Novanta

Care. Commitment. Novanta.

ESG
REPORT | 2021
Corporate Sustainability

Table of Contents

1   A Message from Our CEO

We can finally see the light at the end of the pandemic tunnel and the future looks bright. After a challenging second year adapting to new ways of working brought about by the COVID-19 pandemic, I think I can speak for all of us at Novanta that we are ready to turn the page. I remain incredibly impressed with how the Novanta team stuck together, continued innovating, and welcomed new coworkers into our family, all while working remotely and socially distanced.

This year reminded me what an incredible team can achieve when adequately set up for success. The investments we have made over the past years—to build The Novanta Way, our culture which is based on collaboration, inclusion and trust, and to refine the Novanta Growth System, our toolkit and set of practices to accelerate innovation—have paid dividends for the last two years. They have been the glue that kept us motivated and mobilized behind our vision: to deliver innovations that matter.

We know that investing in our team is an ongoing journey. In 2021, we hired our first Vice President of Leadership Development and Diversity, Equity, and Inclusion (DEI) and began our DEI journey. We believe that building diverse teams and making those teams feel welcomed, supported, and empowered is the gateway to building a Novanta that is ready for the future.

Similarly, in 2021 we made strides toward weaving an ethos of sustainability throughout our organization. Caring for our people and the planet is not just the right thing to do, it's also an opportunity for us to build the innovations of the future. We now measure and disclose our Scope 1 and Scope 2 greenhouse gas emissions and consider sustainability criteria during our product design phase in order to continuously become more efficient and streamline our operations.

We invite you to read about our progress this past year on environmental, social and governance initiatives. Below are some of the highlights from 2021:

- We set a goal of having net zero greenhouse gas emissions by 2050.
- We are disclosing our Scope 1 and Scope 2 greenhouse gas emissions for the first time.
- We hired our first Vice President of Leadership Development and Diversity, Equity, and Inclusion.
- We set new DEI targets.
- We have achieved ISO 9001 certification for all of our production facilities and continue to make progress on achieving ISO 14001, ISO 45001, and ISO 13485 certifications for all relevant facilities.

We have published our 2021 ESG Report in line with two leading global standards—SASB and TCFD. We recognize the impact of our footprint and the role we play in facilitating meaningful change to benefit the people and the places affected by our operations. As we mature on our ESG journey, we look forward to setting and meeting increasingly ambitious targets and sharing our progress with you. We hope you'll join us for the ride.

Matthijs Glastra
Chair and Chief Executive Officer

2 Sustainability at Novanta

2.1 About Novanta

Novanta is a leading global supplier of core technology solutions that give medical and advanced industrial original equipment manufacturers (OEMs) a competitive advantage. We combine deep proprietary technology expertise and competencies in photonics, vision, and precision motion with a proven ability to solve complex technical challenges. This enables Novanta to engineer core components and subsystems that deliver extreme precision and performance, tailored to our customers' demanding applications. The driving force behind our growth is the team of innovative professionals who share a commitment to innovation and customer success. Novanta's common shares are quoted on Nasdaq under the ticker symbol "NOVT".

Our Business

Novanta develops and builds critical components and devices for our partner OEMs in the medical and advanced industrial markets. We do this through three operating segments.

Photonics

The Photonics segment designs, manufactures, and markets photonics-based solutions, including laser scanning, laser beam delivery, CO_2 laser, solid state laser, ultrafast laser, and optical light engine products to customers worldwide. Products are sold under various brand names, including Cambridge Technology, Synrad, Laser Quantum, and ARGES.

Precision Motion

The Precision Motion segment designs, manufactures, and markets optical and inductive encoders, precision motors, servo drives and motion control solutions, integrated stepper motors, intelligent robotic end-of-arm technology solutions, air bearings, and air bearing spindles to customers worldwide. Products are sold under various brand names, including ATI, Celera Motion, MicroE, Zettlex, Applimotion, IMS, Ingenia, and Westwind.

Vision

The Vision segment designs, manufactures, and markets a range of medical grade technologies, including medical insufflators, pumps and related disposables; visualization solutions; wireless technologies, video recorders, and video integration technologies for operating room integrations; optical data collection and machine vision technologies; radio frequency identification ("RFID") technologies; thermal chart recorders; spectrometry technologies; and embedded touch screen solutions. Products are sold under various brand names, including WOM, NDS, Med X Change, Reach Technology, JADAK, ThingMagic, and Photo Research.

Our Mission

To serve as a trusted technology partner to medical and advanced industrial OEMs delivering intelligent, mission critical solutions in the most demanding applications.

Our Vision

To deliver innovations that matter.

Our Values

- **Win with our customers** – Customers are why Novanta exists. We deliver winning solutions to our customers that help them differentiate.
- **Keep your promises** – We do what we say and walk our talk with no excuses. We execute with excellence.
- **Stretch for the limit** – Delivering innovations that matter is core to our success. We build an environment where people have the courage to take calculated risks above our promises in the pursuit of extraordinary results. We utilize stretch objectives in the pursuit of excellence.
- **Be real** – We embrace a respectful, open, and honest environment without politics and personal agendas. Humility, transparency and genuineness are consistently evident, fostering trust in all interactions.
- **Be a great team** – When we work together, we win together. We believe people working together in a collaborative approach can achieve extraordinary results while having fun.

The Novanta Way

We believe a healthy culture supports long-term growth and success. It helps us attract and retain the best talent, consistently deliver results to our customers, and remain resilient to shocks. The Novanta Way, a term that we use to refer to our culture, defines the fabric of our culture and how we work together and relate to each other.

The Novanta Way provides the building blocks for welcoming, adaptable, high-performance teams through four pillars:

1. **Cohesive Teams** that are diverse, inclusive, collaborative, and committed to win;
2. **Engaged Employees** who feel a sense of belonging and inspired by our shared vision and purpose;
3. **Novanta Values** that guide what we stand for and how we behave; and
4. **Novanta Growth System** that helps drive results consistently.

With Novanta's diverse set of business units and global locations, we work hard so that our culture is absorbed by each and every one of our employees. Leaders across Novanta reiterate the importance of our culture through our communications and we recognize employees who consistently embody the culture.

The Novanta Growth System

The Novanta Growth System (NGS) is an important part of bringing our culture to life. NGS is a platform that connects our business units together to collaborate and share best practices. It provides a set of tools and processes to develop innovative products and build commercial and operational excellence. Company-wide councils in specialized areas, such as operations, R&D, supply chain, and sales & marketing, work together to further develop process excellence. To learn more, visit our website.

2.2 Our Approach to Sustainability

Our vision is to deliver innovations that matter to our customers and enhance people's lives. We link technology and economic progress with environmental, social, and governance responsibilities for the well-being of future generations and for achieving our business goals now and in the future. We take to heart our responsibilities to our stakeholders, including our customers, our employees, our stockholders, and the communities in which we operate. We are committed to creating a brighter future through environmental sustainability initiatives, building a diverse, equitable, and inclusive workforce, and maintaining a robust governance system.

We have adopted what we believe to be a rigorous methodology for measuring, reporting, and managing our impact. For our global facilities, we measure:

- Scope 1 and Scope 2 greenhouse gas (GHG) emissions
- Waste generation
- Gender diversity
- Health and safety

We prepared our 2021 ESG Report in line with two leading global standards – SASB and TCFD. We recognize the impact of our footprint and the role we play in facilitating meaningful change to benefit the people and the places affected by our operations. We are developing action plans to achieve **net zero GHG emissions by 2050**. We are building a Novanta culture that is diverse, equitable, and inclusive. And we are expanding our governance reach through our value chain. Please visit section (6) "ESG Metrics and Targets" for our full list of TCFD and SASB disclosures.

