STRYKER CORP
Form DEF 14A
March 21, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

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

Filed by the Registrant x Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement.
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).
x Definitive Proxy Statement.
o Definitive Additional Materials.
o Soliciting Material Pursuant to §240.14a-12.

STRYKER CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

2825 Airview Boulevard
Kalamazoo, MI 49002

Notice of 2018 Annual Meeting of Shareholders of Stryker Corporation

Date: May 2, 2018
Time: 2:00 p.m., Eastern Time
Place: Radisson Plaza Hotel & Suites at The Kalamazoo Center, Kalamazoo, Michigan
Items of Business:

- Elect ten directors;
- Ratify appointment of Ernst & Young LLP as our independent registered public accounting firm for 2018;
- Conduct an advisory vote to approve named executive officer compensation; and
- Transact any other business that may properly come before the meeting and any adjournment or postponement.

We invite all shareholders to attend the meeting. At the meeting, you will have the opportunity to ask questions of our management with respect to the matters to be voted on and will hear a report on our business and have a chance to meet our current directors, new director nominees and executive officers. Our Annual Report on Form 10-K for the year ended December 31, 2017 is enclosed.

Only shareholders of record on March 5, 2018 may vote at the meeting.

Your vote is important. Please vote your shares promptly. To vote your shares, you may use the internet or call the toll-free telephone number as described on your proxy card or complete, sign, date and return your proxy card.

Dean H. Bergy
Vice President, Corporate Secretary

March 21, 2018

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDERS MEETING ON MAY 2, 2018.

The Proxy Statement, our 2017 Annual Report on Form 10-K and a link to the means to vote by internet are available at www.proxymaterials.stryker.com.

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PROXY STATEMENT SUMMARY

This summary is intended to provide a broad overview of important information you will find elsewhere in this Proxy Statement and does not contain all the information you should consider. We encourage you to read the entire Proxy Statement before voting.

Meeting Information

Date and Time

May 2, 2018 at 2:00 p.m., Eastern Time

Audio Webcast

On our website, www.stryker.com, starting at 2:00 p.m, Eastern Time, on Wednesday, May 2, 2018. A replay will be available on our website through June 30, 2018.

Shareholder Voting Matters

Matter	Board Vote Recommendation	See Page
Proposal 1 – Election of Directors	For each nominee	32
Proposal 2 – Ratify appointment of independent registered public accountants	For	34
Proposal 3 – Advisory vote to approve named executive officer compensation	For	35

Our Director Nominees

Name	Age*	Director Since	Independent	Committee Membership(3)
Mary K. Brainerd	64	2017	Yes	
Srikant M. Datar, Ph.D.	64	2009	Yes	Comp, G&N
Roch Doliveux, DVM	61	2010	Yes	Comp (Chair), G&N
Louise L. Francesconi	64	2006	Yes	G&N (Chair), Comp
Allan C. Golston(1)	51	2011	Yes	Audit
Kevin A. Lobo(2)	52	2012	No	
Sherilyn S. McCoy	59		Yes	

Andrew K. Silvernail	47	2013	Yes	Audit (Chair)
Ronda E. Stryker	63	1984	Yes	G&N
Rajeev Suri	50		Yes	

*Age is as of the date of the 2018 Annual Meeting
(1) Lead Independent Director
(2) Chairman of the Board, President and Chief Executive Officer
(3) Audit = Audit Committee, Comp = Compensation Committee, G&N = Governance and Nominating Committee

Corporate
Governance
Practices

Stryker is committed to exercising good corporate governance. Our policies and practices in this regard include the following:

- Majority voting in uncontested elections.
- The Lead Independent Director position entails significant responsibility related to Board leadership and governance.
- All directors are independent other than the CEO.
- Regular executive sessions of independent directors.
- All members of Board Committees are independent.
- Multiple Audit Committee members are "audit committee financial experts".
- Annual Board and Committee self-evaluations.
- Annual independent director evaluation of Chairman and CEO.
- Active Board and Committee oversight of risk and risk management.
- Commitment toward corporate social responsibility and sustainability.
- No use of corporate funds for political contributions and careful oversight of lobbying activities.
- No "poison pill" takeover defense plan.

Executive Compensation Philosophy

Our executive compensation programs are a key component of our ability to attract and retain talented, qualified executives and are designed to provide a meaningful level of total compensation that is aligned with organizational and individual performance and with the interests of our shareholders in line with the following principles and practices:

- We monitor a comparison group of medical technology and other related companies to ensure that our compensation programs are within observed competitive practices.
- We aim to provide market competitive total direct compensation consisting of base salary, annual bonus and long-term equity incentives (stock awards).
- We emphasize pay for performance. In 2017, the value of the variable performance and stock-based compensation for our NEOs averaged 85% of total direct compensation.
- Our annual and long-term incentives align the interests of our executives with our shareholders, utilizing challenging performance goals that should result in profitable, sustained business growth over the long term as well as stock price increases over time.
- We regularly evaluate our executive compensation programs to ascertain that they do not encourage excessive risk taking.
- Our stock ownership guidelines reflect our conviction that our senior executives and non-employee directors should have meaningful share ownership positions in the Company to reinforce the alignment of the interests of our management and shareholders.
- Our recoupment policy applies to all cash and equity incentive payments made to our elected corporate officers after 2014 in the event of either a material restatement of our financial statements as a result of misconduct or an officer's material misconduct or negligence that results in a material violation of a law or regulation or material Company policy.
- We hold an annual advisory vote regarding NEO compensation, which in 2017 resulted in a 97% favorable vote.

