

STONERIDGE INC  
Form DEF 14A  
April 04, 2019

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

## SCHEDULE 14A

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

Filed by the Registrant    
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 Pursuant to §240.14a-12

## Stoneridge, Inc.

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.  
 Fee computed on table below per Exchange Act Rules 14a-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:  
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(1) Amount Previously Paid:

Not Applicable

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

Not Applicable

(3) Filing Party:

Not Applicable

(4) Date Filed:

Not Applicable

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**STONERIDGE, INC.**  
**39675 MacKenzie Drive, Suite 400**  
**Novi, Michigan 48377**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

We invite you to attend our 2019 Annual Meeting of Shareholders (the Annual Meeting ) on Tuesday, May 14, 2019, at 11:00 a.m. Eastern Time, at our corporate headquarters, 39675 MacKenzie Drive, Suite 400, Novi, Michigan 48377.

The purpose of the Annual Meeting is to consider and take action on the following matters:

1. Election of eight directors, each for a term of one year;
2. Ratification of Ernst & Young LLP as our independent registered public accounting firm for 2019;
3. Advisory approval of executive compensation; and
4. Any other business as may be properly brought before the Annual Meeting.

Only shareholders of record at the close of business on March 22, 2019, the record date, are entitled to notice of and to vote at the Annual Meeting. We urge you to vote your shares on the Internet, by toll-free telephone call or, if you have requested a paper copy of our proxy materials, by signing, dating and returning the proxy card in the envelope provided.

By order of the Board of Directors,

THOMAS M. DONO, Jr.,  
*Chief Legal Officer and Secretary*

Dated: April 4, 2019

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 14, 2019:**

**This Proxy Statement and the Company's 2018 Annual Report to Shareholders are also available at [www.envisionreports.com/sri](http://www.envisionreports.com/sri).**

**YOUR VOTE IS IMPORTANT.  
PLEASE VOTE YOUR SHARES PROMPTLY ON THE  
INTERNET, BY TOLL-FREE TELEPHONE  
CALL OR, IF YOU HAVE REQUESTED A PAPER COPY  
OF OUR PROXY MATERIALS, BY SIGNING,  
DATING AND RETURNING THE PROXY CARD IN THE  
ENVELOPE PROVIDED.**

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# 2019 Proxy Statement

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## STONERIDGE, INC. 2019 Proxy Statement Summary

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

We are furnishing to our shareholders these proxy materials, which include this Proxy Statement and our 2018 Annual Report to Shareholders, by providing access to them on the Internet at [www.envisionreports.com/sri](http://www.envisionreports.com/sri). On or about April 4, 2019 we began mailing shareholders a Notice of Internet Availability of Proxy Materials (the "Notice") containing important information, including instructions on how to access the proxy materials online and how to vote your shares over the Internet. If you receive a Notice, you will not receive a paper or e-mail copy of the proxy materials unless you request one in the manner set forth in the Notice.

The Board of Directors is soliciting proxies in connection with the 2019 Annual Meeting of Shareholders and encourages you to read the Proxy Statement and vote your shares by Internet, by telephone or by mailing your proxy card or voting instruction form.

### Stoneridge, Inc. 2019 Annual Meeting Information

Date and Time: Tuesday, May 14, 2019, at 11:00 a.m. Eastern Time

Location: Stoneridge, Inc., 39675 MacKenzie Drive, Suite 400, Novi, MI 48377

Record Date: March 22, 2019

Voting: Shareholders as of the record date are entitled to vote. Each common share is entitled to one vote for each Director nominee and one vote for each of the other proposals presented for a vote.

### Matters to be Considered:

Management Proposals	Board Vote Recommendation	Page (for more information)
<u>1.</u>	<u>FOR ALL</u>	<u>5</u>
<u>Elect eight directors named in this Proxy Statement</u>		
<u>2.</u>	<u>FOR</u>	<u>9</u>
<u>Ratify the appointment of Ernst &amp; Young LLP</u>		
<u>3.</u>	<u>FOR</u>	<u>12</u>
<u>Provide advisory vote on executive compensation</u>		

## Company Performance

We delivered strong financial performance in 2018 as we experienced higher sales and generated higher net income. The Company believes that focusing our portfolio on smart products, or products which contain embedded electronics or logic, will address industry megatrends and have a positive impact on both our top-line growth and underlying margins.

