

PROTECTING RESOURCES,
EXTENDING CARE,
SAVING LIVES

Varian Sustainability Report



WELCOME TO OUR SUSTAINABILITY REPORT

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ABOUT THIS REPORT

This sustainability report has been produced as part of the wider investment Varian is making to improve our sustainability performance and transparency. In 2010, we commenced a significant, company-wide undertaking to examine our sustainability performance and identify where we perceive challenges and opportunities to be addressed over time. This effort was sponsored by our CFO and involved the close participation of senior leaders from each of our divisions, key geographies and core functions. Together with sustainability experts, BSR, we identified and prioritized Varian's most significant sustainability issues, and following GRI (Global Reporting Initiative) guidelines those issues are reported on within this first-ever Varian Sustainability Report. We invite you to follow our sustainability journey here, and on our sustainability site online at Varian.com (to be finalized in 2012).

This report covers Fiscal Year 2010 (October 2009–September 2010).

Go online:

In addition to this report, Varian will publish future sustainability reports, performance, and activities on this site. We expect to issue our next sustainability report in mid-2012.

www.varian.com



“With over 5,700 people sharing our mission to save and protect lives, being a responsible corporate citizen isn’t a choice – it’s a way of life.”

A MESSAGE FROM OUR CEO

Financial growth and technical innovation are common measures of a company’s performance. But for Varian Medical Systems, success in these areas is not enough. We must achieve our corporate goals in a socially and environmentally responsible manner. That is what this report is all about.

While our company continues to develop better therapeutic capabilities for the clinicians who fight cancer, better diagnostic systems for filmless imaging, and better security systems for cargo screening, we strive to do so in ways which extend access to advanced care, improve clinical outcomes, optimize safety and make a positive impact on the communities where we operate.

While the size of our company has quadrupled over the last 12 years, we have always placed great emphasis on enlightened employment practices and responsible environmental behavior. We can point to considerable environmental initiatives dating back more than 20 years and we can highlight many achievements along the way. Yet, to date, Varian has not produced a comprehensive sustainability report to present these achievements and activities in a single place.

You’re now reading our inaugural sustainability report, covering 2010. It details some major accomplishments in that year and communicates goals and targets for the future. We’ll be updating the report each year to track progress in this area. I believe strongly in sustainability and I encourage all Varian employees to make it part of their daily working lives. With over 5,700 people sharing our mission to save and protect lives, being a responsible corporate citizen isn’t a choice – it’s a way of life. Our people believe in what we’re doing. That’s one of the reasons employee turnover is a quarter the rate you see in other Silicon Valley companies.

We have split this report into four thematic areas: **Health Access and Outcomes**, looking at how better cancer care is being extended to under-resourced parts of the world; **Safety and Responsibility**, outlining how we operate and develop our products; **Environment**, examining our sustainability achievements and goals for Varian facilities globally; and **Colleagues and Communities**, detailing Varian’s employment practices and our impact in the communities where we operate.

We are proud of our mission and how we are achieving it in a responsible manner, however, we recognize that there is always room for improvement and we’ve set some ambitious goals to do even better. We will keep you up to date on these efforts.

Thanks for your time and attention. I’d love to hear what you think.

Please email our sustainability team at sustainability@varian.com

Tim Guertin

TIM GUERTIN CEO

VARIAN MISSION

Varian Medical Systems' mission is to explore and develop radiation technology that protects and saves lives. Our goal is to help save 100,000 more lives each year. To meet this challenge, we equip the world with new tools for fighting cancer, taking X-ray images, and protecting ports and borders. The people of Varian Medical Systems share this mission and goal. Together, we are a partner for life.

OUR BUSINESS UNITS



ONCOLOGY SYSTEMS

Varian's Oncology Systems business is the world's leading supplier of medical devices and software for treating cancer and other medical conditions with radiotherapy, radiosurgery, and brachytherapy. Its products include linear accelerators, simulators, afterloaders, and a broad range of accessories and interconnected software tools for planning, verifying, and delivering the most sophisticated treatments available.



X-RAY PRODUCTS

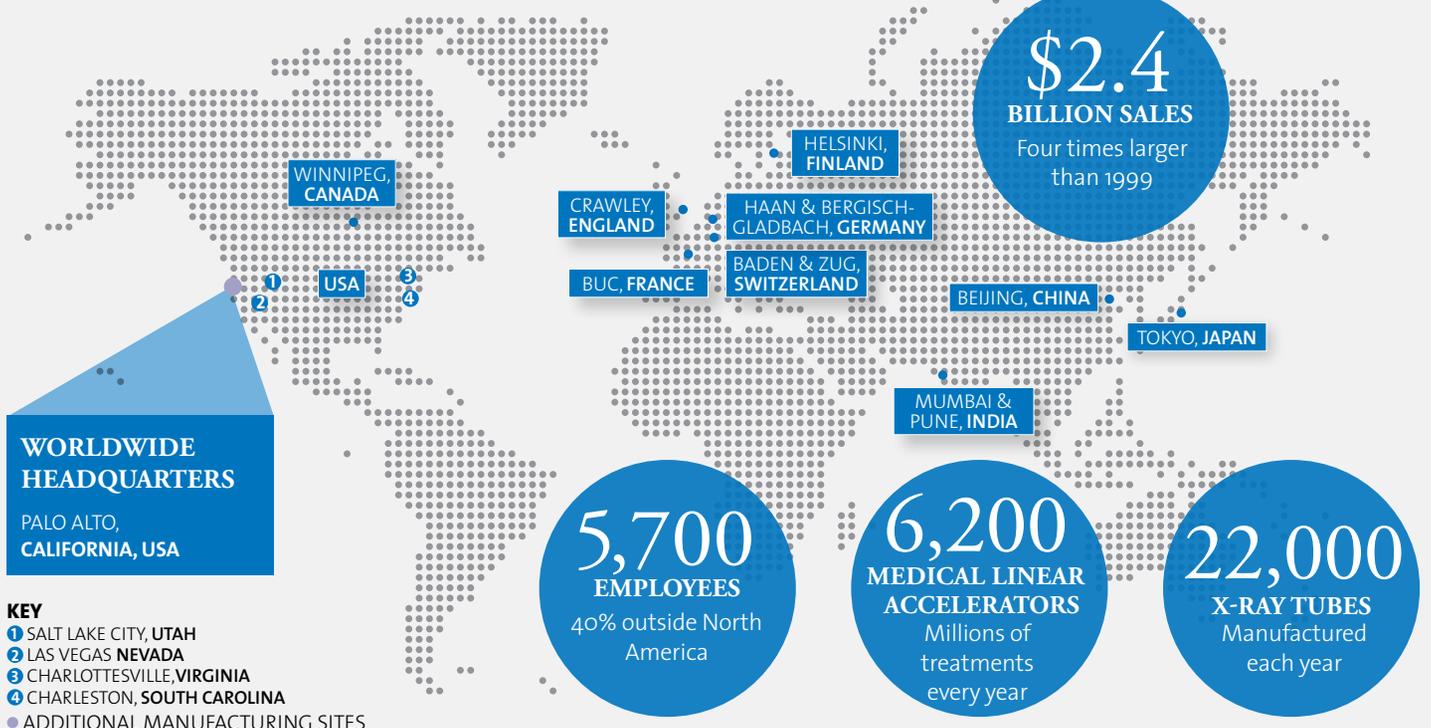
Varian's X-Ray Products business is the world's premier independent supplier of X-ray tubes and flat-panel detectors for filmless X-ray imaging. Its products are used in X-ray imaging equipment for medical diagnostics, dentistry, veterinary care, industrial inspection, and security. Varian manufactures more than 400 types of X-ray tubes annually as well as a broad line of flat panel image detectors.



OTHER

Varian's "Other Businesses" category includes the company's Security and Inspection Products group, which supplies high-energy X-ray technology for industrial inspection and cargo screening; the Varian Particle Therapy business, which offers the ProBeam™ proton therapy system for advanced proton radiotherapy treatments; and the Ginzton Technology Center, which conducts research and development projects in support of all of Varian's business units.

MAJOR SITES



SUSTAINABILITY GOALS SUMMARY

REDUCE CARBON FOOTPRINT/
GREENHOUSE GASESMinimum **25%**

GHG emissions

reduction from 2010
baseline by 2020REDUCE ELECTRICITY/NATURAL GAS
CONSUMPTIONMinimum **20%**

energy use

reduction from 2010
baseline by 2020REDUCE SOLID WASTE DISPOSAL
TO LANDFILL

Achieve minimum

80% overall diversion
by 2015through source
reduction, recycling,
and compostingMINIMIZE HAZARDOUS WASTE
GENERATION AND ELIMINATE
LANDFILL DISPOSALReduce hazardous waste
generation by **25%**

from 2010 baseline by end of 2020

100% recycling,
reclamation, or reuse
of hazardous waste by
2020. Zero landfill of
hazardous waste.

WELLNESS

During **2014**the Living Healthy wellness team will
make a health risk assessment available
to all Varian employees by 2014, with the
intention to expand the Living
Healthy program globally
by 2020.INCREASE ENVIRONMENTAL
PERFORMANCE OF REAL ESTATE

Achieve this through

“green”

building construction and renovation

Achieve LEED certified status for any
major renovation of non-LEED certified
space or for new construction. Achieve
one LEED status tier higher for any major
renovation of LEED certified space.

CHARITABLE GIVING

Maintain giving as percent of
revenues and pre-tax profit at or above
average for U.S. healthcare companiesIncrease
philanthropic efforts
in international
communities.

REDUCE WATER CONSUMPTION

Achieve **20%**

minimum reduction

in potable water use from
2010 baseline by 2020

SUSTAINABILITY GOVERNANCE

Varian's Sustainability program is overseen by its Corporate Citizenship committee, an expansion of the company's Safety and Environmental Executive Committee, which comprises cross-functional, cross-business leaders. This committee, established and overseen by CEO Tim Guertin, links to Varian's Board through the Board Audit Committee, headed by Rudi Naumann. CFO Elisha Finney staffs the Board Audit Committee and sits on the Corporate Citizenship Committee, offering consistency and accountability for the program.

The Corporate Citizenship Committee manages Varian's sustainability efforts and has established our Sustainability Strategy and Targets. The committee is also responsible for communicating our sustainability priorities to our stakeholders in order to continually integrate sustainability into our business model. It is also responsible for gathering performance data, setting priorities and assessing emerging sustainability trends and their relevance to Varian Medical Systems. An updated report will be produced each year. The fiscal year 2011 report will be available mid-2012. A sustainability area at www.varian.com will be established in 2012 to contain sustainability-related issues and information.

