

SECURING A HEALTHIER, SAFER FUTURE

2018 Sustainability Report



WELCOME

to our 2018 Sustainability Report

Our business is helping to keep people healthy and safe through the innovation and manufacture of X-ray imaging components for numerous medical, industrial and security solutions.

Ours is a rapidly evolving industry: to develop the next generation of imaging technology, we must anticipate changes in markets and innovate with our customers and partners. Sustainability plays an important role in enabling us to mitigate risks and identify new opportunities.

INTERVIEW

with Varex's CEO, Sunny Sanyal

Q Varex is in its third year now as a stand-alone public company. What were your proudest sustainability achievements during 2018?

A In 2018, we focused on developing two key areas relating to sustainability: the financial impact of our sustainability efforts and doing what is right by our employees. We have set sustainability as a management priority, and this contributed to our financial success with around \$20 million in saved expenses in the United States. We hope to expand on this success and to continue building a broader portfolio of sustainable products.

We now want to globalize our commitment to our Sustainability Strategy even further. In 2019 and 2020, we will be increasing efforts across our global facilities, as 80% of our customer relationships are outside of the United States. We aspire to more actively engage our customers in our sustainability work.

Our success to date has only been possible thanks to the work of our dedicated employees. It's excellent to see more of our workforce becoming engaged in our sustainability endeavors and I hope to see this interest and employee engagement grow.

Q How would you describe Varex's approach to sustainability?

A Our approach to sustainability is centered around developing progressive, innovative solutions to our most salient ethical and environmental issues. Sustainability must be considered at every step of our manufacturing process - products can't be made reusable after they are already in circulation. That is why we're embedding it in everything we do: from design and production to product end of life.

Q 2018 was a year of restructuring for the business, something that is continuing now. How will this impact Varex's sustainability efforts? And how will this keep Varex competitive?

A Becoming a more sustainable business requires each part of our business to hold itself accountable for its efforts. In 2018, we restructured our operations to further integrate acquisitions and to ensure our facilities are committed to supporting the Sustainability Strategy. This alignment will improve efficiency and ethical practices across our entire enterprise.

Sustainability is of increasing importance to our shareholders. The financial responsibility that comes with corporate social responsibility (CSR) and sustainability can be particularly attractive to them.

Q Do you have a final message for the employees and customers of Varex?

A I would like to thank everyone for being a part of our journey since we became a stand-alone public company in 2017. Sustainability is core to our company and our stakeholders, and we hope that you will continue to contribute to our sustainability efforts as we grow and develop.

SUNNY SANYAL, CEO, VAREX



ABOUT THIS REPORT

As we become more established as Varex Imaging, we want to continue to drive improvement across our business through our Sustainability Strategy.

This is our second Sustainability Report. It describes our Sustainability Strategy and targets and summarizes key achievements for the period January 1, 2018 to December 31, 2018 except where fiscal year 2018 is noted. Varex's fiscal year ended September 30, 2018. 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 page 9).



REPORTING BOUNDARIES

All our business activities are in scope regardless of their function, unless stated otherwise. You can read more about our overall governance and risk management approach in our [2018 Annual Report](#).



STANDARDS

This report has been produced in accordance with the [GRI Standards: Core option](#).



ASSURANCE

DNV GL was engaged to provide assurance of the content of this report. See the [DNV GL Limited Assurance Statement on pages 38 and 39](#).

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This report is organized around the priorities of our Sustainability Strategy

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ABOUT VAREX

Varex has been a global leader in innovative X-ray imaging components for over 65 years. The components we design are used in medical, industrial, and security imaging applications to detect, diagnose, and protect.

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

Our vision

We aspire 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 checked baggage screening at airports.

The industries we cover



77% MEDICAL SEGMENT (\$602 MILLION)
22% INDUSTRIAL AND SECURITY SEGMENT (\$171.4 MILLION)

We supply

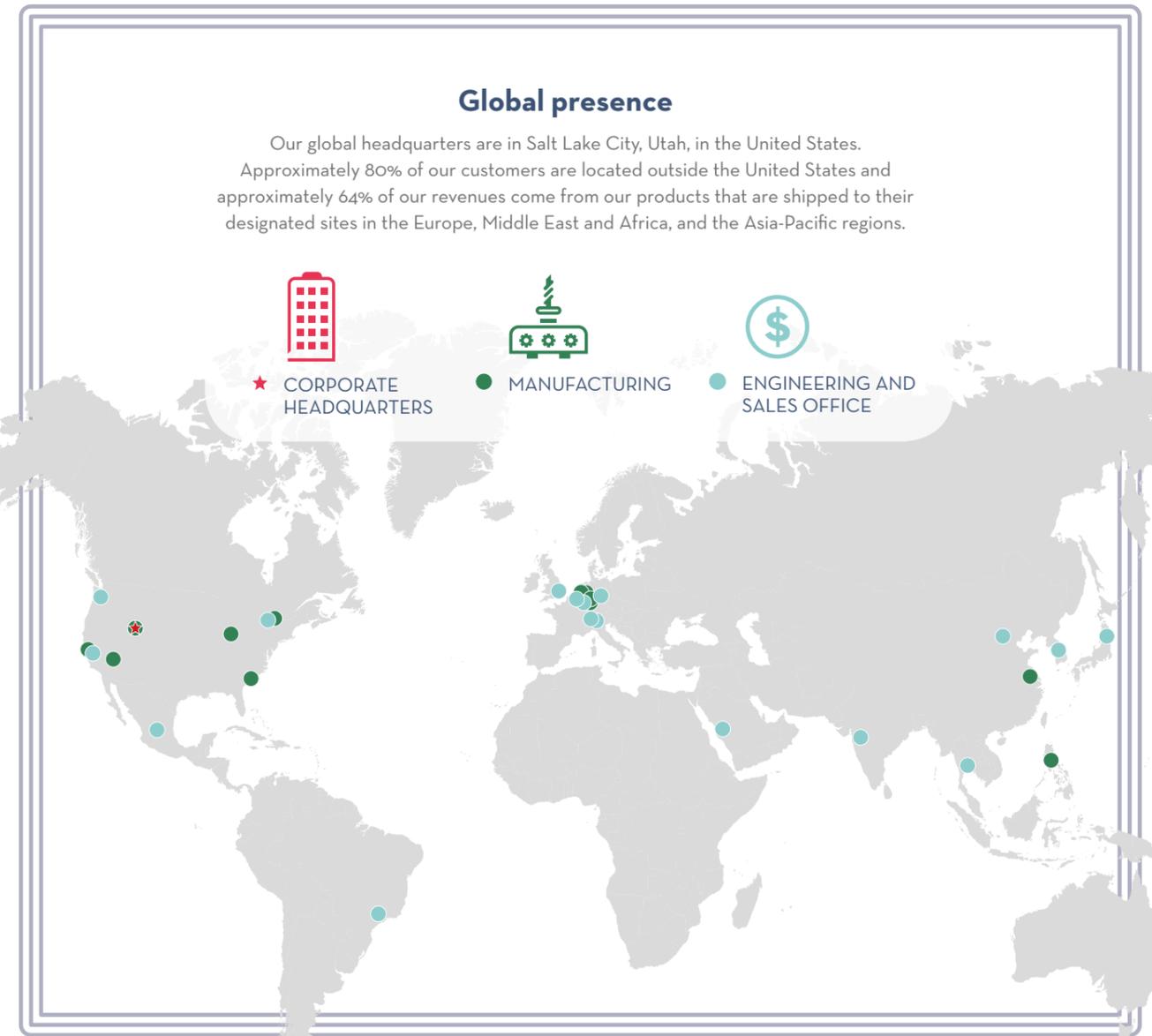
around 90%

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

We have

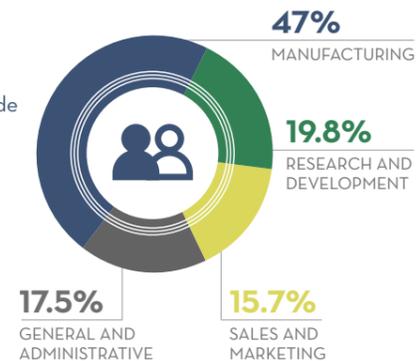
expanded

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

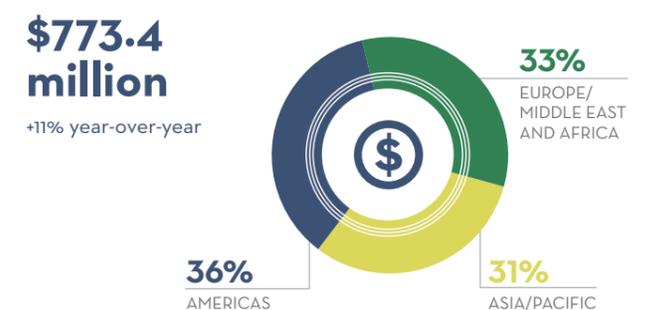


We have approximately **2,000** employees worldwide

Our employees work across



Our FY2018 revenues were



CREATING SHARED VALUE

We work to create sustainable value for our stakeholders by producing high-quality and high-performing next-generation X-ray components that contribute to greater resolution images at a lower dose for a variety of medical diagnostics; help keep ports, borders and airports safer with improved imaging technology for cargo and baggage screening; and transition industrial, non-destructive testing and inspection to digital images.

