MERITOR INC
Form DEF 14A
December 16, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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 [ ]

Check the appropriate box:

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

Meritor, Inc.
(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.

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1) Amount Previously Paid:

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3)	Filing Party:
4)	Date Filed:

Letter to Shareholders Notice of 2017 Annual Meeting and Proxy Statement

December 16, 2016

Dear Shareholder:

You are cordially invited to attend the 2017 annual meeting of shareholders of Meritor, Inc.

The meeting will be held at the Westin Detroit Metropolitan Airport, 2501 World Gateway Place, in Detroit, Michigan, on Thursday, January 26, 2017, at 9 a.m. (Eastern Standard Time). At the meeting there will be a current report on the activities of the Company followed by discussion and action on the matters described in the Proxy Statement. Shareholders will have an opportunity to comment on or to inquire about the affairs of the Company that may be of interest to shareholders generally.

If you plan to attend the meeting, please indicate your intention to attend when voting by Internet or telephone or mark the box on your proxy card.

We hope that as many shareholders as can conveniently attend will do so.

Sincerely yours,

Jeffrey A. Craig
Chief Executive Officer and President

MERITOR, INC.
2135 West Maple Road
Troy, Michigan 48084-7186

Notice of 2017 Annual Meeting of Shareholders

To the Shareholders of MERITOR, INC.:

Notice is Hereby Given that the 2017 Annual Meeting of Shareholders of Meritor, Inc. (the Company) will be held at the Westin Detroit Metropolitan Airport, 2501 World Gateway Place, in Detroit, Michigan 48242, on Thursday, January 26, 2017, at 9 a.m. (Eastern Standard Time) for the following purposes:

1. to elect three members of the Board of Directors of the Company with terms expiring at the Annual Meeting in 2020;
2. to approve, on an advisory basis, the compensation of the named executive officers as disclosed in this proxy statement;
3. to approve, on an advisory basis, the presentation to shareholders of an advisory vote on named executive officer compensation every one, two or three years;
4. to consider and vote upon a proposal to approve the selection by the Audit Committee of the Board of Directors of the firm of Deloitte & Touche LLP as auditors of the Company;
5. to consider and vote upon a proposal to approve the amended and restated 2010 Long-Term Incentive Plan to increase the maximum shares authorized to be issued thereunder by 3.0 million shares and to make certain other changes to the plan; and
6. to transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on November 18, 2016 will be entitled to notice of, and to vote at, the meeting.

By order of the Board of Directors,
April Miller Boise
Corporate Secretary

December 16, 2016

PROXY STATEMENT

The 2017 Annual Meeting of Shareholders of Meritor, Inc. (the Company or Meritor) will be held on January 26, 2017, for the purposes set forth in the accompanying Notice of 2017 Annual Meeting of Shareholders. The Board of Directors of Meritor is soliciting proxies to be used at the Annual Meeting, including any adjournment thereof, and is furnishing this proxy statement in connection with its solicitation.

As permitted by Securities and Exchange Commission (SEC) rules, Meritor is making this proxy statement, the proxy card and the annual report to shareholders (the proxy materials) available to you electronically via the Internet. On December 16, 2016, we mailed to our shareholders a notice (the Notice) containing instructions on how to access and review the proxy materials and how to vote online. If you received a Notice by mail, you will not receive a printed copy of the proxy materials in the mail unless you request one. If you would like a printed copy of the proxy materials, follow the instructions for requesting them that are included in the Notice.

Shareholders of record may vote in any of three ways: (i) via the Internet; (ii) by calling a toll-free telephone number; or (iii) if you received your proxy materials by mail, by executing and returning a proxy card. Instructions for Internet voting are included in the Notice, and instructions for telephone and Internet voting are included on the proxy card. If you vote by telephone or Internet, it is not necessary to return a proxy card. If you properly give a proxy (including a written proxy or a proxy via telephone or Internet), your shares will be voted as you specify in the proxy. If no specification is made, the shares will be voted in accordance with the recommendations of the Board of Directors. You may revoke your proxy prior to its exercise by delivering written notice of revocation to the Corporate Secretary of the Company, by giving a valid, later dated proxy, by voting via telephone or Internet at a later date than the date of the proxy, or by attending the meeting and voting in person.

If your shares are held in street name by a bank, broker or other nominee holder on your behalf, you must follow the directions that you receive from your bank, broker or other nominee holder in order to direct the vote or change the vote of your shares. If you wish to vote in person at the meeting, you must obtain a legal proxy from the nominee holding your Meritor shares.

Our policy is to keep proxy cards, ballots and voting tabulations that identify individual shareholders confidential. However, exceptions to this policy may be necessary in some instances to comply with legal requirements and, in the case of any contested proxy solicitation, to verify the validity of proxies presented by any person and the results of the voting. Inspectors of election and any employees associated with processing proxy cards or ballots and tabulating the vote must acknowledge their responsibility to comply with this policy of confidentiality.

The Company s fiscal year ends on the Sunday nearest September 30. For example, fiscal year 2016 ended on October 2, 2016, fiscal year 2015 ended on September 27, 2015, and fiscal year 2014 ended on September 28, 2014. For ease of presentation, September 30 is utilized consistently throughout this proxy statement to represent the fiscal year end.

VOTING SECURITIES

Only shareholders of record at the close of business on November 18, 2016 are entitled to receive notice of, and to vote at, the meeting. On November 18, 2016, we had outstanding 86,767,764 shares of our Common Stock, par value $1 per share (Common Stock). Each holder of Common Stock is entitled to one vote for each share held.

