Triodos Investment Management

STERICYCLE INC

MEETING DATE	Wed, 24 May 2017 14:00 pm	TYPE	AGM	ISSUE DATE	Wed, 10 May 2017
MEETING LOCATION	Hilton Garden Inn Chicago O'Hare, 2930 South River Road, Des Plaines, Illinois 60018				
CURRENT INDICES	S&P500				
SECTOR	Hazardous waste management				

	PROPOSALS	ADVICE
1a	**Re-elect Mark C. Miller** Non-Executive Chairman. Not considered independent as he is the former Chief Executive Officer. However, there is sufficient independent representation on the Board.	**For**
1b	**Re-elect Jack W. Schuler** Lead Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1c	**Re-elect Charles A. Alutto** President and Chief Executive Officer.	**For**
1d	**Elect Brian P. Anderson** Independent Non-Executive Director. He is chair of the Audit committee which is not fully independent which Triodos does not support. However he is newly appointed and not held accountable, however his appointment does not improve the gender balance on the Board.	**Oppose**
1e	**Re-elect Lynn D. Bleil** Independent Non-Executive Director. She is chair of the Nomination Committee and less than 20% of the Board are women which Triodos does not suppor	**Oppose**
1f	**Re-elect Thomas D. Brown** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1g	**Re-elect Thomas F. Chen** Independent Non-Executive Director.	**For**
1h	**Elect Robert S. Murley** Independent Non-Executive Director. He is newly appointed to the Board and his appointment does not improve the gender balance on the Board. Triodos opposes this resolution.	**Oppose**
1i	**Re-elect John Patience** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1j	**Re-elect Mike S. Zafirovski** Independent Non-Executive Director.	**For**

2 Advisory Vote on Executive Compensation **Oppose**

The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: CCD. The Company failed to include non-financial metrics into the annual bonus structure, which is considered best practice as it provides a wider evaluation of Company performance, and is often linked with driving long-term growth as opposed to financial metrics, which can be easily manipulated year on year. Also, whilst the amount of reward derived from stock options is determined by share price growth, the awards of options have no performance conditions attached. Stock options and RSUs are subject to accelerated vesting upon a change-in-control regardless of a termination. The Company's definition of 'good reason' is not considered adequate.

Based on these concerns, Triodos opposes this resolution.

3 Approve the Frequency of Future Advisory Votes on Executive Compensation **1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote. It is considered that an annual vote on executive compensation is best practice for companies. Executive compensation comprises both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. A one year frequency is supported.

4 Appoint the Auditors **Oppose**

EY proposed. Non-audit fees represented 4.35% of audit fees during the year under review and 9.10% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. However, the current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

Triodos opposes this resolution.

5 Approve an amendment to the Stericycle, Inc. Employee Stock Purchase Plan **For**

The Company has put forward a resolution requesting shareholders to approve an amendment to the Stericycle, Inc. Employee Stock Purchase Plan (ESPP) to increase the number of shares of common stock available for issuance under the ESPP from 900,000 shares to 1,200,000 shares. As of December 31, 2016, 103,116 shares remained available for issuance under the ESPP. The ESPP is open to all employees and is administered by the Board. Payroll deductions during any offering may not exceed $5,000.

It is considered that it is in the best interests of the company and its shareholders to provide employees with an opportunity to benefit from business success and increase their share ownership through payroll deductions. The Plan is open to the majority of employees and is capped at purchase price of no less than 85% of fair market value.

Triodos supports this resolution.

6 Approve 2017 Long-Term Incentive Plan **Oppose**

The Company has put forward a resolution requesting shareholders to approve the Stericycle, Inc. 2017 Long-Term Incentive Plan (Plan). The Plan includes terms that will enable the Company to grant "performance-based compensation" within the meaning of complying with Section 162(m). A total of 1,500,000 shares of the Company's common stock, $.01 par value are reserved for issuance under the Plan. The Plan permits the Company to grant stock options (options), stock appreciation rights (SARs), full value awards (including restricted stock, restricted stock units (RSUs), performance-based shares or units and other stock-based awards) and cash incentive awards. All officers, directors or other employees of the Company or a subsidiary and persons who are expected to become officers, employees, directors of the Company or a subsidiary including, in each case, directors who are not employees of the Company or any subsidiary, are eligible to receive awards under the Plan. The Plan is to be administered the Compensation Committee which has the power to select the participants, the types of awards to be granted and the applicable terms and other provisions of such awards. The maximum number of shares of common stock that may be delivered under the Plan is equal to 1,500,000 shares. In the case of cash incentive awards that are intended to be "performance-based compensation", the maximum amount payable to any one participant with respect to any performance period of twelve months is $3,000,000.

