

STERIS CORP
Form DEF 14A
June 21, 2007
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only

(as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

STERIS CORPORATION

(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):

Edgar Filing: STERIS CORP - Form DEF 14A

x No fee required.

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

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

STERIS CORPORATION

5960 Heisley Road n Mentor, Ohio 44060-1834 n USA

TO OUR SHAREHOLDERS:

The 2007 Annual Meeting of Shareholders of STERIS Corporation will be held at 9:00 a.m., Eastern Daylight-Saving Time, on Thursday, July 26, 2007, at the Renaissance Quail Hollow Resort, 11080 Concord-Hambden Road, Concord, Ohio, USA. At the Annual Meeting, shareholders will be asked to elect nine directors for terms expiring at the 2008 Annual Meeting, to approve certain amendments to the Company's Amended and Restated Code of Regulations relating to a new NYSE requirement regarding uncertificated shares, and to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm. Management also will report on fiscal year 2007 results. We urge you to attend the meeting and to vote FOR the nominees for director listed in the following Proxy Statement, FOR the amendments to the Amended and Restated Code of Regulations, and FOR the ratification of Ernst & Young LLP as the Company's independent registered public accounting firm.

The formal notice of the Annual Meeting and the Proxy Statement containing information relative to the meeting follow this letter. We urge you to read the Proxy Statement carefully.

Please sign and return the enclosed proxy whether or not you plan to attend the Annual Meeting to assure your shares will be voted. If you do attend the Annual Meeting, and the Board of Directors hopes that you will, there will be an opportunity to revoke your proxy and to vote in person if you prefer.

Sincerely,

LES C. VINNEY

President and

Chief Executive Officer

JOHN P. WAREHAM

Chairman of the Board

Table of Contents

STERIS CORPORATION

5960 Heisley Road n Mentor, Ohio 44060-1834 n USA

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

JULY 26, 2007

The Annual Meeting of Shareholders of STERIS Corporation (the Company or STERIS) will be held at 9:00 a.m., Eastern Daylight-Saving Time, on Thursday, July 26, 2007, at the Renaissance Quail Hollow Resort, 11080 Concord-Hambden Road, Concord, Ohio, USA, for the following purposes:

1. To elect nine directors to serve until the Company s 2008 Annual Meeting of Shareholders;
2. To approve certain amendments to the Company s Amended and Restated Code of Regulations relating to a new NYSE requirement regarding uncertificated shares;
3. To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending March 31, 2008; and
4. To transact such other business as may properly come before the Annual Meeting.

The Board of Directors has fixed the close of business on June 1, 2007 as the record date for determining shareholders entitled to notice and to vote at the Annual Meeting and any adjournments.

The Company s Annual Report to Shareholders for the year ended March 31, 2007 is being mailed to shareholders with the Proxy Statement for the Annual Meeting. The Proxy Statement accompanies this Notice.

By Order of the Board of Directors,

MARK D. MCGINLEY
Secretary

June 21, 2007

Please sign and return the enclosed proxy in the envelope provided for that purpose, whether or not you expect to be present at the Annual Meeting. If you attend the Annual Meeting, you may revoke your proxy and vote your shares in person.

Please Note: Attendance at the STERIS Corporation Annual Meeting is limited to STERIS Shareholders, members of their immediate families, or their formally designated representatives. Shareholders will be required to register and present appropriate picture identification in order to be admitted to the Annual Meeting. STERIS reserves the right to limit items brought to the Annual Meeting, including, without limitation, cameras, recording equipment, electronic devices, packages and other items, and to take other action for the proper, orderly and efficient conduct of the meeting.

Table of Contents

TABLE OF CONTENTS

<u>General Information</u>	1
<u>Proxy Voting and Solicitation of Proxies</u>	1
<u>Cumulative Voting</u>	1
<u>Votes Required to Adopt Proposals</u>	1
<u>Purposes of Annual Meeting</u>	2
<u>Proposal 1 Election of Directors</u>	3
<u>Nominees for Election as Directors</u>	4
<u>Proposal 2 Approval of Amendments to Company s Amended and Restated Code of Regulations</u>	6
<u>Summary Concerning Proposal 2</u>	6
<u>Proposal 3 Ratification of the Appointment of Company s Independent Registered Public Accounting Firm</u>	7
<u>Summary Concerning Proposal 3</u>	7
<u>Voting on Other Matters</u>	7
<u>Board of Directors Information</u>	8
<u>Board Meetings and Committees</u>	8
<u>Governance Generally</u>	11
<u>Governance Guidelines</u>	13
<u>Independent Registered Public Accounting Firm</u>	15
<u>Report of the Audit and Financial Policy Committee</u>	16
<u>Executive Compensation</u>	17
<u>Compensation Discussion and Analysis</u>	17
<u>Report of the Compensation and Corporate Governance Committee</u>	22
<u>Compensation and Corporate Governance Committee Interlocks and Insider Participation</u>	23
<u>Tabular and Other Executive Compensation Disclosure</u>	23
<u>Non-Employee Director Compensation</u>	42
<u>Description of Director Compensation for Fiscal 2007</u>	42
<u>Director Compensation Table for Fiscal 2007</u>	42
<u>Director Fee Breakdown for Fiscal 2007</u>	43
<u>Aggregate Equity Holdings by Non-employee Directors at March 31, 2007</u>	44
<u>Ownership of Voting Securities</u>	44
<u>5% Owners</u>	44
<u>Stock Ownership of Directors and Executive Officers</u>	45
<u>Summary of Equity Compensation Plans</u>	46
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	46
<u>Shareholder Nominations of Directors and Nominee Criteria</u>	47
<u>Shareholder Proposals</u>	49
<u>Miscellaneous Matters</u>	49
<u>Annex A-1 Proposed New Article VII to the Company s Amended and Restated Code of Regulations</u>	A-1
<u>Annex A-2 Blackline Version of Current Article VII of Company s Amended and Restated Code of Regulations Showing Changes Made by Proposed New Article VII</u>	A-2

Table of Contents

STERIS CORPORATION

5960 Heisley Road

Mentor, Ohio 44060

440-354-2600

PROXY STATEMENT

Annual Meeting of Shareholders

July 26, 2007

9:00 a.m. (Eastern Daylight-Saving Time)

GENERAL INFORMATION

PROXY VOTING AND SOLICITATION OF PROXIES

This Proxy Statement was mailed on or about June 25, 2007, to the shareholders of STERIS Corporation ("STERIS" or the "Company") of record as of the close of the stock transfer books on June 1, 2007. This Proxy Statement is provided in connection with the solicitation by the Board of Directors of the enclosed form of proxy for the 2007 Annual Meeting of Shareholders to be held at 9:00 a.m., Eastern Daylight-Saving Time, on Thursday, July 26, 2007, at the Renaissance Quail Hollow Resort, 11080 Concord-Hambden Road, Concord, Ohio, USA. Pursuant to the Ohio General Corporation Law, a shareholder may revoke a writing appointing a proxy by giving notice to the Company in writing or in open meeting, or by submitting a subsequent proxy. The cost of soliciting the proxies will be borne by the Company. In addition to solicitations by mail, the Company may solicit proxies in person, by telephone, fax, or e-mail. STERIS has engaged a professional proxy solicitation firm, Georgeson Inc. ("Georgeson"), to aid in the solicitation of proxies. The Company will pay Georgeson a fee of approximately \$8,000 for its base shareholder meeting services, including facilitating the distribution of proxy materials to Broadridge Financial Solutions, Inc., brokers, banks and institutional holders. Additional shareholder meeting services may be contracted for additional fees.

CUMULATIVE VOTING

As of the record date set by the Board of Directors (June 1, 2007), the Company had 65,232,373 Common Shares outstanding and entitled to vote at the 2007 Annual Meeting, each of which is entitled to one vote. Under the Ohio General Corporation Law, the shares may be voted cumulatively in the election of directors if (a) notice in writing is given by a shareholder of record to the President, a Vice President, or the Secretary of the Company not less than 48 hours before the time fixed for holding the meeting that the shareholder desires the voting in the election to be cumulative and (b) an announcement of the giving of the notice is made upon the convening of the meeting by the Chairman or the Secretary or by or on behalf of the shareholder giving the notice. If cumulative voting is in effect, each shareholder will have the right to cumulate the shareholder's votes and to give one nominee a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are entitled, or the shareholder may distribute the shareholder's votes on the same principle among two or more nominees. In the event of cumulative voting, unless contrary instructions are received, the persons named in the enclosed proxy will vote the shares represented by valid proxies on a cumulative basis for the election of the nominees listed on page 3, allocating the votes among the nominees in accordance with their discretion.