Executive Compensation Practices

Stryker employs a number of practices that reflect our executive compensation philosophy as it relates to our NEOs and other executive officers, including the following:

- Our Compensation Committee retains an independent compensation consultant that reports solely to the Compensation Committee.
- We link the majority of NEO compensation to Company performance.
- We balance short-term and long-term incentives.
- We cap payouts of incentive awards.
- Our recoupment policy applies to all cash and equity incentive payments made after 2014 to our elected corporate officers.
- Our guidelines require significant stock ownership.
- We provide limited perquisites and personal benefits to our NEOs.
- We do not have employment or severance agreements.
- We do not allow for contractual change-in-control payments.
- We do not pay tax gross-ups (unless pursuant to our standard relocation and expatriate assignment practices).
- We do not reprice, exchange or buyout stock options.

Financial
Performance

Net Sales $ in billions

Net Earnings $ per diluted share

Adjusted Net Earnings $ per diluted share(1)

Dividends Paid $ per share of common stock

Financial Overview

(in millions, except per share amounts)	2017	2016	% Change
Net sales	$12,444	$11,325	9.9
Earnings before income taxes	2,063	1,921	7.4
Income taxes	1,043	274	280.7
Net earnings	1,020	1,647	(38.1)
Adjusted net earnings(1)	2,465	2,194	12.3
Net earnings per diluted share of common stock:			
Reported	2.68	4.35	(38.4)
Adjusted(1)	6.49	5.80	11.9
Dividends paid per share of common stock	1.70	1.52	11.8
Cash, cash equivalents, and marketable securities	2,793	3,384	(17.5)

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(1) Adjusted net earnings and adjusted net earnings per diluted share are non-GAAP financial measures. Refer to "Appendix A — Reconciliation of the Most Directly Comparable GAAP Measure to Non-GAAP Financial Measure" for additional information.

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GENERAL INFORMATION

We are providing these proxy materials in connection with the solicitation by the Board of Directors of proxies to be used at the annual meeting of shareholders of Stryker Corporation to be held on May 2, 2018 and at any adjournment or postponement of the meeting. The solicitation will begin on or about March 21, 2018.

Who Is Entitled to Vote?

At the close of business on March 5, 2018, the record date for the meeting, 373,112,916 shares of our common stock, $0.10 par value ("Common Stock"), were outstanding. For each proposal to be voted on, each shareholder is entitled to one vote for each share of Common Stock owned at the record date.

How Do I Vote?

If you are a shareholder of record, you may vote by proxy in any of the following ways:

- By Internet or Telephone — If you have internet or telephone access, you may submit your proxy by following the voting instructions on the proxy card. If you vote by internet or telephone, you should not return your proxy card.
- By Mail — You may vote by mail by completing, dating and signing your proxy card and mailing it in the envelope provided. You must sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as officer of a corporation, guardian, executor, trustee or custodian), you must indicate your name and title or capacity.

If you vote via the internet or by telephone, your vote must be received by 11:59 p.m., Eastern Time, on May 1, 2018. You may also vote in person at the annual meeting or you may be represented by another person at the meeting by executing a proxy designating that person.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in "street name." The street name holder will provide you with instructions that you must follow to have your shares voted.

If you hold your shares in street name and you wish to vote in person at the meeting, you must obtain a proxy issued in your name from the street name holder.

May I Change My Mind after Submitting a Proxy?

If you are a shareholder of record, you may revoke your proxy before it is exercised by:

- Written notice to the Vice President, Corporate Secretary of the Company at 2825 Airview Boulevard, Kalamazoo, Michigan 49002;
- Timely delivery of a valid, later-dated proxy or later-dated vote by internet or telephone; or
- Voting by ballot at the annual meeting.

If you are a beneficial owner of shares held in street name, you may submit new voting instructions by contacting your brokerage firm, bank or other holder of record.

What Are the Broker Non-votes?

A broker non-vote occurs when the broker, bank or other holder of record that holds your shares in street name is not entitled to vote on a matter without instruction from you and you do not give any instruction. Unless instructed otherwise by you, brokers, banks and other street name holders will have discretionary authority to vote only on Proposal 2 (ratification of the appointment of Ernst & Young

LLP as our independent registered public accounting firm for 2018).

What is the Required Vote?