As of November 18, 2016, T. Rowe Price Trust Company, as directed trustee under the Meritor savings plans for its participating employees, owned the following shares of Common Stock:

Name and Address	Number of Shares	Percent of Outstanding Common Stock
T. Rowe Price Trust Company 4515 Painters Mill Road Owings Mills, MD 21117	4,317,162	4.98%

If you are a participant and hold shares of Common Stock in Meritor s savings plans, your Internet or telephone vote or your proxy card will also serve as a voting instruction for the trustee with respect to shares held in your account. Shares held on account of participants in these plans will be voted by the trustee in accordance with instructions from the participants (either in writing or by means of telephone or Internet voting procedures). Where no instructions are received, shares will be voted by the trustee in the same manner and proportion as shares for which instructions are received.

In addition, the following entities reported beneficial ownership of more than 5% of the outstanding shares of Common Stock. This information is based on Schedules 13G that were filed with the SEC.

Name and Address	**Number of Shares**	**Percent of Outstanding Common Stock**
The Vanguard Group[(1)] 100 Vanguard Blvd. Malvern, PA 19355	9,614,323	10.35%
Glenview Capital Management, LLC[(2)] 767 Fifth Avenue, 44th Floor New York, NY 10153	7,669,883	8.40
Avenue Capital Management II, L.P.[(3)] 399 Park Avenue, 6th Floor New York, NY 10022	7,117,624	7.79
BlackRock, Inc.[(4)] 55 East 52nd Street New York, NY 10055	6,807,714	7.50
LSV Asset Management[(5)] 155 N. Wacker Drive, Suite 4600 Chicago, IL 60606	4,983,331	5.45

(1) The Vanguard Group filed a Schedule 13G, as amended, reporting that it may be deemed beneficial owner of shares as a result of two of its subsidiaries acting as investment manager of collective trust accounts and investment offerings that own shares of Common Stock.

(2) Glenview Capital Management, LLC and Lawrence M. Robbins filed a Schedule 13G, as amended, reporting that they may be deemed beneficial owners of shares of Common Stock held by various investment funds for which Glenview Capital Management, LLC serves as investment manager. Lawrence M. Robbins is the Chief Executive Officer of Glenview Capital Management, LLC.

(3) Avenue Capital Management II, L.P., filed a Schedule 13G, as amended, reporting ownership of shares of Common Stock by several funds for which Avenue Capital Management II, L.P. serves as investment advisor. Avenue Capital Management II GenPar, LLC, is the general partner of Avenue Capital Management II, L.P. and Marc Lasry is the managing member of Avenue Capital Management II GenPar, LLC.

(4) BlackRock, Inc. filed a Schedule 13G, as amended, as a parent holding company of eleven subsidiaries, each of which acquired beneficial ownership of Common Stock that, in the aggregate, exceeds 5% of total outstanding Common Stock. None of the persons deemed beneficial owners of these shares, individually, exceed the 5% threshold.

(5) LSV Asset Management filed a Schedule 13G reporting ownership of shares of Common Stock by investment funds and/or managed accounts for which it serves as investment advisor.

ELECTION OF DIRECTORS

Meritor s Restated Articles of Incorporation provide that the Board of Directors consists of three classes of directors with overlapping three-year terms, and that the three classes should be as nearly equal in number as possible. One class of directors is elected each year with terms extending to the Annual Meeting of Shareholders held three years later.

The Company s Board of Directors currently consists of ten members four directors in Class II, with terms expiring at the 2017 Annual Meeting; three directors in Class III, with terms expiring at the Annual Meeting of Shareholders in 2018; and three directors in Class I, with terms expiring at the Annual Meeting of Shareholders in 2019. Victoria B. Jackson Bridges, a Class III director, and Joseph B. Anderson, Jr., a Class II director, have each provided the Board with notice of their resignation as a director of Meritor, effective January 24, 2017, at which time the number of directors will be automatically reduced to eight members three directors in Class II; two directors in Class III; and three directors in Class I.

Three current directors are standing for re-election at the 2017 Annual Meeting as Class II directors, for terms expiring at the Annual Meeting of Shareholders in 2020.

Our corporate governance guidelines require directors to offer not to stand for re-election if they are age 72 at the time of re-election or will reach age 72 during their new term. The members of the Corporate Governance and Nominating Committee then decide whether continued Board service is appropriate. None of the current nominees standing for re-election at the 2017 Annual Meeting will be age 72 at the time of re-election or will reach age 72 during their new term.

The directors in Class III (other than Ms. Jackson Bridges) and the directors in Class I continue to serve terms expiring at the Annual Meeting of Shareholders in 2018 and 2019, respectively.

Proxies will be voted at the meeting (unless authority to do so is withheld) for the election as directors of the nominees specified in *Class II Nominees for Director with Terms Expiring in 2020*, under the heading *Information as to Nominees for Director and Continuing Directors* below. If for any reason any of the nominees is not a candidate (which is not expected) when the election occurs, it is likely that either (i) proxies would be voted for the election of the other nominees and a substitute nominee, or (ii) the Board of Directors would reduce the number of directors.

