STANDARD MOTOR PRODUCTS INC
Form DEF 14A
April 18, 2017

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

SCHEDULE 14-A
(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:
Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Under Rule l4a-l2

STANDARD MOTOR PRODUCTS, INC.
(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.
Fee computed on table below per Exchange Act Rules l4a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

Fee paid previously with preliminary materials.
Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

2017 Proxy Statement

and

Notice of Annual Meeting of Stockholders
To Be Held on May 18, 2017

STANDARD MOTOR PRODUCTS, INC.
37-18 Northern Blvd.
Long Island City, New York 11101

April 18, 2017

To Our Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders of Standard Motor Products, Inc. to be held at the offices of Kelley Drye & Warren LLP, 101 Park Avenue, New York, NY 10178, on Thursday, May 18, 2017 at 2:00 p.m. (Eastern Daylight Time).

At the Annual Meeting, you will be asked to: (a) elect eleven directors; (b) ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for our 2017 fiscal year; (c) consider and vote upon a non-binding, advisory resolution approving the compensation of our named executive officers; and (d) consider and vote upon a non-binding, advisory proposal as to the frequency (every one, two or three years) with which non-binding stockholder votes to approve the compensation of our named executive officers should be conducted in the future.

The formal Notice of Annual Meeting of Stockholders, the Proxy Statement and the Proxy Card are enclosed. We have also enclosed a copy of our Annual Report to Stockholders, which includes our Form 10-K for our 2016 fiscal year.

YOUR VOTE IS IMPORTANT! The Board of Directors appreciates and encourages stockholder participation in the Company's affairs and invites you to attend the Annual Meeting in person. It is important, however, that your shares be represented at the Annual Meeting, and for that reason, we ask that whether or not you expect to attend the Annual Meeting, you take a moment to complete, sign, date and return the accompanying proxy in the enclosed postage-paid envelope, or to transmit your voting instructions via the Internet or by telephone. Unless you provide specific instructions as to how to vote, brokers may not vote your shares in connection with the election of directors, the advisory vote on the compensation of our named executive officers, or the advisory proposal regarding the frequency of future non-binding stockholder votes to approve the compensation of our named executive officers.

On behalf of the Board of Directors, I would like to thank you for your continued support of the Company. I look forward to seeing you at the Annual Meeting.

Sincerely,

/s/ Lawrence I. Sills

Lawrence I. Sills
Executive Chairman of the Board

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 18, 2017—this Proxy Statement and the Annual Report are available at www.smpcorp.com under "Investor Relations—Financial Reporting—Proxy Statements" and "—Annual Reports."

STANDARD MOTOR PRODUCTS, INC.
37-18 Northern Blvd.
Long Island City, New York 11101

Notice of Annual Meeting of Stockholders
To Be Held on May 18, 2017

To Our Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of STANDARD MOTOR PRODUCTS, INC. (the "Company") will be held at the offices of Kelley Drye & Warren LLP, 101 Park Avenue, New York, NY 10178, on Thursday, May 18, 2017 at 2:00 p.m. (Eastern Daylight Time). The Annual Meeting will be held for the following purposes:

1. To elect eleven directors of the Company, all of whom shall hold office until the next annual meeting of stockholders and until their successors are duly elected and qualified;

2. To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017;

3. To consider and vote upon a non-binding, advisory resolution approving the compensation of our named executive officers;

4. To consider and vote upon a non-binding, advisory proposal regarding the frequency (every one, two or three years) with which the advisory stockholder vote to approve the compensation of our named executive officers should be conducted in the future; and

5. To transact such other business as may properly come before the Annual Meeting.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. The Board of Directors has fixed the close of business on April 7, 2017 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof.

Whether or not you plan to attend the Annual Meeting, please vote your shares by using the Internet or telephone to transmit your voting instructions, or by completing, signing and dating the enclosed proxy, which is solicited by the Board of Directors of the Company, and return the proxy in the pre-addressed envelope, to which no postage need be affixed if mailed within the United States.

By Order of the Board of Directors

/s/ Carmine J. Broccole

Carmine J. Broccole
Senior Vice President General Counsel
and Secretary

Long Island City, New York
April 18, 2017

STANDARD MOTOR PRODUCTS, INC.
37-18 Northern Blvd.
Long Island City, New York 11101

Table of Contents

Table of Contents

Table of Contents

STANDARD MOTOR PRODUCTS, INC.
37-18 Northern Blvd.
Long Island City, New York 11101

Proxy Statement for Annual Meeting of Stockholders

To Be Held on May 18, 2017

This Proxy Statement is furnished in connection with the solicitation of proxies by our Board of Directors for use at our Annual Meeting of Stockholders to be held on May 18, 2017 or at any adjournment thereof. This Proxy Statement is being distributed to shareholders on or about April 18, 2017, along with a proxy and our 2016 Annual Report.

Frequently Asked Questions About the Annual Meeting

Where and when is the Annual Meeting?

Our Annual Meeting will be held at the offices of Kelley Drye & Warren LLP, 101 Park Avenue, New York, NY 10178, on Thursday, May 18, 2017 at 2:00 p.m. (Eastern Daylight Time).

Who can vote at the Annual Meeting?

You are entitled to vote your shares of Common Stock at our Annual Meeting if you were a stockholder at the close of business on April 7, 2017, the record date for our Annual Meeting.

The total number of shares of Common Stock outstanding and entitled to vote on April 7, 2017 was 23,521,207. Holders of Common Stock have the right to one vote for each share registered in their names as of the close of business on the record date.

What is the quorum requirement for the Annual Meeting?

In order to conduct business at our Annual Meeting, our By-laws require the presence in person or by proxy of stockholders holding a majority of the outstanding shares of Common Stock entitled to vote. If a quorum is not present, a vote cannot occur, and our Annual Meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum. Proxies voted as "withheld," abstentions and broker non-votes are counted for the purpose of determining whether a quorum is present.
How do I know whether I am a registered shareholder or a beneficial shareholder?

You are a registered shareholder if your shares of Common Stock are registered directly in your name with our transfer agent, Computershare Investor Services.

You are a beneficial shareholder if your shares are held in an account at a bank, broker or other holder of record (also referred to as holding shares "in street name").

What is the effect of not casting my vote?

If you are a registered shareholder and you do not vote your shares, your shares will not be taken into consideration in determining the outcome of the matters that are acted upon.

If you are a beneficial shareholder and you do not instruct your bank or broker how to vote your shares, under the rules of the New York Stock Exchange, your bank or broker will only be able to vote your shares on the ratification of

KPMG LLP as our independent registered public accounting firm (Proposal No. 2). Your bank or broker will not be able to vote your shares on the election of directors (Proposal No. 1), the advisory resolution to approve the compensation of our named executive officers (Proposal No. 3), or the advisory proposal regarding the frequency (every one, two or three years) with which the advisory stockholder vote to approve the compensation of our named executive officers should be conducted in the future (Proposal No. 4), resulting in "broker non-votes" on those items.

Table of Contents

How do I vote my shares?

Registered shareholders may vote in one of four ways:

Vote by Mail: Complete, sign, date and return your proxy card in the enclosed postage-paid envelope.

Vote in Person: Attend the Annual Meeting, or send a personal representative with an appropriate proxy, to vote by ballot at the meeting.

Vote by Internet: Go to the website listed on your proxy card to vote by Internet. You will need to follow the instructions on your proxy card and the website.

Vote by Telephone: Call the telephone number on your proxy card to vote by telephone. You will need to follow the instructions on your proxy card and the voice prompts.

If you vote by Internet or by telephone, your electronic vote authorizes the named proxies to vote on your behalf in the same manner as if you completed, signed, dated and returned your proxy card. If you vote by Internet or by telephone, you do not need to return your proxy card.

If you are a beneficial shareholder, you will receive instructions from your bank, broker or other holder of record that you must follow in order to have your shares voted. If you wish to vote in person at the meeting, you must obtain a legal proxy from the bank, broker or other holder of record that holds your shares, and bring it, or other evidence of stock ownership, with you to the meeting.

Can I change my vote after I have voted?

Proxies are revocable at any time before they are exercised at our Annual Meeting. If you are a registered shareholder and you originally voted by mail, Internet or telephone, you may revoke your proxy by:

- completing and returning a timely and later-dated proxy card, or using the Internet or telephone to timely transmit your later voting instructions,
- appearing at our Annual Meeting and voting in person, or
- contacting Carmine J. Broccole, Secretary of the Company, at the following address to notify him that your proxy is revoked:

Standard Motor Products, Inc.
37-18 Northern Blvd.
Long Island City, NY 11101
Email: financial@smpcorp.com
Fax: 718-784-3284

If you are a beneficial shareholder, you must follow the directions provided by your bank, broker or other holder of record to change or revoke any prior voting instructions.

Table of Contents

What are my voting options and how does management recommend that I vote?

Proposal	Voting Options	Board of Director's Recommendation
1. Election of Directors	For All, Withhold All or For All Except Any Individual Nominee	For All
2. Ratification of the appointment of KPMG LLP	For, Against or Abstain	For
3. Advisory Vote on the Compensation of our Named Executive Officers	For, Against or Abstain	For
4. Advisory Vote on the Frequency of a Stockholder Vote on the Compensation of our Named Executive Officers	1 Year, 2 Years, 3 Years or Abstain	1 Year

In the absence of instructions, proxies will be voted in accordance with the recommendation of the Board of Directors of the Company with respect to Proposals No. 1 through 4, and in accordance with the best judgment of the individuals named as proxies with respect to any other matter properly brought before the meeting.

What vote is required to approve of each proposal?

Proposal No. 1: Nominees receiving a plurality of the votes cast will be elected as directors.

Proposals No. 2-4: The number of votes cast FOR (or in favor of the proposal) must exceed the number of votes cast AGAINST the proposal. Only those votes cast FOR or AGAINST a proposal will be counted to determine the results of the vote. Abstentions and broker non-votes will not count as votes cast.