In the election of directors, a director nominee will be elected only if he or she receives a majority of the votes cast with respect to his or her election (that is, the number of votes cast "for" a director nominee must exceed the number of votes cast "against" that nominee). On all other matters, the vote required to pass is the affirmative vote of a majority of the votes cast at the meeting. Abstentions and broker non-votes will not be counted as votes cast and will therefore have no effect on the outcome of any of the matters.

Will the Annual Meeting be Webcast?

You may access our annual meeting via webcast or telephone. Information about the webcast, which will include both the audio and the slide presentation from the meeting, is available in the Events & Presentations area of the Investor section of our website at www.investorevents.stryker.com. The telephone number to listen to the meeting is (844) 826-0610 (U.S.) or (973) 453-3249 (International) and the Conference ID is 9378529. An archived copy of the webcast will continue to be available on our website until June 30, 2018.

How Do I Obtain Directions to the Annual Meeting?

Directions are available at www.proxymaterials.stryker.com.

Can I Access These Proxy Materials on the Internet?

This Proxy Statement, our 2017 Annual Report on Form 10-K and a link to the means to vote by internet are available at www.proxymaterials.stryker.com.

Stryker's 2017 Annual Review Available Online

As a part of our strategy to be environmentally conscious and financially responsible, printed copies of our Annual Review are no longer being mailed to shareholders. The 2017 Annual Review, which contains a letter to shareholders from Kevin Lobo, our Chairman and Chief Executive Officer, is available online at www.stryker.com/2017.

STOCK OWNERSHIP

Principal Shareholders

The following table sets forth certain information with respect to beneficial ownership of Common Stock by the only persons known by us to be the beneficial owners of more than 5% of our Common Stock.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned (#)	Percentage of Class (%)
Capital Research Global Investors 333 South Hope Street Los Angeles, California 90071	30,258,161(1)	8.0
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	26,469,530(2)	7.0
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, Pennsylvania 19355	25,162,532(3)	6.7
Ronda E. Stryker c/o Greenleaf Trust 211 South Rose Street Kalamazoo, Michigan 49007	24,680,295(4)	6.6
BlackRock, Inc. 55 East 52nd Street New York, New York 10055	23,446,687(5)	6.3
Greenleaf Trust 211 South Rose Street Kalamazoo, Michigan 49007	22,971,839(6)	6.1
John W. Brown 2825 Airview Boulevard Kalamazoo, Michigan 49002	19,852,410(7)	5.3

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(1) This information is based solely on information as of December 31, 2017 contained in a filing with the U.S. Securities and Exchange Commission ("SEC") on February 14, 2018. Capital Research Global Investors has sole voting power and dispositive power with respect to all shares.

(2) This information is based solely on information as of December 31, 2017 contained in a filing with the SEC on February 14, 2018. T. Rowe Price Associates, Inc. has sole voting power with respect to 9,159,500 shares and sole dispositive power with respect to all shares.

(3) This information is based solely on information as of December 31, 2017 contained in a filing with the SEC on February 9, 2018. The Vanguard Group, Inc. has sole voting power with respect to 468,498 shares, shared voting power with respect to 84,033 shares, sole dispositive power with respect to 24,622,007 shares and shared dispositive power with respect to 540,525 shares.

(4) This information is based solely on information as of January 31, 2018 provided by Ms. Ronda E. Stryker. The shares of Common Stock shown as beneficially owned by Ms. Stryker include 46,600 shares that she has the right to acquire within 60 days of January 31, 2018 upon exercise of stock options and vesting of restricted stock units. Ms. Stryker has sole voting and dispositive power with respect to 7,883,073 of the shares of Common Stock shown as beneficially owned by her, sole voting and shared dispositive power with respect to 866,652 shares, no voting and shared dispositive power with respect to 40,000 shares and shared voting and dispositive power with respect to the remaining 15,843,970 shares. As a result of certain rights that she has under the terms of the L. Lee Stryker Trust established on September 10, 1974 for the benefit of members of the Stryker Family (the "Stryker Family Trust"), Ms. Stryker may be deemed to share voting power and dispositive power with respect to 15,843,970 shares with Greenleaf Trust, the trustee of a subtrust for her benefit under the Stryker Family Trust. See note (6) below.

(5)

This information is based solely on information as of December 31, 2017 contained in a filing with the SEC on February 8, 2018. BlackRock, Inc. has sole voting power with respect to 20,777,508 shares and sole dispositive power with respect to all shares.

(6) This information is based solely on information as of December 31, 2017 contained in a filing with the SEC on February 12, 2018. Greenleaf Trust holds these securities in a fiduciary capacity on behalf of various trusts and investment management customers, some of whom have the right to receive or the power to direct the receipt of dividends from or the proceeds from the sale of such shares of Common Stock. Greenleaf Trust has sole voting power with respect to 234,106 shares, shared voting power with respect to 22,737,733 shares, sole dispositive power with respect to 226,736 shares and shared dispositive power with respect to 22,745,103 shares. See note (4) above regarding the shared voting power and dispositive power with respect to 15,843,970 shares of Common Stock held by a subtrust for the benefit of Ronda E. Stryker under the terms of the Stryker Family Trust.

