



SECURING A HEALTHIER, SAFER FUTURE

2022 ESG REPORT



A person is operating a CNC machine in a factory setting. A computer monitor in the foreground displays technical data for a grinding cycle, including parameters like 'FEED CYCLE', 'PART SIZE', 'ROUGH GRIND', and 'FINISH GRIND'. The background shows the industrial machinery and a person wearing safety glasses.

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A LETTER FROM VAREX'S CEO, SUNNY SANYAL

Helping to improve and save lives through innovative X-ray technology is the empowering mission that brings people to work at Varex every day.

Since our foundation over 75 years ago, we have operated responsibly to create value for society and our investors. We're literally in the business of helping to keep people safe and well.

The cost-of-living pressures felt by people around the world in 2022 reinforced our belief that our environmental, social, and governance program must be based on solid economic foundations. One of the biggest contributions we can make as a business is leveraging our talent to make lifesaving diagnostic equipment accessible to billions of people across the planet. If we are to build cost-effective products for our customers, we must focus our efforts on practical measures that protect our bottom line while making a measurable, positive difference.


We seek to achieve efficiencies that provide a natural convergence between stakeholder and business priorities: reducing the dose, time, and complexity needed to generate high-quality X-ray images and reducing our environmental impact through efficient use of power and raw materials.

Despite inflationary pressures and ongoing supply chain disruptions, I am proud to report that we made steady progress in 2022 toward our 2030 ESG goals.

For the first time this year, we are disclosing our climate-related risks and opportunities in accordance with the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD). This reflects our long-term commitment to effectively manage the impacts of climate change as the world takes strides towards a lower-carbon economy.

Our project to recapture sulfur hexafluoride (SF₆), a greenhouse gas that comprised almost 30% of our emissions, has been fully integrated into our operations. In Salt Lake City, we have expanded our nitrogen generation plant to reduce the frequency of truck deliveries and identified an opportunity to reuse the methanol we generate to help local authorities with a groundwater decontamination project.

Safety is paramount at Varex and in 2022, we completed a gap analysis on health and safety protocols at our international sites while implementing new incident reporting software in the United States. To enhance the employee experience, we developed a new onboarding program to help new employees hit the ground running.



As part of our ongoing commitment to high ethical standards, we rolled out additional ethical compliance training for managers and began diving deeper into our supply chain to enhance transparency.

Meanwhile, we continued our long tradition of investing in research and development to usher in affordable, high-quality diagnostics and imaging solutions. Among them was a new X-ray detector that facilitates fast and thorough inspection of electric vehicle batteries, an innovation that will speed up the global transition to a low-carbon future. Of course, we can – and will – do more. Through the talent of our people, Varex makes the invisible visible every day. We commit to being equally transparent in our sustainability reporting as we pour passion into innovative solutions that help deliver safety, security, health, and hope.

Sunny Sanyal
CEO



ABOUT VAREX

For over 75 years, we have been leading innovators of X-ray imaging components. Today, our components—designed to enhance detection, diagnosis, and protection—are used in various medical, industrial, and security imaging applications.

Our vision

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

Our mission

Through the talent of our people and the vision of our customers, we help improve and save lives around the world by making the invisible visible.

What we do

Varex is a leading independent supplier of X-ray imaging components: 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 human and veterinary medical imaging systems; in industrial non-destructive testing and manufacturing inspection; and in security imaging applications such as cargo inspections for border protection, X-ray baggage screening at airports.

Our employees

As of December 31, 2022, we had

2,396
employees

worldwide, working across:



Manufacturing



Research and
development



General and
administrative



Sales and
marketing

Our industries



Medical
segment



Industrial
segment

Where we work

Our global headquarters are in Salt Lake City, Utah. The majority of our revenue is generated from customers outside of the United States. We currently manufacture our products in five countries (the United States, the Netherlands, Germany, the Philippines, and China) and have sales and service operations in 14 countries.



5

Manufacturing sites

We currently manufacture our products at **9 sites in 5 countries**

14

Services

15 engineering/sales operations sites in 14 countries

Creating shared value

Creating sustainable value for our stakeholders is critical to Varex's success. We do this by delivering high-performing components that enable a range of imaging processes. By producing components that deliver low-dose, high-resolution medical images, we contribute to keeping people around the world safe and healthy. And by supporting the digital imaging transition across industrial, nondestructive testing, and inspection processes, we are adding the value of security for our customers, protecting ports, borders, and airports with enhanced imaging technology.

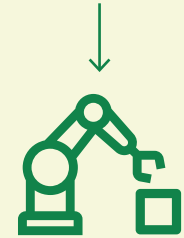
How we create shared value

To help drive long-term shared value, we are guided by a strong corporate governance structure, a detailed Code of Conduct, and a robust Sustainability Strategy.



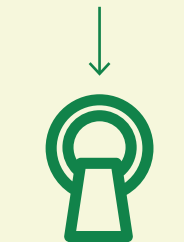
Supply chain

Together with our suppliers, we endeavor to create a responsible supply chain that drives quality and efficiency while addressing human rights and environmental impacts.



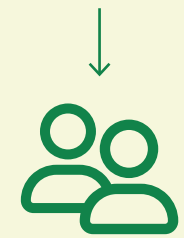
Manufacturing

We strive to uphold high standards of product quality and safety while addressing our impact on local communities.



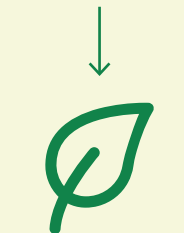
Customers

We harness the power of collaboration, creating cost-effective X-ray imaging solutions in response to the changing needs of our customers.



Society

By creating products that meet high quality, safety, and environmental standards, we aim to deliver health and security benefits for end users—patients, consumers, and broader societies—in a sustainable manner.



Circular economy

We believe that, by transitioning toward a circular, lower-carbon economy, we can maximize value for customers while reducing our environmental impact.

Capital

Several inputs enable the creation of our products:



Natural

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



Manufactured

Machinery is key to developing our solutions.



Technical facilities

Global manufacturing facilities help us deliver solutions to customers around the world.



Human

We seek to build a diverse, inclusive workforce of creative, innovative employees.



Financial

Financial investments enable us to operate and grow sustainably.



Social

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



Intellectual

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

Responsible and responsive

We are agile and responsive to market trends.



Medical

Growing, aging populations put increased pressure on healthcare systems. We are advancing innovation to improve image quality and speed while reducing costs and X-ray dosage as well as promoting access to our components in emerging markets.



Industrial

Technological developments continue to advance the scope of our solutions, from inline manufacturing inspections and nondestructive testing to inspection of complex machined parts, cargo scanning, and inspection of infrastructure such as oil and gas pipelines.

Our 2022 highlights

2022 was a year of steady progress as we embedded the improvements introduced the previous year into our operations and built on these solid foundations. We have continued to deliver increasingly sophisticated imaging solutions while enhancing our facilities for lower impact. Throughout 2022, we remained committed to being there for our people and to realizing a business that stands for what we believe in.

Protecting the environment

We look to develop more efficient ways to do things. From reducing and reusing chemicals to cutting down on unnecessary journeys, we took several steps during 2022 to reduce our environmental footprint.

- Disclosed our climate-related risks and opportunities, including how we identify and manage them.
- Expanded our nitrogen generation plant to reduce the frequency of liquid nitrogen deliveries by two truckloads a week.
- Identified an opportunity to reuse the methanol we generate to help local authorities with a groundwater decontamination project.

Empowering people and communities

Enhancing the employee experience to better attract and retain talented people remained a top priority in 2022. We also improved health and safety and continued uplifting our local communities.

- Implemented new health and safety software for effective reporting of incidents and near-misses.
- Supported more than 50 employees and invested more than \$190,000 with our tuition reimbursement program encouraging people to choose science, technology, engineering, and mathematics careers.

Acting with integrity

To achieve our vision and mission, everything we do must be guided by robust governance and underpinned by a commitment to ethics and integrity. Throughout 2022, we made various updates to support an increasingly responsible approach to business.

- Enhanced ethical compliance training for managers in response to employee feedback.
- Began gathering data on our second and third-tier suppliers of critical materials.
- Maintained Board diversity with the appointment of a new Board member – 50% of members are women or ethnically diverse.

Inspiring innovation

Throughout the year, our engineers have remained laser-focused on finding ways to evolve our X-ray offerings to deliver solutions that meet the changing needs of our customers.

- Received 5 new US patents and 29 new foreign patents
- Launched an X-ray detector for fast and effective inspections of electric vehicle batteries
- Achieved even higher product acceptance rate



OUR SUSTAINABILITY STRATEGY

Securing a healthier, safer future

Our mission is to help improve and save lives around the world. Operating sustainably is a key part of this. From innovating leading X-ray solutions to building relationships with our customers and local communities, our Sustainability Strategy guides our efforts to be a responsible, resilient business. And, by addressing four key areas—each with bold 2030 ambitions—our strategy helps us target progress in the areas that matter most for Varex.

Delivering on the sustainable development goals

Our strategy is informed by the UN Sustainable Development Goals for 2030.

Inspiring Innovation

Collaborate with our customers to create products that have a positive impact on the lives of millions of people, guided by our Sustainable Innovation Guidelines.



