

VARIAN MEDICAL SYSTEMS INC  
Form DEF 14A  
December 29, 2017  
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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:

Preliminary Proxy Statement  
Definitive Proxy Statement  
Definitive Additional Materials  
Soliciting Material Pursuant to  
§240.14a-12

**Confidential, for Use of the Commission Only**

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

**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.

(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):

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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**Varian Medical Systems, Inc.**

**3100 Hansen Way**

**Palo Alto, CA 94304**

December 29, 2017

Dear Stockholder:

You are cordially invited to attend Varian Medical Systems, Inc.'s 2018 Annual Meeting of Stockholders on Thursday, February 8, 2018 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 29, 2017

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
AND PROXY STATEMENT**

Varian Medical Systems, Inc. will hold its Annual Meeting of Stockholders on Thursday, February 8, 2018 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 nine directors to serve until the 2019 Annual Meeting;

to approve, on an advisory basis, the compensation of our named executive officers as described in the accompanying Proxy Statement;

to approve our Fifth Amended and Restated 2005 Omnibus Stock Plan (the **Amended Stock Plan** );

to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2018; and

to transact any other business that properly comes before the Annual Meeting.

The Board of Directors has selected December 11, 2017 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 29, 2017, we mailed to stockholders as of 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 29, 2017 (which we posted on the Internet on December 29, 2017), 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 more quickly while lowering the costs of delivery and reducing the environmental impact of the Annual Meeting. If you received the Notice and would still like to receive a printed copy of our proxy materials, you may request a printed copy of the proxy materials by any of the following methods: through the Internet at [www.proxyvote.com](http://www.proxyvote.com); by telephone at 1-800-579-1639 or by sending an email to [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com).

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

By Order of the Board of Directors,

John W. Kuo  
*Corporate Secretary*

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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 8, 2018

Election of nine directors

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

Advisory vote to approve executive compensation

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

Approval of Amended Stock Plan

**Record Date:** December 11, 2017

Ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2018

**Voting:** Stockholders as of the record date 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**

***Voting Matter***

***Board vote recommendation***

1. Election of directors
2. Advisory vote to approve executive compensation
3. Approval of the Amended Stock Plan
4. Ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2018

- For each director nominee
- For
- 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.

Name	Age	Director since	Occupation	Other public boards	Committee memberships				
					AC	EC	CC	NC	EX
José Baselga (a)	58	2017	Physician-in-Chief and Chief Medical Officer at Memorial Sloan Kettering Cancer Center	0		M		M	
Susan L. Bostrom (a)	57	2004	Former EVP, Chief Marketing Officer, Cisco Systems, Inc.	3			C	M	M
Judy Bruner (a) (b)	59	2016	Former EVP, Administration and Chief Financial Officer, SanDisk Corporation	2	C	M			M
Jean-Luc Butel (a)	61	2017	Former President, International, Baxter International	1	M		M		
Regina E. Dugan (a)	54	2013	VP of Engineering, Facebook, Inc.	1		M		M	
R. Andrew Eckert (a) (b)	56	2004	CEO, Acelyty L.P., Inc.	1	M		M		C
Timothy E. Guertin (a)	68	2005	Former President and CEO, Varian Medical Systems, Inc.	1		M			
David J. Illingworth (a)	64	2011	Former CEO, Smith & Nephew plc	1	M	C			
Dow R. Wilson	58	2012	President and CEO, Varian Medical Systems, Inc.	1					

(a) Independent Director

AC Audit Committee

CC Compensation and Management Development Committee

EC Ethics and Compliance Committee

NC Nominating and Corporate Governance Committee

**Attendance**

(b) Audit Committee Financial Expert

EX Executive Committee

C Chair

M Member

Each director nominee is a current director and all directors attended at least 75% of the aggregate of all fiscal year 2017 meetings of the Board and each committee on which he or she served.

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### **Corporate Governance Highlights**

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

- Establishing an Ethics and Compliance Committee to oversee our ethical compliance programs and activities involving legal and ethical business conduct;
- Adding five new independent directors to the Board since 2011;
- Declassifying our Board commencing with our 2016 Annual Meeting, and commencing with this Annual Meeting the entire Board will be elected annually;
- Appointing an independent non-employee director as Chairman in fiscal year 2014 and separating the roles of Chairman and Chief Executive Officer since 2006;
- Having 90% of the Board members, and all members of our key Board committees, be independent;
- Implementing a majority voting policy commencing at our 2018 Annual Meeting;
- Adopting a guideline for director retirement and completing annual assessments of the Board and its committees;
- Adopting stock ownership guidelines for our directors and executive officers; and
- Reviewing at least annually the Company's business strategy and enterprise risk

### **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 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 reasons discussed below.

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

As illustrated by the segments in the following graph, 88% of our CEO's target total compensation opportunity was performance-based and aligned with our stockholders in the form of annual incentives and long-term equity compensation. For our other two named executive officers who served as executive officers for the entire year, 79% of their total compensation opportunity was performance-based.

**Table of Contents****Approval of Amended Stock Plan**

*See Proposal Three Approval of the Varian Medical Systems, Inc. Fifth Amended and Restated 2005 Omnibus Stock Plan for more information.*

Our Board recommends that stockholders approve our Amended Stock Plan, which is the fifth amendment and restatement of the 2005 Omnibus Stock Plan (the **2005 Stock Plan**), in order to, among other things, increase the number of shares of the Company's common stock authorized for issuance pursuant to the 2005 Stock Plan by 6,000,000 shares. As discussed in more detail below, we believe that the current share reserve amount is insufficient to meet our future needs with respect to attracting, motivating and retaining key executives and employees in a competitive market for talent. We consider the 2005 Stock Plan to be a vital element of our employee compensation program and believe that the continued ability to grant stock awards at competitive levels is in the best interest of the Company and our stockholders. Accordingly, our stockholders are being requested to approve the Amended Stock Plan.

**Auditors**

*See Proposal Four 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 2018.

Below is summary information about PricewaterhouseCoopers LLP's fees for services provided in fiscal years 2017 and 2016.

<b>Fiscal Year</b>	<b>2017</b>	<b>2016</b>
Audit fees	\$ 4,416,302	\$ 5,550,545
Audit related fees	140,400	156,500
Tax fees	1,832,567	1,468,139
All other fees	16,000	16,000
<b>Total</b>	<b>\$ 6,405,269</b>	<b>\$ 7,191,184</b>

**2019 Annual Meeting**

Stockholder proposals submitted for inclusion in our 2019 proxy statement pursuant to SEC Rule 14a-8 must be received by us no later than August 31, 2018.

Notice of stockholder proposals to be raised from the floor of the 2019 Annual Meeting of Stockholders outside of SEC Rule 14a-8 must be delivered to us no earlier than October 11, 2018 and no later than November 10, 2018.



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**GENERAL INFORMATION**

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

A: The Board of Directors (the **Board**) of Varian Medical Systems, Inc. ( **we**, **us**, **Varian** or the **Company** ) is sending you this Proxy Statement in connection with the Board's solicitation of proxies for use at the 2018 Annual Meeting (the **Annual Meeting**) or any adjournment or postponement thereof. Certain of our directors, officers and employees also may solicit proxies on the Board's behalf by mail, telephone, email or fax or in person. We have hired Georgeson LLC, 1290 Avenue of the Americas, New York, New York 10104, to assist in soliciting proxies from brokers, bank nominees and other stockholders.

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

A: We will pay for the solicitation of proxies. Our directors, officers and employees will not receive additional remuneration. We expect that we will pay Georgeson LLC. not more than \$9,000, plus reasonable out-of-pocket expenses, and also will reimburse banks, brokers, custodians, nominees and fiduciaries for their reasonable charges and expenses to forward our proxy materials to the beneficial owners of our common stock.

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

A: You will be voting on four proposals. Proposal One is for the election of José Baselga, Susan L. Bostrom, Judy Bruner, Jean-Luc Butel, Regina E. Dugan, R. Andrew Eckert, Timothy E. Guertin, David J. Illingworth and Dow R. Wilson to the Board for a one-year term ending at the 2019 Annual Meeting of Stockholders.

Proposal Two is an advisory vote on the compensation of the executive officers listed in the Summary Compensation Table (the **Named Executive Officers** or **NEOs**) as described in this Proxy Statement.

Proposal Three is the approval of the Amended Stock Plan, to among other things, increase the number of shares of the Company's common stock authorized for issuance pursuant to the 2005 Stock Plan by 6,000,000 shares.

Proposal Four is the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2018.

**Q: Who can vote?**

A: Only our stockholders of record at the close of business on December 11, 2017 may vote. Each share of common stock outstanding on that date is entitled to one vote on all matters to come before the meeting.

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

A: Pursuant to rules adopted by the U.S. Securities and Exchange Commission (the **SEC** ), we have elected to provide access to our proxy materials (consisting of the Notice of Annual Meeting, this Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended September 29, 2017, as filed with the SEC on November 27, 2017) over the Internet. Therefore, we are sending a Notice of Internet Availability of Proxy Materials (the **Notice** ) to our stockholders. Starting on the date of distribution of the Notice, all stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request printed copies may be found in the Notice. If you request printed versions of the proxy materials by mail, the materials will also include a proxy card or other voting instruction form.



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

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

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

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

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

A: If you hold your shares in your own name as a stockholder of record, you may vote your shares either in person at the meeting or by proxy. To vote in person, please bring a form of identification, such as a valid driver's license or passport, and proof that you were a stockholder as of December 11, 2017, and we will give you a ballot when you arrive. To vote by proxy, please vote in one of the following ways:

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

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

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

Voting by proxy will not affect your right to vote your shares if you attend the Annual Meeting and want to vote in person by voting in person you automatically revoke your proxy. You also may revoke your proxy at any time before

the applicable voting deadline by giving our Secretary written notice of your revocation, by submitting a later-dated proxy card or by voting again using the telephone or Internet (your latest telephone or Internet proxy is the one that will be counted).

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

If your shares are registered in street name, you must vote your shares in the manner prescribed by your broker, bank or other nominee. In most instances, you can do this over the telephone or Internet, or if you

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

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

A: Telephone and Internet voting facilities for stockholders of record will be available 24 hours a day. In order to be counted, proxies submitted by telephone or the Internet must be received by 11:59 p.m. Eastern Time on February 7, 2018. Proxies submitted by mail must be received prior to the start of the Annual Meeting.

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

A: On the record date, we had 91,452,974 shares of common stock, \$1.00 par value, outstanding. Voting can take place at the Annual Meeting only if stockholders owning a majority of the issued and outstanding stock entitled to vote at the Annual Meeting are present in person or represented by proxy.

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

A: *Abstentions* If you specify that you wish to abstain from voting on an item, your shares will not be voted on that particular item. Abstentions are counted toward establishing a quorum. Abstentions have no effect on the election of directors and are included in the shares entitled to vote on Proposals Two, Three and Four. On Proposals Two, Three and Four, abstentions have the effect of a vote against the proposal.

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

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

A: For Proposal One, the election of directors, the nine nominees may be elected only upon the affirmative vote of a majority of the total votes cast. In other words, the number of votes cast For a nominee's election must exceed

50% of the votes cast with respect to that nominee's election, not including any abstentions. Votes Against a nominee's election will count as a vote cast. However, abstentions or shares as to which a shareholder gives no authority or discretion, including broker non-votes, will have no effect and not count as a vote cast with respect to that nominee.

For Proposal Two, an affirmative vote of the majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote is required to approve the compensation of our Named Executive Officers as described in this Proxy Statement.

For Proposal Three, an affirmative vote of the majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote on Proposal Three is required to approve the Amended Stock Plan.

For Proposal Four, an affirmative vote of the majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote on Proposal Four is required to approve the ratification of the appointment of Pricewaterhouse Coopers LLP as our independent registered public accounting firm.

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

### **Q: What happens if a director does not receive a majority of votes cast at the Annual Meeting?**

A: Prior to an election, each incumbent director submits a resignation letter whose effectiveness is contingent upon the incumbent director failing to receive more than 50% of the votes cast in an uncontested election. If an incumbent director does not receive a majority of the votes cast, the Nominating and Corporate Governance Committee of the Board will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Nominating and Corporate Governance Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results.

If a director's offer of resignation is not accepted by the Board, the director will continue to serve until his or her successor is duly elected, or his or her earlier resignation or removal. If a director's offer of resignation is accepted by the Board, then the Board, in its sole discretion, may fill any resulting vacancy or decrease the size of the Board pursuant to the provisions of our By-Laws.

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

A: You are entitled to vote on any other matters that are properly brought before the Annual Meeting. Our By-Laws limit the business conducted at any annual meeting to (1) business in the notice of the annual meeting, (2) business directed by the Board and (3) business brought by a stockholder of record entitled to vote at the meeting so long as the stockholder has met the requirements for submitting stockholder proposals provided in our By-Laws. Under our By-Laws, a stockholder must notify our Secretary in writing (at our Palo Alto, California headquarters) of the proposal not less than 90 days nor more than 120 days before the anniversary of the prior year's annual meeting, which for the 2019 Annual Meeting of Stockholders will be no earlier than October 11, 2018 and no later than November 10, 2018. The notice must give a brief description of the business to be brought before the annual meeting, the reasons for conducting the business and the text of the proposal, as well as the name and address of the stockholder giving the notice and the beneficial owner on whose behalf the proposal is made, the number of shares owned and information about that beneficial ownership, all as detailed in our By-Laws. The notice must also describe any material interest the stockholder or beneficial owner has in the business and arrangements between such stockholder or beneficial owner and any other person in connection with the proposal and must include certain representations, all as detailed in our By-Laws.

To have your stockholder proposal be considered for presentation in the proxy statement and proxy card for our 2019 Annual Meeting of Stockholders, rather than just voted upon at the meeting without inclusion in the proxy statement and proxy card, a stockholder must submit to our Secretary (at our Palo Alto, California headquarters) a written proposal no later than August 31, 2018. The submission must contain the information required under Rule 14a-8 under the Securities Exchange Act of 1934 (the **Exchange Act** ).

We do not expect any matters other than those listed in this Proxy Statement to come before the Annual Meeting. If any other matter is presented, your proxy gives the individuals named as proxyholders the authority to vote your shares to the extent authorized by Rule 14a-4(c) under the Exchange Act, which includes matters that the proxyholders did not know were to be presented at least 90 days before the anniversary of the mailing of last year's proxy statement.

