AMERICAN AXLE & MANUFACTURING HOLDINGS INC
Form 10-K/A
March 06, 2017

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

FORM 10-K/A
(Amendment No. 1)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

or

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______

Commission file number 1-14303

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	38-3161171
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
ONE DAUCH DRIVE, DETROIT, MICHIGAN	48211-1198
(Address of principal executive offices)	(Zip Code)

313-758-2000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
COMMON STOCK, PAR VALUE $0.01 PER SHARE	NEW YORK STOCK EXCHANGE
PREFERRED SHARE PURCHASE RIGHTS, PAR VALUE $0.01 PER SHARE	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “accelerated filer”, “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act).

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
		(Do not check if small reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The closing price of the Common Stock on June 30, 2016 as reported on the New York Stock Exchange was $14.48 per share and the aggregate market value of the registrant's Common Stock held by non-affiliates was approximately $1,101.1 million.

As of February 8, 2017, the number of shares of the registrant's Common Stock, $0.01 par value, outstanding was 76,478,463 shares.

Documents Incorporated by Reference
None.

Explanatory Note

We are filing this Amendment No. 1 on Form 10-K/A (this “Amendment”) to amend our Annual Report on Form 10-K for the year ended December 31, 2016 (the “Form 10-K”), as originally filed with the United States Securities and Exchange Commission (the “SEC”) on February 10, 2017. The purpose of this Amendment is to include Part III information which was to be incorporated by reference from our definitive proxy statement for our 2017 Annual General Meeting of Shareholders in reliance on General Instruction G(3) to Form 10-K.

In accordance with Rule 12b-15 under the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), the cover page to the Form 10-K, Part III, Items 10 through 14 of our Form 10-K and Part IV of our Form 10-K are hereby amended and restated in their entirety. In addition, new certifications of our principal executive officer and principal financial officer are attached, each as of the filing date of this Amendment. This Amendment does not amend or otherwise update any other information in our 10-K. Accordingly, this Amendment should be read in conjunction with our Form 10-K and with our filings with the SEC subsequent to our Form 10-K.

As used in this report, except as otherwise indicated in information incorporated by reference, references to “our Company,” "we," "our," "us" or “AAM” mean American Axle & Manufacturing Holdings, Inc. (Holdings) and its subsidiaries and predecessors, collectively.

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Part III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers

The information required by Item 401(b), (d) (e) and (f) of Regulation S-K about our executive officers is furnished in Part I of the Form 10-K, Annual Report under the caption “Executive Officers of the Registrant.”

Directors

James A. McCaslin, 68, retired from Harley Davidson, Inc. in April 2010. Mr. McCaslin joined Harley Davidson in 1992 and held various senior executive leadership positions, including President and Chief Operating Officer of Harley-Davidson Motor Company from 2001 to 2009. From 1989 to 1992, he held manufacturing and engineering positions with JI Case, a manufacturer of agricultural equipment. Previously, he held executive positions in manufacturing and quality with Chrysler Corporation, Volkswagen of America and General Motors Corporation, where he began his 40-year career in manufacturing. From 2003 to 2006, he served on the Board of Directors of Maytag Corporation. Mr. McCaslin has served on a number of civic boards, including Boys and Girls Clubs of Greater Milwaukee, Manufacturing Skill Standards Council and Kettering University. Mr. McCaslin’s extensive operational expertise and experience in multiple manufacturing industries provide the Board with a valued resource in support of AAM’s operational objectives, which include engineering, quality and technology leadership, operational excellence and global geographic and product diversification. Mr. McCaslin has been a director since 2011 and will hold office until the 2017 annual meeting of stockholders.

William P. Miller II, CFA, 61, is Head of Asset Allocation for the Saudi Arabian Investment Company. Separately, since 2003, Mr. Miller has been a member of the Board of Directors of the Chicago Mercantile Exchange, serving on the Audit Committee, Finance Committee and Market Regulation Oversight Committee. From April 2011 to October 2013, he was the Senior Managing Director & Chief Financial Officer of Financial Markets International, Inc. From 2005 to 2011, he was employed by the Ohio Public Employees Retirement System, where he served as Deputy Chief Investment Officer. Previously, he was Senior Risk Manager for the Abu Dhabi Investment Authority and an Independent Risk Oversight Officer and Chief Compliance Officer for Commonfund Group. Mr. Miller also served as Director, Trading Operations and Asset Mix Management with General Motors Investment Management Corp. and as a financial analyst with the U.S. Department of Transportation. Mr. Miller also served on the Public Company Accounting Oversight Board’s Standing Advisory Group, the Institutional Investor Advisory Board for Golub Capital, the Board of Directors of the Dubai Mercantile Exchange and the Board of Directors of the Dubai International Financial Exchange. Mr. Miller’s expertise in finance, investments, risk management, compliance, international business, audit and accounting provides the Board with valuable guidance in assessing and managing risks and in fulfilling the Board’s financial oversight role. Mr. Miller has been a director since 2005 and will hold office until the 2017 annual meeting of stockholders.

Samuel Valenti III, 71, serves as Chairman and Chief Executive Officer of Valenti Capital LLC and World Capital Partners, investment firms located in Bloomfield Hills, Michigan. Since 2002, Mr. Valenti has served as Chairman of the Board of TriMas Corporation, a manufacturer of highly engineered precision products for industry. In June 2015, Mr. Valenti became Co-Chair of the Board of Directors of Horizon Global Corporation, a designer, manufacturer and distributor of custom-engineered towing, trailer and cargo management products. Until 2008, Mr. Valenti had a 40-year career with Masco Corporation, a Fortune 500 manufacturer of home building and home improvement products, serving as Vice President - Investments from 1974 to 1998. From 1988 to 2008, Mr. Valenti was President and a member of the Board of Directors of Masco Capital Corporation. Mr. Valenti is a member of the Business Leaders for Michigan and serves as Chairman of the Renaissance Venture Capital Fund. Mr. Valenti has demonstrated leadership skills, breadth of management experience in diversified manufacturing businesses, and highly recognized subject matter expertise in mergers and acquisitions, finance, economics and asset management. Mr. Valenti has been a director since 2013 and will hold office until the 2017 annual meeting of stockholders.