No director of Meritor was selected pursuant to any arrangement or understanding between him or her and any person other than Meritor. There are no family relationships, as defined in Item 401 of Regulation S-K (Regulation S-K) of the rules and regulations under the Securities Exchange Act of 1934, as amended (Exchange Act), between any director, executive officer or person nominated to become a director or executive officer of Meritor. No person who has served as a director or executive officer of Meritor at any time since October 1, 2015 has any substantial interest, direct or indirect, in any matter to be acted on at the 2017 Annual Meeting, other than election of directors to office.

INFORMATION AS TO NOMINEES FOR DIRECTOR AND CONTINUING DIRECTORS

Following are the biographies for our director nominees and our directors who will continue to serve after the 2017 Annual Meeting, including information concerning the particular experience, qualifications, attributes or skills that led the Corporate Governance and Nominating Committee and the Board to conclude that the nominee or director fulfills the Board s membership criteria (discussed below under *Director Qualifications and Nominating Procedures*). Except as provided below, during the last five years, no director has held any directorships required to be disclosed pursuant to the rules and regulations promulgated by the SEC. For a discussion of membership guidelines that outline the desired composition of the Board as a whole, see *Director Qualifications and Nominating Procedures* below.

CLASS II NOMINEES FOR DIRECTOR WITH TERMS EXPIRING IN 2020

RHONDA L. BROOKS
President, R. Brooks Advisor (Business Consultant)

Age 64

Ms. Brooks, a director since July 2000 and a director of Meritor Automotive, Inc. from July 1999 until the merger of Meritor Automotive, Inc. and Arvin Industries, Inc., is a member of the Corporate Governance and Nominating Committee and the Audit Committee. She is currently the President of R. Brooks Advisor, a consultant for start-up firms, specializing in corporate governance and marketing strategy. She served Owens Corning, Inc. (building materials and fiberglass composites) as President of the Exterior Systems Business from June 2000 to July 2002; as President of the Roofing Systems Business from December 1997 to June 2000; as Vice President, Investor Relations from January to December 1997; and as Vice President-Marketing of the Composites Division from 1995 to 1996. She served as Senior Vice President and General Manager of PlyGem Industries, Inc. (building and remodeling products) from 1994 to 1995, and as Vice President Oral Care and New Product Strategies, and Vice President Marketing and Sales of Warner Lambert Company (pharmaceuticals and consumer products) from 1990 to 1994. She was with General Electric Company from 1976 to 1990. She is a director of Menasha Corporation (plastics and packaging).

Board Qualifications: Ms. Brooks brings to our Board strong communication and leadership skills from an extensive career as an executive at several complex organizations, including General Electric and Owens Corning. Her extensive business experience is diverse and well-rounded, encompassing marketing, finance, running a manufacturing business and consulting. This provides her with the skills, solid foundation and valuable business acumen that qualify her to sit on our Board. She possesses the attributes to satisfy the Board s basic membership criteria. She also possesses additional positive factors considered for Board service, including leadership expertise, knowledge of manufacturing industries and enhancement of the diversity of the Board.

JEFFREY A. CRAIG
Chief Executive Officer and President of Meritor

Age 56

Mr. Craig, a director since April 2015, has served as Chief Executive Officer and President of Meritor since April 2015. He previously served Meritor as President and Chief Operating Officer from June 2014 to April 2015; Senior Vice President and President, Commercial Truck and Industrial from February 2013 to May 2014; Senior Vice President and Chief Financial Officer from May 2008 to January 2013; Acting Controller from May 2008 to January 2009; Senior Vice President and Controller from May 2007 to April 2008; and Vice President and Controller from May 2006 to April 2007. Prior to joining Meritor, Mr. Craig served as President and Chief Executive Officer of General Motors Acceptance Corp. (GMAC) Commercial Finance (commercial lending service) from 2001 to April 2006. Prior to that, he served as President and Chief Executive Officer of GMAC s Business Credit division from 1999 to 2001. He joined GMAC as a general auditor in 1997 from Deloitte & Touche, where he served as an audit partner.

Board Qualifications: Mr. Craig s qualifications to serve on our Board include his extensive financial and business experience. He has functioned in senior positions with involvement in and oversight of accounting services, financial reporting and controls and treasury operations, as well as leading Meritor s global operations. This broad business and financial background, as well as his knowledge of Meritor from many perspectives, makes him invaluable as a Board member. He possesses the attributes to satisfy the Board s basic membership criteria. He also possesses additional positive factors considered for Board service, including leadership expertise, knowledge of the transportation industry in general and Meritor s business in particular, and accounting and finance expertise.

WILLIAM J. LYONS

Retired Chief Financial Officer, CONSOL Energy Inc. (Producer of Coal and Natural Gas) and CNX Gas Corporation (Producer of Natural Gas)

Age 68

Mr. Lyons, a director since May 2013, is Chair of the Audit Committee and a member of the Compensation and Management Development Committee. Mr. Lyons has over 40 years of professional financial experience, primarily at CONSOL Energy Inc., where he served as Chief Financial Officer from December 2000 until his retirement in February 2013. He also served as Chief Financial Officer of CNX Gas Corporation, a public subsidiary of CONSOL Energy Inc., from April 2008 until February 2013. Mr. Lyons has been a director of Calgon Carbon Corporation since 2008 and currently serves as the Chairman of the audit committee of Calgon. He has previously served as a director of CNX Gas Corporation (2005-2009) and Duquesne University (2005-2014) and was a trustee of the 1974 United Mines Workers of America Pension Trust (January-December 2013). Mr. Lyons holds a Master of Science degree in accounting and is a Certified Public Accountant and a Certified Management Accountant. He currently serves as an adjunct professor at Duquesne University School of Business.

