extend that lifespan to increase value for our customers, healthcare providers, and patients.

#### *Reusing and recycling materials*

We reuse and recycle manufacturing materials with the help of our customers. Our tube reloading and housing credit program allows us to recover valuable materials for recycling, reuse, and to manage hazardous waste. Customer flat panel detectors can be upgraded and repaired, reducing the need for new materials.

#### *Designing for reuse and recycling*

We are making our products easier to recycle – for example, by using O-rings rather than welding, reducing liquid sealant, and painting rather than anodizing metal. We are also working to replace precious metals with materials that are easier to reuse, such as stainless steel and copper.

Beyond this, our efforts span from cutting energy use and increasing renewable electricity to minimizing waste sent to landfills and reducing chemical use.

## LOOKING AHEAD

GOALS	KPIs	TARGETS	PROGRESS IN 2017
Achieve zero waste at our manufacturing sites globally.	Percentage waste diverted from landfill.	Establish our baseline for waste diverted from landfill by 2017 and develop waste diversion strategy by the end of 2018.	● 43% waste diverted from landfill at our manufacturing facilities.*
Use resources efficiently by contributing toward the circular economy.	Number of tubes and panels taken back each year.	Increase the number of products recycled or reused every year.	● 8,002 tubes and 2,015 panels were taken back and recycled.
Efficiently use water across our global manufacturing operations.	Water use in cubic meters.	Establish our baseline for water use in 2017 and develop a water use reduction strategy by the end of 2018.	● 242,011 m <sup>3</sup> water used in 2017.

\* Data from Heerlen Netherlands not included in waste calculations.

○ ONGOING

● ACHIEVED

● MORE TO DO

# CLIMATE CHANGE, ENERGY, AND AIR QUALITY

## Building green

Our recent expansion of our global headquarters in Salt Lake City, Utah – which was awarded LEED Gold Certification – was a demonstration of our commitment to sustainable design

**40% internal and 80% external projected water savings\***

**38% projected energy savings\***

**75% materials diverted from landfill**

**21% materials sourced from within 500 miles of the site**

**The use of Forest Stewardship Council (FSC) certified timber**

**Electric vehicle charging stations and shuttle transport for commuters**

\* Savings projections compared to standard non-LEED building practices.



Climate change impacts the lives and livelihoods of millions of people worldwide, and may have significant implications for business. Our emissions arise from our operations and through the energy consumption of our products when they are used.

## Protecting air quality

*Managing our impacts on air quality around our manufacturing facilities.*

Managing the air quality impacts of our sites assists with the safety and health of local people and employees, and our compliance with regulations. It is especially important in areas such as the Salt Lake Valley where air pollution can be an issue. We are planning to expand our electric vehicle charging stations to further reduce our impacts.<sup>4</sup>

## LOOKING AHEAD

GOALS	KPIs	TARGETS	PROGRESS IN 2017
Reduce energy use across our global operations.	Total Energy use in Mega Joules (MJ).*	Establish our baseline for energy use in 2017 and implement efficiency projects in order to keep our energy use flat as the business grows.	<div> <div></div> 255,036,862 MJ used and implemented four new energy efficiency projects. </div>
	Electrical energy use in kilowatt hours (kWh).*		<div> <div></div> 478,812,105 kWh. </div>
	Energy intensity by revenue.	Decrease energy intensity by revenue by 5% by 2018.	<div> <div></div> 0.37 MJ/\$ revenue. </div>
	Scope 1 – direct emissions (natural gas, diesel, gasoline, propane, refrigerants, and purchases gases including SF <sub>6</sub> ) in tons carbon dioxide equivalent (CO <sub>2</sub> e).	Establish our baseline for GHG emissions in 2017.	<div> <div></div> 25,374 tons CO<sub>2</sub>e. </div>
	Scope 2 – indirect emissions (purchased electricity and steam).	Develop targets and a science-based strategy to achieve carbon neutrality by 2030 in 2018.	<div> <div></div> Location based 14,767 tons CO<sub>2</sub>e. Market based 24,174 tons CO<sub>2</sub>e. </div>
	Scope 3 – other indirect emissions (including employee air travel and product transportation).**	Reduce Scope 1 and Scope 2 GHG emissions by 5% by 2018.	
		Further develop Scope 3 inventory to include additional business activities.	<div> <div></div> 4,521 tons CO<sub>2</sub>e. </div>

\* Energy usage estimated at buildings smaller than 631 square meters.

\*\* Only covers employee business travel booked through the Balboa Travel agency and products shipped using the U.S. corporate shipping accounts.

ONGOING
  ACHIEVED
  MORE TO DO



### Tackling emissions

*Managing and responding to the impacts of climate change*

Emissions from energy consumption continue to rise. We are focused on managing impacts by reducing emissions and energy consumption across our manufacturing operations, supply chain, transportation and distribution, employee commuting, and our products while they are in use. We are also working to increase the proportion of renewable energy that we use.

