

VARIAN MEDICAL SYSTEMS INC  
Form DEF 14A  
December 30, 2014  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- |  |   |
|--|---|
| <input type="checkbox"/> Preliminary Proxy Statement                 | <input type="checkbox"/> Confidential, for Use of the Commission Only |
| <input checked="" type="checkbox"/> Definitive Proxy Statement       |   |
| <input type="checkbox"/> Definitive Additional Materials             | (as permitted by Rule 14a-6(e)(2))                                    |
| <input type="checkbox"/> Soliciting Material Pursuant to §240.14a-12 |   |

**VARIAN MEDICAL SYSTEMS, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.



(3) Filing Party:

(4) Date Filed:

**Table of Contents**

**Varian Medical Systems, Inc.**

**3100 Hansen Way**

**Palo Alto, CA 94304**

December 30, 2014

Dear Stockholder:

You are cordially invited to attend Varian Medical Systems, Inc.'s 2015 Annual Meeting of Stockholders on Thursday, February 12, 2015 at 4:30 p.m. Pacific Time at our headquarters at 3100 Hansen Way, Palo Alto, California 94304.

The Secretary's formal notice of the meeting and the Proxy Statement appear on the following pages and describe the matters to be acted upon at the annual meeting. You also will have the opportunity to hear what has happened in our business in the past year.

We hope that you can join us. However, whether or not you plan to be there, please vote your shares as soon as possible so that your vote will be counted.

Sincerely,

R. Andrew Eckert

*Chairman of the Board*

**Table of Contents**

**Varian Medical Systems, Inc.**

**3100 Hansen Way**

**Palo Alto, CA 94304**

December 30, 2014

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**AND PROXY STATEMENT**

Varian Medical Systems, Inc. will hold its Annual Meeting of Stockholders on Thursday, February 12, 2015 at 4:30 p.m. Pacific Time at its headquarters at 3100 Hansen Way, Palo Alto, California 94304.

This annual meeting is being held for the following purposes:

to elect three directors to serve until the 2018 Annual Meeting of Stockholders;

to provide an advisory vote on the compensation of our named executive officers as described in the accompanying Proxy Statement;

to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2015; and

to transact any other business that properly comes before the annual meeting.

The Board of Directors has selected December 15, 2014 as the record date for determining stockholders entitled to vote at the annual meeting. A list of stockholders as of that date will be available for inspection during ordinary business hours at our principal executive offices at 3100 Hansen Way, Palo Alto, California 94304 for 10 days before the annual meeting.

Except for those stockholders that have already requested printed copies of our proxy materials, we are furnishing our proxy materials for this annual meeting to you through the Internet. On or about December 30, 2014, we mailed to stockholders on the record date a Notice of Internet Availability of Proxy Materials (the "Notice"). Certain stockholders who previously requested email notice in lieu of mail received the Notice by email. If you received a Notice by mail or email, you will not receive a printed copy of the proxy materials unless you specifically request one. Instead, the Notice instructs you on how to access and review all of the important information contained in our Proxy Statement and in our Annual Report on Form 10-K for the fiscal year ended September 26, 2014 (which we posted on the Internet on December 30, 2014), as well as how to submit your proxy over the Internet. We believe that mailing or emailing the Notice and posting other materials on the Internet allows us to provide you with the information you need while lowering the costs of delivery and reducing the environmental impact of the annual meeting. If you received the Notice and would still like to receive a printed copy of our proxy materials, you may request a printed copy of the proxy materials by any of the following methods: through the Internet at [www.proxyvote.com](http://www.proxyvote.com); by telephone at 1-800-579-1639; or by sending an email to [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com).

*Whether or not you plan to attend the annual meeting, please vote your shares as soon as possible in accordance with the instructions provided to you to ensure that your vote is counted at the annual meeting.*

By Order of the Board of Directors,

John W. Kuo  
*Corporate Secretary*

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PROXY SUMMARY</u></b>	1
<b><u>GENERAL INFORMATION</u></b>	5
<b><u>PROPOSAL ONE ELECTION OF DIRECTORS</u></b>	10
<u>Our Board; Selection of Nominees</u>	10
<u>Nominees for Election for a Three-Year Term Ending with the 2018 Annual Meeting</u>	11
<u>Directors Continuing in Office Until the 2016 Annual Meeting</u>	12
<u>Directors Continuing in Office Until the 2017 Annual Meeting</u>	13
<u>Director Qualifications Matrix</u>	16
<u>Recommendation of the Board</u>	16
<u>Governance of the Corporation</u>	16
<b><u>PROPOSAL TWO ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS</u></b>	23
<u>Background to the Advisory Vote</u>	23
<u>Our Compensation Program</u>	23
<u>Recommendation of the Board</u>	24
<b><u>PROPOSAL THREE RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	25
<u>Selection of the Accounting Firm</u>	25
<u>Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm</u>	25
<u>Principal Accountant Fees and Services</u>	25
<u>Recommendation of the Board</u>	26
<b><u>AUDIT COMMITTEE REPORT</u></b>	27
<b><u>STOCK OWNERSHIP</u></b>	28
<u>Beneficial Ownership of Certain Stockholders, Directors and Executive Officers</u>	28
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	29
<b><u>COMPENSATION OF THE NAMED EXECUTIVE OFFICERS AND DIRECTORS</u></b>	30
<u>Compensation Discussion and Analysis</u>	30
<u>Compensation and Management Development Committee Report</u>	47
<u>Relationship between Compensation Plans and Risk</u>	48
<u>Summary Compensation Table</u>	49
<u>Grants of Plan-Based Awards for 2014</u>	52
<u>Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table</u>	53
<u>Outstanding Equity Awards at Fiscal Year End</u>	55
<u>Option Exercises and Stock Vested</u>	57
<u>Nonqualified Deferred Compensation</u>	57
<u>Potential Payments Upon Termination or Change in Control</u>	58
<u>Compensation of Directors</u>	61
<u>Compensation Committee Interlocks and Insider Participation</u>	64
<b><u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u></b>	65
<u>Review, Approval or Ratification of Related Person Transactions</u>	65
<u>Transactions with Related Persons</u>	65

**Table of Contents**

**PROXY SUMMARY**

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider, and you should read the entire Proxy Statement carefully before voting.

**Annual Meeting of Stockholders**

**Meeting Agenda**

**Date:** Thursday, February 12, 2015

Election of three directors

**Time:** 4:30 p.m. Pacific Time

Advisory vote on executive compensation

**Place:** 3100 Hansen Way  
Palo Alto, California 94304

Ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2015

**Record date:** December 15, 2014

**Voting:** Stockholders as of December 15, 2014 are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on.

Transact any other business that properly comes before the annual meeting

**Voting Matters and Vote Recommendation**

**Matter Management proposals**

**Board vote recommendation**

1. Election of directors
2. Advisory vote on executive compensation
3. Ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2015

For each director nominee  
For  
For



**Table of Contents****Our Director Nominees**

See *Proposal One Election of Directors* for more information.

The following table provides summary information about each director nominee and our other Board members.