As performance conditions may be attached to awards at the Committee's discretion, there are concerns that the Committee will have considerable flexibility in the payout of discretionary awards and as a result awards may not be subject to robust enough performance targets, and be insufficiently challenging.

Triodos opposes this resolution.

7 Shareholder Resolution: Proxy Access Reform **For**

Proposed by: John Chevedden.

The Proponent requests that the Board take the steps necessary to enable at least 50 shareholders to aggregate their shares to equal 3% of the Company's stock owned continuously for 3 years in order to make use of shareholder proxy access.

Proponent's Supporting Argument: Even if the 20 largest public pension funds were able to aggregate their shares, they would not meet the 3% criteria for a continuous 3-years at most companies examined by the Council of Institutional Investors. Additionally many of the largest investors of major companies are routinely passive investors who would be unlikely to be part of the proxy access shareholder aggregation process. The Proponent argues that it is unlikely that the number of shareholders who participate in the aggregation process would reach an unwieldy number due to the rigorous rules the Company's management adopted for a shareholder to qualify as one of the aggregation participants. Also, the Proponent argues that it is easy for the Company's management to screen aggregating shareholders because management simply needs to find one item lacking from a list of typical proxy access requirements.

Board's Opposing Argument: The Board recommends shareholders oppose and argues that under the amendment and restatement of the bylaws adopted by the Board, any stockholder or group of up to 20 stockholders that beneficially owns 3% or more of the Company's common stock continuously for at least three years is permitted to nominate candidates for election to the Board. The Board argues that the limitation in group size of 20 stockholders is broadly consistent with market practice and is consistent with the idea that proxy access should be available for those stockholders who have a sufficient financial stake in the Company to cause their interests to be aligned with the interests of the Company's stockholders as a whole. The Board argues that 91% of all companies that have adopted proxy access since January 1, 2015 include a limitation in group size identical to the Company's limitation of 20 stockholders.

8 Shareholder Resolution: Pro-rata Vesting of Equity Awards **For**

Proposed by: The Teamsters General Fund of the International Brotherhood of Teamsters.

The Proponent requests that the Board adopt a policy that in the event of a change in control, there shall be no acceleration of vesting of any equity award granted to any senior executive officer, provided, however, that the Board's Compensation Committee may provide in an applicable grant or purchase agreement that any unvested award will vest on a partial, pro rata basis up to the time of the named executive officer's termination, with such qualifications for an award as the Committee may determine.

Proponent's Supporting Argument: The Proponent argues that the Company allows senior executives full vesting of all unvested stock options upon a change of control. Also, the Proponent argues that to accelerate the vesting of unearned equity on the theory that an executive was denied the opportunity to earn those shares seems inconsistent with a "pay for performance" philosophy worthy of the name.

Board's Opposing Argument: The Board recommends shareholders oppose and argues that the proposed policy could jeopardise the objective of the Company's compensation programme to attract, retain, reward and incentivise exceptional, talented employees. The Board believes that the Company's practice of accelerating the vesting of equity awards in the event of a change in control serves to align the interests of the Company's executive officers with those of the Company's stockholders and will incentivise executive officers to remain objective, avoid conflicts of interest and stay focused on executing a strategic change that could maximise stockholder value. Also, the Board argues that the proposal would result in undue restriction on the Compensation Committee's structuring of executive compensation.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

The Company has achieved: an average level of disclosure; an average balance for rewards; and a below average approach to contracts with executives.

Disclosure: C- Annual cash incentives are based on annual adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), and adjusted return on invested capital (ROIC) objectives. The Company granted long-term incentives in the form of stock options (75%), and restricted stock units (RSUs)(25%). Specific targets are disclosed. However, the use of "adjusted" non-GAAP targets is not considered best practice.

Balance: C- For fiscal 2016, annual cash awards were not excessive, with overall pay levels below peer group averages. However, the Company failed to include non-financial metrics into the annual bonus structure, which is considered best practice as it provides a wider evaluation of Company performance, and is often linked with driving long-term growth as opposed to financial metrics, which can be easily manipulated year on year. Also, whilst the amount of reward derived from stock options is determined by share price growth, the awards of options have no performance conditions attached. Thus an increase in share price over the lifespan of an option (and falls are unusual) can reward executives even in circumstances of poor relative performance.

Contract: D- There is a clawback policy in place, which is considered best practice. Stock options and RSUs are subject to accelerated vesting upon a change-in-control regardless of a termination. The Company's definition of 'good reason' is not considered adequate.

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