Sulfur hexafluoride (SF<sub>6</sub>), while used in small quantities in our linear accelerators and in plasma-enhanced vapor deposition, is a powerful greenhouse gas (GHG). We plan to reduce the use of SF<sub>6</sub> by implementing improved management and recovery practices and by exploring alternate gases for processes and use in new products.

In 2018, we plan to deliver energy efficiency investments across the company.

4 For more info on NOx, SOx and VOC see [GRI Index 305-7](#).



# SUPPORTING A HEALTHY AND SUSTAINABLE SALT LAKE CITY

With our global headquarters located in Salt Lake City, we are committed to providing sustainable leadership among the local business community.

Salt Lake City occupies an enviable position on the banks of the Great Salt Lake and bordered by the snow-capped peaks of the Wasatch Range. Preserving its natural environment and providing for healthy communities are crucial for the wellbeing and sustainable economic growth of the region.

Salt Lake City Green, or SLCgreen, is the public face of Salt Lake City's Sustainability Department. Its award-winning programs

are focused on conserving resources, reducing pollution, slowing climate change, and ensuring a healthy, sustainable future for Salt Lake City.

We caught up with SLC's Sustainability Department Director, Vicki Bennett, to understand the challenges facing the city and how Varex and other businesses can contribute to its sustainable future.



## Q&A

### Vicki Bennett

Sustainability Department Director, Salt Lake City

**Q** *Let's begin by looking at the situation for Salt Lake. What are the major environmental challenges, and how are you focused on tackling them?*

**A** When you look at the impact it has on people's lives, air quality really is the big one. We still see federal standards for small particulate pollution and ozone pollution exceeded a number of times a year in Salt Lake, and levels do sometimes reach the "unhealthy range." That's not acceptable and it's a challenge we need everyone to pull together to overcome. Improving our local air quality will not only benefit community health and our attractiveness as a region for economic development, but the strategies for achieving it will also help mitigate the greater issue of climate change. That's why some of Salt Lake City's most notable ambitions are its targets for 100% renewable energy by 2032 and for zero waste by 2040. Other priorities include growing the city's electric transportation infrastructure and strengthening our local food systems.

**Q** *How important do you see the role of business being in achieving these ambitions?*

**A** It's vital – no one single player can overcome any of these challenges alone. It's only by sectors and communities working together that we'll achieve real progress for the city. Our e2 Sustainable Business Program – of which Varex was one of the first members – is dedicated to supporting Salt Lake's business community to run in a more environmentally and economically sustainable manner. We've got over 100 members today and, thanks to the engagement of those early members, it has become a primary vehicle for engaging companies on sustainable business practices and public policy development.

**Q** *Tell us more about the relationship between Varex and SLCgreen.*

**A** Ever since Varex joined our e2 Sustainable Business Program, it has remained a strong partner in the city's sustainability efforts. We've developed a strong two-way relationship – we have supported the development of Varex's strategy and goals and, in turn, Varex has engaged in SLCgreen community workshop panels and supported public policy and initiatives like our Community Carbon Inventory.

**Q** *Where do you believe Varex should be focusing its efforts to keep on building its contribution?*

**A** Varex should continue to be a role model for sustainability practices within Salt Lake's business community. Its global presence sets a meaningful example for our City's sustainability leadership, both locally and abroad. I see the implementation of energy efficiency and recycling programs as one of the areas where Varex has most to contribute, and I am particularly pleased to see this featuring as part of its new Sustainability Strategy.

*"It's only by sectors and communities working together that we'll achieve real progress for the city."*





# EMPOWERING PEOPLE AND COMMUNITIES

*Investing in human potential and thriving communities*

**At the core, we want our business to thrive, and we want our people and communities to thrive with us.**

Our business depends on healthy and stable communities – as neighbors, as suppliers, and as a source of talent. With our global wellness program, we promote good health and wellbeing among our employees and communities. As our business and industry drive innovation in advanced technologies, we are focused on building the workforce of the future. To do it, we invest in training for our employees and promote science, technology, engineering and math (STEM) subjects in schools and colleges.

## OUR FOCUS AREAS

- Being an employer of choice
- Being a good neighbor

## UN SUSTAINABLE DEVELOPMENT GOALS

- |  |  |
|--|--|
| <b>5</b> Gender equality                 | <b>11</b> Sustainable cities and communities |
| <b>8</b> Decent work and economic growth | <b>17</b> Partnerships for the goals         |
| <b>10</b> Reduced inequalities           |  |

## OUR 2030 AMBITION

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

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

## Awarded

ChamberWest Chamber of Commerce 2017 Business of the Year

## Winner

2017 Utah Manufacturer of the Year Award

## Women's Interest Network

launched in 2018 to provide mentoring and career development opportunities for women

## New Community Giving Strategy

developed and will be launched in 2018

# 2,032

individuals received training in 2017 (includes contractors and turnover)







## Investing in the future

*Developing talent through professional education*

Nick Marietti's ambition is to become an engineer. In August 2017, he came a step closer when he earned his BS in Computer Science from Weber State University. Nick joined the company as an intern in 2010 while studying for his degree. With the support of the Employee Tuition Reimbursement Program, he has continued studying toward a master's degree in Computer Engineering. For Nick, "The reimbursement program is making it possible for me to achieve my dream of becoming an engineer." And for his manager, Sandeep Patil, "Nick has become a valuable member of the Equipment Engineering Team. He has developed a great skill set and is able to integrate engineering and computer science knowledge to develop integrated solutions to complex problems."

