

STERICYCLE INC
Form DEF 14A
April 12, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

STERICYCLE
(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

Edgar Filing: STERICYCLE INC - Form DEF 14A

- .. No fee required.
- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(4) 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

NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 22, 2012

Dear Stockholder:

You are cordially invited to attend our 2012 Annual Meeting of Stockholders (the Annual Meeting) to be held on Tuesday, May 22, 2012 at 11:00 a.m. Central Daylight Time at the DoubleTree Hotel Chicago O'Hare Airport-Rosemont, 5460 North River Road, Rosemont, Illinois 60018.

At the Annual Meeting, you will be asked to consider and vote on the following matters:

the election to the Board of the nine nominees for director named in this proxy statement,

ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2012,

a non-binding advisory resolution to approve the compensation of our named executive officers as disclosed in this proxy statement (sometimes referred to as the say-on-pay vote),

a stockholder proposal requesting that the Compensation Committee of the Board adopt a policy requiring senior executives to hold equity awards until retirement, and

any other matter that properly comes before the meeting.

Only stockholders of record at the close of business on the record date of March 23, 2012 are entitled to vote at the Annual Meeting.

Admission to the Annual Meeting is by an admissions card. If you plan to attend the meeting in person, please complete and return the Admission Request Form on the back cover of this proxy statement and an admissions card will be mailed to you. If you are the beneficial owner of shares held in street name, you must also provide confirmation of your stock ownership with your Admission Request Form. All Admission Request Forms must be received by May 15, 2012. An admissions card is not transferable. If you need directions to the meeting, please call Investor Relations at (800) 643-0240 ext. 2012.

Edgar Filing: STERICYCLE INC - Form DEF 14A

For the convenience of our stockholders of record who do not plan to attend the Annual Meeting in person but who want their shares voted, we have enclosed a proxy card. If you do not plan to attend the Annual Meeting, please complete and return the proxy card in the envelope provided or go to www.proxyvote.com and follow the instructions. If you return your proxy card and later decide to attend the Annual Meeting in person, or if for any other reason you want to revoke your proxy, you may do so at any time before your proxy is voted.

For the Board of Directors

**Lead
Director**

Mark C. Miller

Chairman of the Board and Chief Executive Officer

**Jack W.
Schuler**

April 12, 2012

Lake Forest, Illinois

Table of Contents**SUMMARY INFORMATION**

This summary highlights information contained elsewhere in this proxy statement. It does not contain all information that you should consider, and you should read the entire proxy statement carefully before voting.

Annual Meeting of Stockholders

| | |
|-----------------------|---|
| Time and Date: | 11:00 a.m. Central Daylight Time on Tuesday, May 22, 2012 |
| Place: | DoubleTree Hotel Chicago O'Hare Airport-Rosemont 5460 North River Road Rosemont, Illinois 60018 |
| Record Date: | March 23, 2012 |
| Voting: | Stockholders as of the record date are entitled to vote. |
| Attendance: | Admission to the meeting is by an admissions card. Stockholders who wish to attend the meeting in person must complete and return an Admissions Request Form by May 15, 2012 to receive an admissions card. |

Meeting Agenda and Voting Recommendations

| Agenda Item | Board Recommendation | Page |
|--|-----------------------------|-------------|
| Election of 9 directors | FOR EACH NOMINEE | 8 |
| Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2012 | FOR | 30 |
| Advisory vote on executive compensation | FOR | 31 |
| Stockholder proposal on executives holding equity awards until retirement | AGAINST | 32 |

Board Nominees

The following table provides summary information about the nominees for director. Each director is elected by a majority of votes cast.

| Nominee | Age | Director Since | Principal Occupation | Committees |
|----------------|------------|-----------------------|--|-------------------|
| Mark C. Miller | 56 | 1992 | Chairman and Chief Executive Officer, Stericycle, Inc. | None |

Edgar Filing: STERICYCLE INC - Form DEF 14A

| | | | | |
|-----------------|----|------|---|--|
| Jack W. Schuler | 71 | 1990 | Lead Director and former Chairman, Stericycle, Inc.; former president and chief operating officer, Abbott Laboratories; former chairman, Ventana Medical Systems, Inc.; co-founder and partner, Crabtree Partners LLC | Nominating and Governance (Chair) Audit |
| Thomas D. Brown | 64 | 2008 | Former senior vice president and president of the diagnostics division, Abbott Laboratories | Audit |
| Rod F. Dammeyer | 71 | 1998 | Chairman, CAC, LLC; former vice chairman, Anixter International; former managing partner, Equity Group Investments, LLC. | Audit (Chair) Nominating and Governance |

Table of Contents

| Nominee | Age | Director Since | Principal Occupation | Committees |
|--------------------------|-----|----------------|---|---|
| William K. Hall | 68 | 2006 | Former chairman and chief executive officer, Procyon Technologies, Inc.; former chairman and chief executive officer, Falcon Building Products, Inc. | Compensation |
| Jonathan T. Lord, M.D. | 57 | 2004 | Chief operating officer, Miller School of Medicine and UHealth-University of Miami Health System; former chief innovation officer and professor of pathology, University of Miami; chairman, Dexcom, Inc.; former president and chief executive officer, Navigenics, Inc. | Compensation (Chair) Nominating and Governance |
| John Patience | 64 | 1989 | Co-founder and partner, Crabtree Partners LLC; former vice chairman, Ventana Medical Systems, Inc.; former partner, McKinsey & Company | Nominating and Governance |
| James W.P. Reid-Anderson | 53 | 2009 | Chairman, president and chief executive officer, Six Flags Entertainment Corporation; former healthcare advisor to Apollo Management, LP; former executive and advisor to Siemens AG | Audit Compensation |
| Ronald G. Spaeth | 68 | 2008 | Former president, Evanston Northwestern Healthcare Foundation; former president and chief executive officer, Highland Park (Illinois) Hospital | Compensation |

Compensation Highlights

Our compensation program is performance-oriented and designed to provide strong incentives to our executive officers to continue to improve our operating performance and thereby create value for all of our stockholders. The following table sets forth the 2011 compensation for each named executive officer as determined under SEC rules. See the notes accompanying the Summary Compensation Table on page 23 for more information.

| Named Executive Officer | Salary | Bonus | Option Awards | All Other | Total |
|-------------------------|------------|------------|---------------|--------------|--------------|
| | | | | Compensation | Compensation |
| Mark C. Miller | \$ 312,672 | \$ 590,893 | \$ 3,356,789 | \$ 1,750 | \$ 4,262,104 |
| Frank J.M. ten Brink | \$ 275,919 | \$ 354,578 | \$ 1,262,355 | \$ 1,508 | \$ 1,894,360 |
| Richard T. Kogler | \$ 275,919 | \$ 354,578 | \$ 1,262,355 | \$ 1,750 | \$ 1,894,602 |
| Michael J. Collins | \$ 245,262 | \$ 259,560 | \$ 570,960 | \$ 1,750 | \$ 1,077,532 |
| Charles A. Alutto | \$ 247,209 | \$ 312,863 | \$ 672,623 | \$ 10,480 | \$ 1,243,175 |