This report contains certain forward-looking statements based on Novanta management's current assumptions and expectations, including statements regarding our sustainability targets, goals, commitments, programs, acquisitions and their impact on our sustainability goals and targets, and other business plans, initiatives, and objectives. These statements are typically accompanied by the words "will," "could," "would," "should," "intend," "hope," "believe," "expect," "estimate," "plan," "aspire," "aim," "goal," "pledge," "potential," or similar words and expressions. The Company makes such forward-looking statements under the provision of the "Safe Harbor" section of the Private Securities Litigation Reform Act of 1995. Actual future results, including the achievement of our targets, goals, or commitments, may vary materially from those projected, anticipated, or indicated in any forward-looking statements as a result of changes in circumstances, assumptions not being realized, or other risks, uncertainties, and factors. Such risks, uncertainties, and factors include the risk factors discussed in Item 1A of our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC"), as well as, with respect to our sustainability targets, goals, and commitments outlined in this report or elsewhere, the challenges and assumptions, risks, uncertainties, and factors identified in this report. You should consider the forward-looking statements in this report in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2021, and our subsequent Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K filed with the SEC. Novanta urges you to consider all of the risks, uncertainties, and factors identified above or discussed in such reports carefully in evaluating the forward-looking statements in this report. Novanta cannot assure you that the results reflected or implied by any forward-looking statement will be realized or, even if substantially realized, that those results will have the forecasted or expected consequences and effects. The forward-looking statements in this report are made as of the date of this report, unless otherwise indicated, and we undertake no obligation to update these forward-looking statements to reflect subsequent events or circumstances, except as required under applicable law.

Topics We Are Focusing On

In 2021, we conducted an ESG assessment under the SASB and TCFD standards, consisting of a survey and interviews of senior leaders at Novanta, cross-referenced with key industry indicators to identify those ESG topics that may be most relevant to our stakeholders. The topics reveal Novanta's strong commitment to producing the highest-quality products in an ethical manner.

Based on this ESG assessment, we are focusing on the following topics:

- Energy mix
- Waste management
- Diversity
- Business ethics
- Product safety and quality
- Supply chain traceability
- Financial performance

In 2022, we intend to update our ESG assessment and look forward to sharing any changes to the above topics in our 2022 ESG Report.

2.3 Corporate Sustainability Strategy

In 2020, we set five corporate ESG targets that we aim to achieve by the end of 2023, excluding the impact of new business acquisitions. We plan to adjust both our baselines and our ESG targets for future acquisitions in the fiscal year following the year in which the acquisition is consummated. Below is our current progress against those targets set in 2020. The categories outlined below are in accordance with SASB and TCFD standards.

Category	Our Short-term Targets	Current Status by End of 2021
Environmental	To achieve our long-term goal of net zero greenhouse gas emissions by 2050, we set the following short-term objectives: • Phase 1: By the end of 2021, determine current energy and greenhouse gas emissions status; • Phase 2: By the end of 2022, set goals for greenhouse gas emissions reductions.	We have achieved both objectives: • We have determined our current energy and greenhouse gas emissions status and have disclosed Scope 1 and Scope 2 greenhouse gas emissions in this report; • 28% of our energy sources are now renewable as of 2021; • We pledge a further 15% reduction in Scope 1 and Scope 2 greenhouse gas emissions intensity (excluding new acquisitions) by 2026.
Social	Provide employees with one day of paid time-off (PTO) to volunteer at an approved non-profit organization • Complete 500 days of community service Novanta-wide	• Employees have been granted one day of PTO to volunteer per year since 2020. • Novanta conducted community service events despite COVID-related limitations.

Category	Our Short-term Targets	Current Status by End of 2021
Social	Expand our Diversity, Equity, and Inclusion (DEI) efforts • Phase 1: By April 2021, determine current status of DEI at Novanta • Phase 2: By January 2022, develop roadmap • Increase diversity of Board of Directors	Completed phases 1 and 2: • Hired our first Vice President of Leadership Development and Diversity, Equity, and Inclusion; • Set 2026 DEI targets; • Launched 2 Employee Resource Groups; • Board of Directors: Added one more woman to our Board of Directors during 2021 when our former Chair retired from the Board.
Governance	Integrate sustainability criteria in purchasing	In 2021, • 100% of Key Suppliers[1] have agreed to comply with our Supplier Code of Conduct. • We enhanced our Supplier Code of Conduct to include stricter labor compliance requirements. • We conducted a digital survey on our top strategic suppliers to assess their compliance with added environmental criteria.
Governance	Expand relevant ISO certification to all applicable facilities, including ISO 14001	In 2021, conducted: • EHS audits on major Novanta facilities; • 4 certification/recertification audits for ISO 14001; • 3 certification audits for ISO 45001.

2.4 Our 2021 ESG Report

At Novanta, we deliver innovations that matter. From life-saving surgical technologies to high-tech lasers, Novanta products increase safety, create efficiencies, and improve working conditions. As our world changes and our business grows, we are working so that the sustainability of our operations and governance continues to meet the same high standards as our products. This is Novanta's second annual ESG Report, covering the period from January 1, 2021 to December 31, 2021.

---

[1] *Key Suppliers are suppliers that represent 80% of our annual total spend plus other suppliers below the 80% spend threshold but supply materials particularly important to the quality and performance of our products as measured during 2021.*

3   Governance

Sustainability Integration

As a leading global provider of key technology solutions in medical and advanced industrial end markets, we link technical and economic progress with environmental, social, and governance responsibilities for the well-being of future generations and for achieving our business goals now and in the future.

This is not just because it is the right thing to do, but we also view sustainability as central to our growth. Therefore, the responsibility for managing and making decisions on these topics has been placed with our senior-most leaders, the Novanta Leadership Team, under the oversight of our Board of Directors. It extends throughout our organization to department heads and others. In fact, individuals throughout Novanta are encouraged and empowered to institute new sustainability initiatives and speak out when they see room for improvement. Read on to learn more about how we believe that a bias for responsible behavior is embedded throughout Novanta.

3.1   ESG Oversight

The oversight of our ESG topics rests with our highest governance body, our Board of Directors (the "Board"). As of December 31, 2021, our Board of Directors consisted of nine members, including our Chair and CEO, Matthijs Glastra. Our Board of Directors monitors and oversees the Company's Sustainability program through its Environmental, Social and Governance Committee (the "ESG Committee").

Board ESG Committee

Within the Board, ESG issues are overseen by the ESG Committee, which meets at least once a year and is comprised of three independent Board members. The ESG Committee reviews and reports to the full Board on Novanta's policies and programs relating to environmental, health, safety, diversity, equity, and inclusion, and governance matters.

ESG Committee Responsibilities		
Environmental	**Social**	**Governance**
• Overseeing corporate **sustainability strategy, initiatives, policies, and risks** • Overseeing our corporate approach to **climate change and environmental stewardship** • Reporting to the Board on environmental policies	• Overseeing our corporate approach to social issues • Overseeing programs and policies regarding diversity and inclusion • Reporting to the Board on social policies	• Identifying potential Board members • Overseeing corporate governance policies and practices • Assessing Board member committee fit • Regularly assessing the performance of the Board and its committees

Novanta Leadership Team

The Novanta Leadership Team, including the Named Executive Officers, is responsible for Novanta's ESG strategy, goals, compliance programs, and management of risks and opportunities. The Novanta Leadership Team manages day-to-day assessment and decision-making around Novanta's risks and opportunities with a focus on our most significant risks. Our Board of Directors and Board committees oversee and guide these efforts. These risks include, but are not limited to, cybersecurity, product quality and safety, effect of economic and political environment and government regulations on our businesses, data privacy, protection of intellectual property, supply chain disruptions, business acquisitions, anti-bribery and anti-corruption, natural resources, waste and toxicity, climate-related risks and opportunities, labor, health and safety, and human rights.

Sustainability and Environmental Health and Safety (EHS) Committee

Novanta's Sustainability and EHS Committee is composed of key business leaders, who meet at least quarterly. The committee is responsible for the development and definition of sustainability and EHS strategy and goals, establishing the tone, importance, and prioritization for quality, sustainability, and employee health and safety programs, and creating a "One Novanta" response to sustainability and EHS requirements and audits. The committee recognizes and takes into consideration the importance of engaging with key stakeholders.