# BEING AN EMPLOYER OF CHOICE



As we aim to grow our diverse and inclusive workforce, success depends on our ability to attract, retain, and develop the best talent. We value people for their differences and welcome those who share our passion. Of course, the health and safety of our people will always come first.

Competition for talent in our industry is fierce. In Utah, we compete with other technology companies as well as universities and research institutions. Elsewhere, attracting young talent to work on our production lines can also be a challenge. To remain an employer of choice, we provide unique career opportunities and we work to develop a talent pipeline that will enable us to stay ahead of advances in technology for years to come.

## Diversity and equality

### *Growing our diverse and inclusive workforce*

Our diverse workforce helps us meet the needs of our expanding global customer base. We aim to embed a culture of inclusion in an environment that values differences, inspires innovation, and encourages everyone to reach their full potential.

At the core of our Code of Conduct is our commitment to create a workplace that is free from harassment, discrimination, intimidation, bullying, and retaliation. Employment decisions are based on job qualifications and merit, and we respect and comply with local and national laws in the jurisdictions in which we operate.

Improving gender balance is a key priority, especially as women are under-represented at senior levels. Our Women's

Interest Network (WIN) provides networking and mentoring opportunities and career development. Based in part on feedback from the WIN group, we will implement a new and improved Leave Policy for employees based in the U.S. in 2018.

## Employee engagement

### *Motivating our people to contribute to a positive working environment*

Our annual employee survey helps gather employee feedback and views on areas for improvement, while assessing the extent to which every employee can say, "I feel accepted and respected as my true self at work."

Feedback gathered from our 2017 survey included:

## Areas with high employee scores

- Strategy alignment
- Quality of product/service
- Collaboration
- Supportive management

## Focus areas for 2018 improvement

- Communication from leadership
- Performance management
- Career development pathways

Work is well underway to make improvements in these areas.

## 2017 key highlights

### New Workday System

to house our learning and development information

### New Leave of Absence Policy for the U.S.

providing up to 12 weeks' family care and medical leave

## Developing people

### *Building a robust approach to developing talent*












During our first year as an independent company, we reviewed our policies and invested in new systems for HR and professional development, notably the Workday system. Now we're turning our attention toward performance management, aligning corporate goals with people's day-to-day roles. We'll roll out a new approach to performance management and launch a virtual employee handbook in 2018.

## Health, safety, and wellbeing

### *Keeping our people, partners, and the people who visit our sites safe*

We encourage a culture where our employees are collectively responsible for reducing workplace injuries and protecting the health and safety of everyone we come into contact with. We delivered 3,987 safety training sessions involving 1,813 employees in 2017.

## LOOKING AHEAD

GOALS	KPIs	TARGETS	PROGRESS IN 2017
Train and develop our employees.	Number and percentage of employees trained.	Train 100% of our employees every year against a formal training plan.	 2,032 individuals received formal training in 2017 (includes contractors and turnover).
	Number of employees participating in our U.S. Higher Education Tuition Reimbursement Program and total invested in the program.	Continue supporting employees seeking higher education through our U.S. Higher Education Tuition Reimbursement program.	 122 employees participated, \$387,014 invested.
Promote a safe and healthy workplace.	OSHA <sup>5</sup> recordable accident rate at U.S. sites.*	Establish the baseline for our OSHA recordable accident rate at our U.S. sites in 2017. Expand our health and safety data collection to include all sites globally in 2018.	 Established our OSHA recordable accident rate baseline for U.S. sites, which was 1.422. Going forward, we look to establish group-level definitions and data collection procedures to measure health and safety data globally.
	Days away restricted or transferred (DART) <sup>6</sup> rate at U.S. sites.	Establish the baseline for our DART rate and reduce our DART rate year-over-year.	 Established our DART rate baseline, which was 0.71.
Pay our employees a fair wage.	Percentage of employees receiving the living wage.	All employees receive a living wage.	 100% of employees in the U.S. receive a living wage. We are investigating living wage equivalents in other countries.
	Weighted average gender comparative salary percentage by job level.	Identify specific instances of pay inequality and incorporate into annual salary planning beginning in 2018.	 97.7% pay equality globally.
Grow a diverse talent pipeline, including increasing the number of women at Varex.	Percentage of women working at Varex.	Review existing hiring and retention practices and develop a strategy to increase the percentage of women in the workforce annually.	 23% of employees are women.
	Percentage of women engineers.	Develop a strategy for increasing the percentage of women engineers in the workforce annually.	 8.9% of engineers are women.
	Percentage and number of women in leadership roles.	Identify and develop high potential internal candidates for leadership roles.	 18% of leadership positions are held by women.
	Percentage and number of women on our Board.	Continue to emphasize diversity and inclusion on the Board of Directors.	 29% (two of seven) of Board members are women.
Create a better workplace for parents.	Percentage of women that return and stay after maternity leave.	Retain 100% of mothers one year after taking maternity leave annually.	 Paid Maternity Leave Policy established. Paid Parental Leave Policy approved for 2018. Eight US-based employees took maternity leave, with six returning to full-time roles and two remaining on leave by the end of 2017.