Table of Contents**Table of Contents**

| | |
|--|----|
| <u>GENERAL INFORMATION</u> | 1 |
| <u>STOCK OWNERSHIP</u> | 6 |
| <u>Stock Ownership by Directors and Officers</u> | 6 |
| <u>Stock Ownership of Certain Stockholders</u> | 7 |
| <u>Item 1 ELECTION OF DIRECTORS</u> | 8 |
| <u>Voting in Uncontested Director Elections</u> | 8 |
| <u>Nominees for Director</u> | 8 |
| <u>Director Qualifications</u> | 10 |
| <u>Committees of the Board</u> | 11 |
| <u>Compensation Committee</u> | 11 |
| <u>Audit Committee</u> | 11 |
| <u>Nominating and Governance Committee</u> | 11 |
| <u>Committee Charters</u> | 12 |
| <u>Committee Members and Meetings</u> | 12 |
| <u>Lead Director</u> | 12 |
| <u>Corporate Governance</u> | 13 |
| <u>Executive Sessions of the Board</u> | 13 |
| <u>Board Evaluation</u> | 13 |
| <u>Policy on Related Party Transactions</u> | 13 |
| <u>Succession Planning</u> | 13 |
| <u>Required Resignation on Change in Job Responsibilities</u> | 14 |
| <u>Communications with the Board</u> | 14 |
| <u>AUDIT COMMITTEE REPORT</u> | 15 |
| <u>COMPENSATION DISCUSSION AND ANALYSIS</u> | 16 |
| <u>Overview</u> | 16 |
| <u>Compensation Decisions</u> | 18 |
| <u>Base Salaries</u> | 19 |
| <u>Performance Bonuses</u> | 19 |
| <u>Stock Options</u> | 19 |
| <u>Bonus Conversion Program</u> | 20 |
| <u>Employee Stock Purchase Plan</u> | 20 |
| <u>401(k) Plan</u> | 20 |
| <u>Retirement Plans and Deferred Compensation Arrangements</u> | 21 |
| <u>Retiree Medical Benefits</u> | 21 |
| <u>Perquisites and Personal Benefits</u> | 21 |
| <u>Employment Agreements</u> | 21 |
| <u>Termination and Change-in-Control Payments</u> | 21 |
| <u>Stock Ownership Requirements</u> | 21 |
| <u>COMPENSATION COMMITTEE REPORT</u> | 22 |
| <u>SUMMARY COMPENSATION TABLE</u> | 23 |
| <u>GRANTS OF PLAN-BASED AWARDS</u> | 25 |
| <u>OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END</u> | 26 |
| <u>OPTION EXERCISES AND STOCK VESTED</u> | 27 |

Table of Contents

| | |
|---|----|
| <u>DIRECTOR COMPENSATION</u> | 27 |
| <u>Compensation in 2011</u> | 28 |
| <u>Outside Directors Compensation Plan</u> | 28 |
| <u>Stock Ownership Requirements</u> | 28 |
| <u>Meeting and Other Fees</u> | 29 |
| <u>Option Grants to New Directors</u> | 29 |
| <u>Item 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTING FIRM</u> | 30 |
| <u>Item 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u> | 31 |
| <u>Item 4 STOCKHOLDER PROPOSAL ON EXECUTIVES HOLDING EQUITY AWARDS UNTIL RETIREMENT</u> | 32 |
| <u>OTHER MATTERS</u> | 34 |
| <u>STOCKHOLDER PROPOSALS FOR THE 2013 ANNUAL MEETING</u> | 34 |
| <u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u> | 34 |
| <u>ADDITIONAL INFORMATION</u> | 34 |

Table of Contents

28161 North Keith Drive

Lake Forest, Illinois 60045

PROXY STATEMENT

2012 Annual Meeting of Stockholders

To Be Held on May 22, 2012

In this proxy statement, we, us, our and the Company all refer to Stericycle, Inc.

GENERAL INFORMATION

Why did I receive this proxy statement and other materials?

The Board of Directors of Stericycle, Inc. is soliciting proxies to vote shares of our stock at the 2012 Annual Meeting of Stockholders (the Annual Meeting) to be held on Tuesday, May 22, 2012 at 11:00 a.m. Central Daylight Time, at the DoubleTree Hotel Chicago O'Hare Airport-Rosemont, 5460 North River Road, Rosemont, Illinois 60018.

This proxy statement and our annual report to stockholders (which includes a copy of our Annual Report on Form 10-K for the year ended December 31, 2011), were first made available to stockholders on April 12, 2012. Although both are made available together, our annual report to stockholders is not part of this proxy statement.

What will stockholders vote on at the Annual Meeting?

Stockholders will vote on following matters at the Annual Meeting:

Edgar Filing: STERICYCLE INC - Form DEF 14A

the election to the Board of the nine nominees for director named in this proxy statement (Item 1),

ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2012 (Item 2),

a non-binding advisory resolution to approve the compensation of our named executive officers as disclosed in this proxy statement (sometimes referred to as the "say-on-pay" vote) (Item 3),

a stockholder proposal requesting that the Compensation Committee of the Board adopt a policy requiring senior executives to hold equity awards until retirement (Item 4), and

any other matter that properly comes before the meeting.

What are the Board's voting recommendations?

The Board recommends that you vote your shares:

FOR each of the nine nominees for election to the Board (Item 1),

FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2012 (Item 2),

Table of Contents

FOR the advisory resolution to approve the compensation of our named executive officers as disclosed in this proxy statement (Item 3), and

AGAINST the stockholder proposal requesting that the Compensation Committee of the Board adopt a policy requiring senior executives to hold equity awards until retirement (Item 4).

Who may vote at the Annual Meeting?

Only stockholders of record as of the close of business on March 23, 2012 are entitled to vote at the Annual Meeting. Each outstanding share of common stock as of the record date is entitled to one vote on all matters that come before the meeting. There is no cumulative voting.

As of the record date of March 23, 2012, there were 84,989,245 shares of our common stock issued and outstanding.

Why did I receive only a one-page notice in the mail regarding the Internet availability of proxy materials instead of receiving a full set of printed proxy materials?

In accordance with the notice and access rules of the U.S. Securities and Exchange Commission (SEC), we have elected to provide access to our proxy materials, including this proxy statement and our annual report to stockholders, over the Internet, and accordingly, we mailed our stockholders a Notice of Internet Availability of Proxy Materials on or about April 12, 2012. This notice contains instructions how to access our proxy materials over the Internet, how to request a printed or electronic copy of these materials and how to vote by Internet, telephone or mail.

The Notice of Internet Availability of Proxy Materials is not a proxy card and cannot be used to vote your shares.

What is the difference between a stockholder of record and a beneficial owner of shares held in street name?

If your shares are registered directly in your name with our stock registrar and transfer agent, Wells Fargo Shareowner Services, you are considered the stockholder of record for those shares and have the right to vote those shares directly. You may vote in person at the Annual Meeting or by proxy.

If your shares are held in an account at a brokerage firm, bank or other nominee (for convenient reference, a broker), you are considered the beneficial owner of those shares, which are said to be held in street name, and the broker is considered the stockholder of record for voting purposes. As the beneficial owner you cannot vote the shares in your account directly, but you have the right to instruct the broker how to vote them.

Edgar Filing: STERICYCLE INC - Form DEF 14A

As a beneficial owner, you are invited to attend the Annual Meeting, but because you are not a stockholder of record, you may not vote your shares at the Annual Meeting unless you obtain a valid proxy from your broker.

If I am a stockholder of record, how do I vote?

You may vote in several ways. You may vote in person at the Annual Meeting, or you may vote by proxy over the Internet or by telephone by following the instructions provided in the Notice of Internet Availability of Proxy Materials.