Your vote on Proposals No. 3 and 4 are advisory, meaning they will not be binding on the Board of Directors or the Company; however, the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation and the frequency with which the advisory stockholder vote on executive compensation should be conducted.

Who will pay the expenses of this proxy solicitation?

The Company will pay all expenses in connection with the solicitation of proxies by our Board of Directors for use at our Annual Meeting. We will also pay banks, brokers or other holders of record their out-of-pocket and reasonable clerical expenses incurred in sending our proxy materials to beneficial owners for the purpose of obtaining their proxies.

How will the Company solicit proxies?

We will primarily solicit proxies by mail; however, certain of our directors, officers or employees may solicit by telephone, electronically or by other means of communication. Our directors, officers and employees will receive no additional compensation for any such solicitation. We do not expect to engage any paid solicitors to assist us in the solicitation of proxies.

Table of Contents

Proposal No. 1

Election of Directors

Our Board of Directors recommends that you vote FOR all of our director nominees.

At our Annual Meeting, eleven directors are to be elected to hold office until our next annual meeting of stockholders and until their successors are duly elected and qualified. All nominees are currently directors of the Company.

Information Regarding Nominees

The following paragraphs provide information, as of the date of this Proxy Statement, about each nominee. The information includes each director's age, all positions they hold, their principal occupation and business experience for at least the past five years, and the names of other publicly-held companies of which they currently serve as a director or for which they have served as a director at any time during the past five years. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our Board to the conclusion that he or she should serve as a director, we also believe that all of our director nominees have a reputation for integrity, honesty and adherence to high ethical standards. Each nominee has demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment to serve the Company and our Board. Finally, we value their significant experience on other public company boards of directors and board committees.

Each person listed below has consented to be named as a nominee and agreed to serve if elected. If any of those named are not available for election at the time of the Annual Meeting, discretionary authority will be exercised to vote for substitutes unless the Board chooses to reduce the number of directors. Management is not aware of any circumstances that would render any nominee listed below unavailable.

You can read more about the process our Nominating and Corporate Governance Committee undertook to select our director nominees on page 17 under the heading "Nominating and Corporate Governance Committee".

Lawrence I. Sills Executive Chairman of the Board Age 77 Director Since 1986	Mr. Sills has served as our Executive Chairman of the Board since March 2016, and as a director of the Company since 1986. Mr. Sills has also served as our Chairman of the Board from December 2000 to March 2016, Chief Executive Officer from December 2000 to March 2016, our President and Chief Operating Officer from 1986 to 2000, and our Vice President of Operations from 1983 to 1986. Mr. Sills is the father of Eric P. Sills, a director of the Company and our Chief Executive Officer and President. Mr. Sills holds an MBA from Harvard Business School and a BA from Dartmouth College.

Table of Contents

	We believe Mr.Sills' qualifications to serve as a director and our Executive Chairman of the Board include his wealth of experience and the business understanding that Mr. Sills has obtained from over 50 years of working in various capacities at the Company and in the automotive industry. Mr. Sills' knowledge of all aspects of the Company's business and its history, position him well to serve as our Executive Chairman. In addition, we believe Mr. Sills' qualifications to sit on our Board include his and his family's significant ownership interest in the Company, which serves to align his interests with the interests of our other stockholders, and the fact that he represents the third generation of the Sills family which established the Company in 1919.
William H. Turner Presiding Independent Director Age 77 Director Since 1990	Mr. Turner has served as our Presiding Independent Director since January 2006, and as a director of the Company since May 1990. Formerly, Mr. Turner served as a director of Ameriprise Financial, Inc., Volt Information Sciences, Inc., Franklin Electronic Publishers, Inc. and New Jersey Resources Corporation. In May 2015, Mr. Turner was elected as Chairman of the Board of Trustees of Bloomfield College, and since 1985, he has served as Chairman of the Board of Trustees of the International College, Beirut, Lebanon. From 2008 to 2010, Mr. Turner served as Acting Dean of the Business School at Montclair State University, and from 2004 to 2008, he served as the Dean of the College of Business at Stony Brook University. Mr. Turner served as the Senior Partner of Summus Ltd., a consulting firm, from 2002 to 2004. From 1997 to 2002, he served in various capacities at PNC Bank NJ, including President, Chief Executive Officer and Chairman Northeast Region. He was President and Co-Chief Executive Officer of Franklin Electronic Publishers, Inc. from 1996 to 1997. Prior to that time, he was the Vice Chairman of Chase Manhattan Bank and its predecessor, Chemical Banking Corporation. Mr. Turner completed the Advanced Management Program from Harvard Business School, and he holds an MBA from New York University and a BA from Trinity College. We believe Mr.Turner's qualifications to serve as a director and our Presiding Independent Director include his extensive executive leadership and financial and managerial experience. His service as Chief Executive Officer and Vice Chairman at several banking institutions make him a valuable asset to our Board, and has provided him with a wealth of knowledge in dealing with financial and accounting matters. The depth and breadth of his exposure to complex financial issues at other large corporations, as well as the deep understanding of our Company that he has acquired from serving on our Board for more than twenty-five years, make him a valuable advisor.
John P. Gethin Director Age 68 Director Since 2016	Mr. Gethin has served as a director of the Company since March 2016, and as our Chief Operating Officer from 2000 to March 2016, and our President from 2000 to February 2015. From 1997 to 2000, Mr. Gethin served as our Senior Vice President of Operations. From 1998 to 2003, he served as the General Manager of our Temperature Control Division. From 1995 to 1997, Mr. Gethin was our Vice President and General Manager of EIS Brake Parts Division (a former business unit of ours). Mr. Gethin holds a BBA from Texas Christian University.

Table of Contents

	We believe Mr. Gethin's qualifications to serve as a director include his extensive knowledge of our Company, and in particular, his experience developing, directing and improving upon our organizational processes and operational efficiencies for more than 16 years. Mr. Gethin has also acquired extensive knowledge of the automotive aftermarket industry, and his ability to leverage his knowledge and experience to provide unique insight to our Board makes him well qualified to serve as a member of the Board.
Pamela Forbes Lieberman Director Age 63 Director Since 2007	Ms. Forbes Lieberman has served as a director of the Company since August 2007. Ms. Forbes Lieberman also serves as a director of A.M. Castle & Co. and VWR Corporation. From March 2006 to August 2006, Ms. Forbes Lieberman served as the interim Chief Operating Officer of Entertainment Resource, Inc. Prior to such time, Ms. Forbes Lieberman served as President and Chief Executive Officer and member of the Board of Directors of TruServ Corporation (now known as True Value Company) and prior to that as TruServ's Chief Operating Officer and Chief Financial Officer. Prior to such time, Ms. Forbes Lieberman held Chief Financial Officer positions at ShopTalk Inc., The Martin-Brower Company, LLC, and Fel-Pro, Inc. and served as an automotive industry consultant. Ms. Forbes Lieberman, a Certified Public Accountant, began her career at PricewaterhouseCoopers LLP. Ms. Forbes Lieberman holds an MBA from Kellogg School of Management, Northwestern University, and a BS from the University of Illinois. We believe Ms.Forbes Lieberman's qualifications to serve as a director include her many years of executive experience, including serving as Chief Executive Officer, Chief Operating Officer and Chief Financial Officer for distribution and automotive companies. She brings demonstrated management ability at senior levels to the Board and insights into the operational requirements of a large company. In addition, her knowledge of public and financial accounting matters, logistics, and business strategy provides valuable insight to our Board.
Patrick S. McClymont Director Age 47 Director Since 2017	Mr. McClymont has served as a director of the Company since February 2017. Mr. McClymont also serves as the Executive Vice President and Chief Financial Officer of IMAX Corporation, and as a director of Volunteers of America, Greater New York Chapter. Prior to joining IMAX, Mr. McClymont served as the Executive Vice President and Chief Financial Officer of Sotheby's from October 2013 to December 2015, and as a Partner and Managing Director of Goldman, Sachs & Co., where he was a member of the Investment Banking Division from 1998 to October 2013. Mr. McClymont holds a Master of Business Administration from The Amos Tuck School, Dartmouth College, and a BA, with distinction, from Cornell University.

Table of Contents

We believe Mr. McClymont's qualifications to serve as a director include his expertise in financial matters and corporate strategy, as well as his business experience at public and private institutions in the areas of accounting, tax, treasury, finance, investor relations and risk management. His extensive knowledge in these areas, and his familiarity with the automotive industry, both domestically and abroad, make him a valuable advisor to our Board.

Joseph W. McDonnell
Director
Age 65
Director Since 2012

Mr. McDonnell has served as a director of the Company since October 2012. Mr. McDonnell is also a Professor of Public Policy and Management at the University of Southern Maine's Edmund S. Muskie School of Public Service and a Director of the University of Southern Maine's Confucius Institute. Mr. McDonnell previously served at the University of Southern Maine as Provost and Vice President of Academic Affairs from August 2014 to August 2015, and as Dean of the College of Management and Human Service from July 2011 to August 2015. Prior to his work at the University of Southern Maine, he served as Interim Dean of the College of Business at Stony Brook University and as the President and Chief Executive Officer of the New York International Commerce Group, Inc., which provides services for companies doing business in China. Mr. McDonnell holds an Executive Program Certificate from Harvard Business School, a PhD in Communications from the University of Southern California, and an MA and BA from Stony Brook University.

We believe Mr.McDonnell's qualifications to serve as a director include his significant experience in academics focusing on business administration and the development of management-level personnel, as well as the various leadership positions he held at foreign and domestic companies prior to becoming an academic administrator. His expertise in doing business in China and in consulting management on various strategic initiatives provides valuable insight to our Board.