Protecting the Environment

Strive to minimize our impact on the environment by working toward zero manufacturing waste and carbon neutrality.

Reduce the need for raw materials by designing our products for recycling and reuse.



Empowering People and Communities

Develop our strategy to invest a percentage of our profits in:

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



Acting with Integrity

Work with our suppliers to promote a responsible supply chain.

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





OUR 2030 AMBITIONS

Inspiring innovation

Collaborate with our customers to create products that have a positive impact on the lives of millions of people, guided by our Sustainable Innovation Guidelines.

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Acting with integrity

Work with our suppliers to promote a responsible supply chain, supporting the UN Global Compact (UNGC) and other international players to help protect and respect human rights across our value chain—from sourcing to customer.

ESG governance

Responsibility for ESG matters at Varex begins at the top with our Board and its three standing committees. Management oversight is provided by the Executive Compliance Committee, which works closely with our Sustainability Leadership Group, which is comprised of the CEO, CFO, Chief Legal Officer, Sustainability Manager and Director of Facilities and Equipment. For more details, see Acting with Integrity on page 35.



OUR PRIORITIES

An effective sustainability strategy should be attuned to the evolving expectations of the business and its stakeholders. That's why, in 2022, we asked for feedback from inside and outside Varex on where we should focus our ESG efforts.

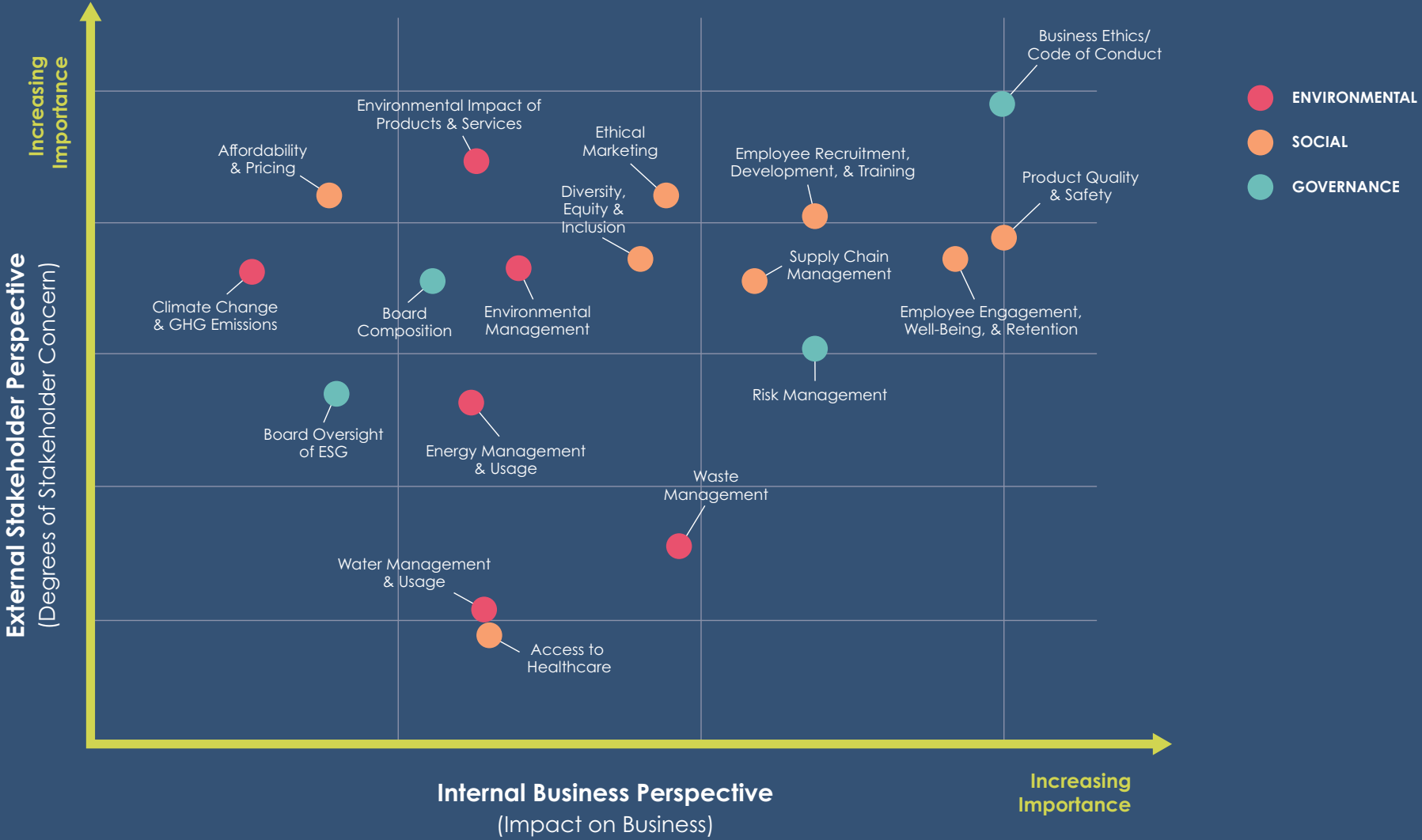
Through independent specialist consultants, we surveyed and interviewed 50 key business leaders. External stakeholder engagement comprised of a survey of investors and customers. The results were mapped against an analysis of ESG ratings and investor insights coupled with peer benchmarking and a review of emerging regulatory requirements, voluntary standards including the SASB Standards, and frameworks such as TCFD.

From this assessment, we were able to identify our priority ESG topics as shown in the materiality matrix below. Our highest priority topics are:

- Business ethics and Code of Conduct
- Product quality and safety
- Environmental impact of products and services
- Employee recruitment, development, and training
- Employee engagement, wellbeing, and retention
- Supply chain management
- Ethical marketing
- Diversity, equity, and inclusion
- Risk management

The results of this assessment will inform our strategy going forward, helping us to maximize our positive impact on the environment, society, and the economy. We will review our material topics periodically to ensure we stay focused on the issues that matter most.

Materiality Matrix



INSPIRING INNOVATION



5 new U.S. patents



29 new foreign patents

Innovation is at the heart of our vision to create a healthier, safer future for all.

With over 70 years of original thinking and [breakthrough technology](#) in CT tubes and digital detectors, we empower customers to deliver high-quality services to those who need them most.

We are continuously investing in R&D processes to offer affordable, world-class diagnostics and state-of-the-art imaging technologies, from pioneering illness detection to powerful security screening. To deliver solutions that address customer requirements around efficiency and environmental sustainability, we maintain close partnerships with our customers, collaboratively identifying opportunities to meet future needs.

Driving better outcomes with photon counting

Photon counting technology has the potential to offer vast improvements on conventional X-ray imaging, with applications ranging from patient diagnostics to food safety inspections.

Our engineers at Direct Conversion developed the first affordable photon counting detectors, and we are working to bring our customers the latest innovations in both photon counting detectors and traditional X-ray detectors.

In the medical context, it means rapid and increasingly detailed X-ray images at lower radiation dosages. Photon counting detectors measure the energy of photons after they have passed through a patient's body. This energy is then converted to electric signals that are analyzed and translated into a final image. The result is enhanced spatial resolution and better contrast without the need for additional radiation doses. Plus, with speeds of up to 5,000 frames per second, photon-counting detectors can scan an entire body in just eight seconds, helping healthcare organizations to run more efficiently and potentially reducing patient waiting times.

Speeding up the electric car revolution

With global adoption of electric vehicles (EVs) as a key driver of decarbonization, battery manufacturers are under pressure to keep up with rapidly rising demand from automakers.

In May, we launched the XRD 3131N, a digital X-ray detector that addresses the growing need for faster and more comprehensive EV battery inspections. It can quickly scan batteries and identify potential

vulnerabilities within the multiple ultra-thin layers of cathode, electrolyte, and anode. The innovative technology:

- is engineered for high inspection throughput in 24/7 manufacturing cycles;
- powers premium quality imaging at up to 150 frames per second, capturing images at 100 μm ; and,
- provides flexible shielding options to withstand continuous high dose radiation.

In addition to meeting demand for rapid, in-line, non-destructive testing, the XRD 3131N supports EV battery manufacturers in fulfilling increased safety compliance and quality assurance requirements. Built on our decades of experience in industrial and high-dose imaging applications, it is expected to become a work-horse detector in the EV battery market, playing a small but vital role in the global transition to a low-carbon economy.



PRODUCT QUALITY AND SAFETY

We are committed to promoting better health and a safer, more secure world. To do this, we must develop products not only for effectiveness but with safety and long-term quality in mind too.

Designing for quality and reliability

Quality, reliability, and durability are key considerations for each product Varex designs, and we perform hundreds of tests to ensure that our products satisfy our standards.

Varex's quality management system is certified to the globally recognized ISO 9001 standard, which helps ensure our customers get consistent, good-quality products and services. In addition, we have ISO 13485 accreditation, which recognizes our ability to provide medical devices and related services that consistently meet customers' and applicable regulatory requirements. Our regulatory registrations and certifications are listed on our website.

When customers return a faulty product, we carry out a full risk assessment to determine the issue. This information can then be used to prevent a similar problem from occurring in the future.