\* These figures do not include employees in Bremen and Walluf Germany.

 ONGOING

 ACHIEVED

 MORE TO DO

<sup>5</sup> The OSHA (Occupational Safety and Health Administration) rate is the number of employees per 100 employees who had an OSHA recordable injury or illness. This is an injury or illness that required medical treatment beyond simple first aid.

<sup>6</sup> The DART (Days Away, Restricted, or Transferred) rate is the number of employees per 100 employees who had an injury or illness that resulted in missed work or involved restrictions that prevented the employee from doing their normal job.



# BEING A GOOD NEIGHBOR

**Not only is it the right thing to do, being a good corporate citizen supports our reputation and underpins our ambition to be an employer of choice.**

Varex contributes to local communities through its core business – creating jobs, supporting other local businesses through its supply chain, and contributing to wealth creation. To maximize our contribution, we are developing a new Community Giving Strategy that will identify the areas in which we can achieve the greatest impact.

## **Engaging with communities**

*Our partnerships with local stakeholders support our Vision by promoting better health and creating a safer future.*

We support communities with targeted investments and involvement, such as:

- Our global wellness program, which aims to build healthier communities by improving access and affordability of diagnostics and to invest in specific local health and wellbeing priorities
- Our STEM education initiatives, which help build capabilities and inspire youth and women to pursue STEM careers
- Strategic partnerships that promote the manufacturing industry for high-school students and adult learners to spark interest in careers in manufacturing
- Partnerships with local educational facilities and internship and training programs that provide valuable career opportunities and help to secure our talent pipeline



## LOOKING AHEAD

GOALS	KPIs	TARGETS	PROGRESS IN 2017
Invest in improving lives through better health and health research in communities where we operate.	Community investments (US Dollars).	Develop a Community Giving Strategy by 2017. Roll out Community Giving Program in the U.S. by 2018 and globally by 2019.	● \$1,340 donated.
Support the development of the future workforce.	Scholarships provided. Number of community events. Organizational sponsorship.	Develop a scholarship program for underserved STEM students by 2017. Award scholarships to underserved STEM students by 2018 and going forward. Increase involvement through sponsorship and community events with STEM groups including: MESA (math, engineering, and science achievement focusing on underserved minority and women high-school students); STEP (Science Technology, and Engineering Program for underserved minority and women university students) and SWE (Society of Women Engineers) by 2018.	● Developed program to award scholarships for 2018. Strengthened relationships with MESA, STEP, and SWE.

○ ONGOING    ● ACHIEVED    ● MORE TO DO

## 2017 key highlights

### 30 interns

supported in 2017 across disciplines such as engineering, IT, and computer science

### Celebrated Manufacturing Day<sup>SM</sup>

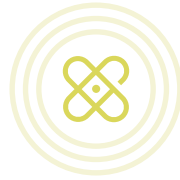
by opening our doors to students, educators, and other professionals in the Salt Lake Valley

### Supported the MESA/STEP School Program

which engages with students in middle school, high school, and college to excel in math and science

## Making strides against cancer

Our employees are passionate about helping to fight cancer. In October, Team Varex came 14th in terms of fundraising out of all the teams that took part in American Cancer Society's "Making Strides Against Breast Cancer" walk in Las Vegas. In addition to their own fundraising, Varex donated \$100 for each employee who took part. In Germany, Dr. Anke Boedicker (MeVis's Head of Software Development) has taken part in the cancer fundraiser "Auf zur Venus" since 2002. She has influenced many colleagues to join her and, in 2017, 65 MeVis employees ran, walked, and cycled to set a new team record of 991 km.



# ACTING WITH INTEGRITY

*Building a trusted and responsible business*

We can only fulfill our Vision by operating with integrity, fairness, transparency, and responsibility and by being openly accountable to our stakeholders, wherever in the world we operate.

As a newly independent company, we are intent on building foundations of trust with our stakeholders. We are working on updating our supplier quality program based on the principles of the UN Global Compact (UNGC) so that we can ensure all our materials are being sourced responsibly and ethically in the long term. We aim to reduce or eliminate human rights issues in our supply chain, including the use of conflict minerals, and we are looking to build partnerships with our suppliers to improve environmental performance.