Capital >>>>>>> How we create shared value

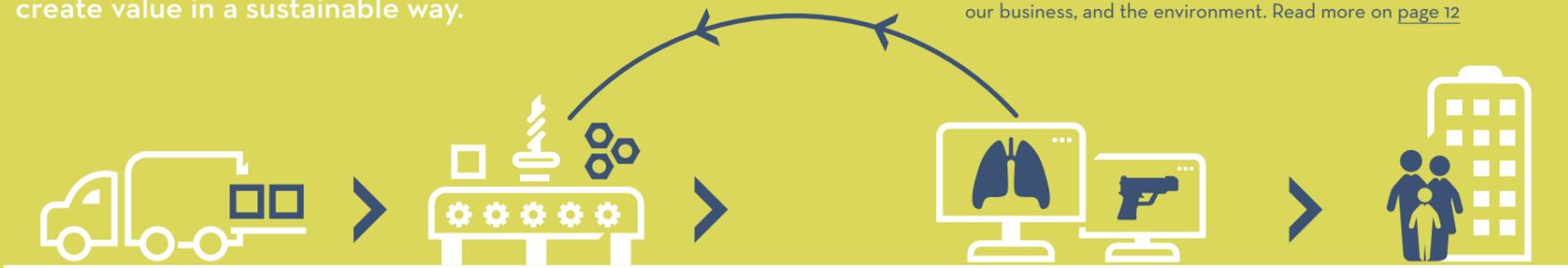
We use a wide range of inputs to create our products:

- 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.
- TECHNICAL FACILITIES**
Our state-of-the-art manufacturing facilities are located around the world.
- HUMAN**
We foster diversity and inclusion to drive innovation and creativity.
- FINANCIAL**
Financial investments enable us to operate and grow our sustainable business.
- SOCIAL**
We build trusting relationships with customers, business partners, suppliers, and communities.
- INTELLECTUAL**
Our trade secrets, patents, trademarks, other intellectual property, processes, and standards give us our competitive edge.

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

CIRCULAR ECONOMY

We aim to transition toward a circular and lower-carbon economy. By reusing and recycling our products and materials at the end of their life, we maximize value for our customers, our business, and the environment. Read more on [page 12](#)



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

CUSTOMERS

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

SOCIETY

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

Responsible and responsive

We are agile and responsive to market trends.

MEDICAL

A growing and aging global population is placing increased pressure on healthcare systems. In response, our next-generation technology is engineered to improve X-ray image quality at reduced exposure levels and increase efficiency and workflow while cutting the total cost of ownership. This is also helpful to our customers providing basic diagnostic imaging systems in emerging markets.

INDUSTRIAL

Technological and industrial developments continue to advance the possibilities offered by our X-ray imaging solutions with applications that range from inline manufacturing inspection and non-destructive testing, food-package scanning, and food safety inspection to the required inspection of automotive and aerospace parts, as well as infrastructure such as oil and gas pipelines and refinery piping.

Winning together

Value created in 2018

INVESTORS

\$1.02 billion
market capitalization

CUSTOMERS

40+ year
relationships with our top 5 customers

SUPPLIERS

Over \$380 million
in goods and services procured from suppliers in 2018

SOCIETAL

125,000
digital detectors in use around the world

ENVIRONMENT

8,300
X-ray tubes accepted for salvage and recycling in 2018

OUR SUSTAINABILITY STRATEGY

One year on

We aim to embed sustainability into every part of our business – from research and development (R&D) and manufacturing to local communities and customer relationships. Our Sustainability Strategy aids us in doing so – acting as a guideline to follow when making management decisions. It concentrates on four areas where we believe we can make the greatest contribution and includes ambitious goals to be reached by 2030.



INSPIRING INNOVATION

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





PROTECTING THE ENVIRONMENT

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

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





EMPOWERING PEOPLE AND COMMUNITIES

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

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





ACTING WITH INTEGRITY

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

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



Delivering the Sustainable Development Goals

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

Relevant UN Sustainable Development Goals

-  Good health and wellbeing
-  Gender equality
-  Decent work and economic growth
-  Industry, innovation, and infrastructure
-  Reduced inequalities
-  Sustainable cities and communities
-  Responsible consumption and production
-  Climate action
-  Peace, justice, and strong institutions
-  Partnerships for the goals

Materiality

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 used the results of this assessment, which involved desk-based research, stakeholder interviews, an internal survey, and a materiality report, to shape our Sustainability Strategy to help us maximize our positive impact.

The assessment identified several issues as being of high concern. Social and governance issues are particularly high, ranging from product quality and customer care to ensuring high ethical standards throughout our business and supply chain. Being an employer of choice and contributing to a safer, more secure world also ranked as being key issues, while focus should also be given to the issues of climate change, energy, air quality, and improving resource efficiency. In our second year, we continue to focus on these issues through how we conduct our business and how we approach our Sustainability Strategy.

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

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



Developing China's medical services

In 2008, the Chinese government proposed a healthcare reform to improve services available to the Chinese population. Enacting this reform called for cutting-edge imaging equipment with improved diagnostic abilities. Varex has felt the positive impacts of this, with shipments of components to China accounting for 10% of revenue in 2018.

This initial reform was followed in 2015 by another government initiative, this time to upgrade the manufacturing capabilities of Chinese industries. We have experienced developments here too, with an expansion of our facility in the city of Wuxi to concentrate more on the manufacturing side of business. We want to support the surrounding community, hiring employees from the local population and sourcing local resources to build our products.

125,000

Varex digital detectors in use around the world

2 dozen+

new and updated X-ray imaging products introduced in FY2018



INSPIRING INNOVATION

Innovation is at the core of everything we do. It is our lifeblood. We develop our products so that our customers can provide the best services possible to the people who need them most: from detecting illnesses to uncovering dangerous materials in foods to airport security.

Traditionally, we waited for our customers to explain their needs and setbacks with products we had already designed and rolled out to the market - we value this feedback and apply it to our designs. However, there is another way to create innovative products. We bring together our customer partnerships with a strong proactive R&D approach to provide solutions to customer issues before they arise and are finding more opportunities where we can work hand-in-hand with our customers during the research and development process.

We value the opinions and feedback of our customers and will continue to incorporate their suggestions to develop affordable, high-quality products that meet their requirements and keep people healthy and safe.

We have more than 500 engineers dedicated to research and innovation. They helped us introduce more than two dozen new and updated products in 2018, with nearly 30 more in development for 2019.

Sustainable Innovation Criteria

In 2017, we established four Sustainable Innovation Criteria that should be addressed throughout our product development processes. These criteria are designed to embed sustainability in every product we design for both medical and industrial use. The criteria cover:

- Better user experience (faster and more reliable scanning, better patient comfort, and improved portability)
- Improved dose efficiency
- Clearer images and improved differentiation
- Reduced environmental impact through less power and raw materials usage

OUR FOCUS AREAS

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

UN SUSTAINABLE DEVELOPMENT GOALS



OUR 2030 AMBITION

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



BETTER HEALTH

We are working toward better health for all through innovating cutting-edge products and solutions for our customers, which will improve detection and diagnosis in the medical sector.

Collaborating on product longevity

As many of our components are incorporated into after-market devices, we are working to ensure our products come with warranties that accurately reflect the nature of how they will be used. To address this, and to improve the products we offer to our OEMs, we are collaborating with one of our customers to increase the longevity of our X-ray tubes. These

new “smart” tubes will be accompanied by updated monitoring software, which enables better reporting to hospitals and the user as to when tubes require replacing. This increased monitoring will eliminate the need for machine downtime, meaning more patients can be scanned in a shorter period of time, as well as enabling quicker prediction and implementation of maintenance requirements.

We are also working with this customer to improve and optimize our X-ray tube emitter design. Making improvements to our subcomponents will ensure the tubes consistently achieve the predicted X-ray emission outputs at specific power levels. This update will increase the longevity of our tube components and improve machine efficiency for our customer. We continue to focus on strengthening customer partnerships, such as this one, to develop the best, most innovative solutions to customer needs.