**Q: How do I suggest potential candidates for director positions?**

A: A stockholder may suggest one or more potential candidates for consideration by the Board as nominees for election as one of our directors at an annual meeting of stockholders. This can be done by notifying our

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Corporate Secretary in writing (at our Palo Alto, California headquarters) not less than 90 days nor more than 120 days before the anniversary of the prior year's annual meeting, which for the 2019 Annual Meeting of Stockholders will be no earlier than October 11, 2018 and no later than November 10, 2018. The notice must include all information about the potential candidate that must be disclosed in proxy solicitations pursuant to Regulation 14A under the Exchange Act (including the potential candidate's written consent to being named as a nominee and serving as a director) and a description of all material monetary agreements during the past three years and any other material relationships, between such stockholder and a beneficial owner on whose behalf the potential candidacy is made and their affiliates and associates, or others acting in concert, on the one hand, and each potential candidate, and his/her affiliates and associates, or others acting in concert, on the other hand, including all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if the stockholder were a registrant, all as described in our By-Laws. The notice must also include certain additional information about and representations by the stockholder and/or the beneficial owner, all as detailed in our By-Laws.

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

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

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

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

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

A: The Annual Meeting will be held on Thursday, February 8, 2018 at 4:30 p.m. Pacific Time at our headquarters at 3100 Hansen Way, Palo Alto, California 94304. If you need directions to the Annual Meeting so that you may attend or vote in person, please contact our Investor Relations department at [investors@varian.com](mailto:investors@varian.com).

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

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



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**PROPOSAL ONE**

**ELECTION OF DIRECTORS**

**BOARD RECOMMENDATION**

**VOTE FOR EACH OF THE NOMINEES**

**Our Board; Selection of Nominees**

We commenced the declassification of our Board beginning with our 2016 Annual Meeting and commencing with this Annual Meeting the entire Board will be elected annually. At this Annual Meeting, you and the other stockholders will elect nine individuals to serve as directors for one-year terms that end at the 2019 Annual Meeting of Stockholders.

Our Nominating Committee is charged with identifying, evaluating and recommending to the full Board director nominees. There are no minimum qualifications for directors. The Nominating Committee generally seeks individuals who have or provide:

Knowledge about our industries and technologies;

Experience in industries beyond healthcare;

International business experience;

Cultural, gender, ethnic or age diversity;

Experience in financial oversight and with the financial community, and a strong reputation with the financial community;

Experience in business management and the potential to succeed top management in the event of unexpected necessary Board intervention;

Broad experience at policy making in business, government, education, technology or public interest; or

Business contacts, knowledge or influence useful to our business and product lines.

We believe that all of our directors should be committed to enhancing stockholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform and carry out all director duties in a responsible manner. Each director must also represent the interests of all stockholders.

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

All of the nominees, José Baselga, Susan L. Bostrom, Judy Bruner, Jean-Luc Butel, Regina E. Dugan, R. Andrew Eckert, Timothy E. Guertin, David J. Illingworth and Dow R. Wilson, are now members of the Board. Mark Laret will retire from the Board as of the 2018 Annual Meeting.

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

Set forth below are the names and ages of these nominees, the years they became directors, their principal occupations or employment for at least the past five years, the names of other public companies for which they serve as a director or have served as a director during the past five years. Also set forth are the specific experience, qualifications, attributes or skills that led our Nominating Committee to conclude that each person

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should serve as a director. All of our directors have held high-level positions in companies and have experience in dealing with complex issues. We believe that each is an individual of high character and integrity and has the ability to exercise sound judgment.

**José Baselga**

*Principal occupation, business experience and directorships*

Age: 58

Physician-in-Chief and Chief Medical Officer at Memorial Sloan Kettering Cancer Center, New York, NY (January 2013 - current)

Director Since: 2017

Professor of Medicine at Weill Cornell Medical College, New York, NY (January 2013 - current)

Independent

Attending Physician, Breast Medicine Service, Division of Solid Tumor Oncology, Department of Medicine of Memorial Hospital for Cancer & Allied Diseases, New York, NY (January 2013 - current)

Chief of Division of Hematology / Oncology and Associate Director of the Massachusetts General Hospital Cancer Center (January 2010 - December 2012)

Professor of Medicine at Harvard Medical School (January 2010 - December 2012)

Chairman of Medical Oncology and Founding Director of the Vall d'Hebron Institute of Oncology in Barcelona, Spain (January 1996 - July 2010)

Other Current Public Company Board Memberships: None

Public Company Board Memberships in the Past Five Years: Infinity Pharmaceuticals

*Experience, qualifications, attributes or skills supporting directorship*

Experience in leading clinical trials from early phases to regulatory approval

Experience serving as Chief Medical Officer of a leading cancer hospital

Practicing physician in the field of oncology with extensive experience in clinical and research settings

Extensive knowledge of traditional and emerging fields of oncology technology

Double Board certified in Internal Medicine and Medical Oncology

**Susan L. Bostrom**

*Principal occupation, business experience and directorships*

Age: 57

Positions at Cisco Systems, Inc., a networking equipment provider:

Director Since: 2004

Executive Vice President, Chief Marketing Officer, Worldwide Government Affairs (January 2006 - January 2011)

Independent

Senior Vice President (February 2000 - January 2006), taking on responsibility for Worldwide Government Affairs in October 2002 and becoming Chief Marketing Officer in January 2006

Vice President, Internet Business Solutions Group (1998 - February 2000)

Other Current Public Company Board Memberships: Cadence Design Systems, Inc., an electronic design company; ServiceNow, Inc., an enterprise IT cloud company; Nutanix, Inc., enterprise cloud infrastructure

Public Company Board Memberships in Past Five Years: Rocket Fuel Inc., a provider of artificial intelligence advertising solutions; Marketo, Inc., a marketing automation SaaS company

*Experience, qualifications, attributes or skills supporting directorship*

Extensive experience and service in leadership roles at one of the world's leading technology companies

Deep knowledge of marketing, government affairs, public policy and developing trends in networking and new media such as virtual collaboration, social media and information exchanges

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Experience serving on the boards of directors and/or as a member of the compensation, nominating and corporate governance, strategy and IT committees of several public technology companies, a hospital, a university and a private company, and on the advisory board for two educational institutions

**Judy Bruner**

**Principal occupation, business experience and directorships**

Age: 59

Positions at SanDisk Corporation, a global leader in flash memory storage solutions:

Director Since: 2016

Executive Vice President, Administration and Chief Financial Officer (June 2004 May 2016)

Independent

Member of Board of Directors (June 2002 July 2004)

Senior Vice President and Chief Financial Officer, Palm, Inc., a manufacturer of personal digital assistants (September 1999 June 2004)

Vice President, Finance & Corporate Controller, 3Com Corporation, a digital electronics manufacturer (May 1998 September 1999)

Other Current Public Company Board Memberships: Applied Materials, Inc., a provider of engineering solutions; Rapid7, a security data and analytics solutions provider

Public Company Board Memberships in Past Five Years: Brocade Communications Systems, Inc., a technology company specializing in data and storage networking products

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

Over 35 years of financial management experience in the high technology industry

Deep experience with compliance and enterprise risk management

Audit committee chair experience

Significant mergers and acquisitions experience

**Jean-Luc Butel**

**Principal occupation, business experience and directorships**

Age: 61

Positions at Baxter International, a health care company providing a portfolio of renal and hospital products:

Director Since: 2017

President, International (January 2015 June 2015)

Independent

Corporate Officer, Operating Committee Member, Corporate Vice President and President, International (February 2012 December 2014)

Positions at Medtronic, Inc., a global leader in medical technology:

Corporate Officer, Executive Committee Member, Executive Vice President;  
Group President International (January 2011 - January 2012)

Corporate Officer, Executive Committee Member, Senior Vice President and  
President, Medtronic International (May 2008 - December 2010)

Corporate Officer, Executive Committee Member, Senior Vice President,  
Medtronic and President, Medtronic Asia Pacific (August 2003 - April 2008)

Other Senior Management Experience: President, Johnson & Johnson  
Independence Technology; President, Worldwide Consumer Healthcare, Becton  
Dickinson

Other Current Public Company Board Memberships: Takeda Pharmaceutical  
Company Limited, a global pharmaceuticals company focused on metabolic  
disorders, gastroenterology, neurology, inflammation and oncology

Public Company Board Memberships in Past Five Years: None

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*Experience, qualifications, attributes or skills supporting directorship*

Extensive experience in sales, operations and general management of healthcare companies through his service as an executive of several large U.S. healthcare companies

Extensive experience leading international business operations of large U.S. healthcare companies, including in Europe, Asia and North and South America

**Regina E. Dugan**

*Principal occupation, business experience and directorships*

Age: 54

Vice President of Engineering, Facebook, Inc., leading Building 8, a team charged with developing and delivering next generation consumer hardware to market (May 2016 Present)

Director Since: 2013

Independent

Vice President of Engineering at Google, Inc., leading the Advanced Technology and Products group (a group charged with breakthrough innovations in mobile computing and accelerating the development of promising technologies to market) (February 2014 April 2016)

Senior Vice President, Google Inc. and Motorola Mobility LLC, a mobile technology company Google acquired in May 2012 (March 2012 February 2014)

Director, Defense Advanced Research Projects Agency (DARPA), a research and development organization of the U.S. Department of Defense (July 2009 March 2012)

Co-Founder, President and Chief Executive Officer, RedXDefense LLC, a security solutions company (2005 July 2009)

Co-Founder, President and Chief Executive Officer, Dugan Ventures, an investment firm (currently a non-voting partner) (2001 July 2009)

Other Current Public Company Board Memberships: Zynga Inc., a social game developer

Public Company Board Memberships in Past Five Years: None

*Experience, qualifications, attributes or skills supporting directorship*

Experience leading DARPA, the principal agency within the U.S. Department of Defense responsible for research, development and demonstration of high-risk, high-payoff capabilities

Familiarity with defense, security and commercial industries

Expertise with a wide range of advanced technologies and demonstrated track record in moving to use new technologies, from sensor systems to big data products

Years of experience serving in senior executive positions with responsibilities including fostering innovation and developing strategic business relationships across diverse industries and commercial entities large and small

Experience serving on the board of another public company

**R. Andrew Eckert**

*Principal occupation, business experience and directorships*

Age: 56

Chief Executive Officer, Acelity L.P., Inc., a global advanced wound care company (April 2017 - present)

Director Since: 2004

Chief Executive Officer, Valence Health, a healthcare solutions company (August 2015 - October 2016)

Chairman Since: 2014

Independent

Chief Executive Officer, TriZetto Corporation, a healthcare IT solutions firm (March 2014 - November 2014)

Chief Executive Officer, CRC Health Corporation, a provider of substance abuse treatment and adolescent youth services (January 2011 - March 2014)



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Managing Director, Symphony Technology Group, a private equity firm  
(October 2009 January 2011)

President and Chief Executive Officer, Eclipsys Corporation, a former publicly  
traded healthcare information management software provider (October 2005 May  
2009)

Chief Executive Officer, SumTotal Systems, Inc., an enterprise software  
provider (2004 2005)

Chief Executive Officer, Docent Inc., an enterprise software provider that was  
acquired by SumTotal Systems (2002 2004)

Chairman and Chief Executive Officer, ADAC Laboratories, a former publicly  
traded medical imaging company (1997 2001)

Other Current Public Company Board Memberships: Becton, Dickinson and  
Company, a global medical technology company

Public Company Board Memberships in Past Five Years: None

Experience, qualifications, attributes or skills supporting directorship

Extensive experience obtained over 15 years serving as an executive officer of  
several public companies, including a medical imaging company and healthcare  
information management company

Deep knowledge of operational, financial, strategic planning, product  
development and marketing matters

Experience serving on the board of directors of several public companies in the  
healthcare industry

**Timothy E. Guertin**

Principal occupation, business experience and directorships

Age: 68

Positions at the Company:

Director Since: 2005

Chief Executive Officer (February 2006 September 2012)

Vice Chairman Since: 2012

President (August 2005 September 2012)

Independent

Chief Operating Officer (October 2004 February 2006)

Corporate Executive Vice President (October 2002 August 2005)

President, Oncology Systems (1992 January 2005)

Corporate Vice President (1992 2002)

Other Current Public Company Board Memberships: Teradyne, Inc., a supplier of automatic test equipment

Public Company Board Memberships in Past Five Years: None

Experience, qualifications, attributes or skills supporting directorship

Deep knowledge of our management structure, strategy and users of our technology, which he has gained over more than 30 years with the Company;

Extensive knowledge of radiation producing technologies, software controls and safety measures gained through service in various leadership roles, including President and Chief Executive Officer of the Company and President of our Oncology Systems business

Broad experience in product development, regulatory, marketing, financial and operational matters

Current service on the board of directors of Acelity L.P., Inc., a privately held global advanced wound care company

Has served on the board of healthcare and technology industry organizations and is a former director and chairman of the board of directors of TechAmerica (a nationwide technology trade association)

Service on the board of trustees and as treasurer of the Radiation Oncology Institute, a non-profit organization engaged in cancer treatment research

Service on the board of trustees and as treasurer of the Radiation Oncology Institute

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**David J. Illingworth**

*Principal occupation, business experience and directorships*

Age: 64

Chief Executive Officer, Smith & Nephew plc, a medical devices company (July 2007 April 2011)

Director Since: 2011

Chief Operating Officer and Division President, Smith & Nephew plc (2002 July 2007)

Independent

Other Senior Management Experience: President, XL Vision, Inc.; Chairman and Chief Executive Officer, VidaMed, Inc.; President, Nellcor Puritan Bennett LLC; and Managing Director, Asia/Pacific, GE Medical Systems

Other Current Public Company Board Memberships: Domtar, Inc., a manufacturer of fiber-based products

Public Company Board Memberships in Past Five Years: Smith & Nephew plc

*Experience, qualifications, attributes or skills supporting directorship*

In-depth knowledge of the medical technology industry

Extensive experience in sales, operations and general management in the United States, United Kingdom and Asia through his service as an executive of various medical technology companies

Service on the board of directors and as a member of the audit committee and the environmental, health, safety and sustainability committee, of another public medical device company

**Dow R. Wilson**

*Principal occupation, business experience and directorships*

Age: 58

Positions at the Company:

Director Since: 2012

President and Chief Executive Officer (September 2012 Present)

Corporate Executive Vice President and Chief Operating Officer (October 2011 September 2012)

Corporate Executive Vice President and President, Oncology Systems (August 2005 September 2011)

Corporate Vice President and President, Oncology Systems (January 2005 August 2005)

Prior to joining the Company in January 2005, held various senior management positions in and outside of the United States with General Electric Company, a

diversified industrial company

Other Current Public Company Board Memberships: Varex Imaging Corporation, a leading supplier of medical X-ray tubes and image processing solutions

Public Company Board Memberships in Past Five Years: Saba Software, an e-learning software provider

Presidential Appointment: Appointed to U.S. President's Advisory Council on Doing Business in Africa in November 2014

Experience, qualifications, attributes or skills supporting directorship

Deep knowledge of our business, strategy and technology gained through serving as President of our Oncology Systems business and Chief Operating Officer before becoming our President and Chief Executive Officer

Significant knowledge of domestic and international medical and healthcare industries gained from serving in management positions at General Electric

Critical insight into operational requirements of a company with worldwide reach, knowledge of corporate and business unit strategies, and operational expertise, each gained from executive management experience at two large, global organizations

Experience serving on the board of directors and as lead director of another public company

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### **Director Qualifications Matrix**

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

### **Governance of the Corporation**

#### *Overview*

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

#### Ethical Conduct and Strong Governance

The Board's Ethics and Compliance Committee (the **Ethics Committee**) oversees our ethical compliance programs and compliance with requirements involving legal and ethical business conduct.