Board Qualifications: Mr. Lyons, through his education and his experience as Chief Financial Officer of a Fortune 500 company, brings to our Board extensive financial acumen and experience. He possesses the attributes to satisfy the Board s basic membership criteria. He also possesses the additional positive factor of extensive accounting and finance expertise, including educational credentials, leadership experience in the areas of accounting and finance, knowledge of generally accepted accounting principles and familiarity with the SEC s accounting rules and practices.

The Board of Directors recommends that you vote FOR the election of these nominees, which is presented as item (1).

CLASS III CONTINUING DIRECTORS WITH TERMS EXPIRING IN 2018

JAN A. BERTSCH

Senior Vice President and Chief Financial Officer, Owens-Illinois, Inc. (Manufacturer of Glass Containers)

Age 59

Ms. Bertsch, a director since September 2016, is a member of the Audit Committee. She has served as Senior Vice President and Chief Financial Officer of Owens-Illinois, Inc. since November 2015. From 2012 to November 2015, she served as Executive Vice President, Chief Financial Officer of Sigma-Aldrich Corporation. From 2009 to February 2012, she served in various capacities as Vice President and Treasurer and subsequently Vice President, Controller and Principal Accounting Officer of BorgWarner, Inc. From 2001 to 2009 she served in various capacities for Chrysler Group LLC, ultimately serving as Senior Vice President, Chief Information Officer and Treasurer of Chrysler LLC. Ms. Bertsch has been a director of BWX Technologies since 2015 (where she is the chair of the audit committee and a member of the governance committee) and its predecessor Babcock & Wilcox from 2013 to 2015 (where she served as a member of the audit and compensation committees) and also served as chair of the Board of Visitors for the Wayne State University School of Medicine from 2003 to September 2016.

Board Qualifications: Ms. Bertsch has extensive financial acumen and expertise through her experience as Chief Financial Officer of a Fortune 500 company. She possesses the attributes to satisfy the Board s basic membership criteria. She also possesses additional positive factors considered for Board service, including leadership experience and expertise in the areas of manufacturing, accounting and finance, knowledge of generally accepted accounting principles, familiarity with the SEC s accounting rules and practices and enhancement of the diversity of the Board.

LLOYD G. TROTTER
Managing Partner, GenNx360 Capital Partners (Private Equity Firm)

Age 71

Mr. Trotter, a director since January 2015, is a member of the Compensation and Management Development Committee and the Corporate Governance and Nominating Committee and, effective as of January 24, 2017, will be Chair of the Compensation and Management Development Committee. He is a founder of GenNx360 Capital Partners, where he has been Managing Partner since February 2008. He served General Electric (diversified technology and financial services company) as Vice Chairman, and as President and Chief Executive Officer of GE Industrial, from 2006 until his retirement in February 2008. He had previously held various leadership positions with General Electric, including Executive Vice President, Operations, from 2005 to 2006; President and Chief Executive Officer, GE Consumer and Industrial Systems, from 1998 to 2005; and President and Chief Executive Officer, Electrical Distribution and Control, from 1992 to 1998. He held various positions in General Electric businesses from 1970, when he began his career with the company, to 1992. Mr. Trotter is a director of PepsiCo, Inc. and Textron Inc., and chairs the compensation committees of both companies. He is a former director of Daimler AG.

Board Qualifications: Mr. Trotter has extensive knowledge and experience, through his leadership roles at General Electric, in a variety of fields that are important to the Company s business, including business operations, finance, manufacturing, information technology, supply chain management and international business opportunities. He has experience with acquisitions and divestitures associated with his current leadership in a private equity firm. He also has extensive corporate governance and executive compensation experience from his serving on boards and committees of public companies, which further enhances his contributions and value to the Board of Directors and the Company. He possesses the attributes to satisfy the Board s basic membership criteria. He also possesses additional positive factors considered for Board service, including leadership expertise, international background and experience, knowledge of the industrial products industry and enhancement of diversity of the Board.

CLASS I CONTINUING DIRECTORS WITH TERMS EXPIRING IN 2019

IVOR J. EVANS
Former Executive Chairman of the Board, Chief Executive Officer and President of Meritor

Age 74

Mr. Evans, a director since May 2005, previously served Meritor as Executive Chairman of the Board from April 2015 to April 2016; Chairman of the Board and Chief Executive Officer from August 2013 to March 2015 (also serving as President from August 2013 to June 2014); and Executive Chairman of the Board and Interim Chief Executive Officer and President from May 2013 until July 2013. Prior to joining Meritor s Board, he served as Vice Chairman of Union Pacific Corporation (rail transportation) from January 2004 until his retirement in March 2005, and served as a member of the Union Pacific board of directors from 1999 to 2005. He had served as President and Chief Operating Officer of Union Pacific Railroad from 1998 until January 2004. From 1989 to 1998, he served in various executive positions at Emerson Electric Company (technology and engineering applications), including Senior Vice President, Industrial Components and Equipment. Prior to that, he was President of Blackstone Corp. (automotive components and systems) from 1985 to 1989 and, prior to that, spent 21 years serving in key operations roles for General Motors Corporation (automotive). He is also a director of Textron Inc. He is a former director of Cooper Industries, Roadrunner Transportation Systems, Inc. and Spirit AeroSystems and a former operating partner of HCI Equity Partners (formerly named Thayer Capital Partners).

