

# **COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE** **CHARTER**

(Amended May 19, 2005)

## **Purpose**

The purpose of the Compensation and Management Development Committee (the "Committee") of the Board of Directors (the "Board") of Varian Medical Systems, Inc. (the "corporation") shall be to provide advice on management matters that have major implications to the development of the corporation, to discharge the Board's responsibilities relating to compensation of the corporation's Executive Officers, to evaluate the corporation's compensation plans, policies and programs for Executive Officers and to produce an annual report on executive compensation for inclusion in the corporation's proxy statements or annual report on Form 10-K.

## **Membership and Organization**

The Committee shall be a standing committee of the Board consisting of a minimum of three (3) members of the Board ("Directors"), including a Chairperson. The members of the Committee shall be selected by and serve at the discretion of the Board. All members of the Committee shall qualify as (a) a non-employee director under Rule 16b-3 of the Exchange Act, (b) an independent director under the rules of the New York Stock Exchange and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and (c) an outside director for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended. The Committee shall have a secretary who need not be a member of the Committee. The Committee shall meet as often as it deems necessary to discharge its functions, but not less than two (2) times per fiscal year.

The corporation shall provide for appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment of the compensation to any adviser employed by the Committee pursuant to the authority granted by this Charter and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

## **Function and Responsibilities**

1. **Matters Delegated to the Committee for Direct Action**
  - a. Review and approve corporate goals and objectives relevant to the Chief Executive Officer's (the "CEO") compensation, evaluate the CEO's performance in light of these corporate goals and objectives and determine and approve the CEO's compensation level based on this evaluation. In determining the long-term incentive component of the CEO's compensation, the Committee shall consider the corporation's performance and relative stockholder return, the value of similar incentive awards to persons with comparable positions at comparable companies, and the awards given to the CEO in past years.
  - b. Annually review and make recommendations to the Board with respect to all other base salaries and all other compensation and benefit arrangements including any and all perquisites, retirement and deferred compensation programs, and approve these compensation elements, excluding separation agreements, for the Executive Officers (as defined by the SEC or applicable law,

“Executive Officers”) all corporate officers (“officers”) and other executives reporting directly to the Chairman, CEO, COO or President.

- c. Approve provisions of separation agreements that relate to accelerated vesting or other modification of stock options, restricted stock or other stock-related awards for persons subject to Section 16 of the Securities Exchange Act (“Section 16 Officers”).
- d. Administer the Company’s Management Incentive Plan, Employee Stock Purchase Plan, Supplemental Retirement Plan and any other Company plan which so provides or which the Board determines shall be administered by the Committee.
- e. Approve all initial employment arrangements of executives reporting directly to the Chairman, CEO, COO or President.
- f. Approve all outside board memberships of other for profit organizations by officers and persons reporting to an Executive Vice President or higher.
- g. Approve all consulting agreements between the corporation or its subsidiaries and non-employee directors as permitted by law and the company’s listing exchanges.
- h. Approve plans for succession of the COO, President and Executive Vice Presidents.
- i. Approve individual salary actions for non-officers where salary exceeds \$300,000 annually.

## 2. Other Responsibilities and Authority

- a. Form and delegate authority to subcommittees when appropriate.
- b. Make regular reports to the Board.
- c. Annually review this Charter and make recommendations to the Board for any proposed changes.
- d. Annually review and evaluate the Committee’s own performance.
- e. The Committee shall have sole authority to retain and terminate any compensation consultant to be used by the corporation to assist in the evaluation of CEO or Executive Officer compensation and shall have sole authority to approve the consultant’s fees and other retention terms as well as to obtain advice and assistance from internal or external legal, accounting or other advisors.
- f. Prepare, produce and publish an annual report on executive compensation for inclusion in the corporation’s proxy statement as required under the rules of the Exchange Act.

### 3. Matters Requiring Board Approval

Advise the Board on specific management and compensation matters on which the Board must act, including but not limited to making recommendations on:

- a. Creation of new subsidiaries or other business units if major new obligations will result.
- b. Initial employment and all separation agreements for the Chairman of the Board (when an employee), the CEO, the Executive Officers, the officers and other executives reporting directly to the Chairman, CEO, COO or President.
- c. Change in control agreements and amendments thereto.
- d. Adoption or amendment of company-wide bonus, compensation, profit sharing and incentive compensation plans.
- e. Adoption of all stock-related plans, and any amendment of a stock-related plan if applicable law would require that such amendment be approved by stockholders.
- f. Adoption or amendment of other benefit plans where individual plan costs to the Company would exceed \$2.5 million annually.
- g. All compensation and benefits arrangements for non-employee directors.
- h. All nominations for election of corporate officers, and designation of Section 16 Officers.

### 4. General Advice to the Board

On its own initiative or when requested by the Board, review management and compensation matters having major implications to the long-range development of the Company.

### 5. Advice to the Chairman, CEO, COO and President

As a sounding board for the Chairman, CEO, COO and President, provide advice and counsel on management, personnel and compensation matters affecting the strength and effectiveness of the Company as a whole, including but not limited to:

- a. Management development;
- b. Guidelines for key employee compensation; and
- c. Philosophy and application of incentive programs of all kinds, including incentive programs associated with specific projects.