

MERITOR INC  
Form DEF 14A  
December 14, 2018

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 ☒   
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))**  
☒ 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):

☒ No fee required.  
☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) 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:   |

☐ Fee paid previously with preliminary materials.

☐ 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: |
|----|-------------------------|

## Edgar Filing: MERITOR INC - Form DEF 14A

- 2) Form, Schedule or Registration Statement No.:
  - 3) Filing Party:
  - 4) Date Filed:
-

**Letter to  
Shareholders  
Notice of 2019  
Annual Meeting  
and  
Proxy Statement**

---

Edgar Filing: MERITOR INC - Form DEF 14A

December 14, 2018

Dear Fellow Shareholder:

You are cordially invited to attend the 2019 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 24, 2019, at 9:30 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 that intention 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  
2019 Annual  
Meeting of  
Shareholders**

**To the Shareholders of MERITOR, INC.:**

**Notice is Hereby Given** that the 2019 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 24, 2019, at 9:30 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 2022;
2. to approve, on an advisory basis, the compensation of the named executive officers as disclosed in this proxy statement;
3. 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;
4. to consider and vote upon amendments to the Company’s Amended and Restated Articles of Incorporation to declassify the Board of Directors;
5. to consider and vote upon amendments to the Company’s Amended and Restated Articles of Incorporation to allow shareholders to amend the Company’s Amended and Restated By-Laws; 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 16, 2018 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 14, 2018

---

**PROXY  
STATEMENT**

The 2019 Annual Meeting of Shareholders of Meritor, Inc., referred to as the Company or Meritor, will be held on January 24, 2019, for the purposes set forth in the accompanying Notice of 2019 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 the rules of the Securities and Exchange Commission, referred to as the SEC, Meritor is making this proxy statement, the proxy card and the annual report to shareholders, collectively referred to as proxy materials, available to you electronically via the Internet. On December 14, 2018, we mailed to our shareholders a notice, referred to as 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: (1) via the Internet; (2) by calling a toll-free telephone number; or (3) 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 2018 ended on September 30, 2018, fiscal year 2017 ended on October 1, 2017 and fiscal year 2016 ended on October 2, 2016. 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 16, 2018 are entitled to receive notice of, and to vote at, the meeting. On November 16, 2018, we had outstanding 84,876,805 shares of our Common Stock, par value \$1 per share, referred to as Common Stock. Each holder of Common Stock is entitled to one vote for each share held.

As of November 16, 2018, T. Rowe Price Trust Company, as directed trustee under the Meritor savings plans for its participating employees, owned the following shares of Common Stock:

<b>Name and Address</b>	<b>Number of Shares</b>	<b>Percent of Outstanding Common Stock</b>
T. Rowe Price Trust Company 4515 Painters Mill Road Owings Mills, MD 21117	2,505,254	2.95%

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, calculated as of November 16, 2018. Each entity has sole voting and investment power with respect to the shares of Common Stock listed unless otherwise indicated. This information is based on Schedules 13G that were filed with the SEC, unless otherwise known to us.

<b>Name and Address</b>	<b>Number of Shares</b>	<b>Percent of Outstanding Common Stock</b>
The Vanguard Group <sup>(1)</sup> 100 Vanguard Blvd. Malvern, PA 19355	11,413,606	13.44%
BlackRock, Inc. <sup>(2)</sup> 55 East 52nd Street New York, NY 10055	6,309,905	7.43%
Morgan Stanley <sup>(3)</sup> 1585 Broadway New York, NY 10036	5,854,793	6.89%
Glenview Capital Management, LLC <sup>(4)</sup> 767 Fifth Avenue, 44th Floor New York, NY 10153	4,863,111	5.72%
LSV Asset Management <sup>(5)</sup> 155 N. Wacker Drive, Suite 4600 Chicago, IL 60606	4,521,931	5.32%

- (1) The Vanguard Group filed an amendment to its Schedule 13G 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. The Vanguard Group has sole voting power with respect to 93,722 shares, shared voting power with respect to 13,789 shares, sole investment power with respect to 11,313,016 shares and shared investment power with respect to 100,590 shares.

## Edgar Filing: MERITOR INC - Form DEF 14A

- (2) BlackRock, Inc. filed an amendment to its Schedule 13G as a parent holding company of fifteen subsidiaries, each of which acquired beneficial ownership of Common Stock that, in the aggregate, exceeds 5% of the total outstanding Common Stock. None of the persons deemed beneficial owners of these shares, individually, exceed the 5% threshold. BlackRock, Inc. has sole voting power with respect to 6,071,243 shares.
- (3) Morgan Stanley filed a Schedule 13G reporting ownership of shares of Common Stock by certain operating units of Morgan Stanley and its subsidiaries and affiliates. Morgan Stanley has shared voting power with respect to 5,850,265 shares and shared investment power with respect to 5,843,591 shares.
- (4) Glenview Capital Management, LLC and Lawrence M. Robbins filed an amendment to their Schedule 13G 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. Mr. Robbins is the Chief Executive Officer of Glenview Capital Management, LLC. Glenview Capital Management, LLC and Mr. Robbins have shared voting and investment power with respect to 4,863,111 shares.
- (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. LSV Asset Management has sole voting power with respect to 1,896,245 shares.

3

---



## PROPOSAL 1 - ELECTION OF DIRECTORS

Meritor's Restated Articles of Incorporation currently 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 nine members – three directors in Class I, with terms expiring at the 2019 Annual Meeting; three directors in Class II, with terms expiring at the Annual Meeting of Shareholders in 2020; and three directors in Class III, with terms expiring at the Annual Meeting of Shareholders in 2021.

Three current directors are standing for re-election at the 2019 Annual Meeting as Class I directors, for terms expiring at the Annual Meeting of Shareholders in 2022.

Our corporate governance guidelines provide that directors should 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 and in the best interests of the Company. Two of the current nominees standing for re-election at the 2019 Annual Meeting, Ivor J. Evans and William R. Newlin, will be over age 72 at the time of re-election. After considering the contributions and qualifications of Messrs. Evans and Newlin, the Corporate Governance and Nominating Committee determined that their continued service for the full term is appropriate.

The directors in Class II and the directors in Class III continue to serve terms expiring at the Annual Meeting of Shareholders in 2020 and 2021, 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 I – Nominees for Director with Terms Expiring in 2022*, 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 (1) proxies would be voted for the election of the other nominees and a substitute nominee or (2) the Board of Directors would reduce the number of directors serving in Class I.

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, referred to as Regulation S-K, of the rules and regulations under the Securities Exchange Act of 1934, as amended, referred to as the 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, 2017 has any substantial interest, direct or indirect, in any matter to be acted on at the 2019 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 2019 Annual Meeting, including information concerning the particular experience, qualifications, attributes and 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 I – NOMINEES FOR DIRECTOR WITH TERMS EXPIRING IN 2022**

**IVOR J. EVANS**

*Former Executive Chairman of the Board, Chief Executive Officer and President of Meritor*

Age 76 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 former director of Textron Inc., 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 of a private equity firm. Mr. Evans' service as a director of other public companies also provides broad 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 experience relevant to Board service, including leadership expertise and knowledge of the transportation and other manufacturing industries and Meritor's business in particular.

**WILLIAM R. NEWLIN**

*Chairman, Newlin Investment Company, LLC (Equity Investment Firm)*

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 and lead investor and leader of early stage university spinout technology companies since April 2007. He served as Executive Vice President and Chief Administrative Officer of Dick's Sporting Goods, Inc. (an NYSE listed sporting goods company) 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. He is a director of several private companies primarily specializing in technology or life science solutions, including Liquid X Printed Metals (metallic inks), Sharp Edge Labs (patient-driven drug discovery) and AgeSpIntellx, Inc. (computational pathology). He is a former director of Calgon Carbon Corporation (an NYSE listed purification system company) and a former director and chairman of Kennametal Inc. (an NYSE listed materials science and tooling company).

*Board Qualifications:* Mr. Newlin's broad 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 all or a major segment of large businesses such as a major retailer, professional service providers and other 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 prior service as a director (and Chairman) 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 experience relevant to Board service, including leadership, governance, financing and specialized legal expertise, including transactional experience, experience in other strategic activities and knowledge of the federal securities laws and corporate governance matters.

**THOMAS L. PAJONAS**

*Retired Executive Vice President and Chief Operating Officer, Flowserve Corporation (Manufacturer of Flow Control Products)*

Age 63 Mr. Pajonas, a director since September 2013, is Chair of the Corporate Governance and Nominating Committee and a member of the Audit Committee. He served as Executive Vice President and Chief Operating Officer of Flowserve Corp. from February 2014 until he announced his retirement in May 2017 to be effective following a transition period until December 2017. He also 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 that engineering and manufacturing companies like Meritor face. He possesses the attributes to satisfy the Board's basic membership criteria. He also possesses additional experience relevant to Board service, including knowledge of the industrial products industry and international background and experience.

**The Board of Directors recommends that you vote "FOR" the election of these nominees.**

**CLASS II – CONTINUING DIRECTORS WITH TERMS EXPIRING IN 2020**

**RHONDA L. BROOKS**

*President, R. Brooks Advisor (Business Consultant)*

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 Audit Committee and the Compensation and Management Development 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 also a former 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 business experience is diverse and well-rounded, encompassing marketing, finance and running global manufacturing businesses. She has over twenty years of service as a director and committee chair for public, private and start-up companies. 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 experience relevant to 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 58      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 March 2015; Senior Vice President and President, Commercial Truck and Industrial from February 2013 to May 2014; Senior Vice President and Chief Financial Officer from February 2009 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. Mr. Craig became a director of Arcosa, Inc. (manufacturer of infrastructure-related products) in September 2018.

*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 experience relevant to 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 70 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. He previously served as a director of Calgon Carbon Corporation (2008-2018), 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 relevant experience 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 disclosure rules and practices.