2018 key highlights

\$83 million invested in R&D

100% of new products meet our Sustainable Innovation Criteria



Tracking components

In 2018, we developed a technology, known as Maestro, which will allow us to track each part from arrival at our facilities to the end of production. Serialization of selected components will allow us to identify parts at any point during the manufacturing process, including which shipment they arrived in and when, by scanning a serial or lot number into Maestro. This increased visibility allows us to improve process control, identify component issues early on, and quarantine all parts or shipments that have issues until the problems can be solved. We are now working to fully integrate Maestro across our manufacturing operations.

LOOKING AHEAD

TARGETS

- Partner with our customers to enable more effective and efficient user experience and results
- Invest 8–10% of annual revenue in product research, development and innovation

KPIs

- Increase the number of scans that can be conducted per day/year of newly installed tubes/systems
- Percentage of new products that meet our Sustainable Innovation Criteria
- R&D expenditure
- The number of new patents

PROGRESS IN 2018

- 100% of new products meet our Sustainable Innovation Criteria
- \$83 million invested in R&D
- 21 U.S. and 21 international patents

○ ONGOING ● ACHIEVED ● MORE TO DO

A SAFER, MORE SECURE WORLD

While we already have a strong presence in the medical market, demand for our products in the security and industrial market is growing. From tackling the threat of global terrorism at our ports, borders and airports to reducing the health risks of contaminated food, we work with our customers to unlock the potential of technological innovation.

Innovating for a safer world

The products we create for the security market are used extensively at border controls to check for contraband items and radioactive materials. We produce X-ray tubes that are integrated into screening equipment used in airports and at checkpoints. In 2018, we saw a marked increase in demand for our tubes, which are incorporated into scanners for cargo luggage. In fact, a growing number of checked baggage in North America and Europe is scanned using equipment containing Varex components.

We are currently looking to expand our presence in the food safety sector and already produce technology that is used for detecting harmful substances such as cadmium in rice, or foreign objects such as plastic. Varex components are also used in technologies designed to sterilize fresh food before it is taken for sale.



2018 key highlights

We produce hundreds of X-ray tubes every month for use in baggage scanning systems around the world

21% increase in industrial segment revenues in FY2018

LOOKING AHEAD

TARGETS	KPIs	PROGRESS IN 2018
○ Partner with our customers to innovate our products to enable more effective and efficient user experience and results	Percentage of new products that meet our Sustainable Innovation Criteria	100% of new products that meet our Sustainable Innovation Criteria
○ Consistently invest in product innovation	R&D expenditure	\$83 million invested in R&D

○ ONGOING ● ACHIEVED ● MORE TO DO



PRESERVING ENERGY INFRASTRUCTURE

When it comes to the oil and gas industry, ensuring infrastructure is in excellent condition is paramount to avoiding environmental harm. In 2018, Varex purchased Virtual Media Integration (VMI) and worked with their experts to enable easier, more-efficient digital inspection of this infrastructure, from pipelines, to refineries, to underwater structures. Our radiograph pipe technologies, which are incorporated into scanning equipment, can help prevent future oil leaks and spills, potentially improving the health of the environment and of people who live nearby. The technology can also help to reduce costs of maintaining infrastructure. Likewise, if sections are in disrepair, our technologies can assist in identifying them, allowing operators to shut them down until they can be fixed.

IMPROVING EGYPT'S TRANSPORT SECURITY

A new tunnel being built under the Suez Canal in Egypt will allow drivers to cross the canal by vehicle, rather than having to travel by barge or other water-based transport. This development will increase travel efficiency but brings with it a new set of concerns regarding tunnel safety and security. Varex is working with security company Rapiscan to provide core technology for the systems that will be assembled in the tunnel to scan vehicles passing through. Approximately 20 of these systems will be deployed throughout the tunnel, with many already installed, adding to the approximately 500 high-energy border systems already in place around the world that contain Varex components.



PRODUCT SAFETY AND QUALITY

We put the safety and quality of our products before all other considerations. Protecting our customers and supporting better health and a safer, more secure world is paramount in our product development.

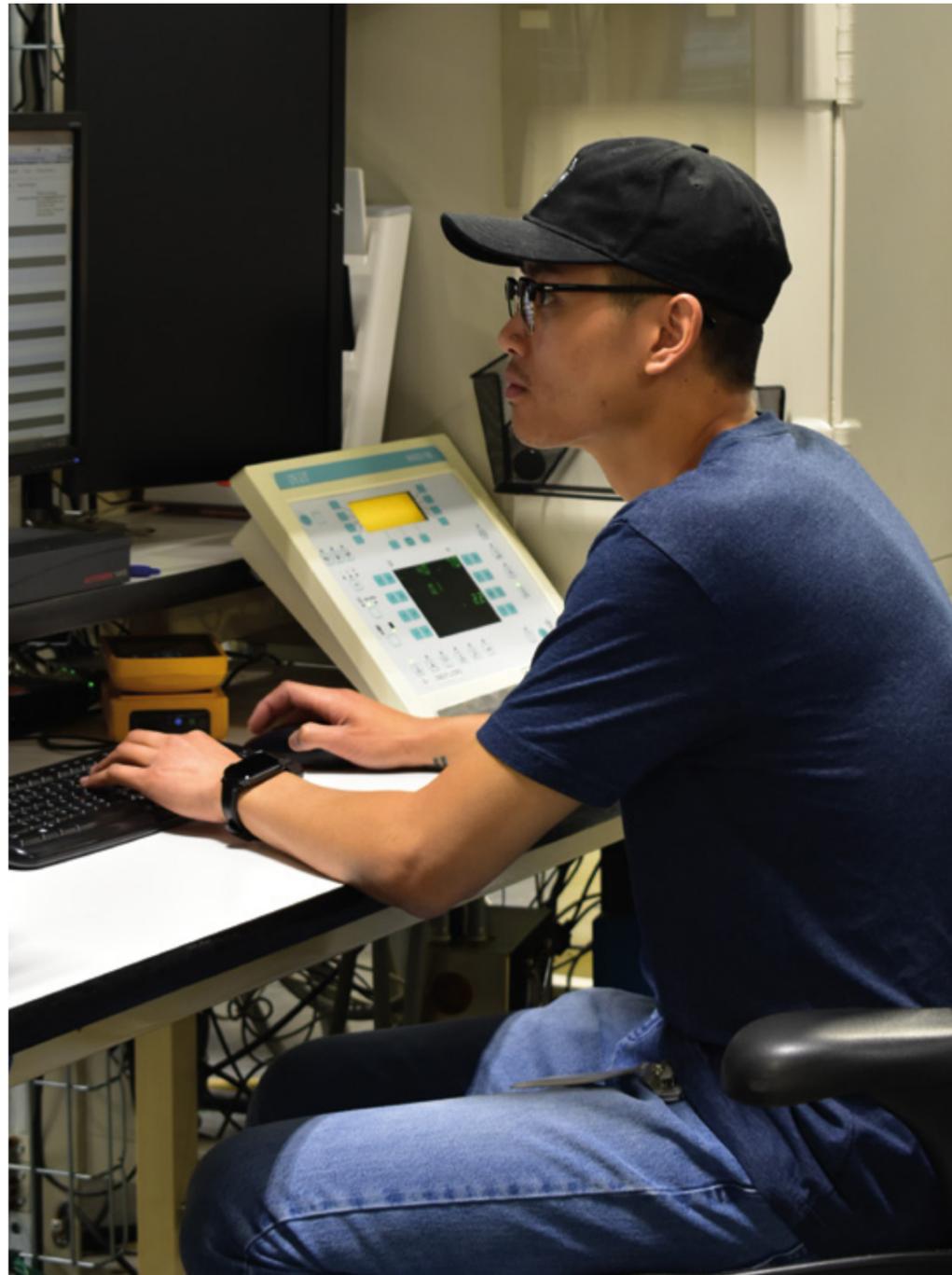
Product quality and reliability

We design our products for quality and durability and perform hundreds of tests to ensure that they meet high standards. In the event one of our products is faulty and returned to us by a customer, we perform a risk assessment to identify the issue and use this information to improve our manufacturing processes. We have an established process control that tracks each manufacturing step to identify issues and allows us to rectify them before they become serious problems - because we take our product safety and quality seriously.

Managing radiation

We utilize X-ray energy in many of our products to offer our customers the best in imaging technologies. We are subject to strict regulations with regards to the manufacturing, handling, storage, transport, and disposal of any radioactive substances. We also work with our customers and partners to devise solutions that reduce the radiation dose received by patients and technicians. Any product that we make for imaging humans, or other biological subjects, must conform to strict Food and Drug Administration (FDA) regulations.