Alisa C. Norris
Director
Age 47
Director Since 2012

Ms. Norris has served as a director of the Company since October 2012. Ms. Norris also serves as the Chief Marketing and Communications Officer at JDRF International. Prior to joining JDRF International, Ms. Norris served as the Chief Marketing Officer of R.R. Donnelley & Sons Company from April 2013 to January 2015, where she was responsible for all aspects of marketing and communications. Prior to joining R.R. Donnelley, Ms. Norris served as the Chief People Officer of Opera Solutions, LLC, a leading predictive analytics company, where she was responsible for staff operations and human capital management. Prior to Opera Solutions, Ms. Norris served as a Senior Vice President and was a founding member of Zeborg, Inc., and as a strategy consultant for A.T. Kearney and Mitchell Madison Group. Ms. Norris holds an MBA from Harvard Business School and a BA from Trinity College, where she was Phi Beta Kappa.

Table of Contents

We believe Ms. Norris' qualifications to serve as a director include her significant experience in defining and implementing corporate governance structures and growth strategies, and in developing and managing operational resources in the areas of marketing and communications. Her experience of more than 15 years of providing consulting services to financial services, information technology and media, and office technology firms makes her a valuable advisor to our Board.

Eric P. Sills Director, Chief Executive Officer & President Age 48 Director Since 2016	Mr. Sills has served as a director of the Company and our Chief Executive Officer since March 2016, and as our President since February 2015. Prior to serving as our President, Mr. Sills served as our Vice President Global Operations from January 2013 to February 2015, and our Vice President Engine Management Division from 2006 to January 2013. From 1991 to 2006, Mr. Sills served in various capacities in our Company, including as General Manager, LIC Operations, Director of Product Management, and Plant Manager, Oxygen Sensor Business Unit. He is the son of Lawrence I. Sills. Mr. Sills has completed an Advanced Management Program at Harvard Business School, and holds an MBA from Columbia University and a BA from Bowdoin College. We believe Mr. Sills' qualifications to serve as a director include his extensive knowledge of our business and its operations, and the experience that he has acquired throughout his career, having served in a variety of senior management positions across our organization and as an executive officer. In addition, we believe Mr. Sills' qualifications to serve as a director include his and his family's significant ownership interest in the Company, which serves to align his interests with the interests of our other stockholders, and the fact that he represents the fourth generation of the Sills family which established the Company in 1919.
Frederick D. Sturdivant Director Age 79 Director Since 2001	Mr. Sturdivant has served as a director of the Company since December 2001. Mr. Sturdivant is a director of Dennen Steel, an independent consultant, and serves as an Adjunct Professor at the Warrington College of Business at the University of Florida. From 2000 to 2002, Mr. Sturdivant was Chairman of Reinventures LLC. From 1998 to 2000, he was Executive Managing Director of Navigant Consulting. From 1996 to 1998, he was President of Index Research and Advisory Services, a subsidiary of Computer Sciences Corporation. Previously, he served as a director of Fel-Pro, Inc., State Savings Bank, Columbus, and The Progressive Corporation. Mr. Sturdivant holds a PhD from Northwestern University, an MBA from the University of Oregon, and a BS from San Jose State. After completing his PhD at Northwestern University, Mr. Sturdivant held professorships at the University of Southern California, the University of Texas at Austin, the Harvard Business School, and an endowed chair at Ohio State University. We believe Mr.Sturdivant's qualifications to serve as a director include his many years of experience providing strategic advisory services to complex organizations in the areas of corporate strategy, marketing, management, information technology, distribution and environmental analysis. His knowledge of corporate strategy development and his organizational acumen provide valuable insight to our Board.

Table of Contents

Richard S. Ward Director Age 76 Director Since 2004	Mr. Ward has served as a director of the Company since July 2004. Mr. Ward also serves as a member of the University of Virginia School of Law Business Advisory Council, the American Law Institute, the Association of General Counsel, and the Board of Trustees (Executive Committee) of the International College, Beirut, Lebanon. Mr. Ward is a private investor and legal consultant. In 2000, Mr. Ward served as Chairman of the Large, Complex Case Committee of the American Arbitration Association. From 1969 to 1998, he served in various legal and managerial capacities at ITT Corporation, including Executive Vice President, General Counsel and Corporate Secretary, and as a member of the ITT Management Committee. Previously, he served on the Boards of the American Arbitration Association, STC plc, a British telecommunications company, ITT Sheraton Corporation, First State Insurance Company, Boeing Industrial Technology Group Corporation, and Caesars World, Inc. Mr. Ward completed the Finance for Senior Executives program at Harvard Business School and holds an LLB from University of Virginia School of Law, and a BSME from Yale University. Mr. Ward is a member of the Bars of New York and Virginia, and is admitted to practice before the U.S. Court of International Trade and the U.S. Court of Appeals for the Federal Circuit. We believe Mr.Ward's qualifications to serve as a director include his experience as an executive officer of an international engineering and manufacturing company, and his legal and corporate governance expertise. His knowledge of the complex legal and governance issues facing multi-national companies and his understanding of what makes businesses work effectively and efficiently provide valuable insight to our Board.
Roger M. Widmann Director Age 77 Director Since 2005	Mr. Widmann has served as a director of the Company since May 2005. Mr. Widmann also serves as Chairman of Cedar Realty Trust, Inc., a real estate investment trust, and Chairman of Keystone National Group, a manger of private equity funds. He is a senior moderator of the Aspen Seminar at The Aspen Institute and the Liberty Fellowship (South Carolina), and a senior mentor of the Henry Crown Fellowship Program. Previously, Mr. Widmann served as Vice Chair of Oxfam America, as Chairman of the Board of Lydall, Inc., a manufacturing company, as a principal of Tanner & Co., Inc., an investment banking firm, and as the Senior Managing Director of Chemical Securities Inc. (now JPMorgan Chase Corporation). Mr. Widmann holds a JD from the Columbia Law School and an AB from Brown University. We believe Mr.Widmann's qualifications to serve as a director include his approximately 30 years experience in leading a manufacturing corporation as a director and Chairman and his experience as a principal of an investment banking firm. His demonstrated leadership capability and his extensive knowledge of complex financial and operational issues provide our Board with greater insight into the concerns of stockholders, investors, analysts and those in the financial community. The depth and breadth of his experience at such companies makes him a valuable advisor to our Board.

Table of Contents

Emeritus Directors of the Board of Directors

The Board of Directors has elected retired Directors, Arthur S. Sills and Peter J. Sills, to serve as emeritus members of the Board of Directors. Emeritus directors are invited to attend Board of Director meetings but do not have any voting rights. Emeritus directors may receive, at the discretion of the Board of Directors, compensation for their advisory services, reimbursement for meeting travel expenses, and coverage under our medical, dental and vision insurance plans.

Proposal No. 2

Ratification of the Appointment of KPMG LLP

Our Board of Directors recommends you vote "FOR" the ratification of KPMG as the Company's independent registered public accounting firm.

The Audit Committee of our Board of Directors plans to appoint KPMG LLP ("KPMG") as the Company's independent registered public accounting firm to audit the Company's consolidated financial statements for the 2017 fiscal year. Although the Company is not required to seek stockholder approval of this appointment, the Board believes it to be sound corporate governance to do so and is asking stockholders to ratify the appointment of KPMG. If the appointment is not ratified, the Audit Committee will investigate the reasons for stockholder rejection and will reconsider the appointment. Representatives of KPMG are expected to attend the Annual Meeting where they will be available to respond to questions and, if they desire, to make a statement.

Audit and Non-Audit Fees

The following table presents fees for professional services rendered by KPMG in the fiscal years ended December 31, 2016 and 2015.

	2016	2015
Audit fees	$1,510,850	$1,367,750
Audit-related fees(1)	199,125	61,240
Tax fees(2)	346,000	289,080
All other fees		
Total	$2,055,975	$1,718,070

(1) Audit-related fees consist principally of audits of financial statements of certain employee benefit plans.
(2) Tax fees consist primarily of U.S. and international tax compliance and planning.

Table of Contents

In accordance with its charter, the Audit Committee approves the compensation and terms of engagement of the Company's independent auditors, including the pre-approval of all audit and non-audit service fees. All of the fees paid to the Company's independent auditors described above were for services pre-approved by the Audit Committee.

Proposal No. 3

Advisory Vote on the Compensation

of Our Named Executive Officers

Our Board of Directors recommends you vote "FOR" the approval of the non-binding, advisory resolution approving the compensation of our named executive officers.

SEC rules adopted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enable our stockholders to vote, on an advisory (non-binding) basis, at the Annual Meeting to approve the compensation of our named executive officers, as disclosed in this Proxy Statement (referred to as a "say-on-pay" vote). The say-on-pay vote is an advisory vote only, and it is not binding on the Company or the Board of Directors. Although the say-on-pay vote is non-binding, the Board values the opinions of our stockholders and will consider the outcome of the vote when making future compensation decisions as it deems appropriate.

As described more fully in the "Compensation Discussion and Analysis" section, beginning on page 26 of this Proxy Statement, our executive compensation program is designed to attract, motivate and retain individuals with the skills required to formulate and drive the Company's strategic direction and achieve annual and long-term performance goals necessary to create stockholder value, while striving to avoid the use of highly leveraged incentives that may encourage overly risky short-term behavior on the part of executives. We believe that our executive compensation program is reasonable and competitive and focused on pay for performance principles.

Our Compensation and Management Development Committee establishes, recommends and governs all of the compensation and benefits policies and actions for the Company's named executive officers. We utilize a combination of base pay, annual incentives and long-term incentives. While we have generally targeted base pay to be in the median to 75% range, and each other component of executive compensation to be at or near the median range of similar-type compensation for our peer group, actual compensation of our named executive officers varies depending upon the achievement of pre-established performance goals, both corporate and individual. The annual incentive award is based both on company-wide operating financial performance (our EVA or economic value added bonus) as well as individual performance goals (our MBO or management by objective bonus), and it is limited to an annual award of 200% of the target opportunity. Through stock ownership requirements and equity incentives, we also align the interests of our executives with those of our stockholders and the Company's long-term interests. Our executive compensation policies have enabled us to attract and retain talented and experienced executives and have benefited the Company over time. We believe that the fiscal year 2016 compensation of each of our named executive officers was reasonable and appropriate and aligned with the Company's fiscal year 2016 results and achievement of the objectives of our executive compensation program.

