

STERIS CORP
Form DEF 14A
June 19, 2008
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

STERIS CORPORATION

(Name of Registrant as Specified in its Charter)

Edgar Filing: STERIS CORP - Form DEF 14A

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

STERIS CORPORATION

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

TO OUR SHAREHOLDERS:

The 2008 Annual Meeting of Shareholders of STERIS Corporation will be held at 9:00 a.m., Eastern Daylight-Saving Time, on Thursday, July 24, 2008, at Holiday Inn Express Hotel & Suites LaMalfa, 5783 Heisley Road, Mentor, Ohio, USA. At the Annual Meeting, shareholders will be asked to elect twelve directors for terms expiring at the 2009 Annual Meeting, and to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm. Management also will report on fiscal year 2008 results. We urge you to attend the meeting and to vote FOR the nominees for director listed in the following Proxy Statement, and FOR the ratification of Ernst & Young LLP as the Company's independent registered public accounting firm.

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

Whether or not you plan to attend the Annual Meeting, to assure your shares will be voted, please follow the instructions for telephone or internet voting included with the proxy card or direction form that accompanies your Proxy Statement, or complete, sign, date and return your proxy card or direction form in the enclosed envelope. If you do attend the Annual Meeting, and the Board of Directors hopes that you will, there will be an opportunity to revoke your proxy and to vote in person if you prefer.

Sincerely,

WALTER M ROSEBROUGH, JR.

President and

Chief Executive Officer

JOHN P. WAREHAM

Chairman of the Board

Table of Contents

STERIS CORPORATION

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

JULY 24, 2008

The Annual Meeting of Shareholders of STERIS Corporation (the Company or STERIS) will be held at 9:00 a.m., Eastern Daylight-Saving Time, on Thursday, July 24, 2008, at Holiday Inn Express Hotel & Suites LaMalfa, 5783 Heisley Road, Mentor, Ohio, USA., for the following purposes:

1. To elect twelve directors to serve until the Company s 2009 Annual Meeting of Shareholders;
2. To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending March 31, 2009; and
3. To transact such other business as may properly come before the Annual Meeting.

The Board of Directors has fixed the close of business on June 2, 2008 as the record date for determining shareholders entitled to notice and to vote at the Annual Meeting and any adjournments.

Our Annual Report to Shareholders of the Company for the fiscal year ended March 31, 2008 is being mailed to shareholders with the Proxy Statement for the Annual Meeting. The Proxy Statement accompanies this Notice.

By Order of the Board of Directors,

MARK D. MCGINLEY
Secretary

June 19, 2008

Please sign and return the enclosed proxy in the envelope provided for that purpose, or, if you prefer, follow the instructions for telephone or internet voting included with the proxy card or direction form that accompanies your Proxy Statement. If you attend the Annual Meeting, you may revoke your proxy and vote your shares in person.

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

Table of Contents

TABLE OF CONTENTS

| | |
|--|----|
| <u>General Information</u> | 1 |
| <u>Proxy Voting and Solicitation of Proxies</u> | 1 |
| <u>Voting</u> | 1 |
| <u>Votes Required to Adopt Proposals</u> | 1 |
| <u>Purposes of Annual Meeting</u> | 2 |
| <u>Proposal 1 Election of Directors</u> | 3 |
| <u>Nominees for Election as Directors</u> | 4 |
| <u>Proposal 2 Ratification of the Appointment of Company's Independent Registered Public Accounting Firm</u> | 6 |
| <u>Voting on Other Matters</u> | 6 |
| <u>Board of Directors Information</u> | 7 |
| <u>Board Meetings and Committees</u> | 7 |
| <u>Governance Generally</u> | 10 |
| <u>Governance Guidelines</u> | 12 |
| <u>Independent Registered Public Accounting Firm</u> | 14 |
| <u>Report of the Audit and Financial Policy Committee</u> | 15 |
| <u>Executive Compensation</u> | 16 |
| <u>Compensation Discussion and Analysis</u> | 16 |
| <u>Report of the Compensation and Corporate Governance Committee</u> | 22 |
| <u>Compensation and Corporate Governance Committee Interlocks and Insider Participation</u> | 23 |
| <u>Tabular and Other Executive Compensation Disclosure</u> | 23 |
| <u>Non-Employee Director Compensation</u> | 45 |
| <u>Description of Director Compensation for Fiscal 2008</u> | 45 |
| <u>Director Compensation Table for Fiscal 2008</u> | 46 |
| <u>Director Fee Breakdown for Fiscal 2008</u> | 47 |
| <u>Aggregate Option Holdings by Non-Employee Directors at March 31, 2008</u> | 48 |
| <u>Ownership of Voting Securities</u> | 48 |
| <u>5% Owners</u> | 48 |
| <u>Stock Ownership of Directors and Executive Officers</u> | 49 |
| <u>Section 16(a) Beneficial Ownership Reporting Compliance</u> | 50 |
| <u>Shareholder Nominations of Directors and Nominee Criteria</u> | 51 |
| <u>Shareholder Proposals</u> | 53 |
| <u>Miscellaneous Matters</u> | 53 |
| <u>Annual Report</u> | 54 |

Table of Contents

STERIS CORPORATION

5960 Heisley Road

Mentor, Ohio 44060

440-354-2600

PROXY STATEMENT

Annual Meeting of Shareholders

July 24, 2008

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

GENERAL INFORMATION

PROXY VOTING AND SOLICITATION OF PROXIES

This Proxy Statement was mailed on or about June 23, 2008 to the STERIS Corporation (we , our , STERIS or the Company) shareholders of record as of the close of the stock transfer books on June 2, 2008. This Proxy Statement is provided in connection with the solicitation by the Board of Directors of proxies for the 2008 Annual Meeting of Shareholders to be held at 9:00 a.m., Eastern Daylight-Saving Time, on Thursday, July 24, 2008, at Holiday Inn Express Hotel & Suites LaMalfa, 5783 Heisley Road, Mentor, Ohio, USA. The procedures for voting are described on the proxy card or direction form included with this Proxy Statement. Pursuant to the Ohio General Corporation Law, a shareholder may revoke a proxy appointment by giving timely notice in writing, in a verifiable communication or in open meeting, or by submitting a subsequent proxy. The cost of soliciting the proxies will be borne by STERIS. In addition to solicitations by mail, we may solicit proxies in person, by fax, telephone, or e-mail. STERIS has engaged a professional proxy solicitation firm, Georgeson Inc. (Georgeson), to aid in the solicitation of proxies. We will pay Georgeson a fee of approximately \$8,000 for its base shareholder meeting services, including facilitating the distribution of proxy materials to Broadridge Financial Solutions, Inc., brokers, banks and institutional holders. Additional shareholder meeting services may be contracted for additional fees.

VOTING

As of the record date set by the Board of Directors (June 2, 2008), we had 58,624,261 Common Shares outstanding and entitled to vote at the 2008 Annual Meeting, each of which is entitled to one vote. Under the Ohio General Corporation Law, the shares may be voted cumulatively in the election of directors if (a) notice in writing is given by a shareholder of record to the President, a Vice President, or the Secretary not less than 48 hours before the time fixed for holding the meeting that the shareholder desires the voting in the election to be cumulative and (b) an announcement of the giving of the notice is made upon the convening of the meeting by the Chairperson or the Secretary or by or on behalf of the shareholder giving the notice. If cumulative voting is in effect, each shareholder will have the right to cumulate the shareholder's votes and to give one nominee a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are entitled, or the shareholder may distribute the shareholder's votes on the same principle among two or more nominees. In the event of cumulative voting, unless contrary instructions are received, the persons named in the enclosed proxy will vote the shares represented by valid proxies on a cumulative basis for the election of the nominees listed on pages 4 and 5, allocating the votes among the nominees in accordance with their discretion.

VOTES REQUIRED TO ADOPT PROPOSALS

Edgar Filing: STERIS CORP - Form DEF 14A

Common Shares represented by properly executed proxies will be voted in accordance with the specifications made thereon. If no specification is made, proxies will be voted FOR the election of the nominees named in this Proxy Statement, and FOR the ratification of Ernst & Young LLP as our independent registered public accounting firm.

Table of Contents

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

PURPOSES OF ANNUAL MEETING

The Annual Meeting has been called for the purposes of (1) electing twelve directors to serve until the Company's 2009 Annual Meeting of Shareholders, (2) ratifying the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2009 and (3) transacting such other business as may properly come before the meeting.

The persons named in the enclosed proxy form have been selected by the Board of Directors and will vote shares represented by valid proxies. They have indicated that, unless otherwise specified in the proxy, they intend to vote to elect as directors the twelve nominees listed on pages 4 and 5, and to ratify the appointment of Ernst & Young LLP.

Table of Contents

PROPOSAL 1 ELECTION OF DIRECTORS

Our Board of Directors (sometimes referred to as the Board) currently has twelve members. Proxies cannot be voted for more than twelve candidates for director. The Board, upon recommendation of the Compensation and Corporate Governance Committee, unanimously nominated the current twelve directors for election to the Board at the Annual Meeting.

The directors elected at the Annual Meeting will hold office until the 2009 Annual Meeting of Shareholders or until their successors are duly elected and qualified. Unless otherwise instructed, the persons named in the accompanying proxy form intend to vote the proxies held by them for the election of the twelve nominees named below. The Board has no reason to believe that any of the nominees will be unable to serve as a director. In the event, however, of the death or unavailability of any nominee or nominees, a proxy with a vote for such nominee or nominees will be voted for such other person or persons as the Board may recommend unless the Board, in response to the death or unavailability, chooses to reduce the number of directors.

PROPOSAL 1: To elect Richard C. Breeden, Cynthia L. Feldmann, Robert H. Fields, Jacqueline B. Kosecoff, Raymond A. Lancaster, Kevin M. McMullen, J. B. Richey, Walter M Rosebrough, Jr., Mohsen M. Sohi, John P. Wareham, Loyal W. Wilson, and Michael B. Wood as directors for terms expiring at the 2009 Annual Meeting of Shareholders.

Ms. Feldmann, Drs. Kosecoff, Sohi and Wood and Messrs. Lancaster, McMullen, Richey, Wareham and Wilson were all last elected as directors by the shareholders at the 2007 Annual Meeting for terms expiring at the 2008 Annual Meeting. Mr. Rosebrough was appointed to the Board when he joined STERIS on October 1, 2007 as President and Chief Executive Officer. Messrs. Breeden and Fields were appointed to the Board on April 23, 2008.

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

Table of Contents

NOMINEES FOR ELECTION AS DIRECTORS

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

Richard C. Breeden, age 58, director since April 2008. Mr. Breeden has served since 2005 as Chairman and Chief Executive Officer of Breeden Capital Management LLC, the manager of a series of affiliated investment funds. He has also served since 1996 as Chairman of Richard C. Breeden & Co., LLC (Breeden & Co.), a professional services firm specializing in strategic consulting, financial restructuring and corporate governance advisory services. Mr. Breeden is in the final year of service as Monitor of KPMG LLP on behalf of the U.S. Department of Justice, an assignment that began in 2005. He currently serves as non-executive Chairman of the Board of H&R Block, Inc., and as a director of Banco Bilbao Vizcaya Argentaria, S.A., of Spain, and Zale Corporation. Mr. Breeden served as Chairman of the U.S. Securities and Exchange Commission from 1989-1993.

Cynthia L. Feldmann, age 55, director since March 2005, and President and Founder of Jetty Lane Associates, a consulting firm, since December 2005. Ms. Feldmann served as the Life Sciences Business Development Officer for the Boston law firm Palmer & Dodge, LLP from November 2003 to September 2005. From September 2002 to November 2003 Ms. Feldman was involved in a variety of personal business matters. Ms. Feldmann is a director of Hanger Orthopedic Group, Inc. and Hayes Lemmerz International, Inc.

Robert H. Fields, age 37, director since April 2008, and the Managing Director of Research & Trading of Breeden Capital Management LLC since January 2006. From June 2001 to December 2005 he was employed by MFP Investors, a closely held investment company, as a Securities Analyst.

Jacqueline B. Kosecoff, age 59, director since October 2003, and Chief Executive Officer of Prescriptions Solutions, a UnitedHealth Group s Pharmacy Benefits Management and Consumer Health Products Company, since October 2007. Dr. Kosecoff served as Chief Executive Officer of Ovations Pharmacy Solutions, a UnitedHealth Group company, from December 2005 to October 2007. From July 2002 to December 2005, Dr. Kosecoff served as Executive Vice President, Specialty Companies, of PacificCare Health Systems, Inc., one of the nation s largest consumer health organizations. Dr. Kosecoff is a director of Sealed Air Corporation.

Raymond A. Lancaster, age 62, director since 1988, and Managing Director of South Franklin Street Partners (formerly known as Candlewood Partners, LLC), an investment banking firm specializing in employee stock ownership plans and restructurings, since January 2002.

Kevin M. McMullen, age 47, director since July 2000, and Chairman of the Board, Chief Executive Officer, and President of OMNOVA Solutions Inc., a major innovator of decorative and functional surfaces, emulsion polymers, and specialty chemicals, since February 2001.

J. B. Richey, age 71, director since 1987, and Senior Vice President of Invacare Corporation, a leading provider of home healthcare medical equipment, since 1984. Mr. Richey is a director of Invacare Corporation.

Walter M Rosebrough, Jr., age 54, director and President and Chief Executive Officer of STERIS Corporation since October 2007. Prior to his employment with STERIS, Mr. Rosebrough served from February 2005 to September 2007 as President and Chief Executive Officer of Coastal Hydraulics, Inc., a provider of hydraulic and pneumatic systems, equipment and services used in industrial, marine and mobile equipment applications, a company he purchased in 2005. From January 2003 until February 2005, Mr. Rosebrough was involved in a variety of personal business matters.

Table of Contents

Mohsen M. Sohi, age 49, director since July 2005, and President and Chief Executive Officer of Freudenberg-NOK General Partnership, a joint venture between Freudenberg & Co. of Germany and NOK Corp. of Japan, since March 2003. Freudenberg-NOK is a supplier of sealing, noise and vibration control products to automotive and other industries. Dr. Sohi is a director of Hayes Lemmerz International Inc. and Harris Stratex Networks, Inc.

John P. Wareham, age 66, director since November 2000. Mr. Wareham was appointed Chairman of the Board of Directors of STERIS in May 2005. In April 2005, Mr. Wareham retired as Chairman of the Board and Chief Executive Office of Beckman Coulter, Inc., a leading provider of laboratory systems and complementary products used in biomedical analysis, a position which he held since February 1999. Mr. Wareham is a director of Greatbatch, Inc., ResMed Inc. and Accuray Incorporated.

Loyal W. Wilson, age 60, director since 1987, and Managing Director of Primus Capital Partners, Inc., a private equity investment and management firm, since 1994 and a Managing Partner of Primus Venture Partners, L.P. since 1983.

Michael B. Wood, age 64, director since October 2004, and a consultant physician at the Mayo Clinic in Jacksonville, Florida since August 2004. Dr. Wood also serves as a Professor of Orthopedics at the Mayo Clinic College of Medicine. Dr. Wood served from June 2004 to August 2004 as a staff orthopedic surgeon at Luther-Midelfort Clinic in Eau Claire, Wisconsin. Dr. Wood was also President Emeritus of the Mayo Foundation from February 2003 until February 2004. The Mayo Foundation is a charitable, not-for-profit organization based in Rochester, Minnesota, and is the parent corporate entity of the Mayo Clinics in Minnesota, Florida and Arizona. Dr. Wood is a director of Cubist Pharmaceuticals, Inc.

Table of Contents

PROPOSAL 2 RATIFICATION OF THE APPOINTMENT OF COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP has been reappointed as the Company s independent registered public accounting firm for the fiscal year ending March 31, 2009 by the Audit and Financial Policy Committee of the Board. The Board recommends ratification of this appointment by the shareholders.

PROPOSAL 2: To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending March 31, 2009.

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

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

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

VOTING ON OTHER MATTERS

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

Table of Contents

BOARD OF DIRECTORS INFORMATION

BOARD MEETINGS AND COMMITTEES

The Board of Directors met seven times during the fiscal year ended March 31, 2008. The Board has established three standing committees of the Board – the Audit and Financial Policy Committee, the Compensation and Corporate Governance Committee, and the Compliance Committee. Each committee has adopted a written charter that may be found at www.steris-ir.com. A copy of each charter will also be made available upon a request sent to the Company’s Secretary. The Board also previously established a temporary Search Committee to facilitate the search for a replacement for the former CEO, which committee is no longer in existence.

Audit and Financial Policy Committee

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

Compensation and Corporate Governance Committee

Messrs. McMullen, Breeden, Lancaster and Wareham are the current members of the Compensation and Corporate Governance Committee (sometimes referred to as the Compensation Committee). The Compensation and Corporate Governance Committee is responsible for the Company’s general compensation philosophy for senior management, including approval of the compensation of the President and Chief Executive Officer and elements of other senior management compensation. The Compensation Committee’s approval is required for equity grants to the named executive officers and other executive officers under the Company’s 2006 Long-Term Equity Incentive Plan and annual performance bonus payments under the Company’s Management Incentive Compensation Plan and Senior Executive Management Incentive Compensation Plan. In making these decisions, the Compensation Committee considers the recommendations of the President and Chief Executive Officer and the Committee’s compensation consultant. The Compensation Committee also is responsible for the Company’s compensation philosophy for the directors, reviews director compensation in relation to certain other companies, and discusses this review with and makes recommendations to the Board. The Compensation Committee is authorized to and has regularly retained compensation consultants and other advisors to assist with the discharge of its responsibilities. A more detailed description of this process is located under Executive Compensation – Compensation Discussion and Analysis, beginning on page 16.

