

STERICYCLE INC
Form DEF 14A
April 10, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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, INC.

(Name of registrant as specified in its charter)

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

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No fee required.

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2019 PROXY STATEMENT

Our Company

At A Glance

Stericycle is a global business-to-business services company. We provide an array of highly specialized solutions serving healthcare organizations and commercial businesses of every size. Since our founding in 1989, we have grown from a small start-up in medical waste management into a leader across a range of increasingly complex and highly regulated arenas, such as:

Regulated waste management and compliance solutions

Secure information destruction

Environmental and sustainable solutions

Brand protection solutions

Patient and customer communication solutions

Every organization today must comply with increasingly strict regulatory guidelines and quality controls in the delivery of their core businesses. Large or small, businesses can't always do it on their own. They seek out Stericycle to help them. We have the expertise and passion to take on many complicated and often behind-the-scenes services our clients don't always know how to do well but that ultimately make their businesses better.

OUR PURPOSE:

To help our customers fulfill their promises by providing solutions that protect people and brands, promote health and safeguard the environment.

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Letter from the Chairman

DEAR SHAREHOLDERS

At the beginning of 2018, Stericycle announced a comprehensive, multi-year program to transform the Company for long-term sustainability and to drive profitable growth and long-term shareholder returns. As part of this Business Transformation, we are rationalizing our business portfolio and monetizing non-strategic assets, standardizing business processes around the globe and driving a metrics-driven culture. The backbone of this Transformation is an enterprise resource planning (ERP) platform which we expect will achieve efficiencies by reducing the number of information technology platforms, automating workflows, streamlining operations, and providing real-time, actionable data to all levels of the organization.

A similar transformation is underway regarding Stericycle's governance. Over the past several years, the Board of Directors has been executing on a series of purposeful steps to evolve our governance, executive leadership, and financial controls. I'd like to take this opportunity to share this progress with you.

Governance Enhancements Aligned with Best Practices

The Board is focused on ensuring that we have the right skills and experience and fresh perspective on the Board to support the Company and provide effective oversight during the Business Transformation. To that end, we have added seven new Directors since the beginning of 2017.

With this continued refreshment and our two recently appointed directors, our Board will have an average tenure of approximately two and half years with no members (excluding the Chief Executive Officer, who has announced his retirement) having served as a director of Stericycle for more than seven years. In comparison, the average tenure for the S&P 500 and Russell 3000 is nine years.

I was appointed as Independent Chairman in 2018 after joining the Board in 2017, and we have refreshed the composition and leadership of all of our Board committees during this time.

Our skills matrix (included with the enclosed proxy statement) highlights the depth and breadth of our Board's diverse skills, experiences and attributes, including significant experience with business transformation and financial controls.

Expanded Stericycle's Leadership Team Breadth of Expertise

In addition to these significant changes to the Board, we have reconstituted the executive leadership team to ensure we have the right expertise and operational experience necessary to successfully drive the Company forward. Earlier this year we announced that Cindy J. Miller, who joined Stericycle as President and Chief Operating Officer in October 2018, will succeed Charlie A. Alutto as Chief Executive Officer, following Charlie's retirement in May 2019. Cindy's appointment as CEO was the culmination of a thoughtful executive leadership development and succession planning process designed to ensure the Company is strongly positioned to execute its Business Transformation and enhance financial and operational performance.

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In addition to Cindy's appointment as CEO, since 2017, we have appointed six new, highly-experienced executives to our senior leadership team:

William J. Seward as Executive Vice President and Chief Commercial Officer;

Richard M. Moore as Executive Vice President of North American Operations;

Joseph A. Reuter as Executive Vice President and Chief People Officer;

Michael Weisman as Executive Vice President and Chief Ethics and Compliance Officer;

Kurt M. Rogers as Executive Vice President and General Counsel; and

David W. Stahl as Executive Vice President and Chief Information Officer.

Additionally, Daniel Ginnetti, currently Executive Vice President and Chief Financial Officer, will transition to the position of Executive Vice President of International upon the appointment of a new Chief Financial Officer.

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Strengthening Internal Controls

The Board, and particularly the Audit Committee, has been deeply engaged in overseeing the Company's efforts to improve financial reporting, controls and disclosures, and we've made substantial progress since 2016. Moreover, following the implementation of the new ERP system (targeted to begin in the U.S. and Canada during 2020 and internationally in 2021), Stericycle expects to benefit from significantly enhanced systems and processes that will streamline and automate financial controls and reporting. Some highlights of this progress include:

Stericycle has upgraded and expanded corporate and business unit finance, accounting and reporting, and information technology teams, and aligned incentive plans with effective internal controls.