The Board's Corporate Governance Guidelines articulate clear corporate governance policies, which include basic director duties and responsibilities.

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

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

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

Directors are expected to attend all stockholder meetings, and all current directors that were members of the Board at the time of the 2017 Annual Meeting of Stockholders attended the Annual Meeting.

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

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

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

## Director Independence

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

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

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

## Majority Voting

The Company's Bylaws and Corporate Governance Guidelines were recently amended to include a majority voting standard for uncontested director elections commencing at our 2018 Annual Meeting. Beginning with this Annual Meeting, if the number of nominees timely nominated for an annual meeting does not exceed the number of directors to be elected, each nominee shall be elected if the nominee receives the affirmative vote of a majority of the total votes cast, not including any abstentions. Prior to an election, each incumbent director submits a resignation letter whose effectiveness is contingent upon the incumbent director failing to receive more than 50% of the votes cast in an uncontested election. If an incumbent director does not receive a

majority of the votes cast, the Nominating and Corporate Governance Committee of the Board will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Nominating and Corporate Governance Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results.

#### Board Structure

We began the process of declassifying our Board commencing with our 2016 Annual Meeting. Beginning with this Annual Meeting, our entire Board will be elected annually.

The Board has since August 2011 added five new independent directors to the Board, including most recently Dr. Baselga and Mr. Butel, and has a commitment to inclusiveness and diversity.

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

Our Corporate Governance Guidelines contain committee rotation guidelines that recommend adding a new member to each committee every three years.

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

## Director & Executive Compensation

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

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

The Board has eliminated certain perquisites for executives, including the Executive Car Program and tax gross-ups.

## *Director Independence*

The Board has determined that all of our directors, except Mr. Wilson, are independent for purposes of the NYSE listing requirements and under our Corporate Governance Guidelines. Mr. Wilson, our President and Chief Executive Officer, is an employee and therefore not independent. The Board considered transactions and relationships, both direct and indirect, between each director (and his or her immediate family) and the Company and its subsidiaries and affirmatively determined that none of Dr. Baselga, Ms. Bostrom, Ms. Bruner, Mr. Butel, Ms. Dugan, Mr. Eckert, Mr. Guertin, Mr. Illingworth and Mr. Laret has any material relationship, either direct or indirect, with us other than as a director and stockholder.

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

Dr. Baselga is the Physician-in-Chief and Chief Medical Officer at Memorial Sloan Kettering Cancer Center, New York, NY, which is a customer of ours and which from time-to-time conducts research and development projects that receive funding from us. Memorial Sloan Kettering Cancer Center also is a member of the



consortium that operates the New York Proton Center, to which we sold a ProBeam system and related services in 2015, and in connection with which we provided debt financing to the project developer of the center in 2015. Dr. Baselga is also a director of Grail, Inc. In February 2017, we invested \$5 million in Grail, Inc.'s Series B preferred share offering and entered into a memorandum of understanding in respect of a future development collaboration with Grail, Inc.

Ms. Bostrom serves as an outside director of a hospital which is a customer of ours and as an outside director of one of our service providers.

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

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

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### *Board Meetings*

The Board met nine times in fiscal year 2017. Four of these Board meetings included executive sessions of either the independent directors or the non-management directors, or both, with Mr. Eckert presiding at such meetings. We have five standing committees of the Board: the Audit Committee, the Compensation Committee, the Ethics Committee, the Nominating Committee and the Executive Committee. Each current director attended at least 75% of the total Board meetings and meetings of the committees on which they served that were held in fiscal year 2017. Directors are encouraged to attend meetings of committees on which they do not serve as members. However, each of the Audit Committee, the Compensation Committee, the Ethics Committee and the Nominating Committee regularly hold executive sessions of only the committee members or non-management directors.

### *Board Leadership Structure*

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

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

### *Director Stock Ownership Guidelines*

To align the Board's interests with the interests of our stockholders, the Board has adopted stock ownership guidelines for its members. The guidelines state that each director should own shares of common stock (which for this purpose includes shares subject to stock unit awards) with a value at least equal to five times his or her applicable annual retainer fee. Directors who were first appointed or elected to the Board after February 2004 must achieve the guideline within five years after such appointment or election. At the end of fiscal year 2017, all directors met the guidelines or were within the allowed time frame for meeting the guidelines. Under our insider trading policy, purchases on margin and the buying and selling of puts and calls of Company securities are prohibited.

### *The Board's Role in Risk Oversight*

Our Company faces a number of risks, including operational, economic, financial, legal, regulatory and competitive risks. Our management is responsible for the day-to-day management of the risks we face. While our Board, as a whole, has ultimate responsibility for the oversight of risk management, it administers its risk oversight role in part through the Board committee structure, with the Audit Committee, the Compensation Committee, the Ethics Committee and Nominating Committee responsible for monitoring and reporting on the material risks associated with their respective subject matter areas.

The Board's role in our risk oversight process includes receiving regular reports from members of senior management, as well as external advisors such as Pay Governance LLC and PricewaterhouseCoopers LLP ( **PwC** ), on areas of material risk to us, including operational, economic, financial, legal, regulatory and

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competitive risks. The full Board (or the appropriate committee in the case of risks that are reviewed by a particular committee) receives these reports from those responsible for the relevant risk in order to enable the Board to understand our risk exposures and the steps that management has taken to monitor and control these exposures. When a committee receives the report, the Chairman of the relevant committee generally provides a summary to the full Board at the next Board meeting. This enables the Board and its committees to coordinate the risk oversight role. The Audit Committee assists the Board in oversight and monitoring of principal risk exposures related to financial statements, legal, regulatory and other matters, as well as related mitigation efforts. The Compensation Committee assesses, at least annually, the risks associated with our compensation policies. The Ethics Committee assists the Board in oversight and monitoring of principal risks related to ethical compliance matters, such as compliance with anti-corruption and anti-bribery laws, as well as related mitigation efforts. The Nominating Committee assists the Board in oversight of risks that we have relative to compliance with corporate governance standards.

## **Board Committees and Committee Meetings**

Each of our standing committees has a written charter approved by the Board that clearly establishes the committee's roles and responsibilities. Copies of the charters for the Audit Committee, the Compensation Committee, the Ethics Committee, the Executive Committee and the Nominating Committee, as well as our Corporate Governance Guidelines and Code of Conduct, can be found through the Corporate Governance link on the Investors page on our website at [www.varian.com](http://www.varian.com). Please note that information on, or that can be accessed through, our website is not part of the proxy soliciting materials, is not deemed filed with the SEC and is not to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended, or the Exchange Act, and, except for information filed by the Company under the cover of Schedule 14A, is not deemed to be proxy soliciting materials.

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**Audit Committee**

**Chair:** Ms. Bruner

**Additional Members:** Mr. Butel, Mr. Eckert and Mr. Illingworth

**Meetings in Fiscal Year 2017:** 14

*Functions*

The Audit Committee performs the following principal functions:

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

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

Prepares the Audit Committee Report included in our proxy statement.

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

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

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

*Member Qualifications*

Each member of the Audit Committee meets the additional requirements regarding independence for Audit Committee members under the NYSE listing requirements. The Board has determined that Ms. Bruner is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K under the Exchange Act based upon her experience as the chief financial officer of Sandisk Corporation between 2004 and 2016 and as the chief financial officer of Palm, Inc. between 1999 and 2004 and her formal education represented by her MBA from the University of Santa Clara. The Board has determined that Mr. Eckert is also an audit committee financial expert based upon his experience as the chief executive officer of Eclipsys Corporation from 2005 to 2009, of SumTotal Systems Inc. from 2004 to 2005, of Docent, Inc. from 2002 to 2004, and of ADAC Laboratories from 1997 to 2001, as well as other business experience, and his formal education represented by his Master of Business Administration from the Stanford

Graduate School of Business. The Board has determined that Mr. Butel is financially literate based on his familiarity with financial statements and his experience as the Corporate Officer, Operating Committee Member, Corporate Vice President, President of International of Baxter International between 2012 and 2015. The Board has also determined that Mr. Illingworth is financially literate based upon his familiarity with financial statements and his experience as chief executive officer of Smith & Nephew plc.

From October 2016 to November 2017, Ms. Bruner served on the audit committees of the boards of directors of four public companies, including the Audit Committee of our Board. Our Board determined that Ms. Bruner's simultaneous service on the audit committees of the boards of directors of four public companies would not impair her ability to effectively serve on the corporation's Audit Committee.

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**Compensation and Management Development Committee**

**Chair:** Ms. Bostrom

**Additional Members:** Mr. Eckert, Mr. Butel and Mr. Laret

**Meetings in Fiscal Year 2017:** 6

*Functions*

The Compensation Committee performs the following principal functions:

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

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

Administers our stock and cash incentive plans.

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

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

Assesses, at least annually, the risks associated with our compensation policies, and reports to the Board and the Audit Committee whether our compensation policies and practices create risks that are reasonably likely to have a material adverse effect on us.

The Compensation Committee determines all compensation for our executive group. Before making decisions on compensation for each of the executives other than the Chief Executive Officer (the **CEO**), the Compensation Committee reviews with our CEO each individual's performance and accomplishments over the prior year. Except for his own position, our CEO makes recommendations to the Compensation Committee about base salary increases, any changes to the incentive plan target awards and the amount of equity awards for each executive. However, the Compensation Committee retains and does not delegate any of its exclusive power to determine all matters of executive compensation and benefits. The Compensation Committee meets alone with its independent advisors to develop and establish a proposal for CEO pay. This proposal is also reviewed with the other independent members of the Board.

*Compensation Committee Advisors*

To independently assist and advise the Compensation Committee, the Compensation Committee has retained Pay Governance since May 2016. The engagement with Pay Governance is exclusively with the Compensation Committee, which has sole authority to retain and terminate any compensation consultant or other advisor that it uses. Pay Governance has no relationship with the Company or management except as it may relate to performing services on behalf of the Compensation Committee. The Compensation Committee has assessed the independence of Pay Governance pursuant to SEC rules and concluded that no conflict of interest exists that would prevent them from independently representing the Compensation Committee.

Typically, on an annual basis, the compensation consultant reviews and analyzes our executive compensation programs, compensation strategy and effectiveness of pay delivery. The compensation consultant provides market information on compensation trends and practices and makes recommendations to the Compensation Committee based on competitive data. The compensation consultant advises the Compensation Committee chair on agenda items for Compensation Committee meetings, reviews management proposals and is available to perform special projects at the Compensation Committee chair's request. The compensation consultant also periodically provides the Compensation Committee with updates on regulatory and legislative developments pertaining to executive compensation and compensation committee governance. The compensation consultant provides analyses and recommendations that inform the Compensation Committee's decisions, but does not decide or approve any compensation actions. As needed, the Compensation Committee also consults with the compensation consultant on program design changes.



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*Member Qualifications*

In addition to being independent, each member of the Compensation Committee is a non-employee director for purposes of the Exchange Act and is an outside director for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the **Code** ).

**Ethics and Compliance Committee**

**Chair:** Mr. Illingworth

**Additional Members:** Dr. Baselga, Ms. Bruner, Ms. Dugan and Mr. Guertin

**Meetings in Fiscal Year 2017:** 4

*Functions*

The Ethics Committee performs the following principal functions:

Oversees compliance with legal and regulatory requirements.

Oversees compliance program(s) designed to foster legal and ethical business conduct, interactions with government officials and interactions with healthcare providers.

**Nominating and Corporate Governance Committee**

**Chair:** Mr. Laret

**Additional Members:** Dr. Baselga, Ms. Bostrom and Ms. Dugan

**Meetings in Fiscal Year 2017:** 4

*Functions*

The Nominating Committee performs the following principal functions:

Develops and recommends to the Board corporate governance principles, including our Corporate Governance Guidelines, Code of Conduct and policy regarding conflicts of interest and related person transactions.

Identifies, evaluates and recommends to the Board potential nominees to the Board, including stockholder suggestions.

Reviews with the Board annually the independence, skills and characteristics of all individual members and the skills and characteristics of the Board as a whole in determining whether to recommend incumbent directors for re-election.

Evaluates and makes recommendations to the Board concerning the size of the Board, the appointment of directors to Board committees, the qualifications of committee members and the selection of Board committee chairs.

Oversees the annual review of director independence and evaluation of the Board's performance.

**Executive Committee**

**Chair:** Mr. Eckert

**Additional Members:** Ms. Bostrom and Ms. Bruner

**Meetings in Fiscal Year 2017:** 3

*Functions*

The Executive Committee performs the following principal functions:

Acts on matters when a meeting of the full Board is impracticable.

Has all the powers of the Board except those powers reserved by law to the full Board.

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**PROPOSAL TWO**

**ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

**BOARD RECOMMENDATION**

VOTE **FOR** THE APPROVAL OF THE COMPENSATION

OF OUR NAMED EXECUTIVE OFFICERS

**Background to the Advisory Vote**

Under an amendment to the Exchange Act adopted by Congress as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, stockholders are able to vote to approve on an advisory (non-binding) basis the compensation of the named executive officers.

**Varian's Key Executive Compensation Principles**

The key principles underlying our executive compensation programs include:

Our compensation programs are designed to reward, retain and attract executives to drive business strategy, achieve our short- and long-term goals and provide continued success for our customers, stockholders, employees and communities;

We have adopted a pay-for-performance philosophy that links competitive levels of compensation to achievements of overall strategy, business goals and individual performance; and

We intend to keep our compensation program strongly aligned with the interests of our stockholders and sound compensation governance principles, including strong CEO ownership requirements, recoupment provisions and robust anti-hedging and anti-pledging policies.

**Varian's Fiscal Year 2017 Performance**

Fiscal year 2017 marked the beginning of an important transition for the Company as we prepared to focus the Company on the cancer therapy market and completed the spin-off of our Imaging Components business into Varex Imaging Corporation ( **Varex** ), a separate publicly traded company (the **Spin-off** ). As we set the foundation for future growth opportunities, the Company achieved solid results for stockholders during the year:

***Produced strong total stockholder return.*** Our stockholders realized a 26.3% return in fiscal 2017 through a combination of Varian's stock price increasing and a stock dividend to stockholders in connection with the

Spin-off.

