

## Governance

# Anti-Bribery Anti-Corruption (ABAC) Policy & ABAC Procedures

**General Policy Statement: Novanta Inc. will not do business anywhere in the world through bribes or other corrupt payments or other illegal incentives to any third party to obtain or retain business or to obtain any other advantage for the Company.**

Novanta Inc. and all of its subsidiaries (collectively, "Novanta" or the "Company") are committed to acting legally in every country in which the Company does business. Bribery is a crime in countries where we do business and companies and individuals who engage in bribery could face substantial penalties, including imprisonment, fines and denial of the right to conduct business. In the United States, the Foreign Corrupt Practices Act ("FCPA") prohibits bribes and other corrupt payments to foreign government officials. The US government vigorously enforces the FCPA and penalizes violations. Most other countries have similar laws, such as UK Bribery Act 2010 (the Bribery Act), the German Act on Combating Bribery of Foreign Public Officials, the bribery and corruption provisions in China's Criminal Law and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions ("OECD Anti-Bribery Convention"). Just as importantly, the Company values its reputation and the reputation of its employees. Any association with corruption or bribery could damage our brand and reputation.

## Anti-Bribery Anti-Corruption (ABAC) Guidelines

This policy applies to the Company, its subsidiaries worldwide, and all of their respective officers, directors and employees. This policy applies whether we are acting directly or indirectly through dealers, agents or other representatives.

The term "government official" is a broad one and includes: 1) any officer or employee of any government or any government department or agency (including such individuals who may be serving in other capacities such as an employee of a corporation who also holds a governmental post); 2) any person acting in an official capacity on behalf of any government or any government department or agency; 3) any officer or employee of a company or business owned in whole or in part by any government or government official; 4) any officer or employee of a public international organization such as the World Bank, the United Nations; 5) any political party or any official thereof; 6) any candidate for political office; 7) civil servants; and 8) military personnel. Family members, spouses or domestic partners, and close relatives of a government official are also included in the meaning of the term.

Any individual or entity acting on behalf of the Company must follow these guidelines:

- We will not offer or give money or anything else of value to any person in order to obtain or retain their business or secure any other improper advantage, such as approval of a license, or if to do so would violate local laws or would constitute a commercial bribe.
- We will not offer or provide money or anything else of value to any person, including a customer or government official, as an incentive or reward for that person's past, present or future willingness to do business with the Company or to provide a benefit to the Company that it is not otherwise legally entitled to receive without such payment.
- We will not retain the services of any person, including a government official, if to do so would violate local law.
- All payments and benefits to, and engagements of, any person, including government officials, customers, and healthcare professionals, must be properly documented and accurately recorded in the Company's books and records and must be for bona fide services actually required by the Company.
- The Company's employees must not accept anything of value from any third party if doing so may compromise the employee's independence or judgment, or if it would constitute an inducement to make, or a reward for making, any decision in favor of a third party.
- We will not engage third parties, such as agents, dealers, distributors or contractors, to conduct business on our behalf or to represent us or our products or services if we know, or have reason to know, that such third parties conduct business in a corrupt manner. We will conduct reasonable due diligence to select business partners that do not conduct business in a corrupt manner.
- We will thoroughly investigate potential or reported violations of this Policy. Every employee who suspects a violation is encouraged to report it to his/her manager, to his/her local HR or legal representative or to the Company's Compliance Hotline. All such reports will be appropriately investigated. Any violation by a Company employee will be the subject of appropriate disciplinary actions, which might include termination of employment in case of the most serious infractions.

## Implementation

It is the responsibility of the business unit general managers and functional leaders to ensure that these guidelines and procedures are adopted and complied with throughout the Company. If required to comply with specific provisions in anti-corruption and anti-bribery laws in a local country, additional requirements may be implemented at the local level.