David C. Dauch, 52, is Chief Executive Officer of AAM, a position he has held since September 2012. Mr. Dauch was appointed Chairman of the Board in August 2013. From September 2012 through August 2015, Mr. Dauch served as AAM’s President & CEO. Prior to that, Mr. Dauch served as President & Chief Operating Officer (2008 - 2012) and held several other positions of increasing responsibility from the time he joined AAM in 1995. Prior to joining AAM, Mr. Dauch held several positions at Collins & Aikman Products Company, where he received the President’s Award for leadership and innovation. Mr. Dauch also served on the Collins & Aikman Board of Directors from 2002 to 2007. Presently, he serves on the boards of Business Leaders for Michigan, the Detroit Economic Club, the Detroit Regional Chamber, the Great Lakes Council Boy Scouts of America, the Boys & Girls Club of Southeast Michigan, the National Association of Manufacturers (NAM), the Original Equipment Suppliers Association (OESA), Amerisure Mutual Holdings, Inc. and the Amerisure Companies (since December 2014) and Horizon Global Corporation (since June 2015). Mr. Dauch also serves on the Miami University Business Advisory Council and the General Motors Supplier Council. Mr. Dauch’s leadership of AAM’s global business and operations provides the Board with strategic vision and insight that are vital to AAM’s strategic plans for the future. Mr. Dauch has been a director since 2009 and will hold office until the 2018 annual meeting of stockholders.

William L. Kozyra, 59, is Chairman of the Board and Chief Executive Officer of TI Automotive Ltd., a global supplier of automotive fluid storage, carrying and delivery technology. He has served as TI Automotive’s CEO since June 2008. Prior to that, Mr. Kozyra was President and CEO of Continental AG North America for 10 years. He was also a member of the Executive Board, Continental AG (DAX), Hanover, Germany, with responsibility for Continental AG’s NAFTA businesses. Previously, at ITT Automotive, he served as Vice President and General Manager, Brake and Chassis Systems North America. Prior to joining ITT Automotive, he was Vice President and General Manager of Bosch Braking Systems’ Brake Products Division. Mr. Kozyra is a member of the Board of Directors of the Motor & Equipment Manufacturers Association (MEMA), the General Motors Supplier Council, the Ford Motor Company Top 100 Supplier Forum, the Board of Trustees of the Notre Dame Preparatory School, the Boy Scouts of America Executive Board in Detroit, Michigan, the Board of Advisors of the University of Detroit and the University of Detroit Alumni Council and the Society of Automotive Engineers. Mr. Kozyra has 36 years of experience in the global automotive industry and demonstrated leadership skills and technical background in the areas of manufacturing, engineering, quality systems and sales, all of which are aligned with AAM’s business objectives. Mr. Kozyra has been a director since 2015 and will hold office until the 2018 annual meeting of stockholders.

Peter D. Lyons, 61, an attorney, is a partner and Regional Managing Partner - Americas of Freshfields Bruckhaus Deringer US LLP, which he joined in September 2014. Based in the New York office of Freshfields, Mr. Lyons represents leading U.S. and global companies in acquisitions and sales of public and private companies, asset acquisition and disposition transactions, and joint ventures. Prior to joining Freshfields, Mr. Lyons was a partner with Shearman & Sterling LLP and a member of the Mergers & Acquisitions Group based in New York, New York. Mr. Lyons practiced law at Shearman & Sterling for 35 years. Mr. Lyons has been recognized and recommended as a Mergers & Acquisitions practitioner by Chambers Global, Chambers USA, The Legal 500 US, and IFLR1000. Mr. Lyons received his law degree from Georgetown University Law Center and his Bachelor of Arts degree from the University of Virginia. From 2003 to 2014, while a partner at Shearman & Sterling, Mr. Lyons served as lead counsel to AAM and as a key advisor to the Board on legal matters. Mr. Lyons has extensive experience advising global companies and corporate boards as well as highly recognized subject matter expertise in mergers and acquisitions and other corporate transactions, corporate governance and other areas of significance to the Board. Mr. Lyons has been a director since 2015 and will hold office until the 2018 annual meeting of stockholders.

Elizabeth A. Chappell, 59, has served as President and Chief Executive Officer of the Detroit Economic Club since 2002. Previously, she served as Executive Vice President, Corporate Communications & Investor Relations for Compuware Corporation. From 1995 to 2000, Ms.Chappell was President and Chief Executive Officer of a consulting firm she founded, The Chappell Group, Inc. For 16 years, Ms. Chappell held executive positions at AT&T. From 1999 to 2009, Ms. Chappell served on the Board of Directors of the Handleman Company. She also serves on a number of civic boards, including the Michigan State University Capital Campaign, Citizens Research Council, Detroit Regional

Chamber, the United Way Board and Tocqueville Committee, and the Charter One Regional Advisory Board (Midwest). Ms. Chappell is a former board member of the Karmanos Cancer Institute, Michigan Economic Growth Authority and Hospice of Michigan. Ms. Chappell's demonstrated leadership skills, entrepreneurial business experience and service on various boards enhance her contributions to the Board in the areas of investor relations, community outreach and corporate citizenship, marketing and communications, executive compensation and strategic business development. Ms. Chappell has been a director since 2004 and will hold office until the 2019 annual meeting of stockholders.