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- (1) Total Stockholder Return ( **TSR** ) based on Varian's share price alone.
  
- (2) TSR based on both Varian's share price and the receipt of a one-time special stock dividend of 0.4 shares of Varex's common stock for each share of Varian's common stock held at the time of the Spin-off. Varex's common stock was valued at \$28.15 per share at the Spin-off; therefore, each Varian stockholder received a stock dividend with a value of \$11.26 for each share of Varian stock held at the time of Spin-off.

***Returned significant value to stockholders through share repurchases.*** Through our share repurchase program, the Company used \$294.5 million to repurchase approximately 3.3 million shares over the course of the year, at an average price of \$90.63 per share, supporting a significant return of capital to stockholders.

***Fueled future growth and profitability.*** In comparison to fiscal year 2016, in fiscal year 2017:

Gross orders increased 11% on revenue growth of 2%

Investment in R&D grew 5%

Cash flow from operations (total company basis, including Varex prior to the Spin-off) grew 12%

***Strengthened market leadership in radiation therapy.***

Introduced (with strong market acceptance) our IMRT image guided Halcyon treatment platform

Successfully launched HyperArc, our high-definition radiotherapy technology

Grew our share of the global radiation oncology market to 54%

Increased the Linac install base by 4%

Reinforced our commitment to driving high-quality innovation through a 5% increase in R&D

***Extended global footprint.***

Improved the availability of high-quality cancer care through Halcyon sales in 15 countries

Sold Proton Therapy Systems in India and China

***Extended addressable market.***

Grew software orders by double digits

Invested in emerging companies with innovative technologies in liquid biopsy and radiotherapeutics

Enhanced our financial flexibility to fund external and internal investment opportunities

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**Varian's Performance Based Compensation**

In fiscal year 2017, 60% of the target value of our long-term incentive awards for our CEO and for our other two Named Executive Officers who served as executive officers for the entire year (Ms. Kennedy and Mr. Kuo) were granted in the form of Performance Share Units ( **PSUs** ) that vest based on earnings per share ( **EPS** ) results and TSR performance relative to an index of healthcare equipment industry companies.

**Use of rigorous performance goals in our incentive plans.** Our 2017 annual cash incentive plan and fiscal year 2015-2017 PSUs illustrate the rigor of our performance goals.

Consistent with our pay-for-performance philosophy, our annual cash incentive plan funded only 60% of the 80% target that is based on the plan's primary financial measures, Top Line Growth and EBIT Growth, as further explained in Compensation Discussion and Analysis Annual Cash Incentives. .

In addition, for the 2015-2017 period, no PSUs were earned, as further explained in Compensation Discussion and Analysis Vesting of PSUs.

The Compensation Committee will continue to analyze our executive compensation policies and practices and adjust them as appropriate to reflect our performance and competitive needs.

Based on the above, we request that you indicate your support for our executive compensation philosophy and practices, by voting in favor of the following resolution:

**RESOLVED**, that the compensation paid to the Company's named executive officers as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the compensation tables and narrative discussion, is hereby **APPROVED**.

As an advisory vote, the vote on Proposal Two is not binding. Nonetheless, the Compensation Committee, which is responsible for designing and administering our executive compensation program, and the Board value the opinions expressed by stockholders, and will consider the outcome of the vote when making future compensation decisions for our named executive officers.

Table of Contents**PROPOSAL THREE****APPROVAL OF THE VARIAN MEDICAL SYSTEMS, INC.****FIFTH AMENDED AND RESTATED 2005 OMNIBUS STOCK PLAN****BOARD RECOMMENDATION**VOTE **FOR** APPROVAL OF THE VARIAN MEDICAL

SYSTEMS, INC. FIFTH AMENDED AND RESTATED

2005 OMNIBUS STOCK PLAN

We are asking you and the other stockholders to approve the Varian Medical Systems, Inc. Fifth Amended and Restated 2005 Omnibus Stock Plan (referred to elsewhere in this proxy statement as the **Amended Stock Plan** ), which is the fifth amendment and restatement of the 2005 Omnibus Stock Plan.

**Reasons to Approve the Amended Stock Plan***Share Reserve Increase*

Approval of the Amended Stock Plan will increase the number of shares of the Company's common stock authorized for issuance pursuant to the 2005 Stock Plan by 6,000,000 shares (the **Share Increase** ). As of September 29, 2017, a total of 2,548,541 shares of our common stock remained available for future grants under the 2005 Stock Plan. We believe that the current share reserve amount is insufficient to meet our future needs with respect to attracting, motivating and retaining key executives and employees in a competitive market for talent. We consider the 2005 Stock Plan to be a vital element of our employee compensation program and believe that the continued ability to grant stock awards at competitive levels is in the best interest of the Company and our stockholders. We believe the Share Increase will be sufficient to enable us to grant stock awards under the Amended Stock Plan for approximately the next four years, based on historical grant and forfeiture levels, the recent market prices of our common stock, and anticipated use of equity awards as an incentive and retention tool as we continue to compete for talent and drive expansion into other addressable markets.

The table below shows the stock awards that were outstanding under the 2005 Stock Plan as of September 29, 2017. As of September 29, 2017, the closing price of our common stock as reported on the NYSE was \$100.06 per share.

Shares underlying outstanding stock options (#)	Weighted avg. exercise price of per share	Weighted avg. remaining term	Shares underlying outstanding time- based full value awards <sup>(1)</sup>	Shares underlying outstanding performance- based full value awards <sup>(2)</sup>	Shares available for future grant
2,291,041	\$ 74.08	4.7	635,166	246,772	2,548,541



(1) Consists of 582,679 shares subject to restricted stock unit ( **RSU** ) grants, 44,568 shares subject to deferred stock unit ( **DSU** ) grants and 7,919 shares subject to a restricted stock grant.

(2) Consists of performance units. The number of shares underlying such awards assumes target performance. The table below shows net annual dilution and other metrics relating to equity grants under the 2005 Stock Plan for the last three fiscal years.

<b>Metric</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>Average</b>
Annual Dilution <sup>(1)</sup>	0.95%	1.30%	0.95%	1.07%
Annual Burn Rate <sup>(2)</sup>	1.09%	1.41%	1.06%	1.19%
Year-End Overhang <sup>(3)</sup>	5.28%	7.65%	9.38%	7.44%

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- (1) Calculated by dividing (a) the number of shares underlying awards granted to all recipients during the year, minus award cancellations and forfeitures during the year, by (b) the number of shares outstanding at year-end.
- (2) Calculated by dividing (a) the number of shares underlying awards granted during the year to all recipients by (b) the number of shares outstanding at year-end.
- (3) Calculated by dividing the sum of (a) the number of shares underlying outstanding awards and (b) shares available for future awards, by (c) the number of shares outstanding, in each case at year-end.
- The table below shows the number of performance awards (all of which consisted of performance units) granted (at target), vested and forfeited within the last three fiscal years.

	<b>Number of Shares/Units</b>
<b>Non-vested at September 31, 2014</b>	232,694
Granted	53,116
Vested	44,074
Forfeited	64,570
<b>Non-vested at October 2, 2015</b>	177,166
Granted	121,715
Vested	19,756
Forfeited	46,063
<b>Non-vested at September 29, 2016</b>	233,062
Granted	73,565
Vested	30,898
Forfeited	58,632
<b>Non-vested at September 29, 2017</b>	246,772

**Note Regarding Forecasts and Forward-Looking Statements**

We do not as a matter of course make public forecasts as to our total shares outstanding and utilization of various equity awards due to the unpredictability of the underlying assumptions and estimates. In particular, the forecasts set forth in this Proposal Three include embedded assumptions which are highly dependent on the public trading price of our common stock and other factors, which we do not control and, as a result, we do not as a matter of practice provide forecasts. These forecasts reflect various assumptions regarding our future operations. The inclusion of the forecasts set forth above should not be regarded as an indication that these forecasts will be predictive of actual future outcomes, and the forecasts should not be relied upon as such.

*Prohibition on Payment of Dividends and Dividend Equivalents on Unvested Awards*

The 2005 Stock Plan has also been amended and restated by the Board of Directors to reflect our current practice of not paying out dividends or settling dividend equivalents on unvested awards. In our view, from an incentive and retention perspective, dividends, dividend equivalents and other distributions on unvested awards should be paid or

settled only after the underlying awards have been earned and not during the performance/service vesting period. Accordingly, the Amended Stock Plan now explicitly sets forth this limitation.

*Minimum Vesting Requirement*

In addition, the 2005 Stock Plan has been amended and restated by the Board of Directors to include a minimum vesting requirement pursuant to which 95% of the shares authorized for grant under Amended Stock Plan must be granted pursuant to equity awards with a one-year minimum vesting period from the date of grant. Such amendment was made to reflect our current practice of generally requiring employees to have been employed for one year from their grant date before they vest into their equity awards.

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### *Deferred and Non-Deferred RSUs May Be Granted to Non-Employee Directors*

Finally, the 2005 Stock Plan has been amended and restated by the Board of Directors to clarify that RSUs may be settled upon vesting or on a deferred basis.

### *Amended Stock Plan Subject to Stockholder Approval*

The Amended Stock Plan will become effective if it is approved by our stockholders at the 2018 Annual Meeting of Stockholders. If our stockholders do not approve this Proposal Three, the Amended Stock Plan and the Share Increase and other amendments described above will not become effective.

### *The Amended Stock Plan Combines Compensation and Corporate Governance Best Practices*

The Amended Stock Plan includes provisions that are designed to protect our stockholders' interests and reflect corporate governance best practices.

*Repricing Not Allowed.* The Amended Stock Plan prohibits reducing the exercise price of stock options and stock appreciation rights ( **SARs** ), cancelling underwater stock options and SARs or any action that would be considered a repricing under the applicable securities exchange on which our common stock is traded without prior stockholder approval in each case.

*Stockholder Approval Required for Additional Shares.* The Amended Stock Plan does not contain an annual evergreen provision. The Amended Stock Plan authorizes a fixed number of shares, so that stockholder approval is required to issue any additional shares.

*Limit on Full Value Awards.* The Amended Stock Plan limits the number of shares available for full value awards (awards other than stock options or SARs) by providing that each share issued pursuant to a full value award reduces the number of shares available for grant under the Amended Stock Plan by 2.6 shares.

*No Liberal Share Counting or Recycling.* If fewer shares are issued in settlement of a stock award than were covered by such stock award for reasons other than the failure to satisfy vesting conditions, or other than as a result of termination or forfeiture (for example to satisfy the exercise price or tax withholding obligation of such award), then the unissued shares will generally not become available again for issuance under the Amended Stock Plan.

*No Liberal Corporate Transaction Provisions.* No corporation transaction related vesting acceleration and other benefits may occur without an actual corporate transaction occurring.

*No Discounted Stock Options or SARs.* All stock options and SARs granted under the Amended Stock Plan must have an exercise or strike price equal to or greater than the fair market value of our common stock on the date the stock option or SAR is granted.

*Minimum Vesting Requirement.* Future awards granted under the Amended Stock Plan will have a minimum one-year vesting period from the date of grant, subject to certain exceptions that are described below.

*No Dividends and Dividend Equivalents on Unvested Awards.* Dividends and dividend equivalents will not be paid or settled with respect to any award granted under the Amended Stock Plan until the underlying shares or units vest.

*Limit on Non-Employee Director Awards.* Stock awards granted during a single fiscal year under the Amended Stock Plan or otherwise, taken together with any cash fees paid during such fiscal year for services on the Board of Directors, will not exceed \$625,000 in total value for any non-employee director serving as the lead director or chair and \$525,000 in total value for any other non-employee director.

*Awards Subject to Clawback.* The Company will adopt any clawback policy required under applicable listing standards or law. Prior to the adoption of such policy, in the event of a restatement of incorrect

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financial results, the Board of Directors will review the conduct of executive officers in relation to the restatement and in its discretion take appropriate action to remedy the misconduct.

### **Description of the Amended Stock Plan**

Set forth below is a summary of the other principal features of the Amended Stock Plan. The Amended Stock Plan is set forth in its entirety as Appendix A to this Proxy Statement, and all descriptions of the Amended Stock Plan contained in this Proposal Three are qualified by reference to Appendix A.

#### *History of the Amended Stock Plan*

The 2005 Stock Plan was originally adopted by the Board of Directors on November 19, 2004 and became effective upon its approval by our stockholders at the Annual Meeting of Stockholders held on February 17, 2005. On December 7, 2005, our Board of Directors approved the Amended and Restated 2005 Omnibus Stock Plan, an amendment and restatement of the 2005 Stock Plan, which became effective upon its approval by our stockholders at the Annual Meeting of Stockholders held on February 16, 2006. On November 17, 2006, our Board of Directors approved the Varian Medical Systems, Inc. Second Amended and Restated 2005 Omnibus Stock Plan (the **Second Amended Stock Plan**), the second amendment and restatement of the 2005 Stock Plan, which became effective upon its approval by our stockholders at the Annual Meeting of Stockholders held on February 15, 2007. Three amendments to the Second Amended Stock Plan were subsequently approved by our stockholders on February 14, 2008, February 12, 2009 and February 11, 2010, each increasing the maximum number of shares of our common stock available for awards. On November 11, 2011, the Board approved the Varian Medical Systems, Inc. Third Amended and Restated 2005 Omnibus Stock Plan, the third amendment and restatement of the 2005 Stock Plan, which became effective upon its approval by our stockholders at the Annual Meeting of Stockholders held on February 9, 2012. On November 18, 2016, the Board approved the Varian Medical Systems, Inc. Fourth Amended and Restated 2005 Omnibus Stock Plan, the fourth amendment and restatement of the 2005 Stock Plan, which became effective upon its approval by our stockholders at the Annual Meeting of Stockholders held on February 9, 2017. On December 9, 2017, the Board approved the Amended Stock Plan, which will become effective upon its approval by our stockholders at the Annual Meeting of Stockholders (the 2005 Stock Plan and each of the amendment and restatements of the 2005 Stock Plan, the **2005 Stock Plans**).

#### *Purpose*

The Amended Stock Plan is intended to increase incentives and to encourage share ownership on the part of (1) employees of the Company and its affiliates, (2) consultants who provide significant services to the Company and its affiliates, and (3) non-employee directors of the Company. The Amended Stock Plan also is intended to further the growth and profitability of the Company. Additionally, the Amended Stock Plan is intended to permit the grant of stock awards that may qualify as performance-based compensation under Section 162(m) of the Code, subject to compliance with the requirements of Section 162(m).

#### *Types of Stock Awards*

The Amended Stock Plan provides for the granting of non-qualified stock options, incentive stock options, SARs, restricted stock, RSUs, performance units and performance shares to employees and consultants and RSUs and non-qualified stock options to non-employee directors (all such types of awards, collectively, **stock awards**).