In addition, if you request copies of our proxy materials in printed form, you may vote by completing and signing the proxy card included in the materials and returning it in the postage-paid envelope provided.

Table of Contents

If I am a beneficial owner of shares held in street name, how do I instruct my broker how to vote?

If you are a beneficial owner of our stock, the Notice of Internet Availability of Proxy Materials was forwarded to you by your broker. You may instruct your broker how to vote over the Internet or by telephone by following the instructions provided in the Notice.

In addition, if you request copies of our proxy materials in printed form, you may instruct your broker how to vote by completing and signing the voting instruction card included in the materials and returning it in the postage-paid envelope provided.

What happens if I am a stockholder of record and sign and return the proxy card but do not make any voting choices?

The proxy holders (the persons named as proxies) will vote your shares in accordance with the Board's voting recommendations for Items 1, 2, 3 and 4. See "What are the Board's voting recommendations?" above.

We do not expect that any other matters will properly come before the Annual Meeting. If, however, any other matters do come before the meeting, the proxy holders will vote your shares in accordance with their judgment.

What happens if I am a beneficial owner of shares held in street name and do not give voting instructions to my broker?

Under the stock exchange and other rules governing brokers who are voting shares held in street name, brokers have authority to vote those shares at their discretion on routine matters but may not vote those shares on non-routine matters.

A broker non-vote occurs when your broker returns a proxy card for your shares held in street name but does not vote on a particular matter because (i) the broker has not received voting instructions from you and (ii) the broker does not have authority to vote on the matter without instructions because the matter is of a non-routine nature.

Which items to be voted on at the Annual Meeting are routine and which are non-routine ?

The ratification of the appointment of our independent registered public accounting firm (Item 2) is considered a routine matter under the relevant rules. All of the other items to be voted on (Items 1, 3 and 4) are considered non-routine matters.

What is the quorum required for the Annual Meeting?

Edgar Filing: STERICYCLE INC - Form DEF 14A

Holders of a majority of our outstanding shares entitled to vote at the Annual Meeting who are present in person or represented by proxy will constitute a quorum to conduct business at the meeting.

If you are a stockholder of record and vote your shares by proxy, your shares will be counted for purposes of determining whether a quorum is present even if your voting choice is to abstain. Similarly, if you are a beneficial owner of shares held in street name and do not give voting instructions to your broker, your shares will be counted for purposes of determining whether a quorum is present if your broker votes your shares on any routine matter.

What are my choices in voting on the matters to be voted on at the Annual Meeting?

On Item 1 (the election of directors), you may vote **For** all of the nominees for election or you may vote **For** or **Against** each individual nominee or **Abstain** from voting on the nominee's election.

Table of Contents

On Item 2 (ratification of the appointment of our independent registered public accounting firm), Item 3 (the say-on-pay vote) and Item 4 (stockholder proposal on executives holding equity awards until retirement), you may vote For or Against the proposal or Abstain from voting on the proposal.

What are the voting requirements to approve the matters to be voted on at the Annual Meeting?

Item 1 (election of directors): Each nominee for election as a director must receive more For votes than Against votes in order to be elected as a director. Abstentions and broker non-votes will not have any effect on the voting.

Item 2 (ratification of the appointment of our independent registered public accounting firm): This proposal requires for approval the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote. Abstentions and broker non-votes will have the same effect as a vote Against.

Item 3 (the say-on-pay vote): This proposal requires for approval the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote. Abstentions and broker non-votes will have the same effect as a vote Against.

Item 4 (stockholder proposal on executives holding equity awards until retirement): This proposal requires for approval the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote. Abstentions and broker non-votes will have the same effect as a vote Against.

Can I change my vote after I have voted?

If you are a stockholder of record, you may change your vote by voting again over the Internet or by telephone (before those voting facilities are closed at 11:59 p.m. Eastern Daylight Time on May 21, 2012) or by returning a new, properly completed proxy card bearing a later date than the date of your original proxy card. In addition, you may revoke your proxy by attending the Annual Meeting in person and requesting to vote. Attendance at the meeting in person will not, by itself, revoke your proxy. You may also revoke your proxy any time before the final vote at the Annual Meeting by filing a signed notice of revocation with the Secretary of the Company at 28161 North Keith Drive, Lake Forest, Illinois 60045.

If you are a beneficial owner of shares held in street name, you may submit new voting instructions to your broker over the Internet or by telephone (before those voting facilities are closed at 11:59 p.m. Eastern Daylight Time on May 21, 2012).

How can I find out the voting results of the Annual Meeting?

The preliminary voting results will be announced at the Annual Meeting. The final voting results will be tallied by the inspector of elections and reported in a current report on Form 8-K which we will file with the SEC within four business days following the Annual Meeting.

Who is paying for the cost of this proxy solicitation?

Edgar Filing: STERICYCLE INC - Form DEF 14A

We will bear the cost of this proxy solicitation. Some of our officers and employees may solicit proxies by personal conversations, telephone, regular mail or email, but they will not receive any additional compensation for doing so. We will reimburse brokers and others for their reasonable charges and expenses in forwarding our proxy materials to stockholders who are beneficial owners of shares of our stock.

Table of Contents

How can I attend the Annual Meeting?

We encourage our stockholders to attend the Annual Meeting. Admission to the meeting is by an admissions card. If you plan to attend the meeting in person, please complete and return the Admission Request Form on the back cover of this proxy statement and an admissions card will be mailed to you. If you are the beneficial owner of shares held in street name, you must also provide confirmation of your stock ownership with your Admission Request Form (for example, by providing a copy of a brokerage firm statement).

All Admission Request Forms must be received by May 15, 2012. An admissions card is not transferable and will admit only the stockholder or stockholders to whom it was issued. If you need directions to the meeting, please call Investor Relations at (800) 643-0240 ext. 2012.

Table of Contents**STOCK OWNERSHIP****Stock Ownership by Directors and Officers**

The following table provides information about the beneficial ownership of shares of our common stock as of March 23, 2012 by (1) each of our directors, (2) each of our executive officers listed in the Summary Compensation Table on page 23 and (3) all of our directors and executive officers as a group:

| | <u>Amount and Nature of Beneficial Ownership(1)</u> | <u>Percent of Class(2)</u> |
|---|---|--------------------------------|
| Directors (and nominees) | | |
| Mark C. Miller(3)(4) | 1,536,545 | 1.8% |
| Jack W. Schuler(3) | 2,026,869 | 2.4% |
| Thomas D. Brown | 32,097 | * |
| Rod F. Dammeyer(3) | 112,273 | * |
| William K. Hall | 68,513 | * |
| Jonathan T. Lord, M.D. | 66,359 | * |
| John Patience(3) | 304,677 | * |
| James W.P. Reid-Anderson | 19,738 | * |
| Ronald G. Spaeth | 32,097 | * |
| Officers | | |
| Frank J.M. ten Brink(3) | 278,206 | * |
| Richard T. Kogler | 183,154 | * |
| Michael J. Collins | 155,125 | * |
| Charles A. Alutto | 84,622 | * |
| All directors and executive officers as a group (13 persons) | 4,900,275 | 5.8% |

* Less than 1%.