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

Table of Contents

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

Compliance Committee

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

Search Committee

During fiscal 2008, Messrs. Wareham, Lancaster and Hardis and Dr. Kosecoff were the members of the Search Committee. The Search Committee was responsible for facilitating and assisting in the search for a new President and Chief Executive Officer. The Search Committee met 14 times during fiscal 2008.

Meetings

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

Table of Contents

Summary Table of Meetings

The following table summarizes the membership of the Board and of each of its Committees during fiscal 2008, as well as the number of times the Board and each Committee met during fiscal 2008. Messrs. Breeden and Fields are not shown in this table because they were not appointed to the Board or Board Committees until after the end of fiscal 2008.

- (1) This Committee was dissolved after Mr. Rosebrough's appointment as President and CEO.
- (2) Messrs. Hardis and Vinney retired from the Board on July 26, 2007.
- (3) Mr. Rosebrough was appointed to the Board on October 1, 2007.

Table of Contents

GOVERNANCE GENERALLY

Our business is managed by our employees under the oversight of the Board of Directors. Except for Mr. Rosebrough and Mr. Vinney (who ceased to be a Board member on July 26, 2007), none of the Board members was an employee of the Company during fiscal 2008. The Board limits membership of the Audit and Financial Policy Committee and Compensation and Corporate Governance Committee to persons determined to be independent non-management directors.

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

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

Independence Standards

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

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

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

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

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

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

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

gross revenues.

Table of Contents

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

Related Person Transactions

Since the beginning of fiscal 2008, we have not been a participant in, and there are not currently proposed, any related person transactions (within the meaning of, and required to be disclosed under, Item 404(a) of Regulation S-K). We have not adopted a related person transactions policy.

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

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

Our Conflicts of Interest Policy also contains prohibitions with respect to conflicts of interest or transactions involving personal financial gain.

Table of Contents

GOVERNANCE GUIDELINES

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

Director Retirement

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

Annual Meeting of Shareholders

The Board of Directors encourages all of its members to attend the Annual Meeting of Shareholders. With the exception of Messrs. Breeden, Fields, and Rosebrough who were appointed to the Board subsequent to the last Annual Meeting of Shareholders, all of the current directors were present at the 2007 Annual Meeting of Shareholders.

Executive Sessions

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

Authority

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

Board and Committee Evaluations

The Board has conducted annual self-evaluations as well as individual director evaluations to assess the effectiveness of the Board and its members. The Chairman (or Lead Director, if the Chairman is not independent) and the Compensation and Corporate Governance Committee coordinate these evaluations. The individual results are reviewed with the individual director and the Board self-evaluation is reviewed with the full Board. The purpose of these self-evaluations is to increase the effectiveness of the Board and each committee, as well as their individual members. Changes in Board compensation, if any, are to be evaluated and recommended by the Compensation and Corporate Governance Committee, but require the concurrence of the full Board.

New Director Orientation

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

Table of Contents

Attendance at Meetings

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

Shareholder Communications

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

Ethics Phonenumber

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

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

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

Ernst & Young LLP has been appointed as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2009, by the Audit and Financial Policy Committee of the Board of Directors. A representative of Ernst & Young LLP is expected to be present at the 2008 Annual Meeting with an opportunity to make a statement if so desired and to answer appropriate questions with respect to that firm's audit of the Company's financial statements and records for the fiscal year ended March 31, 2008.

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

The aggregate fees billed for professional services by Ernst & Young LLP for the fiscal years ended March 31, 2008 and March 31, 2007 were:

| Type of Fees | Years Ended | |
|--------------------|-------------------|-------------------|
| | March 31, 2008 | March 31, 2007 |
| | (in thousands) | |
| Audit Fees | \$ 2,117 | \$ 2,264 |
| Audit-Related Fees | 53 | 92 |
| Tax Fees | 88 | 210 |
| All Other Fees | 0 | 0 |
| Total | \$ 2,258 | \$ 2,566 |

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

Table of Contents

REPORT OF THE AUDIT AND FINANCIAL POLICY COMMITTEE

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

The Audit and Financial Policy Committee has reviewed and discussed with the Company's management and Ernst & Young LLP, the Company's independent registered public accounting firm, the audited financial statements of the Company contained in the Company's Annual Report on Form 10-K for the year ended March 31, 2008. The Audit and Financial Policy Committee has also discussed with the Company's independent registered public accounting firm the matters required to be discussed pursuant to SAS No. 61, as amended (Codification of Statements on Auditing Standards, *Communication with Audit Committees*), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

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

Based on the review and discussions referred to above, the Audit and Financial Policy Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2008 filed with the Securities and Exchange Commission.

Audit and Financial Policy Committee of the Board of Directors⁽¹⁾

Cynthia L. Feldmann Chairperson

Mohsen M. Sohi

Loyal W. Wilson

(1) Robert H. Fields joined the Audit and Financial Policy Committee after the fiscal year ended March 31, 2008.

Table of Contents

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Compensation and Corporate Governance Committee Overview

The Compensation and Corporate Governance Committee of our Board of Directors, which we refer to throughout this Compensation Discussion and Analysis as the Committee, was comprised of three members throughout fiscal 2008. Each member satisfied the independence standards of the rules of the New York Stock Exchange. The Committee is responsible for approving the compensation of the President and Chief Executive Officer and senior management (including salaries, incentive compensation and equity awards), and our general compensation philosophy. The Committee also approves annual equity grants under our equity incentive compensation plan for eligible employees, as well as the maximum amount payable under our annual cash bonus plans, based upon performance criteria established by the Committee under those plans. The Committee is authorized to, and regularly has, retained compensation consultants and other advisors to assist with its responsibilities.

General Compensation Philosophy

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

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

Process for Determining Senior Management Compensation

Senior management compensation is generally reviewed and established on an annual basis by the Committee. Our fiscal year ends on March 31. Therefore, the Committee typically meets in March (the last month of the fiscal year) to begin the evaluation and assessment of the compensation process for senior management. The Committee typically meets again in April (the first month of the new fiscal year) to establish bonus amounts for the recently completed fiscal year, and to finalize base salaries, set bonus criteria, and consider equity awards for senior management for the new fiscal year.

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

Table of Contents

with compensation of our other senior managers. The CEO also provides recommendations to the Committee for compensation adjustments for the other executive officers.

Principal Components of Compensation for Named Executive Officers

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

base salary;

annual incentive compensation (cash bonus);

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

benefits and perquisites.

Base Salary:

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

Although the payment of base salary is not directly tied to achievement of certain pre-established financial goals, the Committee considers a number of factors in determining base salary, including previous performance, base salaries paid by other medical device, hospital supply, pharmaceutical, and other industrial companies, the complexity and responsibility of the executive's position, the executive's overall experience and achievements against objectives, as well as the general and industry market for executive talent. The Committee believes that the target salary for our executive positions should generally be within 25% of the median base salary of similar positions based on the survey data provided by the compensation consultant. While the median serves as a target, other factors such as experience, time in position, complexity of functions, competitive environment, special skills and past performance are also considered. The Committee believes that salaries for executives with significant experience and strong past performance should not generally exceed the 75th percentile for similar positions of industrial companies based on survey data.

To help assess the base salary of our executive officers, each year the Committee and its compensation consultant review market data for the CEO and other executive officers, including the named executive officers. This analysis includes the compensation consultant's review of proxy data from similar industrial companies, information derived from multiple surveys, and other executive compensation data maintained by the compensation consultant. That data included peers with a focus on healthcare equipment and supplies and public companies primarily from the S & P 1500, adjusted by the consultant to reflect comparative company size. The Committee evaluates this data as well as other compensation trends and internal and external factors to develop a target base salary for each executive position. Companies used by the consultant in the comparison compensation data include:

| | | |
|-------------------------|------------------------|------------------|
| Advanced Medical Optics | Dentsply International | Millipore |
| Apria Healthcare | Edwards Lifesciences | Respironics |
| Beckman Coulter | Hill-Rom | St. Jude Medical |

Edgar Filing: STERIS CORP - Form DEF 14A

Biomet

Idexx Labs

Stryker

CR Bard

Invacare

Sybron Dental

Conmed

Lincare Holdings

Varian Medical

Table of Contents

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

With respect to our former CEO, Les Vinney's annual base salary rate of \$750,000 was approved and established by the Committee and is reflected in the employment agreement with Mr. Vinney dated May 7, 2007. This base salary amount represented an increase of approximately 3.3% from his prior base salary. Factors the Committee considered with respect to Mr. Vinney's base salary, as established in his employment agreement, included his leadership of STERIS during fiscal 2008, his importance to the ongoing success of the business during the search for a successor CEO, his assistance to STERIS during the subsequent transition period, and competitive factors.

With respect to our current CEO, Walter M Rosebrough, Jr.'s annual base salary rate of \$750,000 was established by the Committee as a part of his employment agreement which became effective October 1, 2007. Factors considered by the Committee in determining Mr. Rosebrough's salary included industry and other company survey data, the salary of Mr. Rosebrough's predecessor, Mr. Rosebrough's industry experience, and the necessary incentives to have Mr. Rosebrough join the Company and forego other opportunities. Also, as a part the current CEO's recruitment to STERIS, Mr. Rosebrough received a one-time cash sign-on compensation payment of \$200,000, as well as the other sign-on compensation described below. The Committee retained Watson Wyatt as a consultant to evaluate CEO compensation arrangements and develop a competitive CEO compensation package.

Annual Incentive Compensation (cash bonus):

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

Annual incentive compensation is generally based on a weighted formula of selected financial targets. An individual's annual incentive compensation target under our Management Incentive Compensation Plan or Senior Executive Management Incentive Compensation Plan (which we refer to collectively in this Compensation Discussion and Analysis as the Plans), is expressed as a percentage of salary. The incentive compensation opportunity increases with the level of responsibility. For fiscal 2008, the target bonus for both our former and current CEO was 100% of base salary earned during the period employed as CEO. The bonus was based on performance against full year fiscal 2008 financial objectives, and could range from 0% to 175% of annual base salary based on actual performance against the established financial objectives, with the Committee having discretion to reduce Mr. Rosebrough's bonus based upon performance against individual objectives. The Committee did not exercise its discretion to reduce Mr. Rosebrough's bonus payment. For other executive officers, the bonus percentages were set from 35% to 60% of annual base salary and annual incentive payments could range from 0% to 175% of target, based on the level of performance against the financial and individual objectives. This method of calculation is reviewed annually with the compensation consultant and compared to the compensation consultant's survey data.

Financial targets for the incentive compensation plan are established annually based on our operating plan financial metrics for the fiscal year as reviewed with the Committee and approved by the Board. Each year, the Committee and the Board evaluate our annual operating plan and consider financial metrics important to shareholder value and designed to support the overall strength and success of the business. After consideration of the compensation consultant data and recommendation of management, certain financial metrics to calculate the

Table of Contents

bonus compensation levels are identified and approved by the Committee to establish criteria for the Plans. For fiscal year 2008, the Committee determined the applicable overall financial metrics to be total revenue growth, total free cash flow (cash from operations less capital expenditures) and total earnings before interest and taxes, excluding in each case the effect of amounts related to the following special items that the Committee considers not representative of ongoing operations: impairment and restructuring charges, gains or losses on sales of assets outside the ordinary course of business, gain or loss on sales or divestiture of a subsidiary, costs associated with divestiture of discontinued operations, acquisition-related costs, and special or one-time product launch, marketing, regulatory, tax, litigation, settlement, pension, benefit, or governmental charges, costs or expenses. Similar criteria were also approved and applied in fiscal years 2006 and 2007, again with certain adjustments. The Committee assigned weighting to the Plan criteria, reflecting the Committee's emphasis on the respective components of financial performance for fiscal year 2008, were as follows: revenue growth 35%; free cash flow 15%; and earnings before interest and taxes (EBIT) 50%.

For fiscal year 2008, the metrics for calculating the potential payout under the Plans were approved by the Committee and reviewed by the Board in April 2007. Target performance for revenue, EBIT, and free cash flow for 100% payout under the Plans were \$1,269 million, \$153 million, and \$70 million, respectively, as adjusted pursuant to the Plan criteria. The Plans also required a minimum adjusted EBIT of \$138 million before any payment would be made under the Plans. After the conclusion of fiscal year 2008, the Board and the Committee assessed the achievement of performance for determining payment under the Plans. This assessment resulted in the following incentive compensation determinations for fiscal 2008:

Current CEO 73.9% performance against established criteria pursuant to the Senior Executive Management Incentive Compensation Plan for the period of Mr. Rosebrough's employment as CEO during fiscal 2008, resulting in the payment of \$277,125;

Former CEO 73.9% performance against established criteria pursuant to the Senior Executive Management Incentive Compensation Plan for the period of Mr. Vinney's employment as CEO during fiscal 2008, and the terms of Mr. Vinney's employment contract dated May 7, 2007, resulting in a payment of \$277,125;

Nine senior officers 43.2% to 93.1% performance against the Management Incentive Compensation Plan criteria and reflecting adjustments for the officer's business segment performance and the officer's performance against objectives, resulting in an aggregate payment not to exceed \$861,183; and

563 other eligible employees 73.9% performance against targets, resulting in an aggregate payment not to exceed \$8,023,001 to those 563 employees.

Therefore, the maximum total incentive compensation payments approved for distribution to eligible employees under the Plans for fiscal year 2008 was of \$9,438,434, including the payments to the current and former CEO.

Long-Term Equity Incentive Compensation

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

Prior to fiscal year 2007, equity incentive awards were generally limited to stock options. Stock appreciation rights, restricted stock units and performance units were not granted and restricted shares were awarded only in very limited circumstances. In fiscal year 2007, the Board determined to seek approval to expand the types and

Table of Contents

forms of equity compensation and proposed the STERIS Corporation 2006 Long-Term Equity Incentive Plan, or the 2006 Plan, for the approval of shareholders. The 2006 Plan was approved by shareholders in July 2006.

Long-term equity incentive awards are now made pursuant to the 2006 Plan. The 2006 Plan is administered by the Committee and provides for a variety of equity-based incentive compensation such as stock options, stock appreciation rights, restricted stock units, restricted stock and performance units. The Committee believes the 2006 Plan provides flexibility to better design long-term equity compensation consistent with our long-term success and alignment with the interest of shareholders. As to the level and type of equity incentives, the Committee generally considers the recommendation of the CEO (other than for himself), the consultant's data regarding competitive trends and practices, the officer's salary and level within our organization, and the Committee's own evaluation of the performance of named executive officers, since the Committee members generally have an opportunity to observe their performance and have available information on the level of past awards. The Committee ultimately decides the level and mix of long-term compensation (stock options, restricted shares and restricted share units) granted to each named executive officer.

The approval of long term equity incentive compensation is typically made in April but, in fiscal 2008, this process was delayed due to the ongoing search for the new CEO. In addition, it was decided that the grants should not be made effective until after announcing financial results for the fiscal 2008 first quarter ended June 30, 2007 and the announcement that the Board of Directors had authorized the purchase of up to \$300 million in shares of our common stock. Those announcements were made by press releases on July 25, 2007 and July 26, 2007, respectively. On July 25, 2007, the Committee met and approved the equity grants and established the option exercise price at the closing price of the Company's common stock on the NYSE Composite Transaction Reporting System on July 27, 2007. In fiscal 2008, the Committee also established a guideline to establish the pricing and valuation of annual long term equity incentive compensation awards, which would generally be based on the closing price of STERIS common stock on the NYSE Composite Transaction Reporting System on a designated trading day after we announce our prior year fourth quarter and full fiscal year earnings.

With respect to our current CEO, Mr. Rosebrough was granted restricted stock units for 12,000 Common Shares and the option to purchase 35,000 Common Shares pursuant to his employment agreement approved by the Board and entered into September 7, 2007. The value assigned to the restricted stock units and the exercise price of the stock options was the closing price of STERIS common stock on the NYSE Composite Transaction Reporting System on October 15, 2007, the tenth trading day following Mr. Rosebrough's first day of employment, October 1, 2007. In addition, Mr. Rosebrough was granted, as sign-on compensation pursuant to his employment agreement, an option to purchase 100,000 Common Shares and restricted stock units for 33,000 Common Shares. The value assigned to these restricted stock units and the exercise price of the stock options was also the closing price of STERIS common stock on the NYSE Composite Transaction Reporting System on October 15, 2007.

Benefit and Perquisite Programs

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

The perquisites provided to a limited number of senior managers, including our named executive officers, include tax return preparation and financial planning and car allowances. The Committee has approved limited personal use of the corporate aircraft by the CEO, which is also included in the CEO's compensation pursuant to IRS regulations. During fiscal year 2008 neither the current nor the former CEO had personal use of the corporate aircraft.

Table of Contents**Stock Ownership Guidelines**

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

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

The following share types are included under these guidelines:

Shares purchased outright;

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

Restricted shares that have vested; and/or

Shares purchased through the STERIS 401(k) plan.

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

Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for certain compensation in excess of \$1 million paid to the person who on the last day of the fiscal year is the Company's chief executive officer or among the three highest compensated named executive officers (other than the chief executive officer and chief financial officer). Certain compensation is specifically exempt from the deduction limit to the extent that it does not exceed \$1 million during any fiscal year or is performance based as defined in Section 162(m). Incentive compensation payable under the Senior Executive Management Incentive Compensation Plan is intended to be performance based for these purposes. The Committee believes that it is generally in our interest to structure compensation to come within the deductibility limits set in Section 162(m) of the Internal Revenue Code. The Committee also believes, however, that it must maintain the flexibility to take actions which it deems to be in the best interests of STERIS but which may not qualify for tax deductibility under Section 162(m).