In 2018, we launched our first in a series of indium gallium zinc oxide (IGZO)-based digital detectors. IGZO will allow our customers to create devices that work faster, produce higher image quality, and emit a lower radiation dose.



2018 key highlights

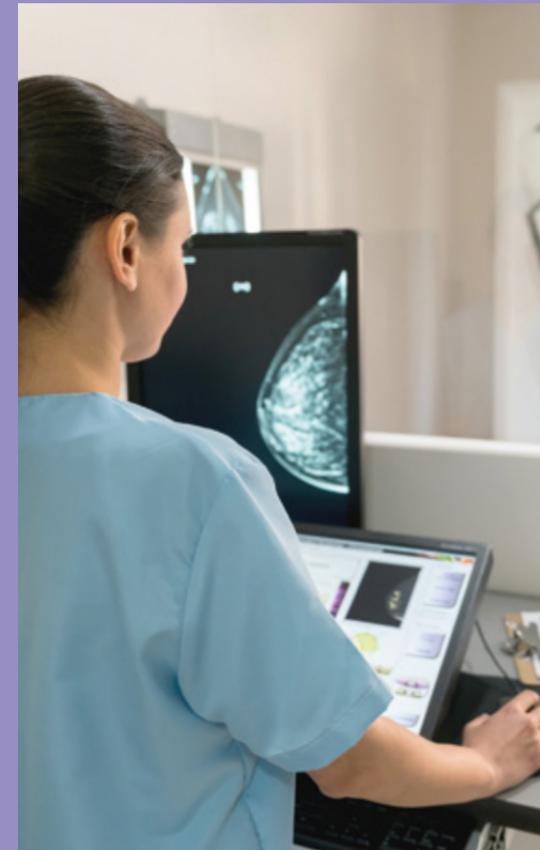
Decrease in cost of production failure from 2017 to 2018 by 0.90%

First IGZO-based flat panel detector launched

COLLABORATING FOR PRODUCT LONGEVITY

The lifespan of our X-ray tubes is closely tied to the customer and how they use them - such as how frequently they are used and in what type of hospital the technology is being installed. If the product is going into an OEM device, we can use data collected from previous tubes that we have supplied to them to estimate the lifespan and produce a warranty. However, if a tube is destined for an after-market device, we may have no previous data to base our estimate on and so must approximate how long the tube will last.

We work to improve our tubes to supply all our customers with more-efficient, longer-lasting products. In 2018, we collaborated with an OEM to improve and optimize the design of our mammography tubes to increase longevity and power levels. The updates we have made will help our customers to better monitor the tubes, reducing the need for machine downtime and allowing improved maintenance programming.



LOOKING AHEAD

TARGETS

- Unify global operations to a single quality management system
- Achieve high product quality for our customers

KPIs

Percentage product acceptance rate

PROGRESS IN 2018

99% product acceptance rate in 2018

○ ONGOING ● ACHIEVED ● MORE TO DO



CARING FOR OUR CUSTOMERS: A PARTNER FOR SUCCESS

Our customers' success is crucial to our own: We aspire to form strong partnerships with them. Some of our customer relationships have been built and maintained over more than four decades.

Producing industry-leading, high-quality products and technologies is not enough to stay ahead in a competitive market. We must also strive to offer first-class customer care and to build meaningful relationships with our customers, becoming an extension of their internal teams. Improving health, safety, and security for society is a collaborative effort; we work to tailor our products to the needs of our customers, providing a personalized experience every time.

Customer satisfaction

We value customer satisfaction and feedback, and in 2018, conducted a Net Promoter Score (NPS) survey. We set a goal to receive a score of at least 50 and exceeded this with a score of 59. We are now working to close our feedback loop, to increase collaboration, and to provide more touch points for our customers based on these NPS results. Through this increased engagement we will be able to deliver greater success for both Varex and our customers.



Solutions in Sight™

To advance the services we provide we need to take more initiative, creating products to address customer problems before they even arise. We want to use the years of knowledge and experience we have acquired to help our customers become industry leaders and bring innovative and high-quality products to market faster. It is from this desire that our Solutions in Sight™ initiative was born. The program, which we soft launched in 2018 ahead of a full launch in the first half of 2019, is an inside-out approach to addressing customer needs. Through it, we aim to optimize customer interactions and provide a more tailored, solution-focused communication and product development experience.

Our Solutions in Sight™ initiative will be a guiding standard in furthering the services we provide, as we endeavor to build our reputation as being not only a products provider but also a solutions provider.

2018 key highlights

NPS survey score of 59 in the fourth quarter of 2018

Cybersecurity and safety of customer data

Varex values data security and data privacy, and is committed to protecting customer, employee, and business partner data. We target industry best practices to protect the confidentiality and integrity of business and personal data, and follow ISO 27000 principles to enforce accountable, role-based, least-privileged access to all managed sources of data. We are actively engaged in developing a culture of information compliance and security.

LOOKING AHEAD

TARGETS

- Keep our Net Promoter Score (NPS) at 50 or above
- Improve our customer survey response rate

KPIs

- NPS
- Percentage customer survey response rate

PROGRESS IN 2018

- NPS score of 59 at the end of 2018
- 9% (58) customer survey response rate

ONGOING ACHIEVED MORE TO DO



PROTECTING THE ENVIRONMENT

As a global company, we have a responsibility to minimize our impact on the environment, not just because it's the right thing to do, but because it makes good business sense.

We are committed to reducing our contribution to climate change through responsible stewardship of resources and tackling our energy use and emissions to safeguard the world we all live in. We work with our customers and suppliers to reduce our environmental impacts through the entire lifecycle of our products, including their end-of-life stages.



OUR FOCUS AREAS

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

UN SUSTAINABLE DEVELOPMENT GOALS



OUR 2030 AMBITION

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

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



Going LEED in Franklin Park, IL

For many years, Varex has operated in two separate locations in the Chicago, IL, area. The Connect and Control Group operated out of Downers Grove, while the Industrial Research and Scanning Services Team was located in Lincolnshire. In 2018, these operations were consolidated from two leased locations into one Varex-owned facility located in Franklin Park. Based near the O'Hare International airport, the facility occupies approximately 61,000 square feet. One third is dedicated to offices, while the rest houses manufacturing and scanning services.

In an effort to minimize our environmental impact and provide the most productive workspace possible, the facility was designed and built to LEED Silver standards, although the certification itself was not pursued. This follows the certification of our headquarters expansion facility in Salt Lake City, UT, which achieved LEED Gold Certification in 2017. This required all new high-efficiency air handling systems, LED lighting, skylights, and additional windows to provide natural light in the office and production spaces. The construction project included a large amount of interior demolition, during which we ensured as much material as possible was recycled.

90

trees planted to eliminate soil chemical contamination

100%

of new products evaluated against our Sustainable Innovation Criteria

RESOURCE STEWARDSHIP

We're developing our manufacturing processes to become circular, enabling us to reduce waste, use resources efficiently, and offset the environmental impacts of our increasing production footprint.

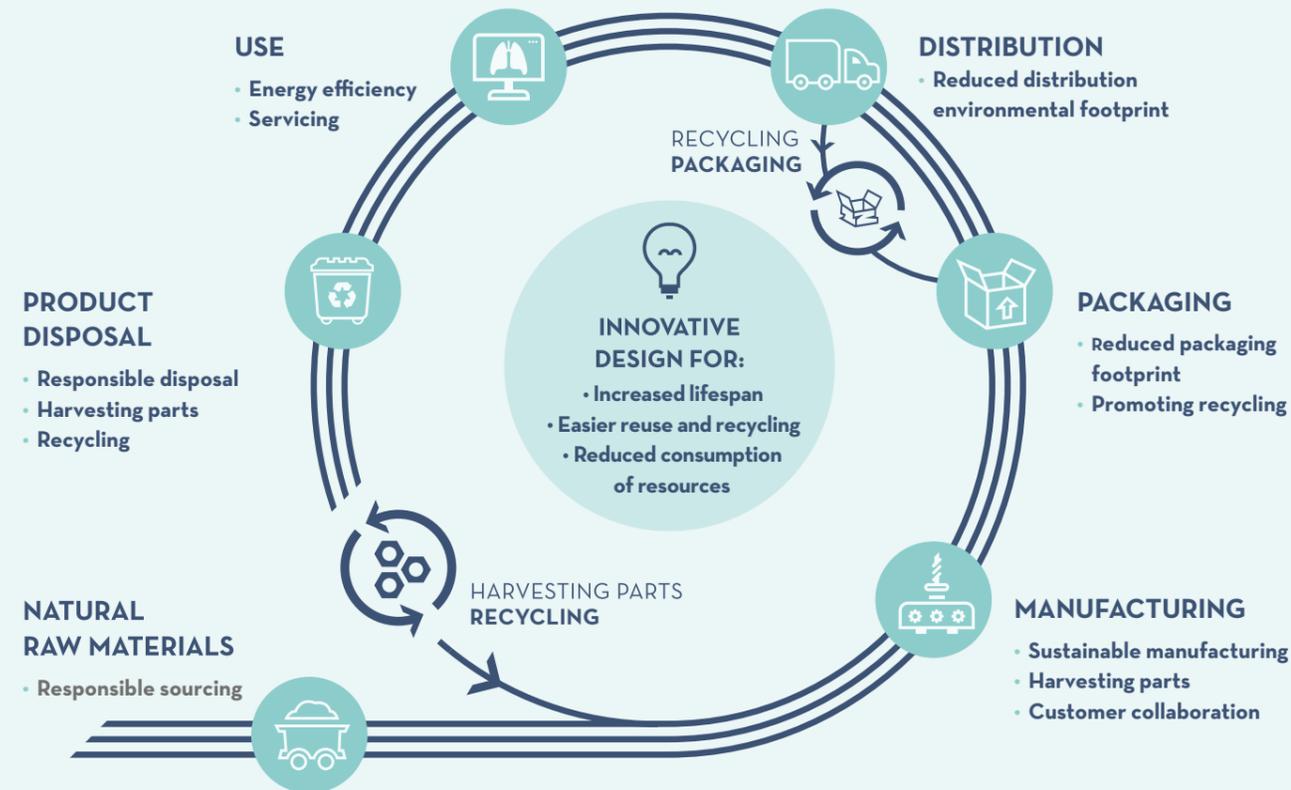
Our Sustainable Innovation Criteria drive continued improvement in the resource efficiency of our products, by:

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

2018 key highlights

\$16 million net earned through the recovery and reuse of materials

+8,300 X-ray tubes returned for recovery/recycling¹



¹ Tubes returned over a one-year period from October 2017



Preserving resources for the future

We reuse many of the materials sourced for manufacturing our products. However, there are materials that we can't reuse, and we don't want them to end up in landfill. We recycle all the cardboard in which returned products are sent, and also many of the foams. Drums that carry chemicals to our manufacturing facilities are sent to be recycled and we donate clean spare barrels to the local zoo to be given to their polar bears as enrichment. As a global company, we strive to ensure our Sustainability Strategy encompasses all our sites.

Transitioning toward a circular economy

Our goal of closed-loop production in our manufacturing facilities will enable us to reduce resource waste. We are advancing the design and engineering of products with materials that can be recovered at their end-of-use and be recycled back into new products. We are bringing in more sub-assembly processes, which present further opportunities for material recycling.

Building a circular economy requires more than just repurposing manufacturing materials. One of our goals for 2019 and beyond is to develop a closed-circuit water system, which takes in water and then recycles it for a variety of uses within our facility, instead of discharging it.



LOOKING AHEAD

TARGETS	KPIs	PROGRESS IN 2018
<ul style="list-style-type: none"> ○ Zero waste: work toward the circular economy 	<ul style="list-style-type: none"> Tons of waste² recycled Tons of waste to landfill Percentage waste diversion rate Number of tubes/panels taken back each year 	<ul style="list-style-type: none"> 218 tons of waste recycled 284 tons of waste went to landfill 43% waste diversion rate at manufacturing facilities +8,300 tubes returned for recycling
<ul style="list-style-type: none"> ○ Continue to improve and reduce our water use across our global manufacturing operations Develop a closed-loop water process 	<ul style="list-style-type: none"> Water use (m³) 	<ul style="list-style-type: none"> 229,232 m³ water used in 2018
<ul style="list-style-type: none"> ○ Innovate our products in partnership with our customers to become more environmentally sustainable, guided by our Sustainable Innovation Criteria Conduct life-cycle assessments (LCAs) of our products to better understand their environmental impact 	<ul style="list-style-type: none"> Percentage of new products that meet our Sustainable Innovation Criteria LCAs carried out 	<ul style="list-style-type: none"> 100% new products met our Sustainable Innovation Criteria LCAs ongoing

○ ONGOING ● ACHIEVED ● MORE TO DO

² Waste data excludes all facilities except Salt Lake City

CLIMATE CHANGE, ENERGY, AND AIR QUALITY

Climate change impacts the lives and livelihoods of millions of people worldwide. We understand our role in limiting climate change and believe that, as we continue to reduce our use of volatile organic compounds (VOCs), our emissions will also decrease.

Tackling emissions

Mitigating our climate change impacts

Emissions from energy consumption remain an issue, both for Varex and on a global scale. It is our responsibility as a business to help tackle the problem and we are working to address this in numerous areas of our operation, from manufacturing to supply chain and transportation. We are very concerned with reducing our climate footprint; we worked with a solvent blender to identify a new formulation that reduces regulated VOC emissions – carbon-based chemicals that evaporate easily and can become air pollutants. We have also planted 90 trees around our Salt Lake City manufacturing center, which will biologically break down chemical contamination in the soil into harmless components.

Our commitment to reduce emissions extends from the business as a whole to our employees as individuals. At our headquarters in Salt Lake City, we have established a carpool service with the Utah Transit Authority run by our employees, for our employees. The initiative began with one van, but as more people become interested in saving money on travel and reducing their personal carbon footprint, our people have taken the initiative to expand the enterprise: three vehicles are now used by more than 100 employees, 10% of our local workforce.



LOOKING AHEAD

TARGETS	KPIs	PROGRESS IN 2018
○ Continue to reduce direct energy use across our global operations	Direct energy use in megajoules (MJ) Energy intensity by revenue in MJ	85,927,145 MJ used 0.36 MJ/\$ revenue
○ Improve indirect energy use across our global operations	Indirect energy use in MJ (or multiples)	174,528,396 MJ used
○ Reduce our Scope 1 and 2 ¹ GHG emissions ² across our global operations	Tons CO ₂ e broken down by Scope	17,652 tons CO ₂ e (Scope 1) 15,518 tons CO ₂ e (Scope 2)
○ Reduce our Scope 3 GHG emissions across our global operations (including employee air travel and product transportation)	Tons CO ₂ e	4,498 tons CO ₂ e
○ Decrease our emissions to air across our global operations	Tons NO _x , SO _x , VOCs	0.45 tons NO _x 0.08 tons SO _x 0.10 tons VOCs ³

○ ONGOING ● ACHIEVED ● MORE TO DO

Saving energy

Increasing energy efficiency to cut use and costs

We identify opportunities to improve our facilities to increase efficiency and reduce energy requirements. For example, we have installed Transformative Wave technologies on the roof of our Salt Lake facility. This allows us to network all the temperature control systems around our building, allowing them to "talk to each other" to regulate temperatures automatically and reduce any unnecessary energy use.

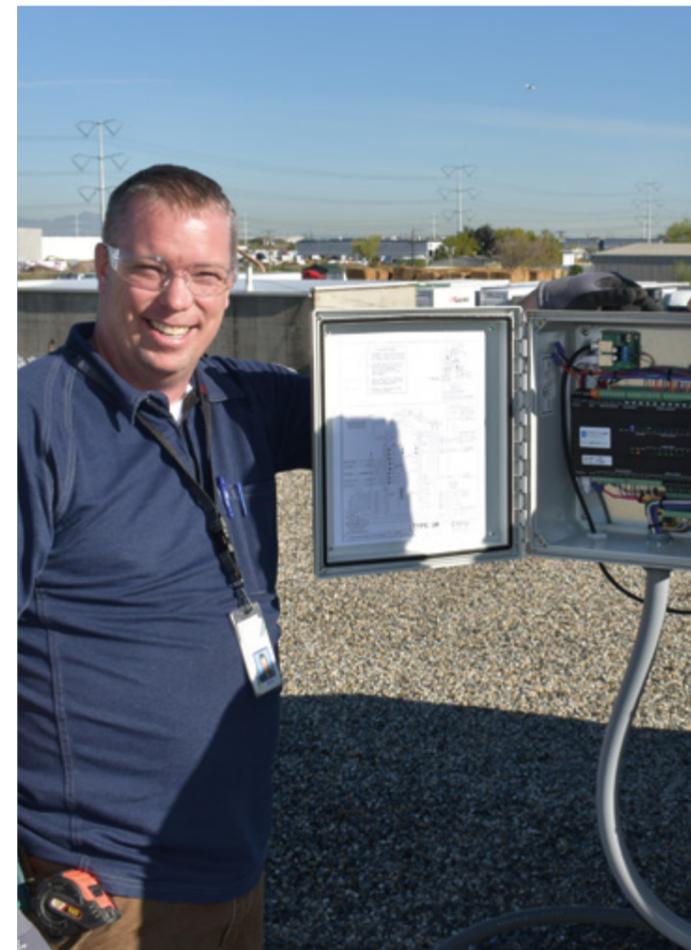
In 2019, we plan to replace all the windows in our Liverpool, NY, office in order to increase energy efficiency.