Board Qualifications: Mr. Evans qualifications include extensive operational and manufacturing experience from his years as a chief operating officer and senior executive of large public companies, including some in the automotive and transportation markets in which we operate. His leadership roles in these companies have provided him with extensive capital allocation experience, which is instrumental in planning how best to use resources to develop Meritor s business and maximize profitability. He also has considerable transactional and corporate finance experience from his time as an operating partner in a private equity firm. Mr. Evans service as a director of other public companies also widens his perspective with respect to capital allocation, corporate governance, audit issues, strategy and other matters that confront public companies. He possesses the attributes to satisfy the Board s basic membership criteria. He also possesses additional positive factors considered for Board service, including leadership expertise and knowledge of the transportation and other manufacturing industries and Meritor s business in particular.

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WILLIAM R. NEWLIN
Chairman, Newlin Investment Company, LLC (Equity Investment Firm)

Age 76

Mr. Newlin, a director since July 2003, has been the independent Chairman of the Board since April 2016 and is a member of the Compensation and Management Development Committee and the Corporate Governance and Nominating Committee. He previously served as Lead Director of the Board from January 2015 to April 2016. He has been the Chairman and a director of Newlin Investment Company, LLC since April 2007. He served Dick s Sporting Goods, Inc. (sporting goods) as Executive Vice President and Chief Administrative Officer from October 2003 until his retirement in March 2007. He served as Chairman and CEO of Buchanan Ingersoll Professional Corporation (now Buchanan Ingersoll & Rooney PC, a law firm) from 1980 to October 2003. Mr. Newlin is a director of Calgon Carbon Corporation (where he is chairman of the nominating and governance committee). He is also a director of several private companies, primarily specializing in technology solutions, including Liquid X Printed Metals (metallic inks) and Sharp Edge Labs (biosensors for research). He is a former director and chairman of Kennametal Inc.

Board Qualifications: Mr. Newlin s wide experience in major corporate transactions and in serving as a counselor providing strategic advice to complex organizations qualifies him to sit on our Board. He has led and managed large businesses such as professional service providers and public and private companies, and has extensive experience analyzing and providing a balanced approach to capital allocation. His extensive executive leadership and entrepreneurial experience provide Mr. Newlin with the skills that make him an effective director. Mr. Newlin s service as a director of other public companies also affords our Board the benefit of his broader exposure to capital allocation, corporate governance issues, compensation issues and other matters facing public companies. He possesses the attributes to satisfy the Board s basic membership criteria. He also possesses additional positive factors considered for Board service, including leadership and specialized legal expertise, including transactional experience, other strategic activities and knowledge of the federal securities laws and corporate governance matters.

THOMAS L. PAJONAS
Executive Vice President and Chief Operating Officer, Flowserve Corporation (Manufacturer of Flow Control Products)

Age 61

Mr. Pajonas, a director since September 2013, is Chair of the Corporate Governance and Nominating Committee and a member of the Audit Committee. He has served as Executive Vice President and Chief Operating Officer of Flowserve Corp. since February 2014, and previously served as Senior Vice President and Chief Operating Officer of Flowserve Corp. from January 2012 to January 2014. Prior to that, he served as president of the Flow Control Division from 2004 to 2012, holding the positions of vice president from 2004 to 2006 and senior vice president from 2006 as an officer of Flowserve Corp. Before joining Flowserve Corp., Mr. Pajonas was managing director of the U.S. rail products unit of Alstom Transport (supplier of rail products) from 2003 to 2004, and senior vice president of the Worldwide Power Boiler Business of Alstom, Inc. (power generation and transmission and rail infrastructure) from 1999 to 2003. Prior to that, he served in various capacities as senior vice president and general manager, International Boiler Operations, and subsequently senior vice president and general manager, Standard Boilers Worldwide, of Asea Brown Boveri (power and automation technologies), including supply chain, power products manufacturing, and strategic operations.

Board Qualifications: Mr. Pajonas has extensive global leadership and operational experience combined with a strong manufacturing and engineering background, which provide useful insight into the operational issues facing engineering and manufacturing companies like Meritor. He possesses the attributes to satisfy the Board s basic membership criteria. He also possesses additional positive factors considered for Board service, including knowledge of the industrial products industry and international background and experience.

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BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors manages or directs the management of the business of Meritor. In fiscal year 2016, the Board of Directors held five regularly scheduled meetings and two special telephonic meetings. Each current director attended at least 75% of the aggregate number of meetings of the Board and the standing and special committees on which he or she served in fiscal year 2016. Meritor encourages each director to attend the Annual Meeting of Shareholders. All of the current directors, other than Ms. Bertsch who joined the Board in September of 2016, attended the 2016 Annual Meeting.

The Board of Directors has established independence standards for directors, which are set forth in the Company s Guidelines on Corporate Governance and are identical to the standards prescribed in the corporate governance rules of the New York Stock Exchange. The Board determined that Mses. Bertsch and Brooks, and Messrs. Lyons, Newlin, Pajonas and Trotter have no material relationship with Meritor, either directly or as a partner, shareholder or officer of an organization that has a relationship with Meritor, and are therefore independent within the meaning of the Guidelines on Corporate Governance and the New York Stock Exchange listing standards.* There were no transactions, relationships or arrangements involving the Company and any director or nominee for director in fiscal year 2016 that were considered by the Board in determining the independence of these directors under the Guidelines on Corporate Governance or the New York Stock Exchange listing standards.