Oversees the activities of the Corporate Citizenship Committee.

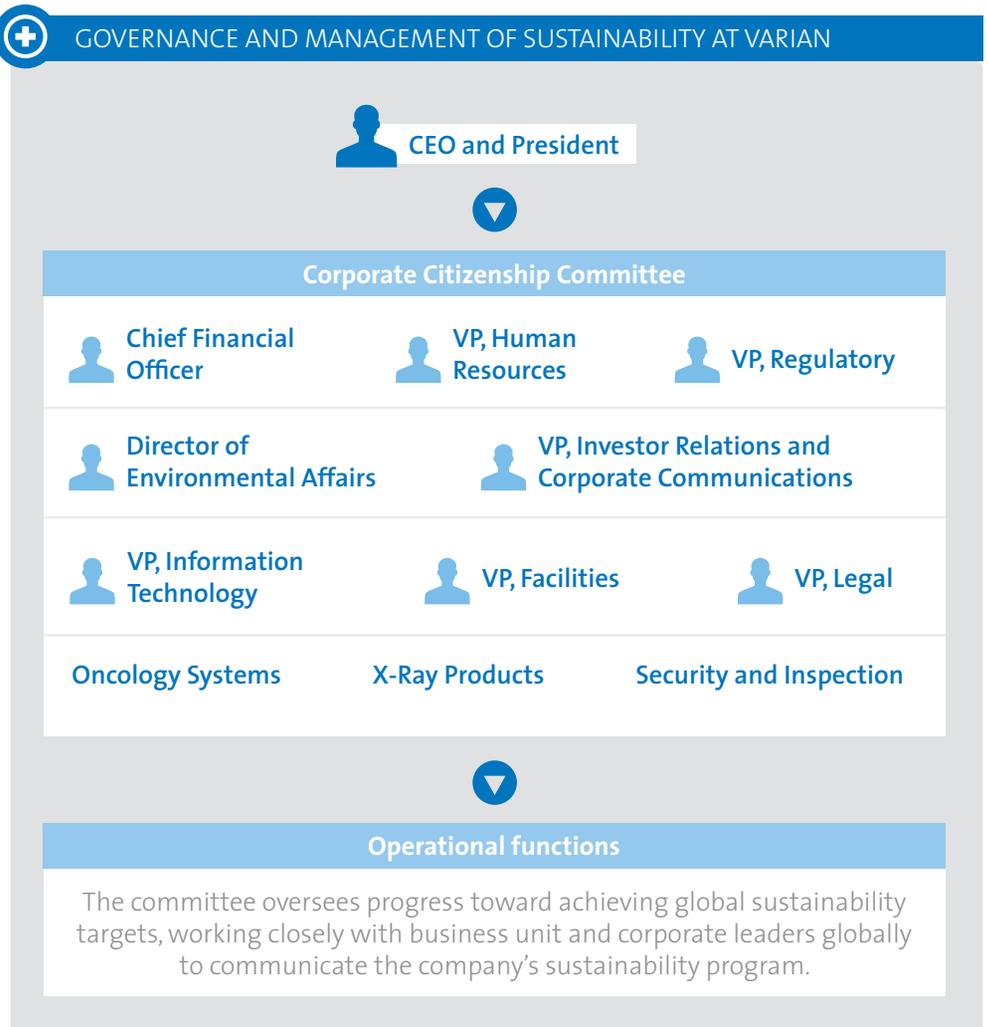
This group meets on a quarterly basis to set the company-wide Sustainability Strategy and determine progress against goals.

Responsible for sustainability targets.

Go online:

More details can be found in Varian's Annual Report, which can be accessed at: www.varian.com/investors

To view our Code of Ethics visit: <http://investors.varian.com/index.php?s=117>



EXTENDING CARE

As the world leader in radiotherapy, Varian develops and supplies systems that advance the speed and precision of treatment capabilities for the benefit of cancer patients worldwide.

IN THIS SECTION:

- 08 A Focus on Precision: Advances in radiotherapy
- 10 New Treatment Options: New methods of treating lung and liver
- 11 Equipping the Developing World: Extending care globally
- 12 Meeting the Training Challenge: Educating the practitioners

20

million annual
new cancer cases
globally by 2050

HEALTH ACCESS AND OUTCOMES



There are
more than
200
different types
of cancer

A FOCUS ON PRECISION

The key to successful radiation therapy treatments is precision: with precision, clinicians have the confidence to boost doses and potentially improve outcomes; with precision, surrounding healthy tissue is better spared during treatment, reducing complications; with precision, the dose can concentrate on doing what it does best – killing cancer cells.

Precision in delivering the treatment beam is helped enormously by today's automated tools, integrated treatment software and hardware, and superlative imaging technologies, all of which Varian has pioneered.

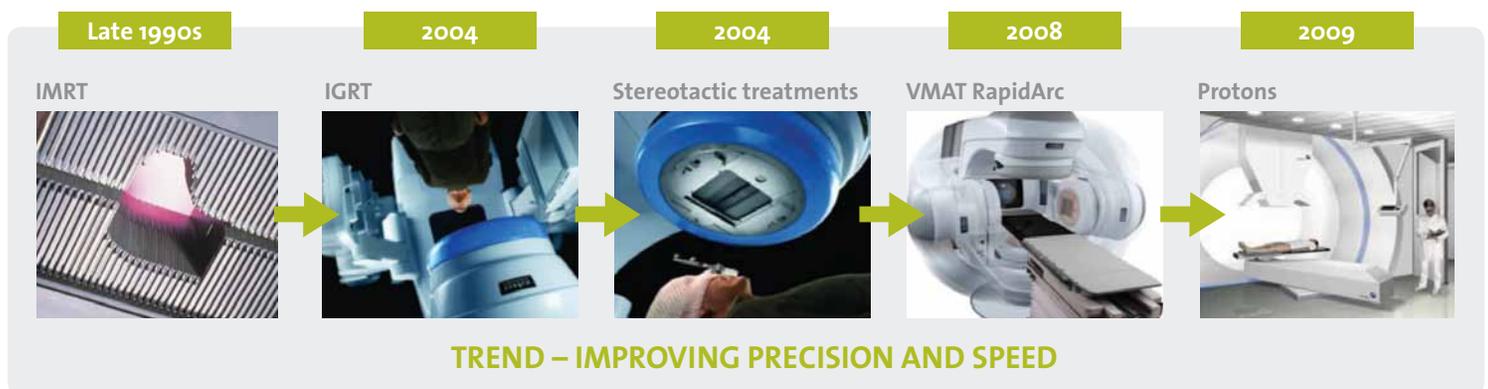
Intensity-modulated radiation therapy (IMRT) is a radiotherapy process that enables clinicians to precisely target the radiation dose at the cancerous tumor while better protecting surrounding healthy tissue, as well as automatically varying the dose strength to target the tumor more effectively. Varian introduced IMRT solutions in the 1990s and the technique has now been introduced in many hundreds of clinics around the world.

With such increased precision in dose delivery, the need for more accurate tumor-tracking images became paramount. In 2004, Image-Guided Radiotherapy (IGRT) became a reality with Varian's introduction of imaging tools such as the On Board Imager.

Most tumors are not stationary: they move within the body either through natural motion or in tandem with the patient's breathing cycle. With increasingly precise treatment delivery capabilities, extreme precision in patient setup for treatment has become even more vital. IGRT enables doctors to locate the tumor while the patient is in the treatment position and to minimize the volume of healthy tissue exposed to radiation during treatment by reducing treatment margins.

Combining IMRT and IGRT, VMAT (volumetric modulated arc therapy) enables much faster treatments because the treatment machine is in continuous motion around the patient during treatment. Again Varian pioneered VMAT and introduced its first clinical solution with RapidArc in 2008.

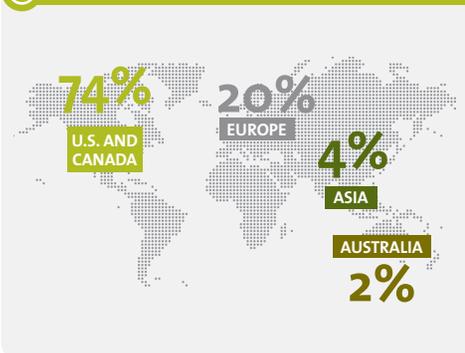
Taking precision in beam delivery a step further, stereotactic radiosurgery (one treatment) and stereotactic radiotherapy (more than one treatment) have become a reality. Conventional radiotherapy treatments involve 30–35 daily treatment sessions. With stereotactic treatments, the same dose is delivered in one to ten sessions. This enables radiation oncologists to treat metastases or lesions as they develop away from the primary tumor, as well as giving neurosurgeons an effective tool in the battle against intra-cranial tumors.



By introducing all these techniques on fast and efficient linear accelerator technology, Varian is working with clinics to achieve the dream of turning cancer into a chronic or manageable disease rather than a fatal one. Future innovations are likely to focus on real-time tumor tracking during treatment and combining radiotherapy with chemotherapy, using the beam to trigger localized drug treatments. Blue sky work is also underway to combine radiotherapy with biological agents.

Varian is also investing in proton therapy and is equipping new proton therapy centers in Europe and the U.S. Unlike conventional radiotherapy which uses high-energy X-rays, proton therapy delivers heavy particles – protons – which can be deposited even more precisely with less damage to surrounding healthy tissue. Proton centers are expensive to build and run and they'll never replace X-ray based radiotherapy, but they have a key role to play in treating children and cancers that are very close to critical structures, such as the eye and the spine.

+ Location of 2010 Varian Research Grants



INVESTING IN RADIOTHERAPY RESEARCH

Varian has a proud history of working with development partners to extend the capabilities of radiotherapy globally and in 2010 the company had 115 active research projects worth a total of \$7 million to further this aim.

Scott Johnson, PhD, Varian's senior manager of research collaborations, says, "There's an element of enlightened self-interest in awarding grants, as they help our product development teams to build better products, they demonstrate the clinical and operational effectiveness of these products, and they help grow the number of patients for whom radiotherapy is a viable option.