Agreements Regarding Named Executive Officer Compensation

The Committee reviews and approves, or makes recommendations to the Board to approve, any agreements with the named executive officers relating to compensation or separation payments. There are a limited number of agreements regarding compensation with senior management, including employment agreements with Mr. Rosebrough and Mr. Vinney and a retention agreement with our Chief Technology Officer, Dr. Peter Burke. These agreements are further discussed in Potential Payments to Named Executive Officers upon Termination of Employment or Changes in Control beginning on page 31 through 38 below. The Committee believes that agreements regarding senior management compensation are generally limited to special circumstances. Mr. Rosebrough's agreement relates to his recruitment to STERIS and his duties and responsibilities as President

Table of Contents

and Chief Executive Officer and a Director of the company; Mr. Vinney's agreement related to his ongoing CEO employment and his leadership during the successor CEO search and transition process; and Dr. Burke's agreement was entered into because of the need for his special knowledge and skills as Chief Technology Officer.

Other agreements with the named executive officers provide for possible payments due to an executive's separation arising from a change of control event. The Committee believes these agreements will help protect shareholder value by preserving the continuity of management and encouraging management's continued attention and dedication in the event of potentially disruptive circumstances involving a change of control (e.g., the sale of STERIS). These agreements do not pay any amount unless the employee is terminated or leaves our employment due to specific circumstances within a defined period of time after a change of control event. Further discussion regarding these agreements can be found in Potential Payments to Named Executive Officers upon Termination of Employment or Changes in Control beginning on page 31.

REPORT OF THE COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

The Compensation and Corporate Governance Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation and Corporate Governance Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in the STERIS Annual Report on Form 10-K for the year ended March 31, 2008.

Compensation and Corporate Governance Committee of the Board of Directors (1)

Kevin M. McMullen Chairman

John P. Wareham

Raymond A. Lancaster

(1) Richard C. Breeden joined the Compensation and Corporate Governance Committee after the fiscal year ended March 31, 2008.

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

None of the members of the Board who served on the Compensation and Corporate Governance Committee during fiscal 2008 was ever an officer or employee of the Company or of any of its subsidiaries or had any relationship requiring disclosure under any paragraph of Item 404 of Regulation S-K.

TABULAR AND OTHER EXECUTIVE COMPENSATION DISCLOSURE

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

SUMMARY COMPENSATION TABLE

| Name and Principal Position | Fiscal Year | Salary (\$) ⁽¹⁾ | Bonus (\$) ⁽²⁾ | Non-Equity | | | | Total (\$) |
|---|-------------|-------------------------------|------------------------------|-------------------------------------|--------------------------------------|--|---|---------------|
| | | | | Stock Awards (\$) ⁽³⁾ | Option Awards (\$) ⁽⁴⁾ | Incentive Plan Compensation (\$) ⁽⁵⁾ | All Other Compensation (\$) ⁽⁶⁾ | |
| Walter M Rosebrough, Jr.* President and Chief Executive Officer | 2008 | 392,591 | 200,000 | 194,422 | 147,822 | 277,125 | 69,242 | 1,281,202 |
| Les C. Vinney, Former President and Chief Executive Officer | 2008 | 383,042 | | 678,053 | 529,883 | 277,125 | 16,101 | 1,884,204 |
| Michael J. Tokich, Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) | 2007 | 722,843 | | 483,094 | 1,113,249 | 443,586 | 31,546 | 2,794,318 |
| Peter A. Burke, Senior Vice President and Chief Technology Officer | 2008 | 219,961 | 20,000 | 40,754 | 76,276 | 85,355 | 16,224 | 458,570 |
| Gerard J. Reis, Senior Vice President, Government and Administration | 2007 | 204,501 | | 5,807 | 93,374 | 60,000 | 16,114 | 379,796 |
| Robert E. Moss, Senior Vice President and Group President, STERIS Isomedix Services | 2008 | 316,845 | | 23,951 | 247,908 | 141,445 | 19,630 | 749,779 |
| | 2007 | 308,449 | | 92,680 | 316,839 | 107,500 | 19,914 | 845,382 |
| | 2008 | 305,961 | | 23,951 | 245,309 | 75,645 | 18,797 | 669,663 |
| | 2007 | 298,022 | | 92,680 | 314,278 | 80,000 | 20,643 | 805,623 |
| | 2008 | 236,301 | | 23,352 | 176,858 | 131,271 | 23,121 | 590,903 |
| | 2007 | 227,130 | | 69,510 | 225,298 | 130,000 | 21,620 | 673,558 |

* Mr. Rosebrough became a STERIS employee on October 1, 2007.

(1) Regular base pay earnings for fiscal 2007 and 2008.

Edgar Filing: STERIS CORP - Form DEF 14A

- (2) The amount shown for Mr. Rosebrough was his cash sign-on bonus. The amount shown for Mr. Tokich was his incentive payment beyond his Management Incentive Compensation Plan entitlement based on his assumption of his new role as principal accounting officer and his contribution towards the successful transition to a new Chief Financial Officer. Mr. Tokich was named Senior Vice President and Chief Financial Officer on March 14, 2008. Amounts paid under the Company's Senior Executive Management Incentive Compensation Plan (applicable in fiscal 2007 to Mr. Vinney and in fiscal 2008 to Messrs. Rosebrough and Vinney) or Management Incentive Compensation Plan (applicable in fiscal 2007 and 2008 to all NEOs other than Messrs. Rosebrough and Vinney) are reported under the Non-Equity Incentive Plan Compensation column.

- (3) The dollar amounts represent the compensation that was earned by the NEOs and the cost recognized by the Company during fiscal 2007 and 2008 related to awards of restricted stock or, with respect to Messrs. Rosebrough and Vinney, restricted stock units. Compensation cost is initially measured based on the grant date fair value of an award, determined pursuant to FAS 123R (excluding estimate of forfeiture) utilizing assumptions discussed in Note 2 and Note 15 to our financial statements in our Form 10-K for the fiscal years ended March 31, 2007 and March 31, 2008, respectively. Compensation cost is recognized for financial reporting purposes over the period in

Table of Contents

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

- (4) The dollar amounts represent the compensation that was earned by the NEOs and the cost recognized by the Company during fiscal 2007 and 2008 related to option awards. Compensation cost is initially measured based on the grant date fair value of an award, determined pursuant to FAS 123R (excluding estimate of forfeiture) utilizing assumptions discussed in Note 2 and Note 15 to our financial statements in our Form 10-K for the fiscal years ended March 31, 2007 and March 31, 2008, respectively. Compensation cost is recognized for financial reporting purposes over the period in which the employee is required to provide service in exchange for the award (generally the vesting period). For a discussion of specific stock option awards granted in fiscal 2008, see Tabular Executive Compensation Disclosure – Grants of Plan-Based Awards in Fiscal 2008 below and the narrative discussion that follows.
- (5) Reflects incentive compensation paid for fiscal year 2007 and 2008 under the Company’s Senior Executive Management Incentive Compensation Plan for Messrs. Rosebrough and Vinney and under the Company’s Management Incentive Compensation Plan for the other NEOs, as discussed in the Compensation Discussion and Analysis – Principal Components of Compensation – Annual Incentive section.
- (6) Consists of some or all of the following: auto allowance, club dues, tax preparation expense, other personal expense, and Company matching contribution to 401(k) plan. In addition, in the case of Mr. Rosebrough, this includes for fiscal 2008 relocation expenses of \$36,501 plus a tax grossup of \$13,494.

GRANTS OF PLAN-BASED AWARDS IN FISCAL 2008

| Name | Grant Date | Approval Date | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards | | | All Other Stock Awards: | All Other Option Awards: | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Awards (\$) |
|--------------------------|---------------------------|---------------|---|-------------|--------------|--|---|---|---|
| | | | Threshold (\$) | Target (\$) | Maximum (\$) | Number of Shares of Stock or Units (#) | Number of Securities Underlying Options (#) | | |
| Walter M Rosebrough, Jr. | 10/15/2007 ⁽¹⁾ | 8/30/2007 | | | | 33,000 | | 144,382 | |
| | 10/15/2007 ⁽¹⁾ | 8/30/2007 | | | | 12,000 | | 50,041 | |
| | 10/15/2007 ⁽¹⁾ | 8/30/2007 | | | | | 100,000 | 109,498 | |
| | 10/15/2007 ⁽¹⁾ | 8/30/2007 | | | | | 35,000 | 38,324 | |
| | | | 93,750 | 375,000 | 656,250 | | | | |
| Les C. Vinney | 5/7/2007 ⁽²⁾ | 5/4/2007 | | | | 30,000 | | 678,053 | |
| | | | 93,750 | 375,000 | 656,250 | | | | |
| Michael J. Tokich | 7/27/2007 ⁽³⁾ | 7/25/2007 | | | | 1,500 | | 8,982 | |
| | 7/27/2007 ⁽³⁾ | 7/25/2007 | | | | | 4,525 | 6,937 | |
| | 11/1/2007 ⁽⁴⁾ | 10/23/2007 | | | | 700 | | 19,215 | |
| | 11/1/2007 ⁽⁴⁾ | 10/23/2007 | | | | | 2,000 | 1,834 | |
| | 3/14/2008 ⁽⁵⁾ | 3/13/2008 | | | | 4,600 | | 1,753 | |
| | 3/14/2008 ⁽⁵⁾ | 3/13/2008 | | | | | 13,600 | 1,330 | |
| | | | 24,063 | 96,250 | 168,438 | | | | |
| Peter A. Burke | 7/27/2007 ⁽³⁾ | 7/25/2007 | | | | 4,000 | | 23,951 | |
| | 7/27/2007 ⁽³⁾ | 7/25/2007 | | | | | 11,400 | 106,554 | |
| | | | 47,850 | 191,400 | 334,950 | | | | |
| Gerard J. Reis | 7/27/2007 ⁽³⁾ | 7/25/2007 | | | | 4,000 | | 23,951 | |
| | 7/27/2007 ⁽³⁾ | 7/25/2007 | | | | | 11,400 | 106,554 | |

Edgar Filing: STERIS CORP - Form DEF 14A

| | | | 46,125 | 184,500 | 322,875 | | | |
|----------------|--------------------------|-----------|--------|---------|---------|-------|-------|--------|
| Robert E. Moss | 7/27/2007 ⁽³⁾ | 7/25/2007 | | | | 3,900 | | 23,352 |
| | 7/27/2007 ⁽³⁾ | 7/25/2007 | | | | | 8,250 | 27.68 |
| | | | 35,250 | 141,000 | 246,750 | | | 77,111 |

- (1) Restricted stock units issued and stock options awarded pursuant to Mr. Rosebrough's employment agreement under the Company's 2006 Long-Term Equity Incentive Plan.
- (2) Restricted stock units issued pursuant to Mr. Vinney's May 7, 2007 employment agreement under the Company's 2006 Long-Term Equity Incentive Plan.
- (3) Restricted stock and stock option grants made as part of the annual long-term equity grant. All restricted stock and stock option awards were granted under the Company's 2006 Long-Term Equity Incentive Plan.
- (4) Special awards made during search for new CFO under the Company's 2006 Long-Term Equity Incentive Plan.
- (5) Awards granted upon promotion to Senior Vice President and Chief Financial Officer under the 2006 Long-Term Equity Incentive Plan.

Table of Contents

**NARRATIVE SUPPLEMENT TO THE SUMMARY COMPENSATION TABLE AND THE GRANTS OF PLAN-BASED AWARDS
IN FISCAL 2008 TABLE**

Vesting Schedule

Stock option awards generally vest and become nonforfeitable in increments of 25% per year over a four year period, with full vesting four years after the date of grant. Restricted stock awards generally become vested and nonforfeitable if the recipient remains in continuous employment through the third anniversary of the grant date. The restricted stock units awarded to Mr. Vinney on May 7, 2007 (and the underlying shares of stock) became vested and nonforfeitable on May 31, 2008, as he remained continuously employed by the Company through that date. As to the 45,000 restricted stock units awarded effective October 15, 2007 to Mr. Rosebrough (and the underlying shares of stock), 12,000 units become vested and nonforfeitable on October 1, 2010 and the remaining 33,000 units vest in equal amounts over three years on October 1st of 2008, 2009 and 2010 if he remains continuously employed by the Company through those dates. These various awards may become vested and immediately exercisable upon the recipient's death (or in limited cases, disability) or upon a change in control.

Forfeiture and Post-Employment Treatment

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

Dividends

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

Option Exercise Price

Options granted under our various stock option plans have an exercise price equal to the NYSE Composite Transaction Reporting System closing price of the our Common Shares on the date the grant is approved or such later date as may be specified in the approval.

Agreements with Named Executive Officers

We are parties to an employment agreement with Mr. Rosebrough entered into in September 7, 2007. Under the terms of this agreement, Mr. Rosebrough is entitled to an initial annual base salary at a rate of \$750,000, subject to annual or other periodic review. The employment agreement also provides the terms upon which Mr. Rosebrough will participate in the Company's Senior Executive Management Incentive Compensation Plan, benefit plans and stock option and other equity incentive compensation programs. For more information regarding Mr. Rosebrough's employment agreement see Potential Payments to Named Executive Officers Upon Termination of Employment or Change in Control.

We are parties to an employment agreement with Mr. Vinney, dated as of May 7, 2007, which agreement superseded and replaced his employment agreement dated as of September 7, 2006.

Table of Contents

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

We are parties to an executive retention agreement with Dr. Burke, effective as of May 29, 2007. This agreement, which replaced a previous executive retention agreement dated February 8, 2005, provides that, for the term of the agreement, Dr. Burke will receive a base salary of not less than his fiscal year 2007 salary of \$25,833 per month and is eligible to participate in the Management Incentive Compensation Plan, benefit plans and stock option programs. For more information regarding Dr. Burke's retention agreement, see Potential Payments to Named Executive Officers upon Termination of Employment or Change in Control.

Table of Contents

OUTSTANDING EQUITY AWARDS AT MARCH 31, 2008

| Name | Option Grant Date | Option Awards | | | | Option Expiration Date | Stock Awards | | |
|--------------------------|-------------------|---|---|----------------------------|-------------------------|------------------------|---|---|---------|
| | | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise price (\$) | Option Award Grant Date | | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$)(1) | |
| Walter M Rosebrough, Jr. | 10/15/2007 | 0 | 100,000 | 28.3200 | 10/1/2017 | | | | |
| | 10/15/2007 | 0 | 35,000 | 28.3200 | 10/1/2017 | | | | |
| | | | | | | 10/15/2007 | 33,000 | 885,390 | |
| | | | | | | 10/15/2007 | 12,000 | 321,961 | |
| Les C. Vinney | 8/2/1999 | 90,000 | 0 | 13.8125 | 8/2/2009 | | | | |
| | 1/5/2000 | 2,500 | 0 | 9.6875 | 1/5/2010 | | | | |
| | 4/28/2000 | 192,500 | 0 | 9.0000 | 4/28/2010 | | | | |
| | 4/2/2001 | 75,000 | 0 | 13.4500 | 4/2/2011 | | | | |
| | 4/23/2002 | 50,000 | 0 | 19.6000 | 4/23/2012 | | | | |
| | 4/23/2003 | 25,000 | 0 | 22.5800 | 4/23/2013 | | | | |
| | 4/22/2004 | 67,500 | 22,500 | 27.4400 | 4/22/2014 | | | | |
| | 5/16/2005 | 45,000 | 45,000 | 24.4500 | 5/16/2015 | | | | |
| 9/7/2006 | 15,625 | 46,875 | 24.7200 | 5/31/2014 | | | | | |
| | | | | | | 9/7/2006 | 20,850 | 559,406 | |
| | | | | | | 5/7/2007 | 30,000 | 804,900 | |
| Michael J. Tokich | 12/18/2000 | 4,000 | 0 | 14.2500 | 1/18/2011 | | | | |
| | 4/2/2001 | 5,000 | 0 | 13.4500 | 5/2/2011 | | | | |
| | 4/23/2002 | 15,000 | 0 | 19.6000 | 5/23/2012 | | | | |
| | 4/23/2003 | 13,100 | 0 | 22.5800 | 5/23/2013 | | | | |
| | 4/22/2004 | 8,250 | 2,750 | 27.4400 | 5/22/2014 | | | | |
| | 5/16/2005 | 3,750 | 3,750 | 24.4500 | 6/16/2015 | | | | |
| | 9/12/2006 | 1,050 | 3,150 | 24.7200 | 9/12/2016 | | | | |
| | 7/27/2007 | 0 | 4,525 | 27.6800 | 7/27/2017 | | | | |
| | 11/1/2007 | 0 | 2,000 | 27.4500 | 11/1/2017 | | | | |
| | 3/14/2008 | 0 | 13,600 | 26.4100 | 3/14/2018 | | | | |
| | | | | | | | 9/7/2006 | 1,400 | 37,562 |
| | | | | | | 7/27/2007 | 1,500 | 40,285 | |
| | | | | | | 11/1/2007 | 700 | 18,781 | |
| | | | | | | 3/14/2008 | 4,600 | 123,418 | |
| Peter A. Burke | 3/5/2001 | 10,000 | 0 | 18.2500 | 4/5/2011 | | | | |
| | 4/23/2002 | 30,000 | 0 | 19.6000 | 5/23/2012 | | | | |
| | 4/23/2003 | 27,000 | 0 | 22.5800 | 5/23/2013 | | | | |
| | 4/22/2004 | 18,000 | 6,000 | 27.4400 | 5/22/2014 | | | | |
| | 5/16/2005 | 12,000 | 12,000 | 24.4500 | 6/16/2015 | | | | |
| | 9/12/2006 | 2,812 | 8,438 | 24.7200 | 9/12/2016 | | | | |
| | 7/27/2007 | 0 | 11,400 | 27.6800 | 7/27/2017 | | | | |
| | | | | | | | 9/7/2006 | 4,000 | 107,320 |
| | | | | | | 7/27/2007 | 4,000 | 107,320 | |
| Gerard J. Reis | 7/27/1998 | 40,000 | 0 | 30.65625 | 8/27/2008 | | | | |
| | 4/2/2001 | 26,000 | 0 | 13.4500 | 5/2/2011 | | | | |
| | 4/23/2002 | 30,000 | 0 | 19.6000 | 5/23/2012 | | | | |
| | 4/23/2003 | 27,000 | 0 | 22.5800 | 5/22/2013 | | | | |
| | 4/22/2004 | 18,000 | 6,000 | 27.4400 | 5/22/2014 | | | | |
| | 5/16/2005 | 11,500 | 11,500 | 24.4500 | 6/16/2015 | | | | |
| | 9/12/2006 | 2,812 | 8,438 | 24.7200 | 9/12/2016 | | | | |
| | 7/27/2007 | 0 | 11,400 | 27.6800 | 7/27/2017 | | | | |
| | | | | | | | 9/7/2006 | 4,000 | 107,320 |
| | | | | | | 7/27/2007 | 4,000 | 107,320 | |