### 1. Gifts, Entertainment and Hospitality

General guidelines in gifts, entertainment and hospitality are set forth in the Company's Code of Ethics and Business Conduct (the "Code of Conduct") which can be accessed on the Company's website at <https://www.novanta.com/corporate-citizenship/>

As a general rule, no gift, entertainment or hospitality is permitted if it is intended as an inducement to obtain or retain business or commercial benefits for the Company. Cash or cash equivalents (for example, gift certificates, gift cards, store credits, etc.) are always prohibited. Gifts, entertainment or hospitality provided by the Company to family members of any person who does or might do business with the Company (e.g. any customer or prospective customer) or of any government official are to be avoided except in exceptional circumstances that should be approved in advance by the General Counsel and the Chief Financial Officer.

### **Health Care Professionals (HCPs)**

Many jurisdictions have specific laws and regulations concerning gifts, hospitality, and/ or any transfer of value provided to health care providers and professionals (HCPs). The definition of HCPs is broad and includes physicians, nurses, pharmacists, biologists, technicians, hospitals, clinics, hospital administrators and staff, and anyone involved in the decision or recommendation to buy, lease, use, or reimburse medical technology products.

The Company prohibits giving gifts or anything of value to HCPs except under limited circumstances discussed in this paragraph. When engaging in business meetings or providing product training, it may be appropriate to provide modest food and beverages and necessary travel and accommodations to conduct a legitimate business activity, such as product demonstrations, technology seminars, etc. Whenever such benefits are provided, they must comply with applicable laws and industry codes, be properly documented and transparent (for example, through notification to the HCP's employer). Additionally, they must be reported as Gifts/Hospitality to HCPs on the employee's expense report and other related accounting records. In some countries, HCPs who are employed full- or part-time by public hospitals, universities, institutions and organizations are considered government officials as defined earlier in this policy. Public hospitals, universities, institutions and organizations are considered government entities.

Please note that this sub-section applies to all HCPs, regardless of whether they are also considered government officials or government entities. Additional rules apply to governmental entities and all individuals who meet the definition of government officials, as discussed throughout this ABAC Policy.

## **2. Consulting Engagements or Other Service Agreements**

The Company may engage third parties to provide legitimate services to the Company, where a bona fide business need exists for such an engagement. All such engagements shall be properly documented with legal documentation appropriate to the circumstances of the engagement. Such engagements are never permissible if they are intended as an inducement to obtain or retain business or commercial benefits for the Company. In every case in which the third party being engaged is a government official, a vendor or potential vendor, a customer or potential customer, or known to be a family member of any of them, such documentation must include, at a minimum, a complete description of the services and deliverables that

will be provided by the third party and the amounts to be paid for such services or deliverables. No third party shall be engaged to provide “lobbying services” on behalf of the Company.

### **3. Charitable Donations**

The Company believes in its social responsibility to the communities in which we operate and in which our employees live and work. As such, we are committed to charitable giving as a means of improving human lives and communities. Although some of our customers or prospective customers may legally qualify to receive charitable donations, the Company will not make any donation to a customer or prospective customer as an inducement to obtain or retain business. In some circumstances, even a donation to a bona fide charity recipient may be illegal if it is made to induce a public official to grant a benefit to the Company. All charitable donations must strictly comply with Novanta’s Code of Ethics and Business Conduct and must be approved by the Chief Human Resources Officer.

### **4. Agents, Representatives, Consultants, Distributors and Other Third-Party Sales Channels**

The Company will only do business with third parties who conduct their business using legal means and not using corrupt or illegal payments or business practices. Regulators and criminal enforcement agencies increasingly hold companies responsible if their sales partners, even independent third parties, use illegal or corrupt payments to obtain or retain business for the company’s benefit.

To minimize the risk of liability, the following guidelines must be followed:

- a. No third party may be engaged to represent our products without anti-bribery and anti-corruption (“ABAC”) due diligence being conducted prior to the engagement, using the web-based ABAC screening tool managed by Corporate Accounting. It is the responsibility of the business unit management who oversees the sales region to establish adequate processes for evaluating each such party prior to entering into any representation agreement with such third party. Third parties should be evaluated for their: 1) financial viability; 2) capacity to perform its obligations to the Company; 3) sound business and financial controls; and 4) commitment to ethical business practices. Once engaged, such third parties should be periodically evaluated for continued compliance in these areas.
- b. No payment or reimbursement of expenses may be made to any such third parties without adequate backup documentation justifying the payment in accordance with local and corporate accounting policies. Any such payments shall be consistent with the parties’ agreement, at fair market price, and with the relevant documentation. For example, commissions should only be paid if earned, at rates consistent with the market and with other similar situations, and if right to the commission has been verified. In addition, reimbursement of marketing expenses incurred by a distributor may only be made if the expense is supported by valid receipts or other proof of the bona fide expense.

