MERITOR INC
Form DEF 14A
December 16, 2016

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

SCHEDULE 14A

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

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

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

Meritor, Inc.
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

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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):

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Letter to Shareholders Notice of 2017 Annual Meeting and Proxy Statement

December 16, 2016

Dear Shareholder:

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

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

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

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

Sincerely yours,

Jeffrey A. Craig
Chief Executive Officer and President

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

Notice of 2017 Annual Meeting of Shareholders

To the Shareholders of MERITOR, INC.:

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

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

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

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

December 16, 2016

PROXY STATEMENT

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

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

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

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

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

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

VOTING SECURITIES

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

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

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

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

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

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

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

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

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

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

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

ELECTION OF DIRECTORS

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

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

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

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

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

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

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

INFORMATION AS TO NOMINEES FOR DIRECTOR AND CONTINUING DIRECTORS

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

CLASS II NOMINEES FOR DIRECTOR WITH TERMS EXPIRING IN 2020

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

Age 64

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

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

JEFFREY A. CRAIG
Chief Executive Officer and President of Meritor

Age 56

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

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

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

Age 68

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

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

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

CLASS III CONTINUING DIRECTORS WITH TERMS EXPIRING IN 2018

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

Age 59

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

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

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

Age 71

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

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

CLASS I CONTINUING DIRECTORS WITH TERMS EXPIRING IN 2019

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

Age 74

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

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

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WILLIAM R. NEWLIN

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

Age 76

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

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

THOMAS L. PAJONAS

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

Age 61

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

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

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BOARD OF DIRECTORS AND COMMITTEES

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

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

Board s Role in Risk Oversight

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

Risk Assessment in Compensation Programs

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

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

Board Leadership Structure

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

Committees

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

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

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

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

Document and Information Review

review its charter annually and submit changes to the Board for approval;

review the Company s annual and quarterly financial statements, before their release, with the independent public accountants and senior management;

review the Company s annual and quarterly earnings releases, including the use of pro forma or adjusted information that does not conform with generally accepted accounting principles;

review financial information and earnings guidance, before they are provided by the Company to analysts and rating agencies;

Independent Public Accountants

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

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

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

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

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

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

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

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

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

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

Financial Reporting, Accounting Policies and Internal Control Structure

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

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

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

review issues regarding accounting principles and financial statement presentation;

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

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

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

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

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

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

Internal Audit

review the internal audit charter, the scope of the annual internal audit plan and the results of internal audits, including management s response to audit reports;

review comments the internal auditor has on significant issues related to, and any restrictions on, internal audit activities;

review with the internal auditor significant internal control matters, including incidents of fraud;

review the composition and qualifications of the internal audit staff;

review and concur with management as to the appointment, reassignment, replacement, dismissal, and compensation of the internal auditor charged with auditing and evaluating the Company s system of internal controls;

Legal and Ethical Compliance and Risk Management

oversee and update the Company s standards of business conduct policies, and monitor compliance by employees with these policies;

review with the Company s general counsel significant contingencies that could impact the financial statements and legal compliance matters;

monitor policies with respect to risk assessment and risk management, including financial and accounting risk and cybersecurity risk, and initiatives to control risk exposures;

review any findings by regulatory agencies with respect to the Company s activities and management s response;

General

review and consult with management concerning the composition and capability of the finance staff;

review annually the Audit Committee s performance;

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

engage outside consultants, independent counsel or other advisors; and

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

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

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

review and approve the goals and objectives relevant to the Chief Executive Officer s compensation, evaluate his performance against these goals and objectives, and set his compensation accordingly;

establish salaries of all of the Company s other officers and review the salary plan for other Company executives;

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

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

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

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

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

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

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

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

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

DIRECTOR QUALIFICATIONS AND NOMINATING PROCEDURES

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

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

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

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

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

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

DIRECTOR COMPENSATION IN FISCAL YEAR 2016

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

Name	Fees Earned or Paid in Cash[(1)] ($)	Stock Awards[(2)(3)] ($)	Total[(4)] ($)
Joseph B. Anderson, Jr.[(5)]	$ 96,000	$ 99,994	$ 195,994
Jan A. Bertsch		24,998	24,998
Victoria B. Jackson Bridges[(5)]	112,500	99,994	212,494
Rhonda L. Brooks	104,250	99,994	204,244
Ivor J. Evans[(6)]	37,500	74,996	112,496
William J. Lyons	120,750	99,994	220,744
William R. Newlin	143,500	99,994	243,494
Thomas L. Pajonas	114,250	99,994	214,244
Lloyd G. Trotter	102,000	99,994	201,994

(1) This column includes retainer fees, committee chairman fees, meeting fees and, for Mr. Newlin, the Lead Director and Chairman fees earned in fiscal year 2016. This column does not include cash amounts paid in 2016 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.

(2) Represents the grant date fair value of restricted shares of Common Stock (restricted shares) computed in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718. Information on the assumptions used in valuation of the grants is included in Note 19 of the Notes to Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the fiscal year ended September 30, 2016 (Form 10-K), which is incorporated herein by reference. These amounts may not reflect the actual value realized upon settlement or vesting.

(3) In connection with their service on the Board, the current non-employee directors held the following restricted shares of Common Stock and restricted share units granted under the 2010 Long-Term Incentive Plan, as amended and restated (2010 LTIP), and other former plans of the Company at fiscal year-end 2016. There were no stock options outstanding at fiscal year-end 2016 that were held by non-employee directors and granted in connection with their service on the Board. At fiscal year-end 2016, Mr. Evans held stock options and restricted share units granted under the 2010 LTIP in connection with his prior service as an executive, which are detailed in the table under the heading
Outstanding Equity Awards at Fiscal Year-End 2016 below.

Name	Restricted Shares	Restricted Share Units
Joseph B. Anderson, Jr.	32,480	
Jan A. Bertsch	2,365	
Victoria B. Jackson Bridges	32,730	
Rhonda L. Brooks	31,730	
Ivor J. Evans	8,823	
William J. Lyons	31,730	
William R. Newlin	36,941	
Thomas L. Pajonas	31,730	
Lloyd G. Trotter	15,313	6,565

(4) Perquisites did not exceed a value of $10,000 for any non-employee director in fiscal year 2016 and are therefore not included in this table.

(5) Ms. Jackson Bridges and Mr. Anderson are resigning from the Board effective January 24,

2017.

(6) On April 21, 2016, Mr. Evans stepped down as Executive Chairman and began receiving compensation as a non-employee director. Mr. Evans compensation for serving as a non-employee director is reported in this table, and all fiscal year 2016 compensation is reported in the table under the heading *Summary Compensation Table* below.

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 2016:

Retainer Fees. Non-employee directors of Meritor receive a cash retainer at the rate of $90,000 per year for Board service. The chairs of the standing Board committees receive additional cash retainers in the following amounts per year: Audit Committee and Compensation Committee - $15,000; and Corporate Governance and Nominating Committee - $10,000. The Chairman receives an additional annual retainer in the amount of $100,000. The prior role of Lead Director received an additional annual retainer in the amount of $20,000.

Committee Meeting Fees. Non-employee directors receive fees of $1,500 for attendance at each standing and special committee meeting ($750 for each telephone meeting).

Equity-Based Awards. As part of our director compensation, each non-employee director is entitled to receive, immediately after the Annual Meeting of Shareholders, an equity grant equal to a value of approximately $100,000, in the form of restricted shares or restricted share units, at the director s discretion. The restricted shares and restricted share units are granted under the 2010 LTIP and vest upon the earlier of (i) three years from the date of grant or (ii) 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 one share of Common Stock for each 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 2016 were made on January 28, 2016 in the amount of 15,313 restricted shares or restricted share units, at the director s election.

Deferrals. A director may elect to defer payment of all or part of the cash retainer and meeting 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 its 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 meeting fees are valued at the closing price of Common Stock on the New York Stock Exchange Composite Transactions reporting system (the NYSE Closing Price) on the date the fee payment would otherwise be made in cash. In fiscal year 2016, three directors deferred cash payments to a later date and no directors elected to receive restricted shares or restricted share units in lieu of cash payments.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since the beginning of fiscal year 2016, there have been no transactions or 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 or officer of the Company or 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 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. 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 have been in place since the Company s creation in 1997. The 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 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, 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;

Directors 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;

Except for any directorships already held as of April 26, 2012 (the date of adoption of this provision), (i) 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 (ii) any director should not 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 Company s board or a Company policy;

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

Non-employee directors are required to offer not to stand for re-election if they are age 72 at the time of re-election or will reach age 72 during their new term. The 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. 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 is expected to offer his 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 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;

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 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 conducts annual self-evaluations of the Board 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 condition 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 them 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 2016, two 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 assure 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 analyst and shareholder views of the Company; and

The Board has adopted stock ownership guidelines for non-employee directors to further the direct correlation of directors and shareholders economic interests. In 2012, the Board modified the methodology of these requirements 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 (i) five years from the date of his or her initial election to the Board and (ii) five years from the date of original adoption of this provision in the Corporate Governance Guidelines (September 13, 2012).

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. These policies have been in place since the Company s creation in 1997. 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 General Counsel 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. 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, 2016, of Common Stock of (i) each director, (ii) each executive officer listed in the table under *Executive Compensation - Summary Compensation Table* below and (iii) 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, 2016

Name	Number of Shares(1)	Percent of Outstanding Common Stock(2)
Joseph B. Anderson, Jr.	105,455(3)	*
Jan A. Bertsch	2,365(3)	*
Victoria B. Jackson Bridges	109,079(3)	*
Rhonda L. Brooks	109,434(3)(4)	*
William J. Lyons	59,927(3)	*
William R. Newlin	244,816(3)(5)	*
Thomas L. Pajonas	36,337(3)	*
Lloyd G. Trotter	15,313(3)	*
Jeffrey A. Craig	529,647(6)	*
Kevin A. Nowlan	114,712(6)	*
Joseph A. Plomin	102,827(6)	*
Robert H. Speed	143,333(6)(7)	*
Chris Villavarayan	51,790(6)(7)	*
Ivor J. Evans	808,168(3)(6)(8)	*
All of the above and other executive officers as a group (16) persons	2,491,688(3)(4)(5)(6)(7)(8)	2.87%

* 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 77,704 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: 228,502 restricted share units for Mr. Craig; 69,949 restricted share units for Mr. Nowlan; 49,975 restricted share units for Mr. Plomin; 32,487 restricted share units for Mr. Speed; 32,487 restricted share units for Mr. Villavarayan; 500,000 restricted share units

for Mr. Evans; and 1,043,957 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, 2016 that do not vest within 60 days.