Name	Age	Director since	Occupation	Other public boards	Committee memberships					
					AC	EC	CC	NC	EX	
<i>Nominees for Election for a Three-Year Term Ending with the 2018 Annual Meeting</i>										
Timothy E. Guertin	65	2005	Former CEO, Varian Medical Systems, Inc.	2						
David J. Illingworth (1)	61	2011	Former CEO, Smith & Nephew plc	2	M	C				
Ruediger Naumann- Etienne (1) (2)	68	2003	Managing Director, Intertec Group	2	C	M				M
<i>Directors Continuing in Office Until the 2016 Annual Meeting</i>										
R. Andrew Eckert (1) (2)	53	2004	CEO, TriZetto Corporation	0	M		M			C
Mark R. Laret (1)	60	2007	CEO, UCSF Medical Center	1			M	C		M
Erich R. Reinhardt (1)	68	2012	Former President and CEO, Siemens Healthcare	0		M		M		
<i>Directors Continuing in Office Until the 2017 Annual Meeting</i>										
Susan L. Bostrom (1)	54	2004	Former EVP, Chief Marketing Officer, Cisco Systems, Inc.	4				C		M
Regina E. Dugan (1)	51	2013	SVP, Advanced Technology, Google, Inc.	1		M				M
Venkatraman Thyagarajan (1)	68	2008	Former SVP GlaxoSmithKline	1	M			M		
Dow R. Wilson	55	2012	President and CEO, Varian Medical Systems, Inc.	1						

(1) Independent Director

AC Audit Committee

CC Compensation and Management Development Committee

EC Ethics and Compliance Committee

(2) Financial Expert

NC Nominating and Corporate Governance Committee

EX Executive Committee

C Chair

M Member

**Corporate Governance Highlights**

We are committed to strong corporate governance and have adopted strong governance policies and practices that include:

The Board recently established an Ethics and Compliance Committee to oversee our ethical compliance programs and activities involving legal and ethical business conduct.

The Board has since August 2011 added three new directors to the Board.

We are in the process of declassifying our Board, commencing with the 2016 Annual Meeting of Stockholders.

In fiscal year 2014, the Board appointed an independent non-employee director as Chairman, and since 2006 has separated the roles of Chairman and Chief Executive Officer.

A majority of the Board members, and all members of our key Board committees, are independent.

Our Corporate Governance Guidelines include a majority voting policy.

The Board has adopted a guideline for director retirement and completes an annual assessment of the Board and its committees.

The Board has adopted stock ownership guidelines for our directors and executive officers.

The Board reviews at least annually the Company's business strategy and enterprise risk.



## **Table of Contents**

### **Attendance**

Each director nominee is a current director and all directors attended at least 75% of the aggregate of all fiscal year 2014 meetings of the Board and each committee on which he or she served.

### **Executive Compensation Matters**

*See Proposal Two Advisory Vote on the Compensation of Our Named Executive Officers and Compensation of the Named Executive Officers and Directors for more information.*

### **Executive compensation advisory vote**

Our Board of Directors recommends that stockholders vote to approve, on an advisory basis, the compensation paid to our Named Executive Officers, as described in this Proxy Statement, for the following reasons:

#### ***Business results***

Fiscal year 2014 revenues were \$3.0 billion, up 4% from fiscal year 2013.

Net earnings per diluted share for fiscal year 2014 were \$3.83.

Gross orders increased 5% in our Oncology Systems business and 8% in our Imaging Components business during fiscal year 2014 as compared to fiscal year 2013. We recorded gross orders of \$120.4 million in the Other category in fiscal year 2014 as compared to \$2.5 million in fiscal year 2013.

Our backlog at the end of fiscal year 2014 was 10% higher than at the end of fiscal year 2013.

#### ***Pay for performance***

At the core of our executive compensation program is our pay-for-performance philosophy that links competitive levels of compensation to achievements of our overall strategy and business goals, as well as individual performance. We believe our compensation program is strongly aligned with the interests of our stockholders and sound corporate governance principles. See Compensation of the Named Executive Officers and Directors Compensation Discussion and Analysis.

#### ***Sound program design***

We designed our executive officer compensation programs to attract, reward, and retain the key executives who drive our business strategy; achieve our short- and long-term goals; and provide continued success for our customers, stockholders, employees and communities. We strive to pay competitively and appropriately based on Company, business unit and individual performance. We achieve our objectives through compensation that:

takes into account past performance, our growth targets and the high cost of living in the geographic location of our headquarters, structures cash compensation for executives so that a significant portion is at-risk, with 80% of the potential payout based on Company and business unit financial performance measures and 20% based on other measures, including non-financial qualitative measures, links a significant portion of total compensation to our stock performance so executives' interests are closely aligned with those of our stockholders, and provides incentives for our executives to work for long-term profitable growth that will ultimately enhance stockholder returns without exposing us to excessive risk.

***Best practices in executive compensation***

Our compensation programs for our Named Executive Officers incentivize superior individual and business performance and do not reward unnecessary or excessive risk taking. Our executive compensation program contains many features considered to be best practice, including:

an executive compensation recovery policy in the event that our financial statements require restatement as a result of executive misconduct, executive stock ownership guidelines, an insider trading policy prohibiting directors and executive officers from margining, pledging or hedging our common stock, a requirement that executives enter into 10b5-1 trading plans in order to sell shares of our common stock, limited executive perquisites and no tax gross-ups for imputed income on executive perquisites, and an equity incentive plan that prohibits the repricing of stock options without stockholder approval.

**Table of Contents****Auditors**

See *Proposal Three Ratification of the Appointment of Our Independent Registered Public Accounting Firm* for more information.

We ask that our stockholders ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2015. Below is summary information about PricewaterhouseCoopers LLP's fees for services provided in fiscal years 2014 and 2013.

<b>Fiscal Year</b>	<b>2014</b>	<b>2013</b>
Audit fees	\$ 4,114,946	\$ 3,843,365
Audit related fees	218,758	218,874
Tax fees	879,878	641,212
All other fees	15,800	22,740
<b>Total</b>	<b>\$ 5,229,382</b>	<b>\$ 4,726,191</b>

**2016 Annual Meeting**

Stockholder proposals submitted for inclusion in our 2016 proxy statement pursuant to SEC Rule 14a-8 must be received by us no later than September 1, 2015.

Notice of stockholder proposals to be raised from the floor of the 2016 Annual Meeting of stockholders outside of SEC Rule 14a-8 must be delivered to us no earlier than October 15, 2015 and no later than November 14, 2015.

**Table of Contents**

**GENERAL INFORMATION**

**Q: Who is soliciting my proxy?**

A: The Board of Directors (the Board) of Varian Medical Systems, Inc. (we, us or the Company) is sending you this Proxy Statement in connection with the Board's solicitation of proxies for use at the 2015 Annual Meeting of Stockholders or any adjournment or postponement thereof (the Annual Meeting). Certain of our directors, officers and employees also may solicit proxies on the Board's behalf by mail, telephone, email or fax, or in person. We have hired Georgeson Inc., 480 Washington Blvd., Jersey City, New Jersey 07310, to assist in soliciting proxies from brokers, bank nominees and other stockholders.

**Q: Who is paying for this solicitation?**

A: We will pay for the solicitation of proxies. Our directors, officers and employees will not receive additional remuneration. We expect that we will pay Georgeson Inc. not more than \$10,000, plus reasonable out-of-pocket expenses, and also will reimburse banks, brokers, custodians, nominees and fiduciaries for their reasonable charges and expenses to forward our proxy materials to the beneficial owners of our common stock.