#### *Share Reserve*

The maximum number of shares that may be issued pursuant to stock awards granted under the Amended Stock Plan is (i) 30,950,000 shares plus (ii) such number of shares as may be granted in substitution of other

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options in connection with a transaction described in Section 424(a) of the Code (e.g., the acquisition of property or stock from an unrelated corporation) plus (iii) such number of shares authorized for issuance, but not issued, under the Varian Medical Systems, Inc. Omnibus Stock Plan and the Varian Medical Systems, Inc. 2000 Stock Plan (collectively, the **Prior Plans**) as of February 17, 2005 plus (iv) such number of shares subject to any stock awards granted under the Prior Plans that terminate, expire or lapse for any reason. The Amended Stock Plan further provides that the maximum number of shares may be increased by such number of shares subject to any stock awards granted under the Amended Stock Plan that terminate, expire or lapse for any reason (plus the number of additional shares that counted against the share pool using the share counting rule in effect at the time the stock award was granted). In addition, shares issued pursuant to stock awards assumed or issued in substitution of other awards in connection with the acquisition by the Company of an unrelated entity will not reduce the maximum number of shares issuable under the Amended Stock Plan. If fewer shares are issued in settlement of a stock award than were covered by such stock award for reasons other than the failure to satisfy vesting conditions, or other than as a result of termination or forfeiture (for example to satisfy the exercise price or tax withholding obligation of such award), then the unissued shares will generally not become available again for issuance under the Amended Stock Plan. Shares issued under the Amended Stock Plan may be either authorized but unissued shares or treasury shares.

For purposes of determining the number of shares available for stock awards under the Amended Stock Plan against the maximum number authorized, stock options and SARs count as one share for every one share issued, and any shares issued under stock awards granted pursuant to the Amended Stock Plan, other than stock options or SARs, count as 2.6 shares for every one share issued.

In addition, the Amended Stock Plan does not contain an evergreen provision, pursuant to which the share pool would be automatically increased each year based on a specified formula.

*Administration of the Amended Stock Plan*

The Compensation Committee will administer the Amended Stock Plan. The members of the Compensation Committee must qualify as non-employee directors under Rule 16b-3 under the Exchange Act, as independent directors under Section 303A.02 of the NYSE listing requirements and as outside directors under Section 162(m) of the Code (for purposes of qualifying stock awards under the Amended Stock Plan as performance-based compensation under Section 162(m)).

Subject to the terms of the Amended Stock Plan, the Compensation Committee has the sole discretion to determine the employees and consultants who will be granted stock awards, the size and types of these stock awards, and the terms and conditions of these stock awards. Subject to applicable law and certain other limitations, the Compensation Committee may delegate all or any part of its authority and powers under the Amended Stock Plan to a committee of one or more directors and/or to officers of the Company. The Board of Directors will determine and administer options and RSUs granted to non-employee directors.

*Minimum Vesting*

All stock awards granted under the Amended Stock Plan after the 2018 Annual Meeting will have a minimum vesting period of one-year measured from the date of grant; provided, however, that up to 5% of the shares available for future distribution under the Amended Stock Plan immediately following the 2018 Annual Meeting may be granted pursuant to stock awards without such minimum vesting requirement. However, this minimum vesting requirement will not limit (i) the Compensation Committee or the Board of Director's ability to grant stock awards that are subject to agreements providing for accelerated vesting on a termination of employment or service (or to otherwise accelerate vesting), or (ii) any rights to accelerated vesting in connection with a corporate transaction or change in control,



whether set forth in the Amended Stock Plan or otherwise.

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### *No Repricing, Underpriced Options or Reload Options*

The Amended Stock Plan expressly prohibits the repricing of outstanding stock options and SARs, the cancellation of any outstanding stock options or SARs that have an exercise or strike price greater than the then-current fair market value of our common stock in exchange for cash or other awards under the Amended Stock Plan and any other action with respect to a stock option or SAR that would be treated as a repricing under the rules and regulations of the principal securities market on which the Company's shares are traded without prior stockholder approval. Furthermore, the Amended Stock Plan does not permit the granting of discounted stock options or SARs.

### *Eligibility to Receive Stock Award Grants*

Employees and consultants of the Company and its affiliates and the Company's non-employee directors are all eligible to participate in the Amended Stock Plan. As of September 29, 2017, for equity plan purposes we had a total of approximately 6,600 employees, approximately 300 consultants and nine non-employee directors who would be eligible to be granted awards from the Amended Stock Plan.

### *Stock Options*

The Compensation Committee may grant non-qualified stock options to purchase shares of our common stock, incentive stock options (which are entitled to favorable tax treatment), or a combination thereof. Incentive stock options may only be granted to employees of the Company or its subsidiaries. The Compensation Committee will determine the number of shares covered by each option, but during any fiscal year, no participant may be granted options for more than 4,000,000 shares.

The Compensation Committee sets the exercise price for each option, which cannot be less than 100% of the fair market value (*i.e.*, the closing price) of the underlying shares of our common stock on the date of grant. In addition, the exercise price of an incentive stock option must be at least 110% of fair market value on the date of grant if the participant owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its subsidiaries.

Nevertheless, substitute options may be granted at less than fair market value to employees or consultants who receive options in connection with a corporate reorganization. In addition, to the extent that the aggregate fair market value of the shares with respect to which options designated as incentive stock options are exercisable for the first time by any employee during any calendar year (under all plans of the Company) exceeds \$100,000, the options will be treated as nonqualified stock options.

The exercise price of each option must be paid in full at the time of exercise. The Compensation Committee may permit payment through the tender of shares of our common stock that are already owned by the participant, or by any other means which the Compensation Committee, in its sole discretion, determines both to provide legal consideration for the shares and to be consistent with the purposes of the Amended Stock Plan. Any taxes required to be withheld must be paid by the participant at the time of exercise.

Options become exercisable at the times and on the terms established by the Compensation Committee. Options expire at the times established by the Compensation Committee, which generally will not be more than seven years after the date of grant. If the participant terminates services prior to an option's normal expiration date, the period of exercisability may be shorter depending on the reason for the termination. The Compensation Committee may extend the maximum term of any option granted under the Amended Stock Plan, subject to the seven-year or earlier limits set forth in the Amended Stock Plan.

*Stock Appreciation Rights*

The Compensation Committee will determine the terms and conditions of each SAR; provided however, the exercise price for each SAR cannot be less than 100% of the fair market value (i.e., the closing price) of the

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underlying shares of our common stock on the date of grant. SARs may be granted in conjunction with an option, or may be granted on an independent basis. SARs may be granted in conjunction with an option, or may be granted on an independent basis. The Compensation Committee will determine the number of shares covered by each SAR, but during any fiscal year no participant may be granted SARs for more than 2,000,000 shares. Upon exercise of a SAR, the participant will receive payment from us in an amount determined by multiplying: (i) the difference between the fair market value of a share on the date of exercise over the grant price (fair market value of a share on the date of grant), by (ii) the number of shares with respect to which the SAR is exercised. SARs may be paid in cash or shares of our common stock, as determined by the Compensation Committee. SARs are exercisable at the times and on the terms established by the Compensation Committee.

*Restricted Stock and RSUs*

Restricted stock awards are grants of shares of our common stock that are subject to various restrictions, including restrictions on transferability and forfeiture provisions. Shares of restricted stock will vest and the restrictions on such shares will lapse in accordance with terms and conditions established by the Compensation Committee. Each RSU is a bookkeeping entry representing an amount equal to the fair market value of one share of our common stock. The Compensation Committee will determine the number of shares subject to a restricted stock or RSU award, but during any fiscal year no participant may be granted more than 400,000 shares of restricted stock or RSUs.

In determining whether restricted stock or RSUs should be granted, and/or the vesting schedule for such a stock award, the Compensation Committee may impose whatever conditions on vesting as it determines to be appropriate. For example, the Compensation Committee may determine to grant restricted stock or RSUs only if performance goals established by the Compensation Committee are satisfied. Any performance goals may be applied on a Company-wide or an individual business unit basis, as determined by the Compensation Committee. Please refer to the discussion below under **Performance Goals** for more information.

Participants holding shares of restricted stock granted after the 2018 Annual Meeting will not be entitled to receive dividends and other distributions on any restricted shares. Notwithstanding the foregoing, at the Compensation Committee's sole discretion, participants holding restricted shares may be credited with such dividends and other distributions while such shares are restricted provided that such dividends and other distributions will be paid or distributed to participants only if, when and to the extent such restrictions on such shares lapse. The value of dividends and other distributions payable or distributable with respect to any shares for which such restrictions do not lapse during the applicable restriction period will be forfeited.

*Performance Units and Performance Shares*

Performance units and performance shares are stock awards that will result in a payment to a participant only if the performance goals that the Compensation Committee establishes are satisfied. The initial value of each performance unit will not exceed and the initial value of each performance share will equal the fair market value (on the date of grant) of a share of our common stock. The Compensation Committee will determine the applicable performance goals, which may be applied on a Company-wide or an individual business unit basis, as deemed appropriate in light of the participant's specific responsibilities. Please refer to the discussion below under **Performance Goals** for more information. After the applicable performance period has ended, the participant will be entitled to receive a payout of the number of performance units or shares earned during the performance period, depending upon the extent to which the applicable performance objectives have been achieved.

In addition to the performance requirements discussed above, performance units and performance shares are subject to additional limits set forth in the Amended Stock Plan. During any fiscal year, no participant will receive more than

400,000 performance units or performance shares.

**Table of Contents***Performance Goals*

The Compensation Committee in its discretion may make performance goals applicable to a participant with respect to a stock award. Performance goals may be measured over any fiscal period not to exceed three consecutive fiscal years, as determined by the Compensation Committee. Currently, at the Compensation Committee's discretion, one or more of the following performance goals may apply: EBIT, EBITDA, earnings per share, net income, operating cash flow, return on assets, return on equity, return on sales, revenue, shareholder return, orders or net orders, expenses, cost of goods sold, profit/loss or profit margin, working capital, operating income, cash flow, market share, economic value add, stock price of our stock, price/earnings ratio, debt or debt-to-equity ratio, accounts receivable, cash, write-offs, assets, liquidity, operations, intellectual property (e.g., patents), product development, regulatory activities, manufacturing, production or inventory, mergers, acquisitions or divestitures, financings, days sales outstanding, backlog, deferred revenue and employee headcount. Prior to the latest possible date that will not jeopardize an award's qualification as performance-based compensation under Section 162(m) of the Code, the Compensation Committee may determine whether any significant element(s) will be included in or excluded from the calculation of any performance goal with respect to any participants in a manner consistent with Section 162(m).

Under the Amended Stock Plan, certain performance goals are specifically defined. EBIT means the Company's or a business unit's income before reductions for interest and taxes. EBITDA means the Company's or a business unit's income before reductions for interest, taxes, depreciation and amortization. Earnings per share means the Company's or a business unit's net income, divided by a weighted average number of common shares outstanding and dilutive common equivalent shares deemed outstanding. Net income means the Company's or a business unit's income after taxes. Operating cash flow means the Company's or a business unit's sum of net income plus depreciation and amortization less capital expenditures plus certain specified changes in working capital. Return on assets means the percentage equal to the Company's or a business unit's EBIT (before incentive compensation), divided by the Company's or a business unit's, as applicable, average net assets. Return on equity means the percentage equal to the Company's net income, divided by average stockholders' equity. Return on sales means the percentage equal to the Company's or a business unit's EBIT (before incentive compensation), divided by the Company's or the business unit's, as applicable, revenue. Revenue means the Company's or a business unit's sales. Net orders means the Company's or a business unit's net orders calculated for and reported in the Company's quarterly financial earnings. Shareholder return means the total return (change in price plus reinvestment of any dividends) of a share.

*Non-Employee Director Compensation Limit*

The maximum number of shares of our common stock subject to stock awards granted during a single fiscal year under the Amended Stock Plan or otherwise, taken together with any cash fees paid during such fiscal year for services on the Board of Directors, will not exceed \$625,000 in total value for any non-employee director serving as the lead director or chair and \$525,000 in total value for any other non-employee director (calculating the value of any such stock awards based on the grant date fair value of such stock awards for financial reporting purposes). Such applicable limit will include the value of any stock awards that are received in lieu of all or a portion of any annual committee cash retainers or other similar cash based payments.

*Non-Employee Director Options*

Under the Amended Stock Plan, the Board of Directors will determine the number of shares subject to stock options to be issued to each non-employee director. Non-employee director options may only be non-qualified options. The exercise price of each non-employee director option will be 100% of the fair market value (i.e., the closing price) of the underlying shares of our common stock on the date of grant. Nevertheless, substitute options may be granted at less than fair market value to non-employee directors who receive options in connection with a corporate

reorganization. Each option is immediately exercisable on the date of grant. All options granted to

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non-employee directors generally will have a term of seven years from the date of grant. If a director terminates service on the Board of Directors (including a voluntary resignation) prior to an option's normal expiration date, the period of exercisability of the option may be shorter, depending upon the reason for the termination.

In addition, the Amended Stock Plan allows the Board of Directors to adopt procedures to permit non-employee directors to forego all or part of their cash compensation in exchange for options or shares of our common stock.

### *Non-Employee Director RSUs*

Under the Amended Stock Plan, the Board of Directors will determine the number of RSUs to be granted to each non-employee director. Unless otherwise provided in an award agreement, RSUs granted to non-employee directors will vest on the earlier of (i) the one year anniversary of the date of grant or (ii) the next Annual Meeting of Stockholders that occurs after the date of grant. Unless otherwise provided in an award agreement as determined by the Board of Directors, settlement of RSUs will be made in shares of our common stock, with one share of our common stock being issued for each RSU. Payment may be made in a lump sum or in installments following vesting, or may be made on a deferred basis.

### *Nontransferability of Stock Awards*

In general, stock awards granted under the Amended Stock Plan may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the applicable laws of descent and distribution, and any stock awards may be exercised only by the participant during a participant's lifetime. Notwithstanding the above, the Compensation Committee (or the Board of Directors, in the case of stock awards granted to non-employee directors) may, in its discretion, permit stock awards to be transferred to an individual or entity other than the Company subject to any restrictions as the Compensation Committee or the Board may impose.

### *Dividend Equivalents*

The recipient of a stock award (including, without limitation, any deferred stock award) may, at the Compensation Committee, or if applicable, the Board of Director's sole discretion, receive dividend equivalents. Such dividend equivalents entitle the participant to be credited with an amount equal to all dividends and other distributions (whether in cash or other property) paid on an equivalent number of shares while the stock award is outstanding. Dividend equivalents may be converted into additional stock awards (for example, additional restricted stock units). Settlement of dividend equivalents may be made in the form of cash, in the form of shares, or a combination of both. Any dividend equivalents credited with respect to stock awards will be settled only if, when and to the extent such stock awards vest and are settled. The value of amounts payable with respect to stock awards that do not vest will be forfeited.