(7) This information is based solely on information as of December 31, 2017 contained in a filing with the SEC on February 15, 2018. Mr. Brown has sole voting and dispositive power with respect to 19,592,410 shares of Common Stock shown as beneficially owned by him and shared voting and dispositive power with respect to 260,000 shares.

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Security Ownership of Directors, New Director Nominees and Executive Officers

The following table sets forth certain information about the ownership of Common Stock as of January 31, 2018 by our current directors, all of whom are standing for reelection except for Howard E. Cox, Jr., our new director nominees, the executive officers identified as our Named Executive Officers ("NEOs") in the "Compensation Discussion and Analysis" section beginning on page 10 and the persons who were our executive officers and directors as of December 31, 2017 as a group.

	Number of Shares Owned (#)[2]	Right to Acquire (#)[3]	Total (#)[4]	Percentage of Outstanding Shares (%)
Directors:				
Mary K. Brainerd	0	0	0	*
Howard E. Cox, Jr.	532,132	46,600	578,732	*
Srikant M. Datar, Ph.D.	8,557	37,555	46,112	*
Roch Doliveux, DVM	18,797	24,298	43,095	*
Louise L. Francesconi	17,557	54,000	71,557	*
Allan C. Golston	8,307	24,230	32,537	*
Kevin A. Lobo	48,758	732,187	780,945	*
Andrew K. Silvernail	1,652	9,030	10,682	*
Ronda E. Stryker	24,633,695	46,600	24,680,295	6.6
New Director Nominees:				
Sherilyn S. McCoy	0	0	0	*
Rajeev Suri	0	0	0	*
Named Executive Officers[1]:				
Glenn S. Boehnlein	4,937	94,848	99,785	*
Timothy J. Scannell	119,788	333,478	453,266	*
David K. Floyd	22,103	65,597	87,700	*
Lonny J. Carpenter	101,965	182,885	284,850	*
Executive officers, directors and nominees as a group (22 persons)	25,570,676	1,927,303	27,497,979	7.3

* Less than 1%.

(1) Other than Kevin A. Lobo, who is also a director.

(2) Excludes shares that may be acquired through stock option exercises or vesting of restricted stock units or performance stock units within 60 days after January 31, 2018.

(3) Includes shares that may be acquired within 60 days after January 31, 2018 upon exercise of options and vesting of shares underlying restricted stock units or performance stock units.

(4) Except for the shared beneficial ownership of certain shares of Common Stock by Dr. Datar (7,642 shares), Ms. Stryker (16,750,622 shares) and Mr. Floyd (13,096 shares), such persons hold sole voting and dispositive power with respect to the shares shown in this column.

INFORMATION ABOUT THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE MATTERS

We manage our business under the direction of our Board of Directors. The Board conducts its business through meetings of the Board and its committees. The Board has adopted Corporate Governance Guidelines that are available in the Corporate Governance area of the Investor section of our website at www.stryker.com/investors/governanceguidelines. During 2017, the Board held seven meetings. Each director attended more than 75% of the total meetings of the Board and the committees on which he or she served in 2017. We expect our directors to attend the annual meeting of shareholders unless they have a schedule conflict or other valid reason. All members of the Board, other than Ms. Brainerd who was not a Board member at the time, attended the 2017 annual meeting.

Board's Role in Strategic Planning and Risk Oversight

Our Board is responsible for directing and overseeing the management of the Company's business in the best interests of the shareholders and consistent with good corporate practice. The Board oversees strategic direction and priorities for the Company, approves the selection of the senior management team and monitors risk and performance. At one meeting each year, the Board and management focus on the Company's overall strategic plan and direction. At the meeting in December, the capital plan and budget for the next year are reviewed. A fundamental part of setting the Company's business strategy is the assessment of the risks the Company faces and how they are managed. The Board and the Audit Committee and the Governance and Nominating Committee meet regularly throughout the year with our financial, treasury, internal audit, legal and compliance management teams to assess the financial, legal/compliance and operational/strategic risks throughout our businesses and review our insurance and other risk management programs and policies to enable the Board to exercise its ultimate oversight responsibility for the Company's risk management processes.