- c. In managing the relationship with any third party sales channel partners, employees must investigate “red flags” that might indicate an illegal payment. Any red flags should be promptly reported to the General Counsel and the Chief Financial Officer. Such red flags include: requests for payment outside the partner’s country of business; payments using unusual means (e.g. cash payments); payments to bank accounts in third countries; payments to parties other than the third party with whom the Company has contracted; requests for reimbursement of amounts that are extraordinarily high or not documented properly; requests for payment of lobbying or consulting fees in ordinary sales transactions; and any payment to a government official. Until such red flags are investigated and satisfactorily resolved, the payment in question may not be made by the Company. The investigation into the red flags should be documented in writing and should be cleared by the appropriate level of management, depending on the perceived risks.
- d. In connection with mergers and acquisition activities, due diligence must include a review of the acquisition target’s corruption risk. Any “red flags” of corruption that are identified during due diligence should be promptly reported to the General Counsel and the Chief Financial Officer and must be fully investigated and resolved before the transaction may proceed. All such investigations should be documented in writing.

## 5. Facilitating Payments

Although they are permitted in very limited circumstances under US law, facilitating payments are prohibited by many other laws and, therefore, are strongly disfavored by the Company. As a general policy matter, the Company will not permit making facilitating payments to government officials. Any violation of this policy must be reported to the General Counsel and the Chief Financial Officer.

## 6. Third-party Screening and Monitoring

Novanta requires all significant third-parties meeting certain criteria (based on ABAC risk assessment) to be screened and monitored for ABAC compliance risks using the web-based third-party screening tool administered by Corporate Accounting. Please go to **Appendix C, “ABAC Compliance Procedures,”** for details.

## Compliance, Reporting Violations and Penalties

Directors, officers and employees of the Company and its subsidiaries should report any conduct or any questionable payment that they believe, in good faith, might be a violation of this policy. Any such reports may be made anonymously via the Company’s Compliance Hotline or be directed to a supervisor or any member of senior management. Any such reports shall be treated as confidential to the extent allowed by law. The Company strictly prohibits retaliation for good faith reports of suspected misconduct. Any questions concerning this Policy or the subject matter of this policy may be directed to the General Counsel or the Chief Financial Officer.

Because a violation of anti-corruption laws can result in severe penalties and potential loss of business and cause serious damage to the Company's reputation, all potential infractions will be thoroughly investigated. Employees who violate this policy will be subject to disciplinary actions appropriate to the level of the violation, with the most serious violations potentially resulting in termination of employment and even possible legal sanctions. If appropriate, the Company will no longer do business with any third party who engages in business practices that are inconsistent with the law or with this policy.

## Policy Training and Recertification

All management personnel (managers and above) and all employees who manage third-party relationships in the normal course of business must review and acknowledge understanding of the Code of Ethics and Business Conduct and Anti-Bribery Anti-Corruption Policy upon joining the Company, and on an annual basis thereafter.

## Roles and Responsibilities

The following table outlines the roles and responsibilities of various functional and business areas for compliance with this policy:

Responsibility	Responsible Department or Function
Oversight of anti-corruption program	Chief Financial Officer, General Counsel, Internal Audit
Compliance with financial reporting and documentation and creation, updating of related policies	Corporate Controller & Chief Accounting Officer
Investigation of policy violations	Chief Financial Officer, Human Resources, General Counsel, Internal Audit
Audit of internal and third-party compliance	Responsible functional areas of each business line for the third-party relationship. Internal Audit
Anti-corruption and anti-bribery due diligence of third-party partners	Responsible functional areas of each Novanta business line for the third-party relationships
Contract documentation for third-party engagements	Business functional area responsible for the third-party relationship working with General Counsel
Training on this policy	Human Resources
Development of local procedures and local organizational support	Local Leadership