### *Recoupment Policy*

All stock awards granted under the Amended Stock Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In the event that the Company has not adopted such a policy and notwithstanding anything to the contrary set forth in the Amended Stock Plan or any stock award agreement, in the event of a restatement of incorrect financial results, the Board of Directors will review the conduct of executive officers in relation to the restatement. If the Board of Directors determines that an executive officer has engaged in misconduct or other violations of the Company's code of ethics in connection with the



restatement, the Board of Directors would, in its discretion, take appropriate action to remedy the misconduct, including, without limitation, seeking reimbursement of any portion of performance-

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based or incentive compensation paid or awarded to the executive under the Amended Stock Plan that is greater than would have been paid or awarded if calculated based on the restated financial results, to the extent not prohibited by governing law. Such action by the Board would be in addition to any other actions the Board of Directors or the Company may take under the Company's policies, as modified from time to time, or any actions imposed by law enforcement, regulators or other authorities.

*Corporate Transaction*

Except as set forth in a stock award agreement, upon the occurrence of (a) a merger, combination, consolidation, reorganization or other corporate transaction; (b) an exchange of shares of the Company's common stock or other securities of the Company; (c) a sale of all or substantially all the business, stock or assets of the Company; (d) a dissolution of the Company; or (e) any event in which the Company does not survive (or does not survive as a public company in respect of its shares of common stock), then any surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) may assume or continue any or all stock awards outstanding under the 2005 Stock Plans or may substitute similar stock awards for stock awards outstanding under the 2005 Stock Plans (including but not limited to, stock awards to acquire the same consideration paid to the stockholders of the Company pursuant to the transaction), and any reacquisition or repurchase rights held by the Company in respect of shares issued pursuant to stock awards may be assigned by the Company to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) in connection with such transaction. Except as set forth in a stock award agreement, if the Compensation Committee does not provide for the assumption, continuation or substitution of stock awards, each stock award will fully vest and terminate upon the related event, provided that holders of options or SARs be given reasonable advance notice of the impending termination and a reasonable opportunity to exercise their outstanding vested options and SARs before the termination of such awards; provided, however, that any payout in connection with a terminated stock award will comply with Section 409A of the Code to the extent necessary to avoid taxation thereunder.

Notwithstanding the foregoing, except as set forth in a stock award agreement, in the event that a stock award would otherwise terminate upon the effective time of any transaction described above, the Compensation Committee may provide for a payment in such form as may be determined by the Compensation Committee, equal in value to the excess, if any, of (A) the value of the property the participant would have received upon the exercise or vesting of the stock award immediately prior to the effective time of the transaction, over (B) any exercise price payable by such holder in connection with such exercise, and provided further, that at the discretion of the Compensation Committee, such payment may be subject to the same conditions that apply to the consideration that will be paid to holders of shares in connection with the transaction; provided, however, that any payout in connection with a terminated stock award will comply with Section 409A of the Code to the extent necessary to avoid taxation thereunder.

*Amendment, Termination and Duration of the Amended Stock Plan*

The Board of Directors generally may amend or terminate the Amended Stock Plan at any time and for any reason; provided, however, that any amendment will be subject to the approval of our stockholders to the extent required by applicable law or regulation. In addition, the amendment or termination of the Amended Stock Plan will not alter or impair any rights or obligations under any stock award without the participant's consent. Unless otherwise amended or terminated by the Board of Directors, the Amended Stock Plan will remain in effect until November 11, 2021.

**U.S. Federal Tax Aspects**

A participant who receives an option or SAR will not have taxable income upon the grant of the option or SAR. For options, other than incentive stock options, and SARs the participant will recognize ordinary income upon exercise in

an amount equal to the excess of the fair market value of the shares over the exercise price the

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appreciation value on the date of exercise. Any gain or loss recognized upon any later disposition of the shares generally will be capital gain or loss.

Purchase of shares upon exercise of an incentive stock option will not result in any taxable income to the participant, except for purposes of the alternative minimum tax. Gain or loss recognized by the participant on a later sale or other disposition of the shares will either be long-term capital gain or loss or ordinary income depending upon whether the participant holds the shares transferred upon exercise for a specified period. Any ordinary income recognized will be in the amount, if any, by which the lesser of the fair market value of the shares on the date of exercise or the amount realized from the sale exceeds the option price.

A participant who receives restricted stock will not have taxable income upon grant, but upon vesting unless the participant elects to be taxed at the time of grant of restricted stock. The participant will recognize ordinary income equal to the fair market value of the shares at the time of vesting.

A participant who receives RSUs, performance units or performance shares will not have taxable income upon grant of the stock award; instead the participant will be taxed upon settlement of the stock award. The participant will recognize ordinary income equal to the fair market value of the shares or the amount of cash received by the participant. In addition, Section 409A of the Code imposes certain restrictions on deferred compensation arrangements. Stock awards that are treated as deferred compensation under Section 409A of the Code are intended to meet the requirements of this section of the Code.

At the discretion of the Compensation Committee, the Amended Stock Plan allows a participant to satisfy tax withholding requirements under U.S. federal and state tax laws or applicable foreign tax laws by electing to have shares of common stock withheld, by delivering to us already-owned shares, having a value equal to the amount required to be withheld, or by any other means which the Compensation Committee, in its sole discretion, determines both to provide legal consideration for the shares and to be consistent with the purposes of the Amended Stock Plan. However, if shares of our common stock are withheld to satisfy a participant's tax withholding obligations with respect to a stock award, then the withheld shares will not become available again for issuance.

The Company will be entitled to a tax deduction in connection with a stock award under the Amended Stock Plan only in an amount equal to the ordinary income realized by the participant and at the time the participant recognizes the income. As discussed above, while Section 162(m) of the Code limits the deductibility of compensation paid to certain executive officers, we designed the Amended Stock Plan to permit the Compensation Committee to grant stock awards that are intended to satisfy the requirements of Section 162(m). However, because of the fact-based nature of the performance-based compensation exception under Section 162(m) and the limited availability of binding guidance thereunder, we cannot guarantee that the awards under the Amended Stock Plan or any other arrangement we maintain will qualify for exemption under Section 162(m). Moreover, a proposed tax bill would eliminate the performance-based compensation exception, if enacted.

## **New Plan Benefits**

The Amended Stock Plan does not provide for set benefits or amounts of awards and we have not approved any awards that are conditioned on stockholder approval of the Amended Stock Plan. However, as discussed in further detail in the section entitled "Compensation of the Named Executive Officers and Directors" Compensation of Directors below, each of our current non-employee directors (other than Mr. Laret who is not standing for re-election), will be entitled to receive a grant of RSUs under the Amended Stock Plan on the date of our 2018 Annual Meeting of Stockholders with a grant date fair value of \$165,000. The following table summarizes the RSU grants that our current non-employee directors as a group will receive if they remain a director following the 2018 Annual Meeting and

highlights the fact that none of our executive officers (including our named executive officers) or employees will receive any set benefits or awards that are conditioned upon

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shareholder approval of the Amended Stock Plan. All other future awards to directors, executive officers, employees and consultants of the Company under the Amended Stock Plan are discretionary and cannot be determined at this time.

<b>Name and position</b>	<b>Dollar value</b>	<b>Number of shares</b>
Dow R. Wilson <i>President and Chief Executive Officer</i>		
Gary E. Bischooping, Jr. <i>Chief Financial Officer</i>		
Kolleen T. Kennedy <i>Executive Vice President and President, Oncology Systems</i>		
John W. Kuo <i>Senior Vice President, General Counsel and Corporate Secretary</i>		
Elisha W. Finney <i>Former Chief Financial Officer</i>		
Sunny S. Sanyal <i>Former Senior Vice President and President, Imaging Components Business</i>		
All current executive officers as a group (4 persons)		
All current directors who are not executive officers as a group (nine persons) <sup>(1)</sup>	\$ 1,320,000	
All employees, including all current officers who are not executive officers, as a group		

(1) The number of shares subject to each non-employee director's RSU grant will not be determinable until the grant date. See the section entitled "Compensation of the Named Executive Officers and Directors" Compensation of Directors for more information. Mr. Laret who is not standing for re-election, is included within this group but is excluded from the calculation of future awards.

**Historical Plan Benefits**

The following table sets forth, for each of the individuals and groups indicated, the total number of shares of our common stock subject to stock awards that have been granted (even if not currently outstanding) under the 2005 Stock Plans, since the original Stock Plan became effective through September 29, 2017.

<b>Name and position <sup>(1)</sup></b>	<b>Number of shares subject to stock awards</b>
Dow R. Wilson <sup>(2)</sup> <i>President and Chief Executive Officer</i>	1,366,761
Gary E. Bischooping, Jr. <i>Chief Financial Officer</i>	83,787
Kolleen T. Kennedy <i>Executive Vice President and President, Oncology Systems</i>	442,519
John W. Kuo	522,209

<i>Senior Vice President, General Counsel and Corporate Secretary</i>	
Elisha W. Finney	701,939
<i>Former Chief Financial Officer</i>	
Sunny S. Sanyal	
<i>Former Senior Vice President and President, Imaging Components Business</i>	
All current executive officers as a group (4 persons)	2,415,276
All current directors who are not executive officers as a group (nine persons) <sup>(3)(4)</sup>	1,720,995
All employees, including all current officers who are not executive officers, as a group	13,595,479

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- (1) No awards have been granted under the 2005 Stock Plans to any associate of any of our directors (including nominees) or executive officers, and no person received 5% or more of the total awards granted under the 2005 Stock Plans since their inception.
- (2) Mr. Wilson is also a nominee for election as a director.
- (3) This group includes all the nominees for election as a director other than Mr. Wilson.
- (4) Includes 1,424,967 shares that were granted to Mr. Guertin when he was the Chief Executive Officer of the Company.

**Equity Compensation Plan Information**

The following table provides information as of September 29, 2017 with respect to the shares of our common stock that may be issued under our existing equity compensation plans.

(In millions, except price per share)	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights <sup>(1)</sup> (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	3.2 <sup>(2)</sup>	\$ 74.08	7.9 <sup>(3)</sup>
Total	3.2	\$ 74.08	7.9

- (1) The weighted average exercise price does not take into account the shares issuable upon vesting of outstanding restricted stock units, deferred stock units and performance units, which have no exercise price.
- (2) Consists of stock options, restricted stock units, deferred stock units and performance units granted under the 2005 Omnibus Stock Plan.



- (3) Includes 2.5 million shares available for future issuance under the 2005 Stock Plan. This amount reflects a maximum payout of 1.75 shares that could be issued for each performance unit beginning in fiscal year 2016, 2.0 shares that could be issued for each performance unit granted in fiscal year 2015 and a maximum payout of 1.5 shares that could be issued for each performance unit granted prior to fiscal year 2015. In November 2017, the Compensation Committee determined that no performance units would be earned with respect to the 2015 to 2017 performance period. Also includes 5.4 million shares available for future issuance under the 2010 Employee Stock Purchase Plan, including shares subject to purchase during the current purchase period, which commenced on October 30, 2017 (the exact number of which will not be known until the purchase date on April 27, 2018). Subject to the number of shares remaining in the share reserve, the maximum number of shares purchasable by any participant on any one purchase date for any purchase period, including the current purchase period may not exceed 1,000 shares.

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**PROPOSAL FOUR**

**RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED**

**PUBLIC ACCOUNTING FIRM**

**BOARD RECOMMENDATION**

**VOTE FOR** THE RATIFICATION OF THE APPOINTMENT OF

PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT

REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2018

**Selection of the Accounting Firm**

The Audit Committee has appointed PwC as our independent registered public accounting firm to perform the audit of our financial statements for fiscal year 2018, and we are asking you and other stockholders to ratify this appointment. Since 1962, PwC or its predecessors has been our independent accounting firm.

The Audit Committee annually reviews the independent registered public accounting firm's independence, including reviewing all relationships between the independent registered public accounting firm and us and any disclosed relationships or services that may impact the objectivity and independence of the independent registered public accounting firm, and the independent registered public accounting firm's performance. Additionally, the Audit Committee also noted that our PwC engagement audit partner is subject to regular rotation and the most recent rotation occurred in fiscal year 2017. As a matter of good corporate governance, the Board, upon recommendation of the Audit Committee, has determined to submit to stockholders for ratification the appointment of PwC. In the event that a majority of the shares of common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on Proposal Four does not ratify this appointment of PwC, the Audit Committee will review its future appointment of PwC.

We expect that a representative of PwC will be present at the Annual Meeting and that representative will have an opportunity to make a statement if he or she desires and will be available to respond to appropriate questions.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm**

The Audit Committee must pre-approve all audit and permissible non-audit services to be provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally requested annually and any pre-approval is detailed as to the particular service, which must be classified in one of the four categories of services. The Audit Committee may also, on a case-by-case basis, pre-approve particular services that are not contained in the annual pre-approval request. In connection with this pre-approval policy, the Audit Committee also considers whether the categories of pre-approved services are consistent with the rules on accountant independence of the SEC.

**Principal Accountant Fees and Services**

The following is a summary of the fees billed or to be billed to us by PwC for professional services rendered for the fiscal years ended September 29, 2017 and September 30, 2016:

<b>Fee Category</b>	<b>Fiscal Year 2017</b>	<b>Fiscal Year 2016</b>
Audit Fees	\$ 4,416,302	\$ 5,550,545
Audit-Related Fees	140,400	156,500
Tax Fees	1,832,567	1,468,139
All Other Fees	16,000	16,000
<b>Total Fees</b>	<b>\$ 6,405,269</b>	<b>\$ 7,191,184</b>

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*Audit Fees.* Consist of fees billed or to be billed for professional services rendered for the annual audit of our consolidated financial statements (as well as the related attestation report on the Company's internal control over financial reporting) and review of the interim consolidated financial statements included in our Form 10-Q Quarterly Reports and services that PwC normally provides in connection with statutory and regulatory filings or engagements. Fiscal year 2017 audit fees reflect additional fees of \$210,000 for services performed by PwC in connection with the separation and the Spin-off.

*Audit-Related Fees.* Consist of fees billed or to be billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under Audit Fees. These services include consultations concerning financial accounting and reporting standards and accounting consultations in connection with acquisitions and the separation and distribution of our Imaging Components business.

*Tax Fees.* Consist of fees billed or to be billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and international tax compliance, assistance with tax reporting requirements and audit compliance, tax planning, consulting and assistance on business restructuring and tax advice on mergers and acquisitions. Tax compliance fees were approximately \$293,293 and \$478,183 in fiscal years 2017 and 2016, respectively. All other tax fees were approximately \$1,539,274 and \$989,956 in fiscal years 2017 and 2016, respectively.