Table of Contents

| Name | Option Grant Date | Option Awards | | | | Option Exercise price (\$) | Option Expiration Date | Stock Awards | |
|----------------|-------------------|---|---|------------------------|---|----------------------------|------------------------|---|--|
| | | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Stock Award Grant Date | Number of Shares or Units of Stock That Have Not Vested (#) | | | Market Value of Shares or Units of Stock That Have Not Vested (\$)(1) | |
| Robert E. Moss | 7/27/1998 | 4,000 | 0 | 30.65625 | 8/27/2008 | | | | |
| | 4/2/2001 | 2,438 | 0 | 13.4500 | 5/2/2011 | | | | |
| | 4/23/2002 | 1,000 | 0 | 19.6000 | 5/23/2012 | | | | |
| | 4/23/2002 | 12,500 | 0 | 19.6000 | 5/23/2012 | | | | |
| | 4/23/2003 | 20,000 | 0 | 22.5800 | 5/23/2013 | | | | |
| | 4/22/2004 | 12,000 | 4,000 | 27.4400 | 5/22/2014 | | | | |
| | 5/16/2005 | 9,000 | 9,000 | 24.4500 | 6/16/2015 | | | | |
| | 9/12/2006 | 2,000 | 6,000 | 24.7200 | 9/12/2016 | | | | |
| | 7/27/2007 | 0 | 8,250 | 27.6800 | 7/27/2017 | | | | |
| | | | | | | 9/7/2006 | 3,000 | 80,490 | |
| | | | | | | 7/27/2007 | 3,900 | 104,637 | |

(1) Market Value is computed by multiplying the number of shares or units of stock by the NYSE Composite Transaction Reporting System closing price of STERIS's common shares on March 30, 2008, the last trading day of the fiscal year ended March 31, 2008. The vesting schedule for each grant in the above table is shown below, based on the option or stock award grant date, as applicable.

OPTION AWARDS VESTING SCHEDULE

| Grant Date | Vesting Schedule |
|------------|---|
| 7/27/1998 | 25% exercisable on 7/27/1999, 7/27/2000, 7/27/2001 and 7/27/2002 |
| 8/2/1999 | 25% exercisable on 8/2/2000, 8/2/2001, 8/2/2002 and 8/2/2003 |
| 12/18/2000 | 25% exercisable on 12/18/2001, 12/18/2002, 12/18/2003 and 12/18/2004 |
| 1/5/2000 | 25% exercisable on 1/5/2001, 1/5/2002, 1/5/2003 and 1/5/2004 |
| 4/28/2000 | 25% exercisable on 4/28/2001, 4/28/2002, 4/28/2003 and 4/28/2004 |
| 3/5/2001 | 25% exercisable on 3/5/2002, 3/5/2003, 3/5/2004 and 3/5/2005 |
| 4/2/2001 | 25% exercisable on 4/2/2002, 4/2/2003, 4/2/2004 and 4/2/2005 |
| 4/23/2002 | 25% exercisable on 4/23/2003, 4/23/2004, 4/23/2005 and 4/23/2006 |
| 4/23/2003 | 25% exercisable on 4/23/2004, 4/23/2005, 4/23/2006 and 4/23/2007 |
| 4/22/2004 | 25% exercisable on 4/22/2005, 4/22/2006, 4/22/2007 and 4/22/2008 |
| 5/16/2005 | 25% exercisable on 5/16/2006, 5/16/2007, 5/16/2008 and 5/16/2009 |
| 9/7/2006 | 25% exercisable on 9/7/2007, 9/7/2008, 9/7/2009 and 9/7/2010 (Vinney) |
| 9/12/2006 | 25% exercisable on 9/12/2007, 9/12/2008, 9/12/2009 and 9/12/2010 (all other NEOs) |
| | 25% exercisable on 7/27/2008, 7/27/2009, 7/27/2010 and 7/27/2011 |

Edgar Filing: STERIS CORP - Form DEF 14A

| | |
|------------|---|
| 7/27/2007 | 25% exercisable on 10/1/2008, 10/1/2009, 10/1/2010 and 10/1/2011 (Rosebrough) |
| 10/15/2007 | 25% exercisable on 11/1/2008, 11/1/2009, 11/1/2010 and 11/1/2011 (Tokich) |
| 11/1/2007 | 25% exercisable on 3/14/2009, 3/14/2010, 3/14/2011 and 3/14/2012 (Tokich) |
| 3/14/2008 | |

STOCK AWARDS VESTING SCHEDULE

| Grant Date | Vesting Schedule* |
|------------|--|
| 9/7/2006 | 100% on 5/31/2009 (RSUs) (Vinney) |
| 9/7/2006 | 100% on 9/7/2009 (All NEOs except Rosebrough and Vinney) |
| 5/7/2007 | 100% on 5/31/2008 (RSUs) (Vinney) |
| 7/27/2007 | 100% on 7/27/2010 (All NEOs except Rosebrough and Vinney) |
| 10/15/2007 | 33 1/3% on 10/1/2008, 10/1/2009 and 10/1/2010 (33,000 RSUs) (Rosebrough) |
| 10/15/2007 | 100% on 10/1/2010 (12,000 RSUs) (Rosebrough) |
| 11/1/2007 | 100% on 4/11/2008 (Tokich) |
| 3/14/2008 | 100% on 3/14/2011 (Tokich) |

* All awards are restricted stock unless specified as restricted stock units (RSUs)

Table of Contents**OPTION EXERCISES AND STOCK VESTED IN FISCAL 2008**

| Name | Option Awards | | Stock Awards | |
|------------------------------|------------------------------|-------------------|------------------|-------------------|
| | Number of Shares | | Number of Shares | |
| | Acquired on | Value Realized on | Acquired on | Value Realized on |
| Exercise (#) | Exercise (\$) ⁽¹⁾ | Vesting | Vesting | |
| | | (#) | (\$) | |
| Walter M Rosebrough, Jr. | - | - | | |
| Les C. Vinney ⁽²⁾ | 25,000 | 353,250 | | |
| | 50,000 | 399,000 | - | - |
| | 75,000 | 327,000 | | |
| Michael J. Tokich | - | - | | |
| Peter A. Burke | 5,000 | 58,000 | | |
| Gerard J. Reis | 20,000 | 182,850 | | |
| | 7,500 | 134,194 | | |
| | 6,250 | 116,125 | | |
| Robert E. Moss | - | - | - | - |

(1) Value realized based on the gain, equal to the difference between the closing price of the Common Shares on the option exercise date and the option exercise price, times the number of option shares being exercised.

(2) Mr. Vinney held the common shares from each of his three stock option exercise transactions during Fiscal 2008.

Table of Contents**NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL 2008**

| Name | Executive Contributions in Fiscal 2008 (\$) | Company Contributions in Fiscal 2008 (\$) | Aggregate Earnings in Fiscal 2008 (\$) | Aggregate Withdrawals/ Distributions in Fiscal 2008 (\$) | Aggregate Balance at 3/31/08 (\$) |
|--------------------------|--|--|---|---|--|
| Walter M Rosebrough, Jr. | - | - | - | - | - |
| Les C. Vinney | - | - | - | - | - |
| Michael J. Tokich | 17,580 | - | (1,445) | - | 32,349 |
| Peter A. Burke | 4,859 | - | (424) | - | 10,302 |
| Gerard J. Reis | 80,000 | - | 17 | - | 80,017 |
| Robert E. Moss | - | - | - | - | - |

DEFERRED COMPENSATION PLAN

The Company has established and maintains a nonqualified deferred compensation plan, or the Deferred Compensation Plan, pursuant to which each eligible employee may elect to defer receipt of up to 25% of base salary and up to 100% of incentive compensation (bonus) and/or commissions. To be eligible to participate, an employee must be in a salary grade and earn a salary above specified levels and must meet certain residence and other tests. All of the named executive officers are eligible to participate in this plan.

Amounts deferred by each participant are credited to an account established in the name of the participant. Deferrals may be allocated among various available hypothetical investment options, as selected by the participant. There are currently eleven (11) available hypothetical investment options, all of which options also are available as investment vehicles under the Company's qualified 401(k) plan. No Company match is made on amounts deferred.

Under the Deferred Compensation Plan, a participant is entitled to receive distribution of the participant's account balance (amounts deferred, together with earnings (losses)) after the earliest to occur of the following: death, disability, retirement (termination of employment at or after age 65), other termination of employment, change of control (if the participant elected to have a distribution upon a change of control) or a specified date selected by the participant (which date must be at least two years after the making of the election) as an in service distribution date. At the time of his or her deferral election, a participant may designate how the participant will receive distribution if the distribution is triggered by retirement, disability or a change of control. Distribution options are a single lump sum or annual installments over a period of years (not to exceed ten). If a distribution election is not made or distribution is made for another reason, the distribution will be in a lump sum. Also, if a participant's account balance is less than \$50,000 at the time of a triggering event, the distribution will be made in a lump sum. Distributions to persons who are specified employees under Section 409A of the Internal Revenue Code may be delayed. A change of control for distribution purposes is a change of control of the Company within the meaning of Section 409A of the Internal Revenue Code.

The Deferred Compensation Plan is not funded, within the meaning of the Employee Retirement Income Security Act of 1974, and participants have only an unsecured contractual commitment by the Company to pay amounts owed under the Deferred Compensation Plan. Amounts owed may be subject to the claims of the Company's creditors in the event of the Company's insolvency.

Table of Contents**POTENTIAL PAYMENTS TO NAMED EXECUTIVE OFFICERS UPON TERMINATION OF EMPLOYMENT OR CHANGE IN CONTROL**

We maintain various contracts, agreements, plans and arrangements (collectively agreements) that may provide for payments or the provision of other benefits following or in connection with any termination or constructive termination of employment or a change in control of the Company or change in a named executive officer's responsibilities. A number of these agreements are available generally to all of our salaried employees on the same basis and do not discriminate in scope, terms or operation in favor of our executive officers. None of the named executive officers are covered by a Company maintained defined benefit pension plan or other tax-qualified plan, other than our 401(k) plan. The only agreements to which any of the named executive officers are party or in which any of the named executive officers participate, other than the Deferred Compensation Plan, that are not available generally to all our salaried employees are described below.

Change of Control Agreements

We are a party to change of control agreements with all of the NEOs other than Mr. Vinney.

The agreements generally provide that if, at any time within two years after the occurrence of a change of control (as defined), the officer's employment is terminated by STERIS (except for cause, disability, or death) or the officer terminates employment because the officer's base salary or the officer's bonus opportunity, participation or amount is reduced or relocation is made a condition of the officer's employment, we will pay to the officer a lump sum severance benefit equal to three years' compensation (base salary and average annual incentive compensation (as defined)) or two years' compensation in the case of Mr. Tokich. Any termination of employment of an officer occurring within one year prior to a change of control and in contemplation of the change of control is deemed to be a termination of employment immediately after the change of control becomes irrevocable, and the officer is entitled to payments and benefits under his agreement as if his employment had continued through the date the change of control became irrevocable and had then been terminated. Each such change of control agreement also provides a three-month period, commencing on the first anniversary of the change of control, during which the officer may voluntarily resign and receive a lump sum severance benefit equal to two years' compensation (base salary and average annual incentive compensation) or one year's compensation in the case of Mr. Tokich if, at any time before the officer's resignation, the officer determines in good faith that (a) the officer's position, responsibilities, duties, or status with STERIS are materially changed from those in effect before the change of control, (b) the officer's reporting relationships with superior executive officers have been materially changed from those in effect before the change of control, or (c) the officer's career prospects have been in any way diminished as a result of the change of control.

An officer who is entitled to a lump sum severance benefit under a change of control agreement also will be (a) paid (i) accrued base salary and vacation pay through the date of termination, and (ii) payments under the Senior Executive Management Incentive Compensation Plan or Management Incentive Compensation Plan (or other applicable incentive compensation plan) for the last completed fiscal year, if not already paid, and for the pro rata portion of the current fiscal year, and (b) be entitled to receive health, dental and life insurance coverage through the (A) third anniversary (or the second anniversary, depending upon whether the lump sum payment is equal to three or two years' of compensation) of the termination date, in the case of all the named executive officers with these agreements other than Mr. Tokich, or the second anniversary (or the first anniversary, depending upon whether the lump sum payment is equal to two or one year of compensation) of the termination date, in the case of Mr. Tokich, or if earlier (B) the date the officer secures other employment.

In addition, if after a change of control and prior to an officer's termination of employment the officer is unable to perform services for us for any period by reason of disability, we will pay and provide to the officer all compensation and health and dental coverage and life insurance coverage to which the officer

Table of Contents

would have been entitled had the officer continued to be actively employed by us, through the earliest of the following dates: (a) the first date on which he is no longer so disabled to such an extent that he is unable to perform services for us, (b) the date on which he becomes eligible for payment of long-term disability benefits under a long-term disability plan generally applicable to our executives, (c) the date on which we have paid and provided 24 months of compensation and benefits during his disability, or (d) the date of his death. In addition, each change of control agreement provides that from and after a change in control we will reimburse the officer for expenses of defending any action to have his agreement declared invalid or unenforceable and in certain other specified circumstances.

Each change of control agreement also provides that if any payment or distribution (a parachute payment) made to an officer pursuant to the agreement or under any other plan, agreement, arrangement, including without limitation any income recognized upon a stock option exercise, exceeds the limit specified in Section 280G of the Internal Revenue Code and gives rise to excise tax liability (and/or related penalties and interest) on the part of the officer, a tax gross-up will be provided to the officer so that the officer will receive the same after-tax payment as would have been the case in respect of the parachute payment if Section 280G did not apply.

For purposes of the change of control agreements, cause includes conviction of a felony, dishonesty in the course of employment that is materially inimical to the best interests of the Company, unreasonable neglect of the officer's duties and responsibilities, or competing with the Company. The agreements contain several alternate definitions of what constitutes a change of control. These may include any person or group becoming the beneficial owner of 15% or more (but less than 50%) of the then outstanding Common Shares after the date of the applicable agreement, or 50% or more of the then outstanding Common Shares after the date of the applicable agreement, the commencement or public announcement of a tender offer for 15% or more of the Common Shares, or certain changes in a majority of the Board membership within a 24-month period.

Retention Agreement

We are a party to an executive retention agreement with Dr. Burke effective as of May 29, 2007. This agreement, which expires June 1, 2009 and replaced a previous executive retention agreement dated February 8, 2005, provides that, for the term of the agreement, Dr. Burke will receive a base salary of not less than his then current salary, and be eligible to participate in the Company's cash bonus plan (currently the MICP), benefit plans and stock option programs. If Dr. Burke's employment is terminated prior to June 1, 2009 by the Company without Cause or by Dr. Burke for Good Reason (as those terms are defined in the agreement), Dr. Burke will be entitled to receive, subject to the conditions of the agreement, (a) as severance payments, his then-current salary for the number of months remaining from the date of his termination to June 1, 2009, or twelve months, whichever is greater, (b) continuation of medical and dental benefits until the earliest of the end of the period equal to the number of months of severance payments he is entitled to receive, the expiration of COBRA coverage eligibility or his eligibility under another employer's plans, and (c) a pro-rated bonus to the extent earned. The severance will be payable on the same schedule as his salary would have been paid, subject to certain required delays that may be necessary in order to prevent the payments from being includible in Dr. Burke's income for federal income tax purposes under Section 409(A)(a)(i)(A) of the Internal Revenue Code. Dr. Burke is entitled to accelerate all payments due if the Company breaches its obligations under the agreement in any material respect. The severance payments and other benefits described above are in addition to, and do not supersede, any entitlements and benefits that may become due Dr. Burke under his change of control agreement, except insofar as the execution of both agreements results in duplicate coverage.