Throughout 2022, we were proud that our 'dead on arrival' (DOA) rate for products remained less than 1% and there were very few incidences of defective or broken products upon delivery. This achievement reflects our constant commitment to improving our products for quality and longevity. The rate of customers returning faulty products was similarly very low.

Managing radiation

Many of the products we develop rely on X-ray energy to deliver high-quality images. We are subject to strict regulations regarding the manufacturing, handling, storage, transport, and disposal of radioactive substances. We know our customers want to help their patients feel as safe and comfortable as possible during medical scans. To support this, we continue to develop solutions that deliver superior imaging quality at a lower radiation dose.

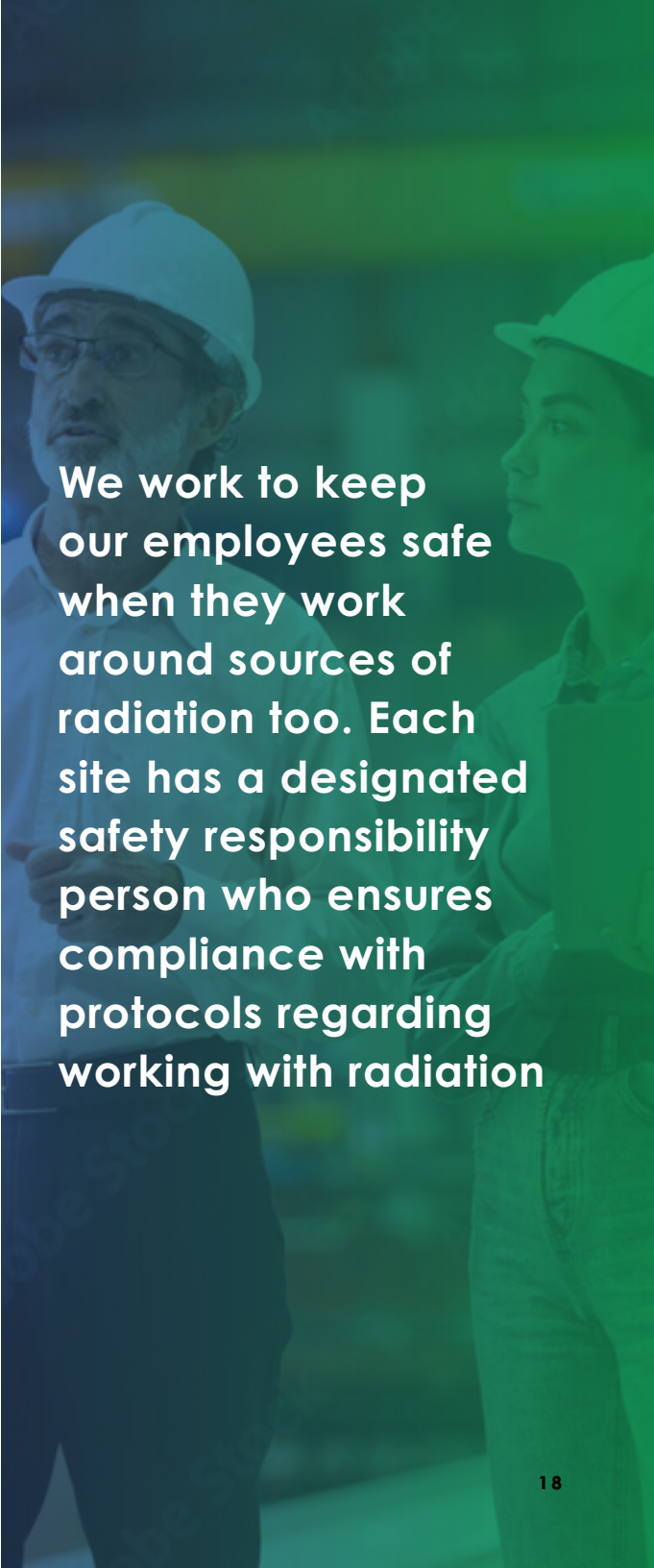
Different regions globally maintain different safety standards. We work to ensure our products comply and are safe for use and operation in our customers' regions. To drive consistency in our approach, we test all our products against the International Electrotechnical Commission's (IEC) globally recognized safety standards. Additionally, any product we create for imaging humans or other biological subjects must comply with regulations set by the U.S. Food and Drug Administration (FDA).

As well as reducing dosages for end users, we work to keep our employees safe when they work around sources of radiation too. Each site has a designated safety responsibility person who ensures compliance with protocols regarding working with radiation. Additionally, those who work around X-ray energy are trained on relevant safety measures.

Ensuring product quality and safety in the supply chain

We carefully select business partners aligned to our social and environmental values. Suppliers are required to complete annual training on our third-party Responsible Business Code of Conduct Policy. Alongside ethical, health and safety, and environmental expectations, this sets out our strict adherence to applicable laws and regulations regarding the prohibition of specific substances in products and manufacturing. See page 42 for more on our third-party code of conduct.

We conduct periodic self-evaluations that address conformity with legal and regulatory requirements, the content of our codes of conduct, and customer contractual requirements related to social and environmental responsibility.



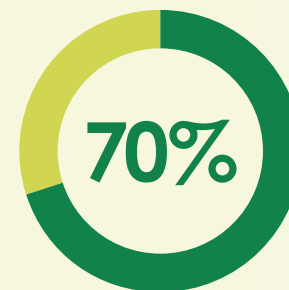
We work to keep our employees safe when they work around sources of radiation too. Each site has a designated safety responsibility person who ensures compliance with protocols regarding working with radiation

PROTECTING THE ENVIRONMENT

We have a long-standing culture of environmental responsibility at Varex – not only because it minimizes the impact of our operations on the environment, but also because it makes good commercial sense. Our people have a long track record of finding innovative ways to reduce our environmental footprint, often achieving significant cost savings in the process.

These efforts have left us well-placed to adapt as the world begins to transition to a more circular economy and a lower-carbon future. Our focus on environmental stewardship has helped to protect the future of our business as well as the environment we all rely on.

Key environmental achievements



Over 70% of waste
diverted from landfill



Expanded program to recapture
sulfur hexafluoride (SF₆)

Environmental management

Having made significant progress towards reducing our impact on the environment in recent years, we are now assessing how we can take our ambitions to the next level. During 2022, we engaged a third-party consultant to assess our ESG program and identify opportunities to strengthen our approach.

As part of this, we have initiated a project to improve the capture and monitoring of environmental metrics across the business via a software-as-a-service platform. With greater visibility of these metrics, we hope to gain a clearer view of our environmental performance across locations and functions. This will help us to identify opportunities to reduce our impact further and allow us to measure our progress toward our goals more accurately.

Reducing energy use and greenhouse gas emissions

Our operations can be energy intensive, so we are smart about how we use energy. Over the last ten years, we have transitioned all of our facilities to LED lighting, and we have adjusted our building management systems to ensure we only heat or cool occupied spaces.

We are also investigating ways to increase the use of renewable energy across our locations to reduce the carbon footprint of our business. Our site in the Netherlands has a solar array that reduces the building's reliance on energy drawn

from the grid. The viability of solar power at our sites in Las Vegas and the Philippines is currently being assessed. Following a cost benefit analysis, we have determined that solar power at our Salt Lake City headquarters does not make financial sense currently. However, we are working closely with the local utilities in the city as they seek to increase the proportion of renewable energy in their mix.

We strive to find new ways to reduce energy usage by rethinking processes or redesigning our products. For example, testing X-ray tubes uses a lot of electricity, so we look for ways to optimize the process. In one example, an engineer was able to reduce the testing time for an X-ray tube from 72 hours to 16 hours and achieve the same testing result while saving significant energy and costs. This timesaving was incorporated into the ongoing testing regime for that product.

Transport and shipping are other areas where we look for opportunities to reduce the GHG emissions associated with our operations. Prior to the COVID-19 pandemic, we had diverted much of our shipping to ocean freight. But faced with supply chain disruption and travel restrictions during 2020 and 2021, we increased our use of air freight, which increased our GHG emissions. We have been able to resume ocean shipping now that disruptions have faded and expect to see the benefit of this flow through to our GHG emissions in 2023.

During 2022 we commenced work to upsize the onsite nitrogen generation plant at our Salt Lake

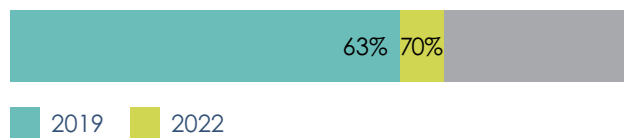
facility to reduce our reliance on liquid nitrogen shipped to the site. When complete, this will remove the need for two truck deliveries of liquid nitrogen every week, saving both GHG emissions and significant costs for the business.

Another initiative we embedded in 2022 is a project to recapture sulfur hexafluoride (SF₆). We use SF₆ during the building and testing of our large industrial X-ray equipment. Due to the significant warming potential associated with SF₆, it comprised almost 30% of our GHG emissions. By working in partnership with a gas vendor, we were able to develop a recapture process to extract the gas from our systems and prevent it from being released into the atmosphere. The project was initially launched in 2020, expanded in 2021 and fully integrated throughout our operations in 2022. The full impact of this solution should flow through to our GHG emissions from 2023 onwards. For detail on our GHG emissions and more information on how we assess climate-related risks, please refer to the 'Climate change' section of this report on page 23.