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

(8) In accordance with Rule 13d-3(d)(1) under the Exchange Act, the number of shares owned includes the following numbers of shares of Common Stock which may be acquired upon exercise of options that were exercisable or would become exercisable within 60 days: 233,333 shares for Mr. Evans; and 233,333 shares for all directors and executive officers as a group.

EXECUTIVE COMPENSATION

COMPENSATION COMMITTEE REPORT

The Compensation and Management Development Committee (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.

Compensation and Management Development Committee

Victoria B. Jackson Bridges, ***Chair***
William J. Lyons
William R. Newlin
Lloyd G. Trotter

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is comprised entirely of the four independent directors listed above. 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 2016, 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 2016, 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 of the Company.

COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this section of the proxy statement is to provide information about our compensation programs and how they 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 and other sections included in this proxy statement. The qualitative information and rationales regarding our compensation policies and practices described below are intended to provide a better understanding of the quantitative information regarding each Named Executive Officer found 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 2016 reflect that philosophy.

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

Changes to Compensation Levels due to Transition of Leadership. As discussed below under the heading Elements of the Meritor Compensation Program Components, in April 2016, Mr. Evans, stepped down as the Executive Chairman of the Board while continuing to serve as a member of the Board (see *Board of Directors and Committees Board Leadership Structure* above for further information). This completed the transition of leadership from Mr. Evans to Mr. Craig, and was accompanied by an elimination of Mr. Evans compensation as an employee to reflect his revised role (see the table under the heading *Summary Compensation Table* below for information on total compensation for Mr. Evans in 2016, reflecting this mid-year adjustment).

Continued 100% Equity-Based Long-Term Incentives Going Forward. For the fiscal 2015-2017 and fiscal 2016-2018 performance cycles, the Compensation Committee had made awards that were entirely equity-based (except as described below for the chief executive officer with respect to the fiscal 2016-2018 performance cycle). Fiscal 2015-2017 awards were 70% performance-based, in the form of performance share units, and 30% service-based, in the form of restricted share units, as described below. Fiscal 2016-2018 awards were 60% performance-based, principally in the form of performance share units, and 40% service-based, in the form of restricted share units, as described below. For the chief executive officer, the performance-based component was composed primarily of performance share units, with the remainder in the form of a performance-based cash award under the 2010 LTIP, both tied to the same performance goals. In November 2016, the Compensation Committee continued this practice, granting 100% equity-based long-term incentives for the fiscal 2017-2019 performance cycle. These awards are 60% performance-based, principally 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 the 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 2016, the Compensation Committee engaged its compensation consultant, Pay Governance LLC, to evaluate the Company s peer group to ensure that it is appropriate in light of the Company s current situation. This evaluation resulted in no changes to the Company s peer group, and the results of this evaluation were used in the Compensation Committee s review of executive compensation in November 2016, for fiscal year 2017.

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 2016). 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 retained Pay Governance LLC as a compensation consultant (the consultant) in fiscal year 2016. Prior to engaging the consultant, the Compensation Committee assessed the independence of its members under the standards set forth in the rules under the Exchange Act and the listing standards of the New York Stock Exchange. The Committee concluded that such standards were satisfied and no conflict of interest existed.

The consultant 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 award vehicles, the type of performance criteria and the level of award targets. The Compensation Committee directly engages the consultant, which also assists the Corporate Governance and Nominating Committee with respect to directors compensation. The consultant 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 the consultant 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 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 the consultant. 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: (i) to attract, retain and motivate high caliber executives necessary for Meritor s leadership and growth; (ii) to recognize company and individual performance through evaluation of each executive s effectiveness in meeting strategic and operating plan goals; and (iii) to foster the creation of shareholder value through close alignment of the financial interests of executives with those 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 (*i.e.*, 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 shares or 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 2016, 60% of the awards are performance-based, in the form of performance share units (and for the chief executive officer, performance-based cash awards), 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 2017, 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 is 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 beginning in fiscal 2015, 2016 and 2017 (except a portion of the 2016-2018 performance cycle award for the chief executive officer) 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 the consultant. The consultant 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 of other peer companies in the durable goods manufacturing sector, including companies in the automotive sector, which 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 the consultant in July 2016 and determined that it was still appropriate in light of the Company s current situation, and the same peer group was used in the Compensation Committee s review of executive compensation for fiscal year 2016 and for fiscal year 2017.

The peer group for the competitive analysis for fiscal year 2016 includes the following 20 companies (peer group):

American Axle & Manufacturing Holdings, Inc.	SPX Corporation
BorgWarner Inc.	Tenneco Inc.
Dana Holding Corporation	Terex Corporation
The Greenbrier Companies, Inc.	The Timken Company
Hyster-Yale Materials Handling, Inc.	Tower International, Inc.
ITT Corporation	Trinity Industries, Inc.
Kennametal Inc.	Visteon Corporation
The Manitowoc Company, Inc.	WABCO Holdings Inc.
Modine Manufacturing Company	Wabash National Corporation
Oshkosh Corporation	Wabtec 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 comparator companies identified at the time by the consultant or other advisors.

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, referred to herein as direct compensation. The aggregate of these components (*i.e.*, 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 50th 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 2016, 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 the consultants in making recommendations for fiscal year 2016 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. 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 the consultant 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. For fiscal 2016, Mr. Evans salary was eliminated following the completion of the transition of leadership of the Company from Mr. Evans to Mr. Craig.

Annual Incentives. The Incentive Compensation Plan, as amended (ICP), was last approved by the Company s shareholders in January 2015. At that time, the ICP was amended and restated to (i) 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 (ii) reflect the change in the name of ArvinMeritor, Inc. to Meritor, Inc. The performance goals of the ICP were also approved by shareholders at that time, for purposes of Section 162 (m) of the IRC.

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 2016 were based on the following two performance measures, which are defined as set forth below:

Adjusted EBITDA Margin	=	earnings (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 and 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 components (adjusted EBITDA margin and free cash flow) are equally weighted for the purposes of potential annual incentives, and each metric 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 2015, the Compensation Committee also established target awards, stated as a percentage of base salary, for executive officers, including Messrs. Craig, Nowlan, Plomin, Speed, Villavarayan and Evans. Target awards for fiscal year 2016 were 100% for Mr. Craig; 75% for Mr. Nowlan; 65% for Mr. Plomin; 65% for Mr. Speed; 65% for

Mr. Villavarayan; and 100% for Mr. Evans*. See the table under the heading *Grants of Plan-Based Awards in Fiscal Year 2016* below for information on the target, minimum and maximum awards for each Named Executive Officer for fiscal year 2016.

To determine whether annual incentive awards are paid, performance for the year is measured against specified target levels for each component. 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 (AOP). Performance of at least 90% of the AOP levels for adjusted EBITDA margin, and generating at least $50 million of free cash flow, are required to achieve a payout.

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

	Adjusted EBITDA Margin	**Payout (% of Target Award)**	**Free Cash Flow**
Maximum	11.0%	200%	$173 million
Target	10.0%	100%	$137 million
Threshold	9.0%	25%	$50 million

The calculated award for an individual cannot exceed 200% of his or her target award. The 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 by 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 2016, the Company was slightly above the target level for adjusted EBITDA margin and was slightly below the target level, but above the threshold level, for free cash flow. The calculations of 2016 performance with respect to the performance measures established by the Compensation Committee did not include any adjustments for unusual, non-recurring, or other similar items. Accordingly, the Compensation Committee approved annual incentive payouts to the Named Executive Officers based on a 123.0% payout of the adjusted EBITDA margin performance objective and an 89.3% payout of the free cash flow performance objective for fiscal year 2016. See the column headed Non-Equity Incentive Plan Compensation and the related footnote in the table under the heading *Summary Compensation Table* below for total payouts of annual incentives to the Named Executive Officers for fiscal year 2016.

As has been the practice in prior years, the Compensation Committee also provided a pool of $500,000 to be awarded by the Chief Executive Officer to individual employees on the basis of outstanding performance or significant achievements. None of this pool was allocated to the Named Executive Officers.

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 award vehicles 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 the consultant 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.

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* Mr. Evans award was pro-rated in connection with his stepping down as the Executive Chairman of the Board in April 2016.

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 objectives, and related metrics and targets, at the beginning of each three-year performance cycle. The following awards were made for performance cycles in fiscal 2014, 2015 and 2016:

Fiscal 2014-2016 performance cycle: Awards were 100% equity-based and were 100% performance-based, in the form of performance share units. Earning of payouts on awards is based on achieving targets over the three-year performance cycle related to performance measures used for the Company s M2016 strategic plan: adjusted EBITDA margin (as defined above); improvement in the Company s net debt (total debt plus pension assets, pension liability, retiree medical liability and other retirement benefits less cash and cash equivalents); and new business wins (incremental booked revenue at run rate), in each case subject to certain terms and conditions.

Fiscal 2015-2017 performance cycle: Awards were 100% equity-based, of which 70% were performance-based, in the form of performance share units. Earning of payouts on the performance share units is 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 and asset impairment charges), in each case subject to certain terms and conditions. The remaining 30% of the equity-based awards 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 2016-2018 performance cycle: Awards were 100% equity-based, of which 60% were performance-based, in the form of performance share units. Earning of payouts on the performance share units is 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 equity-based awards 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, which may vary from 0% to 200% of target awards, based on actual performance against specified levels. No awards may be earned unless the 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 2014-2016, fiscal 2015-2017 and fiscal 2016-2018 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 2014 2016 Performance Period

The weighting, targets and potential payouts for the fiscal 2014-2016 cycle were as follows:

	Adjusted EBITDA Margin (50% of award)	**Net Debt Reduction (25% of award)**	**New Business Wins (25% of award)**	**% of Award Earned and Paid Out**
Maximum Payout	12.0%	$600 million	$750 million	200%
Target Payout	10.0%	$400 million	$500 million	100%
Threshold Payout	8.0%	$200 million	$250 million	0%

See Fiscal Year 2016 Long-term Incentive Payouts below for information on achievement of targets and actual payouts for this cycle.