Sustainability Department

The Sustainability department controls the company-wide sustainability management system, which is outlined in a comprehensive framework based on the Sustainability Policy. It serves as our commitment to a culture of continuous improvement and the highest standards. The sustainability strategy identifies the key areas of our activities. From this, we derive corresponding action plans, initiatives, reporting obligations, and company-wide goals. All relevant employees receive appropriate training to familiarize them with key topics and to provide them with any necessary expertise.

Sustainability Ambassadors

Across Novanta, employees can volunteer to become a Sustainability Ambassador and take the lead on initiating, continuing, and deepening sustainability initiatives at the local site-level. Across Novanta's major locations, we have Sustainability Ambassadors working on the ground to improve the sustainability of our offices and facilities.

3.2   Ethics and Compliance

Our business depends on maintaining high standards of professional ethics among our team members and remaining compliant with all relevant laws and regulations. The Novanta Leadership Team, including the Named Executive Officers, strives to promote business practices and operating procedures that can withstand the highest levels of scrutiny. Novanta's independent Internal Audit function monitors and assesses the Company's practices and reports directly to the Audit Committee of our Board of Directors. We also conduct risk assessments annually and modify any policies or controls as needed.

Ethics

Ethical decision-making requires an understanding of personal and company values and principles, coupled with good personal judgment. We expect all Novanta team members—from the Board of Directors and the Novanta Leadership Team to all employees—to understand and embrace our corporate values. We are committed to these principles in everything we do, so our activities reflect positively on our stockholders, our marketplace, our community, and ourselves.

Code of Conduct

The Novanta Code of Ethics and Business Conduct (the "Code of Conduct") identifies the ethics, values, and principles that guide our business relationships. We are dedicated to doing business with a strong sense of ethics, honesty, and integrity. The Code of Conduct was written by management and approved by the Board of Directors. The Code of Conduct provides guidelines on relationships between employees and internal and external stakeholders, conflicts of interest, anti-corruption, protection of assets, and more. All employees and directors are responsible for upholding the Code of Conduct, which is translated into seven languages besides English.

Anti-bribery and Anti-corruption

Under our Anti-bribery and Anti-Corruption ("ABAC") Policy, Novanta conducts an annual risk assessment and screening of customers, suppliers, distributors, and resellers to identify and replace any third parties that may have violated anti-corruption or anti-bribery laws in recent years and do not have the necessary controls and procedures in place to prevent and prohibit bribery and corruption behaviors. If a third party is identified as high risk based on an adverse data search, further due diligence is conducted and the business relationship is reviewed by the Chief Financial Officer or the Chief Accounting Officer. Proper safeguards are put in place to protect our business if it is deemed acceptable to continue doing business with the third party.

Ethics Training

New and existing employees are required to certify annually that they have read and will uphold the Code of Conduct. Additionally, all employees are required to pass a training course on anti-corruption, ethics, harassment, and data privacy every other year.

Confidential Reporting of Suspected Violations

We maintain an external compliance hotline for the confidential reporting of any suspected policy violations or unethical business conduct on the part of our businesses, employees, officers, directors, suppliers, or customers, and provide training and education to our global workforce with respect to our Code of Conduct, anti-bribery and anti-corruption policies, data privacy regulations, and workplace harassment. To file a complaint, individuals can visit http://novanta.ethicspoint.com or call the hotline. The Novanta Code of Conduct lists local numbers for each country. Internal Audit reports on hotline activities to the Audit Committee of the Board on a quarterly basis. The Chair of the Audit Committee also has direct access to all fraud, anti-bribery and anti-corruption, internal control, and financial matter-related reports on the compliance hotline.

Compliance

We require all our employees and facilities to comply with all relevant laws and regulations in the countries in which they work or operate. We closely govern the activities of our employees, facilities, and supply chain partners through a host of corporate policies, including our:

- Code of Ethics and Business Conduct;
- Supplier Code of Conduct;
- Anti-Harassment Policy;
- Antitrust Law Compliance Statement;
- California Proposition 65 Compliance Policy;
- China Restriction of Hazardous Substances (RoHS) Policy;
- Conflict Minerals Policy;
- Corporate Sustainability Policy;
- Equal Employment Opportunity Policy;
- Human Rights Policy;
- Political Activity Policy;
- Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) Compliance Policy;
- Related Party Transaction Policy; and
- Restriction of Hazardous Substances (RoHS) and Waste Electrical and Electronic Equipment Directive (WEEE) Compliance Policy.

Full policies are available on our website.

Manufacturing

All of our production facilities are subject to federal, state, local, and, in some cases, foreign environmental regulations related to the use, storage, handling, and disposal of regulated materials, chemicals, and certain waste from production processes.

In 2021, we did not receive any notices of violation or record any significant spills, fines, or sanctions for non-compliance with manufacturing or production laws or regulations. We experienced two non-material permit breaches and immediately implemented countermeasures to prevent future issues.

Data Privacy and Security

We are subject to many privacy and data protection laws and regulations around the world, some of which place restrictions on our ability to process personal data across our business. In particular, the General Data Protection Regulation (GDPR) became effective in the European Union (EU) and the European Economic Area (EEA) in 2018 and the California Consumer Privacy Act (CCPA) and California Privacy Rights Act (CPRA) will take effect in 2023. These regulations create individual privacy rights for consumers, increase the privacy and security obligations of entities handling certain personal data, and require transparency and disclosure to data subjects on how their data is being used. Novanta currently complies with all relevant data privacy and security laws and regulations in the jurisdictions in which we operate. We keep abreast of new and developing legislations related to cybersecurity and data privacy and make plans to comply before new laws take effect.

To manage cybersecurity risks, we have adopted and are implementing the National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF). The NIST CSF integrates industry standards and best practices to help organizations identify and reduce cybersecurity risks through a customized approach, including enterprise-wide cybersecurity awareness training. Novanta's Board of Directors oversees the Company's cybersecurity risks and programs. We had no material information security breaches in 2021.

3.3   Supplier Code of Conduct

We purchase goods and services from a wide range of suppliers for all our facilities around the world. Our supply chain includes inputs to our medical and industrial technologies, logistics and packaging services, information technology services, office supplies, and much more. We are committed to purchasing from ethical suppliers and hold our suppliers to the same ethical standards as ourselves.

We require our Key Suppliers, based on spend and priority of components supplied, to follow our Supplier Code of Conduct, which outlines our expectations of policies and procedures that they are expected to comply with. As a baseline, all suppliers must comply with all the relevant laws and regulations in the countries in which they operate. Our code provides additional guidance on:

- Labor rights, including child and forced labor, wages, and discrimination;
- Occupational health and safety, including emergency management, injury, and illness;
- Environmental impacts, including pollution and hazardous materials;
- Ethics, including anti-corruption and non-retaliation;
- Conflict minerals; and
- Compliance, including self-assessments and training.

In 2021, we started to survey digitally our Key Suppliers to assess their compliance with added environmental criteria. New and existing suppliers are required to meet these additional criteria by the end of the year 2023 in order to remain or become a Novanta supplier.

3.4   Safety Standards

ISO Efforts

Novanta products are used in highly sensitive and technical contexts, including medical devices and industrial lasers. It is imperative, therefore, that our products meet the highest standards of safety and quality to meet our customers' needs. We pursue industry-standard ISO certifications, or their respective national versions, such as EN, DIN, and BS, for our facilities and systems across business units.

All Novanta manufacturing facilities are ISO certified to ISO 9001, and many are also certified to ISO 13485. We have also made significant progress in reaching ISO 14001 certification. To date, four of major manufacturing facilities have received the certification for ISO 14001. Three additional facilities are in the process of being certified. In addition, three major facilities also reached ISO 45001 certifications in 2021.