**Q: What am I voting on?**

A: You will be voting on three proposals. Proposal One is for the election of Timothy E. Guertin, David J. Illingworth and Ruediger Naumann-Etienne to the Board for three-year terms ending at the 2018 Annual Meeting of Stockholders. Proposal Two is an advisory vote on the compensation of the executive officers listed in the Summary Compensation Table (the named executive officers) as described in this Proxy Statement.

Proposal Three is the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2015.

**Q: Who can vote?**

A: Only our stockholders of record at the close of business on December 15, 2014 may vote. Each share of common stock outstanding on that date is entitled to one vote on all matters to come before the meeting, except that cumulative voting will apply in the election of directors. Under the cumulative voting method of election, the stockholder computes the number of votes available to the stockholder by multiplying the number of shares the stockholder owned on the record date by the number of directors to be elected, and may cast the votes all for a single nominee or may distribute them in any manner among the nominees.

**Q: Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials this year instead of a full set of proxy materials?**

A: Pursuant to rules adopted by the Securities and Exchange Commission (the SEC), we have elected to provide access to our proxy materials (consisting of the Notice of Annual Meeting, this Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended September 26, 2014, as filed with the SEC on November 24, 2014) over the Internet. Therefore, we are sending a Notice of Internet

## Edgar Filing: VARIAN MEDICAL SYSTEMS INC - Form DEF 14A

Availability of Proxy Materials (the Notice ) to our stockholders. Starting on the date of distribution of the Notice, all stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request printed copies may be found in the Notice. If you request printed versions of the proxy materials by mail, the materials will also include a proxy card or other voting instruction form.

## **Table of Contents**

### **Q: Can I receive proxy materials for future annual meetings by email rather than receiving a paper copy of the Notice?**

A: If you are a holder of record, you may elect to receive the Notice or other future proxy materials by email by logging into [www.proxyvote.com](http://www.proxyvote.com) and entering your email address before you vote if you are voting by Internet or any time at [www.computershare.com/investor](http://www.computershare.com/investor) or <http://enroll.icsdelivery.com/var>. If your shares are registered in street name, please check with your broker, bank, or other nominee about how to receive future proxy materials by email, or enroll at <http://enroll.icsdelivery.com/var>. If you choose to receive proxy materials by email, next year you will receive an email with instructions on how to view those materials and vote before the next annual meeting. Your choice to obtain documents by email will remain in effect until you notify us otherwise. Delivering future notices by email will help us further reduce the cost and environmental impact of our stockholder meetings.

### **Q: What is the difference between a stockholder of record and a street name holder?**

A: If your shares are registered directly in your name with Computershare Trust Company, N.A., our stock transfer agent, you are considered the stockholder of record for those shares. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of the shares and your shares are said to be held in street name. Street name holders generally cannot vote their shares directly and must instead instruct the broker, bank or other nominee how to vote their shares using the method described under *How do I vote and how do I revoke my proxy?* below.

### **Q: How do I vote and how do I revoke my proxy?**

A: If you hold your shares in your own name as a stockholder of record, you may vote your shares either in person at the meeting or by proxy. To vote in person, please bring a form of identification, such as a valid driver's license or passport, and proof that you were a stockholder as of December 15, 2014, and we will give you a ballot when you arrive. To vote by proxy, please vote in one of the following ways:

*Via the Internet.* You may vote through the Internet at [www.proxyvote.com](http://www.proxyvote.com) by following the instructions provided in the Notice.

*By Telephone.* If you received your proxy materials or request printed copies by mail, stockholders located in the United States may vote by calling the toll-free number found on the proxy card.

*By Mail.* If you received your proxy materials or request printed copies by mail, you may vote by mail by marking, dating, signing and mailing the proxy card in the envelope provided.

Voting by proxy will not affect your right to vote your shares if you attend the Annual Meeting and want to vote in person by voting in person you automatically revoke your proxy. You also may revoke your proxy at any time before the applicable voting deadline by giving our Secretary written notice of your revocation, by submitting a later-dated proxy card or by voting again using the telephone or Internet (your latest telephone or Internet proxy is the one that will be counted).

If you vote by proxy, the individuals named as proxyholders will vote your shares as you instruct, including with respect to cumulative voting for directors. If you vote your shares over the telephone, you must select a voting option ( For or Withhold (for directors) and For, Against or Abstain (for Proposals Two and Three)) in order for your proxy to be counted on that matter. If you validly vote your shares over the Internet or by mail but do not provide any voting instructions, the individuals named as proxyholders will vote your shares **FOR** all directors and **FOR** all proposals. In that case, the proxyholders will have full discretion and authority to vote cumulatively in the election of directors and to allocate votes among any or all of the nominees for director in any order they determine.





## **Table of Contents**

If your shares are registered in street name, you must vote your shares in the manner prescribed by your broker, bank or other nominee. In most instances, you can do this over the telephone or Internet, or if you have received or request a hard copy of the proxy statement and accompanying voting instruction form, you may mark, sign, date and mail your voting instruction form in the envelope your broker, bank or other nominee provides. The materials that were sent to you have specific instructions for how to submit your vote and the deadline for doing so. If you would like to revoke your proxy, you must follow the broker, bank or other nominee's instructions on how to do so. If you wish to vote in person at the Annual Meeting, you must obtain a legal proxy from the broker, bank or other nominee holding your shares.

### **Q: What is the deadline for submitting a proxy?**

A: Telephone and Internet voting facilities for stockholders of record will be available 24 hours a day. In order to be counted, proxies submitted by telephone or the Internet must be received by 11:59 p.m. Eastern Time on February 11, 2015. Proxies submitted by mail must be received prior to the start of the Annual Meeting.

### **Q: What constitutes a quorum?**

A: On the record date, we had 100,184,990 shares of common stock, \$1.00 par value, outstanding. Voting can take place at the Annual Meeting only if stockholders owning a majority of the issued and outstanding stock entitled to vote at the Annual Meeting are present in person or represented by proxy.

### **Q: What are abstentions and broker non-votes and how do they affect voting?**

A: *Abstentions* If you specify that you wish to abstain from voting on an item, your shares will not be voted on that particular item. Abstentions are counted toward establishing a quorum and included in the shares entitled to vote on Proposals Two and Three. On Proposals Two and Three, abstentions have the effect of a vote against the proposal.

*Broker Non-Votes* Under the New York Stock Exchange ( NYSE ) rules, if your broker holds your shares in its name and does not receive voting instructions from you, your broker has discretion to vote these shares on certain routine matters, including the ratification of the appointment of the independent registered public accounting firm. However, on non-routine matters such as the election of directors, and Proposal Two, your broker must receive voting instructions from you, as it does not have discretionary voting power for that particular item. So long as the broker has discretion to vote on at least one proposal, these broker non-votes are counted toward establishing a quorum. When voted on routine matters, broker non-votes are counted toward determining the outcome of that routine matter.

### **Q: What vote is needed?**

A: For Proposal One, the election of directors, the three nominees receiving the highest number of votes of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on Proposal One will be elected as directors. As a result, if you withhold your authority to vote for any nominee, your vote will not affect the outcome of the election.