For cycles in progress for which it is still possible to earn an award, the following charts summarize the weighting, targets and potential payouts at different levels of performance of the applicable objective:

Fiscal 2015 2017 Performance Period

	Adjusted EBITDA Margin (75% of award)	Adjusted Diluted Earnings per Share (25% of award)	% of Award Earned and Paid Out
Maximum Payout	11.5%	$2.35	200%
Target Payout	10.5%	$2.05	100%
Threshold Payout	10.0%	$1.75	50%

Fiscal 2016 2018 Performance Period

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

Restricted Shares or Restricted Share Units. As part of long-term incentive awards, the Compensation Committee grants restricted shares or restricted share units that are 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.

Grants of service-based restricted share units were not generally made for the fiscal 2014-2016 cycle, other than for recognition or retention purposes to selected individuals. As described above, with respect to the fiscal 2015-2017 cycle and the 2016-2018 cycle, 30% and 40%, respectively, 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 shares or 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 2016 Long-term Incentive Payouts. In fiscal year 2014, 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, 2016, as described above. The awards, which vested on December 1, 2016, were based on an assumed share price of $7.97 per share, which was the NYSE Closing Price on the last trading day prior to the date of grant.

For the three-year performance period ended September 30, 2016, the Company exceeded the target levels for adjusted EBITDA margin and improvement in the Company s net debt and was slightly below the target level, but above the threshold level, for new business wins. The calculations of performance over the three-year period with respect to the performance measures established by the Compensation Committee did not include any adjustments for unusual, non-recurring, or other similar items. Accordingly, the Compensation Committee approved long-term incentive payouts to the Named Executive Officers based on a 111.5% payout of the adjusted EBITDA margin performance objective, a 128.5% payout of the net debt performance objective and a 94.4% payout of the new business wins performance objective for fiscal year 2016. See the table under the heading *Outstanding Equity Awards at Fiscal Year-End 2016* and related footnotes below for information with respect to the performance share units that vested on December 1, 2016 for these individuals.

Fiscal Year 2016 Long-term Incentive Awards. In fiscal year 2016, long-term incentives provided to the Named Executive Officers were 100% equity based (except as described below for the chief executive officer) in the form of grants of performance-based performance share units (60% of the award) and service-based restricted share units (40% of the award). The performance share units will be earned based upon achievement of specific metrics and targets over the fiscal 2016-2018 performance period. For the chief executive officer, the performance-based component is composed of performance share units and a performance-based cash award under the 2010 LTIP, both tied to the same performance goals. The Compensation Committee established target awards, stated as dollar amounts, for all of the Named Executive Officers in November 2015. The number of units in each grant was determined by dividing these dollar amounts by an assumed share price of $10.51, 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 2016* 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 (Savings Plan), as well as a non-qualified supplemental savings plan (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 2016 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 *Summary Compensation Table* below.

The Company maintains a tax-qualified, non-contributory defined benefit pension plan (Pension Plan) that covers eligible employees hired before October 1, 2005, and a non-qualified supplemental pension plan (Supplemental Pension Plan) that provides benefits to the participants without regard to the limitations imposed by the IRC on qualified pension plans. Messrs. Speed and Villavarayan participate in the Pension Plan. Mr. Villavarayan also participates in a Canadian defined benefit pension plan (see *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 Messrs. Speed and Villavarayan are reported in the table under the heading *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 *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 *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 2016 for each Named Executive Officer was less than $10,000, with the exception of certain perquisites related to Mr. Plomin s foreign work assignment (see the column headed All Other Compensation and footnote 7 in the table under the heading *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 Messrs. Plomin and Speed in December 2015 and with Mr. Villavarayan in February 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 certain of the Named Executive Officers are described below under the heading *Agreements with Named Executive Officers - Employment Agreements*. Mr. Evans does not have an employment agreement.

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:

Position Held	Minimum Number of Shares Owned
Chief Executive Officer	6 times Annual Base Salary
Chief Financial Officer and Business Presidents	3 times Annual Base Salary
General Counsel 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 unexercised stock options and 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 2016, 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 (i) selling Company securities short, (ii) trading in exchange-traded or other third party options, warrants, puts or calls or similar instruments on Company securities, (iii) holding Company securities in margin accounts or (iv) engaging in any hedging or monetization transactions involving Company securities.

The Board of Directors has also adopted, as part of the Company s insider trading policy, (i) a prohibition against officers, employees and certain related persons pledging Company securities as collateral for a loan or other financing arrangement; and (ii) 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 General Counsel 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 and officers during fiscal year 2016.

Consideration of Shareholder Advisory Vote on Executive Compensation

At the Company s 2016 Annual Meeting, held on January 28, 2016, the shareholders approved, on an advisory basis, the compensation of the executive officers named in the proxy statement for that meeting, with 74,534,213 shares voting for approval, 2,355,071 shares voting against approval, and 1,899,843 shares abstaining. The Compensation Committee considers this annual vote in its deliberations with respect to the future direction of executive compensation.

Tax Deductibility of Executive Compensation

Section 162(m) of the IRC generally limits the deductibility of compensation paid to each Named Executive Officer to $1,000,000 per year. There is an exception to this rule for any compensation that is performance based, as defined in the IRC. Annual incentive awards and long-term incentive awards are intended to be performance based, but depending upon the design of the plan may or may not be subject to the deductibility limit. However, salaries, service-based restricted shares or restricted share units, special employment and retention incentives, and special annual bonus payments do not qualify as performance based compensation for this purpose.

Although the Compensation Committee s policy is to structure compensation arrangements when possible in a manner that will avoid limits on deductibility, it is not a primary objective of the Company s compensation program. In the view of the Compensation Committee, meeting the objectives stated above is more important than the ability to deduct the compensation 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 measures.

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, the three other most highly compensated executive officers of the Company and Mr. Evans, who would have been one of the three other most highly compensated executive officers but for the fact that he was not serving as an executive officer at the end of fiscal 2016 (collectively, the Named Executive Officers), for the fiscal years ended September 30, 2014, 2015 and 2016 (except as noted). The compensation reported below is for services rendered in all capacities to Meritor and its subsidiaries.

Name and Principal Position[(1)]	Fiscal Year	Salary[(2)]	Bonus[(3)]	Stock Awards[(4)]	Non-Equity Incentive Plan Compensation[(5)]	Change in Pension Value and Non-Qualified Deferred Compensation Earnings[(6)]	All Other Compensation[(7)]	Total
Jeffrey A. Craig	2016	$ 891,667	$ 0	$3,499,998	$ 954,900	$ 0	$ 166,568	$5,513,133
Chief Executive Officer and President	2015	733,333	0	3,500,000	1,833,030	0	142,069	6,208,432
(principal executive officer)	2014	575,457	0	2,300,007	1,145,673	0	96,515	4,117,652
Kevin A. Nowlan	2016	495,833	0	849,996	397,875	0	64,992	1,808,696
Senior Vice President and Chief	2015	466,667	0	699,998	453,678	0	63,095	1,683,438
Financial Officer	2014	425,000	0	656,448	350,158	0	57,011	1,488,617
(principal financial officer)								
Joseph A. Plomin	2016	430,167	0	534,991	299,998	0	249,988	1,515,144
Senior Vice President and	2015	405,000	0	481,092	360,748	0	283,111	1,529,951
President, International								
Robert H. Speed	2016	430,167	0	534,991	299,998	9,973	73,628	1,348,757
Senior Vice President and								
President, Aftermarket & Trailer								
and Chief Procurement Officer								
Chris Villavarayan	2016	424,125	0	534,984	299,998	17,768	74,160	1,351,035
Senior Vice President and	2015	405,000	30,000	481,092	296,728	3,664	66,727	1,283,211
President, Americas								
Ivor J. Evans	2016	383,333	0	1,149,994(8)	406,717	0	232,205(8)	2,172,249
Former Executive Chairman of	2015	916,667	0	4,200,002	780,083	0	213,253	6,110,005
the Board	2014	1,000,000	0	4,199,999	1,252,333	0	101,283	6,553,615

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(1) The table reflects the positions held with Meritor at September 30, 2016.

Information for Messrs. Plomin, Speed and Villavarayan is provided for less than three fiscal years, as permitted by SEC Regulation S-K, because Messrs. Plomin and Villavarayan were not named executive officers prior to fiscal year 2015 and Mr. Speed was not a named executive officer prior to fiscal year 2016.

Mr. Evans stepped down as the Executive Chairman of the Board on April 21, 2016 while continuing to serve as a member of the Board. His compensation as a Named Executive Officer is reported in the appropriate columns of the table above, and his compensation as a non-employee director is included in the column headed All Other Compensation (see footnote 8).

(2) This column includes amounts contributed by the Named Executive Officers to the Company s Savings Plan and Supplemental Savings Plan (see *Non-Qualified Deferred Compensation* below).

(3) This column reflects a special cash bonus paid to Mr. Villavarayan to reward his performance for fiscal year 2015.