Net sales increased by 5.1% due to higher sales in our Electronics segment, offset by lower sales in our Control Devices and PST segments. Our Electronics segment net sales increased primarily due to an increase in European and North American commercial vehicle and off-highway product sales. Our Control Devices segment net sales decreased primarily as a result of decreased sales volume in the North American automotive market as a result of certain program volume reductions, partially offset by increased sales volume in our commercial vehicle and China automotive markets. Our PST segment net sales decreased primarily due to unfavorable foreign currency translation as well as lower volumes for our audio products and our Argentina aftermarket channel.

Net income increased by \$8.8 million compared to the prior year, which was primarily due to higher sales in our Electronics segment offset by lower sales in our Control Devices and PST segments, and gross margin expansion and improved operational efficiency in our Electronics and PST segments. The Company

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also experienced favorable selling, general and administrative costs ( SG&A ) in 2018 compared to the prior year due to a reduction of expense for the fair value of the earn-out considerations related to our Orlaco and PST acquisitions.

(in thousands, except earnings per share and share price)	2018	2017
Net sales	<b>\$ 866,199</b>	\$ 824,444
Operating income	<b>67,004</b>	57,370
Net income	<b>53,848</b>	45,049
Net loss attributable to noncontrolling interest		(130 )
Net income attributable to Stoneridge, Inc.	<b>53,848</b>	45,179
Diluted earnings per share attributable to Stoneridge, Inc.	<b>\$ 1.85</b>	\$ 1.57
Share Price at December 31	<b>\$ 24.65</b>	\$ 22.86

## Director Nominees

Below is a summary of the director nominees, who are elected for one-year terms. Additional information about each director nominee and his or her qualifications may be found beginning on page 6.

Name	Age	Director Since	Primary Occupation	Independent	Committee Memberships			
					AC	CC	NCGC	CEC
Jonathan B. DeGaynor	52	2015	President and CEO of Stoneridge, Inc.					
Jeffrey P. Draime	52	2005	Self-employed business consultant	ü		ü		ü
Douglas C. Jacobs	79	2004	Chief Financial Officer and Treasurer, Brownstone Services LLC	ü	C	ü		
Ira C. Kaplan	65	2009	Executive Chairman of Benesch, Friedlander, Coplan & Aronoff LLP	ü		ü		ü
Kim Korth	64	2006	President and CEO 6 <sup>th</sup> Avenue Group	ü		C		ü
William M. Lasky	71	2004	Retired, Former President and CEO of Accuride Corporation	L		ü	ü	C
George S. Mayes, Jr.	60	2012	Self-employed business consultant	ü		ü		C
Paul J. Schlather	66	2009	Self-employed business consultant	ü		ü		ü

AC Audit Committee

CC Compensation Committee

NCGC Nominating and Corporate Governance Committee

CEC Compliance and Ethics Committee

C Committee Chairperson

L Lead Independent Director



## **Ratification of the appointment of Ernst & Young LLP**

We are asking our shareholders to ratify the appointment of Ernst & Young LLP to serve as our independent registered public accounting firm for the year ending December 31, 2019. For more information, see page 9.

### **Executive Compensation Highlights**

Our executive compensation program is designed to attract, retain, motivate and reward talented executives who advance our strategic, operational and financial objectives and, thereby, enhance shareholder value. The primary objectives of our compensation programs for executive officers are to:

- Attract and retain talented executive officers by providing a compensation package that is competitive with that offered by similarly situated companies;
- Create a compensation structure under which a substantial portion of total compensation is based on achievement of performance goals; and
- Align total compensation with the objectives and strategies of our business and shareholders.

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Key elements of our 2018 compensation program were as follows:

Base Salary. Base salary has been targeted at the 50<sup>th</sup> percentile of our comparator group.