**CLASS III – CONTINUING DIRECTORS WITH TERMS EXPIRING IN 2021**

**JAN A. BERTSCH**

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

Age 61 Ms. Bertsch, a director since September 2016, is a member of the Audit Committee and the Corporate Governance and Nominating 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 (life science and biotechnology). 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. (automotive components). 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 (nuclear components) since 2015 (where she is the chair of the audit committee and a member of the compensation 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 experience relevant to Board service, including leadership experience and expertise in the areas of manufacturing, accounting and finance, knowledge of generally accepted accounting principles and familiarity with the SEC's disclosure rules and practices. Additionally, she contributes to the diversity of the Board.

**RODGER L. BOEHM**

*Retired Senior Partner, McKinsey & Company, Inc. (Management Consultant)*

Age 59 Mr. Boehm, a director as of December 2017, is a member of the Audit Committee. Until his retirement in September 2017, Mr. Boehm was a senior partner at McKinsey & Company, Inc. where he spent 31 years in a variety of roles with increasing responsibility. Mr. Boehm holds a Bachelor of Science degree in materials engineering from Purdue University and a Master of Business Administration degree from Harvard University.

*Board Qualifications:* Mr. Boehm has extensive experience leading consulting engagements on long-term growth strategies and performance improvement combined with a strong engineering background, which provide useful insight into the strategic issues that global manufacturing companies like Meritor face. He possesses the attributes to satisfy the Board's basic membership criteria. He also possesses additional experience relevant to Board service, including knowledge of the industrial products industry.

**LLOYD G. TROTTER**

*Managing Partner, GenNx360 Capital Partners (Private Equity Firm)*

Age 73 Mr. Trotter, a director since January 2015, is Chair of the Compensation and Management Development Committee and a member of the Corporate Governance and Nominating Committee. He is a founder of GenNx360 Capital Partners, where he has been Managing Partner since February 2008. He served General Electric as Vice Chairman, and as President and Chief Executive Officer of GE Industrial, from 2006 until his retirement in February 2008. He 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. Prior to that he held various positions in General Electric businesses from 1970, when he began his career with the company. Mr. Trotter is a director of Textron Inc. and chairs its compensation committee. He is a former director of Daimler AG and PepsiCo, Inc.

*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 Meritor's business, including business operations, finance, manufacturing, information technology, supply chain management and international business opportunities. He has experience with acquisitions and divestitures including from his current leadership of a private equity firm. He also has extensive corporate governance and executive compensation experience from serving on boards and committees of public companies, which further enhances his contributions and value to the Board and Meritor. He possesses the attributes to satisfy the Board's basic membership criteria. He also possesses additional experience relevant to Board service, including leadership expertise, international experience and knowledge of the industrial products industry. Additionally, he contributes to the diversity of the Board.

## **BOARD OF DIRECTORS AND COMMITTEES**

The Board of Directors manages or directs the strategic direction and management of the business of Meritor. In fiscal year 2018, the Board of Directors held five regularly scheduled meetings and three special telephonic meetings. Each current director attended at least 75% of the aggregate number of meetings of the Board (held during the period for which he or she was a director) and the standing and special committees on which he or she served in fiscal year 2018 (during the periods that he or she served). Meritor encourages each director to attend the Annual Meeting of Shareholders. All of the then-serving directors attended the 2018 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. Boehm, 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 2018 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, issues 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 Audit Committee discusses with the Company's management the Company's major risk exposures and how these risks are managed, monitored and mitigated. The Audit Committee receives regular reports on the work of the Company's Business Standards Compliance Committee 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 any fraud investigations that may arise. In addition, on an annual basis, management conducts an Enterprise Risk Assessment and provides a summary report to the Audit Committee. This assessment is reviewed by management and utilized with the Audit Committee throughout the year as circumstances change. Within the Company, risk responsibilities are managed by those with the relevant functional expertise and shared among the Company's 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 mitigation 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.

## Board Leadership Structure

Our Board of Directors currently consists of nine members, seven of whom are independent. Since April 2016, our By-Laws and Guidelines on Corporate Governance have required the separation of the offices of Chairman and Chief Executive Officer. 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. The Board believes the structure 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](http://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 five non-employee directors: William J. Lyons (chair), Jan A. Bertsch, Rodger L. Boehm, 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 2018.

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 responsibilities, 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 Corporate Governance and Nominating Committee and 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 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 audit plan, including 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 and approve 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;

review the results of any quality assurance reviews;

*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 chief legal officer 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;

investigate matters brought to its attention within the scope of its duties;

engage outside consultants, independent counsel or other advisors;

review its performance annually; and

perform any other activities consistent with the charter, applicable law and the Company's governing instruments.



## Edgar Filing: MERITOR INC - Form DEF 14A

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 present.

### ***Compensation and Management Development Committee***

The four current members of the Compensation and Management Development Committee, referred to as the Compensation Committee, are Lloyd G. Trotter (chair), Rhonda L. Brooks, William J. Lyons and William R. Newlin. 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 under the Internal Revenue Code of 1986, as amended, referred to as the 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 one special meeting in fiscal year 2018. 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;

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, stock options 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 material amendments to the design and competitiveness of the Company's medical benefit plans;

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 its performance annually.

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 four non-employee directors, Thomas L. Pajonas (chair), Jan A. Bertsch, 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 2018. 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 its selection criteria for director nominees to the Board for adoption;

oversee, with the assistance of management, a process for new Board member orientation;

annually assess the performance of the Board and each committee;

consider matters of corporate governance and Board practices and recommend improvements to the Board;

review periodically the Company's articles 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 its performance annually.

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 2018, the compensation consultant was Pay Governance LLC. Management has no role in determining or recommending the amount or form of director compensation.

**DIRECTOR QUALIFICATIONS AND NOMINATING PROCEDURES**

As described above, Meritor has a standing nominating committee, the Corporate Governance and Nominating Committee, currently composed of four 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](http://www.meritor.com), in the section headed "Investors – Corporate Governance."

The Board has adopted guidelines that outline the desired composition of the Board as a whole and the criteria to be used in selecting director nominees. These guidelines provide that the Board should be composed of directors with a variety of experience and backgrounds, who have significant senior 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; experience doing business abroad; 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.

## Edgar Filing: MERITOR INC - Form DEF 14A

In considering candidates for the Board, the Corporate Governance and Nominating Committee is guided by the criteria 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 above outline 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 2018, the Corporate Governance and Nominating Committee paid Heidrick & Struggles \$120,000 in fees and \$25,371 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 using 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 2019 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 2018

The following table reflects compensation for the fiscal year ended September 30, 2018 awarded to, earned by or paid to each non-employee director who served during the fiscal year.

Name	Fees Earned or Paid in	Stock Awards	Total
	Cash (\$) <sup>(1)</sup>	(\$) <sup>(2)(3)</sup>	(\$)
Jan A. Bertsch	—	234,948	234,948
Rodger L. Boehm	96,017	130,179	226,196
Rhonda L. Brooks	115,000	119,991	234,991
Ivor J. Evans	105,000	119,991	224,991
William J. Lyons	32,500	217,447	249,947
William R. Newlin	255,000	119,991	374,991
Thomas L. Pajonas	125,000	119,991	244,991
Lloyd G. Trotter	—	239,949	239,949

<sup>(1)</sup> This column includes retainer fees, committee chairman fees and, for Mr. Newlin, the Chairman of the Board fee earned in fiscal year 2018. This column does not include cash amounts paid in 2018 if such amounts were earned and reported in prior years, but deferred for future payment pursuant to the Deferred Compensation Policy for Non-Employee Directors.

<sup>(2)</sup> This column includes the grant date fair value, computed in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, of the following separate grants of restricted shares of Common Stock ("restricted shares"). Information on the assumptions used in valuation of the grants is included in Note 20 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2018 (the "Form 10-K"). These amounts may not reflect the actual value realized upon settlement or vesting.

<b>Name</b>	<b>10/1/2017 Grants</b>	<b>12/1/2017 Grants</b>	<b>1/1/2018 Grants</b>	<b>2/2/2018 Grants</b>	<b>4/1/2018 Grants</b>	<b>7/1/2018 Grants</b>
Jan A. Bertsch	\$28,741	—	\$28,738	\$119,991	\$28,742	\$28,736
Rodger L. Boehm	—	\$10,188	—	119,991	—	—
Rhonda L. Brooks	—	—	—	119,991	—	—
Ivor J. Evans	—	—	—	119,991	—	—
William J. Lyons	—	—	32,492	119,991	32,484	32,480
William R. Newlin	—	—	—	119,991	—	—
Thomas L. Pajonas	—	—	—	119,991	—	—
Lloyd G. Trotter	29,989	—	29,981	119,991	29,997	29,991

In connection with their service on the Board, the current non-employee directors held the following restricted shares of Common Stock (3) granted under the 2010 Long-Term Incentive Plan, as amended and restated (the “2010 LTIP”), and other former plans of the Company at fiscal year-end 2018. There were no stock options outstanding at fiscal year-end 2018.

<b>Name</b>	<b>Restricted Shares</b>
Jan A. Bertsch	24,274
Rodger L. Boehm	4,663
Rhonda L. Brooks	26,838
Ivor J. Evans	20,348
William J. Lyons	31,382
William R. Newlin	32,049
Thomas L. Pajonas	26,838
Lloyd G. Trotter	37,846

*Narrative Description of Director Compensation*

Only non-employee directors receive compensation for Board service. Directors who are also employees of Meritor or a subsidiary do not receive compensation for serving as a director. The Company also reimburses its directors for their travel and related expenses in connection with attending Board, committee and shareholders’ meetings.

The following types of compensation were earned by or paid to non-employee directors in fiscal year 2018:

*Retainer Fees.* Non-employee directors of Meritor received an annual cash retainer of \$105,000 for Board service. Members of the Audit Committee also received an additional annual cash retainer of \$10,000. The chairs of the standing Board committees received additional annual cash retainers in the following amounts: Audit Committee and Compensation Committee - \$15,000; and Corporate Governance and Nominating Committee - \$10,000. In addition, the Chairman received an additional annual cash retainer in the amount of \$150,000.



