

**COMPLETED MERGER OF THE BUSINESSES OF STERICYCLE
INTERNATIONAL LLC AND STERILE TECHNOLOGIES GROUP LIMITED**

**DIRECTIONS ISSUED BY THE COMPETITION COMMISSION ON
25 AUGUST 2006**

Interpretation

In these Directions references to 'the Order' are references to the order made by the Competition Commission (CC) on 18 July 2006. Terms and expressions defined in the Order shall have the same meaning in these Directions, save as the context otherwise requires:

'18 July Directions' shall mean the Directions made by the CC on 18 July 2006 relating to the appointment by Stericycle and STG of a Monitoring Trustee;

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'Confidential Information' shall have the same meaning as in the Order and, for the avoidance of doubt, shall include information relating to existing or new suppliers or customers, information relating to current and future capacity and utilization, knowhow, in the form of weekly or monthly reports, or in any other form;

'Directions' shall mean these Directions, as amended from time to time;

'Monitoring Trustee' shall mean Grant Thornton;

'Small Quantity' business shall mean the business carried on by the small quantity group business of Stericycle known as Mediguard and the small quantity group business of STG known as Hygiene Services;

'Specified Period' means the period beginning on the date of these Directions and terminating at the end of the period specified in section 81(7) or (8) of the Act;

'Stericycle Interim Team' shall mean the team described in paragraph 1 of the First Schedule to these Directions;

'STG Interim Team' shall mean the team described in paragraphs 3, 4, and 5 of the First Schedule to these Directions;

'WRE' shall mean 'White Rose Environmental'.

Whereas, on 28 June 2006, the OFT made the reference to the CC under section 22 of the Act concerning the completed merger of the businesses of Stericycle LLC and STG:

Whereas on 3 July 2006 under section 80(3) of the Act the CC adopted the Undertakings:

Whereas the CC made an Order on 18 July 2006 under section 81(2) of the Act and the Undertakings ceased to be in force:

Whereas paragraph 2(j) of the Order contained an obligation on Stericycle and on STG to make arrangements to ensure that insofar as there are existing separate teams able to carry out the following functions: commercial and marketing; finance and accounting; and environment, health and safety (for the purposes of this paragraph the 'Relevant Functions') on behalf of the STG business, such separate teams shall be preserved; and insofar as the

Relevant Functions are not being carried out by existing separate teams, Stericycle and STG shall liaise with the CC in order to establish suitable arrangements for ensuring that the Relevant Functions, or such aspects of the Relevant Functions as the CC shall specify following consultation with Stericycle and STG, are carried out by separate teams:

Whereas having reviewed the report of the Monitoring Trustee appointed in accordance with the 18 July Directions:

Whereas the parties have liaised with the CC to establish suitable arrangements for ensuring that the Relevant Functions, or aspects of the Relevant Functions, are carried out by separate teams:

Whereas the CC wishes to ensure that no action is taken pending final determination of the reference which might prejudice that reference or impede the taking of any action by the CC under Part 3 of the Act which might be justified by the CC's decisions on the reference:

And whereas the reference has not been finally determined in accordance with section 79(1) of the Act:

Now for the purpose of preventing pre-emptive action (within the meaning of section 80(10) of the Act) by Stericycle LLC, Stericycle and STG pursuant to paragraph 1 of the Order, the CC issues the following written directions under paragraph 7 of the Order:

1. Stericycle LLC, Stericycle and STG shall take such steps as are necessary to put in place the organizational arrangements set out in the First Schedule to these Directions in order to achieve an appropriate separation of Relevant Functions within Stericycle and STG; and
2. Stericycle LLC and STG shall appoint a Hold Separate Manager in accordance with the terms provided for in the Second Schedule to these Directions and Stericycle LLC, Stericycle and STG shall comply with the obligations set out in the Second Schedule to these Directions.

A handwritten signature in green ink, appearing to read 'Diana Guy', is written in a cursive style.