Waste management

Reducing waste and keeping it out of landfill have been key focus areas of our sustainability strategy for many years. In 2022, we produced 1,202 tons of waste and diverted 70% of it from landfill. This is a significant improvement on our baseline year 2019 when we produced 1,815 tons of waste and diverted 63% from landfill. We continue to look for creative and innovative ways to reuse materials and by-products from our production processes. During 2022, we identified an opportunity to reuse the methanol that we generate to help remove Trichloroethylene (TCE) from the groundwater at our Salt Lake City site. The contamination of the site was caused by a previous occupant, and we have worked closely with local authorities on remediation efforts and site safety. As part of the pilot project, methanol was injected into the ground to enable faster removal of the TCE via our extraction units and treatment systems. The results were very promising, and we are now looking to expand this program.

Waste Diverted From Landfill 2019 vs 2022



We encourage customers to return retired products, such as X-ray tubes, to us. Where possible, we then recycle them, after harvesting high-quality parts for repurposing, ensuring we responsibly dispose of any

potentially hazardous waste materials. In return for sending in old products, we reward customers with credits to put toward new components. In 2022, 5,436 tubes were returned for recycling.

Focus area	Unit	2019	2020	2021	2022
Recycling	Tons	1,144	1,150	730	851
Landfill	Tons	671	509	273	351
Total Tons		1,815	1,659	1,003	1,202
Diversion rate	%	63.03%	69.32%	72.78%	70.80%

Water

Although we are not a heavy user of water, we are careful about how we use it. Our headquarters in Salt Lake City is located in a semi-arid climate and water is expensive. Conserving it is a sensible cost-saving measure as well as the environmentally responsible thing to do. We continue to use well water to service our outdoor landscaping and gardening needs, and we have reduced our volume of wastewater each year since 2020.

Total Volume of Water Withdrawn	127,964m³
From Ground Water	15,331m³
From Municipal Water Sources	112,633m³



Netherlands facility

Our building in Doetinchem in the Netherlands is a great example of our commitment to minimizing our environmental impact. The building was completed in 2020, and through responsible design and construction we achieved a BREEAM¹ 'excellent' rating for sustainable construction.

The comfort and wellbeing of our people was a priority of the design. The building features large windows and skylights to allow in plenty of natural light. It was also designed for energy efficiency with sustainable materials and innovative construction methods used. The site has a solar array that reduces the amount of energy drawn from the grid.

We are now investigating opportunities to apply the learnings from Doetinchem to our other sites across the globe.

1. Building Research Establishment Environmental Assessment Methodology <https://bregroup.com/products/breeam/how-breeam-works/>



CLIMATE CHANGE

With the scale and frequency of extreme weather events increasing and with the world economy transitioning to a low-carbon state, we recognize the importance of understanding how the changing climate could impact our business, our customers, and our people. To that end, we have aligned this section of the report with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

As part of this, we have evaluated our climate-related risks and opportunities over the short-, medium-, and long-term time horizons against two future scenarios and socioeconomic pathways published by the Intergovernmental Panel on Climate Change (IPCC). The outputs of this evaluation will be incorporated into our ongoing risk monitoring and management processes and help to inform our climate strategy going forward.

Governance

Board oversight

The Board of Directors has ultimate responsibility for the oversight of risks and opportunities at Varex and receives quarterly updates from its committees and management on a range of related topics. The Nominating and Corporate Governance Committee provides oversight to our ESG program, while the Audit Committee is responsible for the oversight of risk monitoring and management, and the Compensation and Management Development Committee is responsible for the oversight of human capital matters.

Management oversight

Management oversight of ESG and climate is provided by the Sustainability Leadership Group and the Executive Compliance Committee, both of which are composed of management team members. We have a dedicated Sustainability Manager who is responsible for implementing our ESG and climate strategy and monitoring our progress against our goals, including our efforts towards mitigating our greenhouse gas (GHG) emissions and reducing the carbon footprint of our organization. Both the Executive Compliance Committee and the Sustainability Leadership Group play a leading role in identifying, assessing, and managing climate-related risks and opportunities.

Strategy

We recently initiated an internal audit of our ESG and climate approach to review our priorities, program, and processes. To gain a valuable external perspective, we engaged Nasdaq ESG Advisory to advise on mitigation activities and program improvements. They also supported us in steering our exploration of our climate-related risks and opportunities.

To do this, we conducted a TCFD workshop to explore potential future impacts of climate change on our business. The workshops were attended by members of the Executive Compliance Committee and leaders from across the business to ensure all functions and locations were represented.

Scenario analysis

To identify and analyze possible future impacts, the workshop assessed risks and opportunities under two future scenarios with radically different outcomes. The scenarios were based on Shared Socioeconomic Pathways (SSPs), the latest climate change modeling used by the IPCC in its Sixth Assessment Report, published 2021-2023. We also included key drivers specific to the medical equipment and supplies market.

Climate Scenario 1 (Taking the Highway) assumes the world doubles down on competitive markets, innovation and participatory societies to produce rapid technological progress and development. However, alongside economic growth and social progress comes a dramatic increase in global average temperatures and climate change impacts. Development is fueled by the exploitation of fossil fuel resources and the widespread adoption of resource-intensive lifestyles. All of these factors lead to the rapid growth of the global economy.

Scenario 1 (Taking the Highway)	
Climate scenario	SSP5-RCP8.5
Temperature assumptions	~4.4°C by 2100
Key assumptions	<ul style="list-style-type: none"> • Energy-intensive lifestyles with heavy reliance on fossil fuels • No universal price on carbon • Internal combustion engine (ICE) vehicles still dominate the market • Increase in severity and frequency of extreme weather events such as windstorms, tropical cyclones, extreme precipitation, hailstorms, heatwaves, and droughts • Sea-level rise exacerbates extreme flooding in coastal and low-lying areas • Costs incurred to transition to lower emissions technology • New safety equipment and construction technology become necessary to protect workers and assets • Increased cost of raw materials

Climate Scenario 2 (Taking the Green Road) assumes the world shifts towards a more sustainable path, emphasizing inclusive development that respects environmental boundaries. Fossil fuels are phased out and there is widespread adoption of low-carbon energy sources coupled with energy efficiency regulation and carbon pricing.

Scenario 2 (Taking the Green Road)	
Climate scenario	SSP1-RCP2.6
Temperature assumptions	~1.8°C by 2100
Key assumptions	<ul style="list-style-type: none"> • Increases in global energy demand coupled with phase-out of fossil fuels and widespread adoption of renewable and low-carbon energy sources • Gradual phase-out of ICE vehicles and increased use of EVs • State and federal investment in alternative energy and energy efficiency projects and technologies • Price on carbon emissions increases commodity costs • Extreme weather events such as tropical cyclones, extreme precipitation, etc. occur, but intensity and frequency are moderated • Moderate sea level rise • Cost to transition to lower emission technology • Overall increased cost for commodities

To gain a broad view of the possible impacts and opportunities over time, we assessed each scenario over three different time horizons. These time horizons were selected by considering our product development lifecycle and business planning cycle. We also believed the medium- and long-term horizons gave appropriate scope to make reasonable assumptions and predictions for each scenario.

Short term	1-3 years
Medium term	3-10 years
Long term	10+ years

Climate-related risks and opportunities

Transition risks

If the world progresses towards Scenario 2, the Green Road, our business could face **policy and legal risks** in adapting to meet changing regulatory requirements across all time horizons. These changes could include carbon-intensity and recyclability requirements for our products and increasing reporting obligations for the business. We expect these risks might have a low financial impact on the business as we are accustomed to innovating and adapting our production processes to accommodate changing regulations, technology, and client needs. We are well prepared for additional reporting requirements, as we have

produced ESG reports for many years and regularly provide climate-related information to our customers as part of the request for proposal (RFP) process.

Separately, there may also be restrictions around the use and availability of lead, certain chemicals and rare earth minerals. This could have a medium impact on the business over the long term, as sourcing alternatives to some materials could prove difficult. Again, we are confident that our ability to adapt and innovate our production processes will help us to address this risk should it arise.

In terms of **technological** advances, the business may be impacted if smelting and molding techniques need to change in a decarbonized future. We are a high user of energy, so increasing energy costs could have a financial impact on the business. However, we are not heavily reliant on fossil fuels so a transition to renewable energy does not present a risk to our operations. Similarly, we do not operate an extensive fleet of vehicles, so a transition away from internal combustion engines to electric vehicles would not impact our business.

We do not anticipate that our **market share** would be impacted by climate-related matters, nor do we believe they would impact our **reputation**. We are a business-to-business (B2B) company, so we have a low public profile. Our good reputation with customers has been gained through the strong relationships we build. We respond promptly and comprehensively to customers and investors requesting climate-related information and maintain high ESG ratings to protect our reputation.

Physical risks

Under Scenario 1, the Highway, our business could be impacted by a number of physical risks in the long term. These include **acute** risks, such as severe weather events impacting our ability to deliver products to customers and disrupting our supply chain. In addition, our office in Houston and our manufacturing facility in the Philippines could be impacted by flooding events and hurricanes.