Table of Contents

The Company also has several governance policies in place to align executive compensation with stockholder interests and mitigate risks in its plans. These programs include stock ownership guidelines, limited perquisites, use of tally sheets, and a claw back policy.

For the reasons discussed above, the Board of Directors unanimously recommends that stockholders vote in favor of the following non-binding resolution:

"RESOLVED, that the stockholders hereby APPROVE, on an advisory basis, the compensation of the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K and the other compensation disclosure rules of the Securities and Exchange Commission in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders (which disclosure includes the Compensation Discussion and Analysis, the Summary Compensation Table for 2016 and other related tables and accompanying narrative)."

Proposal No. 4

Advisory Vote on the Frequency of a

Stockholder Vote on the Compensation of Our

Named Executive Officers

Our Board of Directors recommends that you vote to approve holding the non-binding, advisory stockholder vote on the compensation of our named executive officers EVERY YEAR.

SEC rules adopted pursuant to the Dodd-Frank Act also require that we enable our stockholders to vote at least once every six years to approve, on an advisory (non-binding) basis, the frequency (every one, two or three years) with which the non-binding, advisory stockholder vote to approve the compensation of our named executive officers should be conducted in the future (referred to as a "say-on-pay" vote). In accordance with those rules, we are requesting that you vote to advise us as to whether you believe future say-on-pay votes should occur every one, two or three years, or whether you wish to abstain from voting on this proposal.

At our 2011 Annual Meeting, our stockholders expressed a preference to hold our say-on-pay vote annually. Our Board determined to accept our stockholders' expressed preference, and we have held our say-on-pay vote annually since that meeting.

Table of Contents

While our compensation philosophy and our executive compensation program promote a performance-based culture that rewards superior performance over the long-term, our Board believes that holding the say-on-pay vote annually provides us with more immediate feedback from our stockholders. Accordingly, our Board recommends that you vote to continue holding the say-on-pay vote every year.

The result of this advisory vote on the frequency of our say-on-pay vote is non-binding; however, the Board values the opinions of our stockholders, and will consider the outcome of the vote and those opinions when deciding how frequently to conduct future say-on-pay votes.

Security Ownership of Certain Beneficial Owners

and Management

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of April 7, 2017 by:

- each person who is known to the Company to be the beneficial owner of more than five percent of the Company's Common Stock;
- each director and nominee for director of the Company;
- our principal executive officer, principal financial officer, and each of our three other most highly compensated executive officers named in the Summary Compensation Table below; and
- all directors and executive officers as a group.

Name and Address	Amount and Nature of Beneficial Ownership [1]		Percentage of Class	
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	2,347,496	(2)	10	%
Royce & Associates, LP 745 Fifth Avenue New York, NY 10151	2,144,708	(3)	9.1	%
FMR LLC 245 Summer Street Boston, MA 02210	1,845,702	(4)	7.8	%
Dimensional Fund Advisors LP Palisades West, Bldg. One 6300 Bee Cave Road Austin, TX 78746	1,600,898	(5)	6.8	%
Lawrence I. Sills	758,196	(6)	3.2	%
Eric P. Sills	169,475		*	
William H. Turner	71,453		*	
Richard S. Ward	71,105		*	
Roger M. Widmann	60,610		*	
James J. Burke	56,426		*	
Carmine J. Broccole	53,349		*	

13

Table of Contents

Name and Address	Amount and Nature of Beneficial Ownership [1]	Percentage of Class
Pamela Forbes Lieberman	53,082	*
Dale Burks	52,363	*
Frederick D. Sturdivant	28,729	*
John P. Gethin	17,402	*
Joseph W. McDonnell	12,623	*
Alisa C. Norris	12,623	*
Patrick S. McClymont	1,086	*
Directors and Officers as a group (18 persons)	1,542,481	6.6 %

* Represents beneficial ownership of less than one percent of the outstanding shares of Common Stock.

(1) Applicable percentage of ownership is calculated by dividing (a) the total number of shares beneficially owned by the stockholder by (b) 23,521,207 which is the number shares of Common Stock outstanding as of April 7, 2017. Beneficial ownership is calculated based on the requirements of the Securities and Exchange Commission. Except as indicated in the footnotes to this table, the stockholder named in the table has sole voting power and sole investment power with respect to the shares set forth opposite such stockholder's name. Unless otherwise indicated, the address of each individual listed in the table is c/o Standard Motor Products, Inc., 37-18 Northern Blvd., Long Island City, New York 11101.

(2) The information for BlackRock, Inc. and certain of its affiliates ("BlackRock") is based solely on an amendment to its Schedule 13G filed with the SEC on January 9, 2017, wherein BlackRock states that it beneficially owns an aggregate of 2,347,496 shares of our Common Stock; BlackRock states that it has sole voting power for 2,302,619 shares and has sole investment power for 2,347,496 shares.

(3) The information for Royce & Associates, LP and certain of its affiliates ("Royce") is based solely on an amendment to its Schedule 13G filed with the SEC on January 18, 2017.

(4) The information for FMR LLC and certain of its affiliates ("FMR") is based solely on an amendment to its Schedule 13G filed with the SEC on February 14, 2017, wherein FMR states that it beneficially owns an aggregate of 1,845,702 shares of our Common Stock; FMR states that it has sole voting power for 10,891 shares and has sole investment power for 1,845,702 shares.

(5) The information for Dimensional Fund Advisors LP and certain of its affiliates ("Dimensional") is based solely on an amendment to its Schedule 13G filed with the SEC on February 9, 2017, wherein Dimensional states that it beneficially owns an aggregate of 1,600,898 shares of our Common Stock; Dimensional states that it has sole voting power for 1,546,256 shares and has sole investment power for 1,600,898 shares.

(6) Includes 2,812 shares of Common Stock owned by Mr. Sills' wife. For shares of stock held by his wife, Lawrence I. Sills disclaims beneficial ownership of the shares so deemed "beneficially owned" by him within the meaning of Rule 13d-3 of the Exchange Act.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who beneficially own more than ten percent of a registered class of the Company's Common Stock, to file initial reports of ownership and reports of changes in ownership of the Common Stock of the Company with the

Securities and Exchange Commission and the New York Stock Exchange. Officers, directors, and greater than ten percent stockholders are required by regulation of the Securities and Exchange Commission to furnish the Company with copies of all Section 16(a) forms they file. To the Company's knowledge, based solely upon a review of the copies of such reports furnished to the Company and written representations from our directors and executive officers that no other reports were required during the fiscal year ended December 31, 2016, the Company believes that all Section 16(a) reports required to have been filed by the Company's directors and executive officers during 2016 were timely filed, except that Frederick D. Sturdivant did not timely report one transaction on August 9, 2016, for the sale of shares of the Company's Common Stock.

Table of Contents
Corporate Governance

The Company's Board of Directors has adopted policies and procedures that the Board believes are in the best interests of the Company and its stockholders as well as compliant with the Sarbanes-Oxley Act of 2002, the rules and regulations of the Securities and Exchange Commission, and the listing standards of the New York Stock Exchange. In particular:

- The Board has adopted Corporate Governance Guidelines;
- The Board has appointed a Presiding Independent Director, who is independent under the New York Stock Exchange standards and applicable Securities and Exchange Commission rules;
- A majority of the Board and all members of each Board Committee are independent under the New York Stock Exchange standards and applicable Securities and Exchange Commission rules;
- The Board has adopted charters for each of the Committees of the Board and the Presiding Independent Director;
- The Company's Corporate Governance Guidelines provide that the independent directors meet periodically in executive session without management and that the Presiding Independent Director chairs the executive sessions;
- Interested parties are able to make their concerns known to non-management directors or the Audit Committee by e-mail or by mail (see "Communications to the Board" section below);
- The Company has a Corporate Code of Ethics that applies to all Company employees, officers and directors, and a Whistleblower Policy with a dedicated website and toll-free helpline that is operated by an independent third party and is available to any employee, supplier, customer, stockholder or other interested third party; and
- The Company has established Stock Ownership Guidelines that apply to its independent directors and executive officers.

Certain information relating to corporate governance matters can be viewed at www.smpcorp.com under "Investor Relations Governance Documents." Copies of the Company's (1) Corporate Governance Guidelines, (2) charters for the Audit Committee, Compensation and Management Development Committee, Nominating and Corporate Governance Committee, Strategic Planning Committee, and the Presiding Independent Director, and (3) Corporate Code of Ethics and Whistleblower Policy are available on the Company's website. Copies will also be provided to any stockholder free of charge upon written request to Carmine J. Broccole, Secretary of the Company, at 37-18 Northern Blvd., Long Island City, NY 11101 or via email at financial@smpcorp.com.

Table of Contents

Meetings of the Board of Directors and its Committees

In 2016, the total number of meetings of the Board of Directors, including regularly scheduled and special meetings, was eight. All of our directors attended at least 75% of the total number of meetings of the Board and the Committees on which they served during 2016. The Company requires all Board members to attend its Annual Meeting of Stockholders. All directors were present at the 2016 Annual Meeting of Stockholders held on May 19, 2016.

The Board currently has four standing committees: (1) an Audit Committee; (2) a Compensation and Management Development Committee; (3) a Nominating and Corporate Governance Committee; and (4) a Strategic Planning Committee. Each committee is comprised only of our independent directors, except that Mr. Gethin, a non-independent director, is a member of the Strategic Planning Committee. The table below describes the composition, and the current chair, of each committee.