VOTES REQUIRED TO ADOPT PROPOSALS

Common Shares represented by properly executed proxies will be voted in accordance with the specifications made thereon. If no specification is made, proxies will be voted FOR the election of the nominees named in this Proxy Statement, FOR approval of the amendments to the Amended and Restated Code of Regulations, and FOR the ratification of Ernst & Young LLP as the Company's independent registered public

accounting firm.

Table of Contents

Abstentions and broker non-votes are tabulated in determining the votes present at a meeting for purposes of determining a quorum. Director nominees receiving the greatest number of votes cast will be elected as directors provided a quorum is present at the meeting in person or by proxy. Accordingly, an abstention or a broker non-vote will have no effect with respect to the election of a director nominee. On any proposal requiring approval by a specified percentage of the Company's Common Shares that are outstanding or that are present at the meeting, an abstention or a broker non-vote will have the same effect as a vote against approval of the proposal, as each abstention or broker non-vote will be one less vote for the proposal. An abstention or broker non-vote will have no effect on any proposal requiring only a majority of the votes cast as the abstention or broker non-vote will not be counted in determining the number of votes cast.

PURPOSES OF ANNUAL MEETING

The Annual Meeting has been called for the purposes of (1) electing nine directors to serve until the Company's 2008 Annual Meeting of Shareholders, (2) approving certain amendments to the Company's Amended and Restated Code of Regulations relating to a new NYSE requirement regarding uncertificated shares, (3) ratifying the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2008 and (4) transacting such other business as may properly come before the meeting.

The persons named in the enclosed proxy have been selected by the Board of Directors and will vote shares represented by valid proxies. They have indicated that, unless otherwise specified in the proxy, they intend to vote to elect as directors the nine nominees listed on page 3, to approve certain amendments to the Company's Amended and Restated Code of Regulations relating to a new NYSE requirement regarding uncertificated shares, and to ratify the appointment of Ernst & Young LLP.

Table of Contents

PROPOSAL 1 ELECTION OF DIRECTORS

The Company's Board of Directors (sometimes referred to as the Board) currently has eleven members. The Board has established the number of directors at nine, commencing with the 2007 Annual Meeting of Shareholders, and proxies cannot be voted for more than nine candidates for director. On April 25, 2007, the Board, upon recommendation of its Compensation and Corporate Governance Committee, unanimously nominated nine of the current directors for re-election to the Board at the Annual Meeting. Les C. Vinney, the Company's President and Chief Executive Officer and currently a Director, is not standing for re-election, and Stephen R. Hardis, currently a Director and Chairman of the Audit and Financial Policy Committee, will reach the Board's established general retirement age before the 2007 Annual Meeting of Shareholders and therefore is not standing for re-election. We thank Messrs. Hardis and Vinney for their thoughtful counsel and numerous contributions to the Board.

The directors elected at the Annual Meeting will hold office until the 2008 Annual Meeting of Shareholders and until their successors are duly elected and qualified. Unless otherwise instructed, the persons named in the accompanying proxy form intend to vote the proxies held by them for the election of the nine nominees named below. The Board has no reason to believe that any of the nominees will be unable to serve as a director. In the event, however, of the death or unavailability of any nominee or nominees, a proxy with a vote for such nominee or nominees will be voted for such other person or persons as the Board may recommend unless the Board, in response to the death or unavailability, chooses to reduce the number of directors.

PROPOSAL 1: To elect Cynthia L. Feldmann, Jacqueline B. Kosecoff, Raymond A. Lancaster, Kevin M. McMullen, J. B. Richey, Mohsen M. Sohi, John P. Wareham, Loyal W. Wilson, and Michael B. Wood as directors for terms expiring at the 2008 Annual Meeting of Shareholders.

Ms. Feldmann, Drs. Kosecoff, Sohi and Wood and Messrs. Lancaster, McMullen, Richey, Wareham and Wilson were all last elected as directors by the shareholders at the 2006 Annual Meeting for terms expiring at the 2007 Annual Meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF CYNTHIA L. FELDMANN, JACQUELINE B. KOSECOFF, RAYMOND A. LANCASTER, KEVIN M. MCMULLEN, J. B. RICHEY, MOHSEN M. SOHI, JOHN P. WAREHAM, LOYAL W. WILSON AND MICHAEL B. WOOD.

Table of Contents**NOMINEES FOR ELECTION AS DIRECTORS**

As to all the nominees, the following provides their age, the year in which each became a director of the Company, their principal occupations and employment, and their directorships in companies having securities registered pursuant to the Securities Exchange Act of 1934.

Cynthia L. Feldmann, age 54, director since March 2005. Ms. Feldmann has served as President and Founder of Jetty Lane Associates, a consulting firm, since December 2005. Previously, Ms. Feldmann served as the Life Sciences Business Development Officer for the Boston law firm Palmer & Dodge, LLP from November 2003 to September 2005 and was with the global accounting firm, KPMG LLP, from July 1994 to September 2002, holding various leadership roles in the firm's Medical Technology and Health Care & Life Sciences industry groups, including Partner, Northeast Regional Relationships. Prior to that, she spent 19 years with the accounting firm Coopers & Lybrand (now PricewaterhouseCoopers), ultimately as National Partner-in-Charge of its Life Sciences practice. Ms. Feldmann is a director of Hanger Orthopedic Group, Inc. and Hayes Lemmerz International, Inc.

Jacqueline B. Kosecoff, age 58, director since October 2003. Dr. Kosecoff has served as Chief Executive Officer of Ovations Pharmacy Solutions, a UnitedHealth Group Company, since December 2005. From July 2002 to December 2005, Dr. Kosecoff served as Executive Vice President, Specialty Companies, of PacificCare Health Systems, Inc., one of the nation's largest consumer health organizations. From 1998 to July 2002, Dr. Kosecoff was President and Founder of Protocare, Inc., a firm involved in the development and testing of drugs, devices, biopharmaceutical and nutritional products, and consulting and analytic services. Dr. Kosecoff is a director of Sealed Air Corporation.

Raymond A. Lancaster, age 61, director since 1988. Mr. Lancaster has served as Managing Director of South Franklin Street Partners (formerly known as Candlewood Partners, LLC), an investment banking firm specializing in employee stock ownership plans and restructurings, since 2002. During 2001, Mr. Lancaster was a self-employed consultant specializing in leveraged buyouts of manufacturing companies. From January 1995 to December 2000, Mr. Lancaster held the position of Managing Partner of Kirtland Capital Partners II L.P., a middle market leveraged buyout partnership.

Kevin M. McMullen, age 46, director since July 2000. Mr. McMullen is Chairman of the Board, Chief Executive Officer, and President of OMNOVA Solutions Inc., a major innovator of decorative and functional surfaces, emulsion polymers, and specialty chemicals. Mr. McMullen was Vice President of GenCorp Inc., a technology-based manufacturer with leading positions in the aerospace and defense, polymer products, and automotive industries, and President of GenCorp's Decorative & Building Products business unit from September 1996 until GenCorp's spin-off of OMNOVA in October 1999. Mr. McMullen was Vice President of OMNOVA and President of its Decorative & Building Products unit from September 1999 until January 2000, was President and Chief Operating Officer of OMNOVA from January to December 2000, became Chief Executive Officer and President of OMNOVA in December 2000, and became Chairman of the Board of OMNOVA in February 2001. Before joining GenCorp, Mr. McMullen held the position of General Manager of the Commercial & Industrial Lighting business of General Electric Corporation, a diversified services, technology, and manufacturing company, from 1993 to 1996.

J. B. Richey, age 70, director since 1987. Mr. Richey has been Senior Vice President of Invacare Corporation, a leading provider of home healthcare medical equipment, since 1984. Mr. Richey is a director of Invacare Corporation.

Mohsen M. Sohi, age 48, director since July 2005. Dr. Sohi has served as President and Chief Executive Officer of Freudenberg-NOK General Partnership, a joint venture between Freudenberg & Co. of Germany and NOK Corp. of Japan, since March 2003. Freudenberg-NOK is a supplier of sealing, noise and vibration control products to automotive and other industries. From January 2001 to March 2003, Dr. Sohi was with NCR Corporation, a leading global technology company, most recently as the Senior Vice President, Retail Solutions

Table of Contents

Division. Before serving with NCR, Dr. Sohi spent more than 14 years at Honeywell International Inc. and its pre-merger constituent, Allied Signal, Inc., providers of aerospace, automation & control solutions, specialty materials and transportation systems, serving from July 2000 to January 2001 as President, Honeywell Electronic Materials. Dr. Sohi is a director of Hayes Lemmerz International, Inc. and Harris Stratex Networks, Inc.