*Equity-Based Awards.* As part of our director compensation, each non-employee director is entitled to receive, on or about the date of the Annual Meeting of Shareholders, an equity grant with a value of approximately \$120,000, in the form of restricted shares or restricted share units, at the director's election. The restricted shares and restricted share units are granted under the 2010 LTIP and generally vest upon the earlier of (1) three years from the date of grant or (2) the date the director resigns or ceases to be a director by reason of the antitrust laws, compliance with the Company's conflict of interest policies, or other circumstances the Board determines not to be adverse to the best interests of the Company, if the Board deems such restricted shares or restricted share units to be earned. Upon vesting, the holder of restricted share units is entitled to receive one share of Common Stock for each restricted share unit or its cash equivalent, and non-employee directors generally are entitled to receive a cash payment for dividend equivalents, if any dividends are paid, plus interest accrued during the vesting period. The equity grants to directors in 2018 were made on February 2, 2018 in the amount of 4,252 restricted shares or restricted share units per person, at the director's election.

*Deferrals.* A director may elect to defer payment of all or part of the cash retainer and committee fees to a later date, with interest on deferred amounts accruing quarterly at a rate equal to 120% of the Federal long-term rate set each month by the Secretary of the Treasury. Each director also has the option each year (provided sufficient shares are available under a plan covering director equity grants to accommodate this deferral option at the time of the director's election) to defer all or any portion of the cash retainer and meeting fees by electing to receive restricted shares or restricted share units that could be forfeited if certain conditions are not satisfied. The restricted shares or restricted share units in lieu of the cash retainer and committee fees are valued at the closing price of the Common Stock on the New York Stock Exchange – Composite Transactions reporting system, referred to as the NYSE Closing Price, on the date the fee payment would otherwise be made in cash. In fiscal year 2018, one director deferred cash payments to a later date and three directors elected to receive restricted shares in lieu of cash payments.

#### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Since the beginning of fiscal year 2018, there have been no transactions, and there are no currently proposed transactions, in which the Company was or is to be a participant and the amount involved exceeds \$120,000, and in which any director, officer or greater-than-5% beneficial owner of Common Stock, or any member of their immediate family, had or will have a direct or indirect material interest.

Various means are employed to solicit information about relationships or transactions involving officers and directors that could raise questions of conflict of interest. Annual questionnaires solicit information from directors and officers regarding transactions and relationships that could trigger SEC rules on disclosure of related-person transactions, as well as relationships and transactions that could impair a director's independence under the listing standards of the New York Stock Exchange. Directors and officers have a continuing duty to update this information should any changes occur during the fiscal year. In addition, all salaried employees, including officers, and directors have a duty to report any known conflicts of interest that would violate the Company's code of ethics (including policies regarding standards of business conduct and conflicts of interest; see *Code of Ethics* below). A toll-free ethics helpline is available for that purpose. Salaried employees, including officers, are also required to complete an annual certification that they are unaware of, or have reported, any such conflict of interest.

Although we have no written policy regarding review, approval or ratification of related-person transactions, the Audit Committee under its charter has the authority to review and approve all related-party transactions, defined as those transactions required to be disclosed under Item 404 of Regulation S-K. The Business Standards Compliance Committee (which is made up of management personnel) and the Audit Committee have responsibility for review of compliance by officers and other employees (including their immediate family members) with the code of ethics, including conflict of interest provisions, and the Corporate Governance and Nominating Committee has similar responsibility with respect to compliance by directors and director nominees (including their immediate family members). If a transaction or relationship involving an officer or director were to be reported through the toll-free ethics helpline, annual compliance certifications, questionnaires or otherwise, the Audit Committee, with the assistance of the Business Standards Compliance Committee, would investigate and consider all relevant facts and circumstances, including the nature, amount and terms of the transaction; the nature and amount of the related person's interest in the transaction; the importance of the transaction to the related person and to the Company; whether the transaction would impair the judgment of a director or officer to act in the Company's best interest; and any other facts involving the transaction that the Audit Committee deems significant, and would then take appropriate action. Transactions will not be approved under the code of ethics if they are not in the Company's best interests. Any committee member who is a related person in connection with a transaction would not participate in consideration of that transaction.

## **CORPORATE GOVERNANCE AT MERITOR**

Meritor is committed to good corporate governance. The foundation of our corporate governance principles and practices is the independent nature of our Board of Directors and its primary responsibility to Meritor's shareholders. Our Corporate Governance Guidelines are reviewed periodically by the Corporate Governance and Nominating Committee, and changes are recommended to the Board for approval as appropriate. We will continue to monitor developments and review our Corporate Governance Guidelines periodically, and will modify or supplement them when and as appropriate. Our current Corporate Governance Guidelines are posted on our website, [www.meritor.com](http://www.meritor.com), in the section headed "Investors – Corporate Governance." Our Corporate Governance Guidelines and practices are summarized below.

### *Board Independence*

Independent directors must comprise at least a majority of the Board and, as a matter of policy, a substantial majority of the Board should be independent directors. The Board has adopted criteria for independence based on the definition used in the listing standards of the New York Stock Exchange;

The Board reviews the independence of each director annually;

Only independent directors serve on the Board's standing committees;

### *Board Composition*

The Board should consist of a sufficient number of directors to represent various viewpoints and areas of expertise, but not be so large as to impair its ability to function efficiently. In general, the Board consists of nine to 13 members, but may be smaller or larger to address special circumstances;

Board Membership Criteria have been adopted by the Board and are reviewed for appropriateness at least every three years. Board nominees are screened and recommended by the Corporate Governance and Nominating Committee and approved by the full Board (see *Director Qualifications and Nominating Procedures* above for information on Board selection criteria);

Committee membership is reviewed periodically to assure that each committee has the benefit of both experience and fresh perspectives;

Committee chair rotation is considered at least once every four years. A director usually serves on a committee at least 12 months before becoming its chair, and a former chair normally serves on a committee for at least 12 months after retiring as chair. Exceptions are made in appropriate circumstances. The Board may deviate from this policy where it determines that such deviation is in the best interest of the Board and of a particular committee;

Our directors generally should not serve on the boards of more than three other public companies, unless the Board has determined that such service does not impair the ability of the director to serve effectively on the Board;

The Chief Executive Officer of the Company should not ordinarily serve on the boards of any other public companies during the first two years of tenure as Chief Executive Officer and thereafter should not ordinarily serve on more than one other public company board, unless the Board of Directors, in each case, determines that such simultaneous service would not impair the ability of the Chief Executive Officer to serve the Company and the Board effectively and no director should join the board of another public company unless the Corporate Governance and Nominating Committee and the Board determine that such service would not conflict with service on the Board or a Company policy;

The Corporate Governance Guidelines establish the following expectations regarding director tenure:

Non-employee directors should 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 Corporate Governance and Nominating Committee decides whether continued Board service is appropriate and, if so, the length of the next term;

Directors whose job responsibilities change significantly during their Board service, or who retire from the position they held when elected to the Board, are required to offer to resign upon such occurrence. The Corporate Governance and Nominating Committee reviews the appropriateness of continued Board membership;

When the Chief Executive Officer retires or resigns from that position, he or she is expected to offer his or her resignation from the Board. The Board and the successor Chief Executive Officer determine whether continued Board service is desirable and appropriate;

Under the Company's majority vote policy, any nominee for director who receives a greater number of "withheld" votes than "for" votes in an uncontested election is required to tender his or her resignation after the certification of the election results. The Corporate Governance and Nominating Committee considers the resignation and recommends to the Board what action should be taken. The Board is required to take action and publicly disclose the decision and its underlying rationale within 90 days of certification of the election results;

*Key Responsibilities of the Board*

The Company's long-term strategic goals and plans are discussed in depth by the Board at least annually;

The non-employee directors select the Chief Executive Officer of the Company and meet at least annually to evaluate the Chief Executive Officer's performance against long-term goals and objectives established by the Compensation Committee. This evaluation is used in the Compensation Committee's consideration of the Chief Executive Officer's compensation;

Management development and succession plans are reviewed annually, including Chief Executive Officer succession plans;

*Board and Committee Meetings*

The Board has appointed a Chairman who chairs executive sessions, serves as liaison with the Chief Executive Officer and participates in development of meeting agendas;

Board and committee meeting agendas are developed through discussions with management and the Chairman and/or committee chair, and are focused on business performance and strategic issues, leadership, and recent developments;

Agendas are distributed in advance so directors are aware of matters to be discussed and can recommend additional items;

Presentation materials are generally made available to Board and committee members for review in advance of each meeting. If the subject matter is too sensitive for advance distribution of materials, directors are advised in advance of the subject matter and issues to be considered and are given ample time to deliberate on proposed actions;

Directors are expected to attend, prepare for and participate in meetings. The Corporate Governance and Nominating Committee monitors each director's attendance and addresses any issues that arise;

Non-employee directors meet in private executive sessions during each regular Board meeting. The Chairman chairs these meetings and communicates the results of the sessions to the Chief Executive Officer and the other Board members;

Minutes of each committee meeting are provided to each Board member, and the chair of each committee reports at Board meetings on significant committee matters;

Information and data important to understanding the Company's business, including financial and operating information and factors affecting the Company's strategic plans and outlook, are distributed regularly to the Board;

*Board Performance and Committee Operations*

The Corporate Governance and Nominating Committee, which is composed solely of independent directors, is responsible for corporate governance and Board practices, and formally evaluates these areas periodically;

Each Board committee has a detailed charter outlining its responsibilities, as described above under the heading *Board of Directors and Committees – Committees*;

The Board and its committees have the authority to hire such outside counsel, advisors and consultants as they choose with respect to any issue related to Board activities. Directors also have full access to Company officers and employees and the Company's outside counsel and auditors;

To enhance Board effectiveness, the Corporate Governance and Nominating Committee reviews and assesses annual self-evaluations of the Board's and each committee's performance. In addition, informal reviews of individual performance are conducted periodically. Results are shared with the Board, and action plans are formulated to address any areas for improvement;

*Director Education*

Each new director is provided a program of orientation to the Company's business, which includes discussions with key members of management and background materials on the Company's governance framework, financial results and business;

The continuing education process for Board members includes review of extensive informational materials and meetings with key management personnel;

Meeting agendas regularly include discussions of business environment, outlook, performance and action plans for the various business segments;