## OUR FOCUS AREAS

- Governance
- Ethical business
- Responsible supply chain

## UN SUSTAINABLE DEVELOPMENT GOALS

- 8 Decent work and economic growth
- 12 Responsible consumption and production
- 16 Peace, justice, and strong institutions
- 17 Partnerships for the goals

# 1,960

individuals trained on our Code of Conduct

# 100%

of issues reported in 2017 to Ethics  
Hotline assigned to investigators

## Updated Master Service Agreement and Contract terms

to include provisions regarding human rights  
and conflict minerals

## 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.





# Our Code of Conduct

*Communicating clear standards and values*

We want to create a culture in which employees understand their ethical responsibilities and feel free to raise good faith concerns without fear of retaliation. Our Code of Conduct provides clear guidance on daily business activities where questions could arise. Available on our website in nine languages, it applies to all our employees. The Code of Conduct is split into four focus areas: (1) Marketplace; (2) How we treat each other; (3) Community and environment; and (4) Company assets and information.

> [Read our Code of Conduct online](#)

> [www.vareximaging.com](http://www.vareximaging.com)



# GOVERNANCE

**At Varex, strong ethics starts at the top with our Board of Directors and senior management.**

In accordance with this, our corporate governance structure and practices are designed to adhere to high standards of business ethics and transparency. We are committed to continually improving our governance practices.

## Governance structure

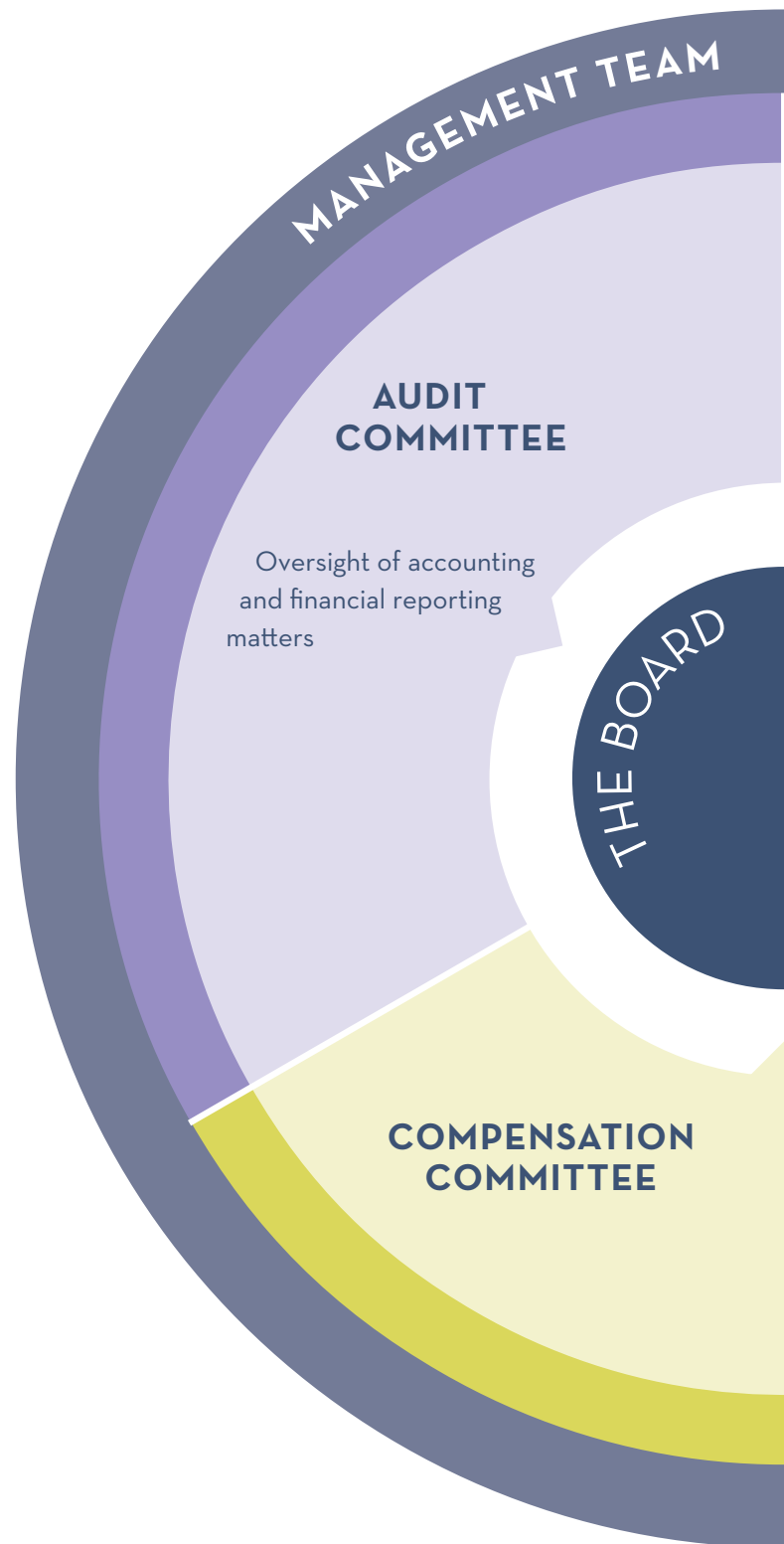
The Varex Board represents the interests of our investors, including approving corporate strategy and annual operating budgets; providing general oversight of corporate strategy, business performance, annual operating budgets, and executive compensation; and monitoring legal and ethical conduct in cooperation with the General Counsel.