- (1) This column includes shares of common stock issuable upon the exercise of stock options exercisable as of or within 60 days after March 23, 2012. These shares are held as follows: Mr. Miller, 797,599 shares; Mr. Schuler, 23,571 shares; Mr. Brown, 32,097 shares; Mr. Dammeyer, 75,413 shares; Mr. Hall, 64,513 shares; Dr. Lord, 66,259 shares; Mr. Patience, 71,715 shares; Mr. Reid-Anderson, 19,738 shares; Mr. Spaeth, 32,097 shares; Mr. ten Brink, 214,435 shares; Mr. Kogler, 176,573 shares; Mr. Collins, 148,174 shares and Mr. Alutto, 84,475 shares.
- (2) Shares of common stock issuable under stock options exercisable as of or within 60 days after March 23, 2012 are considered outstanding for purposes of computing the percentage of the person holding the option but are not considered outstanding for purposes of computing the percentage of any other person.
- (3) The shares shown as beneficially owned by Mr. Miller include 315,827 shares owned by a limited liability company of which Mr. Miller and his wife are the two managers, and Mr. Miller, trusts for his benefit and trusts for the benefit of his sons are the five members. Mr. Miller disclaims any beneficial ownership of the interest in the limited liability company held by the trusts for his sons. The shares shown as beneficially owned by Mr. Schuler include 367,300 shares owned by a trust for his benefit and 45,640 shares owned by his wife, regarding the latter of which Mr. Schuler disclaims any beneficial ownership. The shares shown as beneficially owned by Mr. Dammeyer include 5,400 shares owned by his wife, regarding which Mr. Dammeyer disclaims any beneficial ownership. The shares shown as beneficially owned by Mr. Patience include 1,000 shares owned by his wife, regarding which Mr. Patience disclaims any beneficial

Edgar Filing: STERICYCLE INC - Form DEF 14A

ownership. The shares shown as beneficially owned by Mr. ten Brink include 350 shares owned by his wife, regarding which Mr. ten Brink disclaims any beneficial ownership.

- (4) Mr. Miller, who is Chairman of the Board of Directors, is also our Chief Executive Officer.

Table of Contents**Stock Ownership of Certain Stockholders**

The following table provides information about the beneficial ownership of our common stock by each person who was known to us to be the beneficial owner as of the record date (March 23, 2012) of more than 5% of our outstanding common stock:

| <u>Name and Address of Beneficial Owner</u> | <u>Amount and Nature of Beneficial Ownership(1)</u> | <u>Percent of Class</u> |
|--|---|-----------------------------|
| Capital World Investors(1) 333 South Hope Street Los Angeles, California 90071 | 8,629,000 | 10.2% |
| FMR LLC(2) 82 Devonshire Street Boston, Massachusetts 02109 | 5,108,095 | 6.0% |
| The Vanguard Group, Inc.(3) 100 Vanguard Boulevard Malvern, Pennsylvania 19355 | 4,458,517 | 5.2% |

- (1) The shares shown as beneficially owned are derived from the Schedule 13G (Amendment No. 3) that Capital World Investors filed with the U.S. Securities and Exchange Commission on February 10, 2012.
- (2) The shares shown as beneficially owned are derived from the Schedule 13G (Amendment No. 1) that FMR LLC filed with the U.S. Securities and Exchange Commission on February 14, 2012.
- (3) The shares shown as beneficially owned are derived from the Schedule 13G (Amendment No. 1) that The Vanguard Group, Inc. filed with the U.S. Securities and Exchange Commission on February 8, 2012.

Table of Contents

Item 1

ELECTION OF DIRECTORS

Our Board of Directors is composed of nine directors. With the exception of Mark C. Miller, our Chairman of the Board and Chief Executive Officer, all of our directors are outside directors (i.e., directors who are neither officers nor employees of ours). The Board has determined that all of our outside directors are independent under the applicable listing standards of the NASDAQ Global Select Market.

Each director elected at the Annual Meeting will hold office until our annual meeting of stockholders in 2013 or until his successor is elected and qualified.

All nine nominees for election as directors are incumbent directors. The election of directors is uncontested.

Voting in Uncontested Director Elections

Under an amendment to our bylaws that our Board of Directors adopted in March 2011, a nominee for election as a director must receive a majority of the votes cast in order to be elected as a director in an uncontested election (an election in which the number of nominees for election is the same as the number of directors to be elected). In other words, the nominee must receive more for votes than against votes, with abstentions and broker non-votes not having any effect on the voting.

If a nominee for election as a director is an incumbent director and the nominee is not re-elected, Delaware law provides that the director continues to serve as a holdover director until his successor is elected and qualified or until he resigns. Under our amended bylaws, an incumbent director who is not re-elected is required to tender his resignation as a director. Our Nominating and Governance Committee will review the circumstances and recommend to the Board whether to accept or reject the director's resignation or take any other action. The Board is required to act on this recommendation and publicly disclose its decision and the rationale behind its decision within 90 days from the date that the election results are certified.

Nominees for Director

The following table provides information about the nominees for election as directors.

| <u>Nominee</u> | <u>Position with the Company</u> | <u>Age</u> |
|-----------------|--|------------|
| Mark C. Miller | Chairman of the Board of Directors and Chief Executive Officer | 56 |
| Jack W. Schuler | Lead Director | 71 |
| Thomas D. Brown | Director | 64 |

Edgar Filing: STERICYCLE INC - Form DEF 14A

| | | |
|--------------------------|----------|----|
| Rod F. Dammeyer | Director | 71 |
| William K. Hall | Director | 68 |
| Jonathan T. Lord, M.D. | Director | 57 |
| John Patience | Director | 64 |
| James W.P. Reid-Anderson | Director | 53 |
| Ronald G. Spaeth | Director | 68 |

Mark C. Miller has served as our Chief Executive Officer and a director since joining us in May 1992. (He also served as our President until January 2010, when he ceased to use the title.) He became Chairman of the Board of Directors in August 2008. From May 1989 until joining us, Mr. Miller served as vice president for the Pacific, Asia and Africa in the international division of Abbott Laboratories, a diversified health care company, which he joined in 1976 and where he held a number of management and marketing positions. Mr. Miller formerly served as a director of Ventana Medical Systems, Inc., a developer and supplier of automated diagnostic systems. He received a B.S. degree in computer science from Purdue University, where he graduated Phi Beta Kappa. Mr. Miller was selected by Morningstar, Inc. as its 2009 CEO of the Year.

Table of Contents

Jack W. Schuler has served as the Lead Director of our Board of Directors since August 2008 and served as our Chairman of the Board from January 1990 until becoming Lead Director. From January 1987 to August 1989 he served as president and chief operating officer of Abbott Laboratories, a diversified health care company, where he served as a director from April 1985 to August 1989. Mr. Schuler serves as a director of Medtronic, Inc., a medical technology company, and Quidel Corporation, a developer and manufacturer of point-of-care diagnostic tests, and formerly served as chairman of the board of directors of Ventana Medical Systems, Inc., and as a director of Amgen Incorporated, Chiron Corporation, Elan Corporation, plc, and ICOS Corporation. He is a co-founder of Crabtree Partners LLC, a private investment firm in Lake Forest, Illinois, and is a trustee of Carleton College. Mr. Schuler received a B.S. degree in mechanical engineering from Tufts University and a M.B.A. degree from the Stanford University Graduate School of Business Administration.