Name	Audit Committee	Compensation and Management Development Committee	Nominating and Corporate Governance Committee	Strategic Planning Committee
Lawrence I. Sills				
William H. Turner	Chair	Member	Member	
John P. Gethin				Member
Pamela Forbes Lieberman	Member	Member	Member	Co-Chair
Patrick S. McClymont*	Member	Member	Member	Member
Joseph W. McDonnell	Member	Member	Member	Member
Alisa C. Norris	Member	Member	Member	Member
Eric P. Sills				
Frederick D. Sturdivant	Member	Member	Member	Co-Chair
Richard S. Ward	Member	Member	Chair	
Roger M. Widmann	Member	Chair	Member	Member

* Mr. McClymont was appointed to the committees described above in February 2017.

Audit Committee

The Audit Committee is responsible for: (1) recommending to the Board of Directors the engagement of the independent auditors of the Company; (2) reviewing with the independent auditors the scope and results of the Company’s audits; (3) pre-approving the professional services furnished by the independent auditors to the Company; (4) reviewing the independent auditors’ management letter with comments on the Company’s internal accounting control; and (5) reviewing management policies relating to risk assessment and risk management. The Audit

Committee held five meetings in 2016.

Table of Contents

The Board of Directors has determined that each Audit Committee member is financially literate and independent. In addition, the Board has determined that at least one member of the Audit Committee meets the New York Stock Exchange standard of having accounting or related financial management expertise. The Board has also determined that William H. Turner (the Audit Committee's Chairman), Pamela Forbes Lieberman, Patrick S. McClymont and Roger M. Widmann meet the Securities and Exchange Commission's criteria for an "audit committee financial expert."

Compensation and Management Development Committee

The Compensation and Management Development Committee's functions are to: (1) approve the compensation packages of the Company's executive officers; (2) administer the Company's equity incentive plans and other benefit plans; (3) review the Company's overall compensation policies and practices, including compensation-related risk assessments; (4) review the performance, training and development of Company management in achieving corporate goals and objectives; and (5) oversee the Company's management succession planning. The Compensation and Management Development Committee held one meeting in 2016.

The Compensation and Management Development Committee has the exclusive authority and responsibility to determine all aspects of executive compensation packages. The Committee may, at its discretion, solicit the input of our executive officers (including our Executive Chairman and our Chief Executive Officer) or any independent consultant or advisor in satisfying its responsibilities. The Committee may also, at its discretion, form and delegate authority to subcommittees, or it may delegate authority to one or more designated members of the Board or to our executive officers.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee's functions are to assist the Board in discharging and performing the duties and responsibilities of the Board with respect to corporate governance, including:

- the identification and recommendation to the Board of individuals qualified to become or continue as directors;
- the continuous improvement in corporate governance policies and practices;
- the annual self-assessment of the performance of the Board and each Committee of the Board;
- the recommendation of members for each committee of the Board; and
- the compensation arrangements for members of the Board.

Table of Contents
The Nominating and Corporate Governance Committee held two meetings in 2016. The Nominating and Corporate Governance Committee has the exclusive authority and responsibility to determine all aspects of director compensation. The Committee may solicit, in its discretion, the input of an independent consultant or advisor in satisfying its responsibilities.

Qualifications for consideration as a director nominee vary according to the particular areas of expertise being sought as a complement to the existing board composition. However, in making nominations, the Nominating and Corporate Governance Committee seeks candidates who possess: (1) the highest level of integrity and ethical character; (2) a strong personal and professional reputation; (3) sound judgment; (4) financial literacy; (5) independence; (6) significant experience and proven superior performance in professional endeavors; (7) an appreciation for Board and team performance; (8) the commitment to devote the time necessary for Board activities; (9) skills in areas that will benefit the Board; and (10) the ability to make a long-term commitment to serve on the Board.

In recommending candidates for election to the Board, the Nominating and Corporate Governance Committee considers nominees recommended by directors, officers, employees, stockholders and others, using the same criteria to evaluate all candidates. The Committee does not assign specific weights to particular criteria, and no particular criterion is necessarily applicable to all prospective nominees. The Committee reviews each candidate’s qualifications, taking into account diversity in professional experience, skills and background, as well as racial and gender diversity, to determine whether a candidate possesses any of the specific qualities and skills desirable in certain members of the Board. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates as appropriate. Upon selection of a qualified candidate, the Committee recommends the candidate for consideration by the Board. The Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees.

Stockholders may propose director candidates for consideration by the Nominating and Corporate Governance Committee. For stockholder candidates to be considered, written notice of such stockholder recommendation (a) must be provided to the Secretary of the Company not less than 45 days nor more than 75 days prior to the first anniversary of the record date for the preceding year’s annual meeting, and (b) must contain the name of any recommended candidate for director, together with a brief biographical sketch, a document indicating the candidate’s willingness to serve, if elected, and evidence of the nominating person’s ownership of Company stock. Both stockholder-proposed candidates and other candidates identified and evaluated by the Nominating and Corporate Governance Committee must comply with the above procedure and meet the qualifications for directors, as outlined in the charter of the Committee and the By-laws of the Company. To recommend a prospective nominee for the Nominating and Corporate Governance Committee’s consideration, a stockholder must submit the candidate’s name and qualifications to Carmine J. Broccole, Secretary of the Company, at 37-18 Northern Blvd., Long Island City, NY 11101.

Table of Contents

Strategic Planning Committee

The Strategic Planning Committee’s functions are to assist the Board in discharging and performing its oversight role regarding the Company’s long-term strategic planning and to give guidance to management in creating the Company’s long-term strategic plans. The Committee held two meetings in 2016.

In fulfilling its role, the Committee shall, among other things, (1) assist in the development, adoption, and modification of the Company’s current and future strategy; (2) review and assess external developments and other factors affecting the automotive aftermarket and their impact on the Company’s strategy; (3) review and assess the Company’s core competencies with regard to expanding their implementation in attractive markets beyond the automobile aftermarket; and (4) review and advise the Board and management on corporate development and growth initiatives, including acquisitions, joint ventures and strategic alliances.

Board Leadership Structure

The business of the Company is managed under the direction of the Board of Directors of the Company in the interest of the stockholders. The Board delegates its authority to senior management for managing the everyday affairs of the Company. The Board requires that senior management review major actions and initiatives with the Board prior to implementation.

Prior to March 2016, Lawrence I. Sills served in the combined roles of Chairman of the Board and Chief Executive Officer. We believed that Mr. Sills’ was uniquely qualified through his experience and expertise to serve as both Chairman of the Board and Chief Executive Officer, and that the combined roles provided a clarity of leadership that was in the best interest of our Company and its stockholders.

At the time that Eric P. Sills was promoted to our Chief Executive Officer in March 2016, we re-evaluated our board leadership structure. We determined that separating the roles of Executive Chairman of the Board and Chief Executive Officer, and having Lawrence I. Sills continue his service as our Executive Chairman, would be in the best interest of the Company and its stockholders. As our Executive Chairman, Lawrence I. Sills will continue to provide leadership to the Board, lead discussions of strategic issues for the Company, and work with the Board to define its structure and activities in fulfillment of its responsibilities. As our Chief Executive Officer and President, Eric P. Sills will focus on the day-to-day operations of our business and the implementation of our business strategy to achieve our annual and long-term strategic, financial, organizational and management goals.

Table of Contents

In addition, we believe that the use of a Presiding Independent Director (currently William H. Turner) will continue to be an important aspect of our board leadership structure as it provides independent oversight of management. The Presiding Independent Director approves Board agendas and meeting schedules to assure that there is sufficient time for discussion of all agenda items, as well as the quality, quantity and timeliness of information sent to the Board. The Presiding Independent Director also serves as the principal liaison between the Executive Chairman and the independent directors and presides at all meetings of the Board at which the Executive Chairman is not present, including executive sessions of the independent directors. The Presiding Independent Director has the authority to call meetings of the independent directors and retain outside counsel and other advisors to the extent necessary in the conduct of his duties and responsibilities. The Presiding Independent Director is expected to foster a cohesive Board that cooperates with the Executive Chairman and Chief Executive Officer towards the ultimate goal of creating stockholder value. The Presiding Independent Director is nominated by the Nominating and Corporate Governance Committee and approved by the independent directors of the Board every year, but a director may serve for one or more terms as Presiding Independent Director at the discretion of the Nominating and Corporate Governance Committee. A copy of the charter of the Presiding Independent Director can be viewed at www.smpcorp.com under "Investor Relations Governance Documents."

The Board's Role in Risk Oversight

Our Board oversees an enterprise-wide approach to risk management. The Board's role in the Company's risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company. In addition, the Board (or the appropriate Committee in the case of risks that are under the purview of a particular Committee) receives these reports to enable it to understand our risk identification, risk management and risk mitigation strategies as well as to consider what level of risk is appropriate for the Company.

The involvement of the Board in setting the Company's business strategy is a key part of its assessment of management's appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company. As part of its risk oversight function, the Board reviews risk throughout the business, focusing on financial risk, legal/compliance risk and operational/strategic risk.

While the Board has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk, including internal controls, and receives an annual risk assessment report from the Company's internal auditors. In addition to setting compensation, the Compensation and Management Development Committee strives to create incentives that encourage a level of risk-taking behavior that is consistent with the Company's business strategy.

Communications to the Board

Stockholders and other interested parties may communicate with the Board or individual directors, including the Presiding Independent Director, pursuant to the procedures established by the Nominating and Corporate Governance Committee from time to time. Correspondence intended for the Board or an individual director should be sent to the attention of the Secretary of the Company at 37-18 Northern Blvd., Long Island City, NY 11101, who will forward it to the members of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will have the discretion to distribute only such correspondence to the Board or individual members of the Board that the Committee determines in good faith has a valid business purpose or is otherwise appropriate for the Board or individual member thereof to receive.

Table of Contents

Corporate Code of Ethics

The Board of Directors of the Company has adopted a Corporate Code of Ethics to: (1) promote honest and ethical conduct, including fair dealing and the ethical handling of actual or apparent conflicts of interest; (2) promote full, fair, accurate, timely and understandable disclosure; (3) promote compliance with applicable laws and governmental rules and regulations; (4) ensure the protection of the Company's legitimate business interests, including business opportunities, assets and confidential information; and (5) deter wrongdoing. Our Corporate Code of Ethics is available at www.smpcorp.com under "Investor Relations Governance Documents."