Board s Role in Risk Oversight

While risk management is primarily the responsibility of the Company s management, the Board provides overall risk oversight with a focus on the most significant risks facing the Company. Throughout the year, in conjunction with its regular business presentations to the Board and its committees, management highlights any significant related risks and provides updates on other relevant matters including issues in the industries in which the Company operates that may impact the Company, operations reviews, the Company s short and long-term strategies and treasury-related updates. The Board has delegated responsibility for the oversight of certain risks to the Audit Committee, which oversees the Company s policies with respect to risk assessment and risk management, including financial and accounting risk exposures and management s initiatives to monitor and control such exposures. In that role, the Company s management discusses with the Audit Committee the Company s major risk exposures and how these risks are managed and monitored. The Audit Committee receives regular reports on the Company s ethics helpline from the Company s General Auditor. In addition to receiving regular internal audit reports and updates on Sarbanes-Oxley Act compliance, the Audit Committee regularly meets in private session with our General Auditor and, separately, with our external auditors, which provides the opportunity for confidential discussion. The Audit Committee also receives reports on fraud investigations that may arise. In addition, on an annual basis, management conducts an Enterprise Risk Assessment and reports thereon to the Audit Committee. This assessment is monitored by management and utilized with the Audit Committee throughout the year as circumstances change. Within the Company, risk responsibilities are aligned to functional expertise and shared among the senior management.

Risk Assessment in Compensation Programs

Our compensation consultant, Pay Governance LLC, has been engaged to assess Meritor s compensation programs and has concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on Meritor. Representatives from Internal Audit, Human Resources and Legal, with the concurrence of the Compensation and Management Development Committee, developed and carried out a process for evaluation of compensation risks. The process assessed the Company s executive and broad-based compensation and benefits programs to determine if the programs provisions and operations create undesired or unintentional risk of a material nature. The focus was on the programs with variability of payout, in which the participant can directly affect payout, and on the controls that exist on such participant action and payout. To the extent that risks were identified, controls or mitigations of such risks and their effectiveness were discussed. The representatives also took into account Meritor s balance between short- and long-term incentives, the alignment of performance metrics with shareholder interests, the existence of share ownership guidelines and other considerations relevant to assessing risks. Based upon the foregoing, we believe that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

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* The Board made the same determination of independence with respect to Ms. Jackson Bridges and Mr. Anderson, who are resigning from the Board effective January 24, 2017.

Board Leadership Structure

Our Board of Directors currently consists of ten members, eight of whom are independent. Since April 21, 2016, our By-laws and Guidelines on Corporate Governance have required the separation of the offices of Chairman and Chief Executive Officer. Prior to that date, we did not have a policy with respect to the separation of the offices of Chairman and Chief Executive Officer. However, beginning in April 2015, in connection with a transition of leadership, Mr. Evans functioned as Executive Chairman and Mr. Craig functioned as Chief Executive Officer. Because Mr. Evans was not an independent director, Mr. Newlin served as Lead Director as required by our policies at that time. Effective April 21, 2016, the Board (i) amended Meritor s By-laws to eliminate the position of Executive Chairman and to provide for an independent Chairman of the Board; and (ii) appointed Mr. Newlin as the independent Chairman. The Board believes this governance structure and the preponderance of outside directors represents a commitment to the independence of the Board and a focus on matters of importance to Meritor s shareholders. It also allows the Board to work effectively and properly oversee risk.

Committees

The Board currently has three standing committees (Audit; Compensation and Management Development; and Corporate Governance and Nominating), the principal functions of which are briefly described below. The charters of these committees are posted on our website, www.meritor.com, in the section headed Investors Corporate Governance. The Board also establishes special committees from time to time for specific limited purposes or durations.

Audit Committee. Meritor has a separately designated standing audit committee established in compliance with applicable provisions of the Exchange Act and New York Stock Exchange listing standards. The Audit Committee is currently composed of four non-employee directors, William J. Lyons (chair), Jan A. Bertsch, Rhonda L. Brooks and Thomas L. Pajonas. Each of these directors meets the criteria for independence specified in the listing standards of the New York Stock Exchange. The Board of Directors has determined that Ms. Bertsch and Mr. Lyons qualify as audit committee financial experts (as defined by the SEC). The Board of Directors has adopted a written charter for the Audit Committee, which is reviewed and reassessed annually for compliance with the New York Stock Exchange listing standards. The Audit Committee held five regularly scheduled meetings and one special meeting in fiscal year 2016.

The Audit Committee is charged with monitoring the integrity of the Company s financial statements, accounting and financial reporting processes and financial statement audits; compliance with legal and regulatory requirements; the independence and qualifications of the Company s independent public accountants; the performance of the Company s internal audit function and independent public accountants; and the Company s systems of disclosure controls and procedures, internal controls over financial reporting and compliance with the Company s ethical standards.