Annual Incentive Plan (AIP). The 2018 AIP was comprised of consolidated and, where appropriate, divisional financial performance metrics. In addition, there is an individual performance component.

Long-Term Incentive Plan (LTIP). Long-term incentives were awarded under our Long-Term Incentive Plan for 2018 and targeted at approximately the 50<sup>th</sup> percentile of our comparator group. These awards will vest in three years, weight performance-based share units ( Performance Shares ) more heavily than time-based restricted share units ( RSUs ), and are allocated as follows: 25% Performance Shares that vest based on achievement of a three year cumulative earnings per share ( EPS ) target; 30% Performance Shares that vest based on our Total Shareholder Return ( TSR ) over a three year period compared to a group of peer companies; and 45% RSUs that vest based on the passage of time.

For more information related to our executive compensation program, see page 18.

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## STONERIDGE, INC.

# PROXY STATEMENT

The Board of Directors (the **Board**) of Stoneridge, Inc. (the **Company**) is sending you this Proxy Statement to ask for your vote as a Stoneridge shareholder on certain matters to be voted on at our Annual Meeting of Shareholders ( **Annual Meeting** ) to be held on Tuesday, May 14, 2019, at 11:00 a.m. Eastern Time, at Stoneridge Inc., 39675 MacKenzie Drive, Suite 400, Novi, Michigan 48377. We are mailing shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access the proxy materials and how to vote online on or about April 4, 2019.

## Annual Report; Internet Availability

As permitted by U.S. Securities and Exchange Commission ( **SEC** ) rules, we are furnishing our proxy materials, which include this Proxy Statement and our 2018 Annual Report to Shareholders, to shareholders by providing access to the proxy materials on the Internet at [www.envisionreports.com/sri](http://www.envisionreports.com/sri).

## Solicitation of Proxies

The Board is making this solicitation of proxies and we will pay the cost of the solicitation. We have retained Georgeson Inc., at an estimated cost of \$9,300, to assist in the solicitation of proxies from brokers, nominees, institutions and individuals. In addition to the solicitation of proxies by mail by Georgeson Inc., our employees may solicit proxies by telephone, facsimile or e-mail.

## Proxies

The common shares represented by your proxy will be voted in accordance with the instructions as indicated on your proxy. In the absence of any such instructions, they will be voted to (i) elect the director nominees set forth under Election of Directors ; (ii) ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2019; and (iii) approve the compensation of our Named Executive Officers.

## Revocation of Proxies

Your presence at the Annual Meeting, without further action, will not revoke your proxy. However, if you are a registered shareholder you may revoke your proxy at any time before it has been exercised by:

signing and delivering a later-dated proxy;  
voting again by Internet or telephone prior to 1:00 a.m. EDT on May 14, 2019 (only the latest vote you submit will be counted);

giving notice to the Company in writing at our address indicated on the attached Notice of Annual Meeting of Shareholders (the notification must be received by the close of business on May 13, 2019); or

by voting in person at the Annual Meeting after requesting that the earlier proxy be revoked.

If you hold your common shares in street name, in order to change or revoke your voting instructions you must follow the specific voting directions provided to you by your bank, broker or other holder of record.

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## Voting Eligibility

Only shareholders of record at the close of business on the record date, March 22, 2019, are entitled to receive notice of the Annual Meeting and to vote the common shares held on the record date at the meeting. On the record date, our outstanding voting securities consisted of 28,694,655 common shares, without par value, each of which is entitled to one vote on each matter properly brought before the meeting.

## Voting

The Board is asking for your proxy in advance of the Annual Meeting. Giving your proxy means you authorize the individuals designated as proxies to vote your common shares at the Annual Meeting in the manner you direct. You may give your proxy or otherwise vote your common shares in one of several ways, depending on how you hold your shares.

### *Shareholders of Record*

If your common shares are registered directly in your name with the Company's transfer agent, you are considered the shareholder of record of those shares and you may:

*By Telephone.* You may vote by telephone by calling toll-free 1-800-652-VOTE (8683) on a touch-tone phone until 1:00 a.m. Eastern Daylight Savings Time on May 14, 2019. Please have your Notice of Availability of Proxy Materials or proxy card in hand when you call. The telephone voting system has easy-to-follow instructions and provides confirmation that the system has properly recorded your vote.