Director Independence

The Board has affirmatively determined that each member of the Board and Committees of the Board, other than Lawrence I. Sills, Eric P. Sills and John P. Gethin, is independent. The Board made such determination based upon the definitions and criteria established by the New York Stock Exchange and the Securities and Exchange Commission for independent board members. In that regard, the Board considered whether any director has, or has had in the most recent three years, any material relationships with the Company, including any affiliation with our independent auditors. In assessing independence, the Board considers all relevant facts and circumstances. In particular, when assessing the materiality of a director's relationship with the Company, the Board considers the issue not just from the standpoint of the director, but also from that of the persons or organizations with which the director has an affiliation or family relationship.

Director Compensation

The following table sets forth the compensation paid by the Company to our non-employee directors in 2016.

Name	Fees Earned or Paid in Cash (1)	Stock Awards (2)	All Other Compensation (3)	Total
William H. Turner	$ 110,000	$ 87,250	$	$ 197,250
Pamela Forbes Lieberman	90,000	87,250	10,377	187,627
Frederick D. Sturdivant	90,000	87,250	10,374	187,624
Roger M. Widmann	90,000	87,250	532	177,782
Richard S. Ward	82,000	95,250		177,250
Joseph W. McDonnell	80,000	87,250		167,250
Alisa C. Norris	80,000	87,250		167,250
Arthur S. Sills*	15,000		13,040	28,040
Peter J. Sills*	15,000		13,040	28,040
John P. Gethin	15,000		9,780	24,780

Table of Contents

* Arthur S. Sills and Peter J. Sills served as directors until their retirement in March 2016.

(1) Includes (a) the cash portion of the annual retainer paid to non-employee directors, and (b) the annual retainer paid to each Chairperson of our Board Committees and to our Presiding Independent Director.

(2) Represents the grant date fair value of (a) the Company Common Stock awarded to our independent directors as part of their annual retainer, and (b) shares of restricted stock granted to each independent director.

The grant date fair value of stock awards is computed in accordance with ASC Topic 718. For a discussion of the valuation assumptions, see Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016.

The number of shares of Common Stock covered by outstanding (unvested) stock awards held by each independent director at December 31, 2016 are set forth below:

Name	Outstanding (Unvested) Restricted Stock Awards
William H. Turner	1,000
Pamela Forbes Lieberman	1,000
Joseph W. McDonnell	1,000
Alisa C. Norris	1,000
Frederick D. Sturdivant	1,000
Richard S. Ward	1,000
Roger M. Widmann	1,000

No directors held option awards outstanding at December 31, 2016.

(3) Represents the applicable COBRA premiums for medical, dental and vision insurance plan coverage provided to any director less contributions paid by such director.

For 2016, each independent director received an annual cash retainer of $80,000, and each other director who was not an employee received an annual cash retainer of $15,000. Any portion of the cash retainer awarded to our independent directors may be taken in Company Common Stock at the discretion of the director. In 2016, Mr. Ward elected to receive $8,000 of his cash retainer in Company Common Stock, which is included in the figure for him in the “Stock Awards” column in the Director Compensation table above.

In addition, in 2016, each independent director received an award of Common Stock valued at $55,000, based on the fair market value of the Company’s Common Stock as of the date of issuance, and a restricted stock award under the 2016 Omnibus Incentive Plan covering 1,000 shares of Common Stock with a grant date fair market value of $32.25, for a total of $32,250. These amounts are included in the “Stock Awards” column in the Director Compensation table above. The restricted stock awards granted to our independent directors vest one year after the grant date, so long as the director remains continuously in office. In the event of a merger of the Company or sale of all or substantially all of the Company’s assets, vesting of all of the shares of restricted stock will accelerate, and such shares will become fully vested. Independent directors were also eligible to receive other types of awards under our 2016 Omnibus Incentive Plan, but such awards were discretionary.

Table of Contents

In 2016, William H. Turner received additional annual retainers of $20,000 and $10,000 for his services as our Presiding Independent Director and Chairman of the Audit Committee, respectively. Pamela Forbes Lieberman and Frederick D. Sturdivant (Co-Chairpersons of the Strategic Planning Committee), Richard S. Ward (Chairman of the Nominating and Corporate Governance Committee), and Roger M. Widmann (Chairman of the Compensation and Management Development Committee) each received an additional annual retainer of $10,000 for their services as Chairperson or Co-Chairperson of their respective Committee. In addition, Pamela Forbes Lieberman, Arthur S. Sills, Peter J. Sills, Frederick D. Sturdivant and Roger M. Widmann were covered under the Company's medical, dental or vision plans.

Lawrence I. Sills, serving as our Executive Chairman, and Eric P. Sills, serving as our Chief Executive Officer and President during fiscal year 2016, received no payment for the fulfillment of their directorial responsibilities (see the Summary Compensation Table for disclosure regarding Lawrence Sills' and Eric Sills' executive officer compensation).

In 2016, the Nominating and Corporate Governance Committee engaged the consulting firm, Chernoff Diamond & Co., LLC, to conduct a study of director compensation utilizing comparable peer groups to benchmark the Company's director compensation program. Based on the results of this study and other available information, the Committee determined that our director compensation program, as described above, is reasonable and appropriate, and recommended to the Board that it continue without modification. Prior to the engagement, the Committee considered factors that could affect the independence of Chernoff Diamond & Co., LLC, including any business or personal relationships between the consultant and the members of the Committee, and the fact that the consultant provides no services to the Company other than that which it provides under its engagement with the Committee. Based on this review, the Committee determined that the engagement would not create any conflicts of interest.

Policy on Poison Pills

The Company does not have a poison pill and is not presently considering the adoption of such a device. If the Company were ever to adopt a stockholder rights agreement, the Company would seek prior stockholder approval, unless due to time constraints or other reasons, the Board, in the exercise of its fiduciary responsibilities, determines that it would be in the best interests of stockholders to adopt a stockholder rights agreement before obtaining stockholder approval. If the Board were ever to adopt a stockholder rights agreement without prior stockholder approval, the Board would submit such agreement to stockholders for ratification within one year.

Compensation Committee Interlocks and Insider Participation

All members of the Compensation and Management Development Committee during 2016 were independent directors, and none of them were employees or former employees of the Company. During 2016, no executive officer of the Company served on the compensation committee (or equivalent) or the board of directors of another entity whose executive officers served on the Company's Compensation and Management Development Committee or Board of Directors.

Table of Contents

Management Information

All of our officers are appointed by our Board of Directors. The following table sets forth information about our officers as of the date of this Proxy Statement:

Lawrence I. Sills Executive Chairman of the Board Age 77	Mr. Sills has served as our Executive Chairman of the Board since March 2016, and as a director of the Company since 1986. Mr. Sills has also served as our Chairman of the Board from December 2000 to March 2016, Chief Executive Officer from December 2000 to March 2016, our President and Chief Operating Officer from 1986 to 2000, and our Vice President of Operations from 1983 to 1986. Mr. Sills is the father of Eric P. Sills, a director of the Company and our Chief Executive Officer and President. Mr. Sills holds an MBA from Harvard Business School and a BA from Dartmouth College.
Eric P. Sills Director, Chief Executive Officer, President & Member of the Office of Chief Executive Age 48	Mr. Sills has served as our Chief Executive Officer and as a director of the Company since March 2016, and as our President since February 2015. Prior to serving as our President, Mr. Sills served as our Vice President Global Operations from January 2013 to February 2015, and our Vice President Engine Management Division from 2006 to January 2013. From 1991 to 2006, Mr. Sills served in various capacities in our Company, including as General Manager, LIC Operations, Director of Product Management, and Plant Manager, Oxygen Sensor Business Unit. He is the son of Lawrence I. Sills. Mr. Sills has completed an Advanced Management program at Harvard Business School, and holds an MBA from Columbia University and a BA from Bowdoin College.
James J. Burke Executive Vice President Finance, Chief Financial Officer & Member of the Office of Chief Executive Age 61	Mr. Burke has served as our Executive Vice President Finance since March 2016 and our Chief Financial Officer since 1999. Prior to his appointment as our Executive Vice President Finance, Mr. Burke served as our Vice President Finance from 1999 to March 2016, our Director of Finance and Chief Accounting Officer from 1998 to 1999, and our Corporate Controller from 1993 to 1997. Mr. Burke has completed an Executive Education program at Ross School of Business, University of Michigan, and holds an MBA from University of New Haven, and a BBA from Pace University.
Dale Burks Executive Vice President and Chief Commercial Officer & Member of the Office of Chief Executive Age 57	Mr. Burks has served as our Executive Vice President and Chief Commercial Officer since March 2016. Prior to his current appointment, Mr. Burks has served as our Vice President Global Sales and Marketing from January 2013 to March 2016, our Vice President Corporate Sales and Marketing from November 2011 to January 2013, our Vice President Temperature Control Division from 2006 to November 2011, our General Manager – Temperature Control Division from 2003 to 2006, and in various capacities throughout our Company from 1984 to 2003, including as our Director – Sales & Marketing, Regional Manager and Territory Manager. Mr. Burks has completed Executive Education programs at Ross School of Business, University of Michigan, and Kellogg School of Management, Northwestern University, and holds a BS from Oregon State University.