For Proposals Two and Three, an affirmative vote of the majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the relevant proposal is required to approve those proposals.

Because your vote on Proposal Two is advisory, it will not bind the Board or the Compensation and Management Development Committee (the Compensation Committee). However, the Board and the Compensation Committee will review the voting results and take the results into consideration in making future determinations on executive compensation.



**Table of Contents**

**Q: What happens if a director receives a plurality, but not a majority, of votes cast at the Annual Meeting?**

A: In an uncontested election, if a nominee for director who is an incumbent director is elected by a plurality of the votes cast but does not receive the vote of at least the majority of the votes cast (*i.e.*, the number of shares voted for a director's election does not exceed 50% of the total number of votes cast with respect to that director's election, including votes to withhold authority), the director is deemed elected but is obligated to offer his or her resignation to the Board. Following submission of the offer of resignation, the Board, after considering relevant factors, including the recommendation of the Nominating and Corporate Governance Committee (the Nominating Committee), will decide whether or not to accept the offer of resignation and thereafter publicly disclose its decision. If a director's offer of resignation is not accepted by the Board, the director will continue to serve until his or her successor is duly elected, or his or her earlier resignation or removal. If a director's offer of resignation is accepted by the Board, then the Board, in its sole discretion, may fill any resulting vacancy or decrease the size of the Board pursuant to the provisions of our By-Laws.

**Q: Can I vote on other matters?**

A: You are entitled to vote on any other matters that are properly brought before the Annual Meeting. Our By-Laws limit the business conducted at any annual meeting to (1) business in the notice of the annual meeting, (2) business directed by the Board and (3) business brought by a stockholder of record entitled to vote at the meeting so long as the stockholder has met the requirements for submitting stockholder proposals provided in our By-Laws. Under our By-Laws, a stockholder must notify our Secretary in writing (at our Palo Alto, California headquarters) of the proposal not less than 90 days nor more than 120 days before the anniversary of the prior year's annual meeting, which for the 2016 Annual Meeting of Stockholders will be no earlier than October 15, 2015 and no later than November 14, 2015. The notice must give a brief description of the business to be brought before the annual meeting, the reasons for conducting the business and the text of the proposal, as well as the name and address of the stockholder giving the notice and the beneficial owner on whose behalf the proposal is made, the number of shares owned and information about that beneficial ownership, all as detailed in our By-Laws. The notice must also describe any material interest the stockholder or beneficial owner has in the business and arrangements between such stockholder or beneficial owner and any other person in connection with the proposal and must include certain representations, all as detailed in our By-Laws.

To have your stockholder proposal be considered for presentation in the proxy statement and proxy card for our 2016 Annual Meeting of Stockholders, rather than just voted upon at the meeting without inclusion in the proxy statement and proxy card, a stockholder must submit to our Secretary (at our Palo Alto, California headquarters) a written proposal no later than September 1, 2015. The submission must contain the information required under Rule 14a-8 under the Securities Exchange Act of 1934 (the Exchange Act).

We do not expect any matters other than those listed in this Proxy Statement to come before the Annual Meeting. If any other matter is presented, your proxy gives the individuals named as proxyholders the authority to vote your shares to the extent authorized by Rule 14a-4(c) under the Exchange Act, which includes matters that the proxyholders did not know were to be presented at least 60 days before the anniversary of the mailing of last year's proxy statement.

## **Table of Contents**

### **Q: How do I nominate someone to be a director?**

A: A stockholder may nominate one or more persons for election as one of our directors at an annual meeting of stockholders by notifying our Secretary in writing (at our Palo Alto, California headquarters) not less than 90 days nor more than 120 days before the anniversary of the prior year's annual meeting, which for the 2016 Annual Meeting of Stockholders will be no earlier than October 15, 2015 and no later than November 14, 2015. The notice must include all information about the nominee that must be disclosed in proxy solicitations pursuant to Regulation 14A under the Exchange Act (including the nominee's written consent to being named as a nominee and serving as a director) and a description of all material monetary agreements during the past three years and any other material relationships, between such stockholder and a beneficial owner on whose behalf the nomination is made and their affiliates and associates, or others acting in concert, on the one hand, and each proposed nominee, and his/her affiliates and associates, or others acting in concert, on the other hand, including all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if the stockholder were a registrant, all as described in our By-Laws. The notice must also include certain additional information about and representations by the stockholder and/or the beneficial owner, all as detailed in our By-Laws.

### **Q: How does the Board select nominees for the Board?**

A: The Nominating Committee will consider potential candidates for directors submitted by stockholders, in addition to those suggested by other Board members and members of our management, and does not evaluate candidates differently based upon the source of the nominee. The Nominating Committee considers and evaluates each properly submitted potential candidate for director in an effort to achieve a balance of skills and characteristics on the Board, as well as to ensure that the composition of the Board at all times adheres to the independence requirements applicable to NYSE-listed companies and other regulatory requirements applicable to us. Please refer to Proposal One Election of Directors and our Corporate Governance Guidelines for additional details on our policy, process and membership criteria. A stockholder may recommend potential candidates for director by notifying our Secretary in writing (at our Palo Alto, California headquarters) as detailed in the question and answer above.

### **Q: How may I communicate with the Board of Directors?**

A: Stockholders and other interested parties may communicate directly with the Board, the Board's Chairman or any other director or with the independent directors as a group or any other group of directors through the Board's Chairman by sending an email to [lead.director@varian.com](mailto:lead.director@varian.com). Messages received will be forwarded to the appropriate director or directors.

### **Q: When and where is the Annual Meeting being held?**

A: The Annual Meeting will be held on Thursday, February 12, 2015 at 4:30 p.m. Pacific Time at our headquarters at 3100 Hansen Way, Palo Alto, California 94304. If you need directions to the Annual Meeting so that you may attend or vote in person, please contact our Investor Relations department at [investors@varian.com](mailto:investors@varian.com).

### **Q: How can I find the results of the Annual Meeting?**

A: Preliminary results will be announced at the Annual Meeting. Final results also will be published in a current report on Form 8-K to be filed with the SEC within four business days after the Annual Meeting. If the official results are not available at that time, we will provide preliminary voting results in the Form 8-K and will provide the final results in an amendment to the Form 8-K as soon as they become available.



**Table of Contents**

**PROPOSAL ONE**

**ELECTION OF DIRECTORS**

**Our Board; Selection of Nominees**

Our Board is divided into three classes serving staggered three-year terms. At the Annual Meeting, you and the other stockholders will elect three individuals to serve as directors for three-year terms that end at the 2018 Annual Meeting of Stockholders. Commencing with the 2016 Annual Meeting of Stockholders, directors standing for election will be elected for one-year terms and stockholders will not be entitled to cumulative voting in elections of directors. Directors elected by stockholders prior to the 2016 Annual Meeting of Stockholders will serve out their three-year terms, and the entire Board will be elected annually commencing with the 2018 Annual Meeting of Stockholders.