Independent Directors

Under the listing standards of the New York Stock Exchange ("NYSE"), a director is not independent unless the Board determines that he or she has no material relationship with Stryker, either directly or through any organization with which he or she is affiliated that has a relationship with Stryker. While the NYSE listing standards require that at least a majority of the directors be independent, our Corporate Governance Guidelines provide that at least two-thirds of the directors will be independent. The Board has determined that both of our new director nominees and all of our current directors other than Mr. Lobo are independent under the NYSE listing standards. That determination was based on a review of the responses of the current directors and new director nominees to questions about employment history, affiliation and family and other relationships, including in the case of Mr. Silvernail the transactions with IDEX Corporation that are discussed under "Certain Relationships and Related Party Transactions" on page 9, and on discussions with the current directors and new director nominees. In the case of Ms. Stryker, the Board also considered that the Company spent $648,000 in 2017 on functions and meetings, including the 2017 annual meeting, held at hotel, restaurant and entertainment properties in Kalamazoo (principally the Radisson Plaza Hotel) that are owned by Greenleaf Hospitality and that Stryker also reimbursed employees for hotel, restaurant and other expenses incurred by them at such properties while they were in Kalamazoo for business meetings. Management of Stryker has been advised by Greenleaf Hospitality that Greenleaf Hospitality is 100% owned by Ronda Stryker's husband. The Board has determined that the relationship with Greenleaf Hospitality is not material under the circumstances, including the modest nature of the transactions compared to the total revenues of Stryker and Greenleaf Hospitality, the ordinary course status of the transactions and the arm's length nature of the transactions, including a Stryker discounted rate from Greenleaf Hospitality.

Board Committees

Our Board has three committees. The current membership, number of meetings held during 2017 and the function performed by each of these committees is described below. These committees act under written charters approved by the Board. The applicable committee and the Board review and reassess the charters annually.

No member of any committee is or ever has been an employee of the Company. The Board has determined that the members of the Audit, Compensation and Governance and Nominating Committees meet the independence standards for those committees within the meaning of the NYSE listing standards and applicable law and SEC regulations.

Audit Committee: Mr. Silvernail (Chair), Mr. Cox and Mr. Golston currently are members of the Audit Committee, which met eight times during 2017. The Audit Committee, which is a separately designated standing committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), oversees the Company's financial reporting process on behalf of the Board. It meets with management and the Company's independent registered public accounting firm throughout the year and reports the results of its activities to the Board. Further information regarding the role of the Audit Committee is contained in its charter that is available in the Corporate Governance area of the Investor section of our website at www.stryker.com/investors/auditcommitteecharter. For further information, see "Audit Committee Report" on page 31. The Board has determined that Mr. Silvernail, Mr. Cox and Mr. Golston are "audit committee financial experts" for purposes of applicable SEC rules.

Compensation Committee: Dr. Doliveux (Chair), Dr. Datar and Ms. Francesconi currently are members of the Compensation Committee, which met six times during 2017. The purpose of the Compensation Committee is to assist the Board in discharging its overall responsibilities relating to executive and stock-based compensation. The Committee reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer and other executive officers, evaluates their performance for the current year in light of those goals and establishes compensation levels, including annual salary and bonus targets. The Committee also administers and grants awards under the Company's equity-based compensation plans. Management provides recommendations to the Committee concerning salary, bonus potential and stock awards for our executive officers other than the Chief Executive Officer, whose pay recommendations are provided to the Committee by its independent compensation consultant. The Chief Executive Officer's compensation is subject to final approval by the independent members of the Board. For further information, see the Compensation Committee's charter that is available in the Corporate Governance area of the Investor section of our website at www.stryker.com/investors/compensationcommitteecharter and "Compensation Discussion and Analysis" beginning on page 10.

Our Compensation Committee has the authority to retain and terminate a compensation consulting firm to assist the Committee in the evaluation of executive and non-employee director compensation. Since October 2015, Semler Brossy Consulting Group, LLC ("Semler Brossy") has been engaged directly by the Committee as its executive compensation consultant to assist by:

- Providing information and education on executive and non-employee director compensation trends and developments and the implications for Stryker;
- Reviewing the competitiveness of our non-employee director compensation program;
- Reviewing the competitiveness of total compensation for the members of our executive leadership team;
- Providing recommendations for the compensation levels of our Chief Executive Officer;
- Reviewing and giving its opinion on management's recommendations for executive compensation and equity plan design and practices; and
- Participating in Compensation Committee meetings when requested by the Committee Chair.

The Compensation Committee determined Semler Brossy to be independent from the Company and that no conflicts of interest existed. In reaching this conclusion, the Committee assessed Semler Brossy's independence, taking into consideration all relevant factors, including the compensation consultant independence factors set forth in the SEC rules and the NYSE listing standards, appropriate assurances provided by Semler Brossy regarding its independence and the fact that Semler Brossy did not separately provide any advice or services to management or otherwise to the Company other than the services provided to the Compensation Committee.