Table of Contents

Carmine J. Broccole Senior Vice President General Counsel & Secretary Age 51	Mr. Broccole has served as our Senior Vice President General Counsel since March 2016 and as our Secretary since 2006. Mr. Broccole has also served as our Vice President General Counsel from 2006 to March 2016, and as our General Counsel from 2004 to 2006. Prior to such time, Mr. Broccole was a Partner of Kelley Drye & Warren LLP. Mr. Broccole holds a JD from Stanford Law School and a BA from Cornell University, and is a member of the Bars of New York and California.
Ray Nicholas Vice President Information Technology & Chief Information Officer Age 53	Mr. Nicholas has served as our Vice President Information Technology since 2006 and as our Chief Information Officer since February 2013. From 1990 to 2006, Mr. Nicholas served as the Manager and Director of Information Systems for our Temperature Control Division. Mr. Nicholas completed the Automotive Aftermarket Professional program at University of the Aftermarket, Northwood University, and an Executive Education program at University of Virginia, Darden School of Business, and holds a BS from Northeast Louisiana University.
Thomas S. Tesoro Vice President Human Resources Age 62	Mr. Tesoro has served as our Vice President Human Resources since 2006. From 1999 to 2006, Mr. Tesoro served as Senior Vice President of Human Resources for Vertrue Inc. Prior to such time, he served in a variety of senior human resources related positions for a number of Fortune 500 companies. Mr. Tesoro holds a JD from Fordham University School of Law and a BS from Fordham University, and is a member of the Bar of New York.
William J. Fazio Chief Accounting Officer Age 62	Mr. Fazio has served as our Chief Accounting Officer since 2008. From 2007 to 2008, Mr. Fazio served as our Director, Corporate Accounting. From 2001 to 2007, he served as the Corporate Controller and Chief Accounting Officer of Hexcel Corporation. Prior to that time, Mr. Fazio served as Vice President, Controller of Kodak Polychrome Graphics. Mr. Fazio holds an MBA from Hofstra University and a BS from St. John’s University. Mr. Fazio is also a Certified Public Accountant.
Erin Pawlish Treasurer Age 41	Ms. Pawlish has served as our Treasurer since November 2015. Prior to her appointment as our Treasurer, Ms. Pawlish served as our Financial Director from January 2013 to November 2015, and as a Senior Manager at KPMG LLP from September 1998 to December 2012. Ms. Pawlish holds a BBA from Pace University. Ms. Pawlish is also a Certified Public Accountant.

Table of Contents

Office of Chief Executive

The Company has established the Office of Chief Executive to strengthen the executive management structure of the Company. The Office of Chief Executive is primarily responsible for the development of policy, strategy and quality assurance, and the provision of leadership. Its functions also include: (a) supporting and providing timely and quality advice to the Chief Executive Officer; (b) promoting the policies of the Company; and (c) improving communications between management, customers, the Board, stockholders and other stakeholders. The Office of Chief Executive is comprised of: (1) Eric P. Sills, our Chief Executive Officer and President; (2) James J. Burke, our Executive Vice President Finance and Chief Financial Officer; and (3) Dale Burks, our Executive Vice President and Chief Commercial Officer.

Compensation Discussion and Analysis

Overview

In this section of our Proxy Statement, we discuss the material components of our compensation program for our "named executive officers." Under SEC rules, our named executive officers for fiscal year 2016 were: Lawrence I. Sills, Executive Chairman and former Chief Executive Officer; Eric P. Sills, Chief Executive Officer and President; James J. Burke, Executive Vice President Finance and Chief Financial Officer; Dale Burks, Executive Vice President and Chief Commercial Officer; and Carmine J. Broccole, Senior Vice President General Counsel and Secretary.

In this section of our Proxy Statement, we also discuss: (a) our financial and business performance for fiscal year 2016 and its impact on our decisions relating to executive compensation; (b) the primary responsibilities of our Compensation and Management Development Committee (referred to as our "Compensation Committee"); (c) our executive compensation philosophy and the overall objectives of our executive compensation program; (d) the process followed by our Compensation Committee in arriving at specific compensation policies and decisions; (e) the various components of our compensation package and the reasons that we provide each component; (f) the factors considered by our Compensation Committee in arriving at its compensation decisions for 2016; and (g) some additional compensation-related topics.

The Compensation Committee is comprised exclusively of independent directors. In performing its duties, the Compensation Committee may, in its discretion, solicit the input of any of our executive officers (including our Executive Chairman and our Chief Executive Officer), any of our other employees, or any independent consultant or advisor.

Table of Contents

Summary of 2016 Financial and Business Performance

Our consolidated net sales for 2016 were $1,058.5 million, an increase of $86.5 million compared to $972 million in 2015; our gross margins, as a percentage of consolidated net sales, increased to 30.5% for 2016, compared to 28.9% for 2015; and our net earnings for 2016 were $60.4 million, an increase of $14.4 million compared to $46 million in 2015. The Compensation Committee considered these financial results and other factors in determining the total compensation paid to our named executive officers in 2016, as compared to 2015.

2016 Executive Compensation Actions

Our Compensation Committee took into account a number of factors in determining executive compensation for 2016, including our financial and business results, individual performance and competitive data. In light of these considerations, the Compensation Committee made the following executive compensation decisions in fiscal year 2016:

- Established fiscal year 2016 management performance, or management by objective ("MBO"), goals under our annual cash incentive bonus plan, including: (a) completing the acquisition of General Cable Corporation's North American automotive ignition wire business, and achieving planned milestones relating to operations, savings and integration, and (b) successfully implementing plant rationalization initiatives.

- Awarded base salary pay increases to our named executive officers that reflected the individual performance and, in some cases, increased responsibilities of our executives.

- Approved annual cash incentive awards in the amount of 183% of target levels, reflecting the achievement of MBO goals.

- Granted annual awards of restricted stock and performance shares to our named executive officers that were consistent with our compensation philosophy and the Compensation Committee's assessment of individual performance and expected future contributions.

- Granted long-term restricted stock to certain of our named executive officers as a long-term retention tool, and announced its intention to reduce the number of long-term restricted stock granted to our executive officers in 2017, primarily as a result of the strong performance in the price of our Common Stock.

We believe that our executive compensation program is reasonable, competitive and focused on pay for performance principles. We emphasize compensation opportunities that reward our executives when they successfully achieve strategic objectives. The compensation of our named executive officers varies depending upon the achievement of pre-established performance goals, both individual and corporate. Through stock ownership requirements and equity incentives, we also align the interests of our executives with those of our stockholders and the long-term interests of the Company. We have not engaged in any of the most frequently criticized pay practices such as re-pricing of stock options or SARs without stockholder approval, excessive perquisites or tax gross-ups, or agreements with change-in-control provisions unreasonably favorable to our executives. Our executive compensation policies have enabled the Company to attract and retain talented and experienced executives and have benefited the Company over time. We believe that the compensation earned by each of our named executive officers in 2016 was reasonable and appropriate and aligned with the Company's financial results and achievement of the objectives of our executive compensation program.

Table of Contents

Say-on-Pay Vote

In compliance with the Dodd-Frank Act, we included a non-binding, advisory stockholder vote in our 2016 Proxy Statement to approve the compensation paid to our named executive officers in 2015 (referred to as a "say-on-pay" vote).

Our say-on-pay proposal was approved by approximately 98% of the votes cast at our 2016 annual meeting of stockholders. The Compensation Committee views this result as confirmation that our compensation program, including our emphasis on pay-for-performance, is structured and designed in alignment with shareholder interests. We will continue to emphasize pay-for-performance alignment, and our compensation program for the named executive officers reflects this philosophy.

Because our stockholders expressed a preference for an annual say-on-pay vote, our stockholders have the opportunity at our 2017 Annual Meeting to vote on a non-binding, advisory basis, to approve the compensation paid to our named executive officers in 2016.

Primary Responsibilities of our Compensation Committee

Our Compensation Committee is responsible for, among other things:

- reviewing the overall goals, policies, objectives and structure of our executive compensation and benefit programs and assessing whether any of the components thereof may present unreasonable risks to the Company;
- approving the compensation packages of the Company's Chief Executive Officer and our other executive officers; and
- administering our equity incentive plans.

Compensation Philosophy and Primary Objectives

Philosophy. The Compensation Committee is responsible for establishing and reviewing the overall compensation philosophy of the Company. The Compensation Committee believes that the compensation paid to executives should be structured to provide our executives with meaningful rewards, while maintaining alignment with stockholder interests, corporate values and management's strategic initiatives.

In accordance with this philosophy, the Compensation Committee believes that the executive compensation program should consist of a mix of base salary, annual cash incentive compensation, long-term incentive compensation (that may include cash or equity components, in the Compensation Committee's discretion), perquisites and other benefits.

Table of Contents

The Compensation Committee uses its judgment and discretion in establishing compensation and strives to avoid the use of highly leveraged incentives that may drive overly risky short-term behavior on the part of executives. Our equity programs, combined with our executive share ownership requirements, reward long-term stock performance. In particular, our contingent performance share awards, which vest only at the end of a three-year performance period, reward longer-term financial and operating performance.

Objectives. The Compensation Committee generally considers the following objectives in establishing compensation programs and setting pay levels:

- providing the Company with the ability to attract, motivate and retain exceptional talent whose abilities and leadership skills are critical to the Company's long-term success;

- maintaining a significant portion of each executive's total compensation at risk, tied to achievement of annual and long-term strategic, financial, organizational and management performance goals, that are intended to improve stockholder return;

- providing variable compensation incentives directly linked to the performance of the Company and improvement in stockholder return so that executives manage from the perspective of owners with an equity stake in the Company;

- ensuring that our executives hold Company Common Stock to align their interests with the interests of our stockholders; and

- ensuring that compensation and benefit programs are both fair and competitive in consideration of each executive's level of responsibility and contribution to the Company and reflect the size and financial resources of the Company in order to maintain long-term viability.

Compensation Process

How We Set Compensation. On an annual basis, the Compensation Committee reviews and approves the compensation of our named executive officers, including the amounts of salary, cash incentive awards and equity-based compensation provided to each executive. In determining total executive compensation packages, the Compensation Committee generally considers various measures of Company and industry performance including revenue, operating income, gross margin and total stockholder return. The Compensation Committee does not assign these performance measures relative weights. The Compensation Committee considers these performance measures as good indicators of Company performance and exercises its business judgment in determining compensation after considering all of these measures, collectively, as well as taking into account the market data and peer group information discussed below.