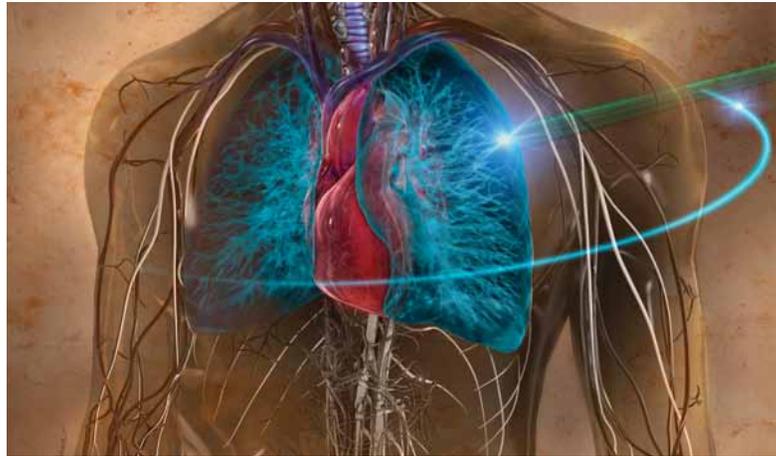
"The result, however, is the wholly philanthropic idea of improving cancer care by producing the best products for doctors to treat their patients."

Nearly three quarters of the research grants in 2010 were awarded to U.S.-based partners, with about 20% in European hospitals and just over 5% elsewhere. But this ratio will gradually evolve to supporting more international partners in the years ahead.

Varian plans to issue \$9.8 million worth of research grants in 2011 and \$9.8 million in 2012.

"Research grants will increasingly support the company's strategy to focus on stereotactic body radiotherapy (SBRT) for lung and liver treatments, particularly in China. At the same time, we'll increase the proportion of grants that aim to demonstrate the clinical and operational effectiveness of our products."

Scott Johnson, PhD, senior manager, research collaborations



LUNG CANCER – NEW TREATMENT OPTIONS

“We surveyed all our customers who have acquired TrueBeam systems to date and more than 90% of them said they planned to add SBRT to their practice, so this is something that’s really gathering momentum as a non-invasive alternative to surgery.”

 Dow Wilson, chief operating officer

Lung cancer is the biggest cancer killer in the world, causing more deaths than breast and prostate cancer combined. Every 30 seconds, someone somewhere in the world dies of lung cancer. In 2010, there were estimated to be 1,608,055 new cases of lung cancer worldwide and 1,376,579 deaths, representing 18.2% of all cancer deaths. In developing nations, the lung cancer burden is expected to grow exponentially – in China alone, there are predicted to be nearly 750,000 cases of lung cancer in 2020, more than half the global burden.

As well as being increasingly prevalent, lung cancer is hard to treat. While survival rates have improved considerably for most forms of cancer, lung cancer survival rates remain stubbornly low. Surgery is an option only for healthy, operable patients and the traumatic nature of lung cancer surgery, involving incisions from the sternum to the spine, means long recovery periods.

In the past, radiotherapy has primarily had a role to play for pain relief, not for curative intent. But now, with more precise treatment techniques and better imaging to account for motion, stereotactic radiosurgery is a viable alternative to surgery. In effect, doctors can now use the radiotherapy beam to excise the tumor in the same way that a surgeon uses a scalpel, although non-invasively.

SBRT

Over the past few years, stereotactic body radiotherapy (SBRT), which involves delivering the dose in fewer treatment sessions than with conventional radiotherapy, has increasingly been used to treat inoperable lung cancer patients. Clinicians now believe that operable patients could also benefit from such treatments. Numerous trials are underway and outcome data is extremely positive, including results from a study in Texas showing a remarkable 57% three-year survival for frail, elderly, inoperable lung cancer patients.¹

“Conventional radiotherapy is often not acceptable for high-risk patients who may not be willing or able to travel but SBRT, involving far fewer treatment sessions, is an increasingly viable option,” says Professor Suresh Senan, radiation oncology at VU University Medical Center in Amsterdam, where life-saving treatments are delivered using Varian equipment and software.

Varian, with its new TrueBeam device able to deliver dose at more than twice the speed of any other radiotherapy device, is at the forefront of this trend towards higher dose treatments in fewer treatment sessions. “We’re providing clinicians with the tools to offer curative options for difficult-to-treat tumors such as lung and liver, and this is a key part of our mission to help save an additional 100,000 lives,” says Dow Wilson, chief operating officer.

¹ Timmerman R et al. Stereotactic body radiation therapy for Inoperable Early Stage Lung Cancer. JAMA 2010; 303(11): 1070–1076.



The team at Al Kindy Hospital in Casablanca, Morocco, where the first advanced RapidArc IMRT treatments in north Africa have recently taken place.

EQUIPPING THE DEVELOPING WORLD

We live in a world where developed countries like those in North America and Western Europe are pretty well equipped with advanced cancer treatment systems, while developing regions are woefully under-equipped. As part of our mission to help save an additional 100,000 lives a year, Varian's focus has been on bridging this divide and extending advanced care to more people. We achieve that via a number of global initiatives aimed at supplying emerging economies with superior systems while developing techniques that make advanced treatments easier and quicker to deliver.

While North America has 13 modern radiotherapy machines per million population and western European nations have between five and ten per million, emerging countries such as India and China have far fewer than one per million. To get China and India – both of them fast developing nations – to even the lowest number of machines per capita of the western world would require another 20,000 machines to be installed; and there are only 12,000 in the entire world today. Developing countries such as Indonesia, Bangladesh and most African nations lag even further behind.

So this is a huge gap to bridge. But Varian is working with customers and partners to bridge that gap and provide access to modern treatments to some of the world's poorest nations – and innovation such as RapidArc is playing a major role.

FASTER TREATMENTS

When RapidArc was introduced in 2008, it offered a much faster way of delivering advanced IMRT (intensity-modulated radiation therapy) treatments. Although research has shown IMRT is an effective way of focusing dose on the tumor while sparing exposure to surrounding healthy tissue, many hospitals delayed introducing treatments because of the additional expertise and time required to plan and deliver IMRT treatments.

Conventional IMRT involves stopping the machine several times as it rotates around the patient and delivering the beam from many different angles, thus creating a “hot spot” on the tumor while limiting damage to surrounding tissue and organs. This “step and shoot” process is time-consuming and IMRT plans are more complex than standard 3D conformal radiotherapy plans.

With RapidArc, clinicians can achieve the same “hot spot” but they can do it in a single or multiple continuous rotations of the machine. No more stepping and shooting. Treatments that previously took ten to 15 minutes can now be carried out in one to two minutes. Hospitals can treat more patients while offering superior treatment techniques.

Varian has introduced a low-energy treatment machine called UniQue which can include RapidArc for a much reduced price. UniQue can handle 75% of the cancer cases that enter a hospital, but at a cost that's affordable for developing countries. Varian's family of linear accelerators are regarded as reliable, high-throughput systems that enable radiotherapy departments to treat significant numbers of patients with safe, high-quality treatments.

And Varian's X-ray Products group contributes to system efficiency by introducing new families of X-ray tubes and image detectors that enable higher quality diagnostic images to be acquired at a lower dose per image.



+ RapidArc

RapidArc enables advanced image-guided IMRT treatments to be delivered in as little as a minute.



| Bangladesh United Hospital.

“By developing faster and more efficient ways of delivering advanced treatments, we can help emerging countries to not only offer modern techniques for the first time, but to do that without making lengthy waiting lines even longer.”

© Dr. Ayan Basu, M.D.
oncology at United Hospital

BRINGING ADVANCED TREATMENTS TO BANGLADESH

When Varian supplied four modern linear accelerators to two public hospitals in Bangladesh five years ago, it marked a dramatic advance in radiotherapy capabilities for a country of 160 million people. Prior to that landmark event, the entire country had only two linear accelerators, one at a military hospital and one at a private center, and both of them older than ten years.

Today, there are 11 accelerators serving the country’s cancer population, including devices capable of advanced RapidArc IMRT (intensity-modulated radiation therapy) treatments. RapidArc treatments have begun on an advanced Clinac linear accelerator at the new United Hospital Comprehensive Cancer Care Center in the capital, Dhaka.

“As well as offering great precision and excellent dose distribution, RapidArc enables us to deliver the dose more quickly,” says Dr. Ayan Basu, M.D., head of radiation oncology at United Hospital. “This is a country with long waiting lists for treatment, so RapidArc will help us to treat many patients with advanced radiotherapy techniques.”

“There are huge challenges facing cancer treatment in Bangladesh, with many patients travelling to Singapore and India for treatment,” says Rolf Staehelin, head of international marketing at Varian, “and we hope RapidArc at United will play its part in starting to address the country’s extensive cancer burden.”

According to recently published reports there are currently over one million people with cancer in Bangladesh, with approximately 200,000 new cases being reported annually and approximately 150,000 annual deaths associated with the disease.

MEETING THE TRAINING CHALLENGE

Emerging economies have a tremendous need for modern radiotherapy equipment but funding is not the only restriction – there’s a knowledge gap that needs to be filled. To help alleviate this problem, Varian has established a series of training centers globally to help address this issue. Along with well-established training facilities in the U.S. and Europe, the company has invested in new centers in India, China and – shortly – Japan.

The Beijing Education Center, at Varian’s China HQ, is equipped with a beam-capable Trilogy linear accelerator in a shielded vault and a lecture laboratory with a suite of 17 workstations where students can learn treatment planning, product features and operation, as well as physics QA (quality assurance) in a hands-on environment.

In Mumbai, Varian has established a training center where comprehensive software suites are complemented by a VERT system enabling practical training to be facilitated using a virtual linear accelerator. A similar training center is due to open in Tokyo in November 2011.

“Having training in the local language demonstrates to customers that Varian is investing in their future,” says Jon Hollon, Oncology Systems’ director of worldwide training and education. “We want to do what we can to bridge this knowledge gap and ensure there are enough qualified therapists and physicists to cope with the burgeoning cancer populations.”

Varian also runs clinical schools at select customers, enabling cross-fertilization of ideas and best practices. “This is particularly helpful for techniques like motion management,” says Jon Hollon, “which you really need to see in clinical use to fully comprehend.” To date, Varian co-ordinates 13 clinical schools in Europe, South America, Australia and emerging economies.

| Trainees at Varian’s Mumbai
Education Center.

Varian trained
nearly
4,800
radiotherapy
professionals
in 2010



“We’re very aware that much of the developing world is under-equipped and that won’t change overnight, but by investing in more efficient delivery techniques and by working with like-minded partners globally, we hope to help cancer patients in developing regions gain access to modern radiotherapy treatments planned by well-trained physicists and delivered by well-trained therapists.”

© Michael Sandhu, VP, Oncology Systems, EMEA, CIS & APAC

PARTNERSHIPS TO EXPAND QUALITY CARE

The International Atomic Energy Agency (IAEA) has, among others, a mission to support the transfer of radiotherapy technology to low- and middle-income countries. To date, the IAEA has supported over 110 developing countries in Africa, Asia, Latin America and Eastern Europe. In several African countries, their first cancer centre has been developed with the support and expertise of the IAEA. Varian works closely with the IAEA to further these goals.