We believe the impact of these risks would be low. We currently have a localization strategy in place to reduce exposure to overseas vendors and suppliers and mitigate the risk of future disruption. All our sites have comprehensive business continuity plans in place to minimize disruption in the event of severe weather impacts. These plans are reviewed and updated regularly to ensure they address new and emerging risks to our business.

Chronic physical risks include the risk of rising sea levels impacting our manufacturing facility in the Netherlands over the long term. However, the site is located near the border with Germany and is not expected to be impacted by flooding unless sea levels rise to the extreme level of current models. Another chronic physical risk that could impact the locations where we operate is water scarcity. Although our corporate headquarters is based in Salt Lake City, Utah, which is in a semi-arid desert climate, our operations there are not water intensive. Therefore, we expect water scarcity will have a low impact on our business over the long term.

Opportunities

Under both climate scenarios, we identified significant opportunities for Varex as a leading manufacturer of X-ray imaging solutions. We have a proven track record of improving resource efficiency via innovative product and packaging development to reduce our use of raw materials and enable recycling. This expertise will help us adapt to resource constraints if they occur.

Although we are not currently planning to invest in onsite generation of energy, we are investigating the viability of alternative energy sources at several of our sites, including the possibility of installing solar arrays. This could smooth our transition to a lower carbon future.

As demand for the electrification of transport grows, we expect our products to see increased demand due to their role in supporting electric vehicle (EV) battery technology. This demand could also open up new markets, as governments around the world look for solutions to separate EV batteries from other waste in landfill. Similarly, we are investigating opportunities to expand the industrial applications for our products.

We do not expect demand for our medical products to decline under either scenario. There may even be an increase in demand due to the potentially negative impacts of climate change on human health. Similarly, by enabling the electrification of infrastructure and supporting the waste management industry to prevent battery fires, demand for the industrial applications of our products is expected to grow. Therefore, we believe our business strategy remains resilient under all scenarios we considered.

Risk Type	Risk	Description	Time Horizon	Impacts under scenario 1	Impacts under scenario 2	Impact Description ²
Transition	Policy & Legal	<ul style="list-style-type: none"> Changes to local regulations 	Medium- Long-term			Local regulations from regions with high climate risk might place additional requirements around carbon intensity of products. This could impact the cost of production or require product redesign to meet new requirements. We are experienced in evolving our product design to adapt to different client requirements, so we have assessed this risk as having a low impact on our business.
		<ul style="list-style-type: none"> Increased reporting obligations 	Short-term			Increasing reporting obligations will require additional resources. The EU's Corporate Sustainability Reporting Directive (CSRD) will impose additional demand on current resources. However, we have produced ESG reports for many years and are well prepared for this. We regularly provide climate-related information to clients as part of RFPs.
		<ul style="list-style-type: none"> Additional recyclability requirements 	Short- Medium-term			Mandates on existing products can impact us through customers' requests to satisfy recyclability requirements for packaging. However, we have refined and evolved our packaging in recent years to minimize waste and resources, so we are confident in our ability to adapt to new requirements with minimal impact on the business.
		<ul style="list-style-type: none"> Restrictions on the use of raw materials 	Medium- Long-term			If the use of certain raw materials – such as lead, chemicals, and rare earth minerals – were to be restricted, our business could be impacted. There are some parts of our production process that depend on specific raw materials that do not have a readily available substitute, so we have assessed this risk could have a medium impact on operations. We have a critical materials policy in place and constantly seek to innovate our production processes to reduce our reliance on specific materials.
	Technology	<ul style="list-style-type: none"> Manufacturing adapts to lower emissions 	Medium- Long-term			Smelters and molding technologies that are used in our manufacturing could be impacted by the need to transition to lower-emission processes. We have a long track record of adapting and innovating to improve our processes, but if significant changes were needed this could have a medium impact on our operations.
		<ul style="list-style-type: none"> Transition away from fossil fuels 	Medium- Long-term			We are not heavily reliant on fossil fuels and are able to procure renewable energy to power our facilities and operations. Transitioning away from fossil fuels is not a risk to our operations.
		<ul style="list-style-type: none"> Mandated transition to EVs 	Medium- Long-term			We do not own or operate an extensive fleet of vehicles, therefore being required to transition to EVs would not pose a substantial risk to our operations.
		<ul style="list-style-type: none"> Higher energy, fuel and transportation costs 	Medium- Long-term			We might be indirectly impacted by higher energy, fuel, or transportation costs in the future if these resources were to become more expensive. However, we already have a supply chain localization strategy in place that will help to mitigate any eventual impacts of this risk.

2. We define a negative low impact as one we could absorb with minimal impact on the business. A negative medium impact would have a substantial financial, operational, or strategic impact on the business. For example, a drop in revenue, profit, productivity, reputation, or employees' health and well-being, but from which we could recover with appropriate mitigation measures. A negative high impact is one that could affect the viability of the business.

Risk Type	Risk	Description	Time Horizon	Impacts under scenario 1	Impacts under scenario 2	Impact Description ²
	Markets	<ul style="list-style-type: none"> Drop in demand for our services 	Medium- Long-term			We are a healthcare B2B company, and demand for our products is linked to population and demand for healthcare services. Therefore, we do not anticipate our market share will shrink due to climate-related matters.
	Reputation	<ul style="list-style-type: none"> Reputational damage 	Medium- Long-term			We have a very good reputation with our customers and keep our relationships strong by helping them meet their climate-related informational needs. We also respond to investor requests and maintain high ESG scores to protect our reputation in the market.
Physical	Acute	<ul style="list-style-type: none"> Distribution disruption 	Long-term			Severe weather events might impact our ability to deliver products to customers. Our supply chain localization policy will help to mitigate the impact of this risk.
		<ul style="list-style-type: none"> Flooding of our facilities and sites 	Long-term			Our Houston office and manufacturing facility in the Philippines could be impacted by flooding and hurricanes, however, we have business continuity plans in place for all our sites which are reviewed and updated regularly to ensure they remain adequate.
		<ul style="list-style-type: none"> Supply chain disruption 	Long-term			Severe weather events could interrupt our supply chain and impact our operations. However, our supply chain localization strategy is helping to reduce our exposure to international suppliers and vendors.
		<ul style="list-style-type: none"> Disruption to operations 	Long-term			Wildfires, hurricanes, freezes or heatwaves generally have not impacted our operations, so we have assessed this to be a low-impact risk.
	Chronic	<ul style="list-style-type: none"> Rising sea levels impacting operations 	Long-term			Our site in the Netherlands might be impacted by rising sea levels, however, it is located near the border with Germany in a region that is only expected to be impacted by the most severe sea level rises based on current models.
		<ul style="list-style-type: none"> Increasing water scarcity 	Long-term			Our operations are not water intensive, so we do not expect water scarcity or lack of snowpack near our headquarters in Salt Lake City to impact our operations significantly.

Risk Type	Risk	Description	Time Horizon	Impacts under scenario 1	Impacts under scenario 2	Impact Description ²
Opportunities	Resource efficiency	<ul style="list-style-type: none"> Reducing the use of raw materials 	Short-medium- term			We innovate to use less raw materials in our products and look for ways to recycle where possible, therefore we believe we will be well placed to adapt to changing client expectations and reduced availability of raw materials.
	Energy sources	<ul style="list-style-type: none"> Demand for recyclability 	Short-medium- term			We design our packaging to be compact and recyclable.
	Products	<ul style="list-style-type: none"> Energy generation onsite 	Short-medium- term			We are not planning on investing in onsite generation and do not expect this to be an opportunity for our business. However, we are investigating the viability of installing solar power at many of our facilities.
	Markets	<ul style="list-style-type: none"> Electrification of transport 	Short-long- term			Our technology supports the electrification of transport, so we see increased revenues from supporting EV battery technology as a potential opportunity.
	Resilience	<ul style="list-style-type: none"> New demand for our technology 	Short-medium- term			We have recently received a grant from the European Union (EU) to work on technology to separate EV batteries from waste at landfill. We are also exploring other ways to expand the industrial applications of our products to access new markets.
		<ul style="list-style-type: none"> Ensuring safety in battery disposal and pipeline inspections 	Short-medium- term			We support the waste management industry, and infrastructure in general, by providing technologies that support industrial inspections to divert batteries from landfill, preventing fires and pollution. Demand for these services will grow, generating resilient demand for our products. Under Scenario 1, our technology enabling inspection of oil and gas pipelines would remain in demand.

Risk management

Identifying and managing climate-related risks

Given that many of the climate-related risks that could impact our business center around our supply chain, we have implemented a number of processes to identify supply chain risks. In 2022, we commenced a process to cleanse and consolidate the data we hold on suppliers and vendors. Supplier information is stored in our SAP system, which gives us visibility of the different tiers within our supply chain and allows us to analyze supplier data quickly and easily to test for vulnerabilities and exposure to specific risks.

Looking ahead, we will use this data to help us understand the potential impact of any climate-related risks on our supply chain and develop strategies for mitigating these risks. We are careful to select resilient suppliers and where possible to diversify key supplier risk by engaging with multiple suppliers. The localization strategy we have had in place since the pandemic has also helped to reduce our reliance on international suppliers and vendors.