Governance and Nominating Committee: Ms. Francesconi (Chair), Dr. Datar, Dr. Doliveux and Ms. Stryker currently serve on the Governance and Nominating Committee. The Governance and Nominating Committee, which met five times during 2017, makes recommendations to the Board regarding director nominations and committee assignments, oversees the evaluation of the Board and management and considers other matters relating to corporate governance. In addition, the Governance and Nominating Committee, in coordination with the Audit Committee, has oversight responsibility with respect to compliance, legal and regulatory affairs/quality assurance issues. It receives a report at least once a year from one or more senior executives, either individually or jointly, with responsibility for regulatory affairs, quality assurance, compliance, risk management and legal issues on the status of the Company's compliance with relevant laws, regulations and internal procedures and on the key compliance, risk management and legal issues facing the Company, and may meet with such senior executives in executive session as the Committee deems appropriate. For further information, see the charter of the Governance and Nominating Committee that is available in the Corporate Governance area of the Investor section of our website at www.stryker.com/investors/governancenominatingcommitteecharter. When seeking to identify an individual to become a director to fill a new position or vacancy, the Committee will consult with incumbent directors, management and others, including a professional search firm, and will review information obtained from a variety of sources. Each of Ms. Brainerd, Ms. McCoy and Mr. Suri were recommended as director nominees by a professional search firm retained by the Committee to help identify and evaluate potential director nominees. The Committee is committed to actively identifying, recruiting and advancing diverse candidates, including women and minority candidates, in any search process. The Committee will consider, among other factors, the background and reputation of potential candidates in terms of their character, personal and professional integrity, business and financial experience and acumen, experience in healthcare, corporate compliance or regulatory and governmental affairs, how a person would contribute to and strengthen the Board and complement the other directors in terms of expertise, diversity of viewpoint and opinion, professional experience, education and skills and a person's availability to devote sufficient time to Board duties. Shareholders may recommend director candidates for consideration by the Governance and Nominating Committee by writing to the Vice President, Corporate Secretary at 2825 Airview Boulevard, Kalamazoo, Michigan 49002, and giving the candidate's name, relationship, if any, to the shareholder making the recommendation, biographical data and qualifications. The submission should also include a statement from the candidate consenting to being considered and, if nominated and elected, to serving as a director.

Compensation Risks

Pay Governance LLC ("Pay Governance"), a consulting firm that was determined by the Compensation Committee to be independent using the factors discussed above with regard to Semler Brossy, conducted a risk assessment of our executive compensation program in 2016 that concluded that our executive compensation policies, practices and programs do not create risks that are reasonably likely to have a material adverse effect on Stryker. The Compensation Committee reviewed the Pay Governance report and discussed it with management at the time it was received. The Committee concurred with the conclusion and, in doing so, specifically noted the following risk mitigation factors regarding our executive compensation policies, practices and programs:

- The blend of pay delivery (fixed versus variable, cash versus stock and short- versus long-term compensation) is in line with market practices;
- Annual bonus plan design:
- Goals are challenging to achieve, calibrated annually and set to drive performance, which ties to Stryker's long-term profitability and strategic plan; and
- Payouts are based on multiple performance measures and are capped at 200% of target level;
- Stock awards have multi-year vesting requirements, typically ranging from three to five years;
- Performance stock units are earned if challenging financial goals are achieved and are capped at 200% of target level;
- Guidelines are in place with respect to stock ownership and share retention on option exercises;
- Our Insider Trading Guidelines prohibit short sales of and option trading on Stryker stock;
- A recoupment policy applies to incentive compensation for elected corporate officers; and
- Compensation plan governance is well defined and includes the Board and Compensation Committee as well as many functional areas within Stryker, including finance, human resources and legal.

Our executive compensation program has not materially changed since the Pay Governance risk assessment and we continue to believe that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on Stryker.

In addition, Willis Towers Watson Public Limited Company ("Willis Towers Watson"), a consulting firm that was determined by the Compensation Committee to be independent using the factors discussed above with regard to Semler Brossy and Pay Governance, conducted a risk assessment of our sales compensation program in 2017 that concluded that our sales compensation policies, practices and programs do not create risks that are reasonably likely to have a material adverse effect on Stryker. The Compensation Committee reviewed the Willis Towers Watson report and discussed it with management at the time it was received. The Committee concurred with the report's conclusion.

Board Leadership Structure

The Board believes that it is important to retain flexibility to make the determination as to whether the interests of the Company and our shareholders are best served by having the same person serve as both Chief Executive Officer and Chairman of the Board or whether the roles should be separated based on the circumstances at any given time. At different times in the past, both approaches have been used. In July 2014, the Board reassessed the leadership structure of the Board and, after considering the pros and cons of the alternatives in light of the Company's operating and governance environment at the time, concluded that the most effective leadership structure would be for Mr. Lobo to serve in the combined role of Chairman of the Board, President and Chief Executive Officer and have full responsibility for the day-to-day management of the Company. Since that time, in a continuation of past practice when the same person served as Chief Executive Officer and Chairman of the Board, we have had a Lead Independent Director, designated by the other independent directors. Within Stryker, that position, which is currently held by Mr. Golston, entails significant responsibility and opportunity for independent Board leadership. In that role, Mr. Golston is responsible for coordinating the activities of the independent directors. He chairs the executive sessions of the independent directors and also acts as an intermediary between the independent directors and senior management on sensitive issues, including matters considered by the non-management directors in executive session. Other matters that he is responsible for as the Lead Independent Director include working with Mr. Lobo and the Vice President, Corporate Secretary to set the agenda for Board meetings, assuring the adequacy of the flow of information from management to the non-management directors, setting the meeting schedules to assure there is sufficient time for discussion of all agenda items, directing the retention of consultants who report directly to the Board when deemed appropriate, participating, along with the members of the Compensation Committee and the full Board, in the evaluation of the Chief Executive Officer and, together with the Chair of the Compensation Committee, meeting with the Chief Executive Officer to discuss such evaluation, consulting with the Governance and Nominating Committee concerning the members and chairpersons of Board committees and assisting management and the Board in assuring compliance with and implementation of our Corporate Governance Guidelines. He also facilitates discussion among the non-management directors on key issues and concerns outside of Board meetings.