John P. Wareham, age 65, director since November 2000. Mr. Wareham was appointed Chairman of the Board of Directors of STERIS in May 2005. In April 2005, Mr. Wareham retired as Chairman of the Board and Chief Executive Office of Beckman Coulter, Inc., a leading provider of laboratory systems and complementary products used in biomedical analysis. Mr. Wareham became Chief Executive Officer of Beckman Coulter in September 1998 and was named Chairman in February 1999. Prior to these appointments, Mr. Wareham served as President and Chief Operating Officer of Beckman Coulter, a position he assumed in 1993. Mr. Wareham is a director of Greatbatch, Inc. and ResMed Inc.

Loyal W. Wilson, age 59, director since 1987. Mr. Wilson has been a Managing Director of Primus Venture Partners, Inc., a private equity investment and management firm, since 1993. He has been a Managing Partner of Primus Venture Partners, L.P. since 1983.

Michael B. Wood, age 63, director since October 2004. Dr. Wood has served as a consultant physician at the Mayo Clinic in Jacksonville, Florida since August 2004, and also serves as a Professor of Orthopedics at the Mayo Clinic College of Medicine. Dr. Wood served from June 2004 to August 2004 as a staff orthopedic surgeon at Luther-Midelfort Clinic in Eau Claire, Wisconsin. Previously, Dr. Wood held positions of increasing responsibility within the Mayo Foundation, culminating in his service as President and Chief Executive Officer from January 1999 to February 2003 and President Emeritus until February 2004. The Mayo Foundation is a charitable, not-for-profit organization based in Rochester, Minnesota, and is the parent corporate entity of the Mayo Clinics in Minnesota, Florida and Arizona. Dr. Wood is a director of Cubist Pharmaceuticals, Inc.

Table of Contents

PROPOSAL 2 APPROVAL OF AMENDMENTS TO COMPANY S AMENDED AND RESTATED CODE OF REGULATIONS

The Board of Directors has considered and recommends that STERIS s shareholders approve certain amendments to the Company s Amended and Restated Code of Regulations relating to a new New York Stock Exchange (NYSE) requirement that will become effective January 1, 2008 concerning uncertificated shares. The Board believes that the amendments are appropriate to make it clear that the Company may provide for uncertificated shares in conformity with the new NYSE requirement.

PROPOSAL 2: To amend and restate Article VII of the Company s Amended and Restated Code of Regulations.

The Board of Directors has considered and recommends that the shareholders approve the amendment and restatement of Article VII of the Company s Amended and Restated Code of Regulations to add provisions relating to the NYSE requirements concerning uncertificated shares, including provisions making it clear that the Company may issue uncertificated shares and that such shares may be transferred. Beginning January 1, 2008, the NYSE is requiring that all listed companies allow for uncertificated shares. The existing Amended and Restated Code of Regulations does not specifically provide for uncertificated shares or the transfer thereof although uncertificated shares are allowed under Ohio law. The proposed amendments will expressly permit issuance of uncertificated shares and the transfer of such shares, on such terms as the Board deems appropriate. Shareholders will be entitled to hold their shares in certificated form if they prefer.

The foregoing summary of the proposed amendments is qualified in its entirety by reference to the amendments and is to be interpreted solely in accordance with the amendments contained in amended and restated Article VII of the Company s Amended and Restated Code of Regulations. A copy of proposed amended and restated Article VII is attached to this Proxy Statement as Annex A-1. A copy of a blackline version of current Article VII showing the changes made by the proposed amendments is attached to this Proxy Statement as Annex A-2.

Approval of Proposal 2 will require the affirmative vote of the holders of a majority of the Common Shares represented in person or by proxy and entitled to vote at the Annual Meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE AMENDMENTS TO THE STERIS CORPORATION AMENDED AND RESTATED CODE OF REGULATIONS.

Table of Contents

PROPOSAL 3 RATIFICATION OF THE APPOINTMENT OF COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP has been reappointed as the Company s independent registered public accounting firm for the fiscal year ending March 31, 2008 by the Audit and Financial Policy Committee of the Board. The Board recommends ratification of this appointment by the shareholders.

PROPOSAL 3: To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending March 31, 2008.

Approval of Proposal 3 will require the affirmative vote of the holders of a majority of the Common Shares represented in person or by proxy and entitled to vote at the Annual Meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

UNLESS OTHERWISE SPECIFIED, THE PROXY HOLDERS WILL VOTE FOR PROPOSALS 1, 2 AND 3.

VOTING ON OTHER MATTERS

The Company has no knowledge of any other matters to be presented for vote to the shareholders at the Annual Meeting. In the event other matters do properly come before the meeting, the persons named in the proxy will vote in accordance with their judgment on such matters.

Table of Contents

BOARD OF DIRECTORS INFORMATION

BOARD MEETINGS AND COMMITTEES

The Company's Board of Directors met eleven times during the fiscal year ended March 31, 2007. The Board of Directors has established three standing committees of the Board—the Audit and Financial Policy Committee, the Compensation and Corporate Governance Committee, and the Compliance Committee. Each committee has adopted a written charter that may be found on the Company's website at www.steris-ir.com. A copy of each charter will also be made available upon a request sent to the Company's Secretary. The Board also has authorized and established temporary Transition and Search Committees to facilitate and assist with the transition of responsibilities from, and search for a replacement for, the Company's President and Chief Executive Officer.

Audit and Financial Policy Committee

Ms. Feldmann and Messrs. Hardis (who is retiring from the STERIS Board at the 2007 Annual Meeting of Shareholders) and Wilson are the current members of the Audit and Financial Policy Committee (sometimes referred to as the Audit Committee). The Audit and Financial Policy Committee provides oversight relating to the Company's financial statements and financial reporting process, its systems of internal accounting and financial controls, the internal audit process, the annual independent audit process of the Company's annual financial statements, and the Company's investment and financial policies and related matters. SEC rules provide that only a person who meets certain independence criteria may serve on the audit committee of a public company. The Board has determined that Ms. Feldmann and Messrs. Hardis and Wilson each meet those independence criteria for audit committee members and that all such members also are independent within the meaning of the NYSE listing standards. The Board also has determined that Ms. Feldmann and Messrs. Hardis and Wilson are each financially literate within the meaning of the NYSE listing standards. The Board has further determined that Mr. Hardis satisfies the definition of audit committee financial expert under the Securities Exchange Act of 1934 Act. The Audit and Financial Policy Committee met eight times during the last fiscal year. A copy of the Audit and Financial Policy Committee's charter may be found on the Company's website at www.steris-ir.com. A copy will also be made available upon a request sent to the Company's Secretary.

Compensation and Corporate Governance Committee

Messrs. McMullen, Lancaster and Wareham and Dr. Sohi are the current members of the Compensation and Corporate Governance Committee (sometimes referred to as the Compensation Committee). The Compensation and Corporate Governance Committee is responsible for the Company's general compensation philosophy for senior management, including approval of the compensation of the President and Chief Executive Officer and elements of other senior management compensation. The Compensation Committee's approval is required for annual equity grants to the named executive officers under the Company's 2006 Long-Term Equity Incentive Plan and annual performance bonus payments under the Company's Management Incentive Compensation Plan and Senior Executive Management Incentive Compensation Plan. In making these decisions, the Compensation Committee considers the recommendations of the President and Chief Executive Officer and the Committee's compensation consultant. The Compensation Committee also is responsible for the Company's compensation philosophy for the directors, reviews director compensation in relation to certain other companies, and discusses this review with and makes recommendations to the Board. The Compensation Committee is authorized to and has regularly retained compensation consultants and other advisors to assist with the discharge of its responsibilities. A more detailed description of this process is located under Executive Compensation Compensation Discussion and Analysis, beginning at page 17.