The Compensation Committee also evaluates the total compensation of each executive, and each element of compensation separately, to ensure that it will be effective in motivating, retaining and incentivizing the executive. The Compensation Committee's evaluation takes into consideration, among other factors, each executive's individual performance, both in general and against specific goals and targets established for the executive, and the desire to maintain internal pay equity and consistency among our executives.

Table of Contents

Our named executive officers generally participate in the same executive compensation plans and arrangements available to our other executive officers; however, the contingent annual cash incentive awards and performance share awards utilize targets that are based upon the Company’s achievement of short-term and long-term strategic goals.

The Compensation Committee divides executive officers into three separate categories for the purposes of establishing the levels of cash and equity incentive awards. Each category consists of one or more officers who are grouped together for incentive compensation purposes and receive the same target incentive awards. For example, with respect to our annual restricted stock awards in 2016, our Executive Chairman, Chief Executive Officer, Chief Financial Officer and Chief Commercial Officer were in the first category; our Senior Vice President General Counsel was in the second category; and our other executives were in the third category. One purpose of the categories is to equalize incentive opportunities for individuals with similar levels of responsibility. This practice is intended to improve internal pay equity among our executives. Considerations of internal pay equity among executives are also factored into the Compensation Committee’s consideration of the market data and peer group information discussed below with respect to base salary and target bonus compensation.

Benchmarking. In establishing total compensation for our executives, the Compensation Committee generally targets the median of the market, which it considers to be equivalent to the domestic market for executive talent within US industrial companies with gross revenues in the approximate range of $500 million to $1 billion. Our Vice President Human Resources conducts periodic benchmark reviews within the above-referenced market of the aggregate level of executive compensation, as well as the mix of elements used to compensate executive officers at such companies, and provides this market data to the Compensation Committee for its consideration. The Compensation Committee believes that compensation targeted at the median of the market reflects consideration of our stockholders’ interests in paying what is necessary, but not significantly more than necessary, to achieve our corporate goals.

In addition, the Compensation Committee also reviews the practices of specific peer group companies to compare the Company’s compensation programs with other manufacturing companies of comparable size and stature. Our Executive Chairman, our Chief Executive Officer and other members of management provide input on the selection of the peer group companies, and the Compensation Committee makes the final determination of which companies to include. Executive compensation information for the market data and peer group companies is compiled by management from proxy statements and other public filings, as well as surveys and other databases to which we subscribe, such as those from Aon Hewitt and ADP. The Compensation Committee may, from time to time, engage an independent consultant to establish comparable peer groups to benchmark the Company’s executive compensation program. However, the Compensation Committee did not engage an independent consultant to review executive compensation in 2016.

Table of Contents

Our Compensation Committee believes that benchmarking is a useful tool because it is a reflection of the market in which we compete for talent and provides credibility for our compensation programs with both our employees and our stockholders. The Compensation Committee also reviews this information for context and a frame of reference for decision-making; but it is not the sole source of information on which executive compensation is determined. Other factors such as internal equity, individual and business performance, and the perceived degree of alignment between the job duties of our executive with the benchmark job description to which his or her compensation is being compared are also considered.

Role of Management. The Compensation Committee seeks and considers input from senior management in many of its decisions. Annually, our Executive Chairman and our Chief Executive Officer review with the Compensation Committee annual salary, annual incentive plan targets and long-term incentive compensation for each of our executives (excluding our Executive Chairman and our CEO). In addition, following the end of each fiscal year, our Executive Chairman and our Chief Executive Officer evaluate each executive officer’s performance for the prior fiscal year (other than his own performance) and discusses the results of his evaluations with the Compensation Committee. Other members of the Office of Chief Executive also assist in the evaluations for those officers reporting to them. In addition to considering an individual’s attainment of the business goals and objectives established for him or her by the Compensation Committee for the prior year, the Executive Chairman’s and Chief Executive Officer’s evaluations of each executive officer’s performance may be based in part upon subjective factors, including the Executive Chairman’s and Chief Executive Officer’s evaluations of the contributions made by the executive officer to the Company’s overall results and achievement of its strategic goals. These evaluations include consideration of the level of responsibility of each executive officer and the percentage of total Company revenue and/or expense that each individual officer is responsible for, where applicable. The Executive Chairman and the Chief Executive Officer then make specific recommendations to the Compensation Committee for adjustments of base salary and incentive plan targets as part of the compensation package for each executive officer (other than himself) for the next fiscal year.

The Compensation Committee reviews the performance of the Executive Chairman and the Chief Executive Officer and determines the compensation for all executive officers for the next fiscal year, considering the recommendations from the Executive Chairman and the Chief Executive Officer, as well as the benchmark and peer group information described above and any other information available to it that it considers relevant. The Compensation Committee discusses the recommendations of the Executive Chairman and the Chief Executive Officer in executive session without any members of management present and may modify the Executive Chairman’s and the Chief Executive Officer’s recommendations when approving final compensation packages.

Tally Sheets. When reviewing executive compensation, the Compensation Committee has historically reviewed management-provided materials which highlight the base salary, target cash incentive award, and actual cash incentive award to each of our executive officers for prior fiscal years. The Compensation Committee uses this information to review compensation trends, to compare increases or decreases year over year, and to ensure that compensation decisions are made with a view to the total compensation package awarded to each executive officer over time. No specific weight is assigned by the Compensation Committee to the tally sheets or any specific items which may appear on such tally sheets.

Table of Contents

Risk Management Considerations. As mentioned earlier, the Compensation Committee strives to avoid the use of highly leveraged incentives that may drive overly risky short-term behavior on the part of executives. The Compensation Committee structures our cash incentive awards and equity incentive awards as highlighted below to promote the creation of long-term value and discourage behavior that may lead to excessive risk:

- The Company's annual Economic Value Added ("EVA") cash incentive award (as more fully described under "Elements of Compensation – Annual Cash Incentive Awards" below) is designed to align executive compensation to continuous improvements in corporate performance and increases in stockholder value. EVA is calculated based on the year-to-year difference in net operating profit after tax, less a charge for the cost of capital. Cash incentive awards under this program are tied to EVA, such that increasing EVA year over year, which is favorable for the Company's stockholders, are also made favorable for those executives whose compensation is based on EVA. In addition, an executive's EVA cash incentive award is capped on an annual basis at 200% of the applicable target, no matter how much financial performance exceeds the range established for the award, thereby limiting the incentive for excessive risk-taking. However, any EVA cash incentive award in excess of the 200% target may be carried forward into the following year, subject to the risk of forfeiture depending upon the following year's EVA performance. In addition, since cash incentive awards tied to EVA are based on overall corporate performance, rather than individual performance, the ability of an individual executive to increase his own compensation through excessive risk taking is constrained.

- EVA awards represent 70% of an executive's total potential cash incentive awards in any year. Individual performance, or MBO bonuses (as more fully described under "Elements of Compensation – Annual Cash Incentive Awards" below), which are based upon the achievement of individual goals and objectives, and thus are more susceptible to individual risk taking, represent only 30% of an executive's total potential cash incentive awards, thus reducing the incentive for any executive to take excessive risks.

- The measures used to determine whether performance share awards vest are based on at least three years of financial performance. The Compensation Committee believes that the longer performance period encourages executives to attain sustained performance over several years, rather than performance in a single annual period.

- Restricted stock awards generally vest at the end of a three year or longer period and an executive must hold any vested restricted stock for an additional two-year period following vesting pursuant to the terms of our Stock Ownership Guidelines, thereby encouraging executives to look to long-term appreciation in equity values.

Table of Contents

Elements of Compensation

Base Salary. The Compensation Committee generally reviews base salaries for executive officers at the beginning of each fiscal year. Annual salary is based upon an evaluation of each individual's performance, an executive's level of pay compared to that for similar positions at peer group companies, the responsibilities of the position, the experience of the individual, internal pay equity considerations, and Company performance. Base salaries may also be adjusted at the time of a promotion, upon a change in level of responsibilities, or when competitive circumstances may require review.

We believe that our base salaries are an important element of our executive compensation program because they provide our executives with a steady income stream that is not contingent upon our overall performance or stockholder return. We believe that maintaining base salary amounts generally in the median to 75% range of our peer group minimizes competitive disadvantage, while avoiding paying amounts in excess of what we believe to be necessary to motivate executives to meet corporate goals.

Annual Cash Incentive Awards. The Compensation Committee utilizes annual cash incentive awards to reward each of our executive officers when the executive officer achieves certain individual performance objectives (or MBO goals), and when we achieve certain company-level financial objectives under our EVA program. Our annual cash incentive awards are designed to more immediately reward our executives for their performance during the most recent year. We believe that the immediacy of these cash awards, in contrast to our equity awards which vest over a three year or longer period of time, provide a significant incentive to our executives to achieve their respective individual objectives and, thus, our company-level objectives. We believe our cash awards are an important motivating factor for our executives, in addition to being a significant factor in attracting and retaining our executives.

Our cash incentive awards utilize a target that is a percentage of each executive officer's total cash compensation for the fiscal year. The target is set at levels that are approximately 25% - 39% of an executive's expected total cash compensation for the year. They are set at levels which, assuming achievement of 100% of the applicable target amount, the Compensation Committee believes are likely to result in an annual cash award at or near the median for target cash awards in the market. Actual awards may be higher or lower, however, based upon the degree of achievement of MBO and EVA goals.

MBO. At the beginning of each year, the Compensation Committee reviews and approves a detailed set of individual MBO goals for each executive (which are generally aligned with the Company's short-term and long-term strategic goals) initially prepared by management. At the beginning of the following year, the Compensation Committee determines, in its discretion, with the input of the Executive Chairman and Chief Executive Officer, the level of achievement of each MBO goal by each executive during the prior year and the percentage of the target MBO award earned by each executive. The target MBO award represents 30% of an executive's total target cash incentive award for the applicable year.