

VARIAN MEDICAL SYSTEMS INC
Form DEF 14A
December 30, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | |
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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only |
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VARIAN MEDICAL SYSTEMS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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Varian Medical Systems, Inc.

3100 Hansen Way

Palo Alto, CA 94304

December 30, 2014

Dear Stockholder:

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

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

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

Sincerely,

R. Andrew Eckert

Chairman of the Board

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Varian Medical Systems, Inc.

3100 Hansen Way

Palo Alto, CA 94304

December 30, 2014

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

AND PROXY STATEMENT

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

This annual meeting is being held for the following purposes:

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

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

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

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

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

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

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

By Order of the Board of Directors,

John W. Kuo
Corporate Secretary

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PROXY SUMMARY

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

Annual Meeting of Stockholders

Meeting Agenda

Date: Thursday, February 12, 2015

Election of three directors

Time: 4:30 p.m. Pacific Time

Advisory vote on executive compensation

Place: 3100 Hansen Way
Palo Alto, California 94304

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

Record date: December 15, 2014

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

Transact any other business that properly comes before the annual meeting

Voting Matters and Vote Recommendation

Matter Management proposals

Board vote recommendation

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

For each director nominee
For
For

Table of Contents**Our Director Nominees**

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

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

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

(1) Independent Director

AC Audit Committee

CC Compensation and Management Development Committee

EC Ethics and Compliance Committee

(2) Financial Expert

NC Nominating and Corporate Governance Committee

EX Executive Committee

C Chair

M Member

Corporate Governance Highlights

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

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

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

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

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

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

Our Corporate Governance Guidelines include a majority voting policy.

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

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

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

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Attendance

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

Executive Compensation Matters

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

Executive compensation advisory vote

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

Business results

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

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

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

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

Pay for performance

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

Sound program design

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

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

Best practices in executive compensation

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

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

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

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

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

2016 Annual Meeting