To carry out its responsibility, the Audit Committee has authority under its charter and engages in the following activities:

Document and Information Review

- review its charter annually and submit changes to the Board for approval;
- review the Company s annual and quarterly financial statements, before their release, with the independent public accountants and senior management;
- review the Company s annual and quarterly earnings releases, including the use of pro forma or adjusted information that does not conform with generally accepted accounting principles;
- review financial information and earnings guidance, before they are provided by the Company to analysts and rating agencies;

Independent Public Accountants

- select and employ (subject to approval of the shareholders), and to terminate and replace where appropriate, the independent public accountants for the Company, and approve and cause the Company to pay all audit engagement fees;

review the performance and independence of the independent public accountants and remove them if circumstances warrant;

review and approve in advance the scope and extent of any non-audit services performed by the independent public accountants and the fees charged for these services, and receive and evaluate at least annually a report by the independent public accountants as to their independence, including consideration of whether provision of non-audit services is compatible with their independence;

review annually the experience and qualifications of the independent accountant s lead partner and determine that all applicable partner rotation requirements are satisfied;

discuss with the independent public accountants the matters to be discussed under the standards of the Public Company Accounting Oversight Board;

review any significant issues related to the audit activities of the independent public accountants and oversee the resolution of any disagreements between them and management;

review with the independent public accountants critical accounting policies and practices; new accounting pronouncements; significant financial reporting issues and judgments, including alternative treatments of financial information, significant changes in application of accounting principles and treatment of complex or unusual transactions; significant internal control matters, including recommendations as to the adequacy of the Company s system of internal controls; and material written communications between the independent public accountants and management;

review at least annually a report from the independent public accountants describing the firm s internal quality control procedures, including material issues raised on review of such procedures and any investigations by governmental or professional authorities;

assess the objectivity and skepticism demonstrated by the independent public accountants in the performance of their work;

establish the Company s policies with respect to hiring former employees of the independent public accountants;

Financial Reporting, Accounting Policies and Internal Control Structure

review the integrity of the Company s financial reporting processes, in consultation with the independent public accountants and the internal audit function;

understand the scope of the independent public accountants review of internal control over financial reporting and procedures used in audits and reviews of the Company s financial statements;

review any disclosure made in connection with annual and quarterly certifications by the chief executive officer and chief financial officer in filed documents with respect to internal controls over financial reporting, disclosure controls and procedures, and instances of fraud;

review issues regarding accounting principles and financial statement presentation;

review analyses prepared by management and the independent public accountants regarding significant financial reporting issues and judgments in connection with preparation of financial statements;

review the effect of regulatory and accounting initiatives and off-balance sheet structures on the financial statements;

review and approve all related-party transactions, defined as those transactions required to be disclosed under Item 404 of Regulation S-K;

establish procedures for the receipt, retention and handling of complaints regarding accounting, internal controls or auditing matters, including procedures for the confidential and anonymous submission by employees;

recommend to the Board whether the Company s annual financial statements be included in its annual report on Form 10-K;

prepare the report to be included in the Company s annual proxy statement;

Internal Audit

- review the internal audit charter, the scope of the annual internal audit plan and the results of internal audits, including management s response to audit reports;
- review comments the internal auditor has on significant issues related to, and any restrictions on, internal audit activities;
- review with the internal auditor significant internal control matters, including incidents of fraud;
- review the composition and qualifications of the internal audit staff;
- review and concur with management as to the appointment, reassignment, replacement, dismissal, and compensation of the internal auditor charged with auditing and evaluating the Company s system of internal controls;

Legal and Ethical Compliance and Risk Management

- oversee and update the Company s standards of business conduct policies, and monitor compliance by employees with these policies;
- review with the Company s general counsel significant contingencies that could impact the financial statements and legal compliance matters;
- monitor policies with respect to risk assessment and risk management, including financial and accounting risk and cybersecurity risk, and initiatives to control risk exposures;
- review any findings by regulatory agencies with respect to the Company s activities and management s response;

General

- review and consult with management concerning the composition and capability of the finance staff;
- review annually the Audit Committee s performance;
- investigate matters brought to its attention within the scope of its duties;
- engage outside consultants, independent counsel or other advisors; and
- perform any other activities consistent with the charter, applicable law and the Company s governing instruments.

As part of each regularly scheduled meeting, the Audit Committee meets in separate executive sessions with the independent public accountants, the internal auditors and senior management, and as a committee without members of management.

Compensation and Management Development Committee. The four current members of the Compensation and Management Development Committee (the Compensation Committee) are Victoria B. Jackson Bridges (chair)*, William J. Lyons, William R. Newlin and Lloyd G. Trotter. Each of these directors is a non-employee director who meets the criteria for independence specified in the listing standards of the New York Stock Exchange (including those criteria specifically applicable to members of compensation committees), the criteria for qualifying as an outside director specified in the Internal Revenue Code of 1986, as amended (IRC) and the criteria for qualifying as a non-employee director specified under the Exchange Act. These directors are not eligible to participate in any of the plans or programs that are administered by the Compensation Committee. The Compensation Committee held four regularly scheduled meetings and two special meetings in fiscal year 2016. Under the terms of its charter, the Compensation Committee has authority and engages in the following activities:

- review and approve the goals and objectives relevant to the Chief Executive Officer s compensation, evaluate his performance against these goals and objectives, and set his compensation accordingly;
- establish salaries of all of the Company s other officers and review the salary plan for other Company executives;

evaluate the performance of the Company s senior executives and plans for management succession and development;

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* The Board has appointed Mr. Trotter to serve as chair of the Compensation Committee effective as of Ms. Jackson Bridges resignation on January 24, 2017.