Our critical materials policy supports this work and helps us to identify and manage risks around the availability of the raw materials on which our operations rely. The critical materials list is reviewed regularly by the Procurement team and updated (if required) to adapt for emerging risks.

Several of our sites face acute and chronic physical risks that we have noted as part of the scenario analysis, including hurricanes in the Philippines, and flooding in Houston, the Philippines, and the Netherlands. We have business continuity plans for all our sites and these plans are reviewed and tested for adequacy periodically. Where any vulnerabilities are identified, these are reported to the Executive Compliance Committee along with remediation plans and timelines.

As a high-energy user, we know that rising energy costs could impact our business, as could changing requirements about smelting and molding technology. To mitigate the impact of these risks, we look for ways to minimize energy use and we innovate to find more efficient production methods. In addition, we are exploring opportunities to shift away from air freight to rail, road and/or ocean transport in the distribution of our products. This should reduce our exposure to higher fuel prices and potential carbon tax in the future.

Integration into overall risk management

The outputs of the scenario analysis workshop will be incorporated into our ongoing risk monitoring and management processes and used to test the resilience of the business and current strategy. Going forward, we will review our climate risk and opportunity assessment regularly to ensure they remain relevant. When necessary, we will repeat the scenario analysis process to identify new and emerging climate-related risks.

On an ongoing basis, the Executive Compliance Committee and the Sustainability Manager will monitor and assess climate-related risk and report to the Company's Audit Committee as appropriate.

Metrics and targets

We have monitored our GHG emissions since 2017 and reported our Scope 1 and 2 emissions along with our emissions intensity ratio. We have also reported direct and indirect energy use and measured our emissions of NOx, SOx and VOCs. Varex Imaging is working to establish science-based emissions targets. Thus, reducing our emissions remains a priority focus of our ESG strategy and do this we plan to pursue the following:

- Reduce direct energy use across our global operations
- Improve indirect energy use across our global operations
- Reduce Scope 1 and 2 GHG emissions across our global operations
- Decrease emissions across our global operations

For more information on our GHG emissions, please refer to the 'Greenhouse Gas Inventory' section of this report on page 31.

Greenhouse Gas inventory

Varex Imaging has used Nasdaq Metrio, a Sustainability Data Management Platform, to independently calculate GHG emissions in accordance with the principles of GRI 305: Emissions.

Actual activity data has been collected from all entities within the organizational boundary on a monthly basis by Varex Imaging. If actual activity data was not available, estimates based on square footage of those sites were made. The activity data is multiplied by an appropriate emission factor and global warming potential (GWP-100 AR6) to calculate Scope 1 and 2 emissions for Varex Imaging.

Carbon footprint 2022		
Category	tCO ₂ e	GJ
Fuels		
Natural gas	3,957	79,135
Liquid propane	4.7	81
Refrigerant gas	107	
Company vehicles		
Diesel fuel	65	918
Gasoline	60.7	700
Scope 1	4,195	80,834
Scope 2 – Location Based	12,247	137,591
Scope 2 – Market Based	11,527	137,591
Grid electricity		136,369
Steam	0.070	1,222

Deloitte & Touche LLP performed a review on management's assertion related to our Statement of Greenhouse Gas ("GHG") Emissions for the year ended December 31, 2022. Their assurance statement is available at [this link](#).



EMPOWERING PEOPLE AND COMMUNITIES

People are at the heart of everything we do at Varex. Our business is built around a strong social mission: to improve and save lives by making the invisible visible. This purpose inspires us to keep innovating and keep evolving our products to drive better health.

We empower our people to do this by being an employer of choice – providing safe and inclusive workplaces where everyone feels they belong. We also strive to make a positive contribution to the communities we are part of.

Our 2022 highlights



Announced expansion
of paid time off (PTO)
to **15 days per employee**



95%+ of employees
completed training
during 2022

Human capital management

The long-term success of our business depends on our ability to attract and retain exceptional talent. We are in the process of developing a new HR strategy to establish a standardized global approach to talent management that aligns with best practices. As part of this effort, we are increasing our use of key HR metrics and gathering baseline data for a new HR dashboard. This will enable us to make data-driven decisions and better measure our progress against our 2030 ambitions.

Improving our employer brand and employee experience

To ensure we remain competitive and attractive to prospective candidates; we have reviewed our employee value proposition holistically. This included benchmarking our reward and benefits package against peers to understand where our offer sits in the broader market context.

We have also worked to promote more two-way communication with our people. In response to employee survey feedback, we have introduced a "We're listening" campaign to capture employee suggestions via facilitated focus groups. Employees are encouraged to be open and honest about what's on their mind and what we can do better. We then report back to the whole workforce to share what we heard and what we did about it in our monthly newsletter. Acting on this feedback, we will



Investing in the next generation

Talent is not just found – it's built. That's why at Varex, we invest in internships, apprenticeships, and other programs that give young people insight into our work and help us cultivate the workforce of the future.

At our Germany-based MeVis site in Bremen, for example, we run several ongoing talent programs for university students, school leavers and pupils, including those from socially disadvantaged backgrounds.

In partnership with the University of Bremen, we invest in:

- Internships lasting up to six months for full-time students
- Paid fixed-term contracts for up to two years for student assistants able to work up to 20 hours a week during their studies (these are often followed by a permanent contract)
- Supervised real-world projects supporting a bachelor's or master's final thesis, lasting up to six months

For high school students and recent graduates, we invest in:

- **Paid apprenticeships** or other vocational training lasting up to three years for young people who have left high school and aren't interested in further study
- **Autumn two-week internships** at the University of Bremen's Technology Park where 9th-grade pupils learn about careers at Varex through an exciting program of lectures, practical activities, and excursions
- **Trial job applications** – an annual project with a Bremen school in which 9th-grade pupils apply for positions at local firms, including MeVis, and then undergo a mock interview and receive feedback
- **Future Days** – a nationwide program in Germany whereby employees bring their children or children of friends to work for a fun day of workshops, activities, tours, and talks.

be implementing changes in 2023 to increase the paid time off offered to all employees.

Another initiative that was implemented to improve communications in 2022 was regular sessions during which people can dial into a Zoom link from anywhere in the world and ask our CEO anything they want. The response to these sessions has been overwhelmingly positive. Our annual employee engagement survey gives us valuable insights into the factors that contribute to employee satisfaction and help us identify ways to improve.

Attracting the best talent

In 2022, we reviewed our recruitment and onboarding processes to measure our effectiveness and identify opportunities for improvement. To ensure we can grow in the places where we need to, we have added HR resources on the ground to provide localized support. A new onboarding program has also been developed to give new starters the best possible experience when joining Varex.

In addition to competitive compensation, we offer a generous benefits package designed to attract, engage, and retain our international workforce. Benefits offered to our U.S.-based employees include:

- A match on employees' contributions to the Varex Imaging 401 (k) plan of up to 4%, beginning immediately
- An opportunity to purchase Varex Imaging stock at a discount through our employee stock purchase plan

- A wide variety of choices for health and insurance coverage
- 15 days of paid time off – upgraded from 10 days following employee feedback
- Reimbursement of tuition fees for U.S.-based employees pursuing post high school education.

In 2022, we supported three young people through our Internship program. For the participants, it's a chance to gain real-world experience and, where applicable, earn money above the minimum wage. For Varex, it's a highly effective and cost-efficient way to bring new talent into our company, reducing our recruitment costs and minimizing the risk of unsuccessful hires, due to the mutually beneficial relationships we have already forged.

Whether or not participants join Varex through these talent programs, we believe many of them become ambassadors of our brand and go on to pursue careers in fields that benefit society at large.

Developing our people

We want our people to be able to build long and rewarding careers at Varex to retain crucial talent within the business, so we have invested in strengthening our Learning & Development programs. A new Learning & Development Manager has been appointed to lead these efforts, which include launching our first-ever global manager training program. All leaders across locations can now access a standardized training curriculum on what it means to be a manager at Varex,

with content centered around our EPIC values: Execution, People, Integrity, Collaboration. Following a successful pilot, the multi-day course, which has eight modules linked to listening, communicating, and problem-solving, will be rolled out to the majority of U.S. Varex managers in 2023 before being adopted globally.

Improving technical training was another key focus for Varex in 2022. We began developing a series of videos on key manufacturing processes for leaders to use when training employees at our five manufacturing and product development sites around the world. This training series should improve efficiency and promote a consistent global approach.

Training in 2022

- Total hours of training: **8,636+ hours**
- Percentage of employees who completed training: **95%+**
- Total hours of human rights training: **2,634 hours**

Diversity and inclusion

To push the boundaries of X-ray technology, Varex needs to attract and retain innovative thinkers who see the world from different angles. Our perspectives are broadened by colleagues in 13 countries, and we strive to cultivate diversity in all its forms within our teams through our recruitment and retention initiatives. By fostering fair and inclusive workplaces, we hope employees will stay with us and fulfill their potential while enriching our business.

Diversity and inclusion considerations are at the forefront of our recruitment decisions, and we monitor diversity metrics in our recruitment and leadership development programs.