(4) Represents the grant date fair value of restricted share units, stock options 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 19 of the Notes to Consolidated Financial Statements in the Form 10-K, which is incorporated herein by reference. Assuming achievement of the performance criteria at the maximum levels, the grant date fair value of the restricted share units, stock options and performance share units, computed in accordance with FASB ASC Topic 718, would be as follows: (i) for fiscal 2016 grants: $5,600,001 for Mr. Craig; $1,359,994 for Mr. Nowlan; $855,987 for Mr. Plomin; $855,987 for Mr. Speed; $855,972 for Mr. Villavarayan; and $1,839,996 for Mr. Evans; (ii) for fiscal 2015 grants: $5,949,999 for Mr. Craig; $1,189,994 for Mr. Nowlan; $673,589 for Mr. Plomin; $673,589 for Mr. Villavarayan; and $7,140,005 for Mr. Evans; (iii) for fiscal 2014 grants: $4,600,014 for Mr. Craig; $1,156,446 for Mr. Nowlan; and $8,399,998 for Mr. Evans. These amounts may not reflect the actual value realized upon vesting, settlement or exercise, if any.

(5) This column includes the following amounts:

Name	**Year**	**ICP Payout**	**Portion of 2012-2014 LTIP Earned (A)**	**2013-2015 LTIP Earned (B)**	**Interim CEO Performance Incentive Payment**
Jeffrey A. Craig	2016	$ 954,900			
	2015	723,350		$ 1,109,680	
	2014	645,873	$ 499,800		
Kevin A. Nowlan	2016	397,875			
	2015	282,958		170,720	
	2014	298,095	52,063		
Joseph A. Plomin	2016	299,998			
	2015	190,028		170,720	
Robert H. Speed	2016	299,998			
Chris Villavarayan	2016	299,998			
	2015	190,028		106,700	
Ivor J. Evans	2016	406,717			
	2015	780,083			
	2014	1,169,000			$ 83,333

(A) Payment of the total 2012-2014 LTIP amount earned was made in cash in December 2014.

(B) Payment of the total 2013-2015 LTIP amount earned was made in cash in December 2015.

See *Compensation Discussion and Analysis* above for information on the terms of these awards.

(6) This column includes the change in actuarial present value of accumulated pension benefits of Messrs. Speed and Villavarayan under the Pension Plan and Supplemental Pension Plan accrued during the period between the measurement dates used for financial statement reporting purposes for the reported fiscal year and the prior year. See *Pension Benefits* below for information on their 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. In addition, there were no above-market or preferential earnings on compensation that was deferred on a basis that is not tax-qualified during the fiscal year for the Named Executive Officers.

(7) This column includes the following items for fiscal year 2016, as set forth in the table below: (i) amounts contributed by the Company to the accounts of the Named Executive Officers under the Savings Plan and Supplemental Savings Plan; (ii) cash allowances in lieu of perquisites (see *Compensation Discussion and Analysis Elements of the Meritor Compensation Program Components Perquisites* above); (iii) group excess liability insurance premiums; and

(iv) in the case of Mr. Plomin, expenses related to foreign assignments (including costs of housing, automobiles, utilities, insurance and storage) and reimbursement of taxes related to perquisites and personal benefits. Perquisites are valued at actual cost to the Company.

Type of Compensation	Jeffrey A. Craig	Kevin A. Nowlan	Joseph A. Plomin	Robert H. Speed	Chris Villavarayan	Ivor J. Evans
Employer savings plan contributions	$ 130,601	$ 36,689	$ 49,616	$ 47,330	$ 49,712	$ 98,890
Cash allowances in lieu of perquisites	33,996	27,000	23,167	25,167	23,333	19,833
Group excess liability insurance premium	1,971	1,303	1,131	1,131	1,115	986
Miscellaneous expenses related to foreign assignment			176,074			

(8) In connection with Mr. Evans stepping down as Executive Chairman on April 21, 2016, the performance share units and restricted share units underlying the amount presented in the *Stock Awards* column above for fiscal year 2016 were forfeited and he began receiving compensation as a non-employee director. His compensation as a non-employee director, beginning on that date, is included for fiscal year 2016 in the column headed All Other Compensation and is comprised of the following amounts:

Year	Fees earned or paid in cash (A)	Stock awards (B)	Total
2016	$37,500	$ 74,996	$ 112,496

(A) Includes retainer fees and meeting fees.

(B) Represents the grant date fair value of restricted stock computed in accordance with FASB ASC Topic 718.

GRANTS OF PLAN-BASED AWARDS IN FISCAL YEAR 2016

The Compensation Committee made the following grants to the Named Executive Officers under the ICP and the 2010 LTIP in fiscal year 2016. No consideration was paid by the Named Executive Officers for these awards. No stock options were granted in fiscal year 2016.

					Estimated Future Payouts Under Non-Equity Incentive Plan Awards[(1)]			Estimated Future Payouts Under Equity Incentive Plan Awards[(2)]			All Other Stock Awards	Grant Date Fair Value of Stock and Option
Name	Plan Name	Grant Date	Date of Compensation Committee Action	Type of Award	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(# of Shares)[(3)]	Awards[(4)]
Jeffrey A. Craig	2010 LTIP	12/1/2015	11/30/2015	Performance share units				0	199,810	399,620		$2,100,003
	2010 LTIP	12/1/2015	11/30/2015	Restricted share units							133,206	1,399,995
	ICP	11/20/2015		Annual incentive plan target	225,000	900,000	1,800,000					
Kevin A. Nowlan	2010 LTIP	12/1/2015	11/20/2015	Performance share units				0	48,525	97,050		509,998
	2010 LTIP	12/1/2015	11/20/2015	Restricted share units							32,350	339,999
	ICP	11/20/2015		Annual incentive plan target	93,750	375,000	750,000					
Joseph A. Plomin	2010 LTIP	12/1/2015	11/20/2015	Performance share units				0	30,542	61,084		320,996
	2010 LTIP	12/1/2015	11/20/2015	Restricted share units							20,361	213,994
	ICP	11/20/2015		Annual incentive plan target	70,688	282,750	565,500					
Robert H. Speed	2010 LTIP	12/1/2015	11/20/2015	Performance share units				0	30,542	61,084		320,996
	2010 LTIP	12/1/2015	11/20/2015	Restricted share units							20,361	213,994
	ICP	11/20/2015		Annual incentive plan target	70,688	282,750	565,500					
Chris Villavarayan	2010 LTIP	12/1/2015	11/20/2015	Performance share units				0	15,699	31,398		164,996
	2010 LTIP	12/1/2015	11/20/2015	Restricted share units							10,466	109,998
	2010 LTIP	5/1/2016	4/20/2016	Performance share units				0	18,352	36,704		155,992
	2010 LTIP	5/1/2016	4/20/2016	Restricted share units							12,235	103,998
	ICP	11/20/2015		Annual incentive plan target	70,688	282,750	565,500					
Ivor J. Evans	2010 LTIP	12/1/2015	11/20/2015	Performance share units				0	65,652	131,304		690,003
	2010 LTIP	12/1/2015	11/20/2015	Restricted share units							43,767	459,991
	2010 LTIP	5/1/2016	4/20/2016	Restricted Stock							8,823	74,996

ICP	11/20/2015	Annual incentive plan target	95,833	383,333	766,667

(1) These columns include target amounts for annual incentive awards under the ICP for each of the Named Executive Officers. Potential payout amounts for threshold, target and maximum performance are expressed as dollar amounts. With respect to Mr. Evans, in connection with his stepping down as Executive Chairman as of April 21, 2016, Mr. Evans was eligible to earn a pro-rated portion of the ICP award shown in these columns. Awards may, at the discretion of the Compensation Committee, be paid out in the form of shares of Common Stock, with the number of shares determined based on the market price at the time of payout. See *Compensation Discussion and Analysis* above for further information on the terms of ICP awards in fiscal year 2016. Actual ICP payouts for fiscal year 2016 are reported in the column headed Non-Equity Incentive Plan Compensation and the related footnote in the table under the heading *Summary Compensation Table* above.

(2) These columns include target amounts for awards under a three-year performance plan established with respect to performance share units granted to the Named Executive Officers under the 2010 LTIP. With respect to Mr. Evans, these columns include an award of performance share units granted under the 2010 LTIP that was subsequently forfeited in connection with Mr. Evans stepping down as Executive Chairman as of April 21, 2016. With respect to Mr. Villavarayan, these columns also include an additional award of performance share units granted under the 2010 LTIP in connection with the execution of his employment agreement. In each case, potential payout amounts for threshold, target and maximum performance are expressed as numbers of units. Awards will be paid out in the form of shares of Common Stock to the extent that shares are available for issuance under the 2010 LTIP at the time of payout, subject to any applicable limitations on equity grants under the 2010 LTIP. If there are insufficient shares available to fund the entire payout, or if such limitations were applicable, some or all of the awards would be paid out in cash. See *Compensation Discussion and Analysis* above for further information on the terms of the LTIP awards in fiscal year 2016.

(3) This column includes grants of service-based restricted share units to the Named Executive Officers, and an award of restricted shares to Mr. Evans made on May 1, 2016 in connection with his service as a non-employee director, in each case as part of long-term incentive awards under the 2010 LTIP. With respect to Mr. Evans, these columns also include an award of restricted share units granted under the 2010 LTIP that was subsequently forfeited in connection with Mr. Evans stepping down as Executive Chairman as of April 21, 2016. With respect to Mr. Villavarayan, these columns also include an additional award of restricted share units granted under the 2010 LTIP in connection with the execution of his employment agreement. See *Compensation Discussion and Analysis* above for further information on the terms of the LTIP awards in fiscal year 2016.

(4) This column includes the grant date fair value of restricted share units and performance share units granted in fiscal year 2016, computed in accordance with FASB ASC Topic 718. Information on the assumptions used in valuation of the grants is included in Note 19 of the Notes to Consolidated Financial Statements in the Form 10-K, which is incorporated herein by reference. There were no dividends paid by the Company on its Common Stock in 2016.

See *Compensation Discussion and Analysis Elements of the Meritor Compensation Program Overview and Analysis* above for information on the proportion between salary and total compensation.