Thomas D. Brown has served as a director since May 2008. From 1974 until his retirement in 2002, Mr. Brown held various sales, marketing and management positions at Abbott Laboratories, where he served as a senior vice president and president of the diagnostics division from 1998 to 2002 and as corporate vice president for worldwide commercial operations from 1993 to 1998. He is a director of Quidel Corporation and Cepheid, a molecular diagnostics company, and formerly served as a director of Ventana Medical Systems, Inc. Mr. Brown received a B.A. degree from the State University of New York at Buffalo.

Rod F. Dammeyer has served as a director since January 1998. He is the Chairman of CAC, LLC, a private company providing capital investment and management advisory services, and is the former vice chairman of Anixter International, where he served from 1985 until February 2001, and the former managing partner of corporate investments of Equity Group Investments, LLC, where he served from 1995 until June 2000. Mr. Dammeyer serves as a director of Quidel Corporation, a developer and manufacturer of point-of-care diagnostic tests, and as an independent trustee of various Invesco Van Kampen mutual funds, and formerly served as a director of Ventana Medical Systems, Inc., GATX Corporation and as a director of The Scripps Research Institute. Mr. Dammeyer received a B.S. degree in accounting from Kent State University.

William K. Hall has served as a director since August 2006. He is a private equity investor who served from 2000 to 2009 as chairman of the board and chief executive officer of Procyon Technologies, Inc., a privately-owned holding company. From 1994 to 2000, Mr. Hall was chairman and chief executive officer of Falcon Building Products, Inc., a manufacturer and distributor of residential and commercial construction and home improvement products. He serves as a director of Actuant Corporation, a diversified industrial products manufacturer, and W.W. Grainger, a supplier of facilities maintenance products, and as a trustee of the Rush University Medical Center, and formerly served as a director of A.M. Castle & Co., Great Plains Energy Incorporated, GenCorp, Inc. and Woodhead Industries, Inc. Mr. Hall received a B.S.E. degree in aeronautical engineering, a M.S. degree in mathematical statistics, and M.B.A. and Ph.D. degrees in business from the University of Michigan.

Jonathan T. Lord, M.D. has served as a director since August 2004. In March 2012, Dr. Lord became the chief operating officer of the Miller School of Medicine and the UHealth-University of Miami Health System. From September 2011 until this appointment he served as the chief innovation officer of the University of Miami and professor of pathology. He has served as a director of Dexcom, Inc., a developer of glucose sensing technologies, since May 2008 and since May 2010 has served as its chairman of the board. From May 2009 to January 2010, he served as president and chief executive officer of Navigenics, Inc., a privately-held personal genomics testing company. Prior to joining Navigenics, Inc., Dr. Lord was chief innovation officer/senior vice president at Humana Inc., a health benefits company, which he joined in April 2000. From October 1999 to April 2000, he served as president of Health Dialog Services Corporation, a health information provider, and from April 1997 to October 1999, he served as chief operating officer of the American Hospital Association, a national organization representing hospitals, health care networks and their patients. He serves as a director of Dexcom, Inc., a developer of glucose sensing technologies, and formerly served as a director of Neurometrix, Inc. Dr. Lord received a B.S. degree in chemistry and a M.D. degree from the University of Miami.

Table of Contents

John Patience has served as a director since our incorporation in March 1989. He is a co-founder and partner of Crabtree Partners LLC, a private investment firm in Lake Forest, Illinois, which was formed in June 1995. He formerly served as a director and vice chairman of the board of directors of Ventana Medical Systems, Inc., a public company prior to its being acquired in January 2008. From January 1988 to March 1995, he was a general partner in a venture capital firm which he co-founded and which led our pre-IPO funding. He was previously a partner in the consulting firm of McKinsey & Company, specializing in health care. Mr. Patience received B.A. and LL.B. degrees from the University of Sydney in Sydney, Australia, and a M.B.A. degree from the Wharton School of Business of the University of Pennsylvania.

James W.P. Reid-Anderson has served as a director since November 2009. He has served as the chairman of the board, president and chief executive officer of Six Flags Entertainment Corporation, a regional theme park operator, since August 2010. From January 2010 to August 2010 he served as a healthcare adviser to Apollo Management, LP, a private equity investment firm. From November 2007 to March 2010 Mr. Reid-Anderson served in various executive and advisory roles with Siemens AG, a worldwide manufacturer and supplier of electronics and electrical engineering in the industrial, energy and healthcare sectors, following the acquisition by Siemens AG of Dade Behring Holdings, Inc., a manufacturer and distributor of in vitro diagnostics products and services to clinical laboratories, which Mr. Reid-Anderson joined in August 1996 and where he served as chairman of the board, president and chief executive officer. Mr. Reid-Anderson is a fellow of the Association of Chartered Certified Accountants and received a BCom (Hons) commerce degree from the University of Birmingham (in the United Kingdom).

Ronald G. Spaeth has served as a director since May 2008. He served as president of Evanston Northwestern Healthcare Foundation from 2002 to 2007 and as the president and chief executive officer of Highland Park (Illinois) Hospital from 1983 to 2002. He serves as a director of several private companies. Mr. Spaeth was formerly a director of Cole Taylor Bank and a member of the board of commissioners of the Joint Commission on the Accreditation of Healthcare Organizations, a member of the board of trustees of the American Hospital Association, chairman of the board of trustees of the Illinois Hospital Association and chairman of the board of governors of the American College of Healthcare Executives. He received a B.S. degree from Case Western Reserve University and a M.B.A. degree from the University of Chicago Graduate School of Business.

Director Qualifications

We believe that our nine directors continue to possess the experience, qualifications and skills that warranted their initial election as directors. Our directors have in common, among other qualities, a breadth of business experience, seasoned judgment and an insistence on looking beyond the next quarter or the next year in directing and supporting our management. From their service on the boards of other public and private companies, our directors also bring to us the insights that they gain from the operating policies, governance structures and growth dynamics of these other companies.

Our directors individually bring to the Board a wide range of experience, backgrounds and knowledge. Among other things that each of our directors brings: Mr. Miller brings a wealth of knowledge of our industry; Mr. Schuler brings experience managing the operations of a multinational healthcare company and knowledge of the dynamics of the healthcare industry; Mr. Brown brings experience managing the operations of a multinational diagnostics business; Mr. Dammeyer brings experience in a very wide range of businesses; Mr. Hall brings experience in developing, managing and expanding global manufacturing companies; Dr. Lord brings an understanding of healthcare delivery systems; Mr. Patience brings experience with public and private healthcare companies; Mr. Reid-Anderson brings experience with multinational companies; and Mr. Spaeth brings a knowledge of healthcare delivery systems.

Table of Contents

Committees of the Board

Our Board of Directors has standing Compensation, Audit, and Nominating and Governance Committees. All of the members of each committee are outside directors who are independent under the applicable listing standards of the NASDAQ Global Select Market.

Compensation Committee

The Compensation Committee makes recommendations to the Board of Directors concerning the base salaries and cash bonuses of our executive officers and reviews our employee compensation policies generally. The Committee also administers our stock option plans as they apply to our executive officers. In addition, the Committee periodically reviews our compensation practices to evaluate whether they pose enterprise or other risks to us.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to the integrity of our financial statements, the qualifications and experience of our independent accountants, the performance of our internal audit function and our independent accountants, and our compliance with legal and regulatory requirements.

The Audit Committee reviews our risk management policies and practices and reports any significant issues to the Board. Matters of risk management are brought to the Committee's attention by our Executive Vice President and Chief Financial Officer, who fills the functional role of our chief risk officer, or by our chief regulatory compliance officer or our principal internal auditor, who focuses on potential weaknesses that could result in a failure of an internal control process. Our management reviews and reports on potential areas of risk at the Committee's request or at the request of other members of the Board.