Our Nominating Committee is charged with identifying, evaluating and recommending to the full Board director nominees. There are no minimum qualifications for director. The Nominating Committee generally seeks individuals with broad experience at the policy-making level in business, government, education, technology or public interest. While we do not have a formal diversity policy for Board membership, we look for potential candidates that help ensure that the Board has the benefit of a wide range of attributes, including cultural, gender, ethnic and age diversity; international business experience; and experience in industries beyond healthcare. We also look for financial oversight experience, financial community experience and a good reputation with the financial community; business management experience and the potential to succeed top management in the event Board intervention is necessary on an unexpected basis; business contacts, business knowledge and influence that may be useful to our businesses and product lines; and knowledge about our industries and technologies. We believe that all of our directors should be committed to enhancing stockholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform and carry out all director duties in a responsible manner. Each director must also represent the interests of all stockholders.

When seeking new director candidates, the Nominating Committee will consider potential candidates for directors submitted by Board members, members of our management and our stockholders, and does not evaluate candidates differently based upon the source of the nominee.

All of the nominees, Timothy E. Guertin, David J. Illingworth and Ruediger Naumann-Etienne, are now members of the Board.

The individuals named as proxyholders will vote your proxy for the election of the three nominees unless you direct them to withhold your vote. If any nominee becomes unable to serve as a director before the Annual Meeting (or decides not to serve), the individuals named as proxyholders may vote for a substitute.

Set forth below are the names and ages of these nominees and the other continuing directors, the years they became directors, their principal occupations or employment for at least the past five years, the names of other public companies for which they serve as a director or have served as a director during the past five years. Also set forth are the specific experience, qualifications, attributes or skills that led our Nominating Committee to conclude that each person should serve as a director. All of our directors have held high-level positions in companies and have experience in dealing with complex issues. We believe that each is an individual of high character and integrity and has the ability to exercise sound judgment.

**Table of Contents**

**Nominees for Election for a Three-Year Term Ending with the 2018 Annual Meeting**

**Timothy E. Guertin**

Principal occupation, business experience and directorships.

Age: 65

Director Since: 2005

Vice Chairman Since: September 2012

Mr. Guertin was our Chief Executive Officer from February 2006 through September 2012, our President from August 2005 through September 2012 and our Chief Operating Officer from October 2004 to February 2006. He served as Corporate Executive Vice President from October 2002 to August 2005, President of our Oncology Systems business from 1992 to January 2005 and Corporate Vice President from 1992 to 2002. Mr. Guertin is on the board of directors of Teradyne, Inc. (a supplier of electronics test equipment) and Acclivity L.P., Inc. (a wound care and regenerative medicine company). Mr. Guertin served on the board of Kinetic Concepts, Inc. (a wound care company that combined with LifeCell Corporation (a regenerative medicine company) and Systagenix (a wound care company) to form Acclivity) in the past five years.

Experience, qualifications, attributes or skills supporting directorship.

We believe Mr. Guertin's qualifications to serve as a director include his deep knowledge of our management structure, strategy and users of our technology, which he has gained over more than 30 years with the Company. His service in various leadership roles, including President of our Oncology Systems business before becoming our President and Chief Executive Officer, has given Mr. Guertin extensive knowledge of radiation producing technologies, software controls and safety measures, as well as broad experience in product development, regulatory, marketing, financial and operational matters. Mr. Guertin also brings to the Board his experience in serving on the board of directors of a public company, a medical technology company, several medical, healthcare and technology industry organizations and as a former director and chairman of the board of directors of TechAmerica (a nationwide technology trade association). He also serves on the board of trustees of the Radiation Oncology Institute (ROI, a non-profit organization engaged in cancer treatment research).

**David J. Illingworth**

Principal occupation, business experience and directorships.

Age: 61

Director Since: August 2011

Mr. Illingworth is currently retired, and previously served as Chief Executive Officer of Smith & Nephew plc (a global medical devices company) from July 2007 until April 2011. From 2002 until July 2007, he was Chief Operating Officer and division president at Smith & Nephew. Prior to joining Smith & Nephew, Mr. Illingworth served in various senior management roles, including President of XL Vision, Inc., Chairman and Chief Executive Officer of VidaMed, Inc., President of Nellcor Puritan Bennett LLC, and Managing Director, Asia/Pacific for GE Medical Systems. Mr. Illingworth is on the board of directors of Domtar, Inc. (a manufacturer of fiber-based products) and Universal Hospital Services, Inc. (a provider of health care technology management and service solutions), and served as a director of Smith & Nephew in the past five years.

Experience, qualifications, attributes or skills supporting directorship.

We believe Mr. Illingworth's qualifications to serve as a director include his in-depth knowledge of the medical technology industry. His service as an executive of various medical technology companies has provided him with extensive experience in sales, operations and general management not only in the United States but also in the United Kingdom and Asia. Mr. Illingworth also brings to the Board his experience in serving on the board of directors of another public medical device company.





**Table of Contents****Ruediger Naumann-Etienne****Principal occupation, business experience and directorships.**

Age: 68

Director Since: 2003

Mr. Naumann-Etienne has been the owner and Managing Director of Intertec Group (an investment company specializing in the medical technology field) since 1989. He served as the Chairman of the Board of Directors of Cardiac Science Corporation (a provider of cardiology products) from 2006 to 2010, having previously been Vice-Chairman from 2005 to 2006 and Chairman of Quinton Cardiology Systems, one of its predecessor companies, from 2000 to 2005. From 1993 to 1999, Mr. Naumann-Etienne served as Chairman of the Board of Directors of OEC Medical Systems (a provider of interoperative imaging solutions, acquired by General Electric Company). Mr. Naumann-Etienne is a director of Encision Inc. (a provider of laparoscopic surgery instruments) and IRIDEX Corporation (a provider of light-based medical systems and delivery devices) and was a director of BioRad Laboratories, Inc. in the past five years.

**Experience, qualifications, attributes or skills supporting directorship.**

We believe Mr. Naumann-Etienne's qualifications to serve as a director include experience working in the medical device business for nearly three decades, and working with a leading electronics company for a decade, in senior business and finance executive roles. Mr. Naumann-Etienne has extensive experience with finance and mergers and acquisitions, as well as international experience, having lived and worked in Europe and Latin America. He is fluent in four languages. Mr. Naumann-Etienne also brings to the Board his experience in serving as chief executive officer, Chairman or director, and a member of the audit, nominating and compensation committees, of a number of public medical device companies.

**Directors Continuing in Office Until the 2016 Annual Meeting****R. Andrew Eckert****Principal occupation, business experience and directorships.**

Age: 53

Director Since: 2004

Chairman Since: February 2014

Mr. Eckert has been the Chief Executive Officer of TriZetto Corporation (healthcare IT solutions) since March 2014. Previously, he served as Chief Executive Officer of CRC Health Corporation (a provider of substance abuse treatment and adolescent youth services) from January 2011 to March 2014, as managing director of Symphony Technology Group (a private equity firm) from October 2009 to January 2011, and as Chief Executive Officer and President of Eclipsys Corporation (a healthcare information management software provider) from October 2005 to May 2009. From 2004 to 2005, Mr. Eckert served as Chief Executive Officer of SumTotal Systems, Inc. (an enterprise software provider) and from 2002 to 2004, held the position of Chief Executive Officer of Docent Inc. (an enterprise software provider that was acquired by SumTotal Systems). He served as Chairman and Chief Executive Officer of ADAC Laboratories (a medical imaging company) from 1997 to 2001. Mr. Eckert has served on the board of directors of Eclipsys Corporation in the past five years.