John F. Smith, 66, is principal of Eagle Advisors LLC, a consulting firm that specializes in strategy development and performance improvement. From 2000 to 2010, Mr. Smith held positions of increasing responsibility with General Motors Corporation in sales and marketing, product planning and corporate strategy, most recently as Group Vice President, Corporate Planning and Alliances. During his 42-year career in the automotive industry, Mr. Smith also served as General Manager of Cadillac Motor Car, President of Allison Transmission, and Vice President, Planning at General Motors International Operations in Zurich, Switzerland. Mr. Smith serves on the boards of CEVA Holdings LLC (where he serves on the Executive Committee) and Covisint Corporation (where he serves as Chairman). Mr. Smith also serves as an advisor to VNG.CO, a developer of compressed natural gas refueling stations, Enginetics LLC, a fuel-injection technology start-up company, and Arnold Magnetics. Mr. Smith is a member of the National Advisory Board of Boy Scouts of America. He served on the boards of Smith Electric Vehicles Corp. (June 2012 - December 2013), Plasan Carbon Composites (December 2013 - December 2014) and Arnold Magnetics (January 2015 - September 2016). Mr. Smith's extensive experience in manufacturing, finance, business development, international operations, sales and marketing, product development and mergers and acquisitions is aligned with AAM's key business objectives, including continued global business growth and diversification. Mr. Smith has been a director since 2011 and will hold office until the 2019 annual meeting of stockholders.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines that meet or exceed the requirements of the NYSE listing standards. AAM's Corporate Governance Guidelines are available on our website at http://investor.aam.com.

Board and Committee Meetings

Directors are expected to attend all Board meetings, meetings of committees on which they serve, and stockholder meetings. Directors are expected to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. During 2016, the Board held four regularly scheduled meetings and five special meetings. All continuing directors attended 100% of the Board and applicable committee meetings during 2016, except one continuing director missed two Board meetings. No director attended less than 75% of required meetings. Overall attendance at such meetings was approximately 99%. All incumbent directors and nominees attended the 2016 annual meeting of stockholders.

The following table shows committee membership as of December 31, 2016 and the number of committee meetings held during 2016.

COMMITTEE MEMBERSHIP AS OF DECEMBER 31, 2016

Name of Director	Audit Committee	Compensation Committee	Nominating/ Corporate Governance Committee	Executive Committee	Strategy & Technology Committee
David C. Dauch				Chair	X
Elizabeth A. Chappell		Chair	X		X
William. L. Kozyra		X	X		X
Peter D. Lyons	X		X		X
James A. McCaslin		X	Chair	X	X
William P. Miller II	Chair				X
John F. Smith	X				Chair
Samuel Valenti III	X	X	X	X	X
No. of Meetings in 2016	5	4	4	—	4

Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibility with respect to:

- the quality and integrity of our financial statements;
- our compliance with legal and regulatory requirements;

- our independent auditors' qualifications and independence; and
- the performance of our internal audit function and independent auditors.

The Audit Committee's responsibilities are more fully described in its written charter, which is available on AAM's website at http://investor.aam.com.

All members of the Audit Committee are independent and financially literate under NYSE listing standards and independent under our Director Independence Guidelines. The Board has also determined that Mr. Miller and Mr. Smith are "audit committee financial experts" as defined by the Securities and Exchange Commission (SEC).

Compensation Committee

The Compensation Committee's responsibilities include the following:

- establishing and reviewing AAM's compensation philosophy and programs for executive officers;
- approving executive officer compensation that is designed to support achievement of AAM's business strategy and objectives while considering competitive market practices and stockholder interests;
- approving corporate goals and objectives for executive officer compensation and evaluating executive officer performance in light of these criteria;
- recommending incentive compensation and equity-based plans to the Board;
- overseeing management's risk assessment of the Company's policies and practices regarding its compensation programs for executive officers and other associates;
- recommending non-employee director compensation and benefits to the Board;
- overseeing the preparation of the Compensation Discussion and Analysis (CD&A) for inclusion in our annual proxy statement; and
- producing the Compensation Committee Report for inclusion in our annual proxy statement.

The Compensation Committee's responsibilities are more fully described in its written charter, which is available on our website at http://investor.aam.com.

All Compensation Committee members are independent under NYSE listing standards, including the standards applicable specifically to compensation committee members, and our Director Independence Guidelines. All Compensation Committee members are "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code and are "non-employee" directors within the meaning of SEC Rule 16b-3.

Risk Assessment of Compensation Policies and Practices

We conducted an annual risk assessment for the Compensation Committee to determine whether the risks arising from our fiscal year 2016 compensation policies and practices are reasonably likely to have a material adverse effect on the Company. The risk assessment considered, among other things, AAM's annual and long-term incentive programs and pay mix, performance measures used to calculate payouts, and pay philosophy and governance. Our annual assessment of compensation-related risks focuses on the program for executive officers in light of their decision-making authority and influence, but also includes a review of the compensation of our other salaried associates. Our risk assessment methodology was reviewed by the Compensation Committee and its independent compensation consultant, Meridian Compensation Partners, LLC (Meridian).

We have designed our compensation programs, including incentive compensation plans, with specific features to address potential risks while rewarding our executive officers and other associates for achieving long-term financial and strategic objectives through prudent business judgment and appropriate risk taking. The following elements have been incorporated in our programs for executive officers:

- A balanced mix of compensation components. The target compensation mix for our executive officers is composed of base salary, annual cash incentives and long-term equity incentives, representing a mix that is not overly weighted toward short-term cash incentives.