Executive Sessions of Independent Directors

Our Corporate Governance Guidelines require the independent directors to meet in executive session at least once per year. Non-management directors meet on a regular basis in conjunction with meetings of the Board and its Committees to provide an opportunity for discussion of topics of concern without any member of management being present.

Contacting the Board of Directors

Shareholders and other interested persons may communicate directly with the Board on a confidential basis by mail to Stryker Board of Directors at 2825 Airview Boulevard, Kalamazoo, Michigan 49002. All such communications will be received directly by the Chair of the Governance and Nominating Committee and will not be screened or reviewed by any Stryker personnel.

Code of Conduct/Code of Ethics

We have adopted a Code of Conduct applicable generally to our employees, officers and directors in the performance of their duties and responsibilities and a Code of Ethics applicable to our principal executive officer, principal financial officer, principal accounting officer and controller. The Code of Conduct and Code of Ethics are posted in the Corporate Governance area of the Investor section of our website at www.stryker.com/investors/codeofconduct and www.stryker.com/investors/codeofethics, respectively, and we will mail them to any shareholder upon request to the Vice President, Corporate Secretary at 2825 Airview Boulevard, Kalamazoo, Michigan 49002. Any amendments to either Code or waiver of either Code granted to an executive officer or director will be disclosed in the Corporate Governance area of the Investor section of our website.

Certain Relationships and Related Party Transactions

Under our Related Party Transactions Policy, which is in writing and was adopted by the Board, the Audit Committee must approve or ratify transactions involving directors, executive officers or principal shareholders or members of their immediate families or entities controlled by any of them or in which they have a substantial ownership interest in which the amount involved exceeds $120,000 and that are otherwise reportable under SEC disclosure rules. Such transactions include employment of immediate family members of any director or executive officer. Management advises the Audit Committee at its regularly scheduled meeting in February of each year and at subsequent meetings of any such transaction that is proposed to be entered into or continued and seeks approval. In the event any such transaction is proposed and a decision is required prior to the next regularly scheduled meeting of the Audit Committee, it may be presented to the Audit Committee Chair for approval, in which event the decision will be reported to the full Audit Committee at its next meeting.

Andrew K. Silvernail is Chairman and Chief Executive Officer of IDEX Corporation, a global fluidics leader serving high growth specialized markets with $2.3 billion of sales in 2017. In 2017, the Company purchased equipment and components used in the development and manufacturing of products from subsidiaries of IDEX Corporation at an aggregate cost of $2,950,000 in the ordinary course of business. At its February 2018 meeting, the Audit Committee authorized the Company to continue to purchase equipment and components from IDEX subsidiaries in the ordinary course of business up to $10,000,000.

COMPENSATION DISCUSSION AND ANALYSIS

This section includes information regarding, among other things, the overall objectives of our compensation program for our NEOs and each element of compensation that we provide. Please read this section in conjunction with the detailed tables and narrative descriptions of our NEO compensation under "Executive Compensation" beginning on page 22.

Named Executive Officers

The names and titles of our NEOs for purposes of this Proxy Statement are:

Name	Title
Kevin A. Lobo	Chairman, President and Chief Executive Officer
Glenn S. Boehnlein	Vice President, Chief Financial Officer
Timothy J. Scannell	Group President, MedSurg and Neurotechnology
David K. Floyd	Group President, Orthopaedics
Lonny J. Carpenter	Group President, Global Quality and Business Operations

Overview

Stryker has a history of delivering solid financial results. Our executive pay programs have played a significant role in our ability to attract and retain the experienced executive team that has successfully driven our financial results over time.

The primary elements of compensation for our NEOs in 2017 were salary, bonus and stock awards consisting of stock options and performance stock units. Our savings and retirement plans are typically defined contribution plans that match a portion of employee contributions and have historically included an annual discretionary contribution of 7% of salary and bonus for all eligible U.S.-based employees. We do not maintain any defined benefit pension plans for our NEOs. We believe the limited perquisites and personal benefits we provide to our NEOs are conservative to market.