The provisions of the previous agreement were similar to the current agreement, except that the length of the severance period under the previous agreement, and the number of severance payments Dr. Burke was entitled to receive, was equal to the number of months remaining from the date of such termination to the

Table of Contents

date of the third anniversary of the agreement (or any extension), or twelve months, whichever was greater. Medical and dental benefits were required to be continued under the previous agreement under the same rules as those contained in the current agreement.

Receipt of severance and other agreement benefits described above are strictly contingent upon Dr. Burke's execution of a release and waiver of all claims against the Company. Dr. Burke's right to severance and the other agreement benefits described above automatically terminates upon any material breach by him of the agreement or upon the termination of his employment for Cause or upon his termination without Good Reason.

For these purposes, any material breach, default or violation by Dr. Burke under his change of control agreement, stock option agreements, confidentiality and other agreements (including the non-compete, non-interference, and non-disclosure restrictive covenants contained in or executed in connection with the stock option agreements), between the Company and Dr. Burke, also constitutes a breach of the executive retention agreement, if so determined by Company. A breach of these covenants also may entitle the Company to the rights described under Equity Incentive Compensation Plans. The executive retention agreement also contains restrictions on disclosure of confidential information.

Agreement with Mr. Rosebrough

In connection with Mr. Rosebrough's employment as President and CEO, we entered into an employment agreement with Mr. Rosebrough dated September 7, 2007. The agreement is effective October 1, 2007 and for an initial term of three years. Thereafter the agreement automatically renews for additional consecutive terms of one year each, unless the Company gives Mr. Rosebrough notice of nonrenewal at least thirty days prior to the end of the then applicable term. Notwithstanding the foregoing, the term of the agreement will end upon termination of Mr. Rosebrough's employment for any reason. In connection with his initial employment, Mr. Rosebrough received sign-on compensation consisting of a one time cash payment in the amount of \$200,000, a grant of 100,000 stock options and a grant of 33,000 restricted stock units.

Mr. Rosebrough's agreement provides for an initial base salary at a rate of \$750,000 per year for the fiscal year ending March 31, 2008, with such base salary thereafter to be subject to annual or other periodic review. Mr. Rosebrough also is entitled to participate in the Senior Executive Management Incentive Compensation Plan or SEMICP. For fiscal 2008 his participation was at a target rate of 100% of base salary and with a maximum award limit of 175% of base salary; for subsequent fiscal years Mr. Rosebrough is eligible to participate in the SEMICP and receive an incentive award based on achievement of specified performance goals as determined by criteria and other performance measures and target attainment established by the Compensation and Corporate Governance Committee. For fiscal 2008, he received a grant of 12,000 restricted stock units and 35,000 stock options and for subsequent fiscal years he is entitled to participate in restricted stock unit, stock option and other equity incentive compensation awards under the 2006 Long-Term Equity Incentive Compensation Plan or other approved plans as determined by the Board or the Compensation and Corporate Governance Committee. Mr. Rosebrough is also entitled to participate in the standard benefit programs under which STERIS's salaried nonunion employees located at its headquarters are from time to time generally eligible (exclusive of any such severance, separation or termination programs or benefits) as well as limited additional fringe benefits and perquisites, including reimbursement, in accordance with our relocation policy, for his reasonable expenses incurred in relocating himself and his family to the Mentor, Ohio area.

Should the Company's financial statements for any fiscal year falling within the term of his agreement be required to be restated due to material noncompliance, as a result of misconduct, with any financial

Table of Contents

reporting requirement, the Board or Compensation and Corporate Governance Committee may require Mr. Rosebrough to return or forfeit, as applicable, all or a portion of any bonus or incentive award (including equity awards) made to him with respect to any fiscal year the financial results of which are negatively affected by such restatement. In that case, the amount to be recovered would equal the amount by which the bonus or incentive compensation award exceeded the amount that would have been payable had the Company's financial statements been initially filed as restated, as determined by the Board or the Compensation and Corporate Governance Committee. Recovery may be effected through a variety of means, as determined by the Compensation and Corporate Governance Committee.

Upon termination of Mr. Rosebrough's employment during the term of his employment agreement by reason of death or Disability, a termination by the Company without Cause or a termination by Mr. Rosebrough for Good Reason (as such terms are defined in the agreement), Mr. Rosebrough will be entitled to the following (payable in accordance with the requirements of Code Section 409A): (i) an amount equal to twenty-four (24) months of salary continuation, car allowance and financial planning/tax preparation allowance, paid in twenty-four (24) monthly installments, to commence on the first day of the first month following the 60th day after termination, or if on the date of termination he is a specified employee (within the meaning of Code Section 409A) and the payments are considered to be the deferral of compensation, the Company will pay all amounts of such deferred compensation that would have been due during the six-month period following his termination of employment on the first day of the seventh month following the termination date (or, if earlier, as soon as practicable after the date of his death); (ii) the annual one-time incentive payment he would have been paid, if any, under the SEMICP relating to the fiscal year of termination if his employment had not been terminated, prorated to the date of termination, such payment to be based on applicable targets, threshold and other SEMICP criteria and terms and actual performance relative thereto for such fiscal year, and to be made at the same time that annual incentive payments for such fiscal year are made to other senior executives of the Company; and (iii) eighteen (18) months of continuation of coverage under STERIS medical and dental plans pursuant to COBRA (with Mr. Rosebrough being required to pay the normal cost of such COBRA coverage). And regardless of the reason for termination, upon termination of Mr. Rosebrough's employment during the term of his agreement he also is entitled to receive the following: (i) any accrued but unpaid base salary and vacation pay. (ii) any plan benefits that by their terms extend beyond termination of employment but only to the extent provided in any such benefit plan in which he has participated as an employee of STERIS; and (iii) any COBRA benefits to which he is entitled by law and not otherwise entitled to receive under his employment agreement.

Notwithstanding the foregoing, if Mr. Rosebrough is otherwise entitled to benefits under both his employment agreement and his change in control agreement (discussed previously in this Section under Change of Control Agreements) based on the same event, he will be entitled to severance benefits under either his employment agreement or his change in control agreement, whichever provides for greater benefits, but will not be entitled to benefits under both agreements.

For purposes of the employment agreement, Cause includes but is not limited to material breach of Mr. Rosebrough's employment agreement or any other of his Other Agreements (consisting of his change of control agreement, restricted stock unit agreements, non-qualified stock option agreement, non-disclosure and non-competition agreement and the Company's Code of Business Conduct), which has not been cured within the applicable time period set forth in the relevant agreement, and, if not so specified, promptly (taking into account the nature of the misconduct, and the actions that must be taken to effect the cure) after receipt of notice. A discussion of the restrictive covenants contained in stock option and restricted stock unit agreements may be found later in this Section under Equity Incentive Compensation Plans.

Agreement with Mr. Vinney

In connection with the transition of Mr. Vinney from his position as President and Chief Executive Officer, we entered into an employment agreement with Mr. Vinney, dated as of May 7, 2007, which superseded and

Table of Contents

replaced his employment agreement dated as of September 7, 2006. Under the terms of the current employment agreement, Mr. Vinney was deemed to have resigned as President and Chief Executive Officer on the earlier of October 1, 2007 or the date on which a new President or Chief Executive Officer was appointed, and he ceased to be a member of the Board of Directors on the date of the 2007 Annual Meeting of Shareholders. Mr. Vinney remains in our employ as a special advisor until September 30, 2009. Mr. Vinney was entitled to an annual base salary at a rate of \$726,000 until June 1, 2007 and thereafter at a rate of \$750,000 until September 30, 2007. Mr. Vinney also was entitled to receive a lump sum payment of \$625,000 on April 1, 2008, and commencing on April 30, 2008, Mr. Vinney was entitled to begin receiving 14 monthly installment payments, each in the amount of \$62,500. In the event of Mr. Vinney's death prior to having been paid all of these amounts, any of these amounts which are then unpaid will be paid to Mr. Vinney's designated beneficiaries, or if none, to his estate in a single sum. If Mr. Vinney becomes disabled within the meaning of Section 409A of the Internal Revenue Code, any amounts otherwise payable to him under the employment agreement are to continue to be paid.

Under the employment agreement, Mr. Vinney was eligible to participate in the Company's SEMICP for the fiscal year ending March 31, 2008 based on (a) the Company's achievement of financial targets consistent with those to be utilized in the Management Incentive Compensation Plan for fiscal year 2008, (b) Mr. Vinney's base salary of \$750,000 and (c) the pro-rata portion of the 2008 fiscal year that Mr. Vinney agreed to serve as President and Chief Executive Officer. Mr. Vinney is eligible to participate in the Company's insurance, retirement and other employee benefit programs during his continued employment or, if earlier, until the date he accepts full time employment elsewhere. However, beginning October 1, 2007, if Mr. Vinney continued health insurance coverage he was required to elect COBRA coverage, and we would reimburse him for the costs. If COBRA coverage expires before Mr. Vinney accepted employment elsewhere, we would also reimburse him for his medical insurance premium expenses after expiration until the earlier of December 31, 2009, or the date he accepts full time employment elsewhere.

The terms of the prior employment agreement were similar to those of the current employment agreement except that Mr. Vinney's base salary of \$726,000 was to continue through May 31, 2007, he was deemed to resign as President and Chief Executive Officer no later than June 1, 2007, and his employment with the Company as a special advisor was to continue through May 31, 2009. After May 31, 2007, he was to receive a lump sum of \$375,000 payable on December 1, 2007 and 18 installments of \$62,500 each, payable on the last day of each month commencing December 31, 2007 and ending May 31, 2009. Also under the prior employment agreement, no provision was made for participation in the SEMICP for the fiscal year ending March 31, 2008, but the Company was obligated to continue his participation in the SEMICP for fiscal 2007 and, subject to limited exceptions, was required to pay him the full bonus earned based upon the attainment of previously approved corporate objectives and the other terms of the SEMICP for the fiscal year. With respect to benefit continuation, Mr. Vinney's health insurance COBRA coverage election was required to begin May 31, 2007 under the prior employment agreement.

The current employment agreement contains a number of restrictive covenants applicable to Mr. Vinney. These include covenants prohibiting: the provision of advisory or consulting services to, employment by, operation of, investment in or other association with, competitors; solicitation of our employees; dissemination of confidential information; engaging in various activities or proposed activities that may involve the Company or our directors or shareholders and making any disparaging statements concerning the Company; and covenants requiring continued cooperation and availability. In the event Mr. Vinney breaches any of these covenants in any material respect, then in general, we may terminate his employment and all remaining severance payment and related benefit obligations under the employment agreement, and may pursue any claims for damages, as well as injunctive relief, to which it may be entitled.

Under the employment agreement, if a change of control (as defined in applicable regulations under Section 409A of the Internal Revenue Code) in respect of the Company occurs prior to September 30, 2009

Table of Contents

(or May 31, 2009 under the prior employment agreement), we will pay Mr. Vinney, within five days after such change of control, the full remaining amount that would otherwise be payable under the employment agreement from and after the date of such change of control through September 30, 2009 (or through May 31, 2009 under the prior employment agreement), except for COBRA and other benefits, which will be paid according to the respective plans; provided, no such payment will be made to Mr. Vinney prior to April 1, 2008.

Also, under the employment agreement and prior employment agreement, the exercise periods for most of Mr. Vinney's stock options have been reduced by varying lengths.

Equity Incentive Compensation Plans

STERIS shareholders approved the 2006 Plan at the 2006 Annual Meeting of Shareholders. The 2006 Plan authorizes the issuance or grant of various stock and stock related incentives, including stock options, restricted stock, restricted stock units, performance units and SARs. All grants of stock options, restricted stock, restricted stock units and SARs made subsequent to approval of the 2006 Plan have been made pursuant to the 2006 Plan. Most stock option grants made prior to the approval of the 2006 Plan were pursuant to various other previously established plans. In connection with the adoption of the 2006 Plan, we discontinued the grant of options or other equity incentives under the previously established plans. However, a number of options granted under the previously established plans remain outstanding.

In general, upon termination of an award recipient's employment, the nonvested portions of his or her stock option grants and other equity incentive awards are immediately forfeited. However, unvested option grants may become vested and nonforfeitable upon an optionee's death and unvested restricted stock awards or restricted stock units may be modified by the Company to give the award recipient the benefit of the award through the date of death. Additionally, if an award recipient retires from employment after having attained age 55 and having been employed for at least five consecutive years without having engaged in any Detrimental Activity (as defined), stock options, restricted stock, restricted stock units and other equity incentive awards held by the award recipient at the date of retirement will continue to vest as though the recipient remained in the service of the Company through the fifth anniversary of the date of retirement provided the recipient remains in Good Standing (as defined). If a recipient fails to remain in Good Standing, any outstanding stock options and other equity incentive compensation awards may be forfeited.

Under the 2006 Plan as well as the previously established plans, upon the occurrence of a change in control, all options and other awards then outstanding, to the extent unvested, generally vest and become immediately exercisable, without further action. While the definition of change in control varies somewhat from plan to plan, in general a change in control under each includes any of the following: the acquisition by any person or group of 25% or more of the combined voting power of the Company's outstanding voting stock; certain changes in the composition of a majority of the Board membership; the consummation of certain reorganizations, mergers or consolidations or disposition of all or substantially all of the assets of the Company or certain other business transactions involving the Company; or approval by the shareholders of a complete liquidation or dissolution of the Company.

In connection with the grant of stock options and receipt of restricted stock and restricted stock units under the 2006 Plan and previously established plans, optionees and other award recipients agree to restrictive covenants concerning non-competition, non-interference and non-disclosure. If the recipient breaches any of these covenants, in addition to any other remedies we may have, awards then held by the recipient and stock then held that was received pursuant to awards may be forfeited or may be required to be resold to the Company at a prescribed price.

Table of Contents

Management Incentive Compensation Plan

We have established and maintain a Management Incentive Compensation Plan, or MICP, for key employees. The MICP is intended to support our compensation philosophy and encourage achievement of objectives by key employees whose responsibilities affect the performance of the business. Participants are selected annually. During fiscal 2008, all named executive officers, other than Messrs. Rosebrough and Vinney, were participants in the MICP. Messrs. Rosebrough and Vinney were participants in the SEMICP during fiscal 2008.

Annually each MICP participant is assigned a target bonus based upon his or her position and level of responsibility within the Company. The target bonus is an amount equal to the percentage of the participant's base salary that he or she would receive as a bonus if all of the objectives established for, or otherwise applicable to, the participant are achieved. If the objectives are exceeded, a larger bonus may be payable. If the objectives are not attained, a smaller bonus or no bonus may be payable. Generally, a participant is not entitled to a bonus in respect of a particular fiscal year unless he or she remains in the employ of the Company through the end of that fiscal year and thereafter through the date on which bonuses are paid for that fiscal year.

The MICP also provides that if a Change of Control occurs in a fiscal year, within five days after the occurrence of the first Change of Control during the fiscal year, each participant will be paid an interim lump-sum cash payment with respect to his or her participation in the MICP, with the amount of the interim payment to be equal to the dollar amount of the participant's target bonus for the entire fiscal year multiplied by a fraction, the numerator of which is the number of months between the beginning of the fiscal year and the end of the month in which the Change of Control occurs and the denominator of which is 12. The making of the interim payment will not reduce the obligation to make a final payment under the terms of the MICP, but the amount of any interim payment will be an offset against any later payment due under the MICP in respect of the fiscal year. A participant is not required to refund any portion of the interim payment.

For purposes of the MICP, a Change of Control includes the following: the acquisition by any person or group of 15% or more of the Company's outstanding Common Shares; a person's commencement or public announcement of an intention to commence a tender offer that would result in such person becoming beneficial owner of 15% or more of the Company's outstanding Common Shares; certain changes in the composition of a majority of the Board membership within a 24 month period; a record date being established for, or the consummation of, certain mergers or consolidations, or dispositions of all or substantially all of the assets of the Company; or a person's proposal of a Control Share Acquisition of Company within the meaning of the Ohio General Corporation Law.

Senior Executive Management Incentive Compensation Plan

We have established and maintain a Senior Executive Management Incentive Compensation Plan, or SEMICP, for the CEO and any other executive officer or employee designated by the Compensation and Corporate Governance Committee. The SEMICP is intended to support our compensation philosophy and encourage achievement of objectives by key employees by providing incentives for superior performance. Participants are selected by the Compensation and Corporate Governance Committee in its sole discretion. During fiscal 2008 Messrs. Rosebrough and Vinney were the only participants in the SEMICP.

Annually, the Compensation and Corporate Governance Committee establishes the performance objectives for each SEMICP participant and the amount of incentive compensation payable (or formula for determining such amount) upon full achievement of the specified performance objectives for such fiscal year. Performance objectives are required to be limited to specified levels of growth in or relative peer

Table of Contents

company performance in one or more of the following: earnings per share, return on invested capital, return on total capital, return on assets, return on equity, total shareholder return, net income, revenue, free cash flow, operating profit, gross margin and/or contribution margin, earnings before interest and taxes, earnings before interest, taxes, depreciation and amortization, and productivity improvement. The Committee may further specify in respect of the specified performance objectives a minimum acceptable level of achievement below which no incentive compensation payment will be made and set forth a formula for determining the amount of any payment to be made if performance is at or above the minimum acceptable level but falls short of full achievement of the specified performance objectives. The Committee retains the discretion to reduce the amount of any incentive compensation that would be otherwise payable to a participant (including a reduction in such amount to zero). The Compensation and Corporate Governance Committee is required to determine, as soon as reasonably practicable after the end of each fiscal year, whether the performance objectives have been achieved and the amount of incentive compensation payable, and to document such determinations.