In addition, the Compensation Committee makes recommendations to the Board of Directors concerning the composition, structure and operation of the Board and Board nominee recommendations, in this respect performing nominating committee functions. Finally, it develops and recommends to the Board corporate governance principles for the Company and oversees the process for evaluation of the Board and senior management. All members of the Compensation Committee are independent, within the meaning of the NYSE

Table of Contents

listing standards, and have no interlocking relationships with the Company, within the meaning of SEC rules. The Compensation and Corporate Governance Committee met five times during the last fiscal year. A copy of the Compensation and Corporate Governance Committee's charter may be found on the Company's website at www.steris-ir.com. A copy will also be made available upon a request sent to the Company's Secretary.

Compliance Committee

Mr. Richey and Drs. Kosecoff and Wood are the current members of the Compliance Committee. The Compliance Committee provides oversight relating to the Company's legal and regulatory matters, compliance with applicable laws and regulations, and the development and implementation of compliance programs and policies. The Compliance Committee met four times during the last fiscal year. A copy of the Compliance Committee's charter may be found on the Company's website at www.steris-ir.com. A copy will also be made available upon a request sent to the Company's Secretary.

Transition Committee

Messrs. Wareham, Wilson, Lancaster and Dr. Sohi are the current members of the Transition Committee. The Transition Committee is responsible for facilitating and assisting with the transition of responsibilities from the Company's President and Chief Executive Officer to his successor. The Transition Committee met twenty times during fiscal 2007.

Search Committee

Messrs. Wareham, Lancaster and Hardis and Dr. Kosecoff are the current members of the Search Committee. The Search Committee is responsible for facilitating and assisting in the search for a new President and Chief Executive Officer. The Search Committee met five times during fiscal 2007.

Meetings

Each director attended more than 75% of the aggregate of all meetings of the Board of Directors and the committees on which he or she served while in office during the last fiscal year.

Table of Contents

Summary Table of Meetings

The following table summarizes the current membership of the Board and of each of its Committees, as well as the number of times the Board and each Committee met during fiscal 2007.

- (1) Dr. Sohi was requested to join the Transition Committee in October 2006.

Table of Contents

GOVERNANCE GENERALLY

The Company's business is managed by its employees under the oversight of the Board of Directors. Except for Mr. Vinney, none of the Board members was an employee of the Company during fiscal 2007. The Board limits membership of the Audit and Financial Policy Committee and Compensation and Corporate Governance Committee to persons determined to be independent non-management directors.

The Board of Directors has established Governance Guidelines that, along with the charters of the Board committees, the Company's Code of Business Conduct for Employees and the Director Code of Ethics, provide the framework for the governance of the Company. Our Governance Guidelines, Code of Business Conduct for Employees, Director Code of Ethics, Board Committee charters and other corporate governance information are available on the Corporate Governance page under the Investors Relations section of the Company's website at www.steris-ir.com. Any shareholder also may request these items in print, without charge, by contacting the Corporate Secretary at STERIS Corporation, 5960 Heisley Road, Mentor, Ohio 44060.

The Board of Directors has charged the Compensation and Corporate Governance Committee with helping the Company to remain in the forefront of good corporate governance. The Compensation and Corporate Governance Committee is responsible for periodically reviewing and making recommendations to the Board of Directors in connection with the Company's governance principles and practices.

Independence Standards

The Board believes that independent directors must comprise a substantial majority of the Board. It is expected that at least two-thirds of the Board should be independent. Under our Governance Guidelines, an independent director is one who meets the definition of independence as defined by NYSE listing requirements. A director will not be considered independent if he or she has a material relationship with the Company. Generally, the Board will not consider a director to be independent under the following circumstances:

The director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer, of the Company;

The director has received, or has an immediate family member who has received, during any 12-month period within the last three years, more than \$100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(a) The director or an immediate family member is a current partner of a firm that is the Company's internal or external auditor; (b) the director is a current employee of such a firm; (c) the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (d) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time;

The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another entity where any of the Company's present executive officers at the same time serves or served on that entity's compensation committee;

The director is a current employee, or an immediate family member is a current executive officer, of an entity that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or two percent of such entity's consolidated gross revenues; or

The director is an executive officer of a charitable organization and, within the last three years, the Company's charitable contributions in any year to the organization (exclusive of gift-match payments) exceed the greater of \$1 million or 2% of the organization's consolidated gross revenues.

Table of Contents

Based upon the foregoing criteria, the Board of Directors has determined that the following directors are independent: Cynthia L. Feldmann, Stephen R. Hardis, Jacqueline B. Kosecoff, Raymond A. Lancaster, Kevin M. McMullen, J. B. Richey, Mohsen M. Sohi, John P. Wareham, Loyal W. Wilson, and Michael B. Wood.

Related Person Transactions

Since the beginning of fiscal 2007, the Company has not been a participant in, and there are not currently proposed, any related person transactions (within the meaning of, and required to be disclosed under, Item 404(a) of Regulation S-K). The Company has not adopted a related person transactions policy.

However, the Company's Director Code of Ethics provides that STERIS directors may not receive any loans, consulting fees, or other material personal profit or benefit in connection with any transaction involving STERIS, other than compensation and expense payments or committee fees as a director (or in the case of a director employed by the Company, compensation as an employee), as approved by the full Board. Other than such payments, a director must disclose to the Company's General Counsel any transaction, or proposed transaction, between a STERIS entity and the director, a member of the director's immediate family, or a business the director or an immediate family member owns, controls, or has a substantial interest in. STERIS directors also may not have a personal or family financial interest in any STERIS supplier, customer, consultant, reseller or competitor that has a reasonable potential for causing a conflict of interest or divided loyalty, or resulting in material personal gain.

Also, the Company's Code of Business Conduct for Employees requires that relationships with third parties, as well as all business decisions, be based on what is required by law and in the best interests of STERIS, and not be motivated or influenced by personal considerations. This Code also provides that employees should discuss with their supervisor or the STERIS Legal Department any activity that might create a conflict of interest, including personal financial interests that might reasonably affect their business judgment on behalf of the Company.

The Company's Conflicts of Interest Policy also contains prohibitions with respect to conflicts of interest or transactions involving personal financial gain.

Table of Contents

GOVERNANCE GUIDELINES

The Board's Governance Guidelines are described in various portions of this Proxy Statement, including this Section. A complete copy of the Governance Guidelines may be found at the Company's website at www.steris-ir.com.

Director Retirement

Unless otherwise approved by the Board, a director is expected to retire from the Board at the first Shareholders' Meeting following the director's 72nd birthday.

Annual Meeting of Shareholders

The Board of Directors encourages all of its members to attend the Annual Meeting of Shareholders. All of the Company's current directors were present at the Company's 2006 Annual Meeting of Shareholders.

Executive Sessions

The independent directors of the Board will meet separately as a group at least every other regularly scheduled Board meeting. The Chairman or Lead Director (if the Chairman is not independent) will assume the chair of the meetings of independent directors and assume such further tasks as set forth in the Governance Guidelines and as the independent directors may determine from time to time. As indicated under "Independence Standards" above, the current Chairman has been determined to be independent.

Authority

Each member of the Board has complete and open access to the Company's management. Board members are expected to use their judgment so as to not distract the Company's management from the day-to-day operation of the Company. The Board and each committee have the authority to obtain advice, reports or opinions from internal and external counsel and expert advisors and have the power to hire independent legal, finance and other advisors as they may deem necessary, without consulting with, or obtaining approval from, any officer of the Company in advance.

Board and Committee Evaluations

The Board also has imposed upon itself a requirement to conduct an annual self-evaluation to assess the effectiveness of the Board. The Chairman (or Lead Director, if the Chairman is not independent) will coordinate the Board self-evaluation and the results thereof will be discussed with the full Board. The purpose of these self-evaluations is to increase the effectiveness of the Board and each committee, as well as their individual members. Changes in Board compensation, if any, are to be evaluated and recommended by the Compensation and Corporate Governance Committee, but with the concurrence of the full Board.

New Director Orientation

All new directors will be provided an orientation to acquaint them with the Company's business, strategies, long-range plans, financial statements, the Governance Guidelines, and the Director Code of Ethics. The orientation may also introduce new directors to the Company's senior management, its internal auditor, and its independent auditor. In addition, from time to time, directors will receive information and updates on legal and regulatory changes that affect the Company, its employees and the operation of the Board. The Compensation and Corporate Governance Committee will from time to time make other recommendations regarding further educational opportunities for directors.

Table of Contents

Attendance at Meetings

In order to effectively oversee the management of the Company, all directors are expected to attend Board meetings and meetings of committees of which they are members. In discharging this oversight obligation, directors may reasonably rely on the integrity of the Company's management and independent auditor. Directors who attend less than 75% of Board meetings and meetings of committees of which they are members for two consecutive years will be subject to assessment by the Board to determine continued eligibility for directorship.