For our overall management, we pursue:

- ISO 9001
- ISO 14001
- ISO 45001

For our medical devices, we pursue the following standards:

- ISO 13485
- CE Marking in the EU
- FDA Approval in the U.S.
- CFDA in China
- PMDA in Japan
- ANVISA in Brazil

Product Quality and Safety

The quality and safety of our products is of utmost importance to us. We comply with all laws and regulations relating to product safety in each of the countries where we operate, including Title 21 CFRP Part 820 (QSR) in the U.S. and EU MDR in Europe for medical technologies. Our facilities strive to meet the highest global standards—we have already achieved ISO 9001, and we're on the pathway to achieving ISO 13485 certification, for all of our medical production locations. The Novanta Growth System provides a common set of best practices and tools so that we meet high standards.

In 2021, we designed guidelines and processes to incorporate sustainability criteria into product requirement documents during the design stages of new product development. Sustainability considerations start there and are embedded in all phases of our product life cycles.

3.5 Risks and Opportunities

Effective Management of Risks and Opportunities

Risks and opportunities are inherent in all aspects of our business activities and embedded in our routine management decision-making. Effective management of these risks and opportunities is critical to our success as a strategic supplier to our customers, a key customer to our suppliers, a trusted employer to our employees, and a good investment to our investors.

The Novanta Leadership Team leads the overall risk management program at Novanta. Business unit General Managers and their leadership teams and corporate functional leaders are responsible for the execution of the respective components of the risk management program.

Our risk universe is updated annually based on changes in the overall economic environment and specific trends affecting Novanta businesses. All material risks are disclosed under Item 1A of our annual report on Form 10-K filed with the SEC. Short-term market dynamics are analyzed and discussed as part our quarterly business operating reviews to address any new or emerging risks and opportunities that need to be taken into account to deliver on our annual and strategic goals. Key Performance Indicators ("KPIs") are developed, agreed to, and monitored in response to any significant adjustments made to the original action plans. If any new material risk is identified in our quarterly review processes, we will add appropriate disclosures in our Quarterly Report on Form 10-Q.

Enterprise Risk Assessment

Our independent Internal Audit function performs an annual update to Novanta's enterprise risk assessment by conducting interviews of various senior leaders within the Company. The risk management program is designed to engage Novanta leaders, including both corporate leadership and business unit leadership, in identifying, monitoring, and managing key risks and opportunities that affect our business and the execution of our strategic initiatives. All risks are ranked based on both the likelihood of occurrence and the severity of the potential impact. The results of the risk assessment are summarized and reviewed by the Novanta Leadership Team. Based on the updated risk assessment, internal audit plans are developed to evaluate and monitor management's processes and controls around the higher ranked risk areas. Internal audit plans and risk assessments are then reviewed and approved by the Audit Committee of the Board of Directors.

In 2021, we expanded the existing risk management program to incorporate a broader ESG assessment and a specific climate-related risks and opportunities assessment, utilizing the recommendations of the TCFD and SASB's Sustainability Accounting Standards for Electrical & Electronic Equipment industry and Medical Equipment & Supplies industry as key inputs to this process with respect to our identification, assessment, and monitoring of climate-related risks. We evaluated both the likelihood and the potential impact of risks and opportunities relevant to our business. The results of these assessments were reviewed with the ESG Committee of the Board.

Climate Risks and Opportunities

One of the highest-ranked climate-related risks stems from the medical consumable products that we produce and sell to our medical OEMs in our MIS business. Single-use medical consumable products play a significant role in patient safety and outcomes. However, at the end of their use, even when disposed of properly by end users, they have an impact on the environment. We plan to develop strategies to continuously improve how we manufacture and distribute our products, aiming to reduce the negative environmental impact from such medical consumables products. We have also started to embed environmental and sustainability requirements into our new product development processes. Nonetheless, barring any unexpected fundamental shifts in patient safety requirements, we are not anticipating any material adverse financial effect in the near term from our efforts to reduce the environmental impact of our medical consumables.

Another of the highest-ranked climate-related risks is the potential disruptions to the business operations of our facilities and our suppliers and customers as a consequence of energy supply shortages or damages from extreme weather conditions and natural disasters caused by global warming. While the risk is inherent and unavoidable in nature, we are developing strategies to mitigate the risk to the extent possible by identifying alternative suppliers and distributors, sourcing raw materials from different supplier and distributor locations, modifying our product designs to allow for alternative components to be used without compromising quality, performance, or other requirements, and in-sourcing production of parts where feasible.

With the heightened focus on climate change, we also identified growth opportunities in product offerings to the green technology applications, such as electric vehicles and robotics. Several of our existing businesses are already supplying components to OEMs that make products for the green technology space. We will continue our R&D new product development efforts to develop new products and expand our product offerings in this area.

Insurance Program

We maintain comprehensive insurance programs to best protect the Company from various identified enterprise risks through careful evaluations of the risks and the related cost and benefit of third-party insurance policies. Our insurance programs currently include, among others, general liability, workers compensation, business interruption, professional liabilities, employment practices, cybersecurity, global cargo, property and casualty, global pollution, and directors and officers insurance.

4   Social

4.1   Our People

Our people are our greatest asset. As a multinational company with approximately 2,700 employees, our people bring a wide array of diverse educational, professional, and personal backgrounds and experiences that help enrich our culture known as The Novanta Way. Safety is paramount and one of the many ways we support our team. Throughout the COVID-19 pandemic, we continued to prioritize the use of masks, social distancing, and vaccination based on national medical guidelines for the safety of our employees. This helps us promote a sense of belonging among our team, which is underpinned by our values and supported by our culture. Equally important, we strive to keep our people stimulated and engaged by setting high standards and providing ongoing learning and development opportunities.

The Way We Work

COVID-19 gave us new perspectives about how we work. It demonstrated that, for many roles, we can be just as effective working from home as in the office. At the same time, we were reminded of the value of face-to-face collaboration. To support both these learnings, in 2021, we released a new flexible work arrangement framework, called "The Way We Work." The goal of the framework is to benefit both the individual and Novanta by providing better work-life balance while creating more engaged teams.

The framework outlines three working styles:

- **Full-time on-site** – four or more days per week on site. Applies particularly to manufacturing roles and roles supporting manufacturing
- **Alternating on-site** – a hybrid approach with two to three days on site
- **Remote** – jobs that are fully off-site, typically to fulfill a specific business need

The framework also describes the process to request a change in working arrangement and best practice behaviors so that business needs continue to be met.

4.2   Environmental, Health, and Safety

Health and Safety

The health and safety of our employees is our top priority. We utilize a world-class Environmental, Health and Safety (EHS) system that is customized to each production location based on local conditions. Three of our production locations have been certified to ISO 45001 and four production locations have been certified to ISO 14001, with certifications for more locations planned. Each site has an EHS representative who is charged with the responsibilities of having our high standards met. The EHS program is responsible for carrying out regular health and safety risk assessments, addressing any incidents that occur, and making process improvements to reduce hazards. In 2021, we continued following the latest medical guidance on the COVID-19 pandemic and exceeded the minimum standards for all occupational health and safety regulations in the countries where we operate.

NovantaWELL

In 2021, we launched NovantaWELL, our global health and wellness resource center on our intranet site. NovantaWELL provides a central information hub for all employees, with country-specific information, on physical and mental health and wellness. The portal offers education, such as tips on stress, noise, nutrition, tools for mindfulness reminders, and coaching on subjects like exercise routines. It also provides the latest guidance on salient health topics like COVID-19 and the flu.

In 2021, through NovantaWELL, we conducted a mental health assessment to support our employees through the ongoing challenges caused by the pandemic. Participants from six Novanta locations in the U.S., Germany, and the Czech Republic provided suggestions to senior leadership on measures to reduce stress and enhance mental health. We expect that additional assessments will be conducted in 2022.

Continued Action Against COVID-19

In 2020, we quickly adapted our operations and on-site practices to limit the spread of COVID-19 among our team members. We created steering committees at the global and local levels to rapidly respond to changing conditions and national guidelines. We rolled out a remote working model for employees who can perform their job duties without being physically in our facilities. We adopted temperature checks, PCR testing, and social distancing practices to minimize the risk of person-to-person infection within our facilities and to protect those employees who need to work on-site. In 2021, we consolidated our communication about these efforts on the NovantaWELL platform under the heading "Safe at Work" and offered on-site vaccination clinics (where allowable) to support community vaccination efforts.