Board members may request presentations on particular topics and specific facility visits to educate themselves and update their knowledge as to the Company, its industry and markets, the responsibilities of directorship and other topics of interest;

Each director is encouraged to attend educational seminars and conferences to enhance his or her knowledge of the role and responsibilities of directors;

In each fiscal year, at least one director is required to attend a director education seminar. In fiscal year 2018, three directors each attended one or more of such seminars;

*Alignment with Shareholder Interests*

A portion of director compensation is equity-based and therefore tied to the Company's stock performance. Directors can also elect to receive their cash retainer fees in the form of restricted shares or restricted share units;

The Compensation Committee and the Board oversee executive compensation programs to help ensure that they are linked to performance and increasing shareholder value. The Compensation Committee also monitors compliance by Company executives with stock ownership guidelines (see *Executive Compensation – Compensation Discussion and Analysis* below);

Senior management meets regularly with major institutional investors and shareholders and reports to the Board on analysts' and shareholders' views of the Company; and

The Board has adopted stock ownership guidelines for non-employee directors to further the direct alignment of directors' and shareholders' economic interests. In 2012, the Board modified these guidelines from a set number of shares to a multiple of the non-employee director's cash retainer. Each non-employee director is required to own shares of Common Stock, restricted shares or restricted share units with a market value equal to at least five times the annual cash retainer, effective the later of (1) five years from the date of his or her initial election to the Board and (2) five years from the date of original adoption of these guidelines in the Corporate Governance Guidelines (September 13, 2012). As of the end of fiscal year 2018, all of the non-employee directors were in compliance with the ownership guidelines, taking into account permitted transition periods for newer directors.

**CODE OF ETHICS**

All Meritor employees, including our Chief Executive Officer, Chief Financial Officer and other executive officers and our Controller, are required to comply with our corporate policies regarding standards of business conduct and conflicts of interest. The purpose of these corporate policies is to ensure to the greatest possible extent that our business is conducted in a consistently legal and ethical manner. The Audit Committee has oversight responsibility with respect to compliance by employees. The Board of Directors is also required to comply with these policies, and the Corporate Governance and Nominating Committee is responsible for monitoring compliance by directors.

Employees are obligated to report any conduct that they believe in good faith to violate these policies. Employees may submit concerns or complaints regarding ethical issues on a confidential basis to our ethics helpline, by means of a toll-free telephone call or e-mail. The Office of the Chief Legal Officer investigates all concerns and complaints. Employees may also contact the Board of Directors or the Audit Committee directly on these issues (see *Communications with the Board of Directors* below).

Meritor's ethics manual, including the text of the policies on standards of business conduct and conflicts of interest, is posted in the section headed "Investors – Corporate Governance" on our website [www.meritor.com](http://www.meritor.com). We will post on our website any amendment to, or waiver from, a provision of our policies that applies to our Chief Executive Officer, Chief Financial Officer or Controller, and that relates to any of the following elements of these policies: honest and ethical conduct; disclosure in reports or documents filed by the Company with the SEC and in other public communications; compliance with applicable laws, rules and regulations; prompt internal reporting of code violations; and accountability for adherence to the policies.

**OWNERSHIP BY MANAGEMENT OF EQUITY SECURITIES**

The following table shows the beneficial ownership, reported to us as of October 31, 2018, of Common Stock of (1) each director; (2) each executive officer listed in the table under *Executive Compensation – Fiscal Year 2018 Summary Compensation Table* below; and (3) such persons and other executive officers as a group. See *Voting Securities* above for information on beneficial holders of more than 5% of outstanding Common Stock.

**Beneficial Ownership as of October 31, 2018**

<b>Name</b>	<b>Number of Shares<sup>(1)</sup></b>	<b>Percent of Outstanding Common Stock<sup>(2)</sup></b>
Jan A. Bertsch	25,767 <sup>(3)</sup>	*
Rodger L. Boehm	4,663 <sup>(3)</sup>	*
Rhonda L. Brooks	120,959 <sup>(3)(4)</sup>	*
Ivor J. Evans	413,941 <sup>(3)</sup>	*
William J. Lyons	77,684 <sup>(3)</sup>	*
William R. Newlin	262,275 <sup>(3)(5)</sup>	*
Thomas L. Pajonas	47,862 <sup>(3)</sup>	*
Lloyd G. Trotter	45,969 <sup>(3)</sup>	*
Jeffrey A. Craig	873,674 <sup>(6)</sup>	1.0%
Kevin A. Nowlan	172,850 <sup>(6)</sup>	*
Chris Villavarayan	68,799 <sup>(6)(7)</sup>	*
Joseph A. Plomin	159,434 <sup>(6)</sup>	*
April Miller Boise	—	*
All of the above and other executive officers as a group (14) persons	2,384,156 <sup>(3)(4)(5)(6)(7)</sup>	2.8%

\* Less than one percent.

(1) Each person has sole voting and investment power with respect to the shares of Common Stock listed unless otherwise indicated.

(2) For purposes of computing the percentage of outstanding shares beneficially owned by each person, the number of shares of Common Stock owned by that person and the number of shares of Common Stock outstanding include shares as to which such person has a right to acquire beneficial ownership within 60 days (for example, through the exercise of stock options, conversions of securities or through trust arrangements), in accordance with Rule 13d-3(d)(1) under the Exchange Act.

(3) Includes restricted shares awarded under the Company's long-term incentive plans. Restricted shares are held by the Company until certain conditions are satisfied.

(4) Includes 94,121 shares of Common Stock held by a trust of which Ms. Brooks is trustee.

(5) Includes 6,860 shares of Common Stock held by a trust of which Mr. Newlin's spouse is beneficiary.

(6) In accordance with Rule 13d-3(d)(1) under the Exchange Act, the number of shares of Common Stock owned includes the following numbers of shares of Common Stock that may be acquired upon vesting of restricted share units within 60 days: 546,631 restricted share units for Mr. Craig; 129,400 restricted share units for Mr. Nowlan; 41,864 restricted share units for Mr. Villavarayan; 81,445 restricted share units for Mr. Plomin; and 866,323 restricted share units for all directors and executive officers as a group. Does not include restricted share units or performance share units granted under the Company's stock plans and held as of October 31, 2018 that do not vest within 60 days.

(7)  
23 Includes shares beneficially owned under the Company's Savings Plans.

---

## EXECUTIVE COMPENSATION

### COMPENSATION COMMITTEE REPORT

The Compensation and Management Development Committee, referred to as the Compensation Committee, has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, and based on such review and discussions, recommended to the Board of Directors that such Compensation Discussion and Analysis be included in this proxy statement and the Form 10-K. The four independent directors listed below were the members of the Compensation Committee who participated in the review, discussions and recommendation with respect to the Compensation Discussion and Analysis for fiscal year 2018.

#### Compensation and Management Development Committee

**Lloyd G. Trotter, *Chair***

**Rhonda L. Brooks**

**William J. Lyons**

**William R. Newlin**

### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation Committee is a current or former officer or employee of the Company or any of its subsidiaries. During fiscal year 2018, no member of the Compensation Committee had a relationship that must be described under SEC rules relating to disclosure of related-person transactions. In fiscal year 2018, none of the Company's executive officers served on the board of directors or compensation committee of any entity that had one or more of its executive officers serving on the Board or the Compensation Committee.

### COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this section of the proxy statement is to provide information about our executive compensation programs that relate to the compensation of the Named Executive Officers, as defined below. The Named Executive Officers are the senior members of management listed or discussed in the compensation tables included in this proxy statement. The qualitative information and rationales regarding our executive compensation policies and practices described below are intended to provide a better understanding of the quantitative information regarding each Named Executive Officer described in the tables and narratives that follow this section.

#### Executive Summary

The main components of Meritor's executive compensation program are annual salary, annual incentives and long-term incentives. The Compensation Committee believes in a "pay for performance" philosophy under which executives are rewarded for performance against objective standards and, as part of that philosophy, continues to examine the Company's executive compensation program and make changes accordingly. The actions taken by the Compensation Committee in fiscal year 2018 reflect that philosophy.



Recent actions taken by the Compensation Committee to update and improve the Company's compensation practices include:

*Continued 100% Equity-Based Long-Term Incentives Going Forward.* For the fiscal 2017-2019 and fiscal 2018-2020 performance cycles, the Compensation Committee made awards that were entirely equity-based. Awards for both fiscal 2017-2019 and fiscal 2018-2020 were 60% performance-based, in the form of performance share units, and 40% service-based, in the form of restricted share units, as described below. In November 2018, the Compensation Committee continued this practice, granting 100% equity-based long-term incentives for the fiscal 2019-2021 performance cycle. These awards are also 60% performance-based, in the form of performance share units, and 40% service-based, in the form of restricted share units. The Compensation Committee believes the mix of awards for our executives will promote achievement of performance goals and provide retention incentives to key management personnel.

*Peer Group Analysis Review.* The Compensation Committee annually assesses the competitiveness of the Company's executive compensation compared to that of similar companies, as described below under the heading *Market Analysis and Benchmarking*. In July 2018, the Compensation Committee engaged its compensation consultant, Pay Governance LLC, to evaluate the Company's peer group to help ensure that it is appropriate in light of the Company's current situation. This evaluation resulted in the removal of one peer company and the addition of four others, and the results of this evaluation were used in the Compensation Committee's review of executive compensation in November 2018 for fiscal year 2019.

#### **Administration of Executive Compensation Program**

The Compensation Committee has overall responsibility for executive compensation, including administration of equity compensation plans (see *Board of Directors and Committees* above for information on the Compensation Committee's members, charter and meetings in fiscal year 2018). As part of this responsibility, the Compensation Committee evaluates the performance of the Chief Executive Officer and determines his compensation in light of the goals and objectives of the Company and the executive compensation program.

The Compensation Committee continued its retention of Pay Governance as a compensation consultant in fiscal year 2018. Prior to engaging Pay Governance, the Compensation Committee assessed its independence under the standards set forth in the rules under the Exchange Act and the listing standards of the New York Stock Exchange. The Compensation Committee concluded that such standards were satisfied and no conflict of interest existed with respect to Pay Governance's work.