The company attends international meetings organised through the IAEA’s Programme of Action for Cancer Therapy (PACT), including the AGaRT (Advisory Group on increasing access to Radiotherapy Technology) forum established in 2010 which looks at the viability, availability and cost of existing radiotherapy technology for developing countries. Varian has already started offering new deals and prices for low-resource countries, helping them to utilize the funding they have to expand and improve their treatment options.

Vietnam is one of the world’s poorest-equipped nations for radiotherapy and Varian recently funded a fact-finding mission there led by leading Australian oncologist Dr. Graeme Morgan, aimed at helping the Vietnamese Ministry of Health to develop an education program for radiotherapy. Dr. Morgan’s subsequent report is currently being evaluated by the Vietnam Atomic Energy Institute and a decision is expected in 2012.

In China, Varian has sponsored more than 100 of the nation’s physicists to participate in the online Dosimetry Training Tool program that was developed at Stanford University. Varian has also been inviting the students to attend physics QA (quality assurance) training at the company’s new education center in Beijing. These courses have been taught by such luminaries as Prof. Fang-Fang Yin, chief physicist for Duke University, and Dr. Joseph Ting of MIMA in Melbourne, Florida.

Varian customer Yashoda Hospital, a private center offering advanced treatments for the booming Indian private sector, offers an unusual service – it sends a bus into local villages several times a month and brings patients back to Hyderabad for treatment.

The bus, resplendent in orange and equipped with a wide range of diagnostic equipment, travels to remote villages throughout the province of Andra Pradesh and screens patients for cancer. If people need treatment, they’re brought back to the hospital and treated without charge.

“Most of these people live below the poverty line,” says Dr. G.S. Rao, executive director at Yashoda Hospital. “Cancers of the cervix and head and neck are very common here and we are able to offer advanced treatments on our modern Varian linear accelerators.” In the five years that Yashoda has been running this service, more than 30,000 people have been helped.

At Yashoda, patients receive treatments on advanced linear accelerators with RapidArc, for fast and efficient IMRT (intensity-modulated radiation therapy) treatments. In fact the hospital – which has “A RapidArc Hospital” emblazoned at the entrance – has now treated more than 500 patients with RapidArc on a single machine. “With a great technology such as RapidArc we are able to give many more patients access to advanced cancer care,” adds Dr. Rao.



Yashoda has helped more than **30,000** people since the service started running five years ago

According to the Cancer Foundation of India, it is estimated that at any given point in time there are 2.0 to 2.5 million cancer cases requiring cancer treatment in India and this number is increasing by almost a million new cancer cases each year.

SAFETY AND RESPONSIBILITY

35

million treatment
sessions each year on
Varian equipment

SAFETY IS KEY

Safety is paramount for Varian. Not just making the millions of radiotherapy treatments delivered around the world each year as safe and effective as possible, but also protecting the world's ports and borders from potential threats.

IN THIS SECTION:

- 15 A Commitment to Patient Safety: Continual improvements in product safety
- 16 Securing Patient Information: Leading the way in data privacy
- 17 Health and Safety: Conducting business safely worldwide
- 18 Protecting Ports, Borders and Structures: Cargo screening and non-destructive testing

Dr. Marta Scorsetti
of Milan's Humanitas
Clinic, a leading cancer
center and Varian
customer.



TrueBeam STx with patient.

A COMMITMENT TO PATIENT SAFETY

Varian's medical imaging and cancer treatment devices are intended to help patients. Patient safety is therefore a primary consideration in everything we do, from product design to post-market surveillance.

Like all medical device manufacturers, Varian operates in a highly regulated sphere, and works diligently to comply with the requirements of the U.S. Food and Drug Administration (FDA), the European regulatory authorities, and similar bodies in Canada, China, Japan, Latin America, and throughout the world, which set stringent standards for protecting patient safety. Throughout the design and development process, Varian teams conduct detailed risk analyses, as well as verification and validation tests, to demonstrate that products are safe and effective for use.

As a consequence, millions of radiotherapy treatments are delivered safely each year at treatment centers around the world. The American Society for Radiation Oncology (ASTRO) has estimated that radiotherapy treatments are delivered safely and accurately more than 99% of the time.

Despite the company's best efforts, however, on rare occasions, radiotherapy treatment mishaps do occur. When such an incident occurs, Varian follows a careful process for alerting regulatory authorities, investigating the situation, determining the root cause, alerting customers to prevent similar incidents from happening elsewhere, and taking corrective action, including product recalls when appropriate. Finally, we take any lessons learned and use them to resolve any issues with additional safeguards. This approach to patient safety helps us improve on our product quality.

In addition to reactive action in response to complaints, Varian is proactive about continual improvement in product safety. In a process we call post-market surveillance, Varian monitors diverse information sources to collect information. Product specialists observe and interview early adopters of new products to identify any issues that could affect patient safety or clinical efficacy. They survey customers and monitor professional communication channels such as blogs and list servers addressing the medical physics and radiation therapy professional communities. They vigorously analyze all product improvement requests, complaints, and help desk calls to spot trends that might reveal product issues that need to be addressed. The information generated from postmarket surveillance becomes the basis for designing product improvements. For example, such analyses led to system enhancements such as:

- A treatment management system that performs data checks to verify that all critical pieces of data are present before a treatment is allowed to proceed;
- Additional safety features that ensure key components of the system are operating correctly;
- Dose monitoring systems that monitor the intensity and uniformity of the treatment beam;
- Interlocks that stop a treatment if any beam parameter falls outside predetermined limits.

These are just a few of the numerous safety features in treatment delivery systems from Varian.

TRAINING AND EDUCATION

In addition to taking a constant-improvement approach to the company's products, Varian is fully committed to providing clinicians with comprehensive training programs in the safe and effective use of Varian technology. The company takes a "blended learning" approach, utilizing classroom training, on-site clinical support, and remote learning options including webinars with clinical experts from around the world. Varian operates the largest private network of radiation oncology training centers in the world, with sites in Las Vegas, Nevada; Beijing, China; Zug, Switzerland; Buc, France; Mumbai, India; and as of 2010; Tokyo, Japan.

Varian's training, education, and help desk teams comprise more than 210 clinically experienced personnel – people who speak more than 15 languages – to facilitate the transfer of knowledge for safe and effective use of Varian technology.

DATA PRIVACY AND SECURING PATIENT INFORMATION

For Varian, protecting patients includes protecting patient privacy and securing the electronic data that we receive as a result of their treatment on our machines. Varian's software products meet all of the stringent data privacy standards required by regulatory bodies around the world, including the U.S.'s Health Insurance Portability and Accountability Act (HIPAA), the European Union's Data Privacy laws, the U.S. Government's Safe Harbor framework and local information security and privacy laws as required by the countries in which we operate.

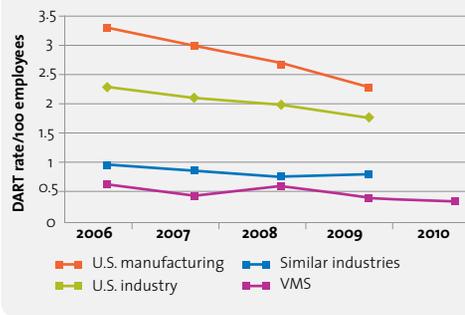


Varian ensures privacy and security of patient information by enforcing the following:

- Varian has adopted a comprehensive Privacy and Security Policy that governs how employees obtain, utilize, store, transmit, and protect confidential patient health information. This policy and associated operational procedures guide employees in ensuring adequate control and protection of all customer data entrusted to the company in the course of conducting business with clients.
- All Varian employees receive training in data privacy and information security. Employees who may come into contact with patient health information while performing customer service and support functions receive additional training. They also adhere to special procedures regarding Varian's Privacy and Security Policy and the importance of protecting patient health information.
- Customers' sensitive information is tracked throughout its lifecycle, up to the point where it is no longer needed and is removed or destroyed.
- Employees must report immediately the loss of technology (phones, laptops, data drives) that might contain any sensitive data, using a special "information incident" link on the Varian intranet. Such incidents are investigated to ensure Varian meets notification and remediation obligations to customers as required.
- Business units are audited for compliance, and any non-compliance noted is discussed and managed by the data privacy and information security executive steering committee to ensure adequate mitigation.
- Varian's approach to privacy and security controls is global, and policies are translated into all major languages (French, Spanish, German, Chinese, Italian and Japanese) in the countries where Varian operates. Training is administered locally to ensure effectiveness and compliance.

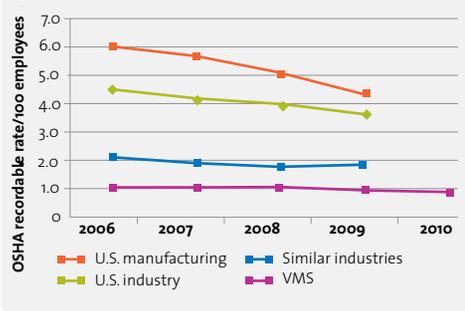
These controls have helped the company to assure customers and patients that their privacy and their sensitive personal information are not at risk while undergoing treatment on Varian's machines.

+ DART rates



DART (Days Away, Restricted, or Transferred) rates compared to industry benchmarks. These figures include all Varian's global operations. 2010 data not yet available for industry peers.

+ OSHA rates



OSHA recordable rates compared to benchmarks. This represents the occurrence of injuries or illnesses recordable under U.S. OSHA guidelines (any incident that requires medical treatment beyond simple First Aid).

EMPLOYEE HEALTH AND SAFETY

Varian is dedicated to conducting its business operations worldwide in a manner that supports employee occupational health and safety. The corporate health and safety manager develops programs in three main areas: 1) injury prevention, 2) emergency preparedness, and 3) regulatory compliance (including Occupational Safety and Health Administration (OSHA) regulations in the U.S.).

Six full-time health and safety professionals in the U.S. and their counterparts overseas continually assess health and safety performance in the businesses they support, and develop annual health and safety plans that cover the three areas detailed above. They regularly conduct hazard assessments, audit their businesses, identify training requirements, and then ensure that training is conducted as needed. These safety professionals received regulatory training during 2010 to keep pace with an ever more stringent regulatory environment. They also cross-audited portions of their safety programs to further their depth of knowledge and ensure that businesses are compliant with health and safety regulations.

Varian's health and safety programs have been effective. Between 2006 and 2010, DART (Days Away, Restricted, or Transferred) rates for Varian global operations decreased by nearly 42%. Varian's DART rates since 2006 were well below all industry benchmarks – benchmark data not yet available for 2010. (See chart left.)

