

STERICYCLE MANAGEMENT SHOULD BETTER DISCLOSE ENVIRONMENTAL RISKS AND LIABILITIES

ATTENTION:

CEO Mark C. Miller • Stericycle, Inc. Board of Directors
COO Richard Kogler • Stericycle, Inc. Shareholders

The Sarbanes-Oxley Act of 2002 instituted new shareholder protection requirements, including internal financial controls and requirements for the CEO and COO to ensure that financial reports “fairly present” the financial condition of the company. Numerous legal scholars and corporate lawyers have indicated that the Act imposes special duties on companies that are facing existing environmental risks, liabilities, or expenses. In our opinion, to better address these issues, Stericycle management should do the following:

- **Institute internal controls to ensure accuracy of financial reporting**
 - Stericycle SEC reports do not indicate the tonnage or percentage of waste burned at Stericycle incinerators. The management reports that Stericycle has six incinerators constituting 10% of its waste management capacity. Yet, it does not report the percent of waste received that is incinerated, which is a better measurement of Stericycle’s reliance on this environmentally-problematic technology.
 - *Are these amounts internally recorded by management?*
 - *If so, why is this information omitted from shareholder reports?*
- **Fairly present the company**
 - Report to shareholders on plans to complete the transition from incineration. Current reporting implies that a gradual transition away from incineration is underway. Reports should fully address obstacles to doing so and present strategies and schedules for overcoming these obstacles.
 - Report number of violation notices received, penalties, worker health and safety statistics, and waste treatment tonnage per technology.
 - Report on efforts to implement alternative nonburn technologies that can treat the entire medical waste stream. Continued use of incineration is a liability risk and harms Stericycle’s reputation.

SARBANES-OXLEY ACT REQUIREMENTS

Section 302 requires the CEO and COO to certify that financial reports, “based on such officer’s knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition and results of operations of the issuer as of, and for, the periods presented in the report.”

Sarbanes-Oxley Act Section 404 clarifies the responsibility of management for establishing and maintaining an adequate internal control structure and procedure for financial reporting.