*All Other Fees.* Consist of fees for products and services other than the services reported above. All Other Fees for fiscal years 2017 and 2016 were primarily related to (1) attestations to ensure regulatory compliance and (2) the application of financial accounting and reporting standards to specific operational matters.

The Audit Committee determined that PwC's provision of these services, and the fees that we paid for these services, are compatible with maintaining the independence of the independent registered public accounting firm. The Audit Committee pre-approved all services that PwC provided in fiscal years 2017 and 2016 in accordance with the pre-approval policy discussed above.

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**AUDIT COMMITTEE REPORT**

The Audit Committee of the Board (the **Audit Committee**) consists of the four directors whose names appear below. Each member of the Audit Committee meets the definition of independent director and otherwise qualifies to be a member of the Audit Committee under the New York Stock Exchange listing requirements.

The Audit Committee's general role is to assist the Board in monitoring the Company's financial reporting process and related matters. Its specific responsibilities are set forth in its charter. The Audit Committee reviews its charter at least annually, and did so in the August 2017 Audit Committee meeting.

As required by the charter, the Audit Committee reviewed the Company's financial statements for fiscal year 2017 and met with management, as well as with representatives of PwC, the Company's independent registered public accounting firm, to discuss the financial statements. The Audit Committee also discussed with members of PwC the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*.

In addition, the Audit Committee received the written disclosures and letters required by the applicable requirements of the Public Company Accounting Oversight Board regarding PwC's communications with the Audit Committee concerning independence and discussed with members of PwC its independence from management and the Company.

Based on these discussions, the financial statement review and other matters it deemed relevant, the Audit Committee recommended to the Board that the Company's audited financial statements for fiscal year 2017 be included in the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2017.

Furthermore, in connection with the standards for independence promulgated by the SEC, the Audit Committee reviewed the services provided by PwC, the fees the Company paid for these services, and whether the provision of the services is compatible with maintaining the independence of the independent registered public accounting firm. The Audit Committee deemed that the provision of the services is compatible with maintaining that independence.

The Audit Committee has selected PwC to be the Company's independent registered public accounting firm for fiscal year 2018. In doing so, the Audit Committee considered the results from its review of PwC's independence, including (a) all relationships between PwC and the Company and any disclosed relationships or services that may impact their objectivity and independence, (b) PwC's performance and qualification as an independent registered public accounting firm and (c) the fact that the PwC engagement audit partner is rotated on a regular basis as required by applicable laws and regulations. As a matter of good corporate governance, the Audit Committee has determined to submit its appointment of PwC to the stockholders for ratification. In the event that a majority of the shares of common stock present or represented at the Annual Meeting and entitled to vote on the matter does not ratify this appointment, the Audit Committee will review its future appointment of PwC.

Judy Bruner (Chair)

Jean-Luc Butel

R. Andrew Eckert

David J. Illingworth



**Table of Contents****STOCK OWNERSHIP****Beneficial Ownership of Certain Stockholders, Directors and Executive Officers**

This table shows as of December 1, 2017: (1) the beneficial owners of more than five percent of our common stock and the number of shares they beneficially owned based on information provided in their most recent filings with the SEC; and (2) the number of shares each director, each nominee for director and each Named Executive Officer and all directors, nominees for director and executive officers as a group beneficially owned, as reported by each person. Except as otherwise indicated, the address of each is 3100 Hansen Way, Palo Alto, California 94304. Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power with respect to securities. Except as noted, each person has sole voting and investment power over the shares shown in this table. For each individual and group included in the table below, the percentage ownership is calculated by dividing the number of shares beneficially owned by the person or group, which includes the number of shares of common stock that the person or group had the right to acquire on or within 60 days after December 1, 2017 by the sum of the 91,614,473 shares of common stock outstanding on December 1, 2017, plus the number of shares of common stock that the person or group had the right to acquire on or within 60 days after December 1, 2017.

	<b>Amount and Nature of Common Stock Beneficially Owned</b>	
	<b>Number of Shares Beneficially Owned</b>	<b>Percent of Class</b>
<b>Stockholders</b>		
The Vanguard Group, Inc. <sup>(1)</sup> 100 Vanguard Blvd. Malvern, PA 19355	9,292,184	10.1%
Blackrock, Inc. <sup>(2)</sup> 55 East 52nd Street New York, NY 10055	7,535,923	8.2%
Loomis, Sayles & Co., L.P. <sup>(3)</sup> One Financial Center Boston, MA 02111	6,724,537	7.3%
<b>Directors, Nominees for Director and Executive Officers</b>		
José Baselga <sup>(4)</sup>	1,403	*
Susan L. Bostrom <sup>(5)</sup>	9,637	*
Judy Bruner <sup>(6)</sup>	2,152	
Jean-Luc Butel <sup>(7)</sup>	1,403	*
Regina E. Dugan <sup>(8)</sup>	7,989	*
R. Andrew Eckert <sup>(9)</sup>	26,129	*
Timothy E. Guertin <sup>(10)</sup>	89,440	*
David J. Illingworth <sup>(11)</sup>	22,264	*
Mark R. Laret <sup>(12)</sup>	13,640	*
Dow R. Wilson <sup>(13)</sup>	431,887	*
Gary E. Bischooping Jr.		*
Kolleen T. Kennedy <sup>(14)</sup>	30,702	*

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John W. Kuo <sup>(15)</sup>	36,950	*
Elisha W. Finney ( <i>Former Chief Financial Officer</i> ) <sup>(16)</sup>	42,241	*
Sunny S. Sanyal ( <i>Former Senior Vice President and President, Imaging Components Business</i> )		*
All directors, nominees for director and executive officers as a group (15 persons) <sup>(17)</sup>	715,837	*

\* The percentage of shares of common stock beneficially owned does not exceed one percent of the shares of common stock outstanding at December 1, 2017.



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- (1) Based on a Schedule 13G/A filed September 8, 2017, The Vanguard Group, Inc. has sole power to vote 143,368 of these shares, shared power to vote 23,413 of these shares, sole power to dispose of 9,130,244 of these shares and shared power to dispose of 161,940 of these shares.
- (2) Based on a Schedule 13G/A filed January 27, 2017, Blackrock, Inc. has sole power to vote 6,570,824 of these shares and sole power to dispose of 7,535,923 of these shares.
- (3) Based on a Schedule 13G filed February 14, 2017, Loomis, Sayles & Co., L.P. has sole power to vote 4,421,605 of these shares and sole power to dispose of 6,724,537 of these shares.
- (4) Amount shown includes 1,403 Deferred Stock Units that have vested but that are subject to deferred distribution.
- (5) Amount shown includes 5,828 Deferred Stock Units that have vested but that are subject to deferred distribution.
- (6) Amount shown includes 2,152 Deferred Stock Units that have vested but that are subject to deferred distribution.
- (7) Amount shown includes 1,403 Deferred Stock Units that have vested but that are subject to deferred distribution.
- (8) Amount shown includes 5,828 Deferred Stock Units that have vested but that are subject to deferred distribution.
- (9) Amount shown includes 11,302 shares that may be acquired under exercisable stock options. Also includes 5,828 Deferred Stock Units that have vested but that are subject to deferred distribution.
- (10) Amount shown includes 5,651 shares that may be acquired under exercisable stock options. Also includes 5,828 Deferred Stock Units that have vested but that are subject to deferred distribution and 75,800 shares held in a trust of which Mr. Guertin is the trustee.
- (11) Amount shown includes 11,302 shares that may be acquired under exercisable stock options. Also includes 5,828 Deferred Stock Units that have vested but that are subject to deferred distribution.
- (12) Amount shown includes 5,651 shares that may be acquired under exercisable stock options. Also includes 5,828 Deferred Stock Units that have vested but that are subject to deferred distribution.

- (13) Amount shown includes 365,111 shares that may be acquired under exercisable stock options.
- (14) Amount shown includes 4,040 shares that may be acquired under exercisable stock options.
- (15) Amount shown includes 9,589 shares that may be acquired under exercisable stock options.
- (16) Amount shown includes 9,675 shares that may be acquired under exercisable stock options. Also includes 32,566 shares held in a trust of which Ms. Finney is co-trustee with her husband, as to which voting and investment powers are shared with Ms. Finney's husband.
- (17) Amount shown includes 422,321 shares that may be acquired under exercisable stock options and 108,366 shares held in trusts, including those described in footnotes 10 and 16.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Under U.S. securities laws, directors, certain officers and persons holding more than 10% of our common stock must report their initial ownership of the common stock and any changes in that ownership to the SEC. The SEC has designated specific due dates for these reports and we must identify in this Proxy Statement those persons who did not file these reports when due. Based solely on our review of copies of the reports filed with the SEC and written representations of our directors and executive officers, we believe that each person who at any time during the 2017 fiscal year was a director or an executive officer or persons holding more than 10% of our common stock filed the required reports on time in fiscal year 2017.

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**COMPENSATION OF THE NAMED EXECUTIVE OFFICERS AND DIRECTORS**

**Executive Summary**

The Company successfully completed the separation of its Imaging Components business into Varex Imaging Corporation (NASDAQ: VREX), a separate publicly traded company, on January 20, 2017. Imaging Components was a major business unit that accounted for approximately 20% of overall revenues over the past three fiscal years. The Spin-off created two strong independent companies that have been well-received by investors. Prior to the Spin-off, Varian had a market capitalization of \$8.30 billion and ended the year with a market capitalization of \$9.18 billion, an increase of approximately 11% during that period.

Following the Spin-Off, Varian is focused solely on its vision of a world without the fear of cancer. Our mission is to combine the ingenuity of people with the power of data and analytics to achieve new victories against cancer. Fulfillment of our mission requires strengthening our leadership in radiation therapy, growing our business globally and expanding into new markets as the Company transitions from global leadership in radiation therapy to multi-disciplinary, integrated cancer care solutions.

While this report focuses on the compensation program in place for fiscal year 2017, the Compensation Committee spent much of the year reviewing our executive incentives for alignment with our growth strategy. Key changes for our fiscal year 2018 annual and long-term incentives include:

Use of annual incentive performance measures that support efficient capital allocation for research and development ( **R&D** ), acquisitions and capital improvements that will fuel our future growth

Establishment of competitive and challenging three-year goals for our PSU incentive plan.

Selection of 52 business competitors and business model peers for the relative Total Shareholder Return modifier in the PSU plan.

Changing the mix of CEO long-term incentives from 60% performance based awards to 100% performance based awards. The CEO received a fiscal year 2018 grant of Performance Stock Options (PSOs) with vesting tied to the same goals as the PSUs that he was granted.

As we set the foundation for future growth, the Company achieved solid results for stockholders during fiscal year 2017 including:

***Produced strong total stockholder return.*** Our stockholders realized a 26% return in fiscal 2017 through a combination of Varian's stock price increasing and a stock dividend to stockholders in connection with the Spin-off.



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[1] TSR based on Varian's share price alone.

[2] TSR based on both Varian's share price and the receipt of a one-time special stock dividend of .4 shares of Varex's common stock for each share of Varian's common stock held at the time of the Spin-off. Varex's common stock was valued at \$28.15 per share at the Spin-off; therefore, each Varian stockholder received a stock dividend with a value of \$11.26 for each share of Varian stock held at the time of Spin-off.

***Fueled future growth and profitability.*** In comparison to fiscal year 2016, in fiscal year 2017:

Gross orders increased 11% on revenue growth of 2%

Investment in R&D grew 5%

Cash flow from operations (total company basis, including Varex prior to the Spin-off) grew 12%

***Returned significant value to stockholders through share repurchases.*** Through our share repurchase program, the Company used \$294.5 million to repurchase approximately 3.3 million shares over the course of the year, at an average price of \$90.63 per share, supporting a significant return of capital to stockholders. Our financial results were achieved while accomplishing a number of key strategic goals in 2017:

In January, we successfully completed the Spin-off.

We strengthened our leadership in radiation therapy by:

Introducing to strong market acceptance our IMRT image guided Halcyon treatment platform

Successfully launching HyperArc, our high-definition radiotherapy technology

Growing our share of the global radiation oncology market to 54%

Increasing the Linac install base by 4%

Reinforcing our commitment to driving high-quality innovation through a 5% increase in R&D

We extended our global footprint by:

Improving the availability of high-quality cancer care through Halcyon sales in 15 countries

Selling Proton Therapy Systems in India and China

We extended our addressable market by:

Growing software orders by double digits

Invested in emerging companies with innovative technologies in liquid biopsy and radiotherapeutics

Enhancing our financial flexibility to fund external and internal investment opportunities

**We Pay for Performance.** Our executive compensation programs are heavily weighted towards performance-based compensation that provides a direct link between corporate performance and pay outcomes for our executives. Our program also ties pay outcomes to the achievement of key strategic objectives that we believe will drive longer term value to stockholders.

**Performance-Based Compensation Mix.** We have four elements of total compensation: base salary, annual incentives, long-term incentives and other compensation (benefits and perquisites). As illustrated by the segments in the following graphs, 88% of our CEO's target total compensation opportunity was performance-based and aligned with our stockholders in the form of annual incentives and long-term equity compensation. For

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our other two Named Executive Officers who served as executive officers for the entire year (Kennedy and Kuo), 79% of their total compensation opportunity was performance-based.

**Performance-Vested Equity Awards.** In fiscal 2017, 60% of the target value of our long-term incentive awards for our CEO and for our other two Named Executive Officers who serviced as executive officers for the entire year (Ms. Kennedy and Mr. Kuo) were granted in the form of PSUs that vest based on EPS results and TSR performance relative to an index of healthcare equipment industry companies. In 2018, 100% of our CEO's long-term incentive awards is performance-based awards.

**Use of rigorous performance goals in our incentive plans.** Our annual incentives for fiscal year 2017 performance illustrate our rigorous performance goals. Consistent with our pay-for-performance philosophy, our annual cash incentive plan funded only 60% of target from the plan's primary financial measures, Top Line Growth and EBIT Growth, because EBIT Growth was below threshold for funding.

In addition, executives earned 0% of PSU awards based on our performance against EPS and TSR targets set for such PSU awards.

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**Alignment of realizable pay and stockholders' returns.** The Compensation Committee carefully structures the compensation program to achieve alignment with stockholders, while providing target pay opportunities that are competitive with the market and appropriate to the specific contributions of each executive. Because 88% of our CEO's total target pay opportunity is tied to achievement of operating results and share price, it is valuable to assess the pay that is realizable as well as the pay opportunity. Our CEO's realizable total direct compensation ( **TDC** ), which includes annual incentives paid and the value of equity earned, is well-aligned with Company TSR, as illustrated in the graph below.