OSHA recordable incidents per 100 employees held steady between 2006 and 2010, and were well below industry benchmarks. Varian counts these incidents – injuries or illnesses that are recordable under U.S. OSHA guidelines – globally. These include any incidents that require medical treatment beyond simple First Aid. From 2006 to 2009, Varian's rate stood at about 1.0 per 100 employees; in 2010, it dropped slightly to 0.9. Industry averages ranged between 2 and 6. (See chart left.)

Varian's larger sites have First Aid teams which receive refresher training every two years. They also have incident command teams that regularly conduct emergency drills based on simulations of natural disasters (earthquake, severe weather) and workplace hazards (fire, explosion, chemical spill).

Regular emergency drills paid off in 2010, when a small oil fire broke out at Varian's facility in Salt Lake City. The incident was quickly resolved within just a few hours. Power was turned off and employees were quickly evacuated. The Salt Lake City fire department extinguished the fire, and evacuated employees returned to work later that morning. In interviews with local media, Salt Lake City Fire Captain Michael Harp praised Varian's handling of the incident: "The company did a great job of evacuating and having accountability," he said. "They did an excellent job. They practice regularly."

Contractors and temporary employees are treated like permanent employees, when it comes to health and safety matters. They participate in all safety training classes and are issued the same personal protective equipment as appropriate (for example, safety glasses and shoes). If a temporary employee is injured, the incident is investigated just as if a permanent employee were injured.

Varian's health and safety policies are well communicated and easily accessible on the company intranet. A goal for 2011 is to increase activities to proactively communicate health and safety messages to all employees globally.

"We receive statistics such as number of injuries, severity of injuries, days lost, and regulatory inspections for all Varian operations worldwide. Our health and safety policies are readily accessible on the intranet but in 2011 we're increasing activities to proactively communicate our health and safety messages to all employees globally."

**Jim Weber, Varian,
health and safety manager**

With nearly 600 detector systems installed globally, Varian protects the world's ports and borders from a number of very real threats.



In the Euro Tunnel between England and France, two Varian detection systems scan trucks and small vans prior to being loaded on trains, checking for illegal immigrants and explosive devices. When something suspicious is detected, the on-site police are notified. Since the systems were installed in 2002, they have scanned over one million vehicles.

PROTECTING PORTS AND BORDERS

The same technology that is used to deliver radiotherapy for cancer treatments can see through 17 inches of solid steel. This is why Varian, although primarily a medical company, also has a small but exciting business supplying cargo screening and testing systems to customers worldwide.

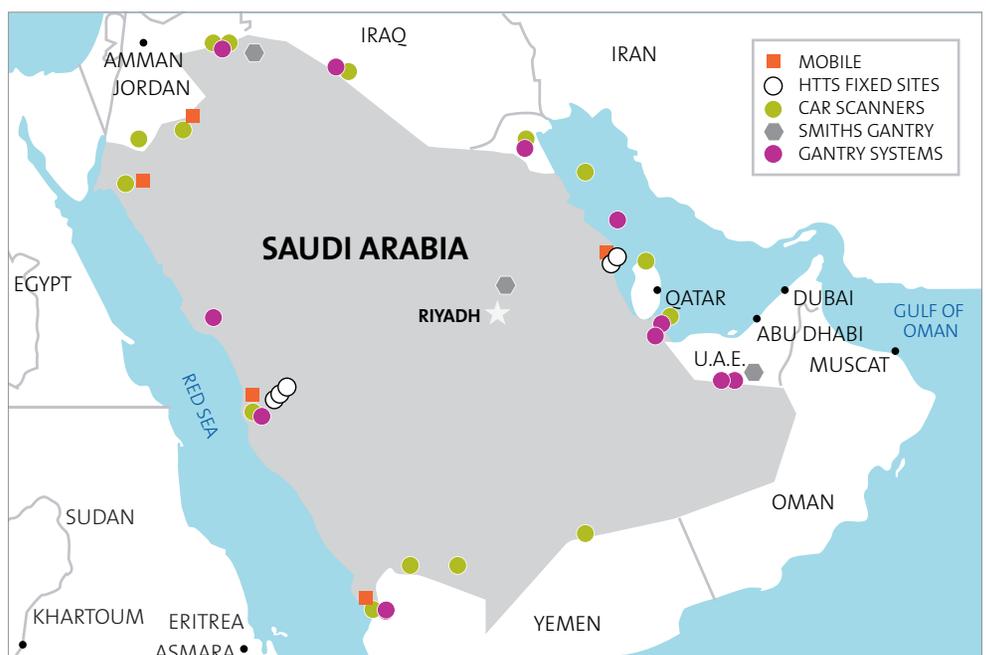
The Security and Inspection Products group addresses many types of threats by providing cargo screening system manufacturers and others with products for high-energy X-ray imaging. Varian's specialized linear accelerators are at the heart of cargo screening operations in some of the world's major ports. Weapons – as well as illicit cargo, cash, illegal drugs, and other contraband – are often detected in containers scanned by authorities using Varian-equipped systems.

“We continually strive to improve the speed and detection capabilities of our scanning systems to keep pace with the growing threats faced by the world,” says Bob Drubka, head of Varian's Security & Inspection Products business. “We've developed systems that can check containers fast enough to avoid interrupting the flow of traffic at ports and borders, and we even have systems now that can scan moving trains.”

As well as developing faster systems, Varian has also pioneered automatic materials discrimination technology to give authorities greater certainty about suspicious cargo. “Our early systems could show something suspicious but couldn't determine what it was,” says Drubka. “Now, by using dual energies in the scanning process, we're able to tell whether suspicious materials are organic, inorganic, machinery or heavy metal, which is important because serious explosive threats such as dirty bombs would be shielded in lead, and lead is now detectable.”

In the U.S., the high-energy IntellX system enhances automatic materials discrimination for the U.S. Department of Homeland Security. Trucks crossing the border are pulled into a scan bay, the driver is escorted out of the bay by a Customs and Border Patrol officer and the bay is readied for the truck scan. Trucks are scanned at 1.3 feet per second, producing a digital radiographic image of the truck and its contents. Varian currently has three IntellX units deployed at ports of entry along the Texas/Mexico border, scanning thousands of trucks, while seven more units will be deployed along the country's southern and northern borders in the next year.

Systems are heavily deployed at Saudi Arabia's many border crossings with Jordan, Iraq, Kuwait, Bahrain, Qatar, U.A.E., Oman and Yemen. These sites have multiple scanners while the crossing points are strengthened further at certain holiday or religious times by the deployment of up to 11 mobile units.



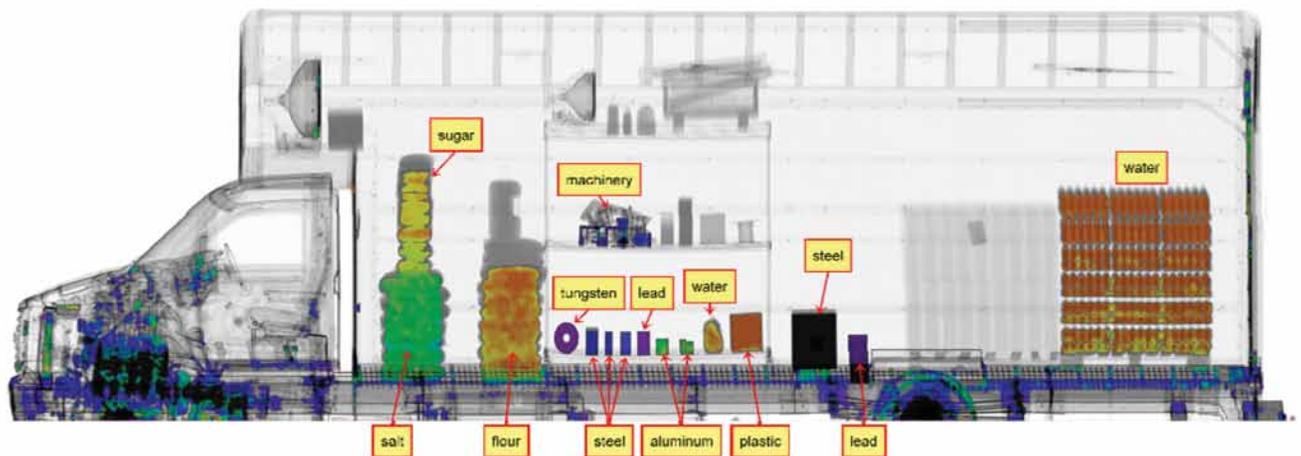
Saudi Arabia has the greatest number of high-energy cargo screening systems in the world, all of them incorporating Varian accelerators. Purchased primarily by Saudi customs, screening units are used to check containers at ports and trucks at border crossings. Saudi law requires 100% scanning of imported goods, primarily checking for prohibited goods such as alcohol and drugs.

At the country's main sea ports – Jeddah and Dammam – around 3,000 containers are scanned each day on five fixed scanners and two gantry systems. The capital, Riyadh, is used as a rail transport hub bringing containers from Jeddah or Dammam and a thousand containers are scanned each day.

PROTECTING ARIANE-5

As well as cargo screening systems, Varian's Security group supplies non-destructive testing systems that check the integrity of infrastructure such as bridges. These devices protect the European Space Agency's Ariane-5 rocket program, which provides heavy launch capability for humans and satellites. Varian's new K15A Linatron device has been installed in French Guiana where it operates in support of the Ariane-5 program and the new Vega rocket being developed as a next generation rocket motor, continuing the Agency's 20-year history of using industrial accelerators manufactured by Varian.

The Linatron is a high-energy accelerator which provides a robust source of X-rays to fully penetrate and image the Ariane-5 solid rocket boosters. "The resulting radiographs of the boosters and various rocket components provide essential quality control information to help assure the safe operation of the rockets when launched," says Bob Drubka.



Using color-coded materials discrimination technology, alarms can be triggered during the scanning process based on suspicious materials. In this image showing a truck loaded with test objects, the big steel plates (in black) are too thick to discriminate, smaller test objects (in gray) are too thin to discriminate, but all other test objects are colored. Note that the system correctly distinguishes between flour, sugar, and salt, and catches all heavy-metal materials.

400,000

gallons of water
saved annually at
Varian HQ

ENVIRONMENTAL SUSTAINABILITY

Varian conducts its business in an ethical and environmentally conscious manner that safeguards neighboring communities and the global environment. This has become a way of life for the company and its people.