AGREEMENTS WITH NAMED EXECUTIVE OFFICERS

Employment Agreements

Mr. Craig s Employment Agreement. Mr. Craig entered into a new employment agreement with the Company in April 2015, in connection with his assumption of the role of Chief Executive Officer, which replaced his previous employment agreement with the Company. Under the terms of this agreement, if the Company terminates Mr. Craig s employment without cause, he would receive:

any accrued and unpaid compensation;

monthly severance pay for a period of 12 months;

participation in the current year annual incentive as if he had been employed for the entire year;

continuation of health and welfare benefits (other than accidental death and dismemberment (AD&D) and long-term and short-term disability coverage) throughout the severance period (or until the executive becomes subsequently employed and covered by the health plan of the new employer);

- continued life insurance coverage through the end of the severance period;
- vesting or forfeiture of special or other long-term incentive awards, restricted shares, restricted share units, performance shares and cash payouts of long-term incentive awards as determined under the terms of the 2010 LTIP or the agreement relating to the grant (the 2010 LTIP provides for forfeiture of equity-based awards if the award has not vested under its terms before the end of the severance period, and for cash payouts for only those existing long-term incentive cycles that began more than a year before the last day employed); and
- outplacement services for twelve months not to exceed $10,000.

Mr. Craig s employment agreement also provides for vesting in accordance with the terms of the applicable plans for all equity grants in the event of a change of control (as defined in those plans). The agreement also provides for severance benefits as described above if a separation of service results from a change of control or within one year thereafter (provided the severance period would be 24 months rather than 12 months, and full target amount of annual incentive will be paid in that event rather than the actual amount of the annual incentive payout). The agreement also provides for payments in the event of death and disability (described further under *Potential Payments Upon Termination* below) and a non-compete agreement for the duration of the severance period in the event of involuntary termination of employment.

The Company also entered into an agreement with Mr. Craig containing revisions to his base salary, ICP target award for fiscal 2015, and 2010 LTIP target awards for the fiscal 2015-2017 cycle (see *Summary Compensation Table and Grants of Plan-Based Awards in Fiscal Year 2015* above for information on the amount of these elements of his compensation).

Mr. Nowlan s Employment Agreement. Mr. Nowlan entered into an employment agreement with the Company in 2013. Under the terms of this agreement, if the Company terminates Mr. Nowlan s employment without cause, he would receive:

- any accrued and unpaid compensation;
- monthly severance pay for a period of 24 months;
- pro rata participation in the current year annual incentive;
- pro rata participation in the cash portion, if any, of long-term incentive cycles under the terms of the applicable plan (which provide payout for only those existing long-term incentive cycles that began more than a year before the last day employed), based on the portion of the performance cycle that has elapsed as of the last day employed;
- continuation of health and welfare benefits (other than AD&D and long-term and short-term disability coverage) throughout the severance period (or until the executive becomes subsequently employed and covered by the health plan of the new employer);
- continued life insurance coverage through the end of the severance period;
- vesting or forfeiture of special or other long-term incentive awards, restricted shares, restricted share units, performance shares and cash payouts of long-term incentive awards as determined under the terms of the 2010 LTIP or the agreement relating to the grant (the 2010 LTIP provides for forfeiture of equity-based awards if the award has not vested under its terms before the end of the severance period, and for cash payouts for only those existing long-term incentive cycles that began more than a year before the last day employed); and
- outplacement services for twelve months not to exceed $10,000.

Mr. Nowlan s employment agreement also provides for vesting in accordance with the terms of the applicable plans for all equity grants in the event of a change in control (as defined in those plans) as well as the severance benefits described above if a separation of service results from a change in control or within one year thereafter (provided the full target amount of annual incentive will be paid in that event rather than a *pro rata* portion). The agreement also provides for payments in the event of death and disability (described further under *Potential Payments Upon Termination* below) and a non-compete agreement for the duration of the severance period in the event of involuntary termination of employment.

Compensation Arrangements with Mr. Evans. In connection with Mr. Evans stepping down as Executive Chairman of the Board, Mr. Evans and the Company entered into a Letter Agreement detailing the terms of his transition in April 2016. Pursuant to the Agreement, Mr. Evans employment, salary and certain benefits ended as of April 30, 2016; Mr. Evans was eligible to earn a pro-rated portion of his ICP award for fiscal year 2016; Mr. Evans will be able to exercise his vested stock options until their expiration date; Mr. Evans vested in all performance share units earned with respect to the fiscal 2014-2016 performance period on December 1, 2016 based on the performance-based vesting criteria being met as of September 30, 2016; and all other unvested performance share units and unvested restricted share units held with respect to the fiscal 2015-2017 and fiscal 2016-2018 performance periods were cancelled and forfeited. Mr. Evans annual incentive award for 2016 is disclosed in the table under the heading *Grants of Plan-Based Awards in Fiscal Year 2016* above.

Other Executives Employment Agreements. Other executives of the Company, including Messrs. Plomin, Speed and Villavarayan, entered into employment agreements with the Company in December 2015 or February 2016. These agreements contain provisions with respect to termination without cause and severance in the event of a change of control, similar to those contained in Mr. Craig s employment agreement (except that (i) the severance period would be 18 months in both cases and (ii) the provisions also apply to a termination of employment within two years after a change of control). The agreements also provide for a twelve-month non-compete agreement in the event of voluntary termination of employment.

See *Potential Payments Upon Termination* below for information on the amounts that would be payable to Messrs. Craig, Nowlan, Plomin, Speed and Villavarayan if their employment had been terminated at the end of fiscal year 2016.

Description of Plan-Based Awards

See *Compensation Discussion and Analysis Elements of the Meritor Compensation Program Components Annual Incentives* and *Long-Term Incentives* above for information on the types of plan-based awards that were made in fiscal year 2016 and are reported in the table above, the applicable performance objectives, and how payouts are calculated. See the column headed Non-Equity Incentive Plan Compensation and the related footnote in the table under the heading *Summary Compensation Table* above for information on actual annual incentive payments and long-term incentive payments made with respect to fiscal year 2016.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2016

The following unexercised stock options and unvested restricted shares, restricted share units and performance share units were held by the Named Executive Officers as of September 30, 2016.

	Option Awards				Stock Awards			
	Number of securities underlying unexercised options[1] (#)		Option Exercise Price	Option Expiration	Number of Shares or Units of Stock That Have Not Vested[2]	Market Value of Shares or Units of Stock That Have Not Vested[3]	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested[4]	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested[3]
Name	Exercisable	Unexercisable	($)	Date	(#)	($)	(#)	($)
Jeffrey A. Craig					530,496	$5,904,420	354,002	$3,940,042
Kevin A. Nowlan					132,583	1,475,649	79,729	887,384
Joseph A. Plomin					93,878	1,044,862	42,801	476,375
Robert H. Speed					83,980	934,697	42,747	475,774
Chris Villavarayan					91,424	1,017,549	46,310	515,430
Ivor J. Evans	233,333		$8.22	9/11/2018	596,401	6,637,943		

(1) This column includes a grant of options to Mr. Evans in fiscal year 2013 in connection with his appointment as Chief Executive Officer. A portion of the options vested, by their terms, upon achievement of certain Common Stock price performance targets. Other than this grant, the Company has not granted stock options to employees since fiscal year 2008, and none of the other Named Executive Officers hold any stock options.

(2) This column includes the following separate grants of restricted shares and restricted share units that vest upon continuation of employment through the end of the restricted period. This column also includes performance share units subject to continued service vesting requirements following satisfaction of the performance criteria as of fiscal year-end 2016 that vest in December 2016 or February 2017 (or, in the case of a special retention grant to Mr. Craig in December 2013, that vest in three equal annual installments in December 2016, 2017 and 2018). This column excludes

a grant of restricted share units made in December 2015 to Mr. Evans that was forfeited in connection with him stepping down as Executive Chairman on April 21, 2016 and includes a grant of restricted shares made to Mr. Evans while he was a non-employee director as part of his compensation for serving as such.

Name	Type of Grant	Grant Date	Vesting Date	Number of Shares Held as of 9/30/2016
Jeffrey A. Craig	Restricted share units	12/1/2015	12/1/2018	133,206
	Restricted share units	8/1/2015	8/1/2018	36,222
	Restricted share units	12/1/2014	12/1/2017	39,301
	Performance share units	12/1/2013	12/1/2016	181,869(A)
	Performance share units	12/1/2013	1/3 on 12/1/2016, 1/3 on 12/1/2017 and 1/3 on 12/1/2018	139,898(A)
Kevin A. Nowlan	Restricted share units	12/1/2015	12/1/2018	32,350
	Restricted share units	12/1/2014	12/1/2017	15,284
	Restricted share units	1/1/2014	1/1/2017	15,000
	Performance share units	12/1/2013	12/1/2016	69,949(A)
Joseph A. Plomin	Restricted share units	12/1/2015	12/1/2018	20,361
	Restricted share units	12/1/2014	12/1/2017	15,000
	Restricted share units	12/1/2014	12/1/2017	6,004
	Restricted share units	12/1/2013	12/1/2016	15,000
	Performance share units	2/1/2014	2/1/2017	2,538(A)
	Performance share units	12/1/2013	12/1/2016	34,975(A)
Robert H. Speed	Restricted share units	12/1/2015	12/1/2018	20,361
	Restricted share units	8/1/2015	8/1/2018	1,065
	Restricted share units	12/1/2014	12/1/2017	15,000
	Restricted share units	12/1/2014	12/1/2017	4,913
	Restricted share units	12/1/2013	12/1/2016	15,000
	Performance share units	2/1/2014	2/1/2017	10,154(A)
	Performance share units	12/1/2013	12/1/2016	17,487(A)
Chris Villavarayan	Restricted share units	5/1/2016	5/1/2019	12,235
	Restricted share units	12/1/2015	12/1/2018	10,466
	Restricted share units	12/1/2014	12/1/2017	15,000
	Restricted share units	12/1/2014	12/1/2017	6,004
	Restricted share units	12/1/2013	12/1/2016	15,000
	Performance share units	2/1/2014	2/1/2017	15,232(A)
	Performance share units	12/1/2013	12/1/2016	17,487(A)
Ivor J. Evans	Restricted shares	5/1/2016	5/1/2019	8,823
	Performance share units	12/1/2013	12/1/2016	587,578(A)

(A) Performance share units subject to continued service vesting requirements following satisfaction of the performance criteria as of fiscal year-end 2016. The number of performance share units shown is based on the actual performance level achieved (see *Compensation Discussion and Analysis* above for information on the performance goals and levels of payout of these awards).

