

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.

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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

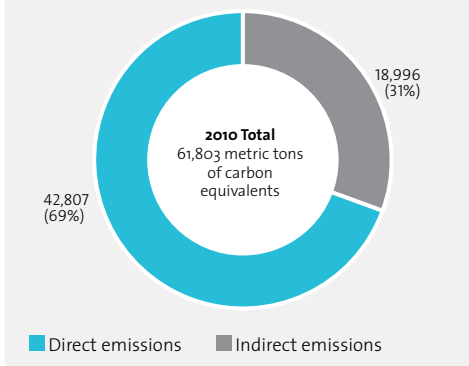
Varian recycled
670
tons of waste electrical
and electronic
equipment in
Europe in 2010

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.