The maximum incentive compensation that may be paid to a participant under the SEMICP in respect of any fiscal year may not exceed the lesser of two and one-half (2 1/2) times the participant's annual base salary or \$2,000,000. Any incentive compensation payable under the SEMICP in respect of any fiscal year must be paid no later than two and a half months after the end of the fiscal year.

POTENTIAL PAYMENTS UPON TERMINATION OF EMPLOYMENT OR CHANGE IN CONTROL TABLE

Introduction

The tables below estimate and summarize the potential payments and benefits under compensation and benefit plans and contractual agreements to which the named executive officers are a party or a participant that may be realizable by each of the named executive officers in the event of a termination of employment and/or change in control under the circumstances described in the footnotes and column headings to the tables, as supplemented by the narrative descriptions of agreements and/or plans addressing or containing provisions relating to change in control and/or termination payments and benefits. These narrative descriptions are found under Potential Payments to Named Executive Officers Upon Termination of Employment or Change in Control above beginning on page 31.

Excluded Amounts

The amounts shown in the tables below do not include payments and benefits to the extent they are provided on a non-discriminatory basis to salaried employees generally upon termination of employment. These include accrued salary and vacation pay, regular severance benefits, and distributions of plan balances under our 401(k) plan. The tables also do not include amounts receivable under the Deferred Compensation Plan. See the narrative following the Nonqualified Deferred Compensation for Fiscal 2008 table on page 30 for information about the Deferred Compensation Plan.

Table of Contents

| Walter M Rosebrough, Jr.⁽¹⁾ | | | | | |
|---|---|---|--|--|---|
| | Death or Disability^{(2)(3)&(4)} | Termination by the Company Without Cause or Termination by the Employee for Good Reason^{(2)(3)&(4)} | Change in Control without termination⁽⁴⁾ | Change in Control with termination for Good Faith determination⁽⁵⁾ | Change in Control with termination by STERIS or by Executive for reduction of compensation or mandatory relocation⁽⁶⁾ |
| | (\$) | (\$) | (\$) | (\$) | (\$) |
| Severance Payment | 1,500,000 | 1,500,000 | - | 2,527,125 | 3,790,688 |
| Stock Options | - | - | - | - | - |
| Restricted Stock Units | 321,960 | - | 1,207,350 | 1,207,350 | 1,207,350 |
| 2008 Target Bonus ⁽⁷⁾ | 375,000 | 375,000 | - | 375,000 | 375,000 |
| Health, Dental and Life Benefits ⁽⁸⁾ | | | - | 20,560 | 30,840 |
| Other Benefits ⁽⁹⁾ | 41,000 | 41,000 | - | | |
| Excise Tax Gross Up | - | - | - | 1,473,483 | 2,146,690 |
| Totals | 2,237,960 | 1,916,000 | 1,207,350 | 5,603,518 | 7,550,568 |

- (1) For purposes of this disclosure, the change in control date and all termination events are assumed to occur on March 31, 2008. The stock price as of such date is assumed to be \$26.83 (i.e., the actual closing stock price on March 30, 2008, the last trading day before the end of the fiscal year).
- (2) Pursuant to Mr. Rosebrough's employment agreement, in the event of termination by reason of death or disability, termination by the Company without Cause, or termination by Mr. Rosebrough with Good Reason, Mr. Rosebrough is entitled to salary continuation, car allowance, and financial planning/tax preparation allowance for a period of 24 months, the annual one-time incentive payment under the SMICP relating to the fiscal year of termination, and, at his own expense, eighteen months of continuation of coverage in the medical and dental plans pursuant to COBRA.
- (3) Pursuant to Mr. Rosebrough's Restricted Stock Unit Agreements, in the event of his death or Disability prior to normal vesting, 12,000 of the units shall become nonforfeitable (and if the death or Disability occurs on or after October 1, 2008 additional units will become nonforfeitable). Mr. Rosebrough also is entitled to accelerated vesting of stock options upon his death. However, upon termination by the Company without Cause or termination by Mr. Rosebrough with Good Reason, Mr. Rosebrough is not entitled to accelerated vesting of stock options or restricted stock units.
- (4) In the event of a Change in Control with or without termination, Mr. Rosebrough will be entitled to accelerated vesting of stock options and restricted stock units. All of Mr. Rosebrough's stock options were underwater as of the assumed Change in Control date of March 31, 2008; therefore, there is no incremental value attributable to these awards shown on the above tables.
- (5) Pursuant to Mr. Rosebrough's change in control agreement, in the event of a Change in Control with termination for Good Faith determination (as defined in his agreement), he will be entitled to a lump sum severance payment based on a multiple of two (2) times his current base salary and his average annual incentive compensation (as defined). For purposes of the incentive compensation portion of this calculation, an average of his most recent bonus (fiscal 2008 bonus) and target bonus (100% of current base salary) has been used.

Edgar Filing: STERIS CORP - Form DEF 14A

- (6) Pursuant to Mr. Rosebrough's change in control agreement, in the event of a Change in Control with termination by STERIS, other than for Cause, death or Disability, or by executive for reduction of compensation or mandatory relocation (as defined in his agreement), he will be entitled to a lump sum severance payment based on a multiple of three (3) times his current base salary and his average annual incentive compensation (as defined). For purposes of the incentive compensation portion of this calculation, an average of his most recent bonus (fiscal 2008 bonus) and target bonus (100% of current base salary) has been used.

- (7) Mr. Rosebrough is entitled to a special pro-rata SEMICP payment under his Change in Control agreement. This bonus is based on Mr. Rosebrough's target bonus percentage under the SEMICP, which is 100% of his current base salary, for the pro-rata portion of the year. Based on Mr. Rosebrough's hire date of 10/1/2007, the pro-rata percentage of the SEMICP bonus is 50% for six months of service during FY 2008.

Table of Contents

- (8) Pursuant to Mr. Rosebrough's change in control agreement, in the event of a Change in Control with termination for Good Faith determination (as defined in his agreement), he will be entitled to continuation of health, dental and life benefits for a period of two (2) years. In the event of a Change in Control with termination by STERIS, other than for Cause, Disability or death or by executive for reduction of compensation or mandatory relocation he will be entitled to continuation of health, dental and life benefits for a period of three (3) years.
- (9) In the event of termination, Mr. Rosebrough is entitled to other benefits for various periods as defined by his employment agreement. Other benefits include an automobile allowance and expense reimbursement for tax return preparation.

| | Les C. Vinney⁽¹⁾ Termination by STERIS for any reason (except material breach) without change in control⁽²⁾ | Change in Control without termination⁽³⁾ | Change in Control with termination⁽⁴⁾ |
|---------------------------------------|---|--|---|
| | (\$) | (\$) | (\$) |
| Agreement Payment ⁽⁵⁾ | 1,500,000 | 1,500,000 | 1,500,000 |
| Stock Options | - | 206,006 | 206,006 |
| Restricted Stock Units ⁽⁶⁾ | - | 559,406 | 559,406 |
| 2008 Target Bonus | - | - | - |
| Health, Dental and Life Benefits | 17,735 | 17,735 | 17,735 |
| Other Benefits ⁽⁷⁾ | 5,405 | 5,405 | 5,405 |
| Excise Tax Gross Up | - | - | - |
| Totals | 1,523,140 | 2,288,552 | 2,288,552 |

- (1) For purposes of this disclosure, the Change in Control date and all termination events are assumed to occur on March 31, 2008. The stock price as of such date is assumed to be \$26.83 (i.e., the actual closing stock price on March 30, 2008, the last trading day before the end of the fiscal year). As of May 7, 2007, Mr. Vinney entered into a new employment agreement with STERIS.
- (2) Pursuant to Mr. Vinney's employment agreement, where there is a termination by STERIS for any reason other than material breach, but no change in control, Mr. Vinney is entitled to the severance payments, health, dental and life benefits, and other benefits as valued above. He is not entitled to the accelerated vesting of stock options or restricted stock units except in the case of death. Vested values for Stock Options and Restricted Stock Units are shown in the Change in Control columns.
- (3) In the event of a Change in Control with or without termination, Mr. Vinney will be entitled to accelerated employment agreement payments and vesting of stock options and restricted stock units, provided in no event will payments of the severance payments be made prior to April 1, 2008. A portion of Mr. Vinney's stock options were underwater as of the assumed Change in Control date of March 31, 2008; therefore, there is no incremental value attributable to these underwater awards shown on the above tables.
- (4) Pursuant to Mr. Vinney's employment agreement, upon a Change in Control with termination, he will receive the payments as valued above; provided in no event will payments of the severance payment be made prior to April 1, 2008. No other change in control agreement exists between Mr. Vinney and STERIS.

Edgar Filing: STERIS CORP - Form DEF 14A

- (5) Mr. Vinney's agreement payment is based upon his salary. His base salary was payable at an annual rate of \$726,000 for the months of April and May 2007 and thereafter is payable at an annual rate of \$750,000 through September 30, 2009, the date on which under normal circumstances Mr. Vinney's employment obligations terminate. In the event of termination by STERIS prior to that date, he is entitled, in effect, to all unpaid salary through September 30, 2009.
- (6) Mr. Vinney was granted restricted stock units for 30,000 Common Shares on May 7, 2007 at a stock price of \$26.81. This grant is not included in the figures in the above table. These restricted stock units vested on May 31, 2008 and are reflected in the 270,200 common shares held by Mr. Vinney as of May 31, 2008.
- (7) Mr. Vinney is also entitled to certain e-mail and voicemail services under the terms of his employment agreement.

Table of Contents

| Michael J. Tokich^{(1)&(2)} | | | |
|---|--|--|---|
| | Change in Control without termination⁽³⁾ | Change in Control with termination for Good Faith determination^{(3)and(4)} | Change in Control with termination by STERIS or by Executive for reduction of compensation or mandatory relocation^{(3)and(5)} |
| | (\$) | (\$) | (\$) |
| Severance Payment | - | 365,803 | 731,605 |
| Stock Options | 15,572 | 15,572 | 15,572 |
| Restricted Stock | 77,807 | 77,807 | 77,807 |
| 2008 Target Bonus ⁽⁶⁾ | - | 96,250 | 96,250 |
| Health, Dental and Life Benefits ⁽⁷⁾ | - | 13,746 | 27,492 |
| Excise Tax Gross Up | - | | 343,870 |
| Totals | 93,379 | 569,178 | 1,292,596 |

- (1) For purposes of this disclosure, the Change in Control date and all termination events are assumed to occur on March 31, 2008. The stock price as of such date is assumed to be \$26.83 (i.e., the actual closing stock price on March 30, 2008, the last trading day before the end of the fiscal year).
- (2) Mr. Tokich and STERIS have not entered into an employment agreement. Therefore, in the event of termination without a Change in Control, no contractual termination payments are required.
- (3) In the event of a Change in Control with or without termination or in the event of Mr. Tokich's death, Mr. Tokich will be entitled to accelerated vesting of stock options and restricted stock. Vested values for Stock Options and Restricted Stock are shown in the Change in Control columns. Some stock options granted were underwater as of the assumed Change in Control date of March 31, 2008; therefore, there is no incremental value attributable to these underwater awards shown on the above tables.
- (4) Pursuant to Mr. Tokich's change in control agreement, in the event of a Change in Control with termination for Good Faith determination (as defined in his agreement), he will be entitled to a lump sum severance payment based on a multiple of one (1) times his current base salary and his average annual incentive compensation (as defined). For purposes of the incentive compensation portion of this calculation, an average of his most recent bonus (fiscal 2008 bonus) and target bonus (35% of current base salary) has been used.
- (5) Pursuant to Mr. Tokich's change in control agreement, in the event of a Change in Control with termination by STERIS other than for Cause, death or disability or by executive for reduction of compensation or mandatory relocation (as defined in his agreement), he will be entitled to a lump sum severance payment based on a multiple of two (2) times his current base salary and his average annual incentive compensation (as defined). For purposes of the incentive compensation portion of this calculation, an average of his most recent bonus (fiscal 2008 bonus) and target bonus (35% of current base salary) has been used.
- (6) Mr. Tokich is entitled to a special pro-rata MICP payment under his change in control agreement. This bonus is based on Mr. Tokich's target bonus percentage under the MICP, which is 35% of his current base salary, for the pro-rata portion of the year. Since the Change in Control data is at the end of the final day of the fiscal year, the pro-rata percentage of the MICP bonus is 100%.

- (7) Pursuant to Mr. Tokich's change in control agreement, in the event of a Change in Control with termination for Good Faith determination (as defined in his agreement) he will be entitled to continuation of health, dental, and life coverage for a period of one (1) year. In the event of a Change in Control with termination by STERIS other than for Cause, death or Disability or termination by Mr. Tokich for reduction of compensation or mandatory relocation he will be entitled to continuation of health, dental and life coverage for a period of two (2) years.

Table of Contents

| Peter A. Burke^{(1)&(2)} | | | | |
|---|--|--|---|---|
| | Change in Control without termination⁽³⁾ | Change in Control with termination for Good Faith determination^{(3)and(4)} | Change in Control with termination by STERIS or by Executive for reduction of compensation or mandatory relocation^{(3)and(5)} | Termination without Cause or for Good Reason⁽²⁾ |
| | (\$) | (\$) | (\$) | (\$) |
| Severance Payment | - | 970,845 | 1,456,268 | 372,167 |
| Stock Options | 46,363 | 46,363 | 46,363 | - |
| Restricted Stock | 214,640 | 214,640 | 214,640 | - |
| 2008 Target Bonus ⁽⁶⁾ | - | 191,400 | 191,400 | 141,445 |
| Health, Dental and Life Benefits ⁽⁷⁾ | - | 20,560 | 30,840 | 11,993 |
| Excise Tax Gross Up | - | 463,000 | 724,972 | - |
| Totals | 261,003 | 1,906,808 | 2,664,483 | 525,605 |

- (1) For purposes of this disclosure, the Change in Control date and all termination events are assumed to occur on March 31, 2008. The stock price as of such date is assumed to be \$26.83 (i.e., the actual closing stock price on March 30, 2008, the last trading day before the end of the fiscal year).
- (2) Mr. Burke entered into a change in control agreement and an executive retention agreement with STERIS. The executive retention agreement will pay out severance and an actual bonus upon termination without Cause or termination for Good Reason through June 1, 2009. The severance shown in the table for termination under these circumstances is the maximum amount of payments he could receive under the executive retention agreement, based upon his base salary rate in effect at the end of fiscal 2008. The bonus shown in the table for termination under these circumstances is the actual bonus that was earned under the MICP with respect to the fiscal year ended March 31, 2008. In the event of Mr. Burke's death Mr. Burke is entitled to accelerated vesting of stock options and restricted stock; vested values for Stock Options and Restricted Stock are shown in the "Change in Control" columns.
- (3) In the event of a Change in Control with or without termination or in the event of Mr. Burke's death, Mr. Burke will be entitled to accelerated vesting of stock options and restricted stock. Some stock options granted were underwater as of the assumed Change in Control date of March 31, 2008; therefore, there is no incremental value attributable to these underwater awards shown on the above tables.
- (4) Pursuant to Mr. Burke's change in control agreement, in the event of a Change in Control with termination for Good Faith determination (as defined in his agreement), he will be entitled to a lump sum severance payment based on a multiple of two (2) times his current base salary and his average annual incentive compensation (as defined). For purposes of the incentive compensation portion of this calculation, an average of his most recent bonus (fiscal 2008 bonus) and target bonus (60% of current base salary) has been used.
- (5) Pursuant to Mr. Burke's change in control agreement, in the event of a Change in Control with termination by STERIS other than for Cause, death or Disability or by executive for reduction of compensation or mandatory relocation (as defined in his agreement), he will be entitled to a lump sum severance payment based on a multiple of three (3) times his current base salary and his average annual incentive compensation (as defined). For purposes of the incentive compensation portion of this calculation, an average of his most recent bonus (fiscal 2008 bonus) and target bonus (60% of current base salary) has been used.

Edgar Filing: STERIS CORP - Form DEF 14A

- (6) Mr. Burke is entitled to a special pro-rata MICP payment under his change in control agreement. This bonus is based on Mr. Burke's target bonus percentage under the MICP, which is 60% of his current base salary, for the pro-rata portion of the year. Since the Change in Control date is at the end of the final day of the fiscal year, the pro-rata percentage of the MICP bonus is 100%.

- (7) Pursuant to Mr. Burke's change in control agreement, in the event of a Change in Control with termination for Good Faith determination (as defined in his agreement), he will be entitled to continuation of health, dental and life coverage for a period of two (2) years. In the event of a Change in Control with termination by STERIS other than for Cause, death or Disability or by Mr. Burke for reduction of compensation or mandatory relocation, he will be entitled to continuation of health, dental and life coverage for a period of three (3) years. Pursuant to Mr. Burke's executive retention agreement, he is entitled to medical and dental insurance coverages during his severance period.