- review the design and competitiveness of the Company s compensation plans and medical benefit plans, and make recommendations to the Board of Directors;
- administer the Company s incentive, deferred compensation and long-term incentives plans (except with respect to any equity grants to directors, which are administered by the Corporate Governance and Nominating Committee);
- review all material amendments to the Company s pension plans and make recommendations to the Board concerning these amendments;
- hire outside consultants, independent counsel and other advisors and approve the terms of their engagement, after considering the advisors independence from management; and
- review annually the Compensation Committee s performance.

See *Executive Compensation - Compensation Discussion and Analysis* below for further information on the scope of authority of the Compensation Committee and the role of management and compensation consultants in determining or recommending the amount or form of executive compensation.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is currently composed of five non-employee directors, Thomas L. Pajonas (chair), Joseph B. Anderson, Jr.*, Rhonda L. Brooks, William R. Newlin and Lloyd G. Trotter, all of whom meet the criteria for independence specified in the listing standards of the New York Stock Exchange. The Corporate Governance and Nominating Committee held four regularly scheduled meetings and no special meetings in fiscal year 2016. Under the terms of its charter, the Corporate Governance and Nominating Committee has authority and engages in the following activities:

- screen and recommend to the Board qualified candidates for election as directors of the Company and for service as the Chairman;
- periodically prepare and submit to the Board for adoption the Corporate Governance and Nominating Committee s selection criteria for director nominees;
- oversee, with the assistance of management, a process for new Board member orientation;
- annually assess the performance of the Board;
- consider matters of corporate governance and Board practices and recommend improvements to the Board;
- review periodically the Company s charter and by-laws in light of statutory changes and current best practices;
- review periodically the charter, responsibilities, membership and chairmanship of each committee of the Board and recommend appropriate changes;
- review periodically non-employee directors compensation and make recommendations to the Board;
- review director independence, conflicts of interest, qualifications and conduct and recommend to the Board removal of a director when appropriate;
- engage search firms and other consultants and independent counsel; and
- review annually the Corporate Governance and Nominating Committee s performance.

See *Director Qualifications and Nominating Procedures* below for further information on the nominating process.

In discharging its duties with respect to review of director compensation, the Corporate Governance and Nominating Committee from time to time retains a compensation consultant to provide information on current trends, develop market data and provide objective recommendations as to the amount and form of director compensation. In fiscal year 2016, the compensation consultant was Pay Governance LLC. Management has no role in determining or recommending the amount or form of director compensation.

* Mr. Anderson is resigning from the Board effective January 24, 2017.

DIRECTOR QUALIFICATIONS AND NOMINATING PROCEDURES

As described above, Meritor has a standing nominating committee, the Corporate Governance and Nominating Committee, currently composed of five non-employee directors who meet the criteria for independence in the listing standards of the New York Stock Exchange. The Corporate Governance and Nominating Committee s charter is posted on our website, www.meritor.com, in the section headed Investors Corporate Governance.

The Board has adopted membership guidelines that outline the desired composition of the Board as a whole and the criteria to be used in selecting directors. These guidelines provide that the Board should be composed of directors with a variety of experience and backgrounds who have high-level managerial experience in complex organizations and who represent the balanced interests of shareholders as a whole rather than those of special interest groups.

The basic selection criteria include: highest character and integrity; experience with and understanding of strategy and policy-setting; reputation for working constructively with others; sufficient time to devote to Board matters; no conflict of interest that would interfere with performance as a director; and financial acumen. Other important factors include knowledge of the transportation and industrial products industry or another manufacturing industry; specialized expertise in a field with which the Board may be expected to interface; international background and experience; and enhancement of the diversity of the Board (which the Board considers in terms of all aspects of diversity, such as diversity of experience, background and strengths as well as diversity of gender and race). The guidelines also set forth examples, for illustrative purposes only, of candidates whose backgrounds would generally be considered to make them positive additions to the Board.

In considering candidates for the Board, the Corporate Governance and Nominating Committee is guided by the membership guidelines set forth above. The entirety of each candidate s credentials is considered, and there are no specific minimum qualifications that must be met by a director nominee. The individual biographies of each of our current directors and nominees set forth previously outlines each individual s specific experiences, attributes and skills that qualify that person to serve on our Board.

The Corporate Governance and Nominating Committee has the authority under its charter to hire and pay a fee to consultants or search firms to assist in the process of identifying and evaluating candidates. In fiscal year 2016, the Corporate Governance and Nominating Committee paid Korn Ferry $212,000 in fees and $15,616 in reimbursed expenses in connection with identifying Board candidates for consideration.

Shareholders may recommend candidates for consideration by the Corporate Governance and Nominating Committee by writing to the Corporate Secretary of the Company at its headquarters in Troy, Michigan, giving the candidate s name, biographical data and qualifications. A written statement from the candidate, consenting to be named as a candidate and, if nominated and elected, to serve as a director, should accompany any such recommendation. The Corporate Governance and Nominating Committee evaluates the qualifications of candidates properly submitted by shareholders under the same criteria and in the same manner as potential nominees identified by the Company. No candidates for Board membership have been put forward for election at the 2017 Annual Meeting by shareholders or groups of shareholders holding 5% or more of the outstanding shares of Common Stock who have held such shares for over a year.

DIRECTOR COMPENSATION IN FISCAL YEAR 2016

The following table reflects compensation for the fiscal year ended September 30, 2016 awarded to, earned by or paid to each non-employee director who served during the fiscal year.

Name	Fees Earned or Paid in Cash[1] ($)	Stock Awards[2][3] ($)	Total[4] ($)
Joseph B. Anderson, Jr.[5]	$ 96,000		