IN THIS SECTION:

- 21 A Green Way of Life: Examining 2010 environmental highlights
- 24 IT Makes Sense: How IT initiatives are supporting sustainability
- 25 Site Sustainability: A look at how Varian facilities globally are walking the walk

ENVIRONMENT

Varian seeks to improve the environmental performance of its global operations, products and supply chain

A GREEN WAY OF LIFE

Varian is dedicated to conducting its global business operations in an ethical and environmentally conscious manner that safeguards neighboring communities and the global environment. Seeking to create long-term shareholder value by implementing environmentally sustainable business practices to reduce the generation of emissions, solid and hazardous wastes, and the consumption of natural resources, Varian also seeks to minimize environmental impact by incorporating pollution prevention and resource conservation principles in its operations and products.

LONG-STANDING COMMITMENT

Varian's long-standing commitment to the environment is reflected in the company's Environmental, Health and Safety (EH&S) manual that is available to all the company's personnel via the company intranet. This document outlines how EH&S issues are managed across the company.

Varian began tracking energy, air emissions, water use and hazardous waste generation at a corporate level and reporting the information to the Board in 1992. As the company has quadrupled in size since 1999, data is normalized using "per dollar sales" to appropriately measure improvement over time.

In the last five years, Varian's major sites* have:

- Reduced hazardous waste generated per dollar of sales by 35%;
- Reduced electricity use per dollar of sales by 21%;
- Reduced natural gas use per dollar of sales by 33%;
- Reduced water use per dollar of sales by 40%.

2010 HIGHLIGHTS

The company's environmental program saw a number of notable achievements in 2010, including:

- The UK site was re-certified to ISO 14001 (originally obtained in 1997);
- Implemented a program to save 400,000 gallons of water annually in Palo Alto HQ;
- Achieved LEED (Leadership in Energy and Environmental Design) gold status for a building renovation in Palo Alto;
- Won the Energy Resource Steward Award from Rocky Mountain Power in Salt Lake City;
- Salt Lake City facility achieved a 73% solid waste recycling rate and was recognized by the city's mayor as an E2 (Environmentally and Economically Sustainable) business;
- Reduced annual solid waste in the UK facility by 50% through packaging, recycling and waste reduction initiatives;
- Implemented a new recycling and composting program at the Palo Alto HQ that aims to reach the community goal of zero waste by 2021, in response to the city of Palo Alto's "Zero Waste" initiative.

*Data from major sites – Palo Alto, CA; Salt Lake City, UT; Crawley, UK; Beijing, China; Milpitas, CA; Las Vegas, NV; Charleston, SC; Charlottesville, VA; Des Plaines, IL; and Mountain View, CA.

2010 ELECTRICITY, GAS, WATER AND HAZARDOUS WASTE

Totals	2009 – Total	2009 – Normalized (per dollar [\$] or thousand [\$K] of sales)	2010 – Total	2010 – Normalized per dollar [\$] or thousand [\$K] of sales)
Electricity	42,823,830 kWh	0.019 kWh/\$ sales	41,462,057 kWh	0.018 kWh/\$ sales
Natural gas	51,074,596,659 BTUs	23 BTUs/\$ sales	56,136,271,600 BTUs	24 BTUs/\$ sales
Water	22,599,590 gallons	0.0102 gallons/\$ sales	25,568,659 gallons	0.0109 gallons/\$ sales
Hazardous waste	73,312 LBS shipped	0.033 LBS shipped/\$K sales	121,839 LBS shipped	0.052 LBS shipped/\$K sales

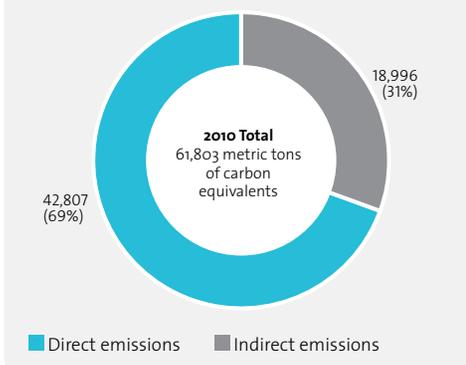
Varian recycled
670
tons of waste electrical
and electronic
equipment in
Europe in 2010

Compared with the prior year, total electricity use at our major sites in 2010 decreased by one million kilowatts per hour after increasing for the prior three years as the company expanded. Use per dollar sales at these facilities also dropped in the same timeframe by 22%. Electricity use at the largest facility, the company's HQ in Palo Alto, decreased by 5.25% from 2009 to 2010. Use per dollar sales in Palo Alto has declined by 43% since 2006, with an even more impressive 49% reduction over the same period at the second largest facility in Salt Lake City.

Natural gas use consumes resources and results in the production of CO₂. Total natural gas use at these facilities increased approximately 10% between 2009 and 2010 but when calculated per dollar sales it fell 4%. Natural gas use per dollar sales at these facilities has dropped 33% since 2006, a decrease that comes in spite of expanded operations in Salt Lake City, Las Vegas and China.

Varian used approximately 25.6 million gallons of water at these facilities in 2010. Total usage at these facilities increased 2.9 million gallons over 2009. Water use for every dollar of sales has also increased slightly.

+ Total carbon emissions



CDP AND ENVIRONMENTAL SUSTAINABILITY GOALS

Varian continues to monitor emissions of greenhouse gas CO₂ resulting from use of natural gas and electricity and the impact these have on carbon footprint. Total emissions at major sites have increased steadily over the last five years, though emissions are essentially flat for the past three years and emissions per dollar sales have dropped 19% since 2006. CO₂ emissions per dollar sales fell 34% compared with the previous year for major sites.

In 2010, Varian expanded the scope of its data collection and completed its first comprehensive submission to the CDP. This effort expanded data collection from major sites to all Varian sites worldwide and to a broader scope of CDP categories, with the subsequent results being used to enhance future data collection and develop goals, targets and metrics to track and measure continuous improvements over time.

One challenge uncovered during this process was that of sulphur hexafluoride (SF₆), a potent "greenhouse gas" which is used in some Varian products. The quantity of this gas's emission occurs at several stages during the manufacture and operation of Varian's equipment.

Measuring the emissions and this gas's impact on Varian's overall global greenhouse gas is a challenge for the coming year. Once necessary data has been collected, the company will investigate how to minimize emissions over the longer term.

A more comprehensive sustainability program is also being developed that addresses procurement of environmentally preferred products, product design and facilities operations. Varian will be enhancing measurement tools to get the data we need to integrate targets in these areas as part of the company's routine business processes.

ENVIRONMENTAL SUSTAINABILITY GOALS

Specific environmental sustainability goals

GHG emission	Reduce carbon footprint/greenhouse gases a minimum 25% from 2010 baseline by 2020
Electricity and natural gas	Reduce electricity and natural gas use a minimum 20% from 2010 baseline by 2020
Motor vehicles	Reduce motor vehicle emissions a minimum 30% from 2010 baseline by 2020
Water consumption	Reduce water consumption a minimum 20% from 2010 baseline by 2020
Solid waste	Reduce solid waste disposal to landfill. Achieve a minimum 80% overall diversion by 2015
Hazardous waste	Reduce hazardous waste generation by 25% from 2010 baseline by 2020
Zero landfill	Achieve zero landfill of hazardous waste. 100% recycling, reclamation and reuse
Procurement of environmentally preferred products	Increase proportion of environmentally sustainable purchases by at least 50% from 2010 levels by 2020
LEED	Achieve LEED certified status for any major renovation of non-LEED certified space or for new construction. Achieve one LEED status tier higher for any major renovation of LEED certified space
Product environmental lifecycle analysis	Each business will conduct analysis of environmental impact of products' lifecycle

PRODUCT STEWARDSHIP

The European Union's Restriction of Hazardous Substances (RoHS), Registration, Evaluation and Authorization of Chemicals (REACH) and Waste Electrical and Electronic Equipment (WEEE) laws relate to restrictions of material content, material disclosure and end-of-life recycling of products. 670 tons of WEEE was recycled by Varian in Europe in 2010.

This has been an area of increasing interest as other countries have become increasingly focused on product material content and chemical restrictions and customers have inquired about this area. In response, cross-functional teams involving manufacturing, engineering, procurement, component engineering, service, IT and environmental affairs have been formed to address the business impact of these regulations, to ensure that Varian can respond appropriately with the information needed to meet these requirements.

As for RoHS requirements, Varian has embarked on a project to eliminate defined hazardous substances from its products and is liaising with suppliers to ensure components do not contain such substances, with a view to eliminating hazardous substances wherever possible. Medical devices are exempt from RoHS regulations until 2014 but Varian is nevertheless putting intensive programs in place to ensure compliance when that exemption ends.

Varian embarked on a material content data collection and product compliance project in 2010 and a comprehensive product stewardship program is currently being implemented. Varian's next sustainability report will include more information of this program's progress.



| Videoconferencing at Varian.

THE GREENING OF VARIAN'S IT FUNCTION

Varian's IT function has embarked on a series of efforts to make the company more sustainable. One important program is expanding the company's videoconferencing capabilities, which includes High Definition videoconferencing at nearly all sites globally. Using this system, employees in different locations can hold meetings in which all parties can see and hear one another on HD-TV screens and in high-quality audio, simultaneously sharing presentations or other materials allowing greater collaboration.

This initiative started in 2010 with an initial target of 12 systems deployed in conference rooms. To date there are over 100 endpoints in use with additional expansion plans to include new desktop office-based systems.

Quarterly business meetings in China offer a good example of how videoconferencing has reduced business travel. Previously, three executives would fly from northern California to the China facility in Beijing to attend such meetings. With videoconferencing, these Palo Alto-based executives can participate in the meetings without boarding an airplane.

Tracking the hours of videoconference use within Varian is ongoing. A key challenge in the next year is to correlate the videoconference hours used to a reduction in business travel trips thereby reducing the company's carbon footprint.

Varian is also looking into utilizing technology to reduce on-site service trips where service calls may be managed from a remote location, again minimizing carbon footprint. Additional information regarding this effort will be gathered in the next year.

Another green initiative introduced recently by the company's IT department involves consolidating and standardizing its fleet of printers and copiers. Standardization means fewer devices, less waste, lower commodities waste and better support. Copiers are now multi-function and have eliminated the need for other devices like scanners, copiers and fax machines.

This program started in six major sites and is being rolled out globally. Power consumption is being reduced by scheduling printer "wake up" and usage time. Less paper is used because all printer/copiers are set to print double-sided.

Another North America program being introduced globally is the reuse of PCs and cell phones. After the three-year warranty period runs out, all such devices go to specialist companies that clean, repair and redeploy them to schools.