DIANA GUY for the Competition Commission

Group Chair

25 August 2006

First schedule

Stericycle Europe and the senior management of the Stericycle business

1. [✂]
2. For the avoidance of doubt, if for any reason a person named above is not able to fulfil the function specified above, Stericycle LLC, Stericycle and STG shall take such steps as are necessary to find an alternative suitably qualified person and the Monitoring Trustee shall be kept informed.

Senior management of STG

3. [✂]
4. [✂]
5. [✂]
6. For the avoidance of doubt, if for any reason a person named above is not able to fulfil the function specified above, Stericycle LLC, Stericycle and STG shall take such steps as are necessary to find an alternative suitably qualified person and the Monitoring Trustee shall be kept informed.

Sales and marketing functions—senior and middle management

7. [✂]
8. [✂]
9. [✂]

Sales and marketing functions—other employees

10. [✂]

Operations functions—senior and middle management

11. [✂]
12. [✂]
13. [✂]

Operations functions—other employees

14. [✂]

Finance functions—senior and middle management

15. [✂]

16. All inter-company transactions shall be accounted for through arm's length charges to Stericycle or STG, as appropriate.

Finance functions—other employees

17. Other employees carrying out finance functions for Stericycle shall not be permitted to carry on functions for STG and vice versa except as expressly provided for in this schedule.

Logistics functions—senior and middle management

18. [X]
19. [X]
20. For the avoidance of doubt, no new supply contracts shall be entered into on behalf of the merged Stericycle business in accordance with paragraph 2(g) of the Order.
21. Any transport of waste by Stericycle on behalf of STG or by STG on behalf of Stericycle shall be monitored by the Monitoring Trustee and charged under terms negotiated on an arm's length basis.
22. Except with the prior written consent of the CC no change in bin size shall be effected by Stericycle or STG during the Specified Period.
23. No Stericycle technology shall be rolled out to STG and no STG technology shall be rolled out to Stericycle during the Specified Period, save as permitted in the schedule to the Order.

Logistics functions—other employees

24. Other employees carrying out logistics functions for Stericycle shall not be permitted to carry on functions for STG and vice versa except as expressly provided for in this schedule.

Environmental, health and safety function—senior and middle management

25. [X]
26. [X]

Environmental, health and safety functions—other employees

27. Other employees carrying out environmental, health and safety functions for Stericycle shall not be permitted to carry on functions for STG and vice versa except as expressly provided for in this schedule.

Human Resources functions—senior and middle management

28. [X]
29. Payrolls for the Stericycle business and the STG business shall be maintained separately.

30. Wages and salaries shall be properly cross-charged to Stericycle or STG, as appropriate.
31. No Stericycle employee or STG employee shall be transferred from his current employer. STG shall retain autonomy over remuneration and bonuses to ensure that STG employees are encouraged to remain with STG in accordance with paragraph 2(k) of the Order.
32. Recruitment shall be carried out for Stericycle and STG separately.

Human resources functions—other employees

33. Other employees carrying out human resources functions for Stericycle shall not be permitted to carry on functions for STG and vice versa except as expressly provided for in this schedule.

Contracts with new customers

34. [X]

Confidential information

35. In accordance with paragraphs 2(l) and (m) of the Order and for the avoidance of doubt the Stericycle Interim Team shall not have access to Confidential Information relating to STG and the STG Interim Team shall not have access to confidential information relating to Stericycle, except that Confidential Information may be shared between the Stericycle interim team and the STG interim team if strictly necessary in the ordinary course of business.
36. [X]
37. For the avoidance of doubt in accordance with paragraph 2(n) of the Order, Confidential Information flow is permitted between STG and Stericycle LLC arising from and to the extent necessary to fulfil any obligation on Stericycle to report to Stericycle LLC or insofar as this is necessary to comply with any regulatory obligations. Subject to paragraph 38 below, if Confidential Information relating to STG is passed to Stericycle LLC, Stericycle LLC shall not pass such information to Stericycle. If Confidential Information relating to Stericycle is passed to Stericycle LLC, Stericycle LLC shall not pass such information to STG.
38. Confidential Information flow shall be permitted to the extent necessary for and limited to the coordination of Stericycle's and STG's proceedings with the CC, Competition Appeal Tribunal or any other court of law in connection with the reference or related proceedings. The Monitoring Trustee shall monitor such Confidential Information flow and for the avoidance of doubt paragraph 16 of the 18 July Directions shall apply.