Pay Governance provides information on current compensation trends, develops competitive market data and provides objective recommendations as to the design of the compensation program, including the form and mix of awards, the type of performance criteria and the level of award targets. The Compensation Committee directly engages Pay Governance, which also assists the Corporate Governance and Nominating Committee with respect to directors' compensation. Pay Governance performs no other services for the Company or management.

The Compensation Committee seeks and considers input from senior management in many of its decisions, and Pay Governance confers and collaborates with senior management in developing its compensation recommendations. Senior management regularly participates in the Compensation Committee's activities in the following ways:

The Chief Executive Officer reports to the Compensation Committee with respect to his evaluation of the performance of the Company's other senior executives, including the other Named Executive Officers that report to the Chief Executive Officer. The Chief Executive Officer, together with the Senior Vice President, Human Resources, and Chief Information Officer, makes recommendations as to compensation decisions for these individuals, including base salary levels and the amount and mix of incentive awards.

The Senior Vice President, Human Resources, and Chief Information Officer participates in the development of the executive compensation program, including formulation of performance objectives and targets for incentive compensation, and oversees its implementation and interpretation, in each case carrying out the direction of the Compensation Committee and the recommendations of Pay Governance. He also assists the Chair of the Compensation Committee in developing meeting agendas and oversees preparation and distribution of pre-meeting informational materials on the matters to be considered.

The Chief Financial Officer is responsible for evaluating the tax, financial and accounting aspects of certain compensation decisions, as appropriate. He participates in developing financial objectives and targets for performance-based incentive compensation and oversees calculation of payout and vesting levels, in accordance with plan design and the direction of the Compensation Committee.

#### **Executive Compensation Philosophy and Objectives**

The Compensation Committee's compensation philosophy is to "pay for performance." The fundamental objectives of the Company's executive compensation program are to: (1) attract, retain and motivate high caliber executives necessary for Meritor's leadership and growth; (2) recognize and reward company and individual performance through evaluation of each executive's effectiveness in meeting strategic and operating plan goals; and (3) foster the creation of shareholder value through close alignment of the financial interests of executives with the investment interests of Meritor's shareholders.

The Compensation Committee uses several basic practices and policies to carry out its philosophy and to meet the objectives of Meritor's executive compensation program:

*Competitive Compensation Packages.* In order to attract and retain talented executives, the Compensation Committee designs total compensation packages to be competitive with those of other companies with which Meritor competes for talent, using benchmarking studies to determine market levels of compensation, as described below.

*Performance-Based Compensation.* A significant portion of each Named Executive Officer's total potential compensation is performance-based (in other words, the compensation is at risk because it is contingent on achieving strategic and operating plan goals that are intended to improve shareholder return). These goals are established to recognize Company performance against specified targets. The remainder of the compensation of the Named Executive Officers is comprised of base salary and service-based restricted share units. Annual incentives are 100% performance-based, as discussed in detail below under the heading "Elements of the Meritor Compensation Program – Components." With respect to long-term incentives, for the three-year cycle beginning in fiscal 2018, 60% of the awards are performance-based, in the form of performance share units, and 40% of the awards are service-based, in the form of restricted share units. The Compensation Committee continued this approach for the three-year cycle beginning in fiscal 2019, keeping 60% of the awards performance-based, in the form of performance share units, with the remaining 40% of the awards service-based, in the form of restricted share units.

*Equity Awards and Stock Ownership Requirements.* A portion of incentive compensation for executives is often comprised of equity and equity-based awards, which are intended to align the interests of the Company's executives with those of shareholders. As noted above, all of the awards for the long-term incentive cycles in fiscal 2017, 2018 and 2019 are equity-based, in the form of performance share units and restricted share units. In addition, metrics used for performance-based incentives are intended to align the interests of executives with those of shareholders. Senior executives are also required under the Company's stock ownership guidelines to own shares of Common Stock (including share equivalents) equal to a specified multiple of their salary.

## Market Analysis and Benchmarking

The Compensation Committee assesses the competitiveness of Meritor's compensation program using data and studies compiled and provided by Pay Governance. Pay Governance provides a detailed annual competitive pay study. As part of the assessment process, the Compensation Committee compares the amount of each component and the total amount of direct compensation (defined below) for each executive officer with that for comparable officers at peer companies in the durable goods manufacturing sector, including companies in the automotive sector that have executive officer positions comparable to the Company's and with which the Company may compete for talented executives. The Compensation Committee reviewed the Company's peer group with Pay Governance in July 2017 and determined that it was appropriate in light of the Company's then current situation, and the same peer group was used in the Compensation Committee's review of executive compensation for fiscal year 2017 and for fiscal year 2018.

The peer group for the competitive analysis for fiscal year 2018 included the following 20 companies:

American Axle & Manufacturing Holdings, Inc.	SPX Corporation
BorgWarner Inc.	Tenneco Inc.
Dana Incorporated	Terex Corporation
The Greenbrier Companies, Inc.	The Timken Company
Hyster-Yale Materials Handling, Inc.	Tower International, Inc.
ITT Inc.	Trinity Industries, Inc.
Kennametal Inc.	Visteon Corporation
The Manitowoc Company, Inc.	WABCO Holdings Inc.
Modine Manufacturing Company	Wabash National Corporation
Oshkosh Corporation	Wabtech Corporation

See "Elements of the Meritor Compensation Program – Overview and Analysis" below for information on how the Compensation Committee uses this peer group data in setting compensation.

The Compensation Committee (or the Board of Directors, as appropriate) may also consider practices at other companies with respect to other elements of compensation, such as perquisites, retirement plans and health and welfare benefits, in assessing the competitiveness and cost effectiveness of the Company's programs. Any such studies are done on a case-by-case basis, as needed, and may use a group of comparable companies identified at the time by Pay Governance or other advisors.

As noted in "Peer Group Analysis Review" above, in connection with the Compensation Committee's review of executive compensation for fiscal year 2019, SPX Corporation was removed from, and Navistar International Corporation, AGCO Corporation, Flowserve Corporation and Cooper-Standard Holdings, Inc. were added to, the Company's peer group.

## Elements of the Meritor Compensation Program

### Overview and Analysis

The primary components of Meritor's executive compensation program are base salary, annual incentives and long-term incentives, collectively referred to herein as direct compensation. The aggregate of these components (in other words, the total compensation package), and the relative levels of equity and non-equity compensation that comprise direct compensation, are generally targeted in relation to competitive market rates among peer group companies, as described above. Although the Compensation Committee targets the median for the total package of direct compensation for an individual, particular elements of direct compensation may be either below or above the median, provided they are offset by other elements of direct compensation.

With this principle in mind, the Compensation Committee approves variations from peer group revenue-adjusted median, or 50<sup>th</sup> percentile, base salary levels for some individuals based on their responsibilities, experience, expertise and performance. In addition, when recruiting new executives, base salary may be set at a premium above the median of the peer group in order to attract the most qualified candidates.

The Compensation Committee also believes that individuals should have an opportunity to earn above-median rewards for superior performance. Therefore, while the Compensation Committee looks at the median of the peer group in terms of the target annual and long-term incentive award for each position, it identifies a maximum potential payout for each position that would be significantly above median if maximum performance objectives are achieved. The range of potential payouts on annual and long-term incentives is described below, under the heading “Components.”

Each year, the Compensation Committee determines the appropriate mix among the components of direct compensation, and the appropriate mix of equity versus non-equity awards and performance-based versus service-based awards. However, the program contemplates that a significant portion of each executive’s direct compensation is performance-based and therefore is at risk. Performance-based awards, whether in the form of equity or non-equity awards, are tied to achievement of goals that are intended to improve, or reflect improvements in, shareholder value (see the performance-based awards described under the heading “Components” below).

In conjunction with setting compensation for fiscal year 2018, the Compensation Committee reviewed past pay-for-performance results over the tenure of each officer. The Compensation Committee was also aware of the potential value of outstanding long-term incentives, including the likelihood of their payout and vesting (based on achievement of performance objectives to date and on the levels of payout and vesting of past awards). This information was also implicit in the overall plan design used by Pay Governance in making recommendations for fiscal year 2018 compensation.

In addition to direct compensation, special hiring or retention incentives have been put in place for certain executives to motivate them to join the Company or to continue their employment. Named Executive Officers also receive health and welfare benefits and are entitled to participate in the Company’s pension plans and savings plans on substantially the same basis as other employees.

Each component of the executive compensation program is discussed below.

### ***Components***

*Base Salary.* The Compensation Committee generally reviews and sets base salaries for the executive officers each fiscal year, customarily at its November meeting. Annual salary increases, if any, for executive officers are based on evaluation of each individual’s performance and on his or her level of pay compared to that for similar positions at peer group companies, as indicated by Pay Governance’s reports and survey data. The Compensation Committee from time to time also reviews and adjusts base salaries for executive officers at the time of any promotion or change in responsibilities. All of the Named Executive Officers other than Mr. Craig received routine salary adjustments in December 2017. In addition, each of Messrs. Villavarayan and Nowlan received salary adjustments in connection with increases in their responsibilities in February 2018 and April 2018, respectively.

*Annual Incentives.* The Incentive Compensation Plan, as amended, referred to as the ICP, was last approved by the Company’s shareholders in January 2015. At that time, the ICP was amended and restated to (1) add a clawback provision applicable to awards that are subsequently the subject of a restatement of financial statements within one year due to misconduct or culpable conduct and (2) reflect the change in the name of “ArvinMeritor, Inc.” to “Meritor, Inc.” The performance measures under the ICP were also reapproved by shareholders at that time for purposes of the “performance-based” compensation exemption under Section 162(m) of the IRC. As described below under the heading “Tax Considerations”, subject to certain limited exceptions, the performance-based compensation exemption under Section 162(m) was repealed generally for taxable years beginning on or after January 1, 2018.