Nominating and Governance Committee

The Nominating and Governance Committee identifies and evaluates possible nominees for election to the Board of Directors and recommends to the Board a slate of nominees for election at the annual meeting of stockholders. The Committee also recommends to the Board director assignments to the Board's committees. In addition, the Committee develops, recommends to the Board and oversees the implementation of our corporate governance policies and practices.

The Committee considers a variety of factors in evaluating a candidate for selection as a nominee for election as a director. These factors include the candidate's personal qualities, including, in particular, the candidate's probity, independence of judgment, analytical skills, professional experience, educational background, knowledge of our business and healthcare services generally, and experience serving on the boards of other public companies. While we do not currently have a formal diversity policy in connection with the selection of candidates as nominees for election as directors, the Board seeks directors who bring to the Board a mix of backgrounds and experiences that will enhance the quality of the Board's deliberations and decisions. The Committee has not established any minimum qualifications that a candidate must possess. In

Edgar Filing: STERICYCLE INC - Form DEF 14A

determining whether to recommend an incumbent director for re-election, the Committee also considers the director's preparation for and participation in meetings of the Board of Directors and the committee or committees of the Board on which the director serves.

In identifying potential candidates for selection in the future as nominees for election as directors, the Committee relies on suggestions and recommendations from the other directors, management, stockholders and others and, when appropriate, may retain a search firm for assistance. The Committee will consider candidates proposed by stockholders and will evaluate any candidate proposed by a stockholder on the same basis that it evaluates any other candidate. Any stockholder who wants to propose a candidate should submit a written

Table of Contents

recommendation to the Committee indicating the candidate's qualifications and other relevant biographical information and providing preliminary confirmation that the candidate would be willing to serve as a director. See page 14 Communications with the Board.

Committee Charters

The charters of the Compensation, Audit, and Nominating and Governance Committees are available on our website, www.stericycle.com.

Committee Members and Meetings

The following table provides information about the membership of the committees of the Board of Directors during 2011:

| <u>Director</u> | <u>Compensation Committee</u> | <u>Audit Committee</u> | <u>Nominating and Governance Committee</u> |
|--------------------------|-----------------------------------|----------------------------|--|
| Jack W. Schuler | | X | X* |
| Thomas D. Brown | | X | |
| Rod F. Dammeyer(1) | | X* | X |
| William K. Hall | X | | |
| Jonathan T. Lord, M.D. | X* | | X |
| John Patience | | X | X |
| James W.P. Reid-Anderson | X | | |
| Ronald G. Spaeth | X | | |

* Chairman of committee

- (1) The Board of Directors has determined that Mr. Dammeyer, the Chairman of the Audit Committee, is an audit committee financial expert as described in the applicable rules of the U.S. Securities and Exchange Commission.

Our Board of Directors held four meetings in person or by teleconference during 2011 and acted without a formal meeting on a number of occasions by the unanimous written consent of the directors. The Audit Committee held eight meetings in person or by teleconference during the year. The Compensation Committee held two meetings by teleconference during the year, and the Nominating and Governance Committee held one meeting in person during the year.

All of our directors attended in person or participated by teleconference in all of the meetings of the Board of Directors during 2011. All of the members of the Audit, Compensation and Nominating and Governance Committees attended in person or participated by teleconference in all of the meetings of those committees during the year, with the exception that two members of the Audit Committee each missed two meetings and one member of the Audit Committee missed one meeting.

Edgar Filing: STERICYCLE INC - Form DEF 14A

We encourage our directors to attend the annual meeting of stockholders. The nominees for election as directors, with the exception of one, attended the 2011 Annual Meeting of Stockholders, and we anticipate that all of our directors will attend this year's Annual Meeting.

Lead Director

We amended our bylaws in August 2008 to require the Board of Directors to appoint one of our outside directors as the Lead Director if and when our president and chief executive, or any other officer or employee, is serving as the Chairman of the Board. The Lead Director is required to be independent under the listing standards of the NASDAQ Global Select Market, and serves at the Board's pleasure until the next election of directors by the stockholders.

Table of Contents

Working with the Chairman of the Board, the Lead Director is responsible for coordinating the scheduling and agenda of board meetings and the preparation and distribution of agenda materials. The Lead Director presides when the Board meets in executive session or in the absence of the Chairman of the Board and may call special meetings of the Board when he considers appropriate. In general, the Lead Director oversees the scope, quality and timeliness of the flow of information from our management to the board and serves as an independent point of contact for stockholders wishing to communicate with the Board other through the Chairman of the Board.

In August 2008, our Chairman of the Board, Jack W. Schuler, resigned as Chairman after serving for more than 18 years, and our Board appointed him as our Lead Director and appointed our President and Chief Executive Officer, Mark C. Miller, who had served in these positions for more than 16 years, to the additional position of Chairman of the Board. The Board made these changes to give formal recognition to Mr. Miller and to acknowledge the way in which the roles played by Messrs. Schuler and Miller had evolved over time.

Corporate Governance

Executive Sessions of the Board

Our Board of Directors excuses Mr. Miller, our Chairman of the Board and Chief Executive Officer, as well as any of our other executive officers who may be present by invitation, from a portion of each meeting of the Board in order to allow the Board, with our Lead Director presiding, to review Mr. Miller's performance as Chief Executive Officer and to enable each director to raise any matter of interest or concern without the presence of management.

Board Evaluation

Our directors annually review the performance of the Board of Directors and its committees and the performance of their fellow directors by completing confidential evaluation forms that are returned to Mr. Schuler as the Chairman of the Nominating and Governance Committee. At a subsequent meeting of the Board, Mr. Schuler leads a discussion with the full Board of any issues and suggestions for improvement identified in his review of these evaluation forms.

Policy on Related Party Transactions

The Board of Directors has adopted a written policy requiring certain transactions with related parties to be approved in advance by the Audit Committee. For purposes of this policy, a related party includes any director or executive officer or an immediate family member of any director or executive officer. The transactions subject to review include any transaction, arrangement or relationship (or any series of similar transactions, arrangements and relationships) in which (i) we or one of our subsidiaries will be a participant, (ii) the aggregate amount involved exceeds \$100,000 and (iii) a related party will have a direct or indirect interest. In reviewing proposed transactions with related parties, the Audit Committee will consider the benefits to us of the proposed transaction, the potential effect of the proposed transaction on the director's independence (if the related party is a director), and the terms of the proposed transaction and whether those terms are comparable to the terms available to an unrelated third party or to employees generally. There were no transactions during 2011 that required the Audit Committee's approval.

Succession Planning

The Board of Directors annually reviews and approves our succession planning for our Chief Executive Officer, our other executive officers and a number of other officers. As we previously announced, in February 2012 the Board of Directors selected Mr. Miller to become Executive Chairman of the Board and Charles A. Alutto to succeed him as our Chief Executive Officer effective as of January 1, 2013.

Table of Contents

Required Resignation on Change in Job Responsibilities

By informal agreement, the Board of Directors has adopted a policy that a director must tender his resignation if the director's principal occupation or business association changes substantially from the position that he held when originally elected to the Board. The Nominating and Governance Committee will then review the circumstances of the director's new position or retirement and recommend to the full Board whether to accept or reject the director's resignation in light of the contribution that he can be expected to continue to make to the Board.