*By Internet.* You may vote your shares by proxy by visiting the website [www.envisionreports.com/sri](http://www.envisionreports.com/sri) until 1:00 a.m. Eastern Daylight Savings Time on May 14, 2019. Please have your Notice of Availability of Proxy Materials or proxy card in hand when you access the website. The website has easy-to-follow instructions and provides confirmation that the system has properly recorded your vote.

*By Mail.* If you have requested or receive paper copies of our proxy materials by mail, you may vote your shares by proxy by signing, dating and returning the proxy card in the postage-paid envelope provided. If you vote by telephone or over the Internet, you do not need to return your proxy card by mail.

*In Person.* You may vote your shares by attending the Annual Meeting in person and submitting your proxy card as instructed (if you have requested paper copies of our proxy materials) or completing a ballot that will be distributed at the Annual Meeting. However, you are encouraged to vote by mail, telephone or Internet even if you plan to attend the meeting.

### **Street Name Holders**

You must vote your common shares through the procedures established by your bank, broker, or other holder of record. Your bank, broker, or other holder of record has enclosed or otherwise provided a voting instruction card for you to use in directing the bank, broker, or other holder of record how to vote your common shares.

You may vote at the meeting, however, to do so you will first need to ask your bank, broker or other holder of record to furnish you with a legal proxy. You will need to bring the legal proxy with you to the meeting and hand it in with a signed ballot that you can request at the meeting. You will not be able to vote your common shares at the meeting without a legal proxy and signed ballot.



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If you do not instruct your broker, bank or other nominee on how to vote your shares, it will have discretionary authority, under New York Stock Exchange ( NYSE ) rules, to vote your shares on the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2019 ( Proposal 2 ). However, your broker, bank or other nominee will not be permitted to vote your shares (a broker non-vote ) on the election of directors ( Proposal 1 ) or the advisory vote to approve the compensation of our Named Executive Officers ( Proposal 3 ).

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The following table sets forth certain information regarding the beneficial ownership of our common shares as of February 28, 2019, by: (a) our directors and nominees for election as directors; (b) each other person who is known by us to own beneficially more than 5% of our outstanding common shares; (c) the executive officers named in the Summary Compensation Table; and (d) all of our executive officers and directors as a group.

Name of Beneficial Owner	Number of Shares Beneficially Owned <sup>(1)</sup>	Percent of Class
Dimensional Fund Advisors <sup>(2)</sup>	1,932,443	6.8 %
BlackRock, Inc. <sup>(3)</sup>	1,918,808	6.7
The Vanguard Group <sup>(4)</sup>	1,658,326	5.8
Jeffrey P. Draime <sup>(5)</sup>	436,678	1.5
Jonathan B. DeGaynor <sup>(6)</sup>	174,619	*
William M. Lasky <sup>(7)</sup>	124,044	*
Paul J. Schlather <sup>(8)</sup>	113,001	*
Thomas A. Beaver <sup>(9)</sup>	82,691	*
Ira C. Kaplan <sup>(10)</sup>	59,016	*
Douglas C. Jacobs <sup>(11)</sup>	58,324	*
Kim Korth <sup>(12)</sup>	53,064	*
George S. Mayes, Jr. <sup>(13)</sup>	42,084	*
Robert R. Willig, Jr.	1,100	*
Robert R. Krakowiak		*
Thomas M. Dono, Jr.		*
All Executive Officers and Directors as a Group (17 persons)	1,207,392	4.2 %
*	Less than 1%.	

(1) Unless otherwise indicated, the beneficial owner has sole voting and investment power over such common shares.

According to a Schedule 13G/A filed with the SEC by Dimensional Fund Advisors LP, all securities reported are owned by commingled funds, group trusts and separate accounts to which it or its subsidiaries serve as investment

(2) advisor, sub-advisor and/or manager. Dimensional Fund Advisors LP has disclaimed beneficial ownership of all such securities. The address of Dimensional Fund Advisors LP is Building One, 6300 Bee Cave Road, Austin, Texas 78746.