4.3   Diversity, Equity, and Inclusion

Research shows that diverse, equitable, and inclusive organizations outperform other companies. Novanta has firsthand experience with this. We were resilient during the COVID-19 pandemic because our culture is built on cohesive, diverse teams that value collaboration and trust.

The Board of Directors and the Novanta Leadership Team have aligned on Novanta's Diversity, Equity and Inclusion strategic framework and embedded it into our The Novanta Way performance culture. We are developing a corporate culture where diversity, equity, and inclusion are embedded into our ways of working and our leaders lead by example. We strictly oppose any form of discrimination and maintain compliance with the relevant laws and standards including human rights, child labor, and labor rights.

In 2021, we hired a Vice President of Leadership Development and Diversity, Equity, and Inclusion. This decision was made under the direction of the Board of Directors and the Novanta Leadership Team, recognizing the business value that a diversity of ideas, backgrounds, and skills brings.

Early in our journey, we codified a DEI True North framework, which articulates our long-term DEI aspiration for Novanta. Our True North framework consists of four aspirations that will guide our journey and actions for the next several years. They are:

- We are Diverse
- We are Equitable
- We are Inclusive
- We are Lifelong Learners

These aspirations will guide how we act with each other, our suppliers, and customers, and in the communities where we work and live. They serve as a reminder that our success is interdependent on the world and people around us.

Our DEI goals are to**:**

- Cultivate a welcoming, diverse, equitable, and inclusive culture where all employees experience a sense of belonging and are lifelong learners
- Increase the representation of women and people from underrepresented[2] groups at all levels of the organization so our workforce reflects the demographics of the local communities where we are based
- Actively engage with and support community organizations and business enterprises owned by people from underrepresented groups

DEI Targets

In 2021, we created DEI internal targets to:

- Advance our maturity level on the Global Diversity Equity Inclusion Benchmark maturity model
- Increase Inclusion and Belonging scores
- Increase the number of women in leadership positions
- Increase hiring, retention, and promotion of employees from underrepresented groups
- Increase the number of employees utilizing PTO to volunteer and provide community service

Culture Council

As part of our benchmarking process, we developed a Culture Council, which is chaired by our VP of Leadership Development, and Diversity, Equity, and Inclusion, and two co-chairs. The Culture Council comprises employees with diverse identities, backgrounds, and job positions from various business units.

The Culture Council provides governance on DEI, advises the Novanta Leadership Team, and executes DEI initiatives. In 2021, the Culture Council launched two Employee Resource Groups and two Working Teams to effectively implement our DEI goals and initiatives.

- The Localization and Deployment Working Team works with our employees at our regional sites so that all initiatives and interventions are relevant to the local site.
- The Learning and Development Working Team supports cross-competency education by sponsoring localized learning events so that employees are able to understand and apply the key concepts in their daily tasks and interactions.

Diverse Talent Engagement

We are actively taking steps to improve the diversity of our workforce, beginning at the recruitment stage. In 2021, we launched a new six-step diverse recruitment strategy to widen our pool of potential applicants. This strategy includes creating gender-neutral job postings by removing gender-coded words, using recruiting platforms that include more diverse candidates, employing AI tools to remove identifying information from resumes to reduce opportunities for bias, and partnering with academic programs to build a diverse recruiting pipeline.

---

[2] An underrepresented group in the U.S. is anyone who self-identifies as Black, African American, Hispanic or Latinx, Asian, Native American or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races or ethnicities, as defined by Nasdaq.

Employee Resource Groups

In 2021, we launched two Employee Resource Groups (ERGs) to provide support and help in personal or career development and to create a safe space where employees can bring their whole selves to the table.

The purpose of the Novanta Women's ERG is divided into five main goals: advocacy, development, community, allyship, and communication.

The Multicultural/International ERG was created to affirm our cultural differences and to sponsor cultural events around the globe that both celebrate and educate our employees on the varying customs and cultures of our multinational colleagues.

Employee Engagement

We believe that our employees should have a meaningful role in helping us to develop our culture. We utilize survey feedback mechanisms for employee engagement and organizational health to measure our current situation and gain insight into areas where we can improve. We have conducted surveys of our entire employee population in the last four years, and we compare our employee engagement and organizational health scores against benchmark populations with our survey vendors. Following each survey cycle, we review the results with our teams and develop specific action plans across the Company to take action as a direct result of the feedback we receive from the survey. We are executing on our action plans with the expectation to improve our overall organizational health and employee engagement.

Benefits

We strive to recruit and retain the best talent by creating a welcoming working environment and attractive benefits package commensurate with the local employment market. For example, full-time employees in the U.S. are offered:

- Comprehensive medical, dental, and vision coverage for employees and qualified dependents
- Health Savings Account with an annual employer contribution and Flexible Spending Account(s)
- 24-hour telemedicine services for all employees and their dependents
- Access to an on-site health clinic at our Bedford, Massachusetts and Mukilteo, Washington sites and virtual health coaches
- Employee Assistance Program
- Company-provided life, accidental death, or dismemberment insurance
- Up to 16 weeks of paid parental or family leave
- Up to 20 weeks of paid medical leave
- Optional voluntary and supplemental insurance plans
- 401(k) retirement savings plan with a competitive matching program
- Competitive paid time-off program for non-exempt employees
- Unlimited paid time-off program for exempt employees
- Flexible and remote working arrangements
- Tuition reimbursement for job related studies

For our employees in countries with government-provided health care coverage, we offer on-site healthcare, free checkups, fitness programs, and more.

4.4 Training and Leadership Development

We provide a suite of both mandatory safety and regulatory compliance training courses, designed to empower our employees with the knowledge and tools they need to make safe choices and to mitigate risks, and mandatory and optional leadership development training courses to help our team continuously grow.

In 2021, we conducted global training courses on our culture and business tools, occupational health and safety, compliance, and IT security. Through our internal learning platform, Novanta University, we conducted our second Digital Learning Week, welcoming 4,200 participants and offering 18 different training courses over 38 sessions and in 3 languages.

4.5 Voluntary Community Support

We provide every employee with one paid day-off per year to volunteer at non-profit organizations supporting the elderly, the ill, those with physical disabilities, children and youth, refugees, or the environment. We have set a Novanta-wide goal of sponsoring 500 community service days by the end of 2023. In 2021, despite barriers to in-person activities, our sites found creative opportunities to volunteer in outdoor settings. For example, our Syracuse location has a long-standing partnership with the US-based Adopt-a-Highway program. Highway adopters commit to clear litter and storm drains along a stretch of public roadway. In May 2021, 12 volunteers, spending a total of 37 hours, collected trash from nearly 2 miles of public roadway. Meanwhile, our colleagues in Stockport, UK paid three visits to Lower Moss Wood, a nature preserve and wild animal hospital, to clear brush, feed injured animals, and maintain waterways.

5   Environment

We establish and maintain a leading best practice Environmental Management System based on ISO 14001 at all our locations that is customized to each site based on local conditions.

Measure and Reduce

Our products benefit society by streamlining existing processes, saving time, and saving lives. At the same time, we recognize that our operations do impact the environment by using energy and generating waste. We are working diligently to reduce our impact across our facilities through process improvements, efficiency programs, and supplier partnerships with the aim of being carbon neutral by 2050.

To this end, we have challenged each of our manufacturing sites to reduce their environmental impact in the categories below. As part of our culture of trust and ownership, how they approach the challenge is left up to the local leadership and Sustainability Ambassadors at each site.

- Eco-friendly breakrooms and cleaning
    – Example: Our manufacturing facilities have reduced their consumption of single-use plastics.
- Reduce, reuse, recycle
    – Example: Our sites have begun transitioning from paper to digital signatures, reducing paper use and saving time. In addition, they have implemented recycling programs where available.
- ISO certification
    – Example: Two of our manufacturing sites achieved ISO 14001 certifications in 2021 for the first time.
- Sustainable procurement
    – Example: Three of our sites entered into power purchase agreements (PPA) for renewable sources during 2021. These PPAs haven't had any material financial impact for Novanta.

