

Supplemental Addendum on Leaves of Absence for Commissioned Sales or Service Employees

TITLE: Supplemental Addendum on Leaves of Absence for Sales or Service Employees

DOCUMENT NUMBER: CHR-Ops-Leaves 001.04

VERSION: 1.0

EFFECTIVE DATE: June 1, 2018

Commissioned Sales or Field Service

Purpose

The Leave of Absence Standard adopted by Stryker provides guidance regarding how Stryker handles certain leaves for eligible employees. The Leave of Absence Standard is designed to apply to all eligible employees. Because of unique aspects related to sales compensation and performance for Stryker's commissioned sales or field service employees, this document provides supplemental guidance to the Leave of Absence standard that will ensure uniform administration of leaves of absence for Stryker commissioned sales or field service employees.

Scope

This standard applies to all U.S. Stryker ("the Company") commissioned Sales or commissioned Field Service employees.

Related documents

Leave of Absence Standard CHR-OPS-Leaves-001

Eligibility

This Supplemental Leave Guidance for Commissioned Sales or Field Service Employees applies to any direct sales or field service employee taking a leave of absence whose compensation is based wholly or partially on a commission arrangement. It excludes (1) any sales employee paid a 100% guarantee or salary during the leave of absence period; (2) ASRs or Sales Associates; (3) Sales Managers; (4) Regional Managers; (5) Branch Managers or Branch General Managers; (5) Sales Directors; (6) Area Vice Presidents; (7) other supervisors and/or managers of Commissioned Sales or Field Service Representatives or (8) any other titles that are added after effective date of this amendment. If you have any questions regarding eligibility contact the myHR Leaves Team.

Key terms

- 1. Adjusted annual quota: (if applicable to your division):** The reduction of annual quota ("quota relief") to address a Sales or Field Service Representative's period of approved leave. In the event that a Sales or Field Service Representative takes an approved leave of absence and his/her assigned territory does not generate enough Actual Orders/Sales during the leave period to achieve quota for that period, Stryker may adjust the Sales or Field Service Representative's annual quota during the leave of absence period, if quota relief is offered by the business unit in which the Sales or Field Service Representative works.
- 2. Average monthly compensation:** The average monthly income, excluding any recoverable draws, bonus or incentive income, spot awards, stock awards or grants ("Excluded Income") (whether paid monthly, quarterly or annually), received by the Sales or Field Service Representative during the 12-month period immediately preceding the start of the leave period. Average Monthly Compensation is calculated by dividing the total income received by the Sales or Field Service Representative in salary and commissions (excluding any Excluded Income) during the 12 months preceding the first day of leave divided by 12. If the Sales or Field Service Representative has been employed by the Company for fewer than 12 months prior to the leave period, the average monthly compensation will be calculated using the total compensation earned during the employment period preceding the first day of leave (excluding any Excluded Income) divided by the total number of months of employment.

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3. **Leave period:** The period that runs from the start of the leave of absence until the leave of absence concludes.
4. **Actual commissions during the leave period:** Actual sales commissions generated within the Sales or Field Service Representative's assigned sales territory during the leave period pursuant to the terms of the applicable sales compensation plan, and that the Sales or Field Service Representative would have earned had he/she not taken a leave of absence.
5. **Monthly disability benefit:** The employee's Average Monthly Compensation, calculated and paid via Stryker's short-term disability plan.
6. **Sales or Field Service Representative:** Any direct sales or field service employee whose compensation is based in whole or in part on a commission arrangement. Such employees may include sales or field service employees paid through commission draws, 100% commission, partial guarantees, and other kinds of commissioned pay arrangements.

Policy

1.0 Leave eligibility determination

- 1.1 **Leave Eligibility Determination:** All determinations regarding leave availability and eligibility, including coordination with other forms of leave, shall be made in accordance with the Leaves of Absence Standard, CHR-BEN-001.
- 1.2 **Forms:** The Leaves Team shall provide employees with all form(s) needed to request and verify a leave of absence.

2.0 Compensation

- 2.1 **Compensation:** If eligible, short term disability benefits may be available under Stryker's applicable Short-Term Disability plan or through state disability insurance programs. Under circumstances where state disability benefits do not equal 100% of the employee's average monthly compensation and where state law permits, the employee may be eligible to integrate/supplement such state disability payments with Stryker's Short-Term Disability benefits. At no point may employee's integrated benefits exceed 100% of his/her average monthly compensation. For purposes of this Standard, the definition of Average Monthly Compensation is governed by the Stryker Short Term Disability Plan document in effect at the time of the disability leave.
- 2.2 **Compensation payment during disability leave period:** During the approved disability leave period, a Sales or Field Service Representative shall be paid his/her Average Monthly Compensation, which represents the Monthly Disability Payment.
- 2.3 **Additional compensation for actual commissions during the leave period:** Upon an employee's return from leave, Stryker will determine if the Sales or Field Service Representative is eligible for payment of additional Actual Commissions During the Leave Period. If the actual commissions generated in the Sales or Field Service Representative's territory during the leave period exceeds the Sales or Field Service Representative's total Monthly Disability Payments, the Sales or Field Service Representative will be eligible to receive the difference between the actual commissions generated and the total Monthly Disability Payments he/she received during the leave period.