2018 key highlights

Franklin Park site designed to LEED Silver standard⁴

1 million kWh energy savings

¹ Scope 1 and 2 are market based
² GHG emissions from electricity were calculated using 2017 IEA factors
³ Air emissions are for Salt Lake City only
⁴ Not certified





Inspiring women of Varex

Three years ago, a support group was established at Varex: the Women's Interest Network (WIN). The mission of WIN is to support women and other under-represented groups within Varex through networking and professional development opportunities, encouraging more gender equality within our company. Through this group we seek to understand the unique opportunities and challenges women encounter in the workplace. In 2018, we saw an opportunity to expand the work this group does with women into our wider community.

WIN partnered with Shelter the Homeless to raise funds and hygiene supplies for Salt Lake City's Geraldine E. King Women's Resource Center. This center, set to open in June 2019, will accommodate 200 single women facing homelessness. The trauma-informed designed resource center is part of a broader aim to provide solutions to the underlying causes of homelessness; helping individuals achieve housing stabilization and self-reliance.

We are excited to reach beyond the walls of Varex to inspire and support all women within our community and will continue to develop projects to this end.

1/4

of the company's board members are women

\$65,000

donated to 37 nonprofits within 25 miles of U.S. Varex locations



EMPOWERING PEOPLE AND COMMUNITIES

We want our business to thrive, and this can only happen if we help our people and communities to thrive too.

Our business's success depends not only on the health and wellbeing of our employees but also on that of the communities that surround it. This year, we launched our new global Community Giving Strategy, which aligns with our mission and corporate strategy to benefit the health of our communities. While we work to increase our positive impact externally, we also promote good health and wellness among our employees through a global wellness program.

As a company, we recognize that we are only as excellent as our talent. This is why we are dedicated to building the workforce of the future. We make this possible through investing time and resources in the training of our employees and the promotion of science, technology, engineering, and math (STEM) subjects in schools and colleges. We strive to provide a comfortable and supportive atmosphere for our employees and work to ensure their safety and wellbeing.

OUR FOCUS AREAS

- Being an employer of choice
- Being a good neighbor

UN SUSTAINABLE DEVELOPMENT GOALS



OUR 2030 AMBITION

We will develop our strategy to invest in:

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

BEING AN EMPLOYER OF CHOICE

To build a diverse and inclusive workforce we must attract, retain, and develop the finest talent in the industry. We believe valuing people for their differences is key to building a strong team and we welcome those who share our passion. As an employer of choice, we strive not only to recruit the most qualified employees possible, but also to put their health, safety, and wellness first.

Acquiring new talent in the technology industry is becoming increasingly difficult. New companies entering the market and established companies expanding globally pose potential competition for talent. To attract and retain the best people, we focus on being an employer of choice. We strive to provide unique career opportunities to develop a talent pipeline that will enable us to stay ahead of the industry for years to come.

2018 key highlights

Over 600 employees attended a Health, Safety and Wellness fair in Utah

Updated our DART (days away, restricted or transferred) target from 0.7 in 2017 to 0.5, with an aim of reaching 0

365 consecutive days without any lost time due to accidents

Diversity and equality

Building a diverse and inclusive employee network

The greatest ideas happen when diverse minds come together. We aim to embed a culture of inclusion in an environment that values difference, inspires innovation, and encourages everyone to reach their full potential.

To ensure we are true to our vision, we make all our employment decisions based solely on the qualifications and merit of candidates. We have made a public commitment to the Parity Pledge™ to consider female candidates when looking to fill VP and board-level positions.

Improving gender balance is a key priority, especially as women are under-represented at senior levels. Our WIN provides networking and mentoring opportunities and career development for our female and other diverse employees. We also support and participate in a range of female-oriented organizations such as Society of Women Engineers, MESA/STEP, and Women's Tech Council.

We annually perform affirmation action analyses in the United States. This involves studying the diversity of the available labor force based on local census data and then comparing it with internal data from Varex workforce job groups. We aim to achieve an equal level of diversity; in areas where we fall short, we have focused outreach programs.

Developing people

Building our company through developing talent

In 2018, we focused our efforts on setting, for each of our employees, individual development goals that tie directly to our executive and corporate-wide goals as well as building a more structured training program.

Developing talent refers not only to supporting our existing employees but also to providing opportunities for new, emerging talent to grow. We have an annual internship program to introduce young people to the technology sector. At the end of our 2018 program, we hired Seokhee, a Compensation Analyst summer intern, as a full-time employee following his impressive intern performance. We aim, through this internship, to provide young people not only with real-world work experience but to create an atmosphere that they enjoy and feel comfortable working in. "I have become much more confident and well-versed in my Excel capabilities. And it can't be forgotten that breakfast is awesome here," said Seokhee of his experience.

Health, safety and wellbeing

Ensuring the safety and wellbeing of our people, partners, and visitors

We endeavor to create work environments where our employees feel safe and supported and where reducing workplace injuries is a collective responsibility. Increased training on injury protocol for managers and other employees resulted in an Occupational Safety and Health Administration (OSHA) recordable incident rate of 1.19 in the United States, down from 1.35 in 2017, keeping us below the industry average. Our environment, health and safety (EHS) global council meets on a quarterly basis to explore and refine ways to further reduce accidents.

We are conscious of the need to support our employees' mental health and wellness. In our Beijing and Wuxi facilities time is allotted every day for employees to stop working, take a break, go for a walk, or play ping pong to relax. Across the United States we have developed, and are promoting through monthly webinars, a wellness program with Health Advocates to support a healthy work-life balance.



LOOKING AHEAD

TARGETS	KPIs	PROGRESS IN 2018
○ Train and develop our employees	100% of employees trained	92% of employees received formal training in 2018
○ Continuously reduce our recordable accident rate	Recordable accident rate	1.19 OSHA rate (2017: 1.35) ¹
● Establish a baseline for global safety	DART target rate revised to 0.5 (2017: 0.7)	0.30 DART rate (2017: 0.28) ²
● Zero work-related fatalities	0 fatalities of direct employees 0 fatalities of contractors	0 employee or contractor fatalities in 2018
○ Invest in developing talent by supporting the higher education and continuous learning of our employees through the education stipend program	Continue to invest in the education stipend program Increase employee engagement in program	\$376,518 invested in 2018 89 employees benefited from the education stipend program
○ Create a better workplace for parents by establishing a maternity and paternity leave policy	100% of women that return and stay after maternity leave	Parental leave policy established 100% of employees returned to a role at an equivalent grade when they returned from leave (36 men, 3 women)
● Be an equal pay employer globally	Equal pay for women and men (U.S. only)	78% male: 22% women
○ Roll out a global survey on equal opportunities	Percentage of weighted average comparative salary ratio	23.5% of employees in 2018 were female
○ Grow a diverse talent pipeline, including increasing the number of female and ethnic minority employees at Varex	Continue to increase the number of female employees and engineers	8.9% of engineers in 2018 were female
○ Increase the number of female engineers		

○ ONGOING ● ACHIEVED ● MORE TO DO

¹ The OSHA rate is a U.S. only measure for 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.

² The DART rate is a U.S. only measure for 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

Part of our ambition to be an employer of choice is caring for our communities. Being a good corporate citizen underpins this goal and promotes our aim of a healthier and safer future for all.

2018 saw us roll out our new Community Giving Strategy. We have established this strategy in all of our U.S. facilities to date with the goal of expanding it globally in 2019. This strategy is divided into three areas: health and health research; STEM education; and diversity and inclusion.

2018 key highlights

49 interns supported in 2018 across disciplines such as engineering, IT, compliance, and computer science

Awarded grants to 11 local nonprofit organizations in the Liverpool, NY, area as part of the new Community Giving Strategy

Engaging with communities

The work we do within our communities supports our vision of promoting better health and a safer future for everyone.

Each year, our employees participate in a range of activities designed to give back to those in our local communities. In 2018, we contributed toward projects that support our new Community Giving Strategy:

- We established a partnership with the group Invest in You Too, which works to assist unemployed women in re-entering the job market. The group provides a curriculum to these women to prepare them for work. We have hired on a permanent basis four of the women who we supported via the program.
- Ten employees from the Varex team in Las Vegas volunteered at the Las Vegas Rescue Mission. This project, which relies entirely on contributions from local residents and businesses, provides shelter, food, daily needs, and addiction recovery to individuals and families in the local homeless community. During the visit, our employees helped to unload three truckloads of donations, served over 110 lunches to residents at the center, and helped to clean the cafeteria after the meal.
- We continue to offer scholarships to underserved STEM students and internships with Varex to encourage young people to develop an interest and pursue a career within this sector.