Table of Contents

| Gerard J. Reis^{(1)&(2)} | | | |
|---|--|--|---|
| | Change in Control without termination⁽³⁾ | Change in Control with termination for Good Faith determination^{(3)and(4)} | Change in Control with termination by STERIS or by Executive for reduction of compensation or mandatory relocation^{(3)and(5)} |
| | (\$) | (\$) | (\$) |
| Severance Payment | - | 875,145 | 1,312,718 |
| Stock Options | 45,173 | 45,173 | 45,173 |
| Restricted Stock | 214,640 | 214,640 | 214,640 |
| 2008 Target Bonus ⁽⁶⁾ | - | 184,500 | 184,500 |
| Health, Dental & Life Benefits ⁽⁷⁾ | - | 10,669 | 16,004 |
| Excise Tax Gross Up | - | - | - |
| Totals | 259,813 | 1,330,127 | 1,773,035 |

- (1) For purposes of this disclosure, the Change in Control date and all termination events are assumed to occur on March 31, 2008. The stock price as of such date is assumed to be \$26.83 (i.e., the actual closing stock price on March 30, 2008, the last trading day before the end of the fiscal year).
- (2) Mr. Reis and STERIS have not entered into an employment agreement. Therefore, in the event of termination without a Change in Control, no contractual termination payments are required.
- (3) In the event of a Change in Control with or without termination or in the event of Mr. Reis' death, Mr. Reis will be entitled to accelerated vesting of stock options and restricted stock. Vested values for Stock Options and Restricted Stock are shown in the Change in Control columns. Some stock options granted were underwater as of the assumed Change in Control date of March 31, 2008; therefore, there is no incremental value attributable to these underwater awards shown on the above tables.
- (4) Pursuant to Mr. Reis' change in control agreement, in the event of a Change in Control with termination for Good Faith determination (as defined in his agreement), he will be entitled to a lump sum severance payment based on a multiple of two (2) times his current base salary and his average annual incentive compensation (as defined). For purposes of the incentive compensation portion of this calculation, an average of his most recent bonus (fiscal 2008 bonus) and target bonus (60% of current base salary) has been used.
- (5) Pursuant to Mr. Reis' change in control agreement, in the event of a Change in Control with termination by STERIS other than for Cause, death or Disability or by executive for reduction of compensation or mandatory relocation (as defined in his agreement), he will be entitled to a lump sum severance payment based on the multiple of three (3) times his current base salary and his average annual incentive compensation (as defined). For purposes of the incentive compensation portion of this calculation, an average of his most recent bonus (fiscal 2008 bonus) and target bonus (60% of current base salary) has been used.
- (6) Mr. Reis is entitled to a special pro-rata MICP payment under his change in control agreement. This bonus is based on Mr. Reis' target bonus percentage under the MICP, which is 60% of his current base salary, for the pro-rata portion of the year. Since the Change in Control date is at the end of the final day of the fiscal year, the pro-rata percentage of the MICP bonus is 100%.

- (7) Pursuant to Mr. Reis' change in control agreement, in the event of a Change in Control with termination for Good Faith determination (as defined in his agreement), he will be entitled to continuation of health, dental and life coverage for a period of two (2) years. In the event of a Change in Control with termination by STERIS other than for Cause, death or Disability or by Mr. Reis for reduction of compensation or mandatory relocation, he will be entitled to continuation of health, dental and life coverage for a period of three (3) years.

Table of Contents**Robert E. Moss^{(1) & (2)}**

| | Change in Control | | |
|--|--|--|---|
| | Change in Control without termination⁽³⁾ | Change in Control with termination for Good Faith determination^{(3)and(4)} | with termination by STERIS or by Executive for reduction of compensation or mandatory relocation^{(3)and(5)} |
| | (\$) | (\$) | (\$) |
| Severance Payment | - | 742,271 | 1,113,407 |
| Stock Options | 34,080 | 34,080 | 34,080 |
| Restricted Stock | 185,127 | 185,127 | 185,127 |
| 2008 Target Bonus ⁽⁶⁾ | - | 141,000 | 141,000 |
| Health, Dental, and Life Benefits ⁽⁷⁾ | - | 20,437 | 30,656 |
| Excise Tax Gross Up | - | - | 544,606 |
| Totals | 219,207 | 1,122,915 | 2,048,876 |

- (1) For purposes of this disclosure, the Change in Control date and all termination events are assumed to occur on March 31, 2008. The stock price as of such date is assumed to be \$26.83 (i.e., the actual closing stock price on March 30, 2008, the last trading day before the end of the fiscal year).
- (2) Mr. Moss and STERIS have not entered into an employment agreement. Therefore, in the event of termination without a Change in Control, no contractual termination payments are required.
- (3) In the event of a Change in Control with or without termination or in the event of Mr. Moss' death, Mr. Moss will be entitled to accelerated vesting of stock options and restricted stock. Vested values for Stock Options and Restricted Stock are shown in the Change in Control columns. Some stock options granted were underwater as of the assumed Change in Control date of March 31, 2008; therefore, there is no incremental value attributable to these underwater awards shown on the above tables.
- (4) Pursuant to Mr. Moss' change in control agreement, in the event of a Change in Control with termination for Good Faith determination (as defined in his agreement), he will be entitled to a lump sum severance payment based on a multiple of two (2) times his current base salary and his average annual incentive compensation (as defined). For purposes of the incentive compensation portion of this calculation, an average of his most recent bonus (fiscal 2008 bonus) and target bonus (60% of current base salary) has been used.
- (5) Pursuant to Mr. Moss' change in control agreement, in the event of a change in control with termination by STERIS other than for Cause, death or Disability or by executive for reduction of compensation or mandatory relocation (as defined in his agreement), he will be entitled to a lump sum severance payment based on a multiple of three (3) times his current base salary and his average annual incentive compensation (as defined). For purposes of the incentive compensation portion of this calculation, an average of his most recent bonus (fiscal 2008 bonus) and target bonus (60% of current base salary) has been used.
- (6) Mr. Moss is entitled to a special pro-rata MICP payment under his change in control agreement. This bonus is based on Mr. Moss' target bonus percentage under the MICP, which is 60% of his current base salary, for the pro-rata portion of the year. Since the Change in Control date is at the end of the final day of the fiscal year, the pro-rata percentage of the MICP bonus is 100%.

(8)

Edgar Filing: STERIS CORP - Form DEF 14A

Pursuant to Moss' change in control agreement, in the event of a Change in Control with termination for Good Faith determination (as defined in his agreement), he will be entitled to continuation of health, dental, and life coverage for a period of two (2) years. In the event of a Change in Control with termination by STERIS other than for Cause, death or Disability or by Mr. Moss for reduction of compensation or mandatory relocation, he will be entitled to continuation of health, dental, and life coverage for a period of three (3) years.

Table of Contents

NON-EMPLOYEE DIRECTOR COMPENSATION

DESCRIPTION OF DIRECTOR COMPENSATION FOR FISCAL 2008

It is the Board's practice to provide a mix of cash and equity-based compensation to non-employee directors, as discussed below.

At its July 26, 2007 meeting, the Board approved a new compensation arrangement for non-employee Directors. The only payments made to non-employee Directors during fiscal 2008 prior to approval of the new arrangement were for meeting fees payable pursuant to their prior compensation arrangements. These meeting fees were \$1,000 for each Board meeting attended and \$500 (\$1,000 for the Committee Chairperson) for each Committee meeting attended.

Under the new arrangement, each non-employee Director is entitled to receive \$150,000 (or \$240,000 for the Chairman of the Board) over the annual term (the annual term begins with the annual meeting of shareholders and ends at the next annual meeting), beginning with the 2008 annual shareholder meeting. This compensation is payable as follows:

Cash Retainer A cash retainer of \$37,500 (\$60,000 in the case of the Chairman of the Board) is payable for the first half of the term (shortly after the annual shareholder meeting). An additional retainer of \$37,500 (\$60,000 in the case of the Chairman of the Board) is payable for the second half of the term (generally paid in February). The second payment may be taken in cash, STERIS stock or a combination of cash and STERIS stock, as elected by the Director.

Options and Restricted Shares \$37,500 (\$60,000 in the case of the Chairman of the Board) in value of stock options and \$37,500 (\$60,000 in the case of the Chairman of the Board) in value of restricted shares (with such values based on the closing price of STERIS shares on the first full trading day after the annual meeting of shareholders) is paid to each director. These awards are made at the beginning of the annual term and vest the following January.

In addition to the foregoing, under this new arrangement, a \$10,000 chair fee is paid to the Chairperson of the Audit and Financial Performance Committee and a \$5,000 chair fee is paid to the Chairperson of each of the other Board committees, payable at the beginning of the annual term. Also a \$1,000 per meeting fee will be payable to each non-employee Director for each Board meeting and assigned Committee meeting attended by the Director in excess of 20 during the annual term. All Directors are reimbursed for certain expenses in connection with attendance at Board and Committee meetings.

Table of Contents**DIRECTOR COMPENSATION TABLE FOR FISCAL 2008⁽¹⁾**

| Name | Fees Earned | Stock | Option | All Other | Total |
|----------------------------------|--------------------------|---------------------|---------------------|--------------|---------|
| | or Paid in | Awards | Awards | Compensation | |
| | Cash (\$) ⁽²⁾ | (\$) ⁽³⁾ | (\$) ⁽⁴⁾ | (\$) | (\$) |
| Cynthia L. Feldmann | 89,500 | 37,479 | 35,751 | - | 162,730 |
| Stephen R. Hardis ⁽⁵⁾ | 8,000 | - | - | - | 8,000 |
| Jacqueline B. Kosecoff | 45,000 | 74,971 | 35,751 | - | 155,722 |
| Raymond A. Lancaster | 84,500 | 37,479 | 35,751 | - | 157,730 |
| Kevin M. McMullen | 85,000 | 37,479 | 35,751 | - | 158,230 |
| J.B. Richey | 84,000 | 37,479 | 35,751 | - | 157,230 |
| Mohsen M. Sohi | 79,000 | 37,479 | 35,751 | - | 152,230 |
| John P. Wareham | 137,000 | 59,954 | 42,783 | - | 239,738 |
| Loyal W. Wilson | 78,500 | 37,479 | 35,751 | - | 151,730 |
| Michael B. Wood | 79,000 | 37,479 | 35,751 | - | 152,230 |

- (1) Messrs. Breeden and Fields were not members of the Board for any portion of fiscal year 2008. They were appointed to the Board on April 23, 2008.
- (2) The dollar amount represents the amount paid in cash for first half and second half annual retainer for the annual term beginning in July 2007 plus chair fees plus fees earned by attendance at Board and committees meetings during the fiscal year ended March 31, 2008 prior to the change in the method of compensating nonemployee directors.
- (3) The dollar amounts represent the compensation cost that was earned by the named director and recognized by the Company during fiscal 2008 related to restricted stock. Compensation cost is initially measured based on the grant date fair value of an award, determined pursuant to FAS 123R (excluding estimate of forfeiture) utilizing assumptions discussed in Note 15 to our financial statements for the fiscal year ended March 31, 2008. Compensation cost is recognized for financial reporting purposes over the period in which the named director is required to provide service in exchange for the award.
- (4) The dollar amounts represent the compensation cost that was earned by the named director and recognized by the Company during fiscal 2008 related to stock options granted in fiscal 2008 in accordance with FAS 123R. Compensation cost is initially measured based on the grant date fair value of an award, determined pursuant to FAS 123R (excluding estimate of forfeiture) utilizing assumptions discussed in Note 15 to our financial statements for the fiscal year ended March 31, 2008. Compensation cost is recognized for financial reporting purposes over the period in which the named director is required to provide service in exchange for the award. The grant date fair value estimate for these stock option awards in accordance with the provisions of FAS 123R equaled the compensation cost recognized by the Company during fiscal 2008. For information regarding the aggregate number of options of each non-employee director outstanding as of March 31, 2008, see Aggregate Equity Holdings by Non-Employee Directors at March 31, 2008 on page 48.
- (5) Mr. Hardis retired from the Board on July 26, 2007.

Table of Contents**DIRECTOR FEE BREAKDOWN FOR FISCAL 2008⁽¹⁾****(CASH PORTION OF DIRECTOR FEES)**

| Name | Annual Retainer Fees (\$) | Board Meeting Fees (\$)⁽⁶⁾ | Regular Committee Fees (\$)⁽⁶⁾ | Special Committees Meeting Fee (\$)⁽⁷⁾ | Total Cash Fees (\$) |
|---------------------------------------|----------------------------------|--|--|--|-----------------------------|
| Cynthia L. Feldmann ⁽²⁾ | 85,000 | 3,000 | 1,500 | - | 89,500 |
| Stephen R. Hardis ⁽³⁾ | - | 1,000 | 2,000 | 5,000 | 8,000 |
| Jacqueline B. Kosecoff ⁽⁴⁾ | 37,500 | 3,000 | 500 | 4,000 | 45,000 |
| Raymond A. Lancaster | 75,000 | 3,000 | 1,000 | 5,500 | 84,500 |
| Kevin M. McMullen ⁽⁵⁾ | 80,000 | 3,000 | 2,000 | - | 85,000 |
| J.B. Richey ⁽⁵⁾ | 80,000 | 3,000 | 1,000 | - | 84,000 |
| Mohsen M. Sohi | 75,000 | 3,000 | 1,000 | - | 79,000 |
| John P. Wareham | 120,000 | 3,000 | 3,000 | 11,000 | 137,000 |
| Loyal W. Wilson | 75,000 | 2,000 | 1,500 | - | 78,500 |
| Michael B. Wood | 75,000 | 3,000 | 1,000 | - | 79,000 |

(1) Messrs. Breeden and Fields were not members of the Board for any portion of the fiscal year 2008. They were appointed to the Board on April 23, 2008.

(2) Ms. Feldmann received an additional \$10,000 retainer as Chairperson of the Audit and Financial Policy Committee.

(3) Mr. Hardis did not stand for re-election at the 2007 Annual Meeting of Shareholders.

(4) Dr. Kosecoff elected to receive her second half retainer entirely in Common Shares of STERIS.

(5) Messrs McMullen and Richey each received an additional \$5,000 retainer as Chairperson of the Compensation and Corporate Governance Committee and the Compliance Committee, respectively.

(6) These fees relate to the meetings of the Board and of the standing committees of the Board held during Fiscal 2008 under the prior non-employee Director compensation arrangement.

(7) These fees relate to meetings of the Search Committee held during Fiscal 2008 under the prior non-employee Director compensation arrangements.

Table of Contents**AGGREGATE OPTION HOLDINGS BY NON-EMPLOYEE DIRECTORS AT MARCH 31, 2008⁽¹⁾**

| Name | Options (#) |
|------------------------|--------------------|
| Cynthia L. Feldmann | 28,387 |
| Stephen R. Hardis | 50,000 |
| Jacqueline B. Kosecoff | 43,387 |
| Raymond A. Lancaster | 93,387 |
| Kevin M. McMullen | 73,387 |
| J.B. Richey | 73,387 |
| Mohsen M. Sohi | 23,387 |
| John P. Wareham | 83,387 |
| Loyal W. Wilson | 83,387 |
| Michael B. Wood | 33,387 |
| Total | 585,483 |

(1) Messrs. Breeden and Fields were not members of the Board for any portion of the fiscal 2008. They were appointed to the Board on April 23, 2008.

OWNERSHIP OF VOTING SECURITIES**5% Owners**

The following table shows certain information with respect to all persons known by STERIS to beneficially own more than five percent of the Company's outstanding Common Shares, based on the number of Common Shares outstanding as of May 31, 2008, which was 58,615,783.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class |
|---|--|-------------------------|
| Barclays Global Investors NA | | |
| 45 Fremont Street 17 th Floor, San Francisco, CA 94105 | 5,545,382 ⁽¹⁾ | 9.46% |
| Breeden Capital Management LLC | | |
| 100 Northfield Street, Greenwich CT 06830 | 5,067,321 ⁽²⁾ | 8.65% |

(1) Based upon information contained in a Schedule 13G filed with the Securities and Exchange Commission on February 6, 2008, which Schedule specifies that Barclays Global Investors NA, Barclays Global Fund Advisors, Barclays Global Investors, Ltd. and Barclays Global Investors Canada Limited have sole voting power with respect to 4,871,508 of these shares, shared voting power with respect to none of these shares and sole dispositive power with respect to all of these shares.

(2) Based upon information contained in a Schedule 13D/A filed with the Securities and Exchange Commission on April 24, 2008, which Schedule specifies Breeden Capital Management LLC has shared voting and dispositive power with respect to all of these shares.

Table of Contents**STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS**

The following table shows the beneficial ownership of our Common Shares by each director of the Company, each nominee for election as director, each of the named executive officers and all directors, nominees, and executive officers of the Company as a group, as of May 31, 2008, unless otherwise indicated below.

| Name of Beneficial Owner | Number of Shares Beneficially Owned as of May 31, 2008 ⁽¹⁾ | | |
|---|---|--------------------------------|-----------------------------|
| | Shares Owned | Stock Options Exercisable | Total Stock-Based Ownership |
| | Directly and Indirectly ⁽²⁾ | Within 60 Days of May 31, 2008 | |
| Walter M Rosebrough, Jr. | 41,000 | 0 | 41,000 |
| Michael J. Tokich | 9,724 | 55,906 | 65,630 |
| Peter A. Burke | 16,500 | 114,462 | 130,962 |
| Gerard J. Reis | 8,400 | 169,912 | 178,312 |
| Robert E. Moss | 23,857 | 69,500 | 93,357 |
| Richard C. Breeden | 5,067,321 | 0 | 5,067,321 |
| Cynthia L. Feldmann | 2,691 | 28,387 | 31,078 |
| Robert H. Fields | 0 | 0 | 0 |
| Jacqueline B. Kosecoff | 5,152 | 43,387 | 48,539 |
| Raymond A. Lancaster | 13,566 | 83,387 | 96,953 |
| Kevin M. McMullen | 8,364 | 73,387 | 81,751 |
| J.B. Richey | 125,237 | 73,387 | 198,624 |
| Mohsen M. Sohi | 2,478 | 23,387 | 25,865 |
| John P. Wareham | 6,691 | 83,387 | 90,078 |
| Loyal W. Wilson | 11,964 | 83,387 | 95,351 |
| Michael B. Wood | 3,015 | 33,387 | 36,402 |
| All Directors, Nominees, and Executive Officers as a group (20 persons) ⁽³⁾⁽⁴⁾ | 5,402,601 | 1,052,737 | 6,455,338 |

(1) As of May 31, 2008, (a) with the exception of Mr. Breeden, who beneficially owned approximately 8.65% of our outstanding Common Shares, no director, nominee, or executive officer beneficially owned 1% or more of our outstanding Common Shares and (b) the directors, nominees and executive officers of the Company as a group beneficially owned approximately 10.82% of the outstanding Common Shares.