- Multiple performance factors. Our annual incentive and long-term incentive plans include multiple measures of performance. Our use of various performance factors diversifies the risk associated with any single aspect of performance. The performance factors and target award opportunities are established in advance by the Compensation Committee in consideration of the Company's performance goals and objectives and stockholder interests.

- Long-term incentives. Our long-term incentives are 100% equity-based and have a three-year vesting schedule, which complements our annual cash incentive plan. Sixty-six percent of long-term incentive awards to executive officers are performance-based. These awards are capped at a maximum payout.

- Stock ownership requirements. Our executive officers are required to maintain significant share ownership, which aligns their interests with those of our stockholders.

- Clawback policy. Our clawback policy authorizes the Compensation Committee to recoup past incentive compensation in the event of a material restatement of the Company's financial results due to fraud or intentional misconduct of an executive officer.

Based on our risk assessment and consideration of various mitigating factors, we concluded that the Company's compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

Role of Management in Compensation Decisions

The Compensation Committee is responsible for making compensation decisions relative to executive officers. In making these decisions, the Compensation Committee seeks and considers input from senior management. Since management has direct involvement with and in-depth knowledge of the business strategy, goals and performance of the Company, certain executive officers play an important role in the executive compensation decision-making process. Senior management participates in the Compensation Committee's activities in the following specific respects:

- The CEO provides the Compensation Committee with his evaluation of the performance of the Company's executive officers, including the other named executive officers (NEOs). The CEO and Vice President, Human Resources make compensation recommendations for executive officers, including base salary levels and the amount and mix of incentive awards.

- The CEO, Vice President & CFO and the Vice President, Human Resources develop and recommend performance objectives and targets for AAM's incentive compensation programs.

- The Vice President, Human Resources assists the Chair of the Compensation Committee in developing meeting agendas and oversees the preparation of meeting materials on the matters to be considered.

- The CEO, President, Vice President & CFO, the Vice President, Human Resources and the General Counsel, Secretary & Chief Compliance Officer regularly attend Compensation Committee meetings. Management does not attend the executive session of the Compensation Committee.

Role of Compensation Consultant

The Compensation Committee has retained Meridian as its independent compensation consultant. Meridian provides the Compensation Committee with independent advice and ongoing recommendations on compensation matters related to our executive officers and non-employee directors. Meridian also provides the Compensation Committee with competitive market data, peer group analyses and updates on compensation trends and regulatory developments.

In the course of fulfilling its responsibilities, Meridian may communicate directly with the Chair of the Compensation Committee. Meridian also meets with management to gather information, prepare materials, and review proposals to be made to the Compensation Committee. Meridian provides no other services to the Company other than those described above, and has no other direct or indirect business relationships with the Company or any of its subsidiaries or affiliates.

The Compensation Committee determined that Meridian is independent of management and that the services provided by Meridian to the Compensation Committee do not give rise to any conflicts of interest. In written correspondence to the Compensation Committee, Meridian provided detailed information addressing each of the six independence factors set forth in NYSE listing standards. In this correspondence and in communications with the Compensation Committee, Meridian affirmed its independence and that of its partners, consultants and employees who service the Compensation Committee on executive compensation matters.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee's primary responsibilities are to:

- identify qualified individuals to serve on the Board and committees;
- review our Corporate Governance Guidelines and Code of Business Conduct and recommend changes as appropriate; and
- oversee and approve the process for succession planning for the CEO and other executive officers.

The Nominating/Corporate Governance Committee's responsibilities are more fully described in its written charter, which is available on our website at http://investor.aam.com.

All members of the Nominating/Corporate Governance Committee are independent under NYSE listing standards and our Director Independence Guidelines.

Selection Process for Director Nominees. In consultation with the Chairman & CEO, the Nominating/Corporate Governance Committee identifies, evaluates and recommends potential candidates for membership on the Board. This committee conducts inquiries into the backgrounds and qualifications of the candidates and considers questions of independence and possible conflicts of interest. Based on the committee's evaluation, candidates who meet the Board's criteria may receive further consideration, which may include interviews with the committee and other directors. The committee then submits its recommendations for nominees to the Board for approval.

Before the Board nominates an incumbent director for re-election by our stockholders, the incumbent director is evaluated by the Nominating/Corporate Governance Committee and/or the Board. This evaluation is based on, among other things, each incumbent director's contributions to the activities of the Board. After consideration of each incumbent Class III director's qualifications and independence, the committee recommended that the Board nominate Mr. McCaslin, Mr. Miller and Mr. Valenti for re-election as Class III directors, each with a term expiring on the date of the 2020 annual meeting of stockholders. Upon review, the Board decided to recommend Mr. McCaslin, Mr. Miller and Mr. Valenti for re-election at the 2017 annual meeting of stockholders.

Director Qualifications. AAM's Corporate Governance Guidelines provide the qualifications for Board membership. Candidates for director nominees to the Board are reviewed in consideration of the current composition of the Board, the operating requirements of the Company and the interests of stockholders. Although specific qualifications may vary from time to time, desired qualities and characteristics include:

- high ethical character and shared values with AAM;
- high-level leadership experience and achievement at a policy-making level in business, educational or professional activities;
- breadth of knowledge of issues affecting AAM;
- the ability to contribute special competencies to Board activities, such as financial, technical, international business or other expertise, or industry knowledge;
- awareness of a director's vital role in AAM's good corporate citizenship and corporate image; and
- sufficient time and availability to effectively carry out a director's duties.