5.1   Our Environmental Goals

In order to meet our ambitious goal of being carbon neutral by 2050, we have set the following short, medium, and long-term environmental goals. We plan to adjust our goals for future acquisitions in the fiscal year following the year in which the acquisition is consummated. Each business unit or site commits to these goals but decides for itself what measures need to be taken to achieve them.

Emissions

We are committed to establishing initiatives that contribute to global efforts to limit planetary warming to 1.5 °C. Our short-, medium-, and long-term plans are as follows:

- **Short-term (next 5 years):** Novanta is publishing its Scope 1 and Scope 2 GHG emissions for the first time in our 2021 ESG Report. By 2026, we pledge an aggregate 15% reduction in our Scope 1 and Scope 2 GHG emissions from our 2021 baseline (both normalized to annual revenue and excluding our 2021 and future acquisitions).
    – This will include all our direct GHG emissions that we create from owned and leased facilities and Company equipment (e.g., natural gas, Company vehicles), and indirect emissions from our electricity consumption.

- **Medium-term (5 to 15 years):** We plan to reduce our Scope 1 and Scope 2 GHG emissions by an average of 5% annually.
    - When we acquire or divest businesses, we will adjust the baseline for GHG emissions metrics and calculations to include or eliminate the related GHG emissions of the acquired or divested businesses.
- **Long-term (+15 years):** Our goal is to achieve a target of net zero GHG emissions by 2050.

Renewable Electricity Procurement Initiative

The quickest and most impactful way that Novanta can reduce emissions is to switch from fossil fuel-based electricity sources to clean and renewable electricity sources.

- Novanta has set the goal of sourcing at least 90% of its electricity from clean or renewable sources at its manufacturing facilities through PPAs. To date, we have not experienced any material adverse financial impact from entering into such PPAs. However, there is no assurance that the cost of such PPAs will not become more significant in the future.

Waste Reduction Initiative

Our goal is to conserve natural resources by avoiding waste in the long term, thus promoting the protection of people and the environment.

- Novanta will raise awareness of waste prevention and reduction with its customers, vendors, employees, and other stakeholders.
- Novanta will establish Avoid, Reduce, Reuse, and Recycle programs at its sites.
- Novanta intends to reduce waste sent to landfill by 2% per year at its facilities.

Paper Reduction Initiative

Our goal is to record and reduce our paper consumption at our facilities. As we believe paper production and consumption have an impact on global warming, we have established paper use reduction programs.

- Novanta will purchase recycled or eco-friendly paper where available. We intend to reduce the use of non-renewable and non-eco-friendly paper by 10% per year.
- Novanta will expand our adoption of digital solutions as part of our initiative to reduce paper consumption.

5.2 Climate and Energy

GHG Emissions

In 2021, we began measuring our Scope 1 and Scope 2 GHG emissions across all of our facilities and locations in order to have a clearer picture of our direct carbon impact. With this information, we will be able to better target our carbon reduction interventions to meet our environmental goals.

Emissions in tCO$_2$e (2021 Baseline)		
Scope One	**Scope Two**	**Total**
1,443	4,196	5,639

IEA (2021), Emission Factors | EPA eGRID[3] | Metric Tons of Carbon Dioxide Equivalence

Across Novanta sites globally, approximately 28% of our electricity consumption already comes from clean or renewable sources[4] as the end of 2021.

At Novanta, we recognize the impact of our footprint on the environment and the importance of tracking and reducing our GHG emissions. Without tracking our Scope 3 GHG emissions, it is impossible to see the full scale of our impact. We are currently developing plans to define the scope, tools, and methodologies for measuring our Scope 3 GHG emissions. We plan to begin measuring these Scope 3 GHG emissions by 2026.

As a Company that operates globally, we have an important role to play in enacting stringent ESG-related requirements for all relevant players within our supply chain. Starting in 2022, we intend to require all Key Suppliers to complete a tailored ESG questionnaire to demonstrate that they comply with our standards at Novanta. This will allow us to monitor our upstream emissions, giving us a more complete understanding of our impact. In the interim, we are working on projects to cut back on our GHG emissions wherever possible.

Water Usage, Water Intensity, Water Source

Through Novanta's initial ESG assessment in 2021, we have determined that water usage, intensity, and source are not items requiring detailed tracking for Novanta at this time. In the years to come, Novanta will continue to monitor water usage, water intensity, and water source.

Land Cover, Land Use Practices

Through Novanta's initial ESG assessment and risk analysis in 2021, we have determined that Land Cover and Land Use Practices are not items requiring detailed tracking for Novanta at this time. In the years to come, Novanta will continue to monitor land use practices.

Physical Risks[5] in Coastal/Flood Zones

Novanta has worked with our insurance carriers to evaluate the physical risks that may affect our facilities and has maintained appropriate levels of insurance coverage to help minimize the financial consequences of catastrophic events that might occur. To date, we have not had any catastrophic physical events that have caused major business disruptions to our facilities. However, there is no assurance that such catastrophic physical events will not occur in the future. Novanta will continuously monitor our physical risks and enhance our risk response action plans as part of our ISO 14001 certification and compliance initiative.

---

[3] Full methodology for calculating GHG emissions can be found in Appendix C.
[4] Calculated as kWh of renewable or nuclear-sourced electricity divided by total kWh of electricity consumed in 2021. Both supplier-reported fuel mix and contractual agreements are included. See Appendix B for further information.
[5] Risks associated with extreme weather, climate change and other physical impacts.

5.3 Waste

As part of the ISO 14001 environmental management standard, we follow the reduce, reuse, recycle hierarchy when it comes to waste management. All of our sites have been challenged to reduce waste in their operations, including reducing single-use items in their breakrooms and printing of paper documents, as well as reducing other types of process waste such as metals and chemicals in our production facilities. As a minimum, all of our sites follow local regulations on waste disposal and recycling, but many of our sites have gone the extra mile to offer employees additional opportunities to recycle, including providing drop-off points for textile and shoe recycling, battery recycling, and paper shredding. On electronic waste, we comply with the European Waste Electrical and Electronic Equipment Directive (WEEE), which mandates the collection and recycling of electric and electronic equipment at our sites in Europe.

Hazardous Waste

We have detailed procedures for managing hazardous waste at our facilities, aligned with guidelines from the Globally Harmonized System. We also follow local guidelines where relevant, such as the Toxic Substances Control Act in the U.S. and the Inventory of Existing Chemical Substances in China. We recycle hazardous waste through third-party partners.

Packaging

We are working to reduce the impact of our product packaging through an analysis of packaging requirements for each product and a search for alternatives with lower potential GHG emissions. For example, when launching the new MOVIA scan head product in 2021, our product development team carefully considered the environmental impact of its packaging. New cardboard packaging with innovative film suspension was used to replace previously used closed-cell foam packaging. This reduced the use of unrecyclable plastic while improving the level of protection afforded to the product.

5.4 Sustainable Product Development

We believe that adapting existing manufacturing processes to consider sustainability criteria can be difficult and may result in only marginal improvements. In late 2021, we launched a new Novanta-wide approach to product development, called "New Product Innovation Toolbox" that aims to take sustainability into account from the requirements definition stage to the commercial launch of the product. For example, all of our projects begin with templates for systematically capturing stakeholder and system requirements. This set of templates now includes a mandatory sustainability requirements checklist. Similarly, during the validation stage, product prototypes must be checked against those initial requirements lists to confirm that they meet all listed needs. New product development will focus on material reduction, energy efficiency, transportation methods, packaging concepts, and recycling to make products more sustainable.

The process for developing the toolbox has been highly collaborative, involving sponsorship from the R&D Council, an internal collaboration platform with the participation of R&D leaders from multiple business units, and input from product development experts across Novanta. We will continue to roll out these new sustainable product development processes and tools across Novanta in 2022 and beyond.