With the guidance of industry-leading experts, we've been working diligently to mitigate material weaknesses and have made significant progress expanding policies, standardizing control processes, segregating duties, formalizing routine financial reviews, and training team members.

We've expanded our technical accounting team and the use of specialist involvement for non-routine transactions, highly complex areas of accounting, and adoption of new accounting standards to ensure appropriate accounting.

We are leveraging advanced technology to monitor revenue recognition activities and implemented continuous monitoring of global financial reporting controls.

We've created a robust Disclosure Committee Process led by the General Counsel and Chief Accounting Officer. The Board of Directors believes strongly that Stericycle is an excellent company and we are excited about its future. We enjoy a leadership position in our large and growing core markets. Our business model focused on compliance-based, recurring service needs remains sound. Our customers are loyal and respond with strong satisfaction scores. Our team members are talented industry experts who have a passion for the work they do.

While the Company's growth has been stagnant for the past two years, we believe it is a temporary and transitional phase. Stericycle is in the process of reinventing itself and reimagining its future and the changes are apparent in almost everything we do, from servicing our customers, to leading our teams, to advancing the technology we use, and to oversight and engagement from the Board.

On behalf of the Board of Directors, thank you for your investment in Stericycle. We ask for your voting support of our recommended actions on the items described in this proxy statement and will continue to work diligently to earn and keep your trust.

Sincerely,

Robert S. Murley

Chairman

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Notice of 2019 Annual Meeting of Stockholders

Wednesday, May 22, 2019

8:30 a.m. Central Daylight Time

Loews Chicago O Hare Hotel

5300 N. River Road

Rosemont, IL 60018

DEAR STOCKHOLDER:

You are cordially invited to attend our 2019 Annual Meeting of Stockholders (the Annual Meeting) to be held on Wednesday, May 22, 2019 at 8:30 a.m. Central Daylight Time at the Loews Chicago O Hare Hotel, 5300 N. River Road, Rosemont, IL 60018.

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

1. the election to the Board of Directors (the Board) of the ten nominees for director named in this proxy statement;
2. an advisory vote to approve executive compensation (the say-on-pay vote);
3. ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2019;
4. a stockholder proposal entitled Special Shareholder Meeting Improvement, if it is properly presented at our Annual Meeting; and
5. any other matter that properly comes before the Annual Meeting.

Only stockholders of record at the close of business on the record date of March 28, 2019 are entitled to vote at the Annual Meeting.

If you plan to attend the meeting in person, please email your request to *Investor@Stericycle.com*. If you are the beneficial owner of shares held in street name, you must also provide confirmation of your stock ownership. All requests for admission must be received by May 15, 2019. Admission is not transferable.

If you do not plan to attend the Annual Meeting, please promptly vote your shares by telephone, via the internet at *www.proxyvote.com*, or, if you received a paper copy of the materials, by signing, dating and returning the accompanying proxy card or voting instruction card. If you return your proxy card and later decide to attend the

Annual Meeting and then vote in person, your earlier proxy (or earlier vote by telephone or Internet) will be revoked. Your attendance at the Annual Meeting, by itself, does not revoke an earlier proxy. 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

Dated: April 10, 2019

Lake Forest, Illinois

Robert S. Murley
Chairman of the Board

Cindy J. Miller
President and Chief Operating Officer

Chief Executive Officer Elect

Important Notice Regarding the Availability of Proxy Materials for the 2019

Annual Meeting of Stockholders to be Held on May 22, 2019:

The Proxy Statement, Notice of Annual Meeting and 2018 Annual Report to

Stockholders are available at www.proxyvote.com

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

Annual Meeting of Stockholders

Time and Date:	8:30 a.m. central daylight time on Wednesday, May 22, 2019
Place:	Loews Chicago O Hare Hotel 5300 N. River Road Rosemont, IL 60018
Record Date:	March 28, 2019
Voting:	Stockholders as of the record date are entitled to vote
Attendance:	Stockholders who wish to attend the meeting in person should email their request to <i>Investor@Stericycle.com</i> by May 15, 2019.
Proxy Materials:	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, 2018) are first being made available to stockholders on or about April 10, 2019.