The Board as a whole should reflect the appropriate balance of knowledge, experience, skills, expertise and diversity that, when taken together, will enhance the quality of the Board's deliberations and decisions. Although the Board has no formal policy regarding diversity, the Board believes that diversity is an essential element of Board effectiveness. In this context, diversity is defined broadly to include differences in background, skills, education, experience, gender, race, national origin and culture.

The Nominating/Corporate Governance Committee considers recommendations of potential candidates from members of our Board, our Chairman & CEO and our stockholders. For director candidates recommended by stockholders, the Nominating/Corporate Governance Committee follows the procedures described below in Other Matters, Stockholder Proposals for 2017 Annual Meeting. The committee will evaluate candidates recommended by

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stockholders using substantially the same criteria that are considered in evaluating director candidates recommended by our Board members or Chairman & CEO.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Based solely on our review of these reports, and written representations from such reporting persons, we believe that the Section 16(a) filing requirements for such reporting persons were met during 2016.

Code of Business Conduct

AAM has adopted a Code of Business Conduct that is designed to assist AAM associates, executive officers and members of the Board in conducting AAM’s business with the highest standards of ethics and integrity. AAM has also adopted a Code of Ethics applicable to our CEO, CFO and other Senior Financial Executives (Code of Ethics). The Board annually reviews the Code of Business Conduct and makes updates as appropriate. AAM’s Code of Business Conduct and Code of Ethics are available on our website at http://investor.aam.com. A written copy also may be obtained by any stockholder without charge upon request to the AAM Investor Relations Department by email at investorrelations@aam.com or by mail at our corporate address above.

Item 11. Executive Compensation

Compensation Discussion and Analysis

Executive Summary

Our executive compensation program reflects an externally competitive compensation structure based on a market study of executive compensation programs in AAM's comparative peer group. In addition to attracting and retaining key executives, our program is designed to drive Company and individual performance while aligning the interests of our executives with those of our stockholders. In order to ensure that our executive compensation program drives performance in support of our strategic principles and cultural values, we regularly compare our compensation practices and governance against market best practices and consider stockholder feedback.

Named Executive Officers

Our NEOs for the fiscal year ending December 31, 2016 are:

David C. Dauch, Chairman & Chief Executive Officer;
Christopher J. May, Vice President & Chief Financial Officer;
Michael K. Simonte, President;
Alberto L. Satine, President Driveline; and
Norman Willemse, President Metal Formed Products

2016 Highlights

AAM Performance

AAM had an outstanding year in 2016. The year brought record profit and sales, operational excellence, technology advancement and a strategic initiative that will help position AAM to meet future customer and market demands. During the year, our team worked to continue to diversify our revenue base and improve our capital structure. Business diversification fueled by growth in key global vehicle segments has contributed to our record profitability and strong operating cash flow. By meaningfully strengthening the balance sheet and reducing our debt leverage, we are positioned for both organic growth initiatives and strategic opportunities. The following highlights AAM's sales and earnings before interest, taxes, depreciation and amortization (EBITDA) performance, excluding the impact of restructuring and acquisition-related costs and non-recurring items (Adjusted EBITDA). For a reconciliation of adjusted measures to measures reported under generally accepted accounting principles in the United States, see Reconciliation of Non-GAAP and GAAP Information below.

(in
millions)

In November 2016, AAM announced the proposed acquisition of Metaldyne Performance Group Inc. (MPG). The combination will bring together highly complementary businesses and form a premier, global Tier 1 supplier with

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broad capabilities across powertrain, drivetrain and driveline product lines, as well as a diversified customer base and end-markets.

Pay for Performance

AAM's compensation philosophy is to pay for performance, support the Company's business strategies and offer market competitive compensation. Our compensation programs consist of complementary elements that reward achievement of both short-term and long-term objectives. The metrics used for our incentive programs are either associated with operating performance or based upon relative total shareholder return (TSR). The 2016 incentive payouts for our NEOs reflect an overall pay-for-performance alignment as shown below. This result supports AAM's compensation objectives of rewarding performance and aligning the interests of our executive officers with those of our stockholders.
2016 Annual Incentive Performance Metrics

The graphic shown above highlights 2016 net operating cash flow and operating income margin performance, the two metrics by which NEO annual incentive awards were measured. Actual operating income margin excludes the impact of restructuring and acquisition-related costs. Net operating cash flow was adjusted to exclude cash payments for restructuring and acquisition-related costs. Based on these metrics, total NEO target annual incentive opportunity of $3.1 million resulted in total payouts of $6.2 million.

Long-Term Incentive Performance Metrics

The graphic shown above highlights cumulative EBITDA and relative TSR for the three year period ending December 31, 2016. These two metrics were used to measure performance under the 2014 long-term incentive performance share awards. Three year cumulative EBITDA excludes the impact of a settlement charge related to certain terminated vested participants under our defined benefit plans and restructuring and acquisition-related costs. Based on these metrics, the NEOs received a 0% payout on the relative TSR award and a 191% payout on the EBITDA award.

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Results of 2016 Say-on-Pay Vote

At our 2016 annual meeting, over 97% of the votes cast were in favor of the Company's say-on-pay proposal. The Compensation Committee (Committee) and the Board considered this favorable outcome as a reflection of our stockholders' strong support of the overall executive compensation program for our NEOs.

What we do....