**Experience, qualifications, attributes or skills supporting directorship.**

We believe Mr. Eckert's qualifications to serve as a director include his extensive experience obtained over 15 years of serving as an executive officer of several public companies, including a medical imaging company and healthcare information management company, as well as his deep knowledge of operational, financial, strategic planning, product development and marketing matters. Mr. Eckert also brings to the Board his experience in serving on the board of directors of several public companies in the healthcare industry.



**Table of Contents****Mark R. Laret***Principal occupation, business experience and directorships.*

Age: 60

Mr. Laret has been the Chief Executive Officer of University of California, San Francisco Medical Center since April 2000. Previously, he served as the Chief Executive Officer of University of California, Irvine Medical Center from 1995 to March 2000. Mr. Laret is on the board of directors of Nuance Communications, Inc. (a provider of voice and language solutions).

Director Since: 2007

*Experience, qualifications, attributes or skills supporting directorship.*

We believe Mr. Laret's qualifications to serve as a director include his in-depth knowledge of the healthcare industry and hospital operations, and managed care industry. His service as chief executive officer of leading medical institutions has provided him with experience in strategic planning, finance, financial management of hospital and physician practice, medical education and clinical research, and business turnaround. Mr. Laret also brings to the Board his experience in serving on the board of directors of another public company in the technology sector.

**Erich R. Reinhardt***Principal occupation, business experience and directorships.*

Age: 68

Mr. Reinhardt is currently retired and serves as Chairman of the Board of Directors of Medical Valley Europäische Metropolregion Nürnberg E.V., a national center of excellence for scientific medical technology in Germany. Previously, from May 2008 to March 2011, he served as Advisor to the Chief Executive Officer of Siemens AG from May 2008 to March 2011 and as President and Chief Executive Officer of Siemens Healthcare (formerly Siemens Medical Solutions, a supplier to the healthcare industry) from 1994 to April 2008. Mr. Reinhardt also served as a member of the managing board of Siemens AG from 2001 to 2008.

Director Since: August 2012

*Experience, qualifications, attributes or skills supporting directorship.*

We believe Mr. Reinhardt's qualifications to serve as a director include his extensive experience in the medical device and healthcare industry. His service as a manager and executive in a leading international healthcare company has provided him with significant operational and international experience. Mr. Reinhardt also brings to the Board his experience in serving on the board of directors of a private healthcare company, a hospital and a research institute in Germany.

**Directors Continuing in Office Until the 2017 Annual Meeting****Susan L. Bostrom***Principal occupation, business experience and directorships.*

Age: 54

Ms. Bostrom served as the Executive Vice President, Chief Marketing Officer, Worldwide Government Affairs of Cisco Systems, Inc. (a networking equipment provider) from January 2006 to January 2011. Previously, she served as Cisco Systems' Senior Vice President from February 2000 to January 2006, taking on responsibility for Worldwide Government Affairs in October 2002 and becoming Chief Marketing Officer in January 2006. From 1998 to February 2000, she served as Vice President of Cisco Systems' Internet Business Solutions Group. Ms. Bostrom is a director of Cadence Design Systems, Inc. (an electronic design company), Marketo, Inc. (a marketing automation SaaS company), Rocket Fuel Inc. (a provider of artificial intelligence advertising solutions) and ServiceNow, Inc. (an enterprise IT cloud company).

Director Since: 2004

**Table of Contents***Experience, qualifications, attributes or skills supporting directorship.*

We believe Ms. Bostrom's qualifications to serve as a director include her extensive experience and leadership roles at one of the world's leading technology companies, as well as her knowledge of marketing, government affairs, public policy, and developing trends in networking and new media such as virtual collaboration, social media and information exchanges. She also brings to the Board her experience in serving on the board of directors of four public technology companies, a hospital, a university and a private company, as well as service on the advisory board for two educational institutions.

**Regina E. Dugan***Principal occupation, business experience and directorships.*

Age: 51

Director Since: December 2013

Ms. Dugan has been Vice President of Engineering at Google Inc. (a global technology leader) since February 2014, and in this capacity leads the Advanced Technology and Products group (a group charged with breakthrough innovations in mobile computing and accelerating the development of promising technologies to market). In March 2012, Ms. Dugan joined Google prior to its acquisition of Motorola Mobility LLC (a mobile technology company Google acquired in May 2012), where she served as Senior Vice President and a member of the senior leadership team until February 2014. Previously, Ms. Dugan was director of Defense Advanced Research Projects Agency (DARPA, a research and development organization of the U.S. Department of Defense) from July 2009 to March 2012. From 2005 to July 2009, she was co-founder, president and chief executive officer of RedXDefense LLC (a security solutions company) and from 2001 to July 2009 was co-founder, president and chief executive officer of Dugan Ventures (an investment firm), where Ms. Dugan still serves as a non-voting partner. Ms. Dugan is a director of Zynga Inc. (a social game developer).

*Experience, qualifications, attributes or skills supporting directorship.*

We believe Ms. Dugan's qualifications to serve as a director include her experience leading DARPA, the principal agency within the U.S. Department of Defense for research, development, and demonstration of high-risk, high-payoff capabilities, her familiarity with defense and security, as well as commercial industries. She has expertise with a wide range of advanced technologies and a demonstrated track record in moving new technologies to use, from sensor systems to big data products. She brings to the Board years of serving in senior executive positions with responsibilities that included fostering innovation and developing strategic business relationships across diverse industries and commercial entities large and small, as well as her experience serving on the board of directors of another public company.

**Venkatraman Thyagarajan***Principal occupation, business experience and directorships.*

Age: 68

Director Since: 2008

Mr. Thyagarajan is currently retired, and previously served as Senior Vice President and Area Director for GlaxoSmithKline Asia Pacific (a global pharmaceutical company) from January 2003 to April 2008. From January 2001 to December 2002, he was Vice President for South Asia for GlaxoSmithKline Asia Pacific and Managing Director of GlaxoSmithKline Pharmaceuticals Ltd. (an Indian pharmaceutical company). Mr. Thyagarajan is Vice Chairman of the Board of Directors of GlaxoSmithKline Pharmaceuticals Ltd. and a director of Tata Consultancy Services Ltd. (an Indian software company).

**Table of Contents**

*Experience, qualifications, attributes or skills supporting directorship.*

We believe Mr. Thyagarajan's qualifications to serve as a director include his extensive knowledge of the global healthcare industry gained over four decades of working in different parts of the world, including Europe, Asia Pacific, India, the Middle East and Africa. He has significant operational, financial, marketing and senior management experience in one of the world's leading pharmaceutical companies. Mr. Thyagarajan also brings to the Board his experience in serving on the board of directors and the audit committee and compensation committee of other public companies.

**Dow R. Wilson**

*Principal occupation, business experience and directorships.*

Age: 55

Director Since: September 2012

Mr. Wilson has served as our President and Chief Executive Officer since September 2012. Previously, he served as our Corporate Executive Vice President and Chief Operating Officer from October 2011 through September 2012; as our Corporate Executive Vice President and President, Oncology Systems from August 2005 through September 2011; and as our Corporate Vice President and President, Oncology Systems from January 2005 to August 2005. Prior to joining our Company in January 2005, Mr. Wilson served in various senior management positions within General Electric (a diversified industrial company). Mr. Wilson is on the board of directors of Saba Software, Inc. (an e-learning software provider) and in November 2014 was appointed to the U.S. President's Advisory Council on Doing Business in Africa.

