

VARIAN MEDICAL SYSTEMS INC

MEETING DATE	Thu, 09 Feb 2017 16:30 pm	TYPE	AGM	ISSUE DATE	Thu, 19 Jan 2017
MEETING LOCATION	3100 Hansen Way, Palo Alto, California 94304				
CURRENT INDICES	S&P500				
SECTOR	Electromedical and electrotherapeutic apparatus				

PROPOSALS		ADVICE
1.01	<p>Elect Susan L. Bostrom Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. She is chair of the Remuneration committee which is not fully independent which Triodos does not support.</p>	Withhold
1.02	<p>Elect Judy Bruner Independent Non-Executive Director. She is chair of the Audit committee which is not fully independent which Triodos does not support.</p>	Withhold
1.03	<p>Elect Regina E. Dugan Independent Non-Executive Director.</p>	For
1.04	<p>Elect R. Andrew Eckert Non-Executive Chairman. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Triodos opposes this resolution.</p>	Withhold
1.05	<p>Elect Mark R. Laret Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. It is noted that at the 2016 meeting he received an oppose vote of 26.08%. Triodos opposes this resolution.</p>	Withhold
1.06	<p>Elect Erich R. Reinhardt Independent Non-Executive Director.</p>	For
1.07	<p>Elect Dow R. Wilson President & Chief Executive Officer.</p>	For
2	<p>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: CCC. Owing to the stock options and restricted stock units, which vest based on continued employment; the total value of long-term variable pay exceeded 200% of base salary, and is considered excessive. Triodos abstains on this resolution.</p>	Abstain

3 Approve the Frequency of Future Advisory Votes on Executive Compensation

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The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote. It is considered an annual vote on executive compensation to be best practice for companies. Executive compensation comprises of both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. Triodos supports an annual vote on remuneration.

4 Amend Existing Omnibus Plan

Oppose

The Company is seeking shareholder approval of the amendments to the 2005 Omnibus Stock Plan ('the Plan') to: (i) permit the Board to grant stock awards under the Amended Stock Plan that may qualify as 'performance-based compensation' within the meaning of Section 162(m) of the Code, and (ii) set a limit on the total value of equity and cash compensation that may be paid to each of our non-employee directors during each fiscal year. The Board is seeking to cap non-employee director compensation at \$625,000 in total value for any non-employee director serving as the lead director or chair and \$525,000 in total value for any other non-employee director.

The Plan is presented as an omnibus plan, which means that bundled within the same official plan there are various incentive plan elements aimed at rewarding different groups of employees, officers and executives. These plans permit the granting of options, stock appreciation rights, restricted stock, restricted stock units, performance grants and dividend equivalents. However, it is noted that the Compensation Committee retains the power to select employees to receive awards and determine the terms and conditions of awards (and also note that 'management employees' appear most likely to be the principal beneficiaries of the Plan).

It is considered that, as performance conditions may be attached to awards at the Compensation Committee's discretion, there are concerns that awards under the Plan will not necessarily be subject to sufficiently robust performance targets (if any). As a result, shareholders cannot assess whether the Plan will operate to align participants' incentives with shareholders' interests. Triodos opposes this resolution.

5 Appoint the Auditors

Oppose

PwC proposed. Non-audit fees represented 18.12% of audit fees during the year under review and 17.90% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: C- Disclosure is considered market average. The annual bonus is based on earnings before interest & tax (EBIT) growth (50%), top line growth (consists of gross orders for Oncology Systems, revenue from Imaging Components, and revenue from Proton Therapy Systems) (30%), and an individual strategic element (20%). Long-term incentives are granted in the form of performance units (60%), with the remaining 40% made in stock options and restricted stock units. Performance units use adjusted earnings per share (EPS) growth, and a relative total shareholder return (TSR) modifier as performance metrics.

Balance: C- Annual bonus payouts for the year ranged from 99.2% to 102.3% of target, and were below 200% of base salary, which is within acceptable guidelines. In addition, the 2014-2016 performance award was paid out at 39.9% of target, which is within acceptable guidelines. However, owing to the stock options and restricted stock units, which

vest based on continued employment; the total value of long-term variable pay exceeded 200% of base salary, and is considered excessive.

Contract: C- Contracts do not define 'good reason' in an appropriate manner.

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