Shareholder Communications

The Company's shareholders and other interested parties may communicate with the Board of Directors as a group, with the non-management directors as a group, or with any individual director by sending written communications to STERIS Corporation, 5960 Heisley Road, Mentor, Ohio 44060-1834, Attention: Secretary. Complaints regarding accounting, internal accounting controls, or auditing matters will be forwarded directly to the chairman of the Audit and Financial Policy Committee. All other communications will be provided to the individual directors or group of directors to whom they are addressed. Communications that are considered to be improper for submission to the intended recipients will not be provided to the directors. Examples of communications that would be considered improper for submission include, without limitation, solicitations, routine customer matters, communications that do not relate, directly or indirectly, to the business of the Company and/or its subsidiaries, and communications that relate to improper or irrelevant topics.

Ethics Phonenumber

Employees have been instructed that if they have any questions or concerns about compliance with the Company's Policies, or applicable laws and principles as outlined in the STERIS Code of Business Conduct, or are unsure of the right thing to do, they should talk with their supervisor, their local or Corporate Human Resources department personnel, STERIS's Director of Internal Audit or the STERIS Legal Department, or call the STERIS Ethics Line.

The STERIS Ethics Line does not replace other communication channels already in place. However, if Company employees have an issue regarding an ethics or compliance related matter, or have observed something that seems to be a violation of the Company's Policies, and they feel they cannot communicate effectively using existing internal Company channels, they are instructed by the Code of Business Conduct to call the STERIS Ethics Line. Reports on the STERIS Ethics Line may be made anonymously and without reprisals for matters reported in good faith.

Table of Contents**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Ernst & Young LLP has been appointed as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2008, by the Audit and Financial Policy Committee of the Board of Directors. A representative of Ernst & Young LLP is expected to be present at the 2007 Annual Meeting with an opportunity to make a statement if so desired and to answer appropriate questions with respect to that firm's audit of the Company's financial statements and records for the fiscal year ended March 31, 2007.

The Audit and Financial Policy Committee has adopted policies and procedures which are intended to control the services provided by Ernst & Young LLP and to monitor their continuing independence. Under these policies, the Audit and Financial Policy Committee must pre-approve all services performed by Ernst & Young LLP. In addition, the Audit and Financial Policy Committee may delegate authority to grant certain pre-approvals to a member of the Committee. Pre-approvals granted by a member of the Committee are reported to the full Audit and Financial Policy Committee at its next regularly scheduled meeting.

The aggregate fees billed for professional services by Ernst & Young LLP for the fiscal years ended March 31, 2007 and March 31, 2006 were:

Type of Fees	Years Ended March 31,	
	2007	2006
	(in thousands)	
Audit Fees	\$ 2,264	\$ 2,354
Audit-Related Fees	92	83
Tax Fees	210	41
Total	\$ 2,566	\$ 2,478

All of the services provided by Ernst & Young LLP were pre-approved in accordance with the Audit and Financial Policy Committee's pre-approval policies and procedures described above. In the above table, **Audit Fees** are fees paid to Ernst & Young LLP for professional services for the audit of the Company's consolidated financial statements included in Form 10-K and review of financial statements included in Form 10-Qs, for the audit of the Company's internal control over financial reporting with the objective of obtaining reasonable assurance about whether effective internal control over financial reporting was maintained in all material aspects, for the attestation of management's report on the effectiveness of internal control over financial reporting, and for services that are provided by the accountant in connection with statutory audits; **Audit-Related Fees** include fees billed by Ernst & Young LLP for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements, benefit plan audits and advisory services; **Tax Fees** include fees for tax compliance, tax advice and tax planning.

Table of Contents

REPORT OF THE AUDIT AND FINANCIAL POLICY COMMITTEE

The Board of Directors of the Company has adopted a written Audit and Financial Policy Committee charter. The Audit and Financial Policy Committee has been established in accordance with the Securities Exchange Act of 1934. Based on the review and determination of the Board, members of the Audit and Financial Policy Committee meet the financial literacy and independence criteria to serve on the audit committee of a public company.

The Audit and Financial Policy Committee has reviewed and discussed with the Company's management and Ernst & Young LLP, the Company's independent registered public accounting firm, the audited financial statements of the Company contained in the Company's Annual Report on Form 10-K for the year ended March 31, 2007. The Audit and Financial Policy Committee has also discussed with the Company's independent registered public accounting firm the matters required to be discussed pursuant to SAS No. 61, as amended (Codification of Statements on Auditing Standards, *Communication with Audit Committees*), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit and Financial Policy Committee has received and reviewed the written disclosures and the letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1 (titled *Independence Discussions with Audit Committees*), as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and has discussed with Ernst & Young LLP their independence. The Audit and Financial Policy Committee has also concluded that Ernst & Young LLP's provision of non-audit services to the Company is compatible with their independence.

Based on the review and discussions referred to above, the Audit and Financial Policy Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2007 filed with the Securities and Exchange Commission.

Audit and Financial Policy Committee of the Board of Directors

Stephen R. Hardis Chairman

Cynthia L. Feldmann

Loyal W. Wilson

Table of Contents

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Compensation and Corporate Governance Committee Overview

The Compensation and Corporate Governance Committee of the STERIS Board of Directors, which we refer to throughout this Compensation Discussion and Analysis as the Committee, is currently comprised of four members, each of whom satisfies the independence standards of the rules of the New York Stock Exchange. The Committee is responsible for approving the compensation of the President and Chief Executive Officer, or CEO, elements of senior management compensation, and our general compensation philosophy. The Committee also approves annual equity grants under our equity incentive compensation plan for eligible employees, as well as the maximum amount payable under our annual cash bonus plans, based upon performance criteria established by the Committee under the cash bonus plans. The Committee is authorized to, and regularly has, retained compensation consultants and other advisors to assist with the discharge of its responsibilities.

General Compensation Philosophy

Our management compensation programs are designed to support and promote the achievement of STERIS's goals and objectives by helping us recruit and retain executive talent required to successfully manage our business. Our management compensation programs seek to align management performance with the goals and objectives of the business by balancing and providing incentives for annual financial performance as well as the generation of long-term value, growth and profitability. Therefore, management compensation is generally structured to provide a significant portion of the compensation opportunity related to the long-term performance of STERIS stock, as well as business performance and other factors that influence shareholder value.

The Committee believes that it must maintain flexibility in establishing compensation practices to allow it to address compensation trends, competitive issues, business needs and special situations that will be encountered in the recruitment, retention, and promotion of employees. Therefore, the compensation practices approved by the Committee will likely vary from year to year and from person to person, depending on the particular circumstances.

Process for Determining Senior Management Compensation

Senior management compensation is generally reviewed and established on an annual basis by the Committee. The Company's fiscal year ends on March 31. Therefore, the Committee typically meets in March (the end of the fiscal year) to begin the compensation assessment and review process, and again in April (the beginning of the fiscal year) to establish bonus payments for the recently completed fiscal year, and finalize salaries and set bonus criteria for the new fiscal year.

The Committee's compensation consultant, which has been Towers Perrin since 2003, assists with the annual compensation reviews, providing historical and prospective views regarding total compensation for the CEO and the other executive officers. The compensation consultant reports to the Committee and is charged with providing the Committee competitive pay data and compensation analysis, trends and recommendations. Base salaries, cash bonus levels, equity compensation, and total compensation of senior management are examined against data from multiple general industry pay surveys developed and provided by the compensation consultant. The Committee generally targets base salaries, cash bonuses and total compensation within a range of 25% around the midpoint of those components. Factors also included in the process of assessing and determining senior management compensation are individual and team performance, scope of responsibilities and accountability, and comparison with compensation of our other senior managers. The CEO also provides recommendations to the Committee for compensation adjustments for the other executive officers.

Table of Contents

Principal Components of Compensation for Named Executive Officers

For the CEO and the other named executive officers, our compensation program is designed to recruit and retain management and align compensation with Company performance on both an annual and longer-term basis. Based on this general compensation philosophy, the Committee has established compensation for our named executive officers consisting of the following principal components:

base salary;

annual incentive compensation (cash bonus);

long-term equity incentive compensation (generally, stock options, restricted shares, restricted stock units, and other equity incentives); and

benefits and perquisites.