*Experience, qualifications, attributes or skills supporting directorship.*

We believe Mr. Wilson's qualifications to serve as a director include his deep knowledge of our business, strategy and technology, which he has gained through serving as President of our Oncology Systems business and Chief Operating Officer before becoming our President and Chief Executive Officer. Mr. Wilson had already gained significant knowledge of the medical and healthcare industries, both in the United States and internationally, while serving in management positions at General Electric. This combined executive management experience at two large, global organizations has provided him with critical insights into the operational requirements of a company with worldwide reach, knowledge of corporate and business unit strategies, and operational expertise. He also brings to the Board his experience serving on the board of directors and as the lead director of another public company.

**Table of Contents****Director Qualifications Matrix**

The following matrix is provided to illustrate the skills and qualifications of our Board, as tied to our corporate strategic objectives, and demonstrate our commitment to diversity.

Director	Corporate Goals				Diversity		
	Go Global	Grow Software and Service	Innovate	Commercialize Protons	Drive Operational Excellence	Gender/Ethnic Diversity	International Experience
Susan L. Bostrom		X			X	X	
Regina E. Dugan		X	X		X	X	
R. Andrew Eckert		X	X	X	X		
Timothy E. Guertin			X	X	X		
David J. Illingworth	X				X		X
Mark R. Laret				X	X		
Ruediger Naumann-Etienne	X	X	X	X	X		X
Erich R. Reinhardt	X	X		X	X		X
Venkatraman Thyagarajan	X				X	X	X
Dow R. Wilson	X	X	X	X	X		

**Recommendation of the Board**

**THE BOARD RECOMMENDS THAT YOU VOTE FOR EACH OF THE ABOVE NOMINEES.**

**Governance of the Corporation***Corporate Governance*

We are committed to strong corporate governance, and have adopted policies and practices that comply with or exceed the NYSE listing requirements and the Exchange Act. These policies and practices include:

The Board recently established an Ethics and Compliance Committee (the Ethics Committee) that is charged with overseeing our ethical compliance programs and compliance with requirements involving legal and ethical business conduct.

The Board has since August 2011 added three new directors to the Board, including most recently Ms. Dugan, and has a commitment to diversity.

We are in the process of declassifying our Board. Commencing with the 2016 Annual Meeting of Stockholders, directors standing for election will be elected for one-year terms and our entire Board will be elected annually commencing with the 2018 Annual Meeting of Stockholders.

The Board has adopted clear corporate governance policies articulated in our Corporate Governance Guidelines, which includes basic director duties and responsibilities.

In fiscal year 2014, the Board appointed an independent non-employee director as Chairman, and since 2006 we have separated the roles of Chairman and Chief Executive Officer. Mr. Eckert served in the capacity of lead independent director from February 2012 to February 2014 and has served as Chairman since February 2014.

## Edgar Filing: VARIAN MEDICAL SYSTEMS INC - Form DEF 14A

A majority of the Board members are independent of the Company and our management. The definition of independent is included in our Corporate Governance Guidelines, which can be found through the Corporate Governance link on the Investors page on our website at [www.varian.com](http://www.varian.com).

All members of our key Board committees the Audit Committee, the Compensation Committee, the Ethics Committee and the Nominating Committee are independent.

Our Corporate Governance Guidelines include a policy under which an incumbent director in an uncontested election who is elected by a plurality but does not receive the majority of the votes cast is obligated to offer his or her resignation to the Board.



## **Table of Contents**

The Board has adopted a guideline for director retirement that provides that a director should not serve on the Board for more than 15 years or after a director reaches the age of about 75. This guideline may be adjusted as the Board deems appropriate.

Our Corporate Governance Guidelines state that the Nominating Committee should consider recommending a new member to each committee every three years.

The Board has adopted a Code of Conduct applicable to all of our employees, including the executive officers, and to our directors.

We have hotlines for employees to report concerns regarding ethics and financial matters, including accounting, internal controls and audit concerns, and the Audit Committee has established procedures for anonymous submission of these matters.

The Board has adopted a policy regarding conflicts of interest and related-person transactions under which potential conflicts of interest and related-person transactions must be reviewed and pre-approved by the Nominating Committee. The Nominating Committee has determined that certain categories of transactions are pre-approved under this policy. Please refer to the discussion under Certain Relationships and Related Transactions for more information on this policy and the related procedures.

The Board has adopted stock ownership guidelines for our directors and executive officers. For directors, the stock ownership guidelines are tied to a multiple of the directors' annual retainer fee. In 2014 we shifted compensation away from equity compensation to cash compensation, which had the effect of increasing the minimum ownership threshold.

The Board has adopted a recoupment policy to recover certain incentive payments made to executives in the event of a restatement of our financial statements.

The Board conducts an annual self-assessment on its effectiveness and the effectiveness of each of its committees.

Directors are expected to attend all stockholder meetings, and all current directors attended our 2014 Annual Meeting of Stockholders.

The Board determined to eliminate the Executive Car Program perquisite for executives during fiscal year 2015, as further described in Compensation Discussion and Analysis.

We did not renew our stockholders' rights plan when it expired in December 2008.

The Board encourages director continuing education through a mix of in-house and third-party presentations and programs. The Nominating Committee is charged with tracking director continuing education. We pay or reimburse directors for expenses associated with attending these continuing education events.

The annual cycle of agenda items for Board and committee meetings reflects Board and committee requests and changing business and legal issues. The Board receives regularly scheduled presentations from our finance and legal departments and major business units and operations, and reviews enterprise risk at least annually. The Board's and committees' annual agenda includes, among other items, our long-term strategic plans, periodic reports on progress against long-term strategic plans, emerging and disruptive technologies, potential acquisition or investment targets, capital projects and evaluation of the Chief Executive Officer and management and Board succession.

*Director Independence*

The Board has determined that Ms. Bostrom, Ms. Dugan, Mr. Eckert, Mr. Illingworth, Mr. Laret, Mr. Naumann-Etienne, Mr. Reinhardt and Mr. Thyagarajan are independent for purposes of the NYSE listing requirements and under our Corporate Governance Guidelines. Mr. Wilson, our President and Chief Executive Officer, is an employee and therefore not independent. Mr. Guertin, our Vice Chairman, was an employee until

## **Table of Contents**

February 2013, and is therefore not independent. The Board considered transactions and relationships, both direct and indirect, between each director (and his or her immediate family) and the Company and its subsidiaries and affirmatively determined that none of Ms. Bostrom, Ms. Dugan, Mr. Eckert, Mr. Illingworth, Mr. Laret, Mr. Naumann-Etienne, Mr. Reinhardt or Mr. Thyagarajan has any material relationship, either direct or indirect, with us other than as a director and stockholder.

Additionally, in making its determination the Board analyzed the following relationships and determined that these relationships are immaterial and are not inconsistent with a determination that these directors are independent for purposes of the NYSE listing requirements and under our Corporate Governance Guidelines:

Ms. Bostrom serves as an outside director of a hospital and a university that are customers of ours, and as an outside director of one of our service providers.