## Edgar Filing: MERITOR INC - Form DEF 14A

Under the ICP, most employees (including the Named Executive Officers) can earn annual incentive payouts based on Company and/or business segment performance against goals established by the Compensation Committee at the beginning of the Company's fiscal year. The annual incentive goals for fiscal year 2018 were based on the following two performance measures, which are defined as set forth below:

- Adjusted EBITDA Margin** = income (loss) from continuing operations before interest, income taxes, depreciation and amortization, non-controlling interest in consolidated joint ventures, loss on sale of receivables, restructuring expenses, asset impairment charges and other special items approved by the Compensation Committee divided by sales
- Free Cash Flow** = cash flows provided by (used for) operating activities from continuing operations, less capital expenditures of continuing operations, excluding all restructuring payments and other special items as approved by the Compensation Committee

These two performance measures are equally weighted for the purposes of potential annual incentives, and each measure is independent of the other. The Compensation Committee chose these measures because adjusted EBITDA margin and free cash flow align with the Company's financial objectives, and also because they are commonly used by the investment community to analyze operating performance and entity valuation and, as such, are factors in the value of shareholders' investment in the Company.

In November 2017, the Compensation Committee also established target awards, stated as a percentage of base salary, for executive officers, including Messrs. Craig, Nowlan, Villavarayan and Plomin and Ms. Boise. Target awards for fiscal year 2018 were 105% for Mr. Craig; 75% for each of Messrs. Nowlan, Villavarayan and Plomin; and 65% for Ms. Boise. See the table under the heading *Grants of Plan-Based Awards in Fiscal Year 2018* below for information on the target, minimum and maximum awards for each Named Executive Officer for fiscal year 2018.

To determine whether annual incentive awards are paid, performance for the year is measured against specified target levels for each performance measure. The target for 100% annual incentive achievement was based on achieving the levels of adjusted EBITDA margin and free cash flow defined in the Company's annual operating plan. Performance of greater than 10% for adjusted EBITDA margin and generating greater than \$60 million of free cash flow were required to achieve a payout for that particular performance measure.

The following chart summarizes payout calculations for each portion of the incentive payment:

	<b>Adjusted EBITDA Margin</b>	<b>Payout (% of Target Award)</b>	<b>Free Cash Flow</b>
Maximum	11.7%	200%	\$180 million
Target	11.0%	100%	\$120 million
Threshold	>10.0%	0%	>\$60 million

The calculated award for an individual cannot exceed 200% of his or her target award. The Compensation Committee has discretion to adjust an award once it is calculated (either upward by up to 50% or downward by up to 100%) or to make an additional award to reflect individual performance or special achievements. However, for Named Executive Officers, only downward adjustments are permitted under the ICP. Under the terms of the ICP, no discretionary increase in an award may be made for a Named Executive Officer.

In fiscal year 2018, the Company exceeded the target levels for both measures, achieving adjusted EBITDA margin of 11.49% and free cash flow of \$156 million. The calculations of 2018 performance excluded the impact of a change in the forecast horizon utilized to estimate future asbestos claim liability net of a portion of asbestos-related recoveries and the impact of certain bulk lump-sum buyout settlement losses related to the Company's UK pension plans. Accordingly, the Compensation Committee approved annual incentive payouts to the Named Executive Officers at 173.8% payout of the target award for the adjusted EBITDA margin performance measure and at 170.0% payout of the target award for the free cash flow performance measure for fiscal year 2018, for a combined payout at 171.9% of target awards. See the column headed "Non-Equity Incentive Plan Compensation" and the related footnote in the table under the heading *Fiscal Year 2018 Summary Compensation Table* below for total payouts of annual incentives to the Named Executive Officers for fiscal year 2018.

## *Long-Term Incentives*

*Overview.* The Compensation Committee provides long-term incentives to key employees, including the Named Executive Officers, which are tied to various performance or service objectives over three-year cycles. Each year, the Compensation Committee considers the types of awards to be used and the performance or service objectives and targets on which payout of each type of award depends. The Company has used a number of long-term incentive plans for awards in the past, most recently the 2010 LTIP.

*Types of Awards.* The Compensation Committee selects the types and mix of awards for long-term incentives each year after reviewing Pay Governance's report and survey data on peer group compensation, market practices, shares available for grant under the Company's long-term incentive plans, and goals to be achieved. The Compensation Committee has used two types of awards in the past three years: awards under performance plans and restricted share units, as further described below. Both are intended to align management's interests with those of shareholders, either through performance objectives tied to metrics that reward creation of shareholder value, or equity and equity-based awards, or both.

Awards under Performance Plans. In the last three fiscal years, the Compensation Committee has established performance plans with three-year performance periods and established performance measures, and related goals, at the beginning of each three-year performance cycle. The following awards were made for performance cycles in fiscal 2016, 2017 and 2018:

Fiscal 2016-2018 performance cycle: Awards were 100% equity-based, of which 60% were performance-based, in the form of performance share units. Payouts on the awards are generally based on achieving targets over the three-year performance cycle related to the following performance measures: adjusted EBITDA margin (as defined above) and adjusted diluted earnings per share (reported diluted earnings (loss) per share from continuing operations before restructuring expenses, asset impairment charges, non-cash tax expense related to the use of deferred tax assets in jurisdictions with net operating loss carry forwards and other special items as approved by the Compensation Committee), in each case subject to certain terms and conditions. The remaining 40% of the awards for this cycle were service-based, in the form of restricted share units, the terms of which are described below under the heading "Restricted Shares or Restricted Share Units".

Fiscal 2017-2019 performance cycle: Awards were 100% equity-based, of which 60% were performance-based, in the form of performance share units. Payouts on awards are generally based on achieving targets over the three-year performance cycle related to three performance measures used for the Company's M2019 strategic plan: adjusted diluted earnings per share (as defined above); revenue growth above market (the percentage increase of fiscal 2019 revenue above pro forma fiscal 2015 revenue, where pro forma fiscal 2015 revenue is fiscal 2015 revenue adjusted to take into account (1) changes in end market production (in major, measureable markets) and (2) currency translation, in each case from fiscal 2015 to fiscal 2019); and net debt to adjusted EBITDA (total short-term and long-term debt less cash and cash equivalents divided by income (loss) from continuing operations before interest, income taxes, depreciation and amortization, non-controlling interests in consolidated joint ventures, loss on sale of receivables, restructuring expenses and asset impairment charges, as adjusted for other special items as approved by the Compensation Committee), in each case subject to certain terms and conditions. The remaining 40% of the awards for this cycle were service-based, in the form of restricted share units, the terms of which are described below under the heading "Restricted Shares or Restricted Share Units".

Fiscal 2018-2020 performance cycle: Awards were 100% equity-based, of which 60% were performance-based, in the form of performance share units. Payouts on the awards are generally based on achieving targets over the three-year performance cycle related to the following performance measures: adjusted EBITDA margin (as defined above) and adjusted diluted earnings per share (as defined above), in each case subject to certain terms and conditions. The remaining 40% of the awards for this cycle were service-based, in the form of restricted share units, the terms of which are described below under the heading “Restricted Shares or Restricted Share Units”.

For each performance cycle, the Compensation Committee also establishes target awards, stated as dollar amounts, for each of the Named Executive Officers. Participants can earn awards at the end of the three-year performance period from 0% to 200% of target awards based on actual performance against specified goals. No awards for any performance measure may be earned unless the applicable threshold for payout over the period is met as set forth below. No earnings are accrued or paid on these awards. For the performance share units awarded for the fiscal 2016-2018, fiscal 2017-2019 and fiscal 2018-2020 cycles, payouts are intended to be in the form of Common Stock. However, in all cases, payout will be in the form of cash, not in the form of shares of Common Stock, if there is not a sufficient number of authorized shares remaining in the 2010 LTIP to make such payouts, or if applicable grant limitations in the 2010 LTIP restrict payout in shares.

Fiscal 2016 – 2018 Performance Period

The weighting, targets and potential payouts for the fiscal 2016-2018 cycle were as follows:

	<b>Adjusted EBITDA Margin</b>	<b>Adjusted Diluted Earnings per Share</b>	<b>% of Award Earned and Paid Out</b>
	<b>(50% of award)</b>	<b>(50% of award)</b>	
Maximum Payout	12.0%	\$3.00	200%
Target Payout	11.0%	\$2.25	100%
Threshold Payout	>10.0%	>\$1.50	0%

See “Fiscal Year 2018 Long-term Incentive Payouts” below for information on achievement of targets and actual payouts for this cycle.

## Edgar Filing: MERITOR INC - Form DEF 14A

For cycles in progress for which it is still possible to earn an award, but for which no award has yet been earned, the following charts summarize the weighting, targets and potential payouts at different levels of performance of the applicable objective:

### Fiscal 2017 – 2019 Performance Period

	<b>Adjusted Diluted Earnings per Share</b>	<b>Revenue Growth Above Market</b>	<b>Net Debt to Adjusted EBITDA (25% of award)</b>	<b>% of Award Earned  and Paid Out</b>
	<b>(50% of award)</b>	<b>(25% of award)</b>		
Maximum Payout	\$3.25	27.5%	1.1	200%
Target Payout	\$2.84	20.0%	<1.5	100%
Threshold Payout	>\$1.60	>0.0%	≤3.1	0%

### Fiscal 2018 – 2020 Performance Period

	<b>Adjusted EBITDA Margin (50% of award)</b>	<b>Adjusted Diluted Earnings per Share (50% of award)</b>	<b>% of Award Earned and Paid Out</b>
Maximum Payout	12.3%	\$3.35	200%
Target Payout	11.5%	\$2.84	100%
Threshold Payout	>10.5%	>\$1.85	0%

**Restricted Shares or Restricted Share Units.** As part of its long-term incentive awards, the Compensation Committee grants restricted shares or restricted share units that are generally subject to forfeiture if the grantee does not continue as an employee of Meritor or a subsidiary or affiliate of Meritor for a restricted period of at least three years (subject to certain exceptions in the event of death, disability or retirement). Restricted shares have all the attributes of outstanding shares of Common Stock during the restricted period, including voting and dividend rights, except that the shares are held by the Company and cannot be transferred by the grantee. Cash dividends, if any, during the restricted period are reinvested in additional restricted shares, which will vest or be forfeited at the same time as the underlying shares. Restricted share units represent the right to receive one share of Common Stock or its cash equivalent upon the vesting date, subject to certain terms and conditions. Dividends during the restricted period are not paid or accrued on restricted share units.