(3) Based on the number of shares multiplied by the NYSE Closing Price on September 30, 2016, the last trading day of fiscal year 2016 ($11.13).

(4) This column includes the following separate grants of performance share units that are earned at the end of the applicable performance periods, upon the achievement of stated performance goals. This column excludes a grant of performance share units made in December 2015 to Mr. Evans that was forfeited in connection with him stepping down as Executive Chairman on April 21, 2016. Except as noted below, the number of performance share units is reported at the target level of performance in accordance with SEC Regulation S-K based on the performance for the portion of the performance period through fiscal year-end 2016 exceeding the threshold level with respect to such performance share units (see *Compensation Discussion and Analysis* above for information on the performance goals and levels of potential payout of these awards).

Name	Type of Grant	Grant Date	Vesting Date	Number of Shares Held as of 9/30/2016
Jeffrey A. Craig	Performance share units	12/1/2015	12/1/2018	199,810
	Performance share units	8/1/2015	8/1/2018	63,388
	Performance share units	8/1/2015	8/1/2018	10,565(A)
	Performance share units	12/1/2014	12/1/2017	68,777
	Performance share units	12/1/2014	12/1/2017	11,462(A)
Kevin A. Nowlan	Performance share units	12/1/2015	12/1/2018	48,525
	Performance share units	12/1/2014	12/1/2017	26,747
	Performance share units	12/1/2014	12/1/2017	4,458(A)
Joseph A. Plomin	Performance share units	12/1/2015	12/1/2018	30,542
	Performance share units	12/1/2014	12/1/2017	10,508
	Performance share units	12/1/2014	12/1/2017	1,751(A)
Robert H. Speed	Performance share units	12/1/2015	12/1/2018	30,542
	Performance share units	8/1/2015	8/1/2018	1,865
	Performance share units	8/1/2015	8/1/2018	311(A)
	Performance share units	12/1/2014	12/1/2017	8,597
	Performance share units	12/1/2014	12/1/2017	1,433(A)
Chris Villavarayan	Performance share units	5/1/2016	5/1/2019	18,352
	Performance share units	12/1/2015	12/1/2018	15,699
	Performance share units	12/1/2014	12/1/2017	10,508
	Performance share units	12/1/2014	12/1/2017	1,751(A)

(A) The number of performance share units is reported at the threshold level of performance in accordance with SEC Regulation S-K based on the performance for the portion of the performance period through fiscal year-end 2016 not yet meeting the threshold level of performance with respect to such performance share units (see *Compensation Discussion and Analysis* above for information on the performance goals and levels of potential payout of these awards).

OPTION EXERCISES AND STOCK VESTED IN FISCAL YEAR 2016

The following table includes information with respect to service-based restricted share units and restricted shares held by the Named Executive Officers that vested during the 2016 fiscal year. No stock options were exercised by the Named Executive Officers during the 2016 fiscal year.

	Stock Awards	
	Number of Shares Acquired on Vesting	Value Realized on Vesting
Name	(#)	($)
Jeffrey A. Craig	60,750	$ 638,483(1)
Kevin A. Nowlan	5,840	61,378(1)
Joseph A. Plomin	9,350	98,269(1)
Robert H. Speed	3,500	36,785(1)
Chris Villavarayan	4,670	49,082(1)
Ivor J. Evans	20,120	140,035(2)

(1) Represents vesting of restricted share units. The value realized on vesting is based on the NYSE Closing Price on December 1, 2015, the date of vesting ($10.51), multiplied by the number of shares of Common Stock acquired.

(2) Represents vesting of restricted shares. The value realized on vesting is based on the NYSE Closing Price on January 24, 2016, the date of vesting ($6.96), multiplied by the number of shares of Common Stock acquired.

PENSION BENEFITS

Meritor has a tax-qualified defined benefit retirement plan, the Pension Plan, covering salaried and non-represented U.S. employees hired prior to October 1, 2005. Sections 401(a)(17) and 415 of the IRC limit the annual benefits that may be paid from a tax-qualified defined benefit retirement plan. As permitted by the Employee Retirement Income Security Act of 1974, the Company has established a non-qualified supplemental plan, the Supplemental Pension Plan, that authorizes the payment out of the Company s general funds of any benefits calculated under provisions of the Pension Plan that may be above limits under these sections. Participation in the Pension Plan and Supplemental Pension Plan was terminated on December 31, 2007 and benefits were frozen as of a specified date, as described below.

Messrs. Speed and Villavarayan participate in the Pension Plan but do not participate in the Supplemental Pension Plan. Mr. Villavarayan is also a member of the Pension Plan for Eligible Non-Union Salaried Commercial Vehicle Aftermarket and Commercial Vehicle Systems Driveline Employees of Meritor Aftermarket Canada Inc. (Canadian Pension Plan). The Canadian Pension Plan provides a defined benefit pension entitlement based on earnings and service while he was a Canadian employee. Mr. Villavarayan s benefit under the Canadian Pension Plan is included in the actuarial present value of the accumulated benefit under the Pension Plan because his benefit under the Canadian Pension Plan is a direct offset to the benefit under the Pension Plan. Messrs. Craig, Nowlan, Plomin and Evans were not eligible to participate in the Pension Plan and Supplemental Pension Plan because they were hired after October 1, 2005.

The following table shows the years of credited service and the actuarial present value of the accumulated benefit under the Pension Plan for Messrs. Speed and Villavarayan. This information is provided as of September 30, 2016 (the measurement date used for financial statement reporting purposes), assuming retirement at age 62. No payments were made to Messrs. Speed or Villavarayan under the Pension Plan during the fiscal year ended September 30, 2016.

Name	**Plan Name**	**Number of Years Credited Service (#)**	**Present Value of Accumulated Benefit[1] ($)**
Jeffrey A. Craig	Meritor Retirement Plan		
	Meritor Supplemental Retirement Plan		
Ivor J. Evans	Meritor Retirement Plan		
	Meritor Supplemental Retirement Plan		
Kevin A. Nowlan	Meritor Retirement Plan		
	Meritor Supplemental Retirement Plan		
Joseph A. Plomin	Meritor Retirement Plan		
	Meritor Supplemental Retirement Plan		
Robert H. Speed	Meritor Retirement Plan	2.92	$ 43,748
	Meritor Supplemental Retirement Plan		
Chris Villavarayan	Meritor Retirement Plan	7.58	$ 82,063
	Meritor Supplemental Retirement Plan		

(1) Information on the valuation method and material assumptions applied in quantifying the present value of the current accrued benefits is included in Note 21 of the Notes to Consolidated Financial Statements in the Form 10-K, which is incorporated herein by reference.

The Pension Plan and the Supplemental Pension Plan provide for annual retirement benefits payable on a straight life annuity basis to participating employees, reduced to reflect the cost of Social Security benefits related to service with the Company. The amount of a participant s annual benefit generally is calculated as 1.5% of the number that is the average of covered compensation for the highest five consecutive years of the ten years preceding retirement, multiplied by years of service, less the Social Security reduction. Covered compensation includes salary and annual incentive award payout under the ICP (see the column headed Salary and footnote 5 to the column headed Non-Equity Incentive Plan Compensation in the table under the heading *Summary Compensation Table* above).

The Pension Plan and the Supplemental Pension Plan credit participants with service earned with Meritor and its predecessor companies, as applicable. The Pension Plan and the Supplemental Pension Plan also include grandfathering provisions under which the retirement benefits payable to certain long-term employees will be adjusted in some cases to reflect differences between the benefits earned under the plan and those earned under predecessor plans of Arvin Industries, Inc., Meritor Automotive, Inc. or Rockwell International, Inc.

Participants may generally elect to retire under the Pension Plan and the Supplemental Pension Plan any time after reaching age 55, with the annual benefit reduced by 6% for each year that the participant receives benefit payments prior to his reaching age 62. As of the last day of fiscal year 2016, Messrs. Speed and Villavarayan are not eligible for early retirement under this provision. In the event of the participant s death, the Pension Plan and the Supplemental Pension Plan also provide for the payment of benefits to an employee s surviving spouse or other beneficiary. The amount of the survivor s benefit is 60% of the participant s benefit under the Supplemental Pension Plan, and can range from 0% to 100% of the participant s benefit under the Pension Plan, depending on the participant s election as to benefit payment options.

See Note 21 of the Notes to Consolidated Financial Statements in the Form 10-K for information on the funded status of the Pension Plan. The Supplemental Pension Plan is currently unfunded.

Non-union employees hired on or after October 1, 2005, including Messrs. Craig, Nowlan, Plomin and Evans, are not eligible to participate in the Pension Plan or the Supplemental Pension Plan. In addition, the Pension Plan and the Supplemental Pension Plan were amended, effective December 31, 2007, to provide that benefits were frozen for all participating employees, including Messrs. Speed and Villavarayan, as of specified dates. Most participating employees ceased accruing benefits effective January 1, 2008. Some participating employees, who either had at least 20 years of service or were age 50 or older with at least 10 years of service, continued to accrue benefits for an additional transition period that ended June 30, 2011. Messrs. Speed and Villavarayan did not qualify for this transitional accrual period.

For those not eligible to participate in, or whose benefits have been frozen under, the Pension Plan and the Supplemental Pension Plan, the Company makes additional defined contributions to the Savings Plan or Supplemental Savings Plan on behalf of these individuals, with the amount of the contribution depending on the individual s salary and age. In fiscal year 2016, the Company contributed the following additional amounts to the Savings Plan and Supplemental Savings Plan under this provision on behalf of the Named Executive Officers: Mr. Craig - $56,526; Mr. Nowlan - $23,364; Mr. Plomin - $21,707; Mr. Speed - $18,606; Mr. Villavarayan - $19,325; and Mr. Evans - $46,537. Both participant contributions and Company matching contributions to the Savings Plan and Supplemental Savings Plan are always 100% vested. These amounts are included in the amounts reported in the column headed All Other Compensation and the related footnote under *Summary Compensation Table* above.