6   ESG Metrics and Targets

SASB Index	
Electrical & Electronic Equipment and Medical Equipment & Supplies	
SASB Metric	**2021 Disclosure**
RT-EE-130a.1 (1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable	(1) 86,275 Gigajoules ("Gj") of total energy consumption (2) 79% grid electricity (3) 28% renewable See appendix B for more energy use details.
RT-EE-150a.1 (1) Amount of hazardous waste generated (2) Percentage recycled	(1) 334 metric tons of hazardous waste (2) We have not been able to collect the percentage-recycled data from all sites. The sites that were able to provide such information for 2021 accounted for approximately 35% of the total hazardous waste.
RT-EE-150a.2 (1) Number and aggregate quantity of reportable spills (2) Quantity recovered	In 2021, Novanta had no reportable spills as defined by the U.S. Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).
HC-MS-240a.1 Ratio of weighted average rate of net price increases (for all products) to the annual increase in the U.S. Consumer Price Index	Due to the basis of this metric being included in the U.S. Consumer Price Index and the nature of Novanta's operations in a business-to-business (B2B) environment, we do not consider this disclosure to be relevant to our business.

HC-MS-240a.2 Description of how price information for each product is disclosed to customers or to their agents	Novanta sells medical technology products; barcode scanning, RFID readers and machine vision cameras; components and subsystems for laser-based diagnostic, analytical, micromachining, and fine material processing applications; and miniature precision optical encoders, robust inductive encoders, energy-efficient motors, high-performance servo drives, high-speed air bearing spindles and integrated mechatronic solutions (for more details, visit Novanta.com). Novanta is a trusted technology partner to medical and advanced industrial OEMs. Business units negotiate price, volume, delivery times, incoterms, payment terms, limitations of liability, and lead times with OEMs. Price negotiations may be based upon factors such as volume, market share, terms and conditions, long-term commitments, and are generally documented in executed contracts, purchase orders, supply agreements and term sheets.
RT-EE-250a.1 | HC-MS-250a.1 (1) Number of recalls issued (2) Total units recalled	1) 1 recall (field correction) issued in 2021 (FDA notified action: software update during regular product maintenance or by trained service technicians) 2) 1,000 total units recalled
RT-EE-250a.2 Total amount of monetary losses as a result of legal proceedings associated with product safety	Zero
HC-MS-250a.2 List of products listed in the FDA's MedWatch Safety Alerts for Human Medical Products database	None
HC-MS-250a.3 Number of fatalities related to products as reported in the FDA Manufacturer and User Facility Device Experience	Zero

HC-MS-250a.4 Number of FDA enforcement actions taken in response to violations of current Good Manufacturing Practices (cGMP), by type	Zero
HC-MS-270a.1 Total amount of monetary losses as a result of legal proceedings associated with false marketing claims	Zero
HC-MS-270a.2 Description of code of ethics governing promotion of off-label use of products	Novanta registered medical devices (FDA, CE, etc.) have an 'indication for use' described in the product's instruction for use (IFU); 'off-label use' is legally not permitted. No indication of potential 'off-label use' is provided. Other Novanta products that are not medical devices but are part of or supplement of medical devices of Novanta customers cannot be used without them and therefore the customer products are subject to the legal requirements regarding the adequate labeling or use in accordance with the 'indication for use'.
RT-EE-410a.1 Percentage of products by revenue that contain IEC 62474 declarable substances	Novanta does not specifically track products containing IEC 62474 declarable substances. However, we strive to comply with local laws and regulations for potentially hazardous substances, including REACH, RoHS, TSCA, and California Proposition 65. More information on our specific key compliance policies can be found on the Corporate Citizenship page of our website.
RT-EE-410a.2 Percentage of eligible products, by revenue, that meet ENERGY STAR® criteria	Not applicable. At this time, ENERGY STAR criteria have limited applicability to Novanta products given our B2B business model.

RT-EE-410a.3 Revenue from renewable energy-related and energy efficiency-related products	Due to the nature of our B2B relationship with our customers and the multiple end-user applications in which many of our products may be used, we do not have verifiable tracking of our sales from renewable energy-related and energy efficiency-related products.
HC-MS-410a.1 Discussion of process to assess and manage environmental and human health considerations associated with chemicals in products, and meet demand for sustainable products	Novanta's Corporate Sustainability Policy aims to act in an environmentally responsible manner in the development and manufacture of our products and services. Our employees and managers are expected to support the implementation of this policy in accordance with their duties and responsibilities. Based on applicable environmental regulations, customer requirements, and other specifications, our goal is to protect the environment, reduce hazardous and non-hazardous waste, reduce energy usage, maximize the use of renewable energy, minimize environmental pollution, and continuously improve environmental performance. At Novanta, new product development will focus on material reduction, energy efficiency, distribution and shipping methods, packaging concepts, and recycling to make our products more sustainable. Novanta complies, in all material respects, with applicable standards, such as RoHS, including DEHP-free tube sets, REACH, Conflict Minerals, and California Proposition 65 regulatory compliance for all products. Refer to our Corporate Citizenship Downloads.
HC-MS-410a.2 Total amount of products accepted for takeback and reused, recycled, or donated, broken down by (1) devices and equipment and (2) supplies	(1) Zero (2) Zero

HC-MS-430a.1

Percentage of (1) entity's facilities and (2) Tier 1 suppliers' facilities participating in third-party audit programs for manufacturing and product quality

(1) 100% of manufacturing sites. The majority of our products are produced in manufacturing facilities certified under ISO 9001 certification, while most of our products manufactured for the medical market are produced in factories under ISO 13485 certification. In 2021, two of our manufacturing facilities were recertified to ISO 14001 and two additional facilities were certified to ISO 14001 for the first time. Three production facilities also reached ISO 45001 certifications in 2021.

Certain visualization solutions, thermal chart recorders, imaging informatics, and medical insufflators, pumps, cameras, and accessories products are manufactured under current good manufacturing practices (cGMPs), which is a requirement of their medical device classification by the United States Food and Drug Administration (the "FDA").

(2) Novanta does not currently track the percentage of supplier facilities participating in third-party audit programs for manufacturing and product quality.

HC-MS-430a.2

Description of efforts to maintain traceability within the distribution chain

Novanta maintains traceability throughout all stages of manufacturing and distribution through our ERP systems.

RT-EE-440a.1 | HC-MS-430a.3

Description of the management of risks associated with the use of critical materials

Novanta recognizes that there are serious human rights abuses associated with the extraction, transport, and trade of conflict minerals from the Democratic Republic of Congo and the adjacent countries (collectively, the "DRC Region") and is committed to the responsible sourcing of minerals throughout its global supply chain. With the support of our vendors, we conduct annual Reasonable Country of Origin Inquiries (RCOI) that seek to identify and eliminate from our supply chain any conflict minerals that have originated from the DRC Region that may have, directly or indirectly, financed or benefited the armed groups in the region. For 2020, we surveyed 955 Tier-1 suppliers and received responses from approximately 88% of these suppliers. As of the date of this report, we are still in the process of conducting the RCOI for our 2021 conflict minerals reporting cycle. We will continue to work with our suppliers to increase the response rate and improve the quality of their and our conflict minerals due diligence efforts.

Novanta works so that our products comply with the EU Chemicals Regulation (Registration, Evaluation, Authorization, and Restriction of Chemicals, also known as REACH). With regards to the EU Directive on the Restriction of Hazardous Substances (RoHS), our Photonics and Precision Motion businesses comply with RoHS 3. Our MIS businesses comply with RoHS 2 and are working to implement the new requirements in accordance with RoHS 3, applying to medical systems only as of July 2021. Novanta is also committed to compliance with China RoHS.

