MERITOR INC
Form DEF 14A
December 09, 2011

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

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

Check the appropriate box:

[ ]	Preliminary Proxy Statement	[ ]	Soliciting Material Under Rule 14a-12
[ ]	Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))		
[X]	Definitive Proxy Statement		
[ ]	Definitive Additional Materials		

MERITOR, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

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1) Amount previously paid:

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3)	Filing Party:
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Letter to Shareowners Notice of 2012 Annual Meeting and Proxy Statement

December 9, 2011

Dear Shareowner:

You are cordially invited to attend the 2012 annual meeting of shareowners of Meritor, Inc.

The meeting will be held at Meritor's World Headquarters in Troy, Michigan, on Thursday, January 26, 2012, at 9 a.m. 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. Shareowners will have an opportunity to comment on or to inquire about the affairs of the Company that may be of interest to shareowners 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 shareowners as can conveniently attend will do so.

Sincerely yours,

Charles G. McClure, Jr.
Chairman of the Board, Chief Executive Officer
and President

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

Notice of 2012 Annual Meeting of Shareowners

To the Shareowners of MERITOR, INC.:

Notice is Hereby Given that the 2012 Annual Meeting of Shareowners of Meritor, Inc. (the "Company") will be held at the Company's World Headquarters at 2135 West Maple Road, Troy, Michigan 48084, on Thursday, January 26, 2012, 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 2015;
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 stockholders 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; and
5. to transact such other business as may properly come before the meeting.

Only shareowners of record at the close of business on November 18, 2011 will be entitled to notice of, and to vote at, the meeting.

By order of the Board of Directors.
Barbara Novak
Secretary

December 9, 2011

PROXY STATEMENT

The 2012 Annual Meeting of Shareowners of Meritor, Inc. (the “Company” or “Meritor”) will be held on January 26, 2012, for the purposes set forth in the accompanying Notice of 2012 Annual Meeting of Shareowners. The Board of Directors of Meritor is soliciting proxies to be used at the Annual Meeting and any adjournment, 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 shareowners (the “proxy materials”) available to you electronically via the Internet. On December 9, 2011, we mailed to our shareowners 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 it. If you would like a printed copy of the proxy materials, follow the instructions for requesting them that are included in the Notice.

Shareowners of record may vote in any of three ways: (a) via the Internet; (b) by calling a toll-free telephone number; or (c) if you received your proxy materials by mail, by executing and returning a proxy card. Instructions for Internet voting are included on 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 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 confidential proxy cards, ballots and voting tabulations that identify individual shareowners. 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.

VOTING SECURITIES

Only shareowners of record at the close of business on November 18, 2011 are entitled to receive notice of, and to vote at, the meeting. On November 18, 2011, we had outstanding 94,620,102 shares of Common Stock, par value $1 per share, of Meritor (“Common Stock”). Each holder of Common Stock is entitled to one vote for each share held.

As of November 18, 2011, 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	4,524,289	4.78

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 Meritor Common Stock. This information is based on Schedules 13G and 13G/A that were filed with the SEC.

Name and Address	Number of Shares	Percent of Outstanding Common Stock
Wellington Management Company, LLP 75 State Street Boston, MA 02109	10,708,471	11.37
Glenview Capital Management, LLC and Lawrence M. Robbins 767 Fifth Avenue, 44th Floor New York, NY 10153	5,388,617	5.72

ELECTION OF DIRECTORS

Our 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 Shareowners held three years later.

The Company’s Board of Directors currently consists of nine members – three directors in Class I, with terms expiring at the Annual Meeting of Shareowners in 2013; three directors in Class II, with terms expiring at the Annual Meeting of Shareowners in 2014; and three directors in Class III, with terms expiring at the 2012 Annual Meeting. Mr. Rothmeier, who is currently in Class II, has advised us that he will retire from the Board effective December 31, 2011. Upon Mr. Rothmeier’s retirement, the Board intends to reduce the number of directors on the Board from nine to eight.

Three directors are standing for re-election at the 2012 Annual Meeting as Class III directors, for terms expiring at the Annual Meeting of Shareowners in 2015. One of those directors, Mr. Marley, has stated that he may not serve the full term. If Mr. Marley resigns during his term, the Board would expect to appoint a replacement.