Base Salary:

Base salary for the CEO and other named executive officers is considered a basic component of executive compensation which is necessary to recruit and retain senior management. In addition, base salary is intended to support compensation practices that are competitive among medical device, hospital supply, pharmaceutical, and other industrial companies which we draw from and compete with for executive talent.

Although the payment of base salary is not directly tied to achievement of certain pre-established financial goals, the Committee considers a number of factors in determining base salary, including the past year's performance, base salaries paid by comparable medical device and other industrial companies, the complexity and responsibility of the executive's position, the executive's overall experience and achievements against objectives, as well as the continued employment of the named executive officers. The Committee believes that the target salary for our executive positions should generally be at the median base salary of similar positions based on the survey data provided by the compensation consultant. While the median serves as a target, other factors such as experience, time in position, complexity of functions, competitive environment, special skills and past performance are also considered. The Committee believes that salaries for executives with significant experience and strong past performance should not generally exceed the 75th percentile for similar positions of industrial companies based on survey data.

To help assess the base salary of our executive officers, each year the Committee and its compensation consultant review market data for the CEO and other executive officers, including the named executive officers. This analysis includes the compensation consultant's review of proxy data from similar industrial companies, information derived from multiple surveys, and other executive compensation data maintained by the compensation consultant. The Committee evaluates this data as well as other compensation trends and internal and external factors to develop a target base salary for each executive position.

Based on its consideration, information from the compensation consultant, and recommendations of the CEO with respect to compensation adjustments for the other named executive officers, the Committee uses its judgment to determine the appropriate salary level for the CEO and compensation ranges for each other executive officer. The Board of Directors then reviews and, if accepted by the Board, ratifies, the salary actions of the Committee.

With respect to the CEO, Mr. Vinney's annual base salary rate of \$726,000 was established by the Committee effective July 1, 2006, and represented approximately a 2% increase from his prior base salary. The Committee approved, and the Company entered into, an employment agreement with Mr. Vinney dated September 7, 2006, which continued this base salary rate through June 1, 2007. The Committee approved, and the Company entered into, a new employment agreement with Mr. Vinney dated May 7, 2007, which superseded the prior agreement and provided an annual base salary rate for Mr. Vinney of \$750,000 commencing June 1, 2007, representing an increase of approximately 3.3% from the prior base salary. With respect to these employment agreements, the

Table of Contents

Committee and the Board considered Mr. Vinney's leadership of the Company and his importance to the ongoing success of the business during the successor CEO search and transition period.

Annual Incentive Compensation (cash bonus):

Annual incentive compensation for executive officers is cash-based and is determined by the annual financial performance of the Company, the officer's business segment performance, or a combination thereof, and the officer's individual performance against objectives. Our annual incentive compensation is intended to reward past performance when financial objectives are achieved and motivate and retain qualified individuals who have the opportunity to influence future results and enhance shareholder value. This element of compensation is designed to provide competitive awards when financial objectives are achieved or exceeded, or a reduced award or no awards when the objectives are not achieved.

Annual incentive compensation is generally based on a weighted formula considering financial targets. An individual's annual incentive compensation target under our Management Incentive Compensation Plan or Senior Executive Management Incentive Compensation Plan, which we refer to collectively in this Compensation Discussion and Analysis as the Plans, is expressed as a percentage of salary, with the incentive compensation opportunity increasing with the level of responsibility. The target bonus for our CEO was 100% of annual base salary based on performance against financial objectives, and could range from 0% to 175% of annual base salary based on performance against financial objectives, with the Committee having discretion to reduce the CEO's bonus based upon performance against individual objectives. For fiscal year 2007, the Committee did not exercise its discretion to reduce the CEO's bonus. For other executive officers, the target bonus is 35% to 60% of their annual base salary and annual incentive payments can range from 0% to 175% of target, based on the level of performance against the financial and individual objectives. This method of calculation is reviewed annually with the compensation consultant and compared to the compensation consultant's survey data.

The payout percentages are based on the financial metrics established by the Committee for the fiscal year. Each year, the Committee and the Board evaluate our annual operating plan and strategic plan to consider financial metrics important to shareholder value and designed to support the overall strength and success of the business. After consideration of the recommendation of the compensation consultant and management, certain financial metrics are identified (typically three) and approved by the Committee. For fiscal year 2007, the Committee determined that revenue, operating income (calculated before deduction for interest and income taxes) and free cash flow were the appropriate criteria to be used for consideration of annual incentive compensation, adjusted to exclude the effect of amounts related to various special items that management and the Committee considered not representative of ongoing operations, including impairment and restructuring charges, gains or losses on sales of assets outside the ordinary course of business, gain or loss on sales or divestiture of a subsidiary, costs associated with divestiture or discontinued operations, and acquisition and other related and special costs. Those criteria were also approved and applied in fiscal years 2005 and 2006, again with certain adjustments. The Committee assigned weighting to the plan criteria, reflecting the Committee's emphasis on the respective components of financial performance for fiscal year 2007. The criteria was weighted as follows: revenue growth 35%; free cash flow 15%; operating income (EBIT) 50%.

For fiscal year 2007, the metrics for calculation of potential payout under the Plans were approved by the Committee and ratified by the Board at their April 2006 meetings, and required a minimum adjusted EBIT of \$111 million before any payment would be made under the Plans. After the conclusion of fiscal year 2007, the Board and the Committee assessed the achievement of performance for determining payment under the Plans. This assessment resulted in the following incentive compensation determination for fiscal 2007:

CEO 61.1% performance against target, resulting in the payment of \$443,586;

Seven (7) executive officers 45.7% to 92.6% performance against targets, reflecting adjustments for the officer's business segment performance and the officer's performance against objectives, resulting in an aggregate payment of \$668,500; and

Table of Contents

569 other eligible employees 74.6% performance against targets, resulting in an aggregate payment not to exceed \$7,036,472 to those 569 employees.

Therefore, the maximum total incentive compensation payments approved for distribution to eligible employees under the Plans for fiscal year 2007 was of \$8,148,558, including the payment to the CEO.

Long-Term Equity Incentive Compensation

Equity incentives are considered necessary to attract and retain outstanding key employees critical to the continuing, long-term success of STERIS, as well as providing key employees a significant identity and alignment of interest with STERIS shareholders. The Committee views nonqualified stock option and restricted share grants as a critical and direct link between management and shareholders. All value earned through stock options is dependent upon an increase in the value of our stock price. All STERIS equity compensation plans have provided that stock options may not be granted at less than 100% of fair market value on the grant date and that options may not be repriced.

Prior to fiscal year 2007, equity incentive awards have generally been limited to stock options; stock appreciation rights, restricted stock units and performance units were not granted and restricted shares were awarded only in very limited circumstances. In fiscal year 2006, the Board determined to seek approval to expand the types and forms of equity compensation and proposed the STERIS Corporation 2006 Long-Term Equity Incentive Plan, or the 2006 Plan, for the approval of shareholders. The 2006 Plan was approved by shareholders in July 2006.

Long-term equity incentive awards are now made pursuant to the 2006 Plan. The 2006 Plan is administered by the Committee and provides for a variety of equity-based incentive compensation such as stock options, stock appreciation rights, restricted stock units, restricted stock and performance units. The Committee believes the 2006 Plan provides flexibility to better design long-term equity compensation consistent with the long-term success of the Company and the interest of shareholders. Prior to fiscal year 2007, stock option grants to eligible employees have typically been made at the April meeting of the Board or Committee (the first meeting of the new fiscal year), with the option price being the closing price of the stock on the date the Board or Committee meets and approves the grant. (The dates of the regular Board and Committee meetings are usually set six to twelve months in advance.) In fiscal year 2007, the Committee determined to defer equity grants until after the shareholders voted on the 2006 Plan to provide the Committee with more flexibility in the form of equity compensation, if the 2006 Plan was approved.

With the approval of the 2006 Plan, these additional forms of equity-based compensation were able to be included in the mix of compensation to the named executive officers and other eligible employees. The Committee, with the assistance of the compensation consultant, decided to include restricted stock in the mix of long-term equity incentives to executive officers and reduce the number of stock options typically granted, reflecting an increasing trend in equity compensation awards. As to the level of equity incentives, the Committee generally considers the recommendation of the CEO (other than for himself), the consultant's data regarding competitive trends and practices, the salary and level within the Company, and the Committee's own evaluation of the performance of named executive officers, since the Committee members have an opportunity to observe their performance and have available information on the level of past awards. The Committee ultimately decides the level of long-term compensation granted to each named executive officer.