Compliance statements

39. [X]

Second schedule

1. Stericycle LLC and STG shall within the period of seven working days from the date of the Directions (or such longer period as the CC may reasonably agree in writing) appoint a hold separate manager (the Hold Separate Manager) with the primary function described in paragraph 5 below;
2. that appointment shall be made in accordance with the provisions of paragraphs 14 to 18 below;
3. Stericycle LLC and STG shall ensure that the terms of appointment of the Hold Separate Manager shall give effect to the provisions of the Order and the Directions, and that the terms of appointment will be approved by the CC in accordance with the provisions of paragraphs 14 to 17 below;
4. Stericycle LLC and STG shall, and will ensure that their subsidiaries shall, cooperate fully with the Hold Separate Manager in accordance with the provisions of paragraphs 9 and 10 below.
5. The primary function of the Hold Separate Manager will be to exercise day to day management and control of the STG business so as to preserve the possibility of restoring effective competition in the markets affected by the merger through the separation from Stericycle of a viable, saleable, competitive STG business. The Hold Separate Manager will exercise management and control of the STG business in such a way as to ensure that it is held separate from the Stericycle business in line with these Directions.
6. In addition to the primary function, the Hold Separate Manager will also:
 - (a) assist the CC to monitor the extent of compliance by STG and shall in particular provide the CC with compliance statements on a fortnightly basis and also provide any information in the possession of the Hold Separate Manager that may suggest that a breach of the Order may have taken place as soon as is practicable after receipt of the information;
 - (b) assist the CC (at the request of the CC) to respond to any request that may be made by STG, Stericycle LLC or Stericycle to the CC for a consent under the Order;
 - (c) otherwise assist the CC to prevent STG, Stericycle LLC and Stericycle taking pre-emptive action within the Specified Period;and the 'Hold Separate Manager's functions' shall include the performance of the primary function, the performance of the functions in this paragraph 6, and the performance of any other act or task necessary for the performance of those functions of the Hold Separate Manager including the performance of the reporting obligations at paragraph 12 below.
7. In furtherance of the Hold Separate Manager's functions the Hold Separate Manager shall take such steps as the Hold Separate Manager reasonably considers necessary including but not limited to:
 - (a) giving such directions to the officers and staff of STG, including any person holding such position on a temporary basis as are necessary for the fulfilment of the Hold Separate Manager's functions;

- (b) attending such meetings of employees, officers (including board meetings, and meetings of any committee of the board) and members of STG as the Hold Separate Manager considers necessary for the fulfilment of the Hold Separate Manager's functions;
 - (c) attending meetings of employees or officers of STG as the Hold Separate Manager may consider necessary (including meetings convened at the instigation of the Hold Separate Manager) for the fulfilment of the Hold Separate Manager's functions;
 - (d) complying with such requests as the CC may reasonably make for the purpose of ensuring compliance by STG or Stericycle LLC with their obligations under or in relation to the Directions.
- 8. Stericycle LLC or STG shall remunerate the Hold Separate Manager, and shall reimburse the Hold Separate Manager in full for all reasonable costs and expenses properly incurred, in accordance with the terms and conditions of the Hold Separate Manager's appointment, provided that such remuneration and reimbursement shall not give rise to any conflict of interest or otherwise impair the ability of the Hold Separate Manager to discharge the Hold Separate Manager's functions and:
 - (a) for the avoidance of doubt such reimbursement shall include the fees and disbursements of such legal or other professional advisers, consultants and assistants as the Hold Separate Manager reasonably considers necessary for the discharge of the Hold Separate Manager's functions; and
 - (b) any appointment of advisers, consultants or assistants and any individual item of costs or expenses in excess of £1,000.00 shall not be reasonably incurred without the prior written consent (which may be general) of the CC. Where the CC grants the Hold Separate Manager consent to incur any such liability the Hold Separate Manager shall promptly inform STG and Stericycle LLC.
- 9. STG and Stericycle LLC and their subsidiaries shall comply with the directions of and cooperate fully with, and shall ensure that their employees, officers, advisers and consultants shall comply with the directions of and cooperate fully with the Hold Separate Manager in the performance by the Hold Separate Manager of the Hold Separate Manager's functions.
- 10. Without prejudice to the generality of paragraph 9, that cooperation shall include:
 - (a) the grant to the Hold Separate Manager on the date of appointment of all such rights, powers and authorities as are necessary for the performance of the Hold Separate Manager's functions;
 - (b) the provision of such facilities as are necessary for the discharge by the Hold Separate Manager of the Hold Separate Manager's functions, including the provision of an office with a workstation, telephone, fax machine and a computer at such premises of the STG business as the Hold Separate Manager may reasonably require;
 - (c) the provision of full and complete access to all personnel, books, records, documents, facilities and information of STG and Stericycle LLC as the Hold Separate Manager may reasonably require.