In order to qualify for Additional Compensation During the Leave Period, the Sales or Field Service Representative must be absent for at least four (4) consecutive weeks. If the leave of absence falls across two (2) months (for example, 2 weeks in May and 2 weeks in June), the Sales or Field Service

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Representative will be eligible to receive a prorated Additional Compensation payment for each month impacted by the leave.

Any additional compensation shall be calculated and paid as soon as practicable following the Sales or Field Service Representative's return from his/her leave of absence. The Sales or Field Service Representative will not be eligible to receive any additional compensation if he/she does not return to work following the leave of absence or if payments made to the Sales or Field Service Representative during the leave, including but not limited to any payments which represent Monthly Disability Payments, meet or exceed any Actual Commissions During the Leave Period calculation.

Such additional leave payment shall be paid as a one-time lump sum payment, calculated as follows:

[Lump sum payment = actual commissions during leave – (monthly disability benefit payment x # of months on leave)]

Example lump sum payment calculation:

1. Disability leave period - 2 months
2. Monthly disability benefit paid to employee - \$5,000
3. Actual commissions during leave - \$25,000
4. Lump sum payment = \$25,000 – (\$5,000 x 2) = \$15,000

3.0 Quota relief

- 3.1 Quota relief:** Quotas and quota standards are set by the applicable division or business unit. For the period that the Sales or Field Service Representative is on approved leave, he/she may be eligible to receive quota relief, where offered by the business unit in which the Sales or Field Service Representative works. If applicable, quota relief standards are set forth as Appendix A to this document.

4.0 Sales bonuses, sales awards and sales contests

- 4.1** Eligibility to participate in any sales bonus program, award program, or sales contest occurring in whole or in part while the Sales or Field Service Representative is on a Leave of Absence is at the sole discretion of Stryker. All other applicable bonus plan documents, contest or award rules remain in effect, as established by the Division.

5.0 Sales territory coverage during leave

- 5.1** The supervising sales management team (Regional Sales Manager and/or Sales Manager), in conjunction with Human Resources and other area sales leadership, will assess and determine sales territory coverage during a Sales or Field Service Representative's disability leave of absence. The Sales or Field Service Representative is not responsible for ensuring that his/her sales territory is covered during the leave period. During this interim period, sales leadership may allocate to the covering personnel commissions for sales attributable to his/her work, provide duplicate commissions, or other suitable incentive compensation for the covering personnel, as appropriate. To the extent that there is advance notice of disability leave, the Sales or Field Service Representative may be expected to provide transition training or orientation to the identified coverage personnel prior to the commencement of his/her leave of absence.

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Appendix A to Supplemental Guidance on Leave of Absence for MedSurg Commissioned Sales and Field Service Personnel

Quota relief

- A. **Quota relief eligibility:** Depending upon the nature of the business, Sales or Field Service Representatives who take a leave of absence for at least four (4) consecutive weeks may be eligible to receive quota relief during his/her leave of absence. Not all divisions and/or business units within the division offer quota relief. At the start of the leave, the applicable Leaves Team will notify the Sales or Field Service Representative if he/she is eligible to receive quota relief during an approved leave of absence.
- B. **Quota relief calculation:** In any division and/or business unit offering quota relief to eligible Sales or Field Service Representatives, quota relief will be provided in the event that the Sales or Field Service Representative's Actual Orders/Sales during the eligible disability leave period falls below the Sales or Field Service Representative's actual quota for that period. Quota relief shall be given in the form of an Adjusted Annual Quota, calculated by reducing the Sales or Field Service Representative's Actual Annual Quota by the difference between the Original Quota assigned for the disability leave period and Actual Orders/Sales within the territory during the disability leave period. This Adjusted Annual Quota shall be used for all sales operations purposes where quota achievement is a factor, including the determination of eligible sales awards, eligible sales contests, subsequent year sales quota setting, performance reviews, quarterly or year-end bonus awards, and other similar calculations. Impacted employees should contact their Human Resources department to determine how quota relief is calculated within the business unit.

No quota relief shall be awarded or available to a Sales or Field Service Representative and/or his/her sales territory if Actual Orders/Sales placed during the Disability Leave Period meet or exceed the original quota assigned during the Disability Leave Period.

This same methodology will be used whether commissions are calculated on a monthly or quarterly basis.

If the applicable leave of absence falls across two (2) months (for example, 2 weeks in May and 2 weeks in June), the Sales or Field Service Representative will be eligible for prorated quota relief for each impacted month.

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Appendix A to Supplemental Guidance on Leave of Absence for Ortho Group Sales Personnel

Quota relief

Ortho Group sales employees are not eligible to receive quota relief during a leave of absence.

Document change history

Version no.	Revision level	Reason and description of revision	Issue date	Effective date
1.0	Initial Release of policy	Not Applicable		June 1, 2018