As signatories to the ParityPLEDGE for Women, we commit to interviewing at least one qualified woman for every open VP, C-Suite, and Board position.

DEI training

The Board's Compensation and Human Capital Management Committee provides oversight on the Company's strategies relating to human capital management, including diversity, while the Nominating and Corporate Governance Committee is responsible for recommending Board members that meet established qualifications, including gender and racial diversity and other attributes necessary to help us achieve our business goals.

Looking ahead, we are planning to relaunch our employee resource group (ERG), the Women's Impact Network (WIN), which we had put on hold during the pandemic. This group supports female employees with career guidance and networking opportunities. Our Chief Human Resources Officer will be its executive sponsor from 2023 onwards.

Ensuring employee health, safety and wellbeing

The health and safety of our people and those we serve have always been of paramount importance

to Varex. We are pleased to report that our total recordable incident rate (TRIR) in 2022 was below the U.S. average for companies of our size in 2022, and we had no work-related fatalities. We will keep pushing for continuous improvement in this area.

Every employee at Varex is assigned mandatory online health and safety training annually, with compliance rates recorded, and this is also part of our onboarding program.

As we grow internationally, we are committed to upholding our long-standing safety standards and complying with local laws and regulations while maintaining a consistent approach across borders. In 2022, we contracted a third-party specialist to carry out a gap analysis on health and safety protocols at our international sites.

Meanwhile, in the United States, where over half our workforce is based, we have implemented a new frontline software system for reporting safety incidents and near misses. This allows us to initiate investigations more quickly and to monitor our health and safety performance more effectively so that we can pinpoint and address the root causes of potential incidents. All relevant employees have received training on the software.

	2022	2021	2020
DART rate*	0.71	1.16	0.7

* DART = days away, restricted, or transferred.

Since the Covid-19 pandemic, we have seen a slight increase in use of our mental health benefits, which we see as a positive sign that our employees are prioritizing their mental health and feel able to take advantage of the support Varex can offer.

To further promote wellbeing and a healthy work/life balance, we support hybrid working where practical. Eligible employees whose roles can be effectively performed off-site can apply to work from a home office up to two days a week.

Supporting communities

Everyone at Varex is encouraged to use their talents and time to uplift the communities where they live and work. It's the right thing to do for society, but it's also good for our business, boosting morale, increasing collaboration, and taking Varex's EPIC values out into the world from which we will recruit tomorrow's talent.

To build unity, we look for ways to support similar volunteering activities across our international sites, and we encourage employees from different departments and seniority levels to join forces on good causes close to their hearts.



Our philanthropic efforts are focused on three areas:

Health and health research

We are proud members of the healthcare community and that's reflected in the causes we support as volunteers and fundraisers.

In June, a team of 14 employees and friends took part in the Harmons Best Dam Bike Ride in Utah, raising almost \$8,000 for the National Multiple Sclerosis Society.

Then in October, Salt Lake City employees, friends, and family came together to continue our long tradition of joining the Making Strides of Utah Breast Cancer walk with the American Cancer Society. We sponsored the start line of the 5km walk with a \$5,000 corporate donation and donated \$50 per participating employee, raising \$7,700 for the fight to end breast cancer.

STEM education

We have a long and proud track record of inspiring young people to consider careers in science, technology, engineering, and math.

In November, for example, Varex answered the call of Utah Governor Spencer Cox by supporting the state's first-ever Week of STEM. Members of our Industrial Subsystems team hosted an event at a local elementary school and invited other industry partners to join us in setting the children's hands-on STEM challenges. As well as engaging their problem-solving skills, we helped them understand how these could be applied in their wider communities.



ACTING WITH INTEGRITY

As a company that makes lifesaving equipment, Varex strives every day to merit the trust placed in us by our customers, end users and wider stakeholders.

The robust governance infrastructure we put in place to achieve this is not simply defensive, but a proactive driver of our growth, success and competitive advantage.

ESG oversight

Ultimate oversight of ESG matters at Varex rests with our Board of Directors which reviews our Sustainability Strategy in its role as steward of the long-term health of the business.

The full Board receives an annual presentation dedicated to ESG, including sustainability-related risks and opportunities, and maintains ongoing oversight on different topics via its three standing committees.

Our 2022 highlights

100%

Varex employees completed
and acknowledged
Code of Conduct training

50%

of our independent
directors are **women or
ethnically diverse**

Our Nominating and Corporate Governance Committee meets at least twice a year and conducts an annual review of our ESG program. It receives updates on select topics and a full report on the overall program from our Sustainability Leadership Group, which comprises the CEO, CFO, General Counsel, Sustainability Manager and Director of Facilities and Equipment. The committee then recommends the overall ESG strategy to the Board.

Our Audit Committee meets quarterly and provides oversight on financial matters and our risk management program, including cybersecurity and data privacy risks.

Our Compensation and Human Capital Management Committee meets quarterly and provides oversight on the Company's practices, policies, and strategies relating to human capital management, including our diversity and succession planning initiatives.

In addition, we have an Executive Compliance Committee, comprising management team members who oversee ESG and ethical compliance matters at the management level. The committee receives dashboard data at each quarterly meeting, and annual presentations on ethical compliance, data privacy, trade compliance, regulatory compliance and quality assurance, and ESG.

Both the Sustainability Leadership Group and Executive Compliance Committee play a leading role in identifying, assessing, and managing climate-related risks and opportunities.

Board composition

Our Board of Directors brings a wealth of collective wisdom and expertise to Varex, including in the fields of healthcare technology and manufacturing. In 2022, we appointed a new Board member with deep knowledge of the medical sector's ethical, regulatory and compliance landscape.

To ensure we stay responsive to evolving shareholder needs, we hold annual director elections and we continually strive to maintain the optimal mix of skills and perspectives for effective stewardship. As of the end of 2022, half of our eight Board members were women or ethnically diverse and, as signatories to the ParityPLEDGE for Women, we commit to interviewing at least one qualified woman for every open Board position.

All our directors are independent, apart from the CEO who is not a member of any of the standing board committees. The roles of Chair and CEO are separate, and we encourage frank discussions on sensitive topics by holding regular executive sessions.

The average director tenure, as of 2022, is 4.5 years, and we have a majority voting and director resignation policy for directors in uncontested elections. The Board and its committees are assessed annually, with regular attention paid to director succession.

Other features of our corporate governance structure include:

- Stock ownership guidelines for our directors and executive officers
- Broad executive officer and director anti-pledging and anti-hedging policies
- Annual review of our business strategy and enterprise risk
- No multi-class or non-voting stock

Ethical business

It is everyone's responsibility at Varex to make sure we uphold the highest ethical standards.

By nurturing a culture of shared responsibility and accountability, we are developing an organization we can continue to be proud of.

To drive integrity, we have a clear compliance framework covering every level of the business, starting at the top with our Board of Directors and its three standing committees, which have ultimate oversight of ethical compliance.

Our Executive Compliance Committee has oversight at a management level and provides a bridge between the Board and our dedicated ethical compliance function. This team implements policies and procedures, tracks compliance, and manages investigations and training, making sure all employees understand what is expected of them.

Code of Conduct

Our [Code of Conduct](#) provides clear guidance on the ethical standards and professional behavior we expect of employees when representing Varex in the marketplace, workplace and community, as well as when handling company assets and information. Available on our website in 10 languages, it applies to all our employees and directors.

Two years ago, we refreshed the Code of Conduct, taking the chance to highlight key policies such as our Related Party Transactions Policy and our standalone Human Rights Policy. At the same time, we extracted relevant information and incorporated it into a separate third-party Responsible Business Code of Conduct Policy (see Responsible Supply Chain).

Our Code of Conduct clearly states that the workplace at Varex should be free from harassment, discrimination, intimidation, bullying, and retaliation. It provides guidance on a number of other important issues, including but not limited to:

- Human Rights (see Responsible Supply Chain)
- Conflict of Interests
- Related Party Transactions
- Anti-Bribery and Anti-Corruption
- Interactions with healthcare professionals (see Ethical Marketing)
- Social Media (see Ethical Marketing)

Human rights

Respect for human rights is a fundamental part of our core values as a company. We express this through our dedicated [Human Rights Policy](#), which applies to all employees, Varex suppliers, and business partners globally.

It is aligned with the objectives of the United Nations Guiding Principles on Business and Human Rights, a global framework that draws on

existing international human rights instruments such as those in the UN Declaration of Human Rights and the International Labour Organization's Core Conventions.

The policy clearly states that Varex prohibits forced, bonded or child labor, human trafficking or using force, coercion, abduction, or fraud for labor or services.

All work must be voluntary, and workers are free to leave work at any time or terminate their employment in accordance with the provisions in their employment arrangement. In addition, they have the right to:

- Privacy
- Fair and timely wages
- Reasonable working hours
- Freedom from workplace violence, harassment, bullying and unlawful discrimination
- Freedom of association and collective bargaining

Within the [Human Rights Policy](#) is an overview of our standalone Conflict Minerals Policy (see Responsible Supply Chain).

Human rights risks, if they arise, are reported to the Board. Varex regularly conducts due diligence on suppliers to verify that business is being conducted in compliance with our standards with respect to labor, privacy, ethics, and minerals sourcing.