Meeting Agenda and Voting Recommendations

Agenda Item	Board Recommendation	Page
Election of ten directors	FOR each Nominee	12
Advisory vote to approve executive compensation (the say-on-pay vote)	FOR	28
Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2019	FOR	55
Stockholder proposal entitled Special Shareholder Meeting Improvement	AGAINST	58

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

Director				
Nominee	Age	Since	Principal Occupation	Current Committees
Robert S. Murley	69	2017	Chairman of the Board, Stericycle, Inc.;	None
			Senior advisor, Credit Suisse, LLC	
Cindy J. Miller⁽¹⁾	56	2019	President and Chief Operating Officer, Stericycle Inc.	None
			Chief Executive Officer Elect	
Brian P. Anderson	68	2017	Former executive vice president of OfficeMax Incorporated	Audit (Chair)
Lynn D. Bleil	55	2015	Former senior partner McKinsey & Company	Compensation
				Nominating and Governance (Chair)
Thomas F. Chen	69	2014	Former senior vice president and president of international nutrition, Abbott Laboratories	Compensation
				Nominating and Governance
J. Joel Hackney, Jr.	49	2019	Chief Executive Officer of nThrive, Inc.	Nominating and Governance
Veronica M. Hagen	73	2018	Former President and Chief Executive Officer of Polymer Group Inc.	Audit
Stephen C. Hooley	56	2019	Former Chairman and Chief Executive Officer of DST Systems, Inc.	Compensation
Kay G. Priestly	63	2018	Former Chief Executive Officer of Turquoise Hill Resources Ltd.	Audit
Mike S. Zafirovski⁽²⁾	65	2012	Former director, president and chief executive officer of Nortel Networks Corporation.	Compensation

(1) Ms. Miller was appointed as President and Chief Executive Officer effective May 2, 2019.

(2) Mr. Zafirovski is expected to be named as Chair of the Compensation Committee at the Board Meeting to be held in May 2019. He will succeed the current committee Chair, Thomas D. Brown, who is not standing for re-election at the Annual Meeting.

Compensation Highlights

Our compensation program is performance oriented and designed to incent our executive officers to improve our operating performance and thereby create value for all of our stockholders. The following table sets forth the 2018 compensation for each named executive officer as determined under the rules of the U.S. Securities and Exchange Commission (SEC). See the notes accompanying the Summary Compensation Table herein for more information.

Named Executive Officer	Salary	Bonus	Option Awards	Non-Equity Incentive			Total Compensation
				Stock Awards	Plan Compensation	All Other Compensation	
Charles A. Alutto	\$ 1,000,000		\$ 1,289,942	\$ 1,582,185	\$ 241,800	\$ 5,693	\$ 4,119,620
Cindy J. Miller	156,250		894,995	822,209		33,526	1,906,980
Daniel V. Ginnetti	550,000		482,280	591,531	\$ 99,743	3,000	1,726,554
Kurt M. Rogers	400,000		244,217	299,529	\$ 58,032	3,000	1,004,778
Ruth-Ellen Abdulmassih	370,000	\$ 327,541	234,438	287,535	\$ 58,153	26,681	1,304,348
Joseph B. Arnold	550,000		482,280	591,531	\$ 99,743	1,012,005	2,735,559
Brenda R. Frank	367,692	\$ 198,616	252,546	309,704		19,571	1,148,129

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GENERAL INFORMATION

Why Did I Receive This Proxy Statement and Other Materials?

The Board of Directors (the Board) of Stericycle, Inc. is soliciting proxies to vote shares of our common stock at the 2019 Annual Meeting of Stockholders (the Annual Meeting) to be held on Wednesday, May 22, 2019 at 8:30 a.m. central daylight time, at the Loews Chicago O Hare Hotel, 5300 N. River Road, Rosemont, IL 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, 2018), are first being made available to stockholders on or about April 10, 2019. 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:

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

an advisory vote to approve executive compensation (the say-on-pay vote) (Item 2);

ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2019 (Item 3);

a stockholder proposal entitled Special Shareholder Meeting Improvement, if properly presented at the Annual Meeting (Item 4); and

any other matter that properly comes before the Annual Meeting.

What Are the Board's Voting Recommendations?

The Board recommends that you vote your shares:

FOR each of the ten nominees for election to the Board (Item 1);

FOR the advisory vote to approve executive compensation (Item 2);

FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2019 (Item 3); and

AGAINST the stockholder proposal (Item 4).

Who May Vote at the Annual Meeting?

Only stockholders of record as of the close of business on March 28, 2019 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 close of business on the record date of March 28, 2019, there were 90,771,802 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 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 (the Notice) on or about April 10, 2019. This Notice contains instructions on 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 voting facilities over the internet or by telephone will remain open until 11:59 p.m. eastern daylight time on May 21, 2019.

The Notice is not a proxy card and cannot be used to vote your shares.

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GENERAL INFORMATION

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, EQ 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.

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.

See [How Can I Attend the Annual Meeting?](#) below for further information and instructions.

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.

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.

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 common stock, the Notice was forwarded to you by your broker. You may instruct your broker how to vote over the internet or by telephone