(3) According to a Schedule 13G/A filed with the SEC by BlackRock, Inc. The address of BlackRock, Inc. is 55 East 52<sup>nd</sup> Street, New York, New York 10055.

(4) According to a Schedule 13G filed with the SEC by The Vanguard Group. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

Represents 347,714 common shares held in trust for the benefit of Draime family members, of which Mr. Draime

(5) is trustee, 84,687 common shares owned by Mr. Draime directly and 4,277 restricted common shares subject to forfeiture (which vested on March 7, 2019).

(6) Includes 100,497 time-based restricted share units ( RSUs ) and performance-based share units ( Performance Shares ), which vest and are payable in common shares on a one-for-one basis on March 4, 2019.

(7) Includes 4,277 restricted common shares subject to forfeiture (which vested on March 7, 2019).



- Represents 47,500 common shares held in an investment retirement account for the benefit of Mr. Schlather,
- (8) 61,224 common shares owned by Mr. Schlather directly and 4,277 restricted common shares subject to forfeiture (which vested on March 7, 2019).
- (9) Includes 29,690 time-based RSUs and Performance Shares, which vest and are payable in common shares on a one-for-one basis on March 4, 2019.
- (10) Represents 54,739 common shares held in a trust, of which Mr. Kaplan is trustee and 4,277 restricted common shares subject to forfeiture (which vested on March 7, 2019).
- (11) Includes 4,277 restricted common shares subject to forfeiture (which vested on March 7, 2019).
- (12) Includes 4,277 restricted common shares subject to forfeiture (which vested on March 7, 2019).
- (13) Includes 4,277 restricted common shares subject to forfeiture (which vested on March 7, 2019).
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## **PROPOSAL ONE: ELECTION OF DIRECTORS**

In accordance with the Company's Amended and Restated Code of Regulations, the number of directors has been fixed at eight. At the Annual Meeting, shareholders will elect eight directors to hold office until our next Annual Meeting of Shareholders and until their successors are elected and qualified. The Board proposes that the nominees identified below be elected to the Board. Jonathan B. DeGaynor has an employment agreement with the Company which provides that during the term of the agreement he shall be entitled to be nominated for election to the Board. At our Annual Meeting, the common shares represented by proxies, unless otherwise specified, will be voted for the election of the eight nominees hereinafter named.

Directors are elected by a plurality of the votes cast at the Annual Meeting. Broker non-votes and abstaining votes will be counted as **Present** for purposes of determining whether a quorum has been achieved at the Annual Meeting, but will not be counted as **For** or **Withheld** from any nominee. **Plurality** means that the director nominees who receive the greatest number of votes cast are elected, up to the maximum number of directors to be elected at the meeting. The maximum number to be elected is eight. Shares not voted will have no impact on the election of directors. Unless proper voting instructions are to **Withhold** authority for any or all nominees, the proxy given will be voted **For** each of the nominees for director.

*Majority Voting Principle.* Under our Corporate Governance Guidelines, any nominee for director in an uncontested election who receives a greater number of votes **Withheld** from his or her election than votes **For** his or her election must promptly offer his or her resignation. The Board's Nominating and Corporate Governance Committee will then consider the resignation and recommend to the Board whether to accept or reject it. The Board will act on the Committee's recommendation within 90 days after the Annual Meeting, and the Board's decision will be publicly disclosed on Form 8-K. Any director who offers his or her resignation may not participate in the Board's discussion or vote.

The director nominees are identified below. If for any reason any of the nominees is not a candidate when the election occurs (which is not expected), the Board expects that proxies will be voted for the election of a substitute nominee designated by the Board. The following information is furnished with respect to each person nominated for election as a director.