The company's PC standardization team is also focusing on system power conservation, using ENERGY STAR® enabled devices. ENERGY STAR is a joint effort program between the U.S. Environmental Protection Agency (EPA), the Department of Energy and manufacturers to help protect the environment by promoting energy-efficient products.

The challenge in the coming year is to put appropriate metrics and targets in place to quantify the actual reduction gains.



The R&D library at Building 4 in Palo Alto, with one of four massive light wells above.

Varian's Salt
Lake City facility
achieved a
73%
solid waste recycling
rate in 2010

EXAMPLES OF SITE SUSTAINABILITY EFFORTS

Varian is pursuing a number of different projects at our manufacturing and administrative sites around the world. For example, an ambitious project to develop unused manufacturing space into office space has been rewarded with LEED gold status by the U.S. Green Building Council.

Building 4 on the company's **Palo Alto** campus was renovated with LEED (Leadership in Energy and Environmental Design) very much in mind, with an emphasis on natural light, water efficiency, recyclable materials and air quality.

LEED points were awarded for:

- 89% of interior spaces have access to natural light;
- Plumbing fixtures that use 70% less water than standard fixtures;
- Recycled materials were used for 32% of ceiling tiles, carpet, and drywall construction;
- 86% of the wood used for the building was Forest Stewardship Council (FSC) certified (FSC promotes responsible forestry practices);
- Use of low-emitting materials such as low-volatile organic compound carpet, paints, adhesives and sealants, and furniture systems along with the installation of carbon dioxide sensors all contribute to better indoor air quality.

The result is well-occupied office space which replaces three leased local offices, reduces commuting between sites, and offers more opportunities for collaboration between employees.

An example of how sustainability issues are being addressed comes from the X-Ray Products site in **Salt Lake City, Utah**. A "Green Team" was formed that includes members from cross-functional areas to lend their expertise in supporting environmental initiatives surrounding energy conservation, waste reduction, water conservation, and community involvement.

In 2010, the "Green Team" assisted the site in achieving an award from the Utah Pollution Prevention Association for reducing waste generation and achieving a solid waste recycling rate of 73% and also qualified the site for a \$242k Utah tax credit. The site was also recognized as an economically and environmentally sustainable business by the Salt Lake City Mayor's office, and by Rocky Mountain Power as an Energy Resource Steward for efforts



Environment manager J.C. Smith (in the hat) and colleagues in Salt Lake City spend time in the employee garden, which is more than half an acre in size and allows them to grow their own organic produce. Indeed, the plot is so widely used that half a ton of produce has also been supplied to the local food bank, which provides meals for needy people.



The UK facility was the first in Varian to reward employees who commute by bicycle.

in conserving electricity. Projects implemented in 2010 are expected to save 500,000kWh each year. The “Green Team” also initiated an on-site employee community garden that contributes produce to the local community food banks. Approximately one ton of produce was donated in 2010.

Varian’s UK facility, based in the heart of the Gatwick Diamond, was recently re-certified to the ISO 14001 Environmental Management System (EMS) standard it first achieved in 1997. In 2010, the site initiated a packaging return, reuse, and recycling program to divert packaging wastes from solid waste disposal. In addition to some other solid waste minimization projects, the site is expected to reduce solid waste disposal by 250 cubic meters.

“Smart lights” were also installed in 2010 for lighting external areas of the site. These lights operate at 10% energy use unless motion is detected. It is anticipated that these “smart lights” will save approximately 73% of the energy consumed by the previous lighting system.



| An electrically powered “e-bike” at Varian’s Baden facility in Switzerland.



Among the many environmental sustainability initiatives at **Varian’s Baden facility** in Switzerland is an electrically powered “e-bike” which enables employees to make the 6km journey from the main facility to an external lab in nearby Roggeboden without getting in their cars. It can also reduce commute time from up to 35 minutes to just 15 minutes at busy periods.

When Varian opened its newest manufacturing facility in **Beijing, China** in 2007, many environmental considerations were taken into account in the design and construction of the building. The office area was designed to maximize the natural light by placing the offices in the inner core and leaving open space on the edges of the building; two-stage lighting fixtures were installed to conserve electricity; building materials such as carpet, carpet adhesives, ceiling tiles, paint, and furniture that meet guidelines for recycled material content and low-emitting volatile organic compound properties were selected; rain water is reclaimed from on-site groundwater wells and is used to irrigate landscape areas and flush toilets; efficient plumbing fixtures were installed to conserve the amount of city water required. The facility also operates five shuttle buses to provide employee transportation to and from work to reduce the number of employee commute miles, fuel consumption, and ease congestion.

A SHARED MISSION

Varian's people share a mission to help save lives. That's one of the reasons why employees tend to stick around. They're in for the long haul and they want to make a difference along the way.

IN THIS SECTION:

- 28 Working at Varian: The make-up of Varian's 5,700-strong workforce
- 29 Helping Hands: Charitable giving and employee fund-raising
- 30 A Healthy Workforce: The company's award-winning employee wellness program
- 31 Project Hope: How Varian has helped bring hope to Iraqi children

COLLEAGUES AND COMMUNITIES

4

of Varian's ten corporate officers are women

Varian's mission:
to help save an
additional
100,000
lives a year



| CEO Tim Guertin with employees.

WORKING AT VARIAN

With average employee service of nearly ten years, staff turnover at Varian is only half that of most Silicon Valley-based companies. There are so many long-service anniversaries that only landmarks of 20 years' service and upwards are announced as anything unusual within the company. A key reason why Varian people are generally in for the long haul is the rewarding environment that a shared mission to save lives can offer.

Varian prides itself on instilling the same ethos of job-satisfaction, fulfillment and creativity for its employees worldwide. With 5,700 people globally, a growing proportion of them based outside the U.S., Varian's workforce tends to be internationally focused. Cross-functional multinational teams and inter-continental reporting lines typify the flat structure of the business.

Diversity is all-important throughout the organization: diversity of origins, experiences, and characters. Four of the ten corporate officers are women. Two of the ten are ethnic minorities. The company's policy states Varian will "base all employment decisions on the principles of equal employment opportunity and take affirmative action in the employment of women, minorities, individuals with disabilities, and veterans." In 2010, Varian was selected by GI Jobs magazine in the U.S. as a Top 100 Military Friendly Employer. Over 5,000 companies were considered, based on annual revenues of at least \$500 million. Being named to this list put Varian in the top 2% of all employers nationwide. Varian is proud to hire military alumni for the leadership, teamwork, discipline, diversity, and work ethic they bring to our company.

Varian's employment policies are clearly outlined on the company intranet, along with policies that prohibit workplace violence and harassment. The company has a clear equal opportunity policy, an open-door resolution policy and legal and ethical conduct regulations. An open-door resolution policy reinforces the company's belief that the best way to resolve work-related concerns is through open communication between each employee and his or her supervisor. Varian encourages all employees to discuss their concerns with their supervisors or with any other management representatives of their choice – all Varian employees should feel free to raise their concerns without fear of retaliation.

The company complies with workplace laws wherever it operates, with no restrictions on collective bargaining and union membership. In Germany, the company works closely with works councils to establish employment practices adapted for that local market. Above all, the company seeks to provide an inspiring work environment where employees can contribute optimally towards the company's mission: to help save an additional 100,000 lives a year.

Training is integral to Varian's success. In 2010, the company introduced a worldwide online training resource to bring consistency to continuous education throughout the company. Donald Hill, the company's training manager, says, "We have successfully introduced a far more uniform and dependable process in which every member of the same team worldwide gets the same training."

All employees are required to participate in training – on the job, instructor-led, and web-based – that is specific to their roles within the company. On average, an employee is required to complete 30 certifications annually. In the third quarter of fiscal year 2011 alone, over 50,000 hours of training were received by Varian employees. Training is tracked and reports provided to managers that show any overdue certifications for their employees.

Varian also provides robust training for people managers – both via an online website with links to web-based support tools and training as well as policies, practices and competencies. Beginning in fiscal year 2012, Varian is introducing integrated talent management processes and tools to enable better business strategy implementation with a key focus on goals, on competencies specific to various levels within the organization and on development activities that will allow employees to better manage their careers.

HELPING HANDS

As might be expected in a company focused on helping people, Varian and its employees are givers.

Varian made more than \$8.6 million in research and charitable grants in 2010, well above the average for benchmarked U.S. companies in the 2009 survey by the Committee Encouraging Corporate Philanthropy, and above average for healthcare companies included in the survey.

As was noted in the Health Access and Outcomes section of this report, the company makes research grants to support the advancement of technology in the diagnosis and treatment of cancer with radiotherapy and radiosurgery. In 2010, these research grants totalled \$7 million.

Varian makes charitable grants through the Varian Medical Systems Foundation. In addition to supporting local community programs on occasion, grants are focused on non-profit organizations around the world to fund projects that provide education and services involving the prevention, detection, and treatment of cancer. In 2010, grants from the company and its foundation amounted to more than \$1.2 million.

Varian and its employees also conduct an annual matching gift program in which employee donations to their favorite charities, including schools, are matched by the company on a dollar-for-dollar basis. In 2010, some 600 employees from across the U.S. gave some \$230,000 to their favorite causes, generating company matches of another \$230,000 or a total of some \$460,000 from Varian and its employees.

When disaster strikes, Varian and its employees have also teamed up to help with recovery programs in response to the 9/11 attack on the World Trade Center in New York, Hurricane Katrina in the U.S., and the Indonesian tsunami in 2005, earthquakes in China in 2008 and in Haiti in 2010, and most recently, the earthquake and tsunami in Japan. Varian and its employees have donated over \$700,000 to these relief efforts.

Employees frequently volunteer their time to community causes including the American Cancer Society and the United Way's "Day of Action" when employees are released by the company to participate in projects across several communities. Each year, Varian participates in the American Cancer Society's Making Strides against Breast Cancer Walk in the San Francisco Bay Area. Varian is a corporate sponsor, through an annual \$10,000 donation. Over 100 employees participated in the walk in 2010, and raised an additional \$9,000 for the American Cancer Society (see image).

Employees at Varian offices across the U.S. regularly support local causes. For example, in 2010, employees in Salt Lake City held a food and clothing drive and participated in the 21st Annual MS 2010 Walk, sponsored by the National Multiple Sclerosis Society Utah State Chapter. Employees in Marietta, Georgia held a "Toys for Tots" drive during the holiday season, as well as a drive in support of two local nonprofits – Noah's Ark Animal Rehabilitation Center and Children's Care Home, earlier in the year. Food and clothing drives for needy families in Varian's local communities are common.

In the company's UK headquarters, the charity committee selected the Cornelia de Lange Syndrome (CdLS) Foundation (more info at www.cdls.org.uk) as its "charity of the year" and employees raised more than £10,300 through activities such as marathons, cycle rides and sales of donated items.