The Board is supported by three standing committees:

- Audit Committee – oversees our accounting and financial reporting process and audits of financial statements, and assists the Board in oversight of accounting and financial matters
- Compensation Committee – oversees our compensation structure, including the compensation of our CEO and Executive Officers, and provides advice on management matters that have major implications regarding the growth and development of our Management Team
- Nominating and Corporate Governance Committee – develops and recommends governance principles and identifies, evaluates, and recommends potential nominees for the Board and its Committees

The Board is also supported by the following:

- Management Team – led by the CEO, the Company's Management Team executes the strategy and is responsible for the day-to-day management of the business
- The Sustainability Leadership Group – this team, which includes the Chief Executive Officer, Chief Financial Officer, General Counsel, Sustainability Manager and Director of Facilities and Equipment, reports annually to the Nominating and Corporate Governance Committee







# ETHICAL BUSINESS

**As a company with integrity at our heart, we are striving to shape a culture of responsibility that people can trust and be proud of.**

Our values guide our actions, including the belief that business should be conducted to high standards of ethical behavior. This belief governs our interactions with all our stakeholders and creates added value for our reputation and our brand.

Varex and its employees are subject to the laws of many different countries. Failure to comply could result in civil and criminal liability, as well as damage to our assets and reputation. We have zero tolerance of bribery and corruption, and we do not conduct animal testing in the research, design or manufacturing of our products.



## 2017 key highlights

### Published our Code of Conduct

and provided training to 1,960 individuals

### We are reviewing our policies and processes

against the UN Global Compact principles on human rights, employment, environment, and anti-corruption

### Culture of compliance

*A trustworthy and honest work atmosphere reinforces ethical behavior within our organization*

We support our people to ensure they understand the Varex Code of Conduct, and clearly communicate that they should never put short-term goals above a commitment to compliance and ethics. Both our employees and distributors of our products receive training on our Code of Conduct.

### Raising concerns

*Building a culture of openness, trust and integrity*

We encourage people – both internal and external – to come forward with questions or concerns about possible violations of laws or the Varex Code of Conduct. Any employee who has a concern is encouraged to report it to their local supervisor, HR Department, or compliance leaders. We provide an independent, confidential<sup>7</sup> global Ethics Hotline service through which any stakeholder can raise a question or concern. It is accessible 24 hours a day, seven days a week, and promoted on our internal and external websites. All reports are investigated and action taken to remediate issues and share learnings.

## LOOKING AHEAD

GOALS	KPIs	TARGETS	PROGRESS IN 2017
Foster a culture of openness and integrity.	Number of Code of Conduct trainings.	Train 100% of employees on the Code of Conduct every year.	🟡 1,960 individuals trained on our Code of Conduct.
	Percentage of Ethics Hotline reports investigated.	Investigate 100% of Ethics Hotline reports.	🟢 All Ethics Hotline reports were investigated or are under investigation.
	Percentage employee awareness of the Ethics Hotline.	Establish the baseline for awareness of Ethics Hotline and reporting process.	🟡 Survey under development.
Improve sustainability and promote human rights across our value chain.	United Nations Global Compact member.	Sign onto the United Nations Global Compact (UNGC) and review policies and processes against the UNGC reporting requirements by 2018.	🟡 Began reviewing our policies and processes against the UNGC guidance.

🟡 ONGOING    🟢 ACHIEVED    🟡 MORE TO DO

<sup>7</sup> The laws of certain countries do not allow anonymous reporting.

# RESPONSIBLE SUPPLY CHAIN

**We have long-term supplier relationships. We are beginning our journey to understand the risks that exist in our supply chain and develop a robust response.**

In the past year, we have focused on formalizing and consolidating our supplier base and are developing a strategic program to drive improvement. Increasing our focus on key risks such as human rights, conflict minerals, and environmental compliance are high priorities.

## **Managing risk**

This year, we embarked on a process to formalize our supply chain management processes and priorities. To begin with, we are defining top-tier suppliers (those that are the sole supplier of a good or service and/or with which we have the highest spend).

We plan to develop our Supplier Quality Scorecard and due diligence processes to include broader sustainability-related issues, as well as requiring more comprehensive material disclosure from high-risk suppliers.

Developing a strategic supplier audit program will be key to ensuring ongoing compliance with our standards. This will take time as we work in partnership with our suppliers to improve shared understanding and capabilities. We will begin to roll out our new strategic approach in 2018.

## Improving product stewardship

This year, we are partnering with key suppliers to establish full material and substance disclosure for relevant purchased production materials. The data will facilitate more meaningful product stewardship analyses and life-cycle assessment (LCA) to drive continuous improvements across our products.