The directors in Class I and the directors in Class II continue to serve terms expiring at the Annual Meeting of Shareowners in 2013 and 2014, respectively, although, as stated above, Mr. Rothmeier will retire effective December 31, 2011.

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 III – Nominees for Director with Terms Expiring in 2015*, 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 (a) proxies would be voted for the election of the other nominees and a substitute nominee, or (b) 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, between any executive officer, director 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, 2010 has any substantial interest, direct or indirect, in any matter to be acted on at the 2012 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 2012 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 should serve on the Board. 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 III –NOMINEES FOR DIRECTOR WITH TERMS EXPIRING IN 2015

DAVID W. DEVONSHIRE
Retired Executive Vice President and Chief Financial Officer, Motorola, Inc. (Communications Technologies and Electronics Products)

Age 66

Mr. Devonshire, a director since July 2004, is the Chair of the Audit Committee and a member of the Compensation and Management Development Committee. He was Executive Vice President and Chief Financial Officer of Motorola, Inc. from 2002 to March 2007, and Executive Vice President of Motorola from March 2007 until his retirement in December 2007. He had previously served as Executive Vice President and Chief Financial Officer for Ingersoll-Rand Company (industrial components) from 1998 to 2002; Senior Vice President and Chief Financial Officer for Owens Corning, Inc. (building materials and fiberglass composites) from 1993 to 1998; Corporate Vice President of Finance for Honeywell (diversified manufacturing and technology) from 1992 to 1993; and Corporate Vice President and Controller for Honeywell from 1990 to 1992. Prior to that, Mr. Devonshire served in financial positions with Mead Corporation (forest products), Baxter International, Inc. (medical devices and biotechnology) and KPMG LLP (public accounting), where he began his career in 1968. Mr. Devonshire serves on the boards and audit committees of Roper Industries (where he is the chairman), Arbitron Inc. and Career Education Corp. and the advisory boards of CFO Magazine and LEK Consulting. In addition, Mr. Devonshire provides financial consulting services to Harrison Street Capital, a private equity firm.

Board Qualifications: With a career in finance and accounting spanning over 40 years (including 15 as a public company chief financial officer), Mr. Devonshire brings a wealth of financial and accounting knowledge to our Board. In particular, the depth of his experience in this field allows him to give valuable insights into Audit Committee meetings as well as Board finance and strategy discussions. Mr. Devonshire's service as a director of other public companies, especially his service on the Audit Committees of such companies, also affords him additional insight to the forefront of financial and accounting issues facing public companies.

VICTORIA B. JACKSON BRIDGES
Former President and Chief Executive Officer, DSS/Prodiesel, Inc. (Transportation Components)

Age 56

Ms. Jackson Bridges, 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. (the "merger"), is a member of the Audit Committee and the Environmental and Social Responsibility Committee. She currently serves as President of Victoria Bellé, Inc., a designer, manufacturer and marketer of specialty retail products. She was President and Chief Executive Officer of DSS/Prodiesel, Inc. (transportation components) from 1979 until 1998, when the company was sold to TransCom USA. She served as a consultant to TransCom USA from 1998 to February 2000. Ms. Jackson Bridges is a director of Roadrunner Transportation Systems, Inc. (where she serves on the audit committee and as chair of the nominating committee) and is a Trustee of the Tampa Museum of Art.

Board Qualifications: Ms. Jackson Bridges's qualifications to serve on our Board include her leadership skills and operational expertise derived from almost 20 years as CEO of a transportation components

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company. That background, and her subsequent business experience, honed her focus on the human resources and people development side of a company, which is extremely valuable in Board discussions. Her unique experience as a woman heading a company in a traditionally male dominated industry (manufacturing/transportation) also contributes a diverse perspective to our Board.