Helping others is a way of life for Varian. The company is committed to maintaining this tradition and to extending the reach of its helping hands into more parts of the world.



Among the fund-raising activities in the UK was the South Downs Way challenge, when 15 Varian employees cycled 100 miles off road in just two days, along the challenging South Downs Way in Sussex.



Varian people at the 2010 "Making Strides" Breast Cancer Walk in the U.S.



Using the fitness facility in the Palo Alto HQ, established in 2010.

“I believe strongly we must have a responsible attitude to our employees’ health. We should make it as easy as possible for our people to stay fit and healthy.”

© Tim Guertin, CEO

A HEALTHY WORKFORCE

Varian has won a top award for establishing a robust wellness program to promote healthy lifestyles. The company received the 2010 TechAmerica United Healthcare Corporate Wellness Innovation Award because of its commitment to the overall health and well-being of its employees.

The Varian “Living Healthy” program, introduced by Tim Guertin for Varian sites in the U.S. and now in its fourth year, has grown to encompass three core elements focused on early identification and reduction of health risks:

- A “health risk assessment” asks questions about important lifestyle issues that affect an individual’s health;
- Biometric screening events are held to promote awareness and maintenance of healthy weight, blood pressure, and other health measurements;
- A “quit for life” tobacco cessation program is designed to assist employees who want to quit the use of tobacco.

In 2010, Varian began rewarding employees for controlling certain health risk factors, specifically cholesterol levels and blood pressure. Employees received a \$200 gift card for having numbers within normal limits for each of these risk factors. During the first year of the program, 40% of Varian’s U.S. workforce participated in the program. Of those, 70% met the cholesterol criteria and 78% met the blood pressure criteria. Employees who did not meet the measures can be retested in 2011 and receive the incentives retroactively if they pass.

Varian employees who had biometric screenings in 2010 showed healthier metrics as compared with the general population of the U.S.:

Risk factor	High risk factor definition	Varian participants	U.S. norms
Obese Body Mass Index (BMI)	BMI > 30.0	22.1%	33.5%
High Total Cholesterol	>=240 mg/dl	8.8%	16.3%
High Blood Pressure	>=140/90	22.1%	33.5%

For Fall 2011, the targets for both blood pressure and LDL cholesterol levels have been lowered, and a measure for blood glucose has been added. The target for blood pressure dropped to <135/<85. For LDL cholesterol levels, the target has been lowered from 140 to 130.

The tobacco cessation program, which is 100% funded by Varian, offers phone-based coaching for employees as well as their spouses and domestic partners, and nicotine replacement therapy (patch or gum). Beginning January 2011, a tobacco user surcharge was implemented. Employees attest to their tobacco use status during the company’s annual benefits enrollment period, and those who used tobacco within the last six months are charged a \$20 bi-weekly surcharge. Tobacco users who enroll in and complete the tobacco cessation program have the surcharge waived.

The company provides a healthy lifestyles telephone coaching service free of charge to help employees tackle health challenges like weight loss, improving their diet or establishing an exercise program.

Varian also offers on-site fitness and weight reduction programs. In the U.S., fitness centers have been established at the Palo Alto, Salt Lake City and Las Vegas facilities. The center in Palo Alto is staffed part-time by fitness trainers who work one-on-one with employees and also offer fitness classes. Varian has also negotiated for discounted memberships at several commercial gyms and will reimburse up to \$59 for initiation fees at any fitness club. An on-campus Weight Watchers at work program is 80% funded by Varian, and the company also reimburses employees who participate in Weight Watchers online or attend local meetings in their communities.



+ Clinac® iX accelerator

HOPE FOR IRAQI CHILDREN

When the Basrah Children’s Hospital opened its doors on October 26, 2010, it represented the culmination of a seven-year dream by Project Hope, the U.S. Government, former First Lady Laura Bush and the Iraqi government to provide the nation’s children with a modern, tertiary care, referral pediatric cancer specialty hospital. For advanced radiotherapy treatments, patients are treated using a modern linear accelerator donated to the project by Varian.

“We envisioned a new hospital with modern equipment and well-trained clinical staff,” says Project Hope CEO Dr. John P. Howe III. “The Iraqi population is very youthful – children represent over a half of the total population – and the country’s ministry of health is trying to reduce child mortality by 50% by 2013 and provide quality care for more than a million children in southern Iraq and Basrah, the country’s second largest city.”

Childhood cancers are eight to ten times more common in Iraq than in developed countries, with a particularly high prevalence of brain tumors, lymphoma and leukemia. To help with advanced cancer treatments, Varian donated a linear accelerator for treatments and a simulator for planning and verifying treatments. The high performance Clinac® iX accelerator represents the most clinically advanced model implemented in the Middle East and the first clinically functioning modern treatment device in the country.

“The donation from Varian represents a tremendous gift to the children of Iraq and it gives them a chance to be healthy future leaders of their country,” adds Dr. Howe. “My personal thanks to Varian for demonstrating this vote of confidence in the people of Iraq.”

Construction of the hospital, overseen by the U.S. State Department and the U.S. Army Corps of Engineers, began in 2005 and was not without its challenges. “We persevered through many problems in constructing the first newly built hospital in Iraq for 33 years,” said Dr. Howe. “It’s remarkable that construction of a high-tech children’s hospital occurred in an active war zone. During its construction, we dealt with 11 different ministers of health, five U.S. ambassadors, three national elections, two primary construction contractors and 93 different project managers.”

With the Basrah Children’s Hospital now open and treating patients, Project Hope’s next initiative is the Program Management and construction of the Nelson Mandela Children’s Hospital in Johannesburg, South Africa in honor of Nelson Mandela.

“In the middle of this turmoil, Project Hope benefited greatly from many stakeholders, including Varian, and the result is a tremendous tribute to all those who care deeply about the children of the Middle East and especially those with cancer.”

+ Dr. John P. Howe III, Project Hope CEO



+ Francisco Varela, Varian field service engineer



| Panoramic photo of the Basrah Children’s Hospital, Basrah, opened October 26, 2010.

When Varian field service engineer Francisco Varela heard about the motor neurone disease ALS, he decided to do something to help sufferers. He taught himself Java and developed a program that allows users to control keyboards using eye movements.

ALS (Amyotrophic Lateral Sclerosis) – known in America as Lou Gehrig’s disease after the famous baseball player – is a muscle wasting disease that affects Professor Stephen Hawking and guitarist Jason Becker among others. Sufferers, who lose motor functions but retain their sensory capabilities, are often unable to move any part of their body other than their eyes.

After asking a friend about computer programming, Francisco bought a book on Java programming language, learned the system in four months and began coding the program. Four months later, he was able to upload the finished program to his website and this has now been indexed by Google.

GRI CONTENT INDEX

This report is aligned with the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines released in October 2006. To locate the elements and information contained within the guidelines, please use the index below. For a detailed explanation of the indicators, visit the GRI website www.globalreporting.org

As a first report, we have made a deliberate effort to be as transparent as possible across the full range of GRI G3 indicators, but also recognize that there remains an opportunity to capture more in-depth and granular data over time.

Indicator	Description	References
1. STRATEGY AND ANALYSIS		
1.1	Statement from the CEO or Chairman of the Supervisory Board	A Message from our CEO
1.2	Key sustainable impacts, risks, and opportunities	Throughout report
2. ORGANIZATIONAL PROFILE		
2.1	Name of the company	Introduction
2.2	Primary brands, products, and/or services	Introduction
2.3	Business areas and operational structure	Introduction
2.4	Location of company's headquarters	Introduction
2.5	Countries in which the organization's main operations are located	Introduction
2.6	Nature of ownership	Introduction
2.7	Markets	Introduction
2.8	Scale of the company	Introduction
2.10	Awards	Environment
3. REPORT PARAMETERS		
3.1	Reporting period	About this Report
3.3	Reporting cycle	Sustainability Governance
3.4	Contact point for questions regarding the report	A Message from our CEO
3.5	Process for defining report content	About this Report
3.6	Limits of the reporting procedure	About this Report
3.9	Data capture techniques	Throughout report
3.12	Index highlighting GRI Standard Disclosures in report	GRI Index
4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT		
4.1	Governance structure	Investor Relations (website)
4.2	Independence of the Supervisory Board Chairman	Investor Relations (website)
4.3	Governance body and/or independent members of management	Investor Relations (website)
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Investor Relations (website)
4.6	Mechanisms in place for the governance bodies to ensure avoidance of conflicts of interest	Investor Relations (website)
4.7	Expertise of the governance bodies in sustainability issues	Sustainability Governance
4.8	Mission statements, company values and codes of conduct	Code of Business Ethics (website)
5. PERFORMANCE INDICATORS		
ECONOMIC		
ECONOMIC PERFORMANCE		
EC1	Economic value generated and distributed	Introduction Colleagues and Communities
INDIRECT ECONOMIC IMPACTS		
EC8	Infrastructure investments and services provided for public benefit	Colleagues and Communities Health Access and Outcomes

Indicator	Description	References
ENERGY		
EN3	Direct energy consumption by primary energy source	Environment
EN4	Indirect energy consumption by primary source	Environment
EN5	Energy saved due to conservation and efficiency improvements	Environment
WATER		
EN8	Total water withdrawal by source	Environment
EMISSIONS, EFFLUENTS AND WASTE		
EN16	Total direct and indirect greenhouse gas emissions by weight	Environment
EN17	Other relevant indirect greenhouse gas emissions by weight	Environment
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Environment
EN22	Total weight of waste by type and disposal method	Environment
PRODUCTS AND SERVICES		
EN26	Initiatives to mitigate environmental impacts of products and services	Environment
SOCIAL: LABOR PRACTICES AND DECENT WORK		
EMPLOYMENT		
LA1	Breakdown of workforce by employment type and region	Introduction
OCCUPATIONAL HEALTH AND SAFETY		
LA7	Injuries, absentee rates and work-related fatalities	Safety and Responsibility
LA8	Education, training, counseling, prevention, and risk-control programs for serious diseases	Colleagues and Communities
DIVERSITY AND EQUAL OPPORTUNITY		
LA13	Composition of senior management and employee structure by gender, age group, minority group membership, and other indicators of diversity	Colleagues and Communities
CUSTOMER HEALTH AND SAFETY		
PR1	Product life cycle stages for which health and safety impacts are assessed	Safety and Responsibility



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Varian Medical Systems focuses energy on saving lives. By partnering with customers and others, the people of Varian develop leading solutions for advancing cancer treatment, radiosurgery, X-ray imaging, and security.

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