11. Nothing in the functions of the Hold Separate Manager shall require or entail the disclosure to the CC of information or documents that either of Stericycle LLC or STG would be entitled to withhold from the CC on the grounds of legal privilege.
12. The Hold Separate Manager should notify the CC immediately on the formation by the Hold Separate Manager of a reasonable suspicion that the Order has been breached, or if the Hold Separate Manager is unable effectively to carry out the Hold Separate Manager's functions. In either situation, the Hold Separate Manager should give reasons and attach any supporting evidence (so far as the Hold Separate Manager is permitted to do so by paragraph 11).
13. All communications between the Hold Separate Manager and the CC (including the statements and reports of the Hold Separate Manager referred to in paragraphs 6 and 12) shall be confidential and shall not be disclosed to Stericycle LLC, Stericycle or STG by the Hold Separate Manager without the express written permission of the CC. In relation to the possibility of disclosure of such communications to persons other than Stericycle LLC or STG, the CC shall act in accordance with the provisions of Part 9 of the Act. The Hold Separate Manager shall not disclose such communications to third parties.

General

14. The Hold Separate Manager shall possess appropriate qualifications and experience to carry out the Hold Separate Manager's functions.
15. The Hold Separate Manager shall be independent of STG, Stericycle LLC and Stericycle and shall have no conflict of interest.
16. The remuneration and reimbursement of the Hold Separate Manager shall not impede the independence or effectiveness of the Hold Separate Manager.
17. The appointment by Stericycle LLC and STG of the Hold Separate Manager shall be subject to the approval of the CC as to the identity of the Hold Separate Manager and as to the terms and conditions of the Hold Separate Manager's appointment. The terms of the Hold Separate Manager's appointment shall include:
 - (a) all the provisions necessary to give effect to the Directions (including any necessary conditions as to confidentiality and restrictions on future employment);
 - (b) an indemnity by Stericycle LLC and STG by which the Hold Separate Manager and any assistant appointed by the Hold Separate Manager is held harmless against any losses, claims, damages, liabilities or expenses arising out of or in connection with the performance of the Hold Separate Manager's functions except to the extent that such losses, claims, damages, liabilities or expenses shall be caused by the bad faith or gross negligence of the Hold Separate Manager;
 - (c) shall provide that the only method of termination of the appointment of the Hold Separate Manager is by Stericycle LLC and STG acting on the direction of the CC.
18. Stericycle LLC shall inform the CC as soon as is reasonably practicable and in any event within the period of three working days from the date of the Directions (or such longer period as the CC may reasonably allow) of the identity of the Hold Separate Manager proposed by Stericycle LLC and shall provide the CC with draft terms and conditions of appointment at least two working days prior to the date on which the

Hold Separate Manager is to be appointed. On the appointment of the Hold Separate Manager Stericycle LLC shall provide the CC with a copy of the agreed terms and conditions of appointment.

19. The CC may issue such further directions as it considers necessary to ensure compliance with the Order, including, where the appointment of the Hold Separate Manager pursuant to the Directions has been terminated, directions for the appointment of a further Hold Separate Manager.

Senior management structure



Sales and marketing structure



Operations (and logistics) structure



Finance and accounting structure