For fiscal year 2007, the grant of stock options and restricted shares were approved on September 7, 2006. As discussed above, the Committee determined to delay the grant because the 2006 Plan was being presented for a vote of shareholders at the Company's annual meeting on July 26, 2006. The grant in fiscal 2007 was also delayed because the Company's Board of Directors was in discussion with the CEO regarding his transition and ultimate retirement. On August 29, 2006, the Committee met and recommended the approval of certain grants of stock options and restricted shares to senior managers and other employees. On September 7, 2006, the Board of Directors met and approved the grants recommended by the Committee, and, established the option exercise price at the higher of the closing price of the Company's common stock on the NYSE on September 7, 2006 or September 12, 2006. The Company announced the transition and retirement of the CEO on September 11, 2006.

Table of Contents

and established this alternative grant date to avoid potential impact on the price of the options from this unusual event involving CEO transition.

With respect to the CEO, Mr. Vinney was granted an option to purchase 62,500 Common Shares and restricted stock units for 20,850 Common Shares pursuant to his employment agreement approved by the Board and entered into September 7, 2006. With respect to his employment agreement approved by the Board and dated May 7, 2007, Mr. Vinney was granted restricted stock units for 30,000 Common Shares, again reflecting the Committee's and the Board's consideration of Mr. Vinney's leadership of the Company and his importance to the ongoing success of the business during the successor CEO search and transition period.

Benefit and Perquisite Programs

Our executive officers, including all of the named executive officers, are eligible to participate in a number of benefit programs, including health, disability and life insurance programs and a qualified 401(k) plan. Our executive officers may also participate in other benefit programs including a nonqualified deferred compensation program and management continuity (change in control) agreements.

The perquisites provided to a limited number of senior managers include tax return preparation and financial planning and car allowances. The Committee has approved limited personal use of Company aircraft by the CEO, which is also included in the CEO's compensation pursuant to IRS regulations. During fiscal year 2007, the CEO had no personal use of corporate aircraft. These perquisites are designed to create a reasonably competitive compensation program. However, the Committee believes the type and amounts of these perquisites are quite limited compared to those provided by other companies.

Stock Ownership Guidelines

The Committee approves stock ownership guidelines to help further align the interests of the senior management with those of the shareholders. Senior managers (including the named executive officers) are encouraged to maintain a significant equity interest in the Company through ownership of stock that they acquire either with their own funds or through certain long-term incentive awards. The Committee believes that stock ownership may help create economic alignment with shareholders and is a factor in motivating them to enhance shareholder value. The following table outlines the number of Common Shares expected to be owned at various positions within the Company:

Position	Share Level
CEO	120,000
Senior Vice Presidents	15,000
Corporate Vice Presidents	7,500

The following share types are included under these guidelines:

Shares purchased outright;

Shares acquired from exercised stock options (vested or unvested unexercised stock options do not count toward share ownership);

Restricted shares that have vested; and/or

Shares purchased through the STERIS 401(k) plan.

Once the specified position has been achieved, a five-year period has been established to attain the applicable share ownership level. A steady increase in share ownership over the five-year period is encouraged.

Table of Contents

Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation in excess of \$1 million paid to the company's chief executive officer or any of the named executive officers. Certain compensation is specifically exempt from the deduction limit to the extent that it does not exceed \$1 million during any fiscal year or is performance based as defined in Section 162(m). The Committee believes that it is generally in our interest to structure compensation to come within the deductibility limits set in Section 162(m) of the Internal Revenue Code. The Committee also believes, however, that it must maintain the flexibility to take actions which it deems to be in the best interests of the Company but which may not qualify for tax deductibility under Section 162(m).

Agreements Regarding Named Executive Officer Compensation

The Committee reviews and approves, or makes recommendations to the Board to approve, any agreements with the named executive officers relating to compensation or separation payments. There are a limited number of agreements regarding compensation with senior management, including an employment agreement with Mr. Vinney and a retention agreement with Dr. Burke, as described in pages 32 through 34 below, as well as a letter agreement with Mr. Tokich. The Committee believes that agreements regarding senior management compensation are generally limited to special circumstances. Mr. Vinney's agreement relates to his ongoing leadership during the successor CEO search and transition process, Dr. Burke's agreement relates to the need for his special knowledge and skills as Chief Technology Officer, and Mr. Tokich's letter agreement relates to his performance and assistance during the transition process involving the Company's Chief Financial Officer.

Other agreements with the named executive officers provide for possible payments due to a manager's separation from the Company arising from a change of control event. The Committee believes these agreements will help protect shareholder value by preserving the continuity of management and encouraging management's continued attention and dedication in the event of potentially disruptive circumstances involving a change of control (e.g., the sale of the Company). These agreements do not pay any amount unless the employee is terminated or leaves the Company due to specific circumstances within a defined period of time after a change of control event. Further discussion regarding these agreements begins on page 31.

REPORT OF THE COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

The Compensation and Corporate Governance Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation and Corporate Governance Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in the Company's Annual Report on Form 10-K for the year ended March 31, 2007.

Compensation and Corporate Governance Committee of the Board of Directors

Kevin M. McMullen Chairman

John P. Wareham

Raymond A. Lancaster

Dr. Mohsen M. Sohi

Table of Contents**COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

None of the members of the Board who served on the Compensation and Corporate Governance Committee during fiscal 2007 was ever an officer or employee of the Company or of any of its subsidiaries or had any relationship requiring disclosure under any paragraph of Item 404 of Regulation S-K.

TABULAR AND OTHER EXECUTIVE COMPENSATION DISCLOSURE

The persons named in the below table are sometimes referred to in this Proxy Statement as the **Named Executive Officers** or **NEOs**.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Salary (\$) ⁽¹⁾	Bonus (\$) ⁽²⁾	Stock Awards (\$) ⁽³⁾	Option Awards (\$) ⁽⁴⁾	Non-Equity		Total (\$)
						Incentive Plan Compensation (\$) ⁽⁵⁾	All Other Compensation (\$) ⁽⁶⁾	
Les C. Vinney, President and Chief Executive Officer	2007	722,843		483,094	1,113,249	443,586	31,546	2,794,318
Laurie Brlas, Former Senior Vice President and Chief Financial Officer	2007	230,869		(7,277) ⁽⁷⁾	27,595		19,502	270,689
Michael J. Tokich, Vice President & Corporate Controller (Principal Financial Officer)	2007	204,501		5,807	93,374	60,000	16,114	379,796
Peter A. Burke, Senior Vice President and Chief Technology Officer	2007	308,449		92,680	316,839	107,500	19,914	845,382
Gerard J. Reis, Senior Vice President, and Group President, Life Sciences	2007	298,022		92,680	314,278	80,000	20,643	805,623
Robert E. Moss, Senior Vice President and Group President, STERIS Isomedix Services	2007	227,130		69,510	225,298	130,000	21,620	673,558

(1) Includes regular base pay earnings for fiscal 2007.

(2) Amounts paid under the Company's Senior Executive Management Incentive Compensation Plan (applicable in fiscal 2007 to Mr. Vinney) or Management Incentive Compensation Plan (applicable in fiscal 2007 to all Named Executive Officers other than Mr. Vinney) are reported under the Non-Equity Incentive Compensation column.

(3) The dollar amounts represent the compensation that was earned by the NEOs and the cost recognized by the Company during fiscal 2007 related to awards of restricted stock and, with respect to Mr. Vinney, restricted stock units. Compensation cost is initially measured based on the grant date fair value of an award, determined pursuant to FAS 123R (excluding estimate of forfeiture) utilizing assumptions discussed in Note 2 to our financial statements for the fiscal year ended March 31, 2007. Compensation cost is recognized for financial reporting purposes over the period in which the employee is required to provide service

Edgar Filing: STERIS CORP - Form DEF 14A

in exchange for the award (generally the vesting period). For NEOs that have been with the Company five consecutive years and have reached the age of 55, the compensation cost is currently recognized. From the date of award of all shares of restricted stock described, the recipient can vote the restricted shares and will receive cash dividends or dividend equivalents at the same times and amounts per share as all other holders of common stock.