LOOKING AHEAD

TARGETS

- Build on our global Community Giving Strategy year-over-year, with a focus on investing in improving lives through better health and community impact
- Partner with local high schools to support and invest in the development and education of young women

KPIs

Investment in organizations in communities where we operate

Continue investing in the development and education of students through scholarships and other programs

PROGRESS IN 2018

\$65,000 donated to 37 nonprofits located within 25 miles of U.S. Varex locations

\$3,000 invested in scholarships 2 scholarships provided

○ ONGOING ● ACHIEVED ● MORE TO DO

Kites Against Cancer

Our employees are passionate about using their skills to combat health issues such as cancer. Our Equipment Maintenance Technician at our Salt Lake City facility, Kevin Bayless, is a kite enthusiast and renowned kite maker in his spare time. In 2018, he paired up with fellow enthusiast Alden Miller to honor their friend Rich who passed away from pancreatic cancer. Together with 30 other kite builders from around the world, the pair hosted an auction called Kites Against Cancer, which raised funds for the Pancreatic Cancer Action Network (PanCAN). In total, the event raised nearly \$24,000.



Supporting children in the Philippines

There are over 2.2 million children living on the streets in the Philippines and this number is increasing. Our employees in Calamba have been making efforts to address this issue since 2009, when they started supporting Ang Bahay Parola (ABP) Children's Center. The center is a home for abandoned children, providing them with food, shelter, schooling, and medical care. Local Varex employees support the organization through regular cash donations from their own paychecks that go toward basic life necessities such as clothing. We also hosted a Christmas party for the ABP children and staff again in 2018, where the children received gifts, played games, and enjoyed a Christmas meal. We continue to look for ways to help the center and assisted in building a playground, and furnishing the library with tables and chairs, a television, and computer package.



ACTING WITH INTEGRITY

Operating with integrity, fairness, and accountability is crucial to our vision of building a responsible, trusted business.

We aim to reduce, and ultimately eliminate, human rights issues in our supply chain, including the use of conflict minerals, and work closely with our suppliers to reduce their environmental impacts.

Our Code of Conduct

Communicating clear standards and values

We want to create a workplace culture where employees understand their ethical responsibilities and feel comfortable to raise 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 multiple 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
4. Company assets and information

Read our [Code of Conduct](#) online

OUR FOCUS AREAS

- Governance
- Ethical business
- Responsible supply chain

UN SUSTAINABLE DEVELOPMENT GOALS



OUR 2030 AMBITION

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

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



Governance

We design our governance structure with the highest levels of business ethics and transparency in mind.

The Varex Board of Directors represents the interests of our investors and other stakeholders. It is responsible for, among other things, approving annual operating budgets and executive compensation, and providing general oversight of and input on corporate strategy and business performance. The Board also monitors legal and ethical conduct in cooperation with the General Counsel.

Three committees support the Board: the Audit Committee; the Compensation and Management Development Committee; and the Nominating and Corporate Governance Committee. In addition to these committees, a management team, led by the CEO, supports the Board through executing the strategy and day-to-day management of the business. The Sustainability Leadership Group, comprising the CEO, Chief Financial Officer, General Counsel, Sustainability Manager, and Director of Facilities and Equipment, reports annually to the Nominating and Corporate Governance Committee.

1st

Varex conflict minerals report published in 2018

100%

of reports to the Ethics Hotline are investigated

ETHICAL BUSINESS

Our employees are an integral part of our business. We are creating a culture of shared responsibility that people can trust and be proud of.

We are celebrating our second year as a public company and have developed a new mission and vision statement to reflect our efforts to remain an ethical business as we grow. As a global company, Varex, and our 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.

Creating a culture of compliance

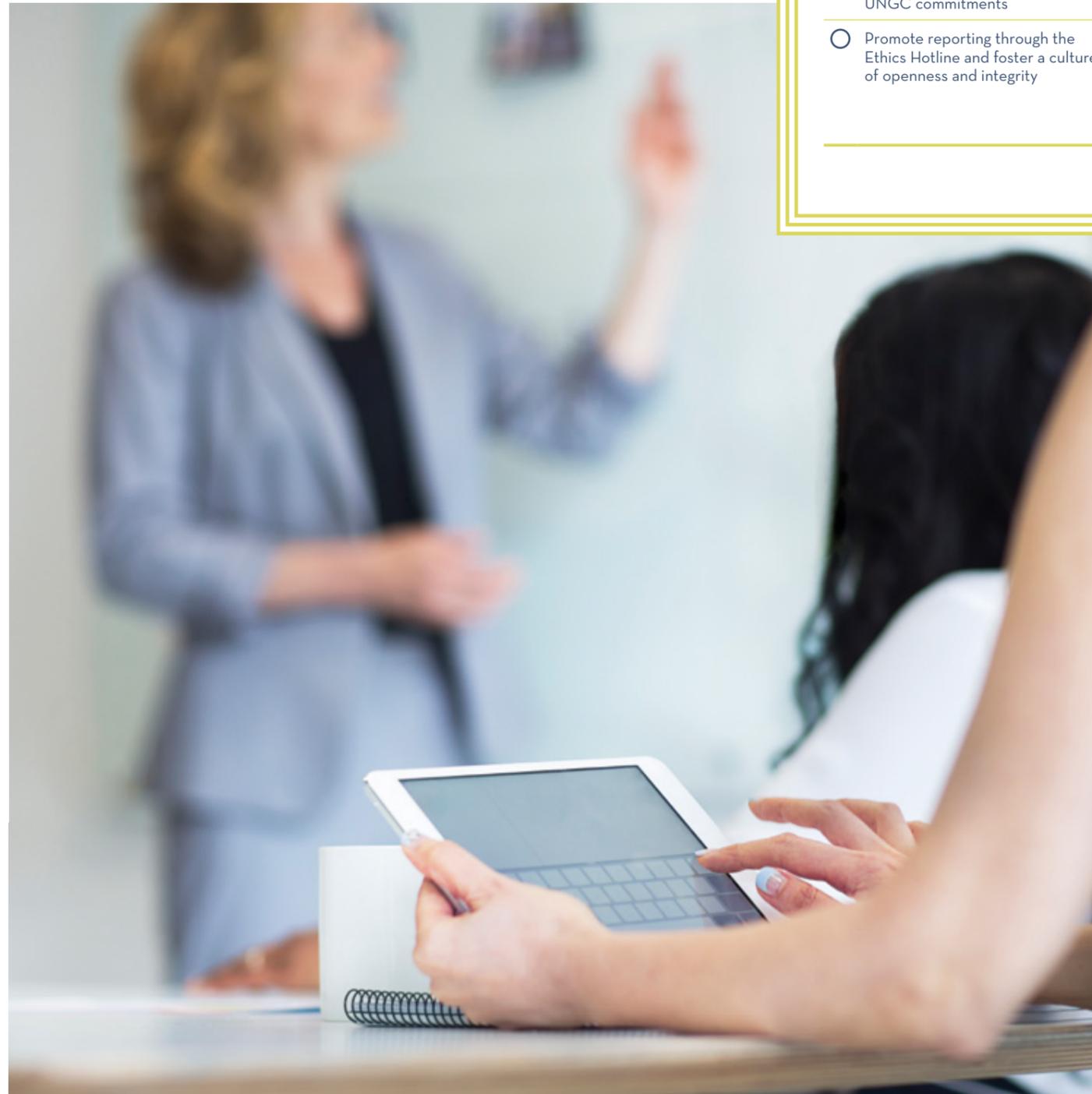
We support all our employees to ensure they understand the Varex Code of Conduct and to create a culture of compliance within our business. This involves annual ethics training for all employees. Distributors of our products also receive regular training on ethical conduct.

We strive to develop our ethical practices and to meet Good Manufacturing Practices (GMP) compliance within our organization as a whole and at each plant individually. We have harmonized our standards across the United States, Germany, the Philippines, and the Netherlands through the Medical Device Single Audit Program (MDSAP), where one auditor inspects all facilities, ensuring continuity in our practices. Performing a single audit of several international facilities enables us to satisfy the requirements of several regulatory jurisdictions.