The Company has in the past provided for extra years of credited service under the Pension Plan or Supplemental Pension Plan or additional payments to the Savings Plan or Supplemental Savings Plan in lieu of pension payments in employment agreements for some individuals. None of the Named Executive Officers is entitled to any additional years of credited service or additional payments.

NON-QUALIFIED DEFERRED COMPENSATION IN FISCAL YEAR 2016

The following table reflects contributions made by the Named Executive Officers and the Company to the Company s Supplemental Savings Plan in fiscal year 2016, together with earnings on the accounts of the Named Executive Officers during the fiscal year. There were no withdrawals or distributions to the Named Executive Officers under that plan in fiscal year 2016.

Name	Executive contributions in last fiscal year[(1)] ($)	Registrant contributions in last fiscal year[(2)] ($)	Aggregate earnings in last fiscal year[(3)] ($)	Aggregate balance at last fiscal year-end[(4)] ($)
Jeffrey A. Craig	$109,301	$107,264	$102,146	$1,346,148
Kevin A. Nowlan		15,414	6,385	87,885
Joseph A. Plomin	21,312	28,416	20,100	215,420
Robert H. Speed	91,342	35,302	112,002	403,439
Chris Villavarayan	40,007	33,210	2,172	174,205
Ivor J. Evans	57,805	81,890	41,116	509,149

(1) The amounts reported in this column are included in the amounts reported in the column headed Salary for 2016 in the table under the heading *Summary Compensation Table* above.

(2) The amounts reported in this column are included in the amounts reported in the column headed All Other Compensation for 2016 in the table under the heading *Summary Compensation Table* above.

(3) Earnings reflects changes in aggregate account value at the end of fiscal year 2016 compared to 2015 that do not result from contributions or distributions, including interest, dividends, appreciation or depreciation in stock price and similar items. None of these earnings are reported in the table under the heading *Summary Compensation Table* above.

(4)

Amounts in this column, include executive contributions and registrant contributions that were reported as compensation in the Company s Summary Compensation Table for previous years in which the individual in question was a Named Executive Officer.

Description of Non-Qualified Supplemental Savings Plan

Meritor s Supplemental Savings Plan allows certain executives of the Company, including the Named Executive Officers, to defer amounts that cannot be contributed to the Savings Plan due to deferral and compensation limits imposed by the IRC. Under the Savings Plan, a participant can defer up to 50% of his or her eligible pay, on a before-tax basis, subject to 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, annual incentive payout under the ICP and other eligible bonuses. 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 Supplemental Savings Plan are always 100% vested.

The Company also makes non-elective retirement contributions in lieu of pension payments to the Savings Plan, and these contributions would be made to the Supplemental Savings Plan when eligible pay reaches statutory limits. Company pension contributions to the Supplemental Savings Plan vest 20% after two years of employment and 20% each year thereafter, with full vesting occurring after six years of employment.

The plan administrator keeps track of contributions under the Supplemental Savings Plan as if they were invested in investment options selected by the participant. These options include a variety of mutual funds and Common Stock. Growth of the participant s account depends on the investment results of the selected mutual funds and/or on the market price of, and the payment of dividends on, Common Stock. Earnings for each investment vehicle for fiscal year 2016 were as follows:

Name of Investment Fund	2016 Rate of Return
T. Rowe Price Growth and Income Fund	14.79%
T. Rowe Price Growth Stock Fund	9.17%
T. Rowe Price Mid-Cap Growth Fund	11.03%
T. Rowe Price Government Money Fund	0.01%
T. Rowe Price Retirement 2005 Fund	9.45%
T. Rowe Price Retirement 2010 Fund	9.91%
T. Rowe Price Retirement 2015 Fund	10.41%
T. Rowe Price Retirement 2020 Fund	10.92%
T. Rowe Price Retirement 2025 Fund	11.35%
T. Rowe Price Retirement 2030 Fund	11.68%
T. Rowe Price Retirement 2035 Fund	11.86%
T. Rowe Price Retirement 2040 Fund	12.00%
T. Rowe Price Retirement 2045 Fund	12.00%
T. Rowe Price Retirement 2050 Fund	12.03%
T. Rowe Price Retirement 2055 Fund	11.99%
T. Rowe Price Retirement 2060 Fund	11.94%
T. Rowe Price Retirement Balanced Fund	8.86%
BlackRock Equity Dividend Fund	14.59%
Dodge & Cox International Stock Fund	5.62%
Met West Total Return	4.72%
PNC Small Cap Fund	5.91%
Vanguard Institutional Index Fund	15.17%
Vanguard Total International Stock Index Fund	9.39%
Meritor Common Stock	4.90%

Distributions from the Supplemental Savings Plan are made in cash under one of three options, as elected by the participant: (i) a lump sum payment six months following termination of employment; (ii) a lump sum payment at the later of age 55 or six months following termination of employment; or (iii) ten annual installments payable in January of each year beginning the year after the later of age 55 or six months after termination of employment.

POTENTIAL PAYMENTS UPON TERMINATION

The narrative and tables below describe and quantify potential compensation that could be paid to each of the Named Executive Officers by the Company upon termination of employment as of September 30, 2016, voluntarily or with cause, without cause, upon a change of control (or within stated periods thereafter), and upon retirement, death or disability. Except as noted below, the amounts disclosed in the table are based on actual compensation through September 30, 2016 and estimates of future compensation. The actual amounts that could be paid to the Named Executive Officers are subject to a number of variables and can only be determined after occurrence of a termination event.

Voluntary Termination of Employment or Involuntary Termination of Employment with Cause

A Named Executive Officer would be entitled to the following under the Company s current policies, plans and any applicable employment agreements upon voluntary termination of employment or involuntary termination of employment with cause. Cause is defined as a continued and willful failure to perform duties; gross misconduct that is materially and demonstrably injurious to the Company; or conviction of or pleading guilty (or no contest) to a felony or to another crime that materially and adversely affects the Company.

Compensation and Benefits. If a Named Executive Officer were to voluntarily resign from his position or be terminated for cause, he would be entitled only to accrued and unpaid compensation. Participation in benefit plans would cease upon termination.

Incentive Plan Payments and Equity Awards. Upon voluntary termination or termination with cause, a Named Executive Officer would not be entitled to annual incentive or long-term incentive performance plan participation and all unvested equity grants (including unvested restricted shares, restricted share units and performance share units) would be forfeited. Vested stock options would be exercisable for three months after the termination date (or until their expiration date, if earlier), after which they would be forfeited.

Savings Plan Distributions. Participants in the Savings Plan are generally entitled to a lump sum distribution of the vested interest in their Savings Plan accounts upon any termination of service. Participants in the Supplemental Savings Plan are entitled to receive distributions of the vested portion of their accounts, either in a lump sum or in ten annual installments, at age 55 or six months after any termination of employment, depending on the election made by the participant. All participant contributions and Company matching contributions to the Savings Plan and Supplemental Savings Plan, and any related earnings, are immediately 100% vested. Retirement contributions made by the Company to the Savings Plan and Supplemental Savings Plan in lieu of participation in the Pension Plan or Supplemental Pension Plan vest 20% for each full year of the participant s employment beginning with the second year, with full vesting of accounts after completion of six years of service.

The Named Executive Officers would be entitled to receive a distribution of all of their employee and Company-matching contributions, and any related earnings, from their Savings Plan and Supplemental Savings Plan accounts upon voluntary termination or termination with cause. The Company also makes retirement contributions to the Savings Plan and Supplemental Savings Plan on behalf of the Named Executive Officers in lieu of participation in the Pension Plan and Supplemental Pension Plan. As of September 30, 2016, these additional retirement contributions had vested 100% for all of the Named Executive Officers, and they are eligible to receive a distribution of 100% of their accounts with respect to these contributions upon voluntary termination or termination with cause.

Termination of Employment without Cause

Upon termination without cause, a Named Executive Officer s compensation and benefits would be governed by the terms of his employment letter or agreement, as follows:

Mr. Craig s Employment Agreement. Mr. Craig entered into an employment agreement with the Company in April 2015, which superseded his previous employment agreement. Under the terms of this agreement, if the Company terminates his employment without cause, he would receive any accrued and unpaid compensation, together with the following severance payments and benefits:

Severance pay: He would receive severance pay, at his then-current salary, for a severance period of 12 months.

Annual incentive: He would participate in the current year annual incentive as if he had been employed for the entire year, based on actual performance.

Long-term incentives (see *Grants of Plan-Based Awards in Fiscal Year 2015* and *Compensation Discussion and Analysis* above for further information on the different types of long-term incentive awards that are currently outstanding): Vesting or forfeiture of special or other long-term incentive awards, including restricted shares, restricted share units, performance shares and payouts under performance plans would be determined under the terms of the 2010 LTIP or the applicable grant agreement. The 2010 LTIP provides for forfeiture of an equity-based award if the award has not vested under its terms before the end of the severance period, and for cash payouts for only those existing long-term incentive cycles that began more than a year before the last day employed.

Benefits: He would be entitled to continuation of health and welfare benefits (other than AD&D and long-term and short-term disability coverage) throughout the severance period (or until he becomes subsequently employed and covered by the health plan of the new employer). He also would receive continued life insurance coverage through the end of the severance period.

Retirement plans: Savings Plan and Supplemental Savings Plan participation would cease at the end of active employment.

Outplacement services: He would receive outplacement services at Company expense for twelve months in an amount not to exceed $10,000.

No perquisites or allowances are provided to him or paid for by the Company during the severance period. Annual incentive and long-term incentive payouts would occur at the time applicable for all participating employees. All other amounts would be payable periodically over the severance period, with timing of some payments delayed to comply with Section 409A of the IRC.

Mr. Nowlan s Employment Agreement. Mr. Nowlan entered into an employment agreement with the Company in 2013. Under the terms of this employment agreement, if the Company terminates his employment without cause, he would receive any accrued and unpaid compensation, together with the following severance payments and benefits:

Severance pay: He would receive severance pay, at his then-current salary, for a severance period of 24 months.