Emphasize performance-based compensation

- A substantial majority of total direct compensation is variable and at risk
- Mix of annual and long-term incentives balances the focus between achievement of short-term results and long-term share appreciation
- Annual incentive payouts are directly linked to achievement of short-term financial measures
- Long-term incentive compensation is 66% performance based
- Long-term incentives are designed to drive the Company's long-term success, profitability and growth

Use an independent compensation consultant and peer group analysis

- Independent compensation consultant annually performs market study of pay and best practices
- Compensation consultant provides independent advice to the Compensation Committee
- Total direct compensation targeted at 50^{th} percentile of pay among our peer group

Mitigate undue risk in compensation programs

- All incentive award payouts are capped
- A risk assessment of compensation programs is performed annually
- Clawback policy ensures accountability

Enforce stock ownership requirements for executive officers

- CEO stock ownership requirements are 6 times annual base salary
- Other NEO stock ownership requirements are 2 to 3 times annual base salary

Utilize double-trigger change-in-control plan

- Severance payments and vesting of equity awards require both a change in control and a qualifying termination of employment

What we don't do....

- No hedging or pledging of Company stock

- No excise tax gross-ups

- No excessive perquisites

- No excessive change-in-control or executive severance provisions

Executive Compensation Philosophy and Objectives

The Committee determines the overall compensation philosophy of the Company. The Committee believes that the compensation paid to AAM executives should be structured to provide them with meaningful rewards, while maintaining alignment with stockholder interests, our cultural values and strategic principles. Accordingly, AAM's executive compensation program consists of a mix of base salary, annual incentive compensation and long-term incentive compensation, with limited perquisites and other personal benefits. A significant portion of total direct compensation is performance-based and contingent upon the achievement of stated Company performance goals.

Compensation Objectives. The following objectives are considered in determining compensation programs and pay levels for our NEOs:

- Compensation and benefit programs should attract, motivate and retain experienced executives who are vital to our short-term and long-term success, profitability and growth. AAM makes an effort to remain competitive by targeting pay levels of our comparative peer group while considering industry conditions and other market influences. Our compensation programs should encourage high-achieving, marketable executives to remain motivated and committed to AAM for long and productive careers.
- Compensation and benefit programs should reward Company and individual performance. Our compensation programs strive to deliver competitive compensation for exceptional individual and Company performance as compared to companies in our comparative peer group. As executives progress to higher level leadership positions, a greater portion of their compensation is linked to Company performance measured against financial and operational objectives and to stockholder returns.
- Compensation and benefit programs should foster the long-term focus required to deliver value to our stockholders. Our long-term incentive compensation program motivates executive officers to achieve our strategic objectives and deliver long-term value creation to our stockholders. Executive officers who influence long-term results have a greater proportion of their compensation tied to long-term performance.
- Total compensation opportunities should reflect each executive's level of responsibility and contribution to AAM. While the overall structure of compensation and benefit programs should be broadly similar across the Company, individual pay levels and benefit packages will reflect differences in job responsibilities, geography and marketplace considerations.
- Stock ownership requirements for executive officers should align their interests with those of our stockholders. Our stock ownership requirements align our executive officers' interests with those of stockholders and reinforce the importance of making sound long-term decisions. AAM's executive officers are required to maintain a certain level of stock ownership based on their position.

Peer Group and Compensation Benchmarking

Determination of Comparative Peer Group

The Committee uses a comparative peer group in determining competitive pay levels and compensation structure, setting incentive pay opportunities and assessing Company performance relative to its peers in support of AAM's executive compensation philosophy and objectives. The Committee annually reviews the composition of the comparative peer group and makes adjustments to reflect changes in the Company's business as well as industry and market conditions.

Our current comparative peer group consists of the following companies:

A. O. Smith Corporation	Flowserve Corporation	Tower International Inc.
BorgWarner Inc. *	Kennametal Inc.	Trinity Industries, Inc.
Briggs & Stratton	Lear Corporation *	USG Corporation
Cooper-Standard Holdings, Inc.	Meritor Inc. *	Valmont Industries, Inc.

Dana Holding Corporation *	Regal-Beloit Corporation	Visteon Corporation *
Donaldson Company, Inc.	Tenneco Automotive Inc. *	Woodward Inc.
Federal-Mogul Corporation	Terex Corporation	

* Included in our competitor peer group as disclosed in our 2016 annual report to shareholders.

Our competitor peer group also includes Autoliv Inc. and Magna International Inc.

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The Committee selected this peer group based on guidance from the Committee's independent compensation consultant, Meridian Compensation Partners, LLC. Our comparative peer group includes companies in automotive and related industries with comparable (1) revenues (between one-third and three times our revenues), (2) complexity of global business and operations and (3) market capitalization. This group also includes companies that compete with AAM for executive talent and companies included in the proxy advisory firms' peer groups. AAM's projected revenues are at approximately the median of the comparative peer group's projected revenues.

The Committee annually reviews the comparative peer group to determine the appropriateness of the peer group considering the factors noted above. Based on an updated analysis of the peer group performed by Meridian during 2016, the Committee approved certain changes to the peer group to be used in the 2017 executive compensation benchmarking analysis. The changes to the peer group resulted in removing five of the current companies and adding six new companies. AAM's projected revenues remain at approximately the median of the revised comparative peer group's projected revenues.

Compensation Benchmarking

Generally, the Committee targets total direct compensation at approximately the 50^{th} percentile of our comparative peer group. The Committee believes that this approach reflects a generally accepted benchmark of external competitiveness and supports our ability to attract and retain key executives.

Total direct compensation consists of base salary plus target annual and long-term incentive compensation. Total direct compensation for each NEO may be above or below the 50^{th} percentile of our comparative peer group based on various factors, including an individual's level of responsibility, demonstrated skills and experience, significance of position, contribution to Company performance, time in position, potential for advancement and internal pay equity considerations. The Committee generally sets performance objectives for annual and long-term incentive compensation so that targeted total direct compensation levels can be achieved only when target performance objectives are met. Consequently, actual pay may vary from targeted levels based on achieved performance against pre-established performance objectives.

