VARIAN MEDICAL SYSTEMS INC

MEETING DATE       Thu, 11 Feb 2016 16:30 pm  TYPE       AGM  ISSUE DATE       Thu, 28 Jan 2016
MEETING LOCATION   3100 Hansen Way, Palo Alto, California 94304
CURRENT INDICES    S&P500
SECTOR             Electromedical and electrotherapeutic apparatus

PROPOSALS

1.01 Elect R. Andrew Eckert
Non-Executive Chairman. Not considered independent as he has served on the Board for more
than nine years. There is insufficient independent representation on the Board.
Withhold

1.02 Elect Mark R. Laret
Non-Executive Director. Not considered independent as he has served on the Board for more than
nine years. There is insufficient independent representation on the Board.
Withhold

1.03 Elect Eric R. Reinhardt
Independent Non-Executive Director.
For

2 Advisory vote on executive compensation
The Company has submitted a proposal for shareholder ratification of its executive compensation
policy and practices. The voting outcome for this resolution reflects the balance of opinion on the
adequacy of disclosure, the balance of performance and reward and the terms of executive
employment. The compensation rating is: DCC.
Payouts were not considered excessive. However, CEO's maximum potential award was 240%
of his base salary, which is not considered best practice. Stock options are based on share
price appreciation, which is not best practice as there are many external factors which influence
share price that are out of the control of the executives. RSUs vest on the first, second and third
anniversaries of the date of grant, which is not considered to be sufficiently long term.
Based on the concerns above, Triodos opposes this resolution.
Oppose

3 Appoint the Auditors
PwC proposed. Non-audit fees represented 23.24% of audit fees during the year under review
and 13.40% on a three-year aggregate basis. This level of non-audit fees does not raise serious
concerns about the independence of the statutory auditors. The current auditor has been in place
for more than 54 years. There are concerns that failure to regularly rotate the audit firm can
compromise the independence of the auditor. An oppose vote is recommended.
Oppose

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory vote on executive compensation
The Company has achieved: a poor level of disclosure; an average balance for rewards; and an average approach to
contracts with executives.
Disclosure: D- Annual cash incentives were based on the following performance metrics: earnings before interest and
taxes (EBIT) growth (50% weight); and gross orders growth (30% weight). The remaining 20% of each potential award
related to the NEOs’ achievement of qualitative goals. The Company has disclosed financial targets for its short-term
incentives and has provided a list of individual performance factors for each NEO. The Company awarded long-term
incentives in the form of stock options, restricted stock units (RSUs) and performance-based stock units (PSUs) that vest
based on growth in Net earnings per diluted share (EPS) and relative TSR versus the Dow Jones U.S. Medical Equipment
Index.
Balance: C- For fiscal 2015, the target incentive opportunity percentages ranged from 68% to 120% of base salaries.
Payouts were not considered excessive. However, CEO's maximum potential award was 240% of his base salary, which
is not considered best practice. Stock options are based on share price appreciation, which is not best practice as there are many external factors which influence share price that are out of the control of the executives. RSUs vest on the first, second and third anniversaries of the date of grant, which is not considered to be sufficiently long term.

**Contract:** C- The Company has a compensation claw back policy. The change in control agreements provide for accelerated vesting of long-term incentives upon a change-in-control.