Annual incentive: He would participate in the current year annual incentive on a pro rata basis, for the portion of the year during which he was actively employed, based on actual performance.

Long-term incentives (see *Grants of Plan-Based Awards in Fiscal Year 2015* and *Compensation Discussion and Analysis* above for further information on the different types of long-term incentive awards that are currently outstanding): Vesting or forfeiture of special or other long-term incentive awards, including restricted shares, restricted share units, performance shares and payouts under performance plans would be determined under the terms of the 2010 LTIP or the applicable grant agreement. The 2010 LTIP provides for forfeiture of an equity-based award if the award has not vested under its terms before the end of the severance period, and for pro rata cash payouts, based on the portion of the performance cycle that has elapsed as of the last day employed, for only those existing long-term incentive cycles that began more than a year before the last day employed.

Benefits: He would be entitled to continuation of health and welfare benefits (other than AD&D and long-term and short-term disability coverage) throughout the severance period (or until he becomes subsequently employed and covered by the health plan of the new employer). He also would receive continued life insurance coverage through the end of the severance period.

Retirement plans: Savings Plan and Supplemental Savings Plan participation would cease at the end of active employment.

Outplacement services: He would receive outplacement services at Company expense for twelve months in an amount not to exceed $10,000.

No perquisites or allowances are provided to him or paid for by the Company during the severance period. Annual incentive and long-term incentive payouts would occur at the time applicable for all participating employees. All other amounts would be payable periodically over the severance period, with timing of some payments delayed to comply with Section 409A of the IRC.

Mr. Evans Agreement. Mr. Evans entered into a letter agreement in April 2016 that does not provide for severance payments and does not cover the other items listed above.

Other Named Executive Officers Employment Agreements. Messrs. Plomin, Speed and Villavarayan entered into employment agreements with the Company in December 2015 or February 2016. These agreements have substantially the same provisions with respect to termination without cause as Mr. Craig s employment agreement, described above, except that severance pay would be for a period of 18 months.

Savings Plan Distributions. Upon termination without cause, the Named Executive Officers would also be entitled to a distribution of certain amounts in their Savings Plan and Supplemental Savings Plan accounts, as described above under Voluntary Termination of Employment or Involuntary Termination of Employment with Cause.

Termination of Employment upon Change of Control

Under their employment agreements, Messrs. Craig and Nowlan would receive substantially the same salary payments and benefits in the case of a termination of employment upon change of control (or within one year thereafter) as those outlined above for a termination of employment without cause, except that: (i) the severance period would be 24 months for each of them and (ii) annual incentives for the current year would be paid out at target.

Mr. Evans letter agreement does not contain any change of control provisions. With respect to Messrs. Plomin, Speed and Villavarayan, their employment agreements have substantially the same provisions with respect to termination of employment upon a change of control as Mr. Craig s employment agreement, described above, except that (i) severance pay would be for a period of 18 months; and (ii) the provisions also apply to a termination of employment within two years after a change of control.

Vesting of equity and equity-based awards, payouts with respect to performance plans and treatment of stock options are governed by the provisions of the long-term incentive plan under which they were granted. The terms of the 2010 LTIP provide for vesting and payout of awards under outstanding performance plans and equity and equity-based awards as follows:

For awards made prior to December 1, 2013, all awards vest in full and performance-based awards are paid out at target levels immediately upon a change of control, as defined in the 2010 LTIP.

For awards made on or after December 1, 2013, upon a termination of employment other than for cause (including retirement, death, disability, termination without cause or termination for good reason) within two years after a change of control, awards vest in full and are deemed fully earned on the termination date, and performance-based awards are paid out at the target amount as of the date of the change of control. Awards no longer vest solely upon a change of control.

Stock options granted prior to December 1, 2013 vest immediately and become fully exercisable upon a change of control. Stock options granted after that date vest immediately and become fully exercisable upon a termination of employment other than for cause within two years after a change of control. No stock options have been issued on or after December 1, 2013.

The amounts in the tables below with respect to termination upon change of control reflect the provisions applicable to each grant, as described above, as if the triggering event had occurred on the last day of fiscal year 2016.

Retirement

Upon retirement, a Named Executive Officer may be eligible for the following payments and benefits:

Defined Benefit Pension Plans. Messrs. Speed and Villavarayan participate in the Pension Plan. The present value of their accumulated benefits is disclosed above in the table under the heading *Pension Benefits*. Neither was eligible to retire under the Pension Plan as of the last day of fiscal year 2016, and therefore no amounts are included in the table below. The other Named Executive Officers do not participate in the Pension Plan or Supplemental Pension Plan, and no benefits under those plans would be paid to them, even if they were eligible for retirement.

Savings Plan Distributions. Upon retirement, the Named Executive Officers would be entitled to a distribution of amounts in their Savings Plan and Supplemental Savings Plan accounts, including any vested Company contributions in lieu of Pension Plan or Supplemental Pension Plan participation, as described above under Voluntary Termination of Employment or Involuntary Termination of Employment with Cause.

Incentive Plan Payments and Equity Awards. Mr. Craig is eligible to retire and would be entitled to *pro rata* participation in the annual incentive plan, based on the portion of the year employed. He would also be entitled to participation in each outstanding three-year performance cycle on the same basis and to the same extent as if employed for the entire period. Equity and equity-based awards, including restricted shares, restricted share units and performance share units, would continue to vest in accordance with their terms as if still employed if granted at least one year prior to retirement, but would be forfeited if granted less than a year prior to retirement. Stock options granted more than one year prior to retirement would remain outstanding for the lesser of five years or their term and vest in accordance with their terms. Other stock options would be forfeited.

The other Named Executive Officers are not eligible to retire under the Company s retirement plans at the end of fiscal year 2016 and, therefore, would not be entitled to the vesting and payouts described above.

See Termination of Employment upon Change of Control above for information on additional provisions that would apply with respect to long-term incentive awards made on or after December 1, 2013, upon retirement within two years after a change of control.

Death

In the event of death, a Named Executive Officer s beneficiary would receive the following benefits:

Insurance. The Named Executive Officer s beneficiary would be entitled to the proceeds of Company-sponsored life insurance policies.

Compensation and Benefits. In addition to any accrued and unpaid compensation, the Named Executive Officer s spouse and other dependents would be eligible for one month of salary and continuation of medical benefits for a period of six months.

Incentive Plan Payments and Equity Awards. The Named Executive Officer s beneficiary would be entitled to a *pro rata* portion of any annual incentive, based on the portion of the year that the Named Executive Officer was employed. He or she would also be entitled to *pro rata* payouts under the long-term incentive plan for each three-year performance plan, and vesting of a *pro rata* portion of unvested restricted shares, restricted share units and performance share units, based on actual time worked. Stock options would vest immediately and be exercisable for a period of three years or until their expiration.

See Termination of Employment upon Change of Control above for information on additional provisions that would apply with respect to long-term incentive awards made on or after December 1, 2013, upon death within two years after a change of control.

Savings Plan Distributions. Upon the death of a Named Executive Officer, his beneficiary would be entitled to distribution of amounts in the Named Executive Officer s Savings Plan and Supplemental Savings Plan accounts, including any vested Company contributions in lieu of Pension Plan or Supplemental Pension Plan participation, as described above under Voluntary Termination of Employment or Involuntary Termination of Employment with Cause.

Disability

In the event of disability, which is defined as the inability to perform the duties of his current job as a result of disease or injury, a Named Executive Officer would be entitled to the following benefits:

Compensation and Benefits. The Named Executive Officer would be entitled to continuation of full or partial salary (depending on years of service) for a period of six months, as short-term disability benefits, after which the Named Executive Officer would receive either 50% or 60% of salary, depending on the benefit election made (with a monthly maximum of $20,000), under the long-term disability program. After 1½ years on long-term disability benefits, continued eligibility would be based on the inability to perform any job for which the Named Executive Officer is qualified by education, training or experience. Medical, dental, vision and life insurance benefits would continue during the period of receipt of long-term disability benefits as if still employed.

Incentive Plan Payments and Equity Awards. The Named Executive Officer would be entitled to a *pro rata* portion of any annual incentive, based on the portion of the year during which employed. He would also be entitled to *pro rata* payouts under the long-term incentive plan for each three-year performance plan, and vesting of a *pro rata* portion of unvested restricted shares, restricted share units and performance share units, based on actual time worked. Outstanding stock options would vest immediately and be exercisable for a period of three years or until their expiration.

See Termination of Employment upon Change of Control above for information on additional provisions that would apply with respect to long-term incentive awards made on or after December 1, 2013, upon disability within two years after a change of control.

Savings Plan Distributions. A Named Executive Officer would be entitled to distributions under the savings plans, as described above under Voluntary Termination of Employment or Involuntary Termination of Employment with Cause.

Potential Payments at Fiscal Year-End 2016

Assuming termination for the stated reasons on the last day of fiscal year 2016, and giving effect to the agreements and plan provisions described above, Messrs. Craig, Nowlan, Plomin, Speed and Villavarayan would receive the following estimated payments and benefits under the agreements and plans in effect on September 30, 2016 described above. With respect to Mr. Evans, the following payments and benefits were received following Mr. Evans stepping down as Executive Chairman as of April 21, 2016. Amounts attributable to savings plan distributions, life and disability insurance, and health and welfare benefits in the event of death and disability are not included in the tables below because they are available to the Named Executive Officers on the same basis as other salaried employees.

Jeffrey A. Craig

Termination Event	Severance Pay(1) ($)	Annual Incentive(2) ($)	Vesting of Restricted Shares, Options, RSUs and PSUs(3) ($)	Health and Welfare Benefits ($)	Outplacement Services ($)	Total ($)
Voluntary Termination or Termination with Cause						
Termination without Cause	$ 900,000	$ 900,000	$ 2,543,233	$ 17,661	$ 10,000	$ 4,370,894
Termination Upon Change of Control						
-Termination without cause	1,800,000	900,000	10,089,668	35,321	10,000	12,834,989
-Death or Disability		900,000	10,089,668			