TDC for each fiscal year in the graph is the sum of salary paid, the target annual incentive for that fiscal year, and the grant date fair value of long-term incentives. In order to reflect the most current realizable pay values available, the closing price on September 29, 2017 was used to estimate the intrinsic value of stock options and any RSU and PSU awards that remain unvested as of that date. Realizable TDC for each fiscal year is the sum of (i) salary paid, (ii) the annual incentive that was earned and paid for that fiscal year, (iii) RSUs granted in that fiscal year (if vested), valued at the stock price on applicable vesting date(s), (iv) RSUs granted in that fiscal year (if unvested), valued as of September 29, 2017, (v) the intrinsic value of option grants valued as of September 29, 2017 and (vi) the number of PSUs earned valued at the stock price when settled at the end of their performance periods. In addition, fiscal years 2016 and 2017 include the estimated value of fiscal year 2016 PSUs using actual fiscal year 2016 EPS results and an estimated relative TSR modifier. In addition, fiscal year 2017 include the estimated value for fiscal year 2017 PSUs using fiscal year 2017 EPS results and target fiscal year 2017 and 2018 EPS, and the estimated relative TSR modifier. The relative TSR modifier for the open fiscal year 2016 and 2017 year PSU awards is based on actual TSR results through September 29, 2017 and the resulting relative TSR ranking is assumed to hold for the remainder of the respective performance periods.

**Use of Strategic Goals.** Achievement of strategic goals represents 20% of the annual cash incentive opportunity for our executives. We believe this is a useful metric for rewarding achievement of key milestones in the implementation of our strategy, such as expansion in global markets, growth in software and services, innovation in our products, successful launch of critical new products, and improvements in quality and operational excellence. The Compensation Committee carefully evaluates management's accomplishments relative to our key strategic goals as set out in the **Fiscal Year 2017 Compensation Program and Pay Decisions - Individual Strategic Goals**, below.

**Say-on-Pay Vote History and Stockholder Engagement**

Our Board and management are committed to maintaining sound and effective compensation and governance programs, with policies and programs reflecting contemporary best practices and geared to building value for the Company's stockholders. At our 2017 Annual Meeting of Stockholders, 94% of votes cast were in



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favor of the advisory vote to approve executive compensation. Since the implementation of the stockholder advisory vote on the compensation of our named executive officers (Say-On-Pay) beginning at our 2011 Annual Meeting of stockholders, support from our stockholders for our executive compensation program and practices has been strong, averaging 93% of votes cast. We have ongoing discussions with our stockholders to understand their perspectives and to communicate on a variety of corporate governance topics, including executive compensation practices.

In evaluating our compensation practices in fiscal year 2017, the Compensation Committee was mindful of the support our stockholders expressed for the Company's philosophy of linking compensation to operational objectives and the enhancement of stockholder value. As a result, the Compensation Committee retained its general approach to executive compensation, and continued to apply the same general principles and philosophy as in the prior fiscal year in determining executive compensation. The Compensation Committee will continue to consider stockholder concerns and feedback in the future.

## **Key Changes to our 2017 Compensation and Governance Programs**

The Company successfully completed the Spin-off on January 20, 2017 after the first quarter of fiscal year 2017. In order to help management focus on overall results in the first quarter of fiscal year 2017, in determining the fiscal 2017 financial goals for annual incentives under the Company's Management Incentive Plan ( **MIP** ), the Compensation Committee determined that there should be two performance periods to measure financial results; one performance period to measure and reward overall financial results for the first quarter ( **Q1** ), including the Imaging Components business and a second performance period to measure and reward financial results for the rest of the year for the Company on a continuing operations basis, excluding the Imaging Components business ( **Q2-Q4** ). See below for additional details regarding the two MIP performance measurement periods in fiscal year 2017.

There were no other changes to the design or features of our executive compensation program in fiscal year 2017.

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A number of practices strengthen the alignment of our executive compensation program with our stockholders:

What We Do:	What We DON'T Do:
Independent Compensation Committee	û Targetpay above market median
Independent compensation advisor	û Golden Parachute tax gross ups
NEOs employed at will	û NEO employment contracts
Robust CEO & NEO stock ownership guidelines	û Permit directors and officers to engage in common stock margining, pledging or hedging
Clawback policy that applies to our annual cash incentive plan and equity incentive plan	û Permit officers to sell Company stock without a 10b5-1 trading plan
Annual compensation review and risk assessment	û Excessive NEO perquisites
Annual stockholder say on pay vote	û Reprice and repurchase options without stockholder approval
Award 60% of long-term incentive value in performance-based equity awards	û Egregious pension/supplemental NEO retirement plan payouts
Place caps on maximum payouts from our annual cash incentive plan and our PSU plan	û Liberal change in control definition in individual contracts or equity plans which could result in payments to NEOs without an actual change in control occurring
Solicit detailed feedback regarding our compensation practices from stockholders throughout the year	û Change in control severance payments without involuntary job loss or substantial diminution of duties
Annual review of succession plan	û Excessive severance/change in control provisions that provide cash payments exceeding three times base salary plus target/average/most recent annual cash incentive

**Philosophy of Our Executive Compensation Program**

The Compensation Committee believes that attracting, motivating and retaining a team of high-performing executives with strong industry expertise is critical to advancing the interests of stockholders. To promote these objectives, the Compensation Committee is guided by the following principles in developing our executive compensation program and in making pay decisions:

**Key Talent.** The pay program should enable the company to attract individuals with the background, experience, and talent required to lead the development and successful implementation of the Company's business strategy.

**Pay for Performance.** A high proportion of total compensation should be at risk for achievement of annual operating and strategic goals and for long-term value creation for stockholders.

**Stockholder Alignment.** Long-term incentives should be awarded in Company stock in order to increase the alignment of executive interests with those of stockholders.

**Long-term Performance Orientation.** The mix of incentives should place emphasis on long-term sustainable growth and profitability.

**Total Compensation Context.** Pay decisions should be made in the context of total compensation relative to pay practices of competitors for key talent and in consideration of individual performance, experience, knowledge, and internal parity among peers when making changes to pay.

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The Compensation Committee regularly assesses the program to ensure it is aligned with the Company's evolving business strategy and is effective in supporting its talent needs.

**Program Overview**

This Compensation Discussion and Analysis focuses on the following executives who were our named executive officers ( **NEOs** ) in 2017:

<b>Name</b>	<b>Title</b>
Dow R. Wilson	President and Chief Executive Officer
Kolleen T. Kennedy	Executive Vice President and President, Oncology Systems
Gary Bischooping, Jr.	Senior Vice President, Finance and Chief Financial Officer
John W. Kuo	Senior Vice President, General Counsel and Corporate Secretary
Elisha W. Finney	Former Executive Vice President, Finance and Chief Financial Officer
Sunny S. Sanyal	Former Senior Vice President and President, Imaging Components Business

Each program component and the rationale for it are highlighted below:

<b>Component</b>	<b>Purpose and Role</b>
Base salary	Provide a competitive, fixed level of cash compensation to attract and retain talented and skilled senior executives.
	Recognize sustained performance, capabilities, job scope, experience, and internal pay equity.
Annual cash incentives (MIP)	Motivate and reward achievement of annual financial results that drive stockholder value.
	Reward achievement of strategic goals that provide the foundation for future growth and profitability.
Performance stock units	Reward achievement of long-term financial goals and TSR relative to peer companies over a three-year period.
	Align executives with stockholders through use of equity.
Restricted stock units	Encourage executive retention through time-based vesting over three years.
	Align executives with stockholders through use of equity.
Stock options	Align executives with stockholders on gains in equity value.
	Encourage retention through time-based vesting over three years and a

seven-year period to exercise the options.

Executive benefits and perquisites

Provide the same 401(k) benefits as other employees.

Provide a competitive benefit by allowing executives to defer compensation pursuant to a non-qualified deferred compensation plan.

Facilitate executive health and focus on our business by providing reimbursement for annual physical exams and financial counseling.

Encourage support of the communities in which we operate by matching charitable donations.

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### **How We Make Compensation Decisions**

**Role of the Compensation and Management Development Committee.** The Committee oversees the development and administration of our executive compensation program, including the underlying philosophy and related policies. The Committee's responsibilities and process for determining the compensation of our executives includes the following:

**Risk.** Annually review the risks and rewards associated with the Company's compensation programs. Ensure that the program includes plan design features that mitigate risk without diminishing the incentive nature of the compensation and encourages and rewards prudent business judgment and appropriate risk-taking over the short term and the long term.

**Annual Program Assessment.** Assess the program to ensure that it is well aligned with the Company's evolving business strategy and is effective in supporting its talent needs. Solicit recommendations for changes from management and our compensation consultant as appropriate. Determine the specific plan designs to be used for the year.

**President and CEO Compensation and Performance Goals.** Annually review and approve corporate goals and objectives relevant to the CEO's compensation; develop the process for evaluating the CEO's performance; lead the Board's evaluation of the CEO's performance in light of the foregoing corporate goals and objectives; and recommend the CEO's compensation level based on this evaluation for approval by the independent directors of the Board.

**Compensation of Other Executives.** Review, discuss, modify and approve, as appropriate, compensation recommendations made by the CEO for other NEOs.

**Considerations in Making Compensation Decisions.** Consider, among other factors: the Company's overall performance, stockholder return, the performance of the Company's business segments, the achievement of specific corporate goals and objectives that the Committee established, the achievement of any specific individual goals that have been assigned, individual performance on job duties, compensation previously provided, compensation of other executives of the Company, employment agreement terms, and competitive compensation levels. In addition, the Committee confers with the independent directors of the Board and considers, as appropriate, views expressed by stockholders on executive compensation matters, including results of stockholder advisory votes on executive compensation.

**Peer Group.** Review and establish annually the Company's comparator/peer group for use in assessing the competitive range of compensation provided to individuals in similar positions at comparable companies. See additional information on the fiscal year 2017 peer group in [Peer Group and Market Analysis](#) below.

**General Advice to the Board.** Review management and compensation matters having major implications to the long-range development of the Company including plans for succession of the CEO and other executive officers and corporate officers.

**Compensation Consultant.** Engage an advisor and meet with its advisor, as needed, in the Committee's sole discretion.

**Role of Executive Officers.** The President and CEO makes recommendations to the Committee as requested on plan design, financial and strategic performance goals, performance and compensation recommendations for other NEOs, and management transitions and succession.

**Role of the Compensation Consultant.** The Committee retained Pay Governance LLC, a nationally-recognized independent compensation consulting firm, to assist in performing its duties. Pay Governance does not provide other services to the Company or the Company's management.

In fiscal year 2017, Pay Governance advised the Compensation Committee with respect to compensation trends and best practices, competitive pay levels, equity grant practices and competitive levels, peer group

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benchmarking, incentive plan design, Varex executive and director compensation, equity plan share authorization request, and Proxy Statement disclosure.

**Independence of the Compensation Consultant.** The Compensation Committee has determined that Pay Governance is independent and the services provided by Pay Governance during fiscal year 2017 did not raise any conflict of interests. In reaching these conclusions, the Compensation Committee considered the factors set forth in Rule 10C-1 of the Exchange Act and applicable listing standards.

**Setting Executive Compensation.** Generally, in determining base salary, target annual incentives and guidelines for long-term equity awards, the Compensation Committee considers a number of factors including, but not limited to the executive s:

role, including the scope and complexity of responsibilities;

experience and capabilities;

contributions or responsibilities beyond the typical scope of the role;

individual performance; and,

competitive compensation opportunities as reflected in compensation provided by our peers and other competitors for similar executive talent.

**Peer Group and Market Analysis.** The Compensation Committee uses a compensation peer group to monitor the compensation practices of our primary competitors for executive talent. The Compensation Committee's Consultant reviews the companies in the peer group annually and proposes changes in response to mergers and acquisitions, significant movements in revenues or market capitalization, and revised business strategies. For fiscal year 2017, Becton Dickinson and Stryker were removed from the peer group for exceeding the revenue and market capitalization criteria described below. The Compensation Committee relied on peer group data obtained in fiscal year 2016 for its pay decisions in fiscal year 2017. The peer group companies compete in the healthcare equipment, life sciences tools and services, and healthcare supplies industries that the Compensation Committee believes reflects the competitive market for executive talent similar to that required by the Company.

### Varian Medical Systems FY 2017 Compensation Peer Group

#### Health Care Equipment

Boston Scientific  
CR Bard  
Edwards Lifesciences  
Hologic

#### Life Sciences Tools and Services

Agilent  
Bio-Rad Labs  
Mettler-Toledo  
PerkinElmer

#### Healthcare Supplies

Alere  
DENTSPLY SIRONA



IDEXX Labs  
 Intuitive Surgical  
 ResMed  
 St. Jude Medical  
 Zimmer Biomet

Waters

When selected, the 16 companies in the peer group generally had annual revenue (based on the most recent four quarters) and market capitalization as of April 30, 2016 in a relevant range around those of the Company. The peer group companies were selected so that the group's median revenue of \$2.549 billion was close to the Company's revenues of \$2.500 billion and the peers' median market capitalization of \$11.977 billion was close to Varian's market capitalization of \$7.753 billion as of April 30, 2016:

Company Scope	Varian	Peer Group		
	Medical	Low	Median	High
Revenue (\$M)	\$ 2,500	\$ 1,637	\$ 2,549	\$ 7,595
Market Capitalization (\$M)	\$ 7,753	\$ 3,375	\$ 11,977	\$ 29,684

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The Compensation Committee reviews executive pay relative to the median pay of comparable positions in peer group companies and, as appropriate, survey data from peer group and other similar companies that compete with the Company for executive talent.

**Fiscal Year 2017 Compensation Program and Pay Decisions**

**Base Salaries.** The Compensation Committee reviews base salaries of our NEOs annually but only adjusts salaries in recognition of significant increases in position responsibilities, demonstrated capabilities, and sustained individual performance. Significant gaps in internal pay equity or external pay competitiveness are also considered. For fiscal year 2017, the Compensation Committee increased the base salaries of Ms. Kennedy and Mr. Kuo. Ms. Kennedy's salary was increased by 7.0% in consideration of her consistent effectiveness in executing business strategy and to better align her pay to the market. Mr. Kuo's salary was increased by 2.5% in recognition of his strong contributions to the Spin-off. No other NEOs received an increase.

<b>Name</b>	<b>FY2016 Annual Salary (effective December 19, 2015)</b>	<b>FY2017 Annual Salary (effective December 17, 2016)</b>	<b>% Increase</b>
Dow R. Wilson	\$ 1,000,000	\$ 1,000,000	0.0%
Kolleen T. Kennedy	\$ 630,156	\$ 674,267	7.0%
Gary Bischooping, Jr. <sup>(1)</sup>		\$ 550,000	
John W. Kuo	\$ 462,961	\$ 474,535	2.5%
Elisha W. Finney <sup>(2)</sup>	&n		