Communications with the Board

Stockholders who would like to communicate with the Board may do so by writing to the Board of Directors, Stericycle, Inc., 28161 North Keith Drive, Lake Forest, Illinois 60045. Communications relating to matters within the scope of the Board's responsibilities will be forwarded to the Chairman of the Board and at his direction to the other directors, and communications relating to ordinary day-to-day business matters that are not within the scope of the Board's responsibilities will be forwarded to the appropriate officer or executive. Communications addressed to the Lead Director will be forwarded to him and at his direction to the other directors, and communications addressed to a particular committee of the Board will be forwarded to the chairman of that committee and at his direction to the other members of the committee.

Table of Contents

AUDIT COMMITTEE REPORT

Under the Audit Committee's charter, the Audit Committee of the Board of Directors assists the Board in fulfilling its oversight responsibilities relating to the integrity of the Company's financial statements, the qualifications and experience of the Company's independent registered public accounting firm, the performance of the Company's internal audit function and independent registered public accounting firm, and the Company's compliance with applicable legal and regulatory requirements. The Committee's charter is available on the Company's website, www.stericycle.com. The current members of the Committee, who served during 2011, are Messrs. Dammeyer (Chairman), Brown, Patience and Schuler.

In regard to our role, we note that it is the responsibility of the Company's management to prepare financial statements in accordance with accounting principles generally accepted in the United States, and that it is the responsibility of the Company's independent registered public accounting firm to audit those financial statements. The Committee's responsibility is one of oversight, and we do not provide expert or other special assurance regarding the Company's financial statements or the quality of the audits performed by the Company's independent public accountants.

In carrying out our oversight responsibility, we review and discuss with both management and Ernst & Young LLP, the Company's independent registered public accounting firm, all quarterly and annual financial statements prior to their issuance. We reviewed and discussed with both management and Ernst & Young LLP the quarterly and annual financial statements for the fiscal year ended December 31, 2011. Our reviews and discussions with Ernst & Young LLP included executive sessions without the presence of the Company's management. They also included discussions of the matters required to be discussed pursuant to Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended (AICPA, *Professional Standards*, vol. 1 AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, including the quality of the Company's accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the Company's financial statements. We also discussed with Ernst & Young LLP matters relating to their independence, including a review of their audit and non-audit fees and the letter and written disclosures that the Committee received from Ernst & Young LLP pursuant to Rule 3526 of the Public Company Accounting Oversight Board, *Communications with Audit Committees Concerning Independence*.

In addition, we continued to monitor the scope and adequacy of the Company's internal controls, including staffing levels and requirements, and we reviewed programs and initiatives to strengthen the effectiveness of the Company's internal controls and steps taken to implement recommended improvements.

On the basis of these reviews and discussions, we recommended to the Board of Directors that the Board approve the inclusion of the Company's audited financial statements in the Company's annual report on Form 10-K for the year ended December 31, 2011 for filing with the U.S. Securities and Exchange Commission.

Audit Committee

Rod F. Dammeyer, Chairman

Thomas D. Brown

John Patience

Jack W. Schuler

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS****Overview**

Compensation Philosophy. Our compensation program for executive officers has three objectives:

to attract, motivate and retain highly qualified executive officers;

to make a substantial portion of their compensation dependent on the Company's attainment of a measurable Company-wide performance target; and

to structure most of their compensation so that they benefit only if all of our stockholders benefit.

Our compensation program is straightforward and has remained essentially unchanged in design for more than 15 years. The program consists of cash compensation and long-term incentive compensation. Cash compensation is paid in the form of a base salary and a performance bonus, and long-term incentive compensation is paid in the form of stock options.

Performance-Oriented. Our compensation program is performance-oriented. We favor (i) cash performance bonuses and (ii) stock options vesting in 20% annual increments over five years as the principal components of our executive officers' compensation. We believe that these components provide strong incentives to our executive officers to continue to improve our operating performance and thereby create value for all of our stockholders.

The following table presents some key data reflecting our performance-oriented compensation program:

| Key Data | 2011 | 2010 | 2009 |
|--|--------|-------|-------|
| Year-over-year increase in non-GAAP earnings per share(1) | 13.2% | 20.3% | 21.3% |
| Total stockholder return(2) | (3.7)% | 46.7 | 5.9% |
| Performance bonus and stock options of named executive officers as a percent of their total compensation | 86.8% | 85.1% | 81.0% |
| Year-over-year increase in total compensation of Mark C. Miller, Chairman of the Board and Chief Executive Officer | 12.3% | 58.7% | 19.7% |

(1) Our publicly disclosed non-GAAP earnings per diluted share is calculated as U.S. generally accepted accounting principles earnings per diluted share adjusted for acquisition-related expenses, restructuring costs and other items.

(2)

Edgar Filing: STERICYCLE INC - Form DEF 14A

Our total stockholder return is measured as the change in the closing price of a share of our common stock on December 31 (or the last trading day of the year) from its closing price on December 31 of the prior year (or the last trading day of the prior year).

Compensation Committee. Compensation decisions for our executive officers are made by the Compensation Committee of our Board of Directors. All of the Committee's members are independent under the applicable NASDAQ listing standards. The Committee's decisions relating to base salaries and bonuses are subject to the review and approval of the full Board; the Committee's decisions relating to stock options are reviewed by the full Board but are not subject to its approval.

Compensation Guidelines. The Compensation Committee takes into account a number of factors in setting the base salaries and bonus percentages of our executive officers and determining the stock options to be granted to them. Consistent with a review in 2011 of our executive compensation programs by a third party executive compensation consulting firm performed at the Committee's request, the principal factors continue to remain: (i) providing our executive officers with total potential cash compensation at the 50th percentile shown on an informal survey of executive officer compensation at 14 public companies providing waste management,

Table of Contents

healthcare, chemical treatment, storage and related business services and (ii) providing our principal executive officers (our chief executive officer, chief operating officer and chief financial officer) with long-term incentive compensation up to the 75th percentile shown on this survey for their positions.

The companies surveyed consisted of ABM Industries, Inc., Brink's Company, Charles River Laboratories International, Inc., Chemed Corporation, Cintas Corporation, Clean Harbors, Connections Corporation of America, Covanta Holding Corporation, Cross Country Healthcare, Inc., Equifax, Inc., Healthcare Services Group, Inc., Iron Mountain Incorporated, Republic Services, Inc., and Waste Connections, Inc. The component companies in our survey may change from year to year as we strive to benchmark our executive compensation against that of companies comparable to us in respect to factors like company performance, services offered, and industries served.

Base Salaries. During 2011, Mr. Miller's base salary, which was unchanged in 2010, was raised to \$315,143. The base salaries of the other named executive officers were raised in 2011 to \$278,100 for Messrs. ten Brink, Kogler, and Alutto, and \$247,200 for Mr. Collins.

Performance Bonuses. Our performance bonus program is intended to provide a short-term cash incentive to our executive officers. Each executive officer is eligible for a cash bonus equal to a specified percentage of his base salary. For 2011, the bonus percentages of our named executive officers were 125% for Mr. Miller, 85% for Messrs. ten Brink and Kogler, 75% for Mr. Alutto, and 70% for Collins. Using EBITDA (earnings before interest, taxes, depreciation and amortization) as the performance metric, the Compensation Committee sets target levels each year on the basis of the EBITDA shown in our final operating plan and budget for the year as approved by our Board of Directors, subject to any adjustments that the Compensation Committee considers appropriate to refine EBITDA as an internal measure of our operating performance. These target levels provide for potential performance bonuses increasing linearly from the 100% level (a performance bonus equal to the specified percentage of the executive officer's base salary) to the 150% level (a performance bonus equal to 150% of the specified percentage of the executive officer's base salary).