JAMES E. MARLEY
Retired Chairman of the Board, AMP Inc. (Electrical and Electronics Components and Cabling Products)

Age 76

Mr. Marley, a director since July 2000 and a director of Meritor Automotive, Inc. from April 1999 until the merger (as defined below), is a member of the Compensation and Management Development Committee and a member of the Environmental and Social Responsibility Committee. He is the retired Chairman of the Board of AMP Inc. (now TE Connectivity Ltd.), serving in that position from 1993 to 1998. He served AMP as President and Chief Operating Officer from 1990 to 1992, as President from 1986 to 1990, and in a variety of engineering and executive positions from 1963, when he joined AMP, until 1986. He is a director of a number of businesses, educational and civic organizations, and is a member of a number of engineering and management professional associations. Mr. Marley is a former director of Armstrong Holdings, Inc.

Board Qualifications: Mr. Marley's qualifications to serve on our board include extensive engineering, managerial and operational experience derived from an almost 40 year corporate career. In addition to the leadership qualities he honed from his years heading AMP, Mr. Marley's background at AMP also brings to our Board his in-depth understanding of the automotive and truck business as a quarter of AMP's worldwide business was auto and truck related. Mr. Marley founded and continues to own and operate a used car business, which also provides him with a current perspective on the automotive business. His long history of wide-ranging educational and community involvement contributes to the Board's focus on social responsibility.

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

CLASS I – CONTINUING DIRECTORS WITH TERMS EXPIRING IN 2013

IVOR J. EVANS
Retired Vice Chairman, Union Pacific Corporation (Railroad Company)

Age 69

Mr. Evans, a director since May 2005, is a member of the Audit Committee and the Corporate Governance and Nominating Committee. He served as Vice Chairman of Union Pacific Corporation 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., Cooper Industries, Roadrunner Transportation Systems, Inc. and Spirit AeroSystems and an operating partner of HCI Equity Partners (formerly named Thayer Capital Partners). He is a former director of Suntron Corporation and Union Pacific Corporation.

Board Qualifications: Mr. Evan's qualifications to serve on our Board 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. He also has considerable transactional and corporate finance experience as an operating partner in a private equity firm. Mr. Evan's service as a director of other public companies also widens his perspective with respect to corporate governance, audit issues, strategy and other matters that confront public companies.

CHARLES G. McCLURE, JR.
Chairman of the Board, Chief Executive Officer and President of Meritor

Age 58

Mr. McClure has been a director since August 2004 when he was elected to his current position. Prior to joining the Company, he served Federal-Mogul Corporation (automotive supplier) as Chief Executive Officer and a member of the Board of Directors from July 2003 to July 2004, and as President and Chief Operating Officer and a member of the Board of Directors from January 2001 to July 2003. He served Detroit Diesel Corporation (designer and manufacturer of diesel engines) as President, Chief Executive Officer and a member of the Board of Directors from 1997 to December 2000, and held a number of management positions with Johnson Controls, Inc. (automotive supplier) from 1983 to 1997, including President of the Americas Region; Vice President and Managing Director of European Operations; and Vice President and General Manager of Joint Ventures. From 1983 to 1985, Mr. McClure was employed at Hoover Universal (which was acquired by Johnson Controls in 1985) as Operations Director of Material Handling Products. Before that, he spent four years at Ford Motor Company (automotive) as a heavy-duty truck sales engineer and field service engineer. He served as a lieutenant (jg) on a U.S. Navy destroyer from 1975 to 1979. Mr. McClure is a director of R. L. Polk & Company and General Cable Corp. and serves on the boards of various business and civic organizations.

Board Qualifications: Mr. McClure has a deep understanding of the vehicle industry, having spent his entire career (after his service in the U.S. Navy) in this arena. His achievement of increasingly senior management roles at automotive supply companies has afforded him the leadership skills that serve the Company well in the challenging sector in which we operate. He has lived overseas running international businesses, which experience is key for leading an international company like Meritor. Mr. McClure's wealth of knowledge of our business and industry, together with his proven talents and leadership, situate him well to serve as our Chairman and Chief Executive Officer.

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

Age 71

Mr. Newlin, a director since July 2003, is the Board's Presiding Director, Chair of the Compensation and Management Development Committee and a member of the Corporate Governance and Nominating Committee. He is currently the Chairman of Newlin Investment Company, LLC and the Chairman of Plextronics, Inc., (a private international technology company specializing in printed solar, lighting and other electronics) since May 2008 and a director since June 2005. 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 (law firm) from 1980 to October 2003. Mr. Newlin is a director of Kennametal Inc. and Calgon Carbon Corporation.

Board Qualifications: Mr. Newlin's wide experience in corporate transactions and in serving as a counselor providing strategic advice to complex organizations qualifies him to sit on our Board. In particular, his legal and business insight (as well as his extensive experience in executive leadership) provides Mr. Newlin with the skills that make him an effective Presiding Director. Mr. Newlin's service as a director of other public companies also affords our Board the benefit of his broader exposure to corporate governance issues, compensation issues and other matters facing public companies.

CLASS II – CONTINUING DIRECTORS WITH TERMS EXPIRING IN 2014

JOSEPH B. ANDERSON, JR.
Chairman of the Board and Chief Executive Officer, TAG Holdings LLC (Automotive Components)

Age 68

Mr. Anderson, a director since July 2000 and a director of Meritor Automotive, Inc. from September 1997 until the merger, is Chair of the Environmental and Social Responsibility Committee and a member of the Corporate Governance and Nominating Committee. He has served as Chairman of the Board and Chief Executive Officer of TAG Holdings LLC since 2003, and of its subsidiaries, Vibration Control Technologies, LLC since 2002; A&D Technologies, LLC and North American Assemblies, LLC since 2003; and Great Lakes Assemblies, LLC since 2005. He was Chairman of the Board and Chief Executive Officer of Chivas Industries LLC (and its predecessor, Chivas Products, Ltd.) (automotive components) from October 1994 until March 2002. From December 1992 to July 1993, Mr. Anderson was President and Chief Executive Officer of Composite Energy Management Systems, Inc. (automotive components). Mr. Anderson served in a variety of positions, primarily in manufacturing, with General Motors Corporation (automotive) from 1979 until December 1992. He also served as an assistant to the U.S. Secretary of Commerce from 1977 to 1979. Mr. Anderson currently is a director of Quaker Chemical Corporation, Rite Aid Corporation, NV Energy and Valassis Communications, Inc. Mr. Anderson also has been appointed as the Chairman of the Manufacturing Council of the U.S. Department of Commerce.

Board Qualifications: Mr. Anderson's qualifications to serve on our Board include financial and business insight gleaned from his long history as an owner, executive officer and director of public and private companies, experience in the transportation and manufacturing industries in which we operate and leadership capabilities from serving as CEO of several large organizations. His professional and civic affiliations (including the National Association of Black Automotive Suppliers) have also enabled Mr. Anderson to become a leader with regard to business and diversity matters, which provides valuable perspective to our Board on matters of import to the Company.

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

Age 59

Ms. Brooks, a director since July 2000 and a director of Meritor Automotive, Inc. from July 1999 until the merger, is Chair of the Corporate Governance and Nominating Committee and a member of the Environmental and Social Responsibility Committee. She is currently the President of R. Brooks Advisor, a consultant for start-up firms and an advisor for a private equity company. 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 and a former director of Central Vermont Public Service Corp.

Board Qualifications: Ms. Brooks brings to our Board strong communication, collaboration and leadership skills from a decades long career as an executive at several complex organizations, including at name brand companies such as General Electric and Owens Corning. Her extensive business experience is diverse and well-rounded, encompassing marketing, 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.

BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors manages or directs the management of the business of Meritor. In fiscal year 2011, the Board of Directors held five regularly scheduled meetings and two special telephonic meetings. Each 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 2011. Meritor encourages each director to attend the Annual Meeting of Shareowners. Eight of the directors attended the 2011 Annual Meeting in person or telephonically.

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 Ms. Brooks, Ms. Jackson Bridges, and Messrs. Anderson, Devonshire, Evans, Marley, Newlin, and Rothmeier 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. In addition, although Mr. Devonshire serves on the audit committee of more than three publicly traded companies, the Board of Directors determined that such simultaneous service does not impair his ability to serve on Meritor's Audit Committee. There were no transactions, relationships or arrangements involving the Company and any director in fiscal year 2011 that were considered by the Board in determining the independence of these directors under the Guidelines on Corporate Governance and 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 Vice President of Internal Audit. 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 Vice President of Internal Audit 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 we conduct an Enterprise Risk Assessment and report thereon to the Audit Committee. This assessment is utilized 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

We have assessed Meritor's compensation programs and have 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 shareowner interests, the existence of share ownership guidelines and other considerations relevant to assessing risks. Based upon the foregoing, we believe that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the company.

Board Leadership Structure

Our Board of Directors currently consists of nine members, eight of whom are independent. The Board believes that this preponderance of outside directors represents a commitment to the independence of the Board and a focus on matters of importance to Meritor s stockholders. The Board has no policy with respect to separation of the offices of Chairman and Chief Executive Officer. Our Guidelines on Corporate Governance provide that the Chairman is, in most circumstances, the Chief Executive Officer. However, the Guidelines provide that unless an outside director is serving in the role of Chairman, the Board will appoint an independent Presiding Director. The Presiding Director (a) serves as a liaison between the Board and the Chief Executive Officer; (b) acts as chair of private executive sessions of the Board and in other circumstances where the outside directors meet without the Chief Executive Officer; (c) advises management in developing Board meeting agenda; and (d) performs such other duties as specified by the Board of Directors from time to time. The Board believes that having one individual function as Chairman and CEO is appropriate for the Company at this time since it supports cohesive leadership and direction for the Company, with a sole, clear focus for management to execute the Company s strategy and business plans, particularly as Meritor transitions to a solely commercial and industrial company after the divestiture of its light vehicle business. The Board believes that this governance structure of combined Chairman and CEO, along with the role of the Presiding Director and the preponderance of independent directors on the Board, allows the Board to work effectively and properly oversee risk while avoiding added costs and possible inefficiencies that could result from mandating an independent Chairman.

Committees

The Board has established four standing committees (Audit; Compensation and Management Development; Corporate Governance and Nominating; and Environmental and Social Responsibility), 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 duration.

Audit Committee. Meritor has a separately designated standing audit committee established in compliance with applicable provisions of the Securities Exchange Act of 1934, as amended (Exchange Act), and New York Stock Exchange listing rules. The Audit Committee is currently composed of four non-employee directors, David W. Devonshire (Chair), Ivor J. Evans, Victoria B. Jackson Bridges and Steven G. Rothmeier. 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 the Company has at least two individuals who qualify as an audit committee financial expert (as defined by the SEC), David W. Devonshire and Steven G. Rothmeier. The Board of Directors has adopted a written charter for the Audit Committee, which is reviewed and reassessed annually for compliance with rules of the New York Stock Exchange. The Audit Committee held five regularly scheduled meetings and two special meetings in fiscal year 2011.

The Audit Committee is charged with monitoring the integrity of the Company s financial statements, compliance with legal and regulatory requirements, and the independence, qualifications and performance of the Company s internal audit function and independent accountants. The Audit Committee has sole authority to select and employ (subject to approval of the shareowners), and to terminate and replace where appropriate, the independent public accountants for the Company and also has authority to:

- approve and cause the Company to pay all audit engagement fees;
- review the scope of and procedures used in audits and reviews of the Company s financial statements by the independent public accountants;
- review the Company s annual and quarterly financial statements before their release;
- 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 at least annually a report from the independent public accountants describing the firm s internal quality control procedures;
- 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;
- review significant internal control matters, the adequacy of the Company s system of internal controls and recommendations of the independent public accountants with respect to internal controls;
- review the internal audit charter, the scope of the annual internal audit plan and the results of internal audits;
- consult with management as to the appointment and removal of the internal auditor charged with auditing and evaluating the Company s system of internal controls;
- review in advance the type and presentation of financial information and earnings guidance provided to analysts and rating agencies;
- monitor matters related to compliance by employees with the Company s standards of business conduct policies;
- monitor policies with respect to risk assessment and risk management and initiatives to control risk exposures;
- review any disclosure made in connection with annual and quarterly certifications by the chief executive officer and chief financial officer in filed documents;
- consult with the Company s general counsel regarding significant contingencies that could impact the financial statements and regarding legal compliance matters;
- review any findings by regulatory agencies with respect to the Company s activities;
- investigate matters brought to its attention within the scope of its duties;
- engage outside consultants, independent counsel or other advisors;
- 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 of concerns regarding accounting or auditing matters;
- establish the Company s policies with respect to hiring former employees of the independent public accountants;
- consult with management on the structure and composition of the finance organization;
- review and approve all related-party transactions defined as those transactions required to be disclosed under Item 404 of Regulation S-K of the rules and regulations under the Exchange Act; and
- review annually the Committee s performance.

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 members of the Compensation and Management Development Committee (the Compensation Committee) are William R. Newlin (chair), David W. Devonshire, James E. Marley and Steven G. Rothmeier. 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 and is not eligible to participate in any of the plans or programs that are administered by the Committee. The Compensation Committee held four regularly scheduled meetings and one special meeting in fiscal year 2011. Under the terms of its charter, the Compensation Committee has the authority to:

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

- evaluate the performance of the Company s senior executives and plans for management succession and development;
- review the design and competitiveness of the Company s compensation plans and medical benefit plans, and make recommendations to the Board of Directors;
- administer the Company s incentive, deferred compensation, stock option 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 and independent counsel; and
- review annually the 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 four non-employee directors, Rhonda L. Brooks (chair), Joseph B. Anderson, Jr., Ivor J. Evans and William R. Newlin, 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 in fiscal year 2011. Under the terms of its charter, this Committee has the authority to:

- screen and recommend to the Board qualified candidates for election as directors of the Company;
- periodically prepare and submit to the Board for adoption the Committee s selection criteria for director nominees;
- recommend to the Board and management a process for new Board member orientation;
- periodically 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 outside 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 Committee s performance.

See 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 2011, the compensation consultant was Meridian Compensation Partners, LLC (a spin-off of the executive consulting portion of Hewitt Associates L.L.C.). Management has no role in determining or recommending the amount or form of director compensation.

Environmental and Social Responsibility Committee. The Environmental and Social Responsibility Committee is composed of four non-employee directors, Joseph B. Anderson, Jr. (chair), Rhonda L. Brooks, Victoria B. Jackson Bridges and James E. Marley. This Committee held two regularly scheduled meetings in fiscal year 2011. Under the terms of its charter, the Committee reviews and assesses the Company s policies and practices in the following areas and recommends revisions as appropriate: employee relations, with emphasis on equal employment opportunity and advancement; the protection and enhancement of the environment and energy resources; product integrity and safety; employee health and safety; and community and civic relations, including programs for and contributions to health, educational, cultural and other social institutions. The Committee also reviews its performance annually.

DIRECTOR QUALIFICATIONS AND NOMINATING PROCEDURES

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

The individual biographies of each of our current directors and nominees set forth above outlines each individual s specific experiences, attributes and skills that qualify that person to serve on our Board. In addition, 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 a complex organization and who represent the balanced interests of shareowners as a whole rather than those of special interest groups. Other important factors in Board composition include age, international background and experience, and specialized expertise. While the Board does not have a formal policy with respect to diversity, enhancement of 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) is also considered a positive factor. A significant majority of the Board should be directors who are not past or present employees of the Company or of a significant shareowner, customer or supplier.

In considering candidates for the Board, the Corporate Governance and Nominating Committee considers the entirety of each candidate s credentials and does not have any specific minimum qualifications that must be met by a Board nominee. The Committee is guided by the membership guidelines set forth above, and by the following basic selection criteria: 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; and no conflict of interest that would interfere with performance as a director. With respect to nomination of continuing directors for re-election, the individual s contributions to the Board are also considered.

The 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 2011, the Committee paid fees in the amount of $37,333 to Heidrick & Struggles to assist in locating Board candidates, and reimbursed search firm for expenses incurred in consideration of possible Board candidates.

Shareowners may recommend candidates for consideration by the Committee by writing to the 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 Committee evaluates the qualifications of candidates properly submitted by shareowners 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 by security holders or groups of security holders holding 5% or more of voting stock who have held such shares for over a year for election at the 2012 Annual Meeting.

DIRECTOR COMPENSATION

The following table reflects compensation for the fiscal year ended September 30, 2011* awarded to, earned by or paid to each non-employee director who served during the fiscal year. Mr. McClure did not receive any compensation for his service as a director.

Name	Fees Earned or Paid in Cash[1] ($)	Stock Awards[2,3] ($)	Total[4] ($)
Joseph B. Anderson, Jr.	94,000	79,990	173,990
Rhonda L. Brooks	92,500	79,990	172,490
David W. Devonshire	100,000	79,990	179,990
Ivor J. Evans	88,750	79,990	168,740
Victoria B. Jackson Bridges	88,750	79,990	168,740
James E. Marley	86,500	79,990	166,490
William R. Newlin	121,250	79,990	201,240
Steven G. Rothmeier	97,500	79,990	177,490

* Please note that the Company s fiscal year ends on the Sunday nearest September 30. For example, fiscal year 2011 ended on October 2, 2011, fiscal year 2010 ended on October 3, 2010 and fiscal year 2009 ended on September 27, 2009. For ease of presentation, September 30 is utilized consistently throughout this Proxy Statement to represent the fiscal year end.

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1 This column includes retainer fees, chairman fees, meeting fees and, for Mr. Newlin, the presiding director fee. This column does not include cash amounts paid in 2011 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 and restricted share units computed in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 718. Information on the assumptions used in valuation of the grants is included in Note 18 of the Notes to Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the fiscal year ended September 30, 2011 (Form 10-K), which is incorporated herein by reference. These amounts may not reflect the actual value realized upon settlement or vesting.

3 The non-employee directors held the following restricted shares of Common Stock, restricted share units and options to purchase Common Stock, granted under the 1997 Directors Stock Plan, the 2004 Directors Stock Plan or the 2010 Long-Term Incentive Plan, as amended (2010 LTIP), as applicable, at fiscal year end 2011. The Company has not granted stock options to non-employee directors since fiscal year 2003.

Name	Restricted Shares	Restricted Share Units	Stock Options
Joseph B. Anderson, Jr.	8,710	12,868	6,000
Rhonda L. Brooks	11,828	9,000	6,000
David W. Devonshire	11,460	12,868	0
Ivor J. Evans	3,868	23,567	0
Victoria B. Jackson Bridges	4,868	16,960	6,000
James E. Marley	9,816	20,828	6,000
William R. Newlin	17,039	9,000	2,250
Steven G. Rothmeier	0	27,435	0

4 Perquisites did not exceed a value of $10,000 for any director in fiscal year 2011 and are therefore not included in this table.

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 stockholders meetings. In addition, from time to time the Company invites spouses of the directors to attend as well. In such case, the Company pays for the spouse s travel and certain other non-business expenses.

The following types of compensation were earned by or paid to non-employee directors in fiscal year 2011.

Retainer Fees. Non-employee directors of Meritor receive a cash retainer at the rate of $80,000 per year for Board service. The chairs of the four 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 and Environmental and Social Responsibility Committee - $10,000. The Presiding Director receives 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 Shareowners, an equity grant equal to a value of approximately $80,000, in the form of shares of common stock, restricted stock or restricted share units, at the director s discretion. The restricted stock and restricted share units are granted under the 2010 LTIP and vest upon the earliest of (a) three years from the date of grant or (b) the date the director resigns or ceases to be a director under circumstances the Board determines not to be adverse to the best interests of the Company. Upon vesting, the holder of restricted share units is entitled to one share of Common Stock for each unit, 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 grant to directors in 2011 was made on January 20, 2011 in the amount of 3,868 shares of common stock, restricted stock or restricted share units, at the director s discretion.

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 of Common Stock 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 Meritor 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 2011, no director deferred cash payments to a later date (although one director received cash payments due to prior deferrals), and no directors elected to receive restricted shares or restricted share units in lieu of cash payments.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since October 1, 2010 (the beginning of fiscal year 2011), 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, officer 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 rules of the New York Stock Exchange. Directors and officers have a continuing duty to update the information should any changes occur during the 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 employee 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 of the rules and regulations under the Exchange Act. 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 employee 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 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 the Committee s consideration.

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 shareowners. 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 Guidelines on Corporate Governance are posted on our website, www.meritor.com, in the section headed Investors Corporate Governance . Our policies 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 requirements of the New York Stock Exchange.
- The Corporate Governance and Nominating Committee reviews the independence of each director annually.
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