Our Compensation Committee believes that our compensation practices for our NEOs are appropriate in the context both of Stryker's performance and the interests of our shareholders. Among the considerations in this regard are:

- An important part of our executive compensation philosophy is the alignment of the compensation of our NEOs with the interests of our shareholders and achievement of key business objectives;
- In 2017, the value of the variable, performance and stock-based compensation elements for the NEOs — bonuses, stock option grants valued using the Black-Scholes method and performance stock units — averaged 85% of the total value of the primary compensation elements (salary, actual bonus and stock awards). See "Summary Compensation Table" on page 22;
- Our NEO bonus plans are based on challenging performance goals that, if met, should result in profitable, sustained business performance over the long term and be reflected in stock price increases over time. The NEOs' payouts for 2017 (116% of target on average) were less than the 2016 levels (143% of target on average) as a result of performance that, overall, was above 2017 bonus plan goals that were generally more challenging than prior year actual results;
- Stock-based compensation realized by our NEOs is tied directly to the interests of our shareholders via stock price performance and, for performance stock units, based on financial performance relative to pre-established financial goals for a three-year performance period. The payout related to the 2015 grant of performance stock units, which is discussed under "2015 Performance Stock Units: Results for the 2015-2017 Performance Period" beginning on page 17, was 200% of target as a result of performance that reached the maximum goal for both sales growth relative to a comparison group of companies and average adjusted diluted net earnings per share growth;
- We monitor a comparison group of medical technology and related companies to ensure that our compensation programs are within observed competitive practices, review trends and practices with assistance from the Compensation Committee's independent compensation consultant and make adjustments as deemed appropriate by the Compensation Committee; and
- We evaluate key risk issues related to compensation and, in this regard, engaged a third-party independent consultant to conduct a risk assessment of executive compensation programs in 2016 as discussed under "Compensation Risks" on page 8 and believe that our executive compensation practices do not create risks that are reasonably likely to have

a material adverse effect on Stryker.

The Compensation Committee considered the results of the advisory shareholder vote on executive compensation at our 2017 annual meeting of shareholders at which the executive compensation program for our NEOs as disclosed in the proxy statement for that meeting was approved by 97% of the votes cast. The Compensation Committee continues to believe that our executive compensation policies, practices and programs are appropriate and, in light of the results of the advisory vote, believes our shareholders feel the same. In addition, at our 2017 annual meeting, our shareholders voted to continue to hold an advisory vote on executive compensation on an annual basis, consistent with the Board's recommendation.

Compensation Objectives

We believe that our executive compensation program, which is a key component of our ability to attract and retain talented, qualified executives, should be designed to provide a meaningful level of total compensation that is aligned with organizational and individual performance and with the interests of our shareholders. The Compensation Committee believes that, consistent with the emphasis on rewarding executives for enhancing the Company's growth and profitability (as described more fully in "Why We Chose Particular Performance Metrics and Goals" on page 14), the Company's bonus plans should focus executives on a mix of financially-oriented as well as qualitative goals that reinforce a balance in achieving short-term and long-term goals and are aligned with shareholder returns over time. The bonus plans contain maximums on the payouts that can be earned in any year. The Company's long-term equity incentive compensation program likewise is intended to provide executives with a personal financial interest in the Company's long-term success (as described more fully in "Long-Term Incentive Compensation" beginning on page 17). The Compensation Committee believes that the Company's incentive programs balance risk and the potential reward to executives in a manner that is appropriate to the circumstances and in the best interests of the Company's shareholders over the long term.

The principal objectives of our executive compensation policies and practices are to:

- Attract, retain and motivate talented executives who drive the Company's success;
- Structure compensation packages with a significant percentage of compensation earned as variable pay based on performance, which balances risk with the potential reward;
- Align incentives with measurable corporate, business area and individual performance, both financial and non-financial;
- Provide flexibility to adapt to changing business needs;
- Align total compensation with shareholder value creation; and
- Establish compensation program costs that are reasonable, affordable and appropriate.

Executive Compensation Philosophy

In setting compensation levels for our executives, the Committee considers information from our comparison companies and broader compensation surveys. We position total pay opportunities for our senior executive roles with the intent they be competitive relative to comparable roles in the market, taking into account a range of factors, including: (i) the Company’s or business unit’s general performance relative to competitors; (ii) the difficulty of the Company’s or business unit’s performance targets; (iii) the scope of the executive’s role relative to the normal scope of this role at comparable companies; and (iv) the executive’s tenure, experience, level of individual performance, and potential to contribute to our future growth. Although we review and consider the compensation provided by our comparison companies, broader compensation surveys and the results of the benchmarking studies described below under "The Role of Benchmarking in Our Executive Compensation Decisions," we do not benchmark our NEOs' compensation to a specific percentile of the market or of our comparison companies. Rather, we consider such data in addition to the factors described in (i) through (iv) above.

Individual compensation elements, along with an explanation of how we make decisions about each element, are described in detail under "2017 Compensation Elements" beginning on page 13.

Underlying our executive compensation philosophy is the desire to facilitate and encourage long-term ownership of our Common Stock. Our stock ownership guidelines reinforce this element of our philosophy by requiring senior management to accumulate and retain significant stock ownership positions over time. For more information, see "Executive and Non-Employee Director Stock Ownership Guidelines" on page 20.

The Role of Benchmarking in Our Executive Compensation Decisions