Mr. Eckert serves as an outside director of a company from whom we are licensing and with whom we are developing certain technology.

Mr. Laret is employed as the Chief Executive Officer of UCSF Medical Center, which is a customer of ours and with whom we have a research agreement. We have also made charitable donations to UCSF Medical Center and the Regents of the University of California in the past.

### *Board Meetings*

The Board met five times in fiscal year 2014. Four of these Board meetings included executive sessions of either the independent directors or the non-management directors, or both, with Mr. Eckert or Mr. Richard M. Levy, our former Chairman of the Board, presiding at such meetings. We have five standing committees of the Board: the Audit Committee, the Compensation Committee, the Ethics Committee, the Nominating Committee and the Executive Committee. Each current director attended at least 75% of the total Board meetings and meetings of the committees on which they served that were held in fiscal year 2014 during the time each served as a director. Directors are encouraged to attend meetings of committees on which they do not serve as members. However, each of the Audit Committee, the Compensation Committee, the Ethics Committee and the Nominating Committee regularly hold executive sessions of only the committee members or non-management directors.

### *Board Leadership Structure*

The Board has adopted Corporate Governance Guidelines designed to promote the functioning of the Board and its committees. These Guidelines address Board composition, Board functions and responsibilities, qualifications, leadership structure, committees and meetings.

Our Corporate Governance Guidelines do not indicate a particular Board structure, and the Board is given the flexibility to select its Chairman and our Chief Executive Officer in the manner that it believes is in the best interests of our stockholders. Accordingly, the Chairman and the Chief Executive Officer may be filled by one individual or two. The Board has determined that having Mr. Eckert, who is independent within the meaning of the NYSE listing standards, serve as Chairman and Mr. Wilson serve as Chief Executive Officer is in the best interests of the stockholders. We have separated the roles of Chief Executive Officer and Chairman in recognition of the differences between the two roles as they are presently defined. The Chief Executive Officer is responsible for setting our strategic direction and for our day-to-day leadership and performance, while the Chairman provides guidance to the Chief Executive Officer and leads the Board. The Board believes its administration of its risk oversight function has not affected the Board's leadership structure.

### *Board Committees and Committee Meetings*

Each of our standing committees has a written charter approved by the Board that clearly establishes the committee's roles and responsibilities. Copies of the charters for the Audit Committee, the Compensation

## **Table of Contents**

Committee, the Ethics Committee, the Executive Committee and the Nominating Committee, as well as our Corporate Governance Guidelines and Code of Conduct, can be found through the Corporate Governance link on the Investors page on our website at [www.varian.com](http://www.varian.com). Please note that information on, or that can be accessed through, our website is not part of the proxy soliciting materials, is not deemed filed with the SEC and is not to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended, or the Exchange Act, and, except for information filed by the Company under the cover of Schedule 14A, is not deemed to be proxy soliciting materials.

*Audit Committee:* The Audit Committee performs the following principal functions:

Oversees our accounting and financial reporting process and audits of financial statements.

Assists the Board in oversight and monitoring of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the independent registered public accounting firm's qualifications and independence, (iv) the performance of our internal audit function and of the independent registered public accounting firm and (v) the principal risk exposures facing the corporation that are related to financial statements, legal, regulatory and other similar matters, as well as the corporation's related mitigation efforts.

Prepares the Audit Committee Report included in our proxy statement.

Reviews and approves our foreign exchange exposure management policy, including but not limited to entering swaps thereunder and the exemption of swaps from any execution and clearing requirements.

Reports to the Board the results of its monitoring and recommendations.

Provides to the Board any additional information and materials as the committee may determine is necessary to make the Board aware of significant financial matters requiring the Board's attention.

The members of the Audit Committee are Mr. Naumann-Etienne (Chair), Mr. Eckert, Mr. Illingworth and Mr. Thyagarajan. The Audit Committee met 14 times in fiscal year 2014. Each member of the Audit Committee meets the additional requirements regarding independence for Audit Committee members under the NYSE listing requirements. The Board has determined that Mr. Naumann-Etienne is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K under the Exchange Act based upon his experience as the chief financial officer and principal accounting officer of Dasonics, Inc. between 1984 and 1987 and as group controller for Texas Instruments Inc. between 1982 and 1984, and his formal education represented by his doctorate degree in international finance from the University of Michigan. The Board has determined that Mr. Eckert is also an audit committee financial expert based upon his experience as the chief executive officer of Eclipsys Corporation from 2005 to 2009, of SumTotal Systems Inc. from 2004 to 2005, of Docent, Inc. from 2002 to 2004, and of ADAC Laboratories from 1997 to 2001, as well as other business experience, and his formal education represented by his Masters in Business Administration from the Stanford Graduate School of Business. The Board has also determined that Mr. Illingworth and Mr. Thyagarajan are financially literate based upon each of their familiarity with financial statements and, for Mr. Illingworth, his experience as chief executive officer of Smith & Nephew plc.

*Compensation and Management Development Committee:* The Compensation Committee performs the following principal functions:

Discharges the Board's responsibilities relating to compensation of our executive officers.

Evaluates our compensation plans, policies and programs for executive officers and recommends the establishment of policies dealing with various compensation and employee benefit plans.

Administers our stock and cash incentive plans.

Provides advice on management development matters that have major implications for the growth, development and depth of our management team, including reviewing succession plans.

**Table of Contents**

Reviews and discusses with management and recommends to the Board whether the disclosures under Compensation Discussion and Analysis should be included in our proxy statement.

Assesses, at least annually, the risks associated with our compensation policies, and reports to the Board and the Audit Committee whether our compensation policies and practices create risks that are reasonably likely to have a material adverse effect on us. The Compensation Committee determines all compensation for our executive group. Before making decisions on compensation for each of the executives other than the Chief Executive Officer ( CEO ), the Compensation Committee reviews with our CEO each individual's performance and accomplishments over the prior year. Except for his own position, our CEO makes recommendations to the Compensation Committee about base salary increases, any changes to the incentive plan target awards and the amount of equity awards for each executive. However, the Compensation Committee retains and does not delegate any of its exclusive power to determine all matters of executive compensation and benefits. The Compensation Committee meets alone with its independent advisors to develop and establish a proposal for CEO pay. This proposal is also reviewed with the other independent members of the Board.

To independently assist and advise the Compensation Committee, the Compensation Committee has for a number of years retained Frederic W. Cook, & Co., Inc. ( FWC ). Additionally, until November 2013, the Compensation Committee retained the services of Wilson Sonsini Goodrich & Rosati ( WSGR ) to provide independent legal guidance on executive compensation matters. The engagement of FWC is exclusively with the Compensation Committee, which has sole authority to retain and terminate any compensation consultant or other advisor that it uses. FWC has no relationship with the Company or management except as it may relate to performing services on behalf of the Compensation Committee. WSGR performed limited legal services for the Company, and the amounts associated with these services are immaterial. The Compensation Committee has assessed the independence of these persons pursuant to SEC rules and concluded that no conflict of interest exists that would prevent them from independently representing the Compensation Committee.

Typically, on an annual basis, FWC reviews and analyzes our executive compensation programs, compensation strategy and effectiveness of pay delivery. FWC provides market information on compensation trends and practices and makes recommendations to the Compensation Co