- (4) The dollar amounts represent the compensation that was earned by the NEOs and the cost recognized by the Company during fiscal 2007 related to option awards. Compensation cost is initially measured based on the grant date fair value of an award, determined pursuant to FAS 123R (excluding estimate of forfeiture) utilizing assumptions discussed in Note 2 to our financial statements for the fiscal year ended March 31, 2007. Compensation cost is recognized for financial reporting purposes over the period in which the employee is required to provide service in exchange for the award (generally the vesting period). For a discussion of specific stock option awards granted in fiscal 2007, see [Tabular Executive Compensation Disclosure - Grants of Plan-Based Awards in Fiscal 2007](#) below and the narrative discussion that follows.

Table of Contents

- (5) Reflects incentive compensation paid for fiscal year 2007 under the Company's Senior Executive Management Incentive Compensation Plan for Mr. Vinney and under the Company's Management Incentive Compensation Plan for the above named executive officers, as discussed in the Compensation Discussion and Analysis Compensation Elements Annual Bonuses section.
- (6) Consists of some or all of the following: auto allowance, club dues, tax preparation expense, other personal expense, flexible benefit credit, and Company matching contribution to 401(k) plan.
- (7) Ms. Brlas forfeited her 4,000 restricted Common Shares on December 8, 2006 when she resigned her position with the Company.

GRANTS OF PLAN-BASED AWARDS IN FISCAL 2007

Name	Grant Date	Approval Date ⁽⁵⁾	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards:	All Other Option Awards:	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)	Number of Shares of Stock or Units (#)	Number of Securities Underlying Options (#)		
Les C. Vinney	9/7/2006 ⁽¹⁾					20,850			483,094
	9/7/2006 ⁽²⁾	9/7/2006					62,500	24.72	341,250
Laurie Brlas	9/7/2006 ⁽³⁾		181,500	726,000	1,270,500	4,000 ⁽⁴⁾			92,680
	9/12/2006 ⁽²⁾	9/7/2006	47,250	189,000	330,750		11,250 ⁽⁴⁾	24.72	109,688
Michael J. Tokich	9/7/2006 ⁽³⁾		18,692	74,768	130,845	1,400			32,438
	9/12/2006 ⁽²⁾	9/7/2006					4,200	24.72	40,950
Peter A. Burke	9/7/2006 ⁽³⁾		46,500	186,000	325,500	4,000			92,680
	9/12/2006 ⁽²⁾	9/7/2006					11,250	24.72	109,688
Gerard J. Reis	9/7/2006 ⁽³⁾		45,000	180,000	315,000	4,000			92,680
	9/12/2006 ⁽²⁾	9/7/2006					11,250	24.72	109,688
Robert E. Moss	9/7/2006 ⁽³⁾		33,900	135,600	237,300	3,000			69,510
	9/12/2006 ⁽²⁾	9/7/2006					8,000	24.72	78,000

(1) Restricted stock units issued to Mr. Vinney as part of the annual long-term equity grant under the Company's 2006 Long-Term Equity Incentive Plan.

(2) Option grants made as part of the annual long-term equity grant. All option awards were granted under the Company's 2006 Long-Term Equity Incentive Plan.

Edgar Filing: STERIS CORP - Form DEF 14A

- (3) Restricted stock grants made under the 2006 Long-Term Equity Incentive Plan.

- (4) Ms. Brlas restricted stock and stock options were forfeited when she resigned on December 8, 2006.

- (5) On September 7, 2006, the Board of Directors met and approved the grants recommended by the Compensation and Corporate Governance Committee and established the option exercise price at the higher of the closing price of the Common Shares on the NYSE on September 7, 2006 or September 12, 2006 in connection with the announcement of the transition and resignation of the CEO on September 11, 2006. See Compensation Discussion and Analysis Principal Components of Compensation for Named Executive Officers Long Term Equity Incentive Compensation.

Table of Contents

**NARRATIVE SUPPLEMENT TO THE SUMMARY COMPENSATION TABLE AND THE GRANTS OF PLAN-BASED AWARDS
IN FISCAL 2007 TABLE**

Vesting Schedule

Stock option awards generally vest and become nonforfeitable in increments of 25% per year over a four year period, with full vesting four years after the date of grant. Restricted stock awards become vested and nonforfeitable if the recipient remains in the continuous employ of the Company through the third anniversary of the grant date. The restricted stock units awarded to Mr. Vinney on September 7, 2006 (and the underlying shares of stock) become vested and nonforfeitable on May 31, 2009 if he remains continuously employed by the Company through that date. These various awards may become vested and immediately exercisable upon the recipient's death or upon a change in control.

Forfeiture and Post-Employment Treatment

The unvested portion of a stock option award (and the right to acquire the underlying shares) is generally forfeited at termination of employment (unless employment terminates on account of death). The vested portion of a stock option award (and the right to acquire the underlying shares) is forfeited following termination of employment and expiration of the applicable post-employment exercise period and also may be forfeited in the case of a termination of employment for Cause. Unvested restricted stock and unvested restricted stock units (and the underlying shares) are generally forfeited at termination of employment (unless employment terminates on account of death). There are exceptions to the general forfeiture rules for award recipients who have at least five consecutive years of service and have reached age 55. See Equity Incentive Compensation Plans. Accelerated vesting also may apply to all of these types of awards upon a change in control. See Equity Incentive Compensation Plans.

Dividends

Dividends are payable on restricted stock at the same times and in the same amounts as payable generally from time to time on the Company's outstanding Common Shares.

Option Exercise Price

Options granted under the Company's various stock option plans have an exercise price equal to the closing price of the Company's Common Shares on the date of grant.

Agreements with Named Executive Officers

Mr. Vinney and the Company are parties to an employment agreement, dated as of May 7, 2007, which employment agreement superseded and replaced his employment agreement dated as of September 7, 2006. Under the terms of the prior employment agreement, Mr. Vinney was entitled to base salary of \$726,000. Under the terms of the new employment agreement, Mr. Vinney is entitled to an annual base salary at a rate of \$726,000 until June 1, 2007 and thereafter at a rate of \$750,000 until September 30, 2007. Mr. Vinney also will receive a lump sum payment of \$625,000 on April 1, 2008, and commencing on April 30, 2008, Mr. Vinney will receive 14 monthly installment payments each in the amount of \$62,500. For more information regarding Mr. Vinney's employment agreement, see Potential Payments to Named Executive Officers upon Termination of Employment or Change in Control.

Dr. Burke and the Company are parties to an executive retention agreement, effective as of May 29, 2007. This agreement, which replaced a previous executive retention agreement dated February 8, 2005, provides that, for the term of the agreement, Dr. Burke will receive a base salary of not less than his fiscal year 2007 salary of \$25,833 per month and is eligible to participate in the Company's cash bonus plan

Table of Contents

(currently the MICP), benefit plans and stock option programs. For more information regarding Dr. Burke's retention agreement, see Potential Payments to Named Executive Officers upon Termination of Employment or Change in Control.

Mr. Tokich and the Company are parties to a letter agreement, dated as of November 27, 2006. The letter agreement acknowledges that Mr. Tokich will receive a bi-weekly salary of \$8,216 and will be entitled to receive an incentive payment beyond the annual cash bonus plan, of up to \$20,000 based upon the assumption of his new role as principal accounting officer and his contribution towards the successful transition to a new Chief Financial Officer.

Table of Contents**OUTSTANDING EQUITY AWARDS AT MARCH 31, 2007**

Name	Option Grant Date	Option Awards				Stock Awards		
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise price (\$)	Option Expiration Date	Stock Award Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Les C. Vinney	8/2/1999	90,000	0	13.8125	8/2/2009			
	1/5/2000	2,500	0	9.6875	1/5/2010			
	4/28/2000	192,500	0	9.0000	4/28/2010			
	4/2/2001	75,000	0	13.4500	4/2/2011			
	4/2/2001	25,000	0	13.4500	12/31/2007			
	4/23/2002	50,000	0	19.6000	4/23/2012			
	4/23/2002	50,000	0	19.6000	12/31/2007			
	4/23/2003	25,000	0	22.5800	4/23/2013			
	4/23/2003	50,000	25,000	22.5800	12/31/2007			
	4/22/2004	45,000	45,000	27.4400	4/22/2014			
	5/16/2005	22,500	67,500	24.4500	5/16/2015			
	9/7/2006	0	62,500	24.7200	5/31/2014	9/7/2006	20,850	553,776
	Laurie Brlas ⁽¹⁾							
Michael J. Tokich	12/18/2000	4,000	0	14.2500	1/18/2011			
	4/2/2001	5,000	0	13.4500	5/2/2011			
	4/23/2002	15,000	0	19.6000				