2018 key highlights

MDSAP audit performed and Varex approved for certification

92% of active employees trained on our Code of Conduct



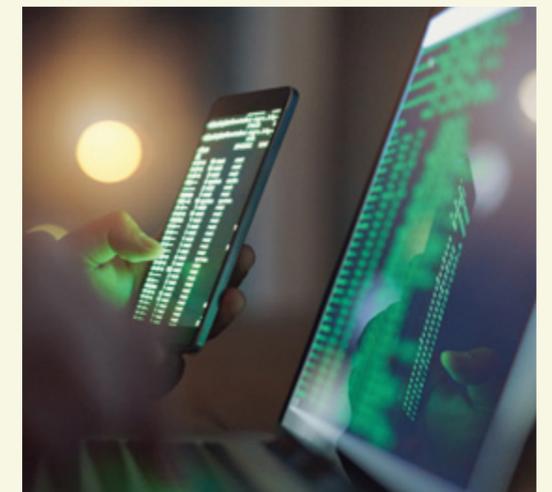
LOOKING AHEAD

TARGETS	KPIs	PROGRESS IN 2018
○ Train employees on our Code of Conduct	100% employees trained on our Code of Conduct	92% employees trained on our Code of Conduct
○ Move toward signing on to the UNGC commitments	N/A	Work underway
○ Promote reporting through the Ethics Hotline and foster a culture of openness and integrity	100% of Ethics Hotline reports investigated	100% of employees informed of the Ethics Hotline, through posters in the workplace and online training 100% of Ethics Hotline reports investigated

○ ONGOING ● ACHIEVED ● MORE TO DO

Respecting customer privacy

Read more about our responsible supply chain on [pages 36-37](#). We have a responsibility to protect the human rights of our customers as well as our employees and those within our supply chain. We are certified for Privacy Shield, a framework for regulating the exchange of customers' personal data between the European Union and the United States for commercial use. To reinforce compliance with data protection laws, we provide our employees with periodic training. In 2018, we trained several of our employees in our Health Insurance and Benefits Group on Health Insurance Portability and Accountability Act (HIPAA) requirements and guidelines.





RESPONSIBLE SUPPLY CHAIN

Promoting ethical practices doesn't stop at the walls of our facilities - we need to understand the risks that exist in our supply chain and work with suppliers to develop responsible and sustainable responses.

2018 key highlights

Continued collaborative packaging recycling and reuse with suppliers and customers

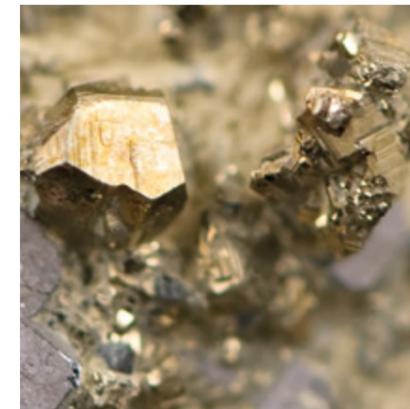
Ahead of compliance deadlines for removing Phthalates from our products



Improving shared understanding and compliance

We choose suppliers that share our values and ethical practices. As we bring new suppliers on board, it is the responsibility of the Supply Chain/Procurement Team to review our terms and conditions with them. We audit our suppliers on a regular basis to ensure compliance.

In 2019, we will audit suppliers for material issues and safety and quality, reporting on the results in our next report. We perform these supplier audits on a rotational basis rather than surveying every supplier every year, and focus on those that we categorize as being part of the Approved Supplier List.



Conflict minerals

To ensure ethical practices when it comes to sourcing conflict minerals, we collect data from relevant suppliers. Data is collected using the standardized Conflict Mineral Reporting Template, which allows for the transfer of mineral country of origin, smelters, and refiners' information throughout the supply chain. We aim for an 85% feedback rate from these suppliers and, in 2018, received data from 84% of the 321 suppliers engaged. One of our goals going forward is to increase the education we provide to our suppliers. Many of our suppliers are out-of-country, which can introduce ambiguity as to which conflict minerals laws they need to comply with. When selling products to a U.S. company, American ethics laws must be adhered to and we are working to make this more apparent to our supply partners.

LOOKING AHEAD

TARGETS

KPIs

PROGRESS IN 2018

<ul style="list-style-type: none"> Develop a conflict minerals policy and publish our first conflict minerals report 	N/A	Policy established and published to website in January 2018 Report published
<ul style="list-style-type: none"> Establish a supplier survey on conflict minerals and work toward 100% response rate 	100% of supplier survey response rate	Supplier survey was undertaken, with 82% reply rate
<ul style="list-style-type: none"> Update our Master Service Agreement incorporating human rights and conflict minerals issues Train the Strategic Sourcing Team on human rights and conflict minerals Create a strategy to approach and work with key suppliers on human rights issues 	100% of Strategic Sourcing Team trained on human rights and conflict minerals	Master Service Agreement updated and supplied to key suppliers 100% of Strategic Sourcing Team trained on human rights and conflict minerals
<ul style="list-style-type: none"> Develop a supplier engagement program with tier 1 suppliers to improve sustainability performance 	100% of tier 1 suppliers involved in program	80% involved in program

○ ONGOING ● ACHIEVED ● MORE TO DO

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 2018 Sustainability Report (the “Report”) for the year ended December 31st, 2018.

Our Assurance 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. We believe that the Report is prepared in accordance with the ‘Core’ option of the GRI Standards. In terms of reliability of the specified 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.

In 2018, Varex established a Sustainability Leadership Group, with Board level representation. The Group’s focus has been on the headquarters and manufacturing site at Salt Lake City site rather than the wider company and has not met as frequently as intended. Varex should reinvigorate the Sustainability Leadership Group by widening the scope to include all sites across the company. This could encourage company wide participation in the sustainability strategy development and deployment and improve sustainability reporting across the company through greater engagement.

Materiality

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

Varex’s materiality assessment, completed in September 2017, took a pragmatic, step-by-step approach to understanding material issues of concern to both its internal and external stakeholders. After a series of acquisitions and divestments since 2017, we recommend that Varex refreshes the materiality assessment in the next year, so that any issues of relevance to new internal and external stakeholders are not missed. We also recommend that Varex considers the extent to which topics in the Report remain relevant to the whole company, and not just the Salt Lake City site.

Sustainability context

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

The Report includes a progress update against each of Varex’s sustainability targets for 2018. To provide further context to the reader on Varex’s performance, we recommend including

performance for previous years so that the direction of progress can be easily gauged. To further improve the robustness of the targets we also recommend they are reviewed so that they are Specific, Measurable, Achievable, Realistic and Time bound (SMART).

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

Varex collates data from across the company on a wide range of topics. The most comprehensive data set is the environmental data which is collected from all manufacturing sites in the company. For other data points such as Health & Safety and Human Resources related topics, the data in the Report explains that it is for their Salt Lake City site only. We recommend Varex considers rolling out the existing data collection processes for these areas to all sites so that the Report provides a more comprehensive representation of the company.

Reliability and quality

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

During the assurance process, we noted challenges in finding the source of selected data and claims in the Report. There was also some confusion as to how some Performance Data were defined, which increases the risk of inconsistent data being reported. We recommend that the definitions and methodology for all Performance Data reported are documented as a point of reference for the data owners. In addition, the governance and accountability of data and information that feeds into the Report could be improved. For example, as information is collated for the Report, the source evidence of that information could be collated and stored for easy reference.

Several material errors and omissions were identified and 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 reiterate our recommendation from last year 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 manufacturing sites outside of the USA. The revised process could include clearly defining the roles and responsibilities of data owners, monitoring activities, units of measurement, appropriate storage of evidence and at least quarterly collection and 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 selected Performance Data using the reliability principle together with Varex’s data collection process 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.

Selected Performance Data in scope

Inspiring innovation	Protecting the environment
• New products that met Varex’s Sustainable Innovation Criteria (%)	• Energy use (MJ)
Empowering people and communities	• Greenhouse gas emissions (tons CO ₂ e)
• Employees trained (number and %)	• Water use (m ³)
• OSHA Recordable accidents at U.S. sites (rate)	• Waste diverted from landfill (%)
• Days away restricted or transferred (DART) at U.S. sites (rate)	GRI Standards
• Female engineers (%)	• Preparation of the Report in accordance with the ‘Core’ option of the Global Reporting Initiative (GRI) Standards 2016
• 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 the headquarters and manufacturing site at Salt Lake City, UT and a manufacturing site in Las Vegas, NV to review processes 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 prioritised according to materiality and we based our prioritisation on the materiality of issues at a consolidated Group level; and

- Review of the processes for gathering and consolidating the selected Performance Data and, for a sample, checking the data consolidation.

Responsibilities of the Directors of Varex and of the assurance providers

The Directors of the 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 Independent 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.

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.dnvgl.co.uk/BetterAssurance

For and on behalf of DNV GL Business Assurance Services UK Limited, London, UK

September 13th, 2019



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

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 Jordan Larson at sustainability@vareximaging.com or 801.972.5000

Varex Imaging Corporation

1678 S. Pioneer Road
Salt Lake City, Utah 84104