For 2011, our target EBITDA for the payment of performance bonuses at the 100% level was \$491.3 million (compared to \$407.7 million for 2010), and our target EBITDA for payment of performance bonuses at the maximum 150% level was \$499.3 million (compared to \$415.7 million for 2010). Our actual EBITDA for the year for purposes of the performance bonus program was \$506.1 million (the sum of income from operations of \$424.3 million plus \$66.0 million of depreciation and amortization plus \$15.8 million of acquisition-related expenses, restructuring costs and other items that the Compensation Committee did not consider part of our day-to-day operations).

Our executive officers accordingly received performance bonuses for 2011, paid in February 2012, equal to 150% of the bonus percentages of their base salaries. The performance bonuses for Messrs. Miller, ten Brink, Kogler, Collins and Alutto were \$590,893, \$354,578, \$354,578, \$259,560, and \$312,863, respectively.

Stock Option Grants. We use stock options as the major component of the compensation of our executive officers because of the performance incentives that stock options provide. Our stock options are always granted at the closing price of our stock on the date of the grant, and thus the value to our executive officers of their stock options depends entirely on the subsequent growth in value of our stock. The executive officers stock options accordingly provide an incentive for sustained levels of superior performance that contribute to our overall success as reflected in the market price of our stock, to the benefit not just of our executive officers but all of our stockholders.

At the Compensation Committee's meeting in February 2011, the Committee determined the annual stock option grants to our executive officers and to our employees generally taking into account (i) our operating performance, (ii) prior stock option grants, (iii) stock option grants and compensation practices at other

Table of Contents

companies with which members of the compensation committee were familiar and (iv) the goal of limiting stock option grants to executive officers and employees generally to no more than 10% of our fully-diluted shares over a trailing five-year period, thus averaging dilution of no more than 2% a year.

The Committee adjusted the stock option grants to Messrs. Miller, ten Brink and Kogler on the basis of the long-term incentive compensation guideline previously described. In this regard, the Committee considered the positions of chief financial officer and chief operating officer to be of equal value and used the average of the long-term incentive compensation for these positions at the 75th percentile in determining the stock options granted to Messrs. ten Brink and Kogler.

The Committee granted options for a total of 337,810 shares to our executive officers as follows: Mr. Miller, 159,150 shares; Messrs. ten Brink and Kogler, each 59,850 shares; Mr. Collins, 27,070 shares; and Mr. Alutto, 31,890 shares.

Bonus Conversion Program. We maintain a bonus conversion program for our executive officers and other management employees allowing them to convert all or a portion of their performance bonuses into stock options. The program is intended to enable our executive officers and other participants to trade current compensation for the possibility of greater rewards in the future if our stock continues to perform well.

Four of our named executive officers participated in this program in respect of their performance bonuses for 2011 payable in February 2012. Mr. Miller elected to forgo his entire performance bonus and received instead an option for 27,998 shares, Mr. ten Brink elected to forgo \$70,916 of his performance bonus and received instead an option for 3,360 shares, Mr. Kogler similarly elected to forgo \$70,916 of his performance bonus and received instead an option for 3,360 shares, and Mr. Collins elected to forgo \$51,912 of his performance bonus and received instead an option for 2,460 shares.

Types of Compensation Not Provided. We believe that an understanding of our compensation program for executive officers is enhanced by noting some of the types of compensation or benefits that we do not provide:

we do not maintain any retirement, supplemental retirement or deferred compensation plan for our executive officers (aside from an employee stock purchase plan and a conventional 401(k) plan in which virtually all U.S. employees are eligible to participate);

while awards of restricted stock and restricted stock units are authorized under our 2005, 2008, and 2011 stock option plans, we have never made any awards of restricted stock or RSUs to our executive officers;

we have not entered into any agreement or adopted any plan providing for severance benefits or salary continuation payments to any of our executive officers in the event of a change of control or termination of employment; and

we do not provide any perquisites or personal benefits to any of our executive officers.

Compensation Decisions

Edgar Filing: STERICYCLE INC - Form DEF 14A

In addition to the two guidelines previously described (see Overview Compensation Guidelines, on page 16), the Compensation Committee takes into account a number of other factors in setting the base salaries and bonus percentages of our executive officers and determining the stock options to be granted to them. The Committee's decisions are made with a view to reaching an overall result that, in the Committee's subjective judgment, is appropriate and fair to the particular executive officer, both in absolute terms and relative to the compensation of the other executive officers, and fair as well to us and to our stockholders. The Committee does not reach this result in a mechanical fashion but, rather, considers each executive officer's role and contribution to our performance, the officer's compensation history and the compensation practices at other companies with which members of the Committee are familiar.

Table of Contents

Compensation decisions are made annually at the regular meeting of the Compensation Committee during the first quarter of year, typically in February, when the results of our prior year's performance are available internally and can be taken into account by the Committee in determining the executive officers' performance bonuses for the prior year and their base salaries and bonus percentages for the current year. The Committee believes that incentives are likely to have a greater effect on performance the sooner they are communicated and accordingly determines bonus percentages and annual option grants as early in the year as practicable. The Committee's decisions are made without regard to our anticipated earnings or other announcements.

Our Chairman and Chief Executive Officer makes recommendations to the Committee regarding the compensation of the other executive officers, but management does not otherwise participate in the Committee's decisions.

The Committee reviews the results of the voting on each annual non-binding say-on-pay proposal. Last year, a substantial majority (approximately 98%) of our stockholders who voted on the say-on-pay proposal at the 2011 Annual Meeting approved our executive compensation as described in the Compensation Discussion and Analysis and tabular disclosures in our proxy statement for the meeting. The Committee did not implement changes as a direct result of the stockholders' advisory vote.

Base Salaries

In February 2012, the Compensation Committee decreased the base salary of Mr. Miller to \$205,000, increased the base salaries of each of Messrs. ten Brink, Kogler, and Alutto by 7.9%, raising the base salaries of Messrs. ten Brink, Kogler, and Alutto to \$300,000 and raising the base salary of Mr. Collins to \$260,000.

Performance Bonuses

Under our performance bonus program, if we fail to attain our target EBITDA for payment of performance bonuses at the 100% level, our executive officers are not assured of any bonuses. In these circumstances, the Compensation Committee may decide in its discretion either that no performance bonuses are warranted or that it would be appropriate to award on the basis of individual merit cash bonuses of some order of magnitude smaller than the performance bonuses that would have been paid if we had attained our target EBITDA for payment of performance bonuses at the 100% level.

In February 2012, the Compensation Committee left the bonus percentage for 2012 of Mr. Miller unchanged at 125%, increased the bonus percentage of Messrs. ten Brink, Kogler, and Alutto to 100%, and increased the bonus percentage of Mr. Collins to 80%.

Stock Options

The exercise price per share of an option granted under one of our stock option plans may not be less than the closing price of a share of our common stock on the date of the option grant. The maximum term of an option may not exceed 10 years, and an option may be exercised only when it is vested and only while the executive officer or other employee remains an employee of ours and for a limited period following the

termination of his or her employment.

Options granted to executive officers and employees gener