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## **The Board of Directors recommends that you vote FOR the following nominees.**

### **Nominees to Serve for a One-Year Term Expiring in 2019**

Jonathan B. DeGaynor

Mr. DeGaynor, 52, is the President and Chief Executive Officer ( CEO ) of the Company and has served in this role since March 2015. Mr. DeGaynor served as the Vice President-Strategic Planning and Innovation of Guardian Industries Corp. ( Guardian ), a manufacturer of industrial glass and other building products for commercial, residential and automotive applications, from October 2014 until March 2015. Prior to that, Mr. DeGaynor served as Vice President-Business Development, Managing Director Asia for SRG Global, Inc., a Guardian company and manufacturer of chrome plated plastic parts for the automotive, commercial truck and consumer goods industries, from August 2008.

The Company believes that Mr. DeGaynor should serve as a director because he provides services as the Company s President and Chief Executive Officer and because his extensive career in the automotive industry has spanned all phases of engineering, operations leadership, corporate strategy and business leadership. He brings expertise related to development and production of products and technologies. He provides valuable insight to the Board and strengthens the Board s collective qualifications, skills and experience.

Mr. Draime, 52, has served as a director since 2005. Since 2005 Mr. Draime has been a self-employed business consultant. Mr. Draime is a partner and the President of AeroMax Aviation Holdings LLC, a charter aircraft corporation.

Jeffrey P. Draime

Mr. Draime served in various roles with the Company from 1988 through 2001, including operations, sales, quality control, product costing, and marketing. From 1999 to 2011 he was the owner of QSL Columbus/QSL Dayton, a restaurant franchise. From 2017 to present Mr. Draime has served as the Chairman of the Board of Directors of Aeromics, Inc., a clinical stage biotech company. From 2012 through 2015, Mr. Draime has served as a director of Servantage Dixie Sales, Inc., an independent, full service, value added distributor serving consumer products markets. The Company believes Mr. Draime should serve as a director because he provides an historical as well as an internal perspective of our business to the Board and strengthens the Board s collective qualifications, skills and experience.

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Mr. Jacobs, 79 has served as a director since 2004. Since 2015 he has served as the Chief Financial Officer and Treasurer of Brownstone Services LLC and several other privately held companies owned by the beneficiary of a marital trust. From 2005 to 2014, Mr. Jacobs was the Executive Vice President-Finance and Chief Financial Officer of Brooklyn NY Holdings LLC, a privately held investment advisory company established to manage the assets of a marital trust. Prior to serving in this position, from 1999 until 2005 Mr. Jacobs held various financial positions with the Cleveland Browns. Mr. Jacobs is a former partner of Arthur Andersen LLP.

Douglas C. Jacobs

Mr. Jacobs served as a director and member of the Audit Committee of the Board of CalAtlantic Group Inc., a national residential home builder, which was formed as a result of the merger of Standard Pacific Corporation and Ryland Homes in October 2015 until January 2018. Prior to the merger, Mr. Jacobs has served as a director of Standard Pacific Corporation, a national residential home builder in southern California, since 1998 and served as Chairman of the Audit Committee and a member of the Compensation, Executive and Nominating and Corporate Governance Committees.

Mr. Jacobs qualifies as an audit committee financial expert due to his extensive background in accounting and finance built through his career in public accounting. In addition to his professional and accounting experience described above, the Company believes that Mr. Jacobs should serve as a director because he provides valuable business experience and judgment to the Board, which strengthens the Board's collective qualifications, skills and experience.

Ira C. Kaplan

Mr. Kaplan, 65, has served as a director since 2009. Since January 2015 he has served as the Executive Chairman of Benesch, Friedlander, Coplan & Aronoff LLP, a national law firm, and served as the Managing Partner from 2008 until 2014. He is a member of the firm's Executive Committee and has been a partner with the firm since 1987. Mr. Kaplan focuses his practice on mergers and acquisitions as well as public and private debt and equity financings.

Mr. Kaplan counsels clients in governance and business matters in his role at the law firm. In addition to his legal and management experience described above, the Company believes that Mr. Kaplan should serve as a director because he brings thoughtful analysis, sound judgment and insight to best practices to the Board, in addition to his professional experiences, which strengthens the Board's collective qualifications, skills and experience.