## Conflict minerals

In response to concerns that profits from the sale of certain minerals mined in the Democratic Republic of the Congo (DRC) and adjoining countries are being used to finance armed conflict, the Dodd-Frank Wall Street Reform and Consumer Protection Act requires us to disclose the presence of conflict minerals<sup>8</sup> in our products, and what we have done to identify them. Varex supports efforts to eliminate the use of conflict minerals and expects our suppliers to as well.

In 2017, we carried out a supplier survey on conflict minerals with a response rate of 83%. We are working toward a 100% response rate and will publish our first conflict minerals report in May 2018.

<sup>8</sup> Metals mined from the Democratic Republic of the Congo and adjoining countries.





## LOOKING AHEAD

GOALS	KPIs	TARGETS	PROGRESS IN 2017
Support efforts to eliminate the use of conflict minerals sourced from the DRC and its adjoining countries.	Survey vendors to understand the origin of the six minerals in products supplied to Varex in order to comply with the Conflict Minerals Rule.	Develop a conflict minerals policy and publish our first conflict minerals report by 2018.	<div> <div></div> Published the Varex Conflict Minerals Policy and are on track to publish our conflict minerals report by May 2018. </div>
	Percentage response rate to conflict minerals supplier survey.	Work toward 100% supplier response rate by 2018.	<div> <div></div> Achieved an 83% response rate to our supplier survey. </div>
Improve sustainability and promote human rights across our value chain.	Number of suppliers assessed for social and environmental impacts.	Develop a new Master Service Agreement incorporating human rights and conflict minerals issues by 2017.	<div> <div></div> Updated our Master Service Agreement for key suppliers, which was rolled out in January 2018. </div>
		Launch new Purchase Order Terms and Conditions including human rights and environmental issues by 2017.	<div> <div></div> New Terms and Conditions launched. </div>
		Incorporate sustainability and human rights measures into the Production Supplier Quality Program by 2018.	<div> <div></div> Identified best approach for engaging suppliers on sustainability and human rights. </div>
		Train the Strategic Sourcing Team on human rights, environmental impact, and conflict minerals by 2018.	<div> <div></div> Training under development. </div>

 ONGOING
  ACHIEVED
  MORE TO DO

## 2017 key highlights

### Our new Purchase Order Terms and Conditions

includes provisions regarding ethical conduct, anti-corruption, and other material issues

### Our new Master Service Agreement

for suppliers incorporates provisions regarding human rights, child labor and conflict minerals

### We delivered seven training sessions

for suppliers on the requirements of REACH<sup>9</sup> and ROHS<sup>10</sup>

<sup>9</sup> A European Union regulation concerning the registration, evaluation, authorization, and restriction of chemicals.

<sup>10</sup> The Restriction of Hazardous Substances Directive.



# DNV GL ASSURANCE STATEMENT

Varex Imaging Corporation (“Varex”) commissioned DNV GL Business Assurance Services UK Limited (“DNV GL,” “we,” or “us”) to undertake independent assurance of their Sustainability Report 2017 (the “Report”) for the year ended December 31, 2017.

## Our opinion

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe Varex’s adherence to the Principles described below.

In terms of reliability of the performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate.

Without affecting our assurance opinion, we also provide the following observations:

## Stakeholder inclusiveness

*The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.*

Varex has sought to engage with a broad and well-considered range of internal and external stakeholders to inform the focus of its first sustainability report.

Varex is at the start of developing and implementing its sustainability strategy and as such it has not yet fully institutionalized all the processes needed to achieve an accountable and strategic response to sustainability. It is taking positive steps to address this, such as planning to establish a formal governance structure in 2018, overseen by a Sustainability Committee which will include board-level representation.

## Materiality

*The process for determining the issues that are most relevant to an organization and its stakeholders.*

Varex has taken a pragmatic, step-wise approach to understanding material issues of concern to both its internal and external stakeholders. To further demonstrate the robustness of this process it may be useful to publish how individual issues were prioritized, and the rationale and limitations of research methodology. We also recommend that in future reviews of materiality, Varex considers the extent to which different material issues are relevant at local levels across the organization.

Varex may also seek to clarify how its choice of KPIs and targets will meaningfully address the material issues with which they are associated. For example, what is the anticipated outcome of incorporating sustainability and human rights measures into the Production Supplier Quality Program by 2018?

## Sustainability context

*The presentation of the organization’s performance in the wider context of sustainability.*

The Report should be credited for taking a systems perspective toward communicating Varex’s sustainability performance. It considers, for instance, Varex’s role with respect to the UN Sustainable Development Goals (SDGs), though care should be taken to ensure focus is not restricted to its positive contributions to the SDGs. In the future, Varex may wish to report against the more specific targets underlying each of the headline SDGs.

As Varex continues its strong start in aligning to wider systemic issues, we recommend that the Report goes further to focus on the relationship with key challenges and emerging trends facing the sector, such as access to healthcare, artificial intelligence, and digitalization.