Whistleblower procedure and non-retaliation policy

We encourage all stakeholders to come forward if they have concerns about possible violations of the law or ethical standards by a Varex employee or one of our representatives.

Varex maintains an online and telephone reporting [hotline](#) operated by an independent provider that is accessible 24/7 for raising questions or reporting concerns.

Reports are treated fairly and objectively and kept in confidence to the extent it is reasonably possible to do so, given our need to thoroughly investigate and adhere to applicable laws.

In certain countries where we operate, the hotline allows the reporting of accounting or auditing concerns only, due to local law, so employees there are encouraged to report workplace concerns to the local HR, legal, or compliance officer.

Varex will not permit retaliation against any person who reports, in good faith, violations of law, regulations, the Code of Conduct, or Company policies.

Any actions that are illegal or in violation of the Code of Conduct may be grounds for disciplinary action up to and including termination of employment.

Culture of compliance

The cornerstone of our compliance culture is a universal understanding of the Varex Code of Conduct among employees.

Code of Conduct training and separate ethical compliance training is assigned globally to all new hires. We then deliver annual refresher training to all employees, who must confirm that they have read and understood the Code of Conduct. In 2022, 98% of employees confirmed this.

We want to make it as easy for everyone to remember the Code of Conduct, so we conduct periodic company-wide surveys asking employees to rate the effectiveness of training and share suggestions on how we can improve. Acting on the latest feedback, we have:

- Rolled out new training for managers to help them more confidently handle ethical compliance issues raised by their team members.
- Reworded questions on risk assessments to make them more relatable to real-life ethical compliance dilemmas.
- Broadened our training on how to conduct compliance investigations.

As we grow internationally, we are investing in country-specific and cultural training to ensure we all operate in an ethical and transparent manner in line with local regulations. By maintaining consistently high ethical standards, we protect our assets and reputation.

In 2023, our Chief Legal Officer and Associate General Counsel will be visiting employees in India to deliver live training on aligning international laws with local ethical compliance rules. This will be backed up with cultural training for our U.S. and European employees about legal, HR and employment conventions in India, followed by similar training for Indian employees about working with U.S. and European colleagues. We plan to use this as a model in other countries as our operations expand.

As well as working internally to ensure compliance with relevant laws and regulations, we partner with suppliers and third-party representatives to deliver localized training. We require all our facilities globally to be audited through the Medical Device Single Audit Program (MDSAP), which ensures our practices satisfy the requirements of several regulatory jurisdictions.

Political contributions and lobbying

Varex does not have a government relations or lobbying function and, as part of our conflict-of-interest policy, the Company does not give political donations globally.

However, through our membership in various trade associations and industry bodies with lobbying arms, we indirectly make our voices heard and gain valuable intelligence on the evolving regulatory landscape.

Due to our direct and indirect contracts with the U.S. government, we conduct annual live training with our sales team on how to interact with government officials. There are strict rules around these interactions and employees are encouraged to consult the legal department for support.

Only a limited number of individuals are authorized to engage in efforts to discuss legislation or government policy with political officials or to contact a government official on behalf of Varex for political purposes.

Varex employees who personally participate in the political process may only do so using their own money, time, and resources.

Risk management

Senior management at Varex is responsible for the day-to-day management of the risks we face as a business.

While the full Board provides ultimate risk oversight, it administers this role in part through its committees.

The Audit Committee assists the Board in the oversight and monitoring of principal risk exposures related to financial statements, legal and ethical compliance, information security, data privacy, regulatory, and other matters, as well as related mitigation efforts.

The Compensation Committee assesses, at least annually, the risks associated with our compensation policies while the Nominating Committee assists the Board in oversight of risks relating to compliance with corporate governance standards.

Through reports from members of senior management, as well as internal audit and external advisors, the full Board and its committees gain a thorough understanding of our risk exposures, and the steps management has taken to monitor and control them.

Cybersecurity and data privacy

Keeping customer and employee data safe in the evolving cyber threat landscape is key to our long-term credibility as a business.

Throughout 2022, we continued to invest heavily in our information security management system and protocols, which are based on the ISO 27000 global gold standards.

Malware, spoofing and other forms of cyberattack target people at all levels of an organization, and we communicate this to our workforce through mandatory onboarding and annual refresher training. This is combined with regular phishing simulation tests to maintain vigilance.

Respectful of our customers' privacy, we are committed to complying with relevant data protection laws in the areas where we operate, backed up by regular employee data protection training. Our Privacy Policy sets out how we collect and process data in accordance with legal and regulatory standards. To further protect privacy, our products do not store customer data, and we monitor our products to identify and address any privacy risks that arise after they are in the market.

Management alerts the Audit Committee of significant cybersecurity threats or incidents as they arise, in addition to providing general updates at least twice a year.

In the event of a cyberattack or other security breach, Varex has a program in place designed to protect the confidentiality and continued availability of information. It includes a cyber incident response plan that provides procedures for timely reporting and the maintenance of insurance coverage to defray any associated costs.

In the last three years, the expenses incurred from information security breach incidences were immaterial and none related to penalties or settlements.

Responsible supply chain management

To be a truly ethical business, we go beyond our direct operations and seek to ensure our suppliers also operate ethically. We collaborate with suppliers on responsible practices, with a focus on continuous improvement. Together, we can embed ethical considerations throughout our supply chain, including respect for human rights.

Supply chain compliance

We work with approximately 4,500 suppliers across our global operations. Any third parties representing Varex, such as suppliers, consultants, and distributors, are required to comply with our third-party Responsible Business Code of Conduct Policy. Publicly available online, this was introduced in 2021 to make it easier for our partners to identify and understand the information relevant to them.

The third-party Responsible Business Code of Conduct Policy outlines our standards with respect to labor rights, health and safety, environmental matters, conflict minerals, ethical behavior, and related management systems.

In addition, we require all Varex suppliers and business partners to abide by our standalone Human Rights Policy.

Training

Third-party intermediaries are strictly vetted and must undergo training on our Responsible Business Code of Conduct Policy every year, with contract renewal dependent on completion. In China, we continued to deliver this training in person throughout the Covid-19 pandemic except during lockdowns. Elsewhere, it has been delivered online every other year but is now increasingly delivered in person to ensure engagement with the content. We have also trialed the use of video training that can be shared across the global workforce to make sure that processes are conducted identically across locations.

Increasing transparency

Work is underway to increase our supply chain visibility so that we are better equipped to identify any potential reputational risks, such as human rights abuses, or issues that could threaten product availability.

On-site audits of Tier 1 material suppliers are conducted regularly by our procurement, engineering and quality leads. We are aiming to automate some of these processes to improve efficiency.

For critical materials such as precious metals and some other materials we have begun working with our Tier 1 suppliers to source data and contact information on our second and third-tier suppliers as part of our risk mitigation strategy.

Conflict minerals

As specified in our Human Rights Policy, Varex supports efforts to eliminate the use of conflict minerals that benefit armed groups in the Democratic Republic of the Congo or adjoining countries.

We maintain a separate Conflict Minerals Policy that applies to all suppliers who work for Varex.

On an annual basis, we collect data from relevant suppliers on their use of conflict minerals—tin, gold, tungsten, and tantalum. We collect this data using the Conflict Minerals Reporting Template (CMRT), a resource prepared by the Responsible Minerals Initiative to standardize data collection.

To ensure we are transparent about the use of conflict minerals in our supply chains, we make our data findings publicly available in our Conflict Minerals Report.

We review underperforming suppliers on a monthly basis, using a scorecard system that ranks them in terms of quality, reliability, price, and ease of relationship.

Going forward, we will consider expanding this rating to include ESG metrics, including environmental impact.

Ethical marketing

At Varex, we are committed to promoting our products accurately and honestly.

In 2022, we had zero monetary losses as a result of legal proceedings associated with false marketing claims.

Our Code of Conduct emphasizes the importance of developing honest and law-abiding relationships with the healthcare professionals with whom we interact regarding Varex products. These interactions should focus on engaging them to provide bona fide services at approved fair market value rates, informing them about Varex products, and providing scientific and educational information, supported by medical research.

Through the Code of Conduct, we also stress the importance of providing clear and accurate information to the media, financial analysts, investors and the public. This helps us maintain integrity in our relationships with our business partners and other investors, which in turn strengthens our corporate reputation.

Only employees officially designated by Varex are permitted to communicate or participate in media interviews, events, or forums on the company's behalf. We ask employees mentioning Varex on business or personal social media accounts to post only accurate, non-confidential information and to not make claims about our products unless they have been approved by management.

A large, faint, light blue recycling symbol (three chasing arrows forming a triangle) is centered on the left side of the page. Below it, the word "CYCLABLES ON" is written in a similar light blue, sans-serif font, partially cut off on the left.

CONCLUSION

Looking ahead, we remain committed to pursuing our ESG ambitions. The work we began in 2022 to improve the measurement and monitoring of ESG metrics across our business will be a key enabler for these efforts. We will continue to look for opportunities to amplify the progress we have made already, while exploring new, innovative ways to make our business more resilient in the long term. And, importantly, we will continue to report transparently on our progress, as well as the challenges, on the journey.



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