

ARVINMERITOR INC
Form DEF 14A
December 16, 2005

**UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION**
Washington, D.C. 20549
SCHEDULE 14A

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**Proxy Statement Pursuant to Section 14(a) of the Securities
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Check the appropriate box:

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

ArvinMeritor, 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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**Letter to
Shareowners**

Notice of 2006 Annual Meeting and Proxy Statement

December 16, 2005

Dear Shareowner:

You are cordially invited to attend the 2006 annual meeting of shareowners of ArvinMeritor, Inc.

The meeting will be held at ArvinMeritor's World Headquarters in Troy, Michigan, on Tuesday, January 31, 2006, at 2 p.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 mark the box on your proxy card or indicate your intention to attend when voting by telephone or Internet.

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*

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

Notice of 2006 Annual Meeting of Shareowners

To the Shareowners of ARVINMERITOR, INC.:

Notice is Hereby Given that the 2006 Annual Meeting of Shareowners of ArvinMeritor, Inc. (the Company) will be held at the Company's World Headquarters at 2135 West Maple Road, Troy, Michigan 48084, on Tuesday, January 31, 2006, at 2 p.m. (Eastern Standard Time) for the following purposes:

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1. (a) to elect four members of the Board of Directors of the Company with terms expiring at the Annual Meeting in 2009;
(b) to elect one member of the Board of Directors of the Company with a term expiring at the Annual Meeting in 2007;
2. 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
3. to transact such other business as may properly come before the meeting.

Only shareowners of record at the close of business on November 25, 2005 will be entitled to notice of, and to vote at, the meeting.

By order of the Board of Directors.

Bonnie Wilkinson
Secretary

December 16, 2005

NOTE: THE BOARD OF DIRECTORS SOLICITS THE EXECUTION AND PROMPT RETURN OF THE ACCOMPANYING PROXY. A RETURN ENVELOPE IS ENCLOSED.

PROXY STATEMENT

The 2006 Annual Meeting of Shareowners of ArvinMeritor, Inc. (the Company or ArvinMeritor) will be held on January 31, 2006, for the purposes set forth in the accompanying Notice of 2006 Annual Meeting of Shareowners. The Board of Directors of ArvinMeritor is soliciting proxies to be used at the Annual Meeting and any adjournment, and is furnishing this statement and the accompanying proxy in connection with its solicitation. We are first sending this statement and the proxy to shareowners on or about December 16, 2005.

Shareowners of record may vote by (a) executing and returning a proxy in the accompanying form; (b) calling a toll-free telephone number; (c) voting via the Internet; or (d) attending the meeting and voting in person. Specific instructions for telephone and Internet voting are included on the enclosed 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 ArvinMeritor 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 25, 2005 are entitled to receive notice of, and to vote at, the meeting. On November 25, 2005, we had outstanding 70,319,888 shares of Common Stock, par value \$1 per share, of ArvinMeritor (Common Stock). Each

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holder of Common Stock is entitled to one vote for each share held.

As of November 25, 2005, T. Rowe Price Trust Company, as directed trustee under the ArvinMeritor 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 4555 Painters Mill Road Owings Mills, MD 21117	3,526,712	5.02%

Fidelity Management Trust Company, as trustee under the savings plans for participating employees of Rockwell Automation, Inc. (formerly Rockwell International Corporation, and referred to in this proxy statement as Rockwell), also owned shares of Common Stock as of November 25, 2005.

If you are a participant in any of these plans, your proxy card will also serve as a voting instruction card for the trustee of that plan with respect to shares held in your account. Shares held on account of participants in these plans will be voted by the respective trustees 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 held in the Rockwell plans will not be voted, and shares held in the ArvinMeritor plans will be voted by the trustee in the same manner and proportion as shares for which instructions are received.

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In addition, the following entities reported beneficial ownership of more than 5% of the outstanding shares of ArvinMeritor Common Stock as of December 31, 2004. This information is based on Schedules 13G and 13G/A that were filed with the Securities and Exchange Commission (SEC) on February 14, 2005.

Name and address	Number of Shares	Percent of Outstanding Common Stock
FMR Corp., Edward C. Johnson 3d, Abigail P. Johnson, Fidelity Management & Research Company and Fidelity Low Priced Stock Fund 82 Devonshire Street, Boston, MA 02109	6,933,300	9.931%
AXA, AXA Financial, Inc., AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle and AXA Courtage Assurance Mutuelle 1290 Avenue of the Americas, New York, NY 10104	3,829,035	5.5%

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 held three years later. The Company's Board of Directors currently consists of fourteen members.

Four directors are standing for re-election at the 2006 Annual Meeting as Class III directors, for terms expiring at the Annual Meeting in 2009. Richard W. Hanselman, a Class III director whose term will expire at the 2006 Annual Meeting, is standing for re-election as a Class I director for a term expiring at the Annual Meeting in 2007. The four other directors in Class I and the five directors in Class II are serving terms expiring at the Annual Meeting of Shareowners in 2007 and 2008, 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 III Nominees for Director with Terms Expiring in 2009* and *Class I Nominee for Director with a Term Expiring in 2007*, 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 of a substitute nominee, or (b) the Board of Directors would reduce the number of directors.

INFORMATION AS TO NOMINEES FOR DIRECTOR AND CONTINUING DIRECTORS

The following information, as reported to us as of the date of this proxy statement, is shown below for each nominee for director and each continuing director: name, age and principal occupation; period during which he or she has served as a director of ArvinMeritor and its predecessors, Meritor Automotive, Inc. (Meritor) and Arvin Industries, Inc. (Arvin), which merged into ArvinMeritor on July 7, 2000 (the merger); position, if any, with ArvinMeritor; business experience; other directorships held; and the committees of the Board of Directors on which the nominee or continuing director serves.

CLASS III NOMINEES FOR DIRECTOR WITH TERMS EXPIRING IN 2009

JOSEPH B. ANDERSON, JR.

Chairman of the Board and Chief Executive Officer, TAG Holdings LLC (Automotive Components)

Age 62 Mr. Anderson, a director since July 2000 and a director of Meritor from September 1997 until the merger, is a member of the Corporate Governance and Nominating Committee and the Environmental and Social Responsibility 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 and JIC Electric, 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

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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 is a director of Quaker Chemical Corporation, Rite Aid Corporation and Sierra Pacific Resources and is a trustee of Kettering University. He is also a director, trustee or member of a number of business, educational and civic organizations.

DAVID W. DEVONSHIRE

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

Age 60 Mr. Devonshire, a director since July 2004, is a member of the Audit Committee. He has been Executive Vice President and Chief Financial Officer of Motorola, Inc. since 2002. 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 (building materials and fiberglass components) 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 (public accounting), where he began his career in 1968. Mr. Devonshire serves on the board of Roper Industries and the advisory board of CFO Magazine and is a member of the Board of Trustees of the John G. Shedd Aquarium of Chicago.

VICTORIA B. JACKSON

President, Victoria Bellé, Inc. (Design, Manufacturing and Marketing of Specialty Retail Products)

Age 50 Ms. Jackson, a director since July 2000 and a director of Meritor from July 1999 until the merger, is a member of the Audit 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 is a member of various business, educational and civic organizations.

JAMES E. MARLEY

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

Age 70 Mr. Marley, a director since July 2000 and a director of Meritor from April 1999 until the merger, is Chairman 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., 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 also a director of Armstrong Holdings, Inc. and a number of business, educational and civic organizations, and is a member of a number of engineering and management professional associations.

CLASS I NOMINEE FOR DIRECTOR WITH A TERM EXPIRING IN 2007

RICHARD W. HANSELMAN

Chairman of the Board of Forward Air Corporation (Freight Transportation) and Former Chairman of the Board, Health Net, Inc. (Managed Care Provider)

Age 78 Mr. Hanselman, a director since July 2000 and a director of Arvin from 1983 until the merger, is a member of the Audit Committee and the Corporate Governance and Nominating Committee. He has served as Chairman of the Board of Forward Air Corporation since 2005. He was Chairman of the Board of Health Net, Inc. (including its predecessor, Foundation Health Corporation) from 1999 until December 2003, and he served as a director until May 2005. Earlier, Mr. Hanselman joined Genesco, Inc. (footwear and apparel) in 1980 and was named Chief Executive Officer in 1981, serving in that capacity and as

Chairman of the Board until 1986. Mr. Hanselman is also an Honorary Trustee of the Committee for Economic Development.

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 2007

RHONDA L. BROOKS

President, R. Brooks Advisors, Inc. (Business Consultant)

Age 53 Ms. Brooks, a director since July 2000 and a director of Meritor from July 1999 until the merger, is Chairman of the Environmental and Social Responsibility Committee. She is currently the President of R. Brooks Advisors, Inc., a consultant for start-up firms and an advisor for a private equity company. She served Owens Corning (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 Central Vermont Public Service Corporation and Starfire Systems, Inc.

IVOR J. EVANS

Retired Vice Chairman, Union Pacific Corporation (Rail Transportation)

Age 63 Mr. Evans has been a director since May 2005. He served as Vice Chairman of Union Pacific Corporation from January 2004 until his retirement in March 2005. He had served as President and Chief Operating Officer of Union Pacific Railroad from 1998 until January

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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 20 years serving in key operations roles for General Motors Corporation (automotive). He is also a director of Textron, Cooper Industries and Suntron Corporation and an operating partner of Thayer Capital Partners.

CHARLES G. McCLURE, JR.

Chairman of the Board, Chief Executive Officer and President of ArvinMeritor

Age 52 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 serves on the boards of various business and civic organizations.

WILLIAM R. NEWLIN

Executive Vice President and Chief Administrative Officer of Dick's Sporting Goods, Inc. (Sporting Goods)

Age 65 Mr. Newlin, a director since July 2003, is a member of the Compensation and Management Development Committee and the Corporate Governance and Nominating Committee. He has been Executive Vice

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President and Chief Administrative Officer of Dick's Sporting Goods, Inc. since October 2003. He served as Chairman and CEO of Buchanan Ingersoll Professional Corporation (law firm) from 1980 to October 2003. Mr. Newlin is the lead director of Kennametal Inc. and a director of Calgon Carbon Corporation.

CLASS II CONTINUING DIRECTORS WITH TERMS EXPIRING IN 2008

JOSEPH P. FLANNERY

Chairman of the Board, President and Chief Executive Officer, Uniroyal Holding, Inc. (Holding Company)

Age 73 Mr. Flannery, a director since July 2000 and a director of Arvin from 1991 until the merger, is Chairman of the Corporate Governance and Nominating Committee and a member of the Compensation and Management Development Committee. He is the Chairman of the Board, President and Chief Executive Officer of Uniroyal Holding, Inc., positions he has held since 1987. Mr. Flannery is a director of The Scotts Company.

WILLIAM D. GEORGE, JR.

Retired President and Chief Executive Officer, S.C. Johnson Wax (Chemical Specialty Products)

Age 73

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Mr. George, a director since July 2000 and a director of Arvin from 1994 until the merger, is Chairman of the Audit Committee and a member of the Environmental and Social Responsibility Committee. He served as President and Chief Executive Officer of S.C. Johnson Wax from 1993 until his retirement in 1997. He served in a variety of positions with S.C. Johnson Wax beginning in 1981, including Executive Vice President and Chief Operating Officer, Worldwide Consumer Products from 1988 to 1990, and President, Worldwide Consumer Products from 1990 to 1993. He is a Trustee Emeritus of Carthage College.

CHARLES H. HARFF

Retired Senior Vice President, General Counsel and Secretary of Rockwell (Electronic Controls and Communications)

Age 76 Mr. Harff, a director since July 2000 and a director of Meritor from May 1997 until the merger, is a member of the Audit Committee and the Compensation and Management Development Committee. Mr. Harff served Rockwell as Senior Vice President, General Counsel and Secretary from June 1984, when he joined the company, until November 1994. He served as Senior Vice President and Special Counsel of Rockwell from November 1994 to February 1996, and he served as a consultant to Rockwell from February 1996 to July 2001. He is a retired president and director of the Fulbright Association and a director of several charitable and civic organizations.

STEVEN G. ROTHMEIER

Chairman and Chief Executive Officer, Great Northern Capital (Investment Management Firm)

Age 59 Mr. Rothmeier, a director of ArvinMeritor since November 2004, is a member of the Corporate Governance and Nominating Committee. He is the Chairman and Chief Executive Officer of Great Northern Capital. He founded the St. Paul, Minnesota investment management firm in 1993, after serving as president of a Twin Cities venture capital and merchant banking firm from 1990 to 1993. Mr. Rothmeier began his career with Northwest Airlines, Inc. in 1973 as a corporate financial analyst and served in a number of positions of increasing leadership, including Director of Economic Planning in the Regulatory Proceedings Division; Vice President of Finance and Treasurer; Executive Vice President of Finance and Administration; Chief Financial Officer; and President and Chief Operating Officer. He was named Chairman and Chief Executive Officer of NWA, Inc. and the airline in 1985 and served in that position until 1989. He is a director of GenCorp, Inc., Precision Castparts, Inc. and Waste Management, Inc. He is also a Trustee of the University of Chicago and serves on the boards of a number of civic, business and charitable organizations.

ANDREW J. SCHINDLER

Chairman, Reynolds American (Holding Company)

Age 61 Mr. Schindler has been a director of ArvinMeritor since November 2004 and is a member of the Compensation and Management Development Committee. He has been Chairman of Reynolds American, the parent company of R. J. Reynolds Tobacco Company, Santa Fe Natural Tobacco Company and Lane

Limited (tobacco products), since it was established in July 2004, and has announced that he will retire from that position on December 31, 2005. He joined R.J. Reynolds Industries, Inc. in 1974 and after a series of positions of increasing responsibility, he was named Director of Manufacturing for Nabisco Foods Co. in 1987; Vice President of Personnel for R.J. Reynolds Tobacco in 1988; Senior Vice President, Operations for R.J. Reynolds Tobacco in 1989; Executive Vice President, Operations for R.J. Reynolds Tobacco in 1991; and President and Chief Executive Officer for R.J. Reynolds Tobacco in 1994. He served R. J. Reynolds Tobacco Holdings, Inc. as Chairman and Chief Executive Officer from 1999 to 2004. Mr. Schindler achieved the rank of captain in the U.S. Army, where he held command and staff positions in the United States and in Vietnam. He is a member of the Board of Trustees of Wake Forest University and the Board of Directors of Wake Forest University Health Sciences, and is a member of the boards of various civic and business organizations.

BOARD OF DIRECTORS AND COMMITTEES

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The Board of Directors manages or directs the management of the business of ArvinMeritor. In fiscal year 2005, the Board of Directors held five regularly scheduled meetings and three special meetings (held by teleconference). 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 2005, except Mr. Evans, who attended one of four meetings, or 25%. (Mr. Evans was elected to the Board on May 31, 2005, and only two regularly scheduled meetings were held in the remainder of the fiscal year; he was absent from one of these meetings due to a death in the family. With respect to the special meetings, he was unable to attend, but did review the advance materials for one meeting and consult with the Chairman of the Board, Chief Executive Officer and President on his views on the subject matter prior to the meeting.) ArvinMeritor encourages each director to attend the Annual Meeting of Shareowners. Thirteen of the fifteen individuals who were then directors attended the 2005 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 has determined that Ms. Brooks, Ms. Jackson, and Messrs. Anderson, Devonshire, Evans, Flannery, George, Hanselman, Harff, Marley, Newlin, Rothmeier and Schindler have no material relationship with ArvinMeritor, either directly or as a partner, shareholder or officer of an organization that has a relationship with ArvinMeritor, and are therefore independent within the meaning of the Guidelines on Corporate Governance and the New York Stock Exchange listing standards.

The Board has established four standing committees the principal functions of which are briefly described below. The charters of these committees are posted on our website, www.arvinmeritor.com, in the section headed "Investors Corporate Governance," and paper copies will be provided upon request to the Office of the Secretary, ArvinMeritor, Inc., 2135 West Maple Road, Troy, MI 48084.

Audit Committee. ArvinMeritor 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 the rules of the New York Stock Exchange. The Audit Committee is currently composed of five non-employee directors, William D. George, Jr. (chairman), David W. Devonshire, Richard W. Hanselman, Charles H. Harff and Victoria B. Jackson, each of whom meets the criteria for independence and financial literacy specified in the listing standards of the New York Stock Exchange. The Board of Directors has determined that the Company has at least one audit committee financial expert (as defined by the SEC), David W. Devonshire, serving on the Audit Committee. 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 four regularly scheduled meetings and four special meetings (held by teleconference) in fiscal year 2005.

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;

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- review the Company's annual and quarterly financial statements before their release;

- oversee the resolution of any disagreements 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;

- 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 the adequacy of the Company's system of internal controls and recommendations of the independent public accountants with respect to internal controls;

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review the internal audit charter, the scope of the annual internal audit plan, the results of internal audits and significant internal control issues;

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 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;

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; 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 five members of the Compensation and Management Development Committee (the Compensation Committee), James E. Marley (chairman), Joseph P. Flannery, Charles H. Harff, William R. Newlin and Andrew J. Schindler, are non-employee directors who meet the criteria for independence specified in the listing standards of the New York Stock Exchange and are not eligible to participate in any of the plans or programs that are administered by the Committee. The Compensation Committee held five regularly scheduled meetings and one special meeting (held by teleconference) in fiscal year 2005. 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;

review all material amendments to the Company's pension plans and make recommendations to the Board concerning these amendments;

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hire outside consultants and independent counsel; and

review annually the Committee's performance.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is currently composed of five non-employee directors, Joseph P. Flannery (chairman), Joseph B. Anderson, Jr., Richard W. Hanselman, William R. Newlin and Steven G. Rothmeier, 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 one special meeting in fiscal year 2005. 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;

administer the Company's Directors Stock Plan and 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.

Environmental and Social Responsibility Committee. The Environmental and Social Responsibility Committee is composed of four non-employee directors, Rhonda L. Brooks (chairman), Joseph B. Anderson, Jr., William D. George, Jr. and James E. Marley. This Committee held two regularly scheduled meetings in fiscal year 2005. 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.

Special Committees. In fiscal year 2005, there were two active special committees of the Board of Directors.

The Oversight Committee, composed of four non-employee directors, Richard W. Hanselman (chairman), Joseph B. Anderson, Jr., Rhonda L. Brooks and Charles H. Harff, was formed to work with management on implementation of certain strategic initiatives. The Oversight Committee held five meetings in fiscal year 2005 and was dissolved by the Board in November 2005.

The Offering Committee, composed of Charles G. McClure and two non-employee directors, Charles H. Harff and Steven G. Rothmeier, was formed to approve, within stated parameters, the pricing and other terms of debt issuances that occur in the interim

between Board meetings. The Offering Committee held two meetings during fiscal year 2005.

NOMINATING PROCEDURES

As described above, ArvinMeritor 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.arvinmeritor.com, in the section headed Investors Corporate Governance.

The Board has adopted membership guidelines that outline the desired composition of the Board 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 diversity, age, international background and experience, and specialized expertise. 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, as reflected in results of the most recent peer review of individual director performance, 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 2005, the Committee paid fees and expenses to a search firm to assist in locating Board candidates, including Messrs. Evans, Rothmeier and Schindler.

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. No candidates for Board membership have been put forward by large long-term security holders or groups of security holders for election at the 2006 Annual Meeting.

COMPENSATION OF DIRECTORS

Only non-employee directors receive compensation for Board service. Directors who are also employees of ArvinMeritor or a subsidiary do not receive compensation for serving as directors.

Retainer Fees. Non-employee directors of ArvinMeritor receive a retainer at the rate of \$45,000 per year for Board service. The Chairman of the Audit Committee receives an additional retainer of \$10,000 per year, the Chairman of the Compensation Committee receives an additional retainer of \$7,000 per year, and the Chairmen of the other two standing Board committees each receive an additional retainer of \$3,000 per year. No additional retainer is paid for service as standing committee members. In fiscal year 2005, a retainer fee of \$3,000 was paid to the Chairman, and \$1,500 was paid to each member, of the Oversight Committee.

Committee Meeting Fees. Non-employee directors receive fees of \$1,500 for attendance at each Audit Committee meeting (\$750 for each telephone meeting), and \$1,000 for attendance at each meeting of other Board committees (\$500 for each telephone meeting).

Equity-Based Awards. In fiscal year 2005, immediately after the Annual Meeting of Shareowners, each non-employee director received a grant of 4,500 restricted share units. The non-employee director elected to the Board during the period since the 2005 Annual Meeting received a *pro rata* portion of this grant. The grant to each non-employee director for fiscal year 2006 is also expected to consist of 4,500 restricted share units. Non-employee directors generally are entitled to receive dividend equivalents with respect to restricted share units.

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 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 the Common Stock on the New York Stock Exchange Composite Transactions reporting system on the date each fee payment would otherwise be made in cash.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

On October 1, 2001, Federal-Mogul Corporation filed a petition for reorganization under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court in Wilmington, Delaware, and filed for administration in the courts of the United Kingdom. Federal-Mogul stated that the purpose of its reorganization would be to separate its asbestos-related liabilities from its operating businesses. Charles G. McClure, Jr., Chairman of the Board, Chief Executive Officer and President and a director of the Company, was Chief Executive Officer of Federal-Mogul from July 2003 to July 2004, and President and Chief Operating Officer from January 2001 to July 2003.

CORPORATE GOVERNANCE AT ARVINMERITOR

ArvinMeritor 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 ArvinMeritor's shareowners. Our corporate governance guidelines are reviewed periodically by the Corporate Governance and Nominating Committee and changes are recommended to the Board for approval as appropriate. We will continue to monitor developments and review our guidelines periodically, and will modify or supplement them when and as appropriate. Our current Guidelines on Corporate Governance are posted on our website, www.arvinmeritor.com, in the section headed "Investors Corporate Governance," and paper copies will be provided upon request to the Office of the Secretary, ArvinMeritor, Inc., 2135 West Maple Road, Troy, MI 48084. 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.

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

Board Composition

Board nominees are screened and recommended by the Corporate Governance and Nominating Committee and approved by the full Board (see *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 chairmanships are normally rotated at least once every four years, with the chair of one standing committee changing each year. 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 has established term limits that provide that each director shall serve no more than 12 consecutive years, beginning the later of his initial election to the Board or the date of adoption of the provision (November 12, 2003). The Board, by affirmative vote of at

least 2/3 of the directors, may make exceptions to this provision in appropriate cases.

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.

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

Non-employee directors are required to offer not to stand for re-election if they are age 70 at the time of re-election or will reach age 70 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 are required to offer to resign or not to stand for re-election. 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.

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-management 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.

Management development and succession plans are reviewed annually, including CEO succession plans.

Board and Committee Meetings

Board and committee agenda are developed through discussions with management and Board members, and are focused on business performance and strategic issues, leadership, and recent developments.

Presentation materials are generally sent to Board and committee members for review in advance of each meeting.

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

Non-management directors meet in private executive sessions at the end of each regular Board meeting. The chair of each of the four standing committees, on a rotating basis, chairs these meetings.

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 of the business, including financial and operating information, are distributed regularly to the Board.

Board Performance and Operations

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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*.

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. These assessments are made of either the Board as a whole or each individual director. 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 each business and functional head, background materials on the Company's financial condition and business, and a facility tour.

The continuing education process for Board members includes extensive informational materials, meetings with key management and visits to Company facilities.

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 accredited by Institutional Shareholder Services. In fiscal year 2005, six directors attended such accredited seminars.

Alignment with Shareowner 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 and meeting fees in the form of restricted shares of Common Stock or restricted share units.

The Board has adopted stock ownership guidelines that require each non-employee director to own Common Stock with a market value equal to at least five times the annual cash retainer, effective on the later of five years after the director's initial election to the Board or November 12, 2006 (the date that is three years after adoption of the guidelines).

The Compensation Committee and the Board oversee employee compensation programs to assure that they are linked to performance and increasing shareowner value. The Compensation Committee also monitors compliance by Company executives with stock ownership guidelines. (See *Compensation Committee Report on Executive Compensation* below.)

Senior management meets regularly with major institutional investors and shareowners and reports to the Board on analyst and shareowner views of the Company.

CODE OF ETHICS

All ArvinMeritor employees, including our chief executive officer, chief financial officer, controller and other executive officers, are required to comply with our corporate policies regarding Standards of Business Conduct and Conflicts of Interest. The purpose of these corporate policies is to ensure to the greatest possible extent that our business is conducted in a consistently legal and ethical manner. The Audit Committee has oversight responsibility with respect to compliance by employees. The Board of Directors is also required to comply with these policies, and the Corporate Governance and Nominating Committee is responsible for monitoring compliance by directors.

Employees may submit concerns or complaints regarding ethical issues on a confidential basis to our Helpline, by means of a tol