	We use an internal chemical classification and labeling system with reference to the Globally Harmonized System (GHS) and/or references to regional classifications (e.g., TSCA, IESCS).
	Novanta complies with applicable standards, such as RoHS, including DEHP-free tube sets, REACH, Conflict Minerals, and CA-Prop 65 regulatory compliance for all products. Refer to our [Corporate Citizenship Downloads]().
RT-EE-510a.1 Description of policies and practices for prevention of: (1) corruption and bribery and (2) anti-competitive behavior	Refer to our [Code of Ethics and Business Conduct]() (pages 11 and 14). Novanta conducts adverse data search and monitoring of significant customers and suppliers using an online third-party monitoring tool so that we do business only with companies with proper policies, procedures, and controls in place to prevent corruption, bribery, and anticompetitive behaviors.
RT-EE-510a.2 Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Zero
RT-EE-510a.3 Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	Zero

HC-MS-510a.1 Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Zero
HC-MS-510a.2 Description of code of ethics governing interactions with health care professionals	The Novanta Code of Ethics and Business Conduct requires all of our activities to be conducted in accordance with all applicable laws and regulations. The Novanta Code of Ethics and Business Conduct states that "bribes and kickbacks are criminal acts, strictly prohibited by law." This includes health care professionals. Given our OEM business model, Novanta does not typically interact directly with health care professionals.
RT-EE-000.A | HC-MS-000.A Number of units (EE) produced and (MS) sold by product category	Given the wide range of components produced and sold by Novanta, disclosure of the number of units produced and sold by product category is not considered meaningful.
RT-EE-000.B Number of employees	Approximately 2,700 full-time and part-time employees as of December 31, 2021

TCFD Framework		
Governance	Disclose the Company's governance around climate-related risks and opportunities.	*Refer to section:* 3.1 ESG Oversight
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the Company's businesses, strategy, and financial planning where such information is material.	*Refer to sections:* 3.5 Risk and Opportunities; 5.1 Environmental Goals
Risk Management	Disclose how the Company identifies, assesses, and manages climate-related risks.	*Refer to section:* 3.5 Risks and Opportunities; 2021 Form 10-K, Item 1A "Risk Factors" (pages 20 and 27)
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	*Refer to sections:* 3.5 Risks and Opportunities; 5.1 Environmental Goals; 5.2 Climate and Energy; Appendix B

Appendix A

ESG Data Tables

Innovation			
	2020	**2021**	**Year-over-Year Changes**
R&D spending	$61 m	$73 m	+$12 m
R&D spending as of % of Revenue	10.3%	10.3%	0
Revenue	$591 m	$707 m	+$116 m
End market ratio **Medical | Advanced Industrial**	56% | 44%	52% | 48%	-4 | +4
Vitality Index *(Revenue from products introduced in last 4 years as % of total consolidated revenue excluding current-year acquisitions)*	28%	29%	+1

People			
Board of Directors	**2020**	**2021**	**Year-over-Year Changes**
Gender diversity (f | m)*	25% | 75%	33% | 67%	+8 | -8
Underrepresented groups** | Non-underrepresented groups*	13% | 87%	11% | 89%	-2 | +2
* As of December 31, 2020 and December 31, 2021, respectively. *** An underrepresented group in the U.S. is anyone who self-identifies as Black, African American, Hispanic or Latinx, Asian, Native American or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races or ethnicities, as defined by Nasdaq.*			
Women | Men ratio			
Total headcount (f | m)	35% | 65%	36% | 64%	+1 | -1
Individual contributor positions (f | m)	37% | 63%	39% | 61%	+2 | -2
Leadership positions (f | m)	25% | 75%	25% | 75%	0 | 0
Women | Men ratio*			
Total headcount (f | m)	35% | 65%	36% | 64%	+1 | -1
Individual contributor positions (f | m)	37% | 63%	38% | 62%	+1 | -1
Leadership positions (f | m)	25% | 75%	27% | 73%	+2 | -2
*** Excluding new acquisitions in 2021			
Employees trained on Compliance (excluding direct-labor production employees)	96%	97%	+1

Appendix B

Energy and GHG Emissions

GHG Emissions by Source (in tCO$_2$e)		
Scope 1	Mobile Sources	263
	Stationary Combustion	925
	Fugitive Emissions	256
Scope 2	Location-based Electricity	5,505
	Market-based Electricity	4,153
	Purchased Heat	43

Energy Use						
	Consumption		**Total Grid Mix + Contracts**		**By Contract Only**	
	Gigajoules (Gj)	**% of Total**	**Renewable Mix***	**Nuclear Mix***	**Renewable Mix***	**Nuclear Mix***
Grid Electricity	67,894	79%	50%	9%	36%	1%
Natural Gas	16,584	19%	-	-	-	-
Other Energy Sources	1,587	2%	-	-	-	-
Total Energy	86,275	100%	39%	7%	28%	1%

Metrics Normalized by Revenue				
	Unit of Measure	**Consumption**	**Unit of Measure**	**Intensity**
Scope 1	tCO$_2$e	1,443	tCO$_2$e / $ million Revenue**	2.2
Scope 2*		4,196		6.3
Total Emissions*		5,639		8.5
Electricity Consumption	Gj	67,894	Gj / $ million Revenue**	102.3
Energy Consumption		86,275		130.0
Electricity Consumption	MWh	18,856	MWh / $ million Revenue**	28.4
Energy Consumption		23,961		36.1
Water Usage	M^3	59,466	M^3 / $ million Revenue**	89.6

Percentages displayed represent status as of the end of 2021.
** *"$ million Revenue" represents reported consolidated revenues minus revenues from business acquisitions consummated during the current fiscal year for which GHG emissions are excluded from the scope of the reported data in the table above.*
*** *Total and Scope 2 emissions shown are based on market-based method.*

Appendix C

Boundaries and Methodology

Environmental Data Boundaries

Environmental data in this report have been collected for all Novanta sites with 10+ employees from January 1, 2021 to December 31, 2021, excluding businesses acquired during 2021. In total, the data collected represents 23 facilities and approximately 95% of our total owned or leased space, excluding businesses acquired in 2021. Data from Novanta owned or leased vehicles was collected regardless of the location.

For environmental data normalized by revenue, revenue amounts represent reported consolidated revenues minus revenues from business acquisitions consummated during the current fiscal year for which GHG emissions are excluded from the scope of the reported data in this report.

Data used and disclosed in this report has been collected and prepared through internal processes based on historical purchasing records or conservative estimates. Data collection has not been verified or audited by any external audit firm. The methodology, emission factors, and calculation for GHG emissions have been reviewed by an independent third-party GHG emissions specialist from NSF International.

Facility locations in the countries for which environmental data was collected:
United States (8 sites), United Kingdom (5 sites), Germany (5 sites), China (2 sites), Czech Republic (1 site), Japan (1 site), and Spain (1 site)

GHG Emissions Methodology

Uncertainties are inevitable in GHG emissions inventories and calculations. Quantifying the uncertainties in our GHG model for this year was not viable for Novanta. As this is our first year collecting and reporting GHG emissions data, we understand that our methodologies and tools will likely evolve and develop further in the future and future reporting will likely reflect this. While it is necessary to acknowledge the uncertainties in our model, we believe the information presented in this report can provide us with a reasonable baseline as our ESG program continues to develop and mature.

All emission factors used are in line with the IPCC Fifth Assessment Report (AR5), as published by the GHG Protocol. Our sources of emission factors are from internationally recognized emission factor databases, such as GHG Protocol, IEA, EPA eGRID, AIB, Green-e, and supplier-specific emission factors when available. The GHG calculations were based on GHG Protocol and EPA methodologies. All data was converted and reported in CO_2 equivalence and normalized by revenue for comparability. Information collected was obtained through purchase records with conservative estimates made when necessary.

Imprint

Publisher Information

Publisher

Novanta Inc.
125 Middlesex Turnpike
Bedford, MA 01730
USA
https://www.novanta.com
info@novanta.com

Responsible

Matthijs Glastra, Chair and Chief Executive Officer

Contact for Sustainability Communications

ESG@Novanta.com

All pictured objects, images, and texts are copyright-protected.

Any wrongful duplication, copying, publication, or reproduction is punishable
by law and requires our express consent concerning the works produced by us.