## Completeness

*How much of all the information that has been identified as material to the organization and its stakeholders is reported?*

Varex can be commended for the substantial coverage of information gathered for its first year of sustainability reporting. For its U.S. sites, the collection of primary data has been thorough and efforts have been appropriately prioritized toward manufacturing sites.

However, as Varex itself acknowledges, some primary data gaps remain for non-U.S. manufacturing sites and therefore we recommended that Varex considers completing these gaps to enable more complete reporting across the entirety of its global operations. As a prerequisite to improving data coverage Varex may wish to seek closer internal engagement with non-U.S. sites, especially manufacturing facilities, and implement a more formalized and disciplined data collection process.

## Reliability and quality

*The accuracy and comparability of information presented in the Report, as well as the quality of underlying data management systems.*

Varex has made significant progress both in establishing the basis for effective data management processes and in its aptitude and confidence in handling and interrogating sustainability data.

Nevertheless, we found several errors and omissions and these were corrected prior to inclusion in the Report. Given that a number of data calculation errors were discovered during the assurance process, we suggest that there is scope for Varex to pursue improvements in the reliability and quality of its reporting. We recommend that Varex considers establishing a formal data management process that will enable better planned and structured collection and archiving of

sustainability data, particularly in relation to non-U.S. manufacturing sites. The revised process could include clearly defining the roles and responsibilities of data owners, monitoring activities, units of measurement, appropriate storage of evidence and regular checks to help improve the data's accuracy and completeness.

### Scope and approach

We performed our work using DNV GL's assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice including the International Standard on Assurance Engagements 3000 ("ISAE 3000"), and the Global Reporting Initiative ("GRI") Sustainability Reporting Guidelines. We evaluated the Report for adherence to the VeriSustain™ Principles (the "Principles") of stakeholder inclusiveness, materiality, sustainability context, completeness, and reliability. We evaluated the performance data using the reliability principle together with Varex's data protocols for how the data are measured, recorded and reported.

We understand that the reported financial data and information are based on data from Varex's Annual Report and Accounts, which are subject to a separate independent audit process. The review of financial data taken from the Annual Report and Accounts is not within the scope of our work.

### Data in scope

#### Inspiring innovation

- New products that met Varex's Sustainable Innovation Criteria (%)

#### Protecting the environment

- Energy use (MJ)
- Greenhouse gas emissions (tons CO<sub>2</sub>e)
- Water use (m<sup>3</sup>)
- Waste diverted from landfill (%)

#### Empowering people and communities

- Employees trained (number and %)
- OSHA recordable accidents at U.S. sites (rate)
- Days away restricted or transferred (DART) at U.S. sites (rate)
- Employees receiving a living wage (%)
- Female engineers (%)
- Women in leadership roles (%)
- Women on our Board (%)

### Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at headquarters. We undertook the following activities:

- Review of the current sustainability issues that could affect Varex and are of interest to stakeholders;
- Review of Varex's approach to stakeholder engagement and recent outputs;
- Review of information provided to us by Varex on its reporting and management processes relating to the Principles;
- Interviews with selected Directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and functions covered;
- Site visits to Salt Lake City, UT to review process and systems for preparing site level sustainability data and implementation of sustainability strategy;

- Review of supporting evidence for key claims in the Report. Our checking processes were prioritized according to materiality and we based our prioritization on the materiality of issues at a consolidated corporate level; and
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation.

### Responsibilities of the Directors of Varex and of the assurance providers

The Directors of Varex have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of Varex; however, our statement represents our independent opinion and is intended to inform all stakeholders. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. We have no other contract with Varex.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Assurance Statement.

### Level of assurance

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a "limited level" of assurance. A "reasonable level" of assurance would have required additional work at group and site level to gain further evidence to support the basis of our assurance opinion.

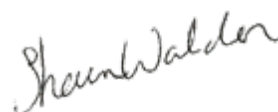
### Independence

DNV GL's established policies and procedures are designed to ensure that DNV GL, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV GL) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals.

For and on behalf of DNV GL Business Assurance Services UK Limited, London, UK, May 3, 2018.



**Gareth Manning**  
Principal Consultant and  
Lead Assuror  
UK Sustainability, DNV GL –  
Business Assurance



**Shaun Walden**  
Principal Consultant  
and Reviewer  
UK Sustainability, DNV GL –  
Business Assurance

### DNV GL Business Assurance

DNV GL Business Assurance Services UK Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. [www.dnvglobal.co.uk/BetterAssurance](http://www.dnvglobal.co.uk/BetterAssurance)



## 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 risk 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.

## GET IN TOUCH:

The Sustainability Leadership Group welcomes your feedback. Please contact Jeff Sokol at [sustainability@vareximaging.com](mailto:sustainability@vareximaging.com) or +1(801) 978-5362

### **Varex Imaging Corporation**

1678 Pioneer Road  
Salt Lake City, Utah 84104