(2) Included are (a) Common Shares beneficially owned outright; (b) restricted Common Shares; and (c) Common Shares held in the Company's 401(k) plan.

(3) Shares and options of Mr. Vinney have not been included because he was not an executive officer or director as of March 31, 2008.

(4) The Board has established guidelines requiring that each director own at least 6,000 shares of STERIS common stock within five years from (i) July 26, 2007, for those that were directors as of that date, or (ii) within five years of the initial appointment or election to the Board for persons subsequently becoming directors. Restricted shares, but not stock options, count toward satisfaction of these guidelines.

Table of Contents

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based on Company records and information, including a review of Forms 3, 4 and 5 and amendments thereto furnished to the Company, the Company believes that all filing requirements applicable to directors, executive officers, and greater than 10% shareholders under Section 16(a) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 2008 were complied with on a timely basis.

Table of Contents

SHAREHOLDER NOMINATIONS OF DIRECTORS AND NOMINEE CRITERIA

The Compensation and Corporate Governance Committee will consider shareholder recommendations for candidates to be nominees for election to the Board of Directors if such recommendations are in writing and set forth the information listed below. Such recommendations must be submitted to STERIS Corporation, 5960 Heisley Road, Mentor, Ohio 44060-1834, Attention: Mark D. McGinley, Secretary, and must be received at our executive offices not less than 60 and not more than 90 days prior to the Annual Meeting of Shareholders. All shareholder recommendations for director nominee candidates must set forth the following information:

1. The name and address of the shareholder recommending the proposed director nominee for consideration as that information appears on our records, the telephone number where the shareholder can be reached during normal business hours, the number of shares owned by the shareholder, and the length of time the shares have been owned by the shareholder. If the person recommending the proposed director nominee is not a shareholder of record or if the shares are owned by an entity, reasonable evidence of the person's beneficial ownership of the shares or the person's authority to act on behalf of the entity;
2. Complete information as to the identity and qualifications of the proposed director nominee, including the full legal name, age, business and residence addresses and telephone numbers, and other contact information, the number of shares owned by the proposed director nominee, and the principal occupation and employment of the proposed director nominee, including his or her occupation for at least the past five years, with a reasonably detailed description of the background, education, professional affiliations, and business and other relevant experience (including directorships, employments, and civic activities) and qualifications of the proposed director nominee;
3. The reasons why, in the opinion of the recommending shareholder, the proposed director nominee is qualified and suited to be a director of STERIS;
4. The disclosure of any relationship of the proposed director nominee with STERIS or any of our subsidiaries or affiliates, whether direct or indirect;
5. A description of all relationships, arrangements, and understandings between the proposing shareholder and the proposed director nominee and any other person(s) (naming such person(s)) pursuant to which the proposed director nominee is being proposed or would serve as a director, if elected; and
6. A written acknowledgement by the proposed director nominee that he or she has consented to being considered as a nominee, has consented to an investigation into his or her background, education, experience, and other qualifications if the Corporate Governance and Compensation Committee desires to do so, has consented to be named in our proxy statement, if so determined, and has consented to serve as a director of STERIS, if elected.

There are no specific, defined, qualifications or specific qualities or skills that are necessary for directors candidates to possess. In evaluating proposed director nominees, the Compensation and Corporate Governance Committee will consider such factors as it deems appropriate, consistent with the Board's Governance Guidelines, and other factors identified from time to time by the Board of Directors. The Compensation and Corporate Governance Committee will consider the entirety of each proposed director nominee's credentials. As a general matter, the Committee will consider factors such as personal and professional ethics, integrity, commitment, judgment, independence, possible conflicts of interest, experience, diversity of background, availability, comparison of the approach of incumbent members of the Board of Directors, and ability to represent the interests of all shareholders, not just those of a particular philosophy or constituency.

Table of Contents

The Compensation and Corporate Governance Committee will consider all information provided that it deems is relevant to a proposed director nominee's nomination as a director of the Company. Following such consideration, the Committee may seek additional information regarding, and may request an interview with, any proposed director nominee whom it wishes to continue considering. Based upon all information available to it and any interviews it may have conducted, the Committee will meet to determine whether to recommend the proposed director nominee to the Board of Directors. The Committee will consider proposed director nominees recommended by shareholders on the same basis as proposed director nominees from other sources, subject to the procedures described herein and in the Company's Amended and Restated Code of Regulations, as amended.

The Compensation and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating director nominees. Candidates may be recommended by current members of the Board of Directors, third-party search firms or shareholders. The Compensation and Corporate Governance Committee generally does not consider recommendations for director nominee submitted by other constituencies. In order to preserve its impartiality, the Compensation and Corporate Governance Committee will not consider any recommendations from shareholders that are not submitted in accordance with the procedures set forth above.

Table of Contents

SHAREHOLDER PROPOSALS

In response to matters submitted by shareholders for consideration at special or annual meetings of shareholders, the Compensation and Corporate Governance Committee shall designate one or more members of management to review properly submitted proposals and to obtain all necessary information to allow management designees to present the shareholder proposal to the Compensation and Corporate Governance Committee for further consideration. Upon submission of a shareholder proposal to the Compensation and Corporate Governance Committee, the Committee will evaluate and make recommendations, as appropriate, to the Board of Directors, with respect to the proposal. This evaluation by the Compensation and Corporate Governance Committee may include, without limitation, consideration of (a) the appropriateness of the proposal, (b) applicable requirements of our Articles of Incorporation and Amended and Restated Code of Regulations, as amended from time to time, (c) legal requirements, including requirements under applicable state law, (d) whether the shareholder proposal previously has been submitted to shareholders for a vote, and if so, the vote received for and against the proposal, (e) the best interests of all shareholders, (f) the impact that implementation of the proposal would have on the overall operations of the business, (g) whether the proposal would result in appropriately accomplishing the goals and objectives described in the proposal, and (h) any other considerations that the Compensation and Corporate Governance Committee may deem appropriate. The process of evaluation may include communication directly with the shareholder proponent by the Compensation and Corporate Governance Committee or the management designees, as the Compensation and Corporate Governance Committee may deem appropriate.

The deadline for shareholders to submit proposals to be considered for inclusion in the proxy statement for the 2009 Annual Meeting of Shareholders is expected to be February 20, 2009. However, if the date of the 2009 Annual Meeting is changed by more than 30 calendar days from the date on which this year's meeting is held, a proposal must be received by the Company a reasonable time before the proxy solicitation in connection with the meeting is made.

Additionally, a shareholder may submit a proposal for consideration at the 2009 Annual Meeting of Shareholders, but not for inclusion in the proxy statement, if that proposal is submitted not less than 120 calendar days in advance of the anniversary of the previous year's annual meeting, which deadline will be March 28, 2009. The Company's proxy statement for the 2009 Annual Meeting of Shareholders will give discretionary authority to proxy holders to vote with respect to properly submitted proposals not included in such Proxy Statement. For a proposal to be properly requested by a shareholder to be brought before the 2009 Annual Meeting of Shareholders, the shareholder must comply with all of the requirements in STERIS's Amended and Restated Code of Regulations and as the same may be further amended from time to time, as well as the timeliness requirements described above.

MISCELLANEOUS MATTERS

There are no miscellaneous matters.

Table of Contents

ANNUAL REPORT

Important Notice Regarding the Availability of Proxy Materials for the

Annual Meeting of Shareholders to be held on July 24, 2008

This Proxy Statement, along with our Annual Report to Shareholders of the Company for the fiscal year ended March 31, 2008, which includes financial statements for the Company for the fiscal year ended March 31, 2008, are available free of charge at www.steris.com/proxymaterials.

The Annual Report to Shareholders of the Company for the fiscal year ended March 31, 2008, which includes financial statements for the Company for the fiscal year then ended, is being mailed to each shareholder of record with this Proxy Statement.

By Order of the Board of Directors,

MARK D. MCGINLEY

Secretary

June 19, 2008

Table of Contents

c/o National City Bank
Shareholder Services Operations
Locator 5352
P. O. Box 94509
Cleveland, OH 44101-4509

VOTE BY TELEPHONE

Have your proxy card available when you call **Toll-Free 1-888-693-8683** using a touch-tone phone and follow the simple instructions to record your vote.

VOTE BY INTERNET

Have your proxy card available when you access the website **www.cesvote.com** and follow the simple instructions to record your vote.

VOTE BY MAIL

Please mark, sign and date your proxy card and return it in the **postage-paid envelope** provided or return it to: National City Bank, P.O. Box 535300, Pittsburgh, PA 15253-9837.

Vote by Telephone

Call Toll-Free using a
touch-tone telephone:
1-888-693-8683

Vote by Internet

Access the Website and
cast your vote:
www.cesvote.com

Vote by Mail

Return your proxy
in the postage-paid
envelope provided

Vote 24 hours a day, 7 days a week

Your telephone or Internet vote must be received by 6:00 a.m. Eastern Daylight Time

on July 24, 2008, to be counted in the final tabulation.

If you vote by telephone or over the Internet, you do not need to mail your proxy card.

Sign and date proxy card below.

i Please fold and detach card at perforation before mailing. i

STERIS CORPORATION

PLEASE MARK VOTE IN BOX IN THE FOLLOWING MANNER USING DARK INK ONLY. x

1. **Election of Directors** Director Nominees: For All Withhold All For All Except:

..

Richard C. Breeden, Cynthia L. Feldmann, Robert H. Fields, Jacqueline B. Kosecoff, Raymond A. Lancaster, Kevin M. McMullen, J. B. Richey, Walter M Rosebrough, Jr., Mohsen M. Sohi, John P. Wareham, Loyal W. Wilson, and Michael B. Wood.

The Board of Directors recommends a vote FOR all the above nominees.

Nominee Exception(s):

2. Ratifying the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2009. For Against Abstain

..
I Will Attend Meeting .. Change of Address ..

In their discretion, the Proxies are authorized to vote upon such other matters as may properly come before the meeting or at any adjournment thereof.

Date: _____
_____, 2008

The Board of Directors recommends a vote FOR Proposal 2.

Signature(s)

Signatures(s)

NOTE: Please sign exactly as name appears in the area to the left. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Table of Contents

YOUR VOTE IS IMPORTANT

Regardless of whether you plan to attend the Annual Meeting of Shareholders, you can be sure your shares are represented at the meeting by promptly returning your proxy in the enclosed envelope.

Sign and date proxy card on the reverse side.

i Please fold and detach card at perforation before mailing. i

PROXY

**STERIS CORPORATION
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JULY 24, 2008**

PROXY

This Proxy is solicited by the Board of Directors

At the Annual Meeting of Shareholders of the Company to be held on July 24, 2008, and at any adjournment thereof, Walter M Rosebrough, Jr., John P. Wareham, Michael J. Tokich, Mark D. McGinley and Dennis P. Patton, and each of them, with full power of substitution in each (the Proxies), are hereby authorized to represent me and to vote my shares on the following Proposals:

1. Electing directors to serve for a one-year term of office expiring at the Company's 2009 Annual Meeting of Shareholders. The nominees for the Board of Directors are: Richard C. Breeden, Cynthia L. Feldmann, Robert H. Fields, Jacqueline B. Kosecoff, Raymond A. Lancaster, Kevin M. McMullen, J. B. Richey, Walter M Rosebrough, Jr., Mohsen M. Sohi, John P. Wareham, Loyal W. Wilson and Michael B. Wood.
2. Ratifying the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2009.

The Board of Directors recommends votes FOR the election of the nominees listed above and FOR the ratification of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2009.

Unless otherwise specified, this Proxy will be voted FOR the election of the nominees listed above, FOR the ratification of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2009 and in the proxies discretion on all other matters as may properly come before the meeting or any adjournment thereof. SEE REVERSE SIDE.

(change of address)

(If you have written in the above space, please mark the corresponding box on the reverse side.)

Table of Contents

c/o National City Bank

Shareholder Services Operations

Locator 5352

P. O. Box 94509

Cleveland, OH 44101-4509

VOTE BY TELEPHONE

Have your direction form available when you call **Toll-Free 1-888-693-8683** using a touch-tone phone and follow the simple instructions to record your vote.

VOTE BY INTERNET

Have your direction form available when you access the website **www.cesvote.com** and follow the simple instructions to record your vote.

VOTE BY MAIL

Please mark, sign and date your direction form and return it in the **postage-paid envelope** provided or return it to: National City Bank, P.O. Box 535300, Pittsburgh, PA 15253-9837.

Vote by Telephone

Call Toll-Free using a touch-tone telephone:

1-888-693-8683

Vote by Internet

Access the Website and cast your vote:

www.cesvote.com

Vote by Mail

Return your direction form in the postage-paid envelope provided

Vote 24 hours a day, 7 days a week

Your telephone or Internet vote must be received by 5:00 p.m. Eastern Daylight Time

on July 18, 2008, to be counted in the final tabulation.

If you vote by telephone or over the Internet, you do not need to mail your direction form.

g

Sign and date direction form below.

i Please fold and detach card at perforation before mailing. i

**STERIS CORPORATION
PLEASE MARK VOTE IN BOX IN THE FOLLOWING MANNER USING DARK INK ONLY. x**

| | | | | |
|---------------------------------|--|----------------|---------------------|------------------------|
| 1. Election of Directors | Director Nominees: | For All | Withhold All | For All Except: |
| | | .. | .. | .. |
| | Richard C. Breeden, Cynthia L. Feldmann, Robert H. Fields, Jacqueline B. Kosecoff, Raymond A. Lancaster, Kevin M. McMullen, J. B. Richey, Walter M Rosebrough, Jr., Mohsen M. Sohi, John P. Wareham, Loyal W. Wilson, and Michael B. Wood. | | | |

The Board of Directors recommends a vote FOR all the above nominees.

Nominee Exception(s):

| | | | |
|---|------------|----------------|----------------|
| 2. Ratifying the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2009. | For | Against | Abstain |
| | .. | .. | .. |

The Board of Directors recommends a vote FOR Proposal 2.

I Will Attend Meeting ..

In its discretion, the Trustee is authorized to vote upon such other matters as may properly come before the meeting or at any adjournment thereof.

Date: _____, 2008

Signature(s)

Signatures(s)

NOTE: Please sign exactly as name appears in the area to the left. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Table of Contents

YOUR VOTE IS IMPORTANT

Regardless of whether you plan to attend the Annual Meeting of Shareholders, you can be sure your shares are represented at the meeting by promptly returning your direction form in the enclosed envelope.

Sign and date direction form on the reverse side.

i Please fold and detach card at perforation before mailing. i

DIRECTION FORM

**STERIS CORPORATION
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JULY 24, 2008**

DIRECTION FORM

**Instructions for Voting Shares Held by Delaware Charter Guarantee & Trust Company d.b.a. Principal Trust Company,
Trustee under the STERIS Corporation 401(k) Plan and Trust (the Plan)**

Pursuant to the Plan, I hereby direct Delaware Charter Guarantee & Trust Company d.b.a. Principal Trust Company, as Trustee, to vote in person or by proxy all Common Shares of the Company credited to my stock fund account under the Plan at the Annual Meeting of Shareholders of the Company to be held on July 24, 2008, and at any adjournment thereof, as specified, on the reverse side of this direction form on all matters properly coming before said meeting, including:

1. Electing directors to serve for a one-year term of office expiring at the Company's 2009 Annual Meeting of Shareholders. The nominees for the Board of Directors are: Richard C. Breedon, Cynthia L. Feldmann, Robert H. Fields, Jacqueline B. Kosecoff, Raymond A. Lancaster, Kevin M. McMullen, J. B. Richey, Walter M Rosebrough, Jr., Mohsen M. Sohi, John P. Wareham, Loyal W. Wilson, and Michael B. Wood.
2. Ratifying the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2009.

The Board of Directors recommends votes FOR the election of the nominees listed above and FOR the ratification of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2009.

IF THE TRUSTEE DOES NOT RECEIVE YOUR INSTRUCTIONS FOR VOTING, IT WILL VOTE THE SHARES CREDITED TO YOUR STOCK FUND ACCOUNT IN THE SAME PROPORTION AS IT VOTES THOSE SHARES WITH RESPECT TO WHICH IT DOES RECEIVE VOTING INSTRUCTIONS REGARDING THE ELECTION OF THE NOMINEES FOR DIRECTOR LISTED ABOVE, THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING MARCH 31, 2009 AND ALL OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF. SEE REVERSE SIDE.

DIRECTION FORMS MUST ARRIVE AT THE OFFICES OF NATIONAL CITY BANK, THE TABULATING AGENT, NO LATER THAN 5:00 P.M., EASTERN DAYLIGHT-SAVING TIME, ON JULY 18, 2008, FOR TABULATION.