As described above, with respect to each of the fiscal 2016-2018 cycle, the 2017-2019 cycle and the 2018-2020 cycle, 40% of the total awards were in the form of service-based restricted share units.

The Compensation Committee's practice in recent years with respect to timing of annual equity-based awards has been to establish December 1 as the standard grant date, whenever possible. If a special meeting is required in December in order to approve the grants for the three-year cycle, the date of grant may be delayed until the first business day in January. The timing of the grant date does not impact the terms of the grant of restricted share units. However, under the FASB's compensation guidance, the Company measures the fair value of stock-based awards, which is recognized in the Company's financial statements, based on the NYSE Closing Price on the grant date. The purpose of establishing a standard grant date for the Company's grant of equity-based long-term incentive awards is to avoid any issue of whether a grant precedes or follows public disclosure of material information. The Company normally announces its fiscal year earnings in mid-November, and use of December 1 (or the first business day in January, as the case may be) as a standard grant date provides the market sufficient time to absorb and reflect the information, whether positive or negative, prior to measurement of fair value for accounting purposes.

***Fiscal Year 2018 Long-term Incentive Payouts.*** In fiscal year 2016, the Compensation Committee provided long-term incentives to the Named Executive Officers under the 2010 LTIP in the form of target awards of performance share units under a performance plan for the three-year period ended September 30, 2018, as described above. In addition, the chief executive officer received a performance-based cash award under the 2010 LTIP, which was tied to the same performance goals as his performance share unit award. The awards, which vested on December 1, 2018, were based on an assumed share price of \$10.51 per share, which was the NYSE Closing Price on the date of grant.



## Edgar Filing: MERITOR INC - Form DEF 14A

For the three-year performance period ended September 30, 2018, the Company exceeded the target levels for both measures, achieving adjusted EBITDA margin of 12.19% and adjusted diluted earnings per share of \$3.25. The calculations of performance over the three-year period with respect to the performance measures established by the Compensation Committee excluded the impact of the Company's sale of its interest in its Meritor WABCO Vehicle Control Systems joint venture, the impact of a change in the forecast horizon utilized to estimate future asbestos claim liability net of a portion of asbestos-related recoveries and the impact of certain bulk lump-sum buyout settlement losses related to the Company's UK pension plans. Accordingly, the Compensation Committee approved long-term incentive payouts to the Named Executive Officers at 200% payout of the target award for the adjusted EBITDA margin performance objective and at 200% payout of the target award for the adjusted diluted earnings per share objective for fiscal year 2018, for a combined payout of 200% of target performance share units. With respect to the chief executive officer's performance-based cash award, the Compensation Committee's approval was also of the maximum payout based on such performance. See the table under the heading *Outstanding Equity Awards at Fiscal Year-End 2018* and related footnotes below for information with respect to the performance share units that vested on December 1, 2018 for these individuals.

*Fiscal Year 2018 Long-term Incentive Awards.* In fiscal year 2018, long-term incentives granted to the Named Executive Officers were 100% equity-based in the form of grants of performance share units (60% of the award) and service-based restricted share units (40% of the award). The performance share units will be earned generally based upon achievement of specific measures and goals over the fiscal 2018-2020 performance period as described above. The Compensation Committee established target awards, stated as dollar amounts, for all of the Named Executive Officers in November 2017. The number of units in each grant was determined by dividing these dollar amounts by an assumed share price of \$24.79, which was the NYSE Closing Price on the date of grant. See "Types of Awards—Awards under Performance Plans" above for more information on the metrics and other terms applicable to these awards, and see *Grants of Plan-Based Awards for Fiscal Year 2018* below for information on the specific awards made to the Named Executive Officers.

*Pension and Retirement Plans.* The Company maintains a tax-qualified defined contribution 401(k) savings plan, referred to as the Savings Plan, as well as a non-qualified supplemental savings plan, referred to as the Supplemental Savings Plan, that provides for contributions without regard to the limitations imposed by the IRC on the Savings Plan. All of the Named Executive Officers may participate in the Company's Savings Plan and Supplemental Savings Plan on the same basis as other eligible employees.

Under the Savings Plan, a participant can defer up to 50% of eligible pay, on a before-tax basis, subject to annual IRC limits, and the Company matches deferrals at the rate of 100% on the first 3% and 50% on the next 3% of eligible pay. "Eligible pay" includes base salary and annual incentives under the ICP. If an executive elects to participate in the Supplemental Savings Plan, he or she can continue to contribute up to 20% of eligible pay on a before-tax basis, even though his or her Savings Plan contributions or eligible pay have reached the annual IRC limits. Both participant contributions and Company matching contributions to the Savings Plan and Supplemental Savings Plan are always 100% vested.

Contributions made by Named Executive Officers to the Savings Plan and Supplemental Savings Plan in fiscal year 2018 are included in the column headed "Salary," and the Company's matching contributions are included in the column headed "All Other Compensation," in each case in the table under the heading *Fiscal Year 2018 Summary Compensation Table* below.

## Edgar Filing: MERITOR INC - Form DEF 14A

The Company maintains a tax-qualified, non-contributory defined benefit pension plan, referred to as the Pension Plan, that covers eligible employees hired before October 1, 2005, and a non-qualified supplemental pension plan, referred to as the Supplemental Pension Plan, that provides benefits to the participants without regard to the limitations imposed by the IRC on qualified pension plans. Mr. Villavarayan participates in the Pension Plan. Mr. Villavarayan also participates in a Canadian defined benefit pension plan (see *Fiscal Year 2018 Pension Benefits* below). When information with respect to Mr. Villavarayan's Pension Plan participation is provided, it includes his participation in the Canadian plan. The present value of accumulated pension benefit for Mr. Villavarayan is reported in the table under the heading *Fiscal Year 2018 Pension Benefits* below.

Employees hired on or after October 1, 2005 are not eligible to participate in the Pension Plan or the Supplemental Pension Plan, and the Company instead makes additional contributions each year (ranging from 2% to 4% of base salary plus annual incentive, depending on age) to their accounts under the Savings Plan or Supplemental Savings Plan. Benefits under the Pension Plan and Supplemental Pension Plan were frozen beginning January 1, 2008 and replaced with additional annual Company contributions (ranging from 2% to 4% of base salary plus annual incentive, depending on age) to the Savings Plan and Supplemental Savings Plan for the accounts of eligible employees (see *Fiscal Year 2018 Pension Benefits* below for further information). The amounts contributed by the Company under the Savings Plan or Supplemental Savings Plan on behalf of Named Executive Officers as pension contributions are included in the column headed "All Other Compensation" in the table under the heading *Fiscal Year 2018 Summary Compensation Table* below.

*Perquisites.* In fiscal year 2006, the Compensation Committee determined to eliminate most perquisite programs (including company cars, club memberships, and reimbursement for financial services) and related gross-ups for payment of income taxes, and replace some of them with uniform cash payments. As a result, outside of these uniform cash payments, the value of total perquisites provided in fiscal year 2018 for each Named Executive Officer was less than \$10,000 (see the column headed "All Other Compensation" and footnote 6 in the table under the heading *Fiscal Year 2018 Summary Compensation Table* below).

*Health and Welfare Benefits.* The Company maintains health and welfare benefits, including medical, dental, vision, disability and life insurance programs, and the Named Executive Officers are entitled to participate in these programs on the same basis as other employees. Providing these benefits is necessary for the Company to remain competitive with other employers.

*Employment Agreements.* The Company entered into agreements with Messrs. Craig and Nowlan in fiscal years 2015 and 2013, respectively, with Mr. Villavarayan in February 2016, with Mr. Plomin in December 2015 and with Ms. Boise in August 2016, relating to certain terms of their employment (including the effects of termination without cause). The purpose of these agreements was to provide incentives to retain these individuals in officer positions. The current employment agreements with the Named Executive Officers are described below under the heading *Agreements with Named Executive Officers - Employment Agreements*.

**Stock Ownership Guidelines**

As noted above, alignment of the financial interests of Meritor's key executives with those of its shareholders is a fundamental objective of the Compensation Committee's program and helps to carry out its "pay for performance" philosophy. Accordingly, Meritor has for many years set ownership guidelines that require each Named Executive Officer and other executives to own a minimum number of shares of Common Stock or share equivalents. The current guidelines require ownership of a number of shares of Common Stock equal to the following:

<b>Position Held</b>	<b>Minimum Number of Shares Owned</b>
Chief Executive Officer	6 times Annual Base Salary
Chief Financial Officer and Business Unit Presidents	3 times Annual Base Salary
Chief Legal Officer and Other Executive Officers	1.5 times Annual Base Salary
Other Executives subject to the guidelines	0.5 times Annual Base Salary

Shares owned directly (including unvested restricted shares) or through the Savings Plan and Supplemental Savings Plan and unvested restricted share units are considered in determining whether an executive meets the ownership guidelines. Shares of Common Stock subject to performance share units are not considered. The ownership guidelines provide a transition period during which executives may achieve compliance. In general, this period ends as of the date that is five years after the date the ownership guidelines become applicable to the executive. As of the end of fiscal year 2018, all of the Named Executive Officers were in compliance with the ownership guidelines, taking into account permitted transition periods.

**Clawback Policy**

The Company's 2010 LTIP and ICP each has a clawback provision applicable to awards that are subsequently the subject of a restatement of financial statements within one year due to misconduct or culpable conduct. The Compensation Committee will review the Company's clawback policy in light of the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act concerning executive compensation policies when applicable regulations are issued.

**Anti-Hedging and Anti-Pledging Policies**

The Board of Directors has adopted, as part of the Company's insider trading policy, prohibitions against directors, officers and employees, and certain related persons, from (1) selling Company securities "short"; (2) trading in exchange-traded or other third party options, warrants, puts, calls or similar instruments on Company securities; (3) holding Company securities in margin accounts; or (4) engaging in any hedging transactions involving Company securities.

The Board of Directors has also adopted, as part of the Company's insider trading policy, (1) a prohibition against officers, employees and certain related persons pledging Company securities as collateral for a loan or other financing arrangement and (2) a provision permitting independent directors to pledge Company securities as collateral for a loan or other financing arrangement with the approval of the Company's Chief Legal Officer and Chairman. Approval of pledging of securities by independent directors is based on the circumstances of the request, including: the percentage of securities held by the individual that is currently pledged; compelling need that would justify the pledge; and the magnitude of aggregate pledged shares in relation to total shares outstanding, market value or trading volume. In any event, pledging transactions are prohibited during "blackout" periods, when all transactions in Company securities are prohibited. There were no new or outstanding pledging transactions by directors or officers during fiscal year 2018.

**Consideration of Shareholder Advisory Vote on Executive Compensation**

At the Company's 2018 Annual Meeting held on January 24, 2018, more than 97% of the voting shareholders approved, on an advisory basis, the compensation of the executive officers named in the proxy statement for that meeting, with 65,841,581 shares voting for approval, 1,613,226 shares voting against approval and 132,578 shares abstaining. The Compensation Committee considers this annual vote in its deliberations with respect to the future direction of executive compensation. The Compensation Committee believes the advisory vote results demonstrate significant, continuing support for the Company's executive compensation program, and it chose not to make any substantial changes to the existing program for fiscal year 2019 specifically in response to the 2018 advisory vote results.

## **Tax Considerations**

Section 162(m) of the IRC generally limits the deductibility of compensation paid to certain “covered employees” to \$1,000,000 per year. For fiscal year 2017, these covered employees included the Company’s Chief Executive Officer and the three most highly compensated executive officers other than the Chief Financial Officer. For fiscal year 2018 and certain prior years, there was an exemption from the Section 162(m) limit for certain “performance-based” compensation, as defined under Section 162(m).

Effective for taxable years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act of 2017 repealed the performance-based compensation exemption. This repeal will apply to fiscal year 2019 and subsequent fiscal years of the Company. Certain transitional relief applies to performance-based compensation provided pursuant to a binding written agreement that was in effect on November 2, 2017 and not materially modified after that date, provided that certain requirements are met.

Annual incentive awards and certain long-term incentive awards for fiscal year 2018 and certain earlier fiscal years were generally intended to be “performance based,” but depending upon factors including the design of the plan, may or may not have been subject to the deductibility limit. However, salaries, service-based restricted shares and restricted share units did not qualify as performance-based compensation for this purpose.

The Tax Cuts and Jobs Act of 2017 also expanded the definition of covered employee effective for taxable years beginning on and after January 1, 2018. Beginning with fiscal year 2019, “covered employees” will include the Company’s Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers of the Company required to be included in the Summary Compensation Table. For fiscal years subsequent to fiscal year 2018, a “covered employee” will also include any individual who was considered a covered employee for fiscal year 2018 or any fiscal year thereafter.

The Compensation Committee believes that Section 162(m) is only one of several relevant considerations in setting compensation. The Compensation Committee also believes that Section 162(m) should not be permitted to compromise its ability to design and maintain executive compensation arrangements that, among other things, are intended to attract, motivate and help retain a highly qualified and successful management team to lead Meritor. As a result, the Compensation Committee retains the flexibility to provide compensation it determines to be in the best interests of Meritor and its shareholders even if that compensation ultimately is not deductible for tax purposes.

## **Cautionary Statement**

The information appearing in this *Compensation Discussion and Analysis* and elsewhere in this proxy statement as to performance metrics, objectives and targets relates only to incentives established for the purpose of motivating executives to achieve results that will help to enhance shareholder value. This information is not related to the Company’s expectations of future financial performance, and should not be considered as or correlated with any guidance issued by the Company regarding its future earnings, free cash flow or other financial or performance measures.

**FISCAL YEAR 2018 SUMMARY COMPENSATION TABLE**

The information set forth below reflects compensation, from all sources, awarded to, earned by or paid to the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executive officers of the Company serving on September 30, 2018, who we refer to collectively as the Named Executive Officers, for the fiscal years ended September 30, 2016, 2017 and 2018, as applicable (except as noted). The compensation reported below is for services rendered in all capacities to Meritor and its subsidiaries.

<b>Name and Principal Position<sup>(1)</sup></b>	<b>Fiscal Year</b>	<b>Salary (\$)<sup>(2)</sup></b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$)<sup>(3)</sup></b>	<b>Non-Equity Incentive Plan Compensation (\$)<sup>(4)</sup></b>	<b>Change in Pension Value and Non- qualified Deferred Compensation</b>	<b>All Other Compensation (\$)<sup>(6)</sup></b>	<b>Total (\$)</b>
						<b>Earnings (\$)<sup>(5)</sup></b>		
Jeffrey A. Craig Chief Executive Officer and President	2018	900,000	0	4,099,993	2,624,455	0	218,199	7,842,647
	2017	900,000	0	3,599,991	1,377,900	0	184,359	6,062,250
	2016	891,667	0	3,499,998	954,900	0	166,568	5,513,133
Kevin A. Nowlan Senior Vice President and President Trailer, Components and Chief Financial Officer	2018	566,666	0	1,099,972	773,550	0	73,025	2,513,213
	2017	500,000	0	964,991	574,125	0	67,400	2,106,516
	2016	495,833	0	849,996	397,875	0	64,992	1,808,696
Chris Villavarayan Senior Vice President and President, Global Truck	2018	480,833	0	899,981	644,625	0	96,792	2,122,231
	2017	435,000	0	774,999	432,890	0	83,268	1,726,157
	2016	424,125	0	534,984	299,998	17,768	74,160	1,351,035
Joseph A. Plomin Senior Vice President and President Aftermarket, Industrial and Quality	2018	447,500	0	799,998	580,162	0	1,306,509	3,134,169
	2017	435,000	0	774,999	432,890	0	212,399	1,855,288
	2016	430,167	0	534,991	299,998	0	249,988	1,515,144
April Miller Boise Senior Vice President, Chief Legal Officer and Corporate Secretary	2018	435,833	0	624,980	491,634	0	60,264	1,612,711

(1) The table reflects the positions held with Meritor at September 30, 2018.

Information for Ms. Boise is provided for less than three fiscal years, as permitted by SEC Regulation S-K, because Ms. Boise was not a named executive officer prior to fiscal year 2018.

(2) This column includes for fiscal year 2018 amounts contributed by the Named Executive Officers to the Company's Savings Plan and Supplemental Savings Plan (see *Non-Qualified Deferred Compensation in Fiscal Year 2018* below).

(3) Represents for fiscal year 2018 the grant date fair value of restricted share units and performance share units (assuming achievement of the performance criteria at the target levels), computed in accordance with FASB ASC Topic 718. Information on the assumptions used in valuation of the grants is included in Note 20 of the Notes to Consolidated Financial Statements in the Form 10-K. Assuming achievement of the performance criteria at the maximum levels, the grant date fair value of the restricted share units and performance share units for fiscal year 2018, computed in accordance with FASB ASC Topic 718, would be \$6,559,979 for Mr. Craig; \$1,759,974 for Mr. Nowlan; \$1,439,986 for Mr. Villavarayan; \$1,280,007 for Mr. Plomin; and \$999,979 for Ms. Boise. These amounts may not reflect the actual value realized upon vesting or settlement, if any.

(4) This column includes for fiscal year 2018 payouts earned by the Named Executive Officers under the ICP and a payout of \$1,000,000 with respect to a performance-based cash award earned by Mr. Craig for the fiscal 2016-2018 performance cycle under the 2010 LTIP. See *Compensation Discussion and Analysis* above for information on the terms of these awards.

(5) For fiscal year 2018, this column reflects the change in actuarial present value of accumulated pension benefits of Mr. Villavarayan under the Pension Plan and Supplemental Pension Plan accrued during the period between the measurement dates used for financial statement reporting purposes for fiscal year 2018 and the prior year. However, as the change for Mr. Villavarayan was negative \$7,645, the column discloses a change of \$0 as required by SEC regulations. See *Fiscal Year 2018 Pension Benefits* below for information on the Named Executive Officers' years of service and accumulated pension benefits. The other Named Executive Officers were not eligible to participate in the Pension Plan and Supplemental Pension Plan and, therefore, there are no changes in the accumulated pension benefits reported for them in this column for fiscal year 2018. In addition, for fiscal year 2018 there were no above-market or preferential earnings on compensation that was deferred on a basis that is not tax-qualified for the Named Executive Officers.

(6) This column includes the following items for fiscal year 2018, as set forth in the table below: (a) amounts contributed by the Company to the accounts of the Named Executive Officers under the Savings Plan and Supplemental Savings Plan; (b) cash allowances in lieu of perquisites (see *Compensation Discussion and Analysis – Elements of the Meritor Compensation Program – Components – Perquisites* above); (c) group excess liability insurance premiums; and (d) in the case of Mr. Plomin, expenses related to foreign tax payments while on assignment. Perquisites are valued at actual cost to the Company.

Type of Compensation	Jeffrey A. Craig	Kevin A. Nowlan	Chris Villavarayan	Joseph A. Plomin	April Miller Boise
Employer savings plan contributions	\$182,232	\$44,536	\$68,529	\$70,431	\$32,119
Cash allowances in lieu of perquisites	33,996	27,000	27,000	27,000	27,000
Group excess liability insurance premium	1,971	1,489	1,263	1,176	1,145
Miscellaneous expenses related to foreign assignment	—	—	—	1,207,902 <sup>(A)</sup>	—

(A) Includes an imputed tax gross up of \$68,547.

**GRANTS OF PLAN-BASED AWARDS IN FISCAL YEAR 2018**

The Compensation Committee made the following grants to the Named Executive Officers under the ICP and the 2010 LTIP in fiscal year 2018. No consideration was paid by the Named Executive Officers for these awards. No stock options were granted in fiscal year 2018.

Name	Plan Name	Grant Date	Date of Compensation Committee Action	Type of Award	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards		
					Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)
Jeffrey A. Craig	2010 LTIP	12/1/2017	11/1/2017	Performance	—	—	—	—	99,233	1,000,000