Tally Sheets

Annually, the Committee reviews compensation tally sheets for each executive officer, including the NEOs. The tally sheets, which are prepared by management, provide a summary of the current amounts of each component of pay and a history of prior long-term incentive grants. The tally sheets also show estimates of potential payments and benefits that could be realized under various hypothetical termination scenarios. The tally sheets consist of information that is substantially similar to the information shown for each NEO in Potential Payments Upon Termination or Change in Control below. The Committee did not change the NEOs' compensation based on its review of this information in 2016.

Total NEO Total Direct Compensation Pay Mix

The following chart illustrates the allocation of 2016 total direct compensation components at target for our CEO and for our other NEOs as a group as of December 31, 2016. This analysis highlights the Company's emphasis on long-term and at-risk compensation.

Total NEO Compensation

For 2016, the Committee set total direct compensation for Mr. Dauch and Mr. Simonte at approximately the 50th percentile of the peer group. For Mr. May, who was appointed CFO in August 2015, the Committee set total direct compensation below the 50th percentile based on his limited time in this position. The levels of total direct compensation for Mr. Satine and Mr. Willemse were determined in consideration of internal pay equity for their positions. Accordingly, total direct compensation was set below the 50th percentile of the peer group for Mr. Satine and above the 50th percentile for Mr. Willemse.

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Components of the AAM Compensation Program

The primary components of AAM’s executive compensation program for 2016 are summarized below:

Component	Key Characteristics	Purpose
Base Salary	* Part of competitive total compensation package * Determined based on market comparative positions and individual performance, experience, time in position, professional development, contributions to the Company and internal equity considerations	* Provides base level of cash compensation for attracting and retaining executive talent
Annual Incentive Compensation	* Determined based on pre-established financial performance factors, including: - Operating income margin (50%) and - Net operating cash flow (50%)	* Provides an opportunity to earn a cash-based annual incentive award * Aligns with financial performance * Target awards vary based on position and other factors
Long-Term Incentive Compensation		
Performance Shares (66%)	* Performance Shares tie a substantial portion of total compensation to the Company's future achievement of pre-established performance goals over a three-year performance period, including: - EBITDA (33%) - Relative TSR (33%)	* Aligns the interests of executive officers with those of shareholders by providing a mix of equity compensation tied to financial and share performance * Combined with the Company's vesting and stock ownership requirements, as well as a clawback feature, equity-based awards balance the goals of encouraging sustainable results over time and reward those results with appropriate levels of actual compensation * Total target awards vary based on position and other factors
Restricted Stock Units (34%)	* Restricted Stock Units align awards with stock price performance and encourage executive retention with vesting after a three-year period	
Retirement Benefits and Deferred Compensation	* Includes qualified and nonqualified defined benefit and defined contribution plans, as well as a nonqualified retirement plan and deferred compensation plan	* Provides income upon retirement including tax-deferred methods for general savings
Perquisites	* Primarily consists of the use of a Company-provided vehicle with AAM content	* Provides a limited supplement to total direct compensation

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Base Salary. In the fourth quarter of each year, the Committee reviews base salaries for executive officers for the following calendar year. In determining 2016 base salaries for executive officers, the Committee reviewed benchmark data comparing pay levels of our executive officers with those of executives holding similar positions at companies in our comparative peer group. The Committee considered the recommendations of Mr. Dauch in determining other NEO base salaries. The Committee approved 2016 base salaries as follows:

	Base Salary		
	2016	2015	% Change
David C. Dauch	$1,150,000	$1,150,000	— %
Christopher J. May (effective March 1, 2016)	$400,000	$350,000	14 %
Michael K. Simonte	$640,000	$640,000	— %
Alberto L. Satine	$510,000	$510,000	— %
Norman Willemse	$450,000	$450,000	— %

In 2016, the Committee approved an increase to Mr. May's base salary to bring it closer the 50th percentile of the CFO positions among companies in our comparative peer group. Mr. May was appointed CFO in August 2015 and therefore, the Committee set his initial base salary below the 50th percentile subject to further review in 2016. The Summary Compensation Table shows the base salary earned in 2016 for each NEO.

Annual Incentive Compensation. Each NEO's annual incentive compensation is based on achieved results against pre-established financial targets approved by the Committee and established under AAM's Incentive Compensation Plan for Executive Officers. Payment of annual cash incentive awards is permitted to the extent the Company meets or exceeds threshold performance levels and reports positive net income. Subject to 162(m) of the Internal Revenue Code, the Committee may make discretionary adjustments if it determines that the achievement of performance targets for a plan year do not reflect the true performance of the Company due to unanticipated circumstances specified in the plan.

The table below shows the 2016 target annual incentive opportunities for our NEOs, stated as a percentage of base salary:

	Target Annual Incentive Opportunity	
	2016	2015
David C. Dauch	125%	125%
Christopher J. May	60%	54%
Michael K. Simonte	100%	88%
Alberto L. Satine	80%	68%
Norman Willemse	80%	68%

The annual incentive target opportunities for Mr. May, Mr. Simonte, Mr. Satine and Mr. Willemse were increased effective August 1, 2015 in connection with promotions to their new leadership positions.

Amendment and Restatement of Annual Incentive Plan

In February 2016, the Committee approved the use of operating income margin as an additional performance measure for annual incentives awarded under the Annual Incentive Plan for Executive Officers. The Committee selected this additional performance measure to more closely align compensation with our business strategy of exceptional operating performance. By removing the impact of financing and tax activities, this metric more effectively aligns incentive opportunities with operational performance objectives. This pre-tax earnings measure is more prevalent among companies in our comparative peer group. The plan will continue to include net income as a percentage of sales, net operating cash flow and return on invested capital as available performance measures.

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In support of the Company’s 2016 goals and objectives, the Committee approved the use of net operating cash flow and operating income margin, each with equal weighting, as the performance metrics for determining 2016 annual cash incentives. These performance metrics were selected for the following reasons:

- net operating cash flow is an important financial metric for AAM due to its impact on liquidity, debt reduction and stockholder value creation;
- increasing net operating cash flow is also key to achieving credit rating upgrades, which has a favorable impact on the Company’s cost of future financing; and
- operating income is a key indicator of financial and operational performance.

Net operating cash flow is defined as net cash provided by or used in operating activities less capital expenditures net of proceeds from the sale of property, plant and equipment and from government grants.

2016 Annual Incentive Performance

In the fourth quarter of 2015, in conjunction with a review of the Board-approved annual budget, the Committee set 2016 performance targets for the net operating cash flow and operating income margin performance metrics as follows:

	Weighting	Threshold (Payout 50%)	Target (Payout 100%)	Maximum (Payout 200%)	2016 Actual Performance
Net Operating Cash Flow	50%	$82.5 million	$110.0 million	$126.5 million	$198.6 million(1)
Operating Income Margin	50%	6.72%	8.96%	10.30%	10.31%(2)

(1) Excludes the impact of cash paid for restructuring and acquisition-related costs of $9.5 million.
(2) Excludes the impact of restructuring, acquisition-related and asset impairment costs of $26.2 million.

The target for each performance metric was set at budget. The threshold performance was set at 75% of target and the maximum performance was set at 115% of target. In determining these performance and payout levels, the Committee considered an annual incentive plan market analysis performed by Meridian that compared the Company’s performance and payout levels to those used by companies in our comparative peer group and among a broader industry group.

The Committee considered the effectiveness of the annual incentive plan design to drive desired levels of performance. The Committee concluded that the threshold performance levels should be set at a percentage of target that would drive a higher minimum level of performance, resulting in the achievement of a greater payout of 50% (previously 25%). In addition, the Committee set the maximum levels to reward exceptional performance deserving of a 200% payout. The 2016 annual incentive performance and payout levels are consistent with market practices based on Meridian’s analysis.

The operating income margin performance levels were also compared to that of our competitor peer group for the three most recent fiscal years. The target performance level was set at a level to meet the performance of the top one-third of our competitor peer group.

Based on the weighting of each performance metric, the 2016 annual incentive awards resulted in a payout of 200% of target. No discretionary increases were made to 2016 annual incentive payouts for any NEO. The annual incentive awards paid are shown in the Summary Compensation Table.

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Long-Term Incentive Compensation. The table below shows the 2016 target long-term incentive opportunities for our NEOs:

	2016 Target Long-Term Incentive Opportunity ($)(1)	%(2)
David C. Dauch	4,600,000	400%
Christopher J. May	400,000	100%
Michael K. Simonte	1,472,000	230%
Alberto L. Satine	765,000	150%
Norman Willemse	675,000	150%

(1) Amounts reflect the value the Committee considered when granting the awards for 2016. These amounts differ from the value of the awards shown in the 2016 Summary Compensation Table and Grants of Plan-Based Awards Table because those tables reflect the probable outcome of the performance metrics for the performance shares.
(2) Stated as a percentage of base salary.

Mr. Dauch's LTI opportunity was increased to 400% from 375% of base salary effective January 1, 2016. The Committee approved this increase in consideration of the Company's financial performance and Mr. Dauch's leadership in strengthening AAM's management team and advancing product technology and innovation. In addition, Mr. Dauch's LTI opportunity has been increased to 450% for 2017. In determining Mr. Dauch's 2017 LTI target and in consultation with Meridian, the Committee considered, among other factors, market data provided by Meridian, the strong leadership exhibited by Mr. Dauch in positioning AAM to achieve its strategic objectives, and the outstanding operational and financial performance of the Company in 2016.

The target LTI opportunities for Mr. May (from 60%), Mr. Simonte (from 200%), Mr. Satine (from 120%) and Mr. Willemse (from 100%) were increased for 2016 awards in connection with their appointments to new positions.

2016 Long-Term Incentives

The Committee determined the LTI program and each NEO's target LTI opportunity for 2016 in consideration of peer group data, market trends, pay-for-performance alignment and executive retention. Under the 2016 LTI program, each NEO was granted performance shares of 66% and RSUs of 34% of the NEO's target LTI value. RSU awards vest in full on the third anniversary of the grant date and are payable in shares. These awards were granted under the Amended and Restated AAM 2012 Omnibus Incentive Plan (2012 Omnibus Incentive Plan).

Performance share awards are subject to two equally weighted three-year performance metrics: (1) cumulative earnings before interest, taxes, depreciation and amortization (EBITDA) margin and (2) relative total shareholder return (TSR). The Committee selected EBITDA margin because it is a key indicator of our financial and operational performance and is useful in analyzing entity valuation. The Committee selected relative TSR because of its alignment with stock price performance. This TSR performance metric is designed to motivate executive officers to build long-term value for our stockholders. The EBITDA and relative TSR performance measures also complement the metrics we use to determine payouts under our annual incentive program.

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The following table shows the threshold, target and maximum EBITDA margin and relative TSR performance levels to be used in determining the payouts for these awards for the performance period January 1, 2016 through December 31, 2018. These performance levels were designed to drive a level of performance in the top one-half of our competitor peer group. The competitor peer group consists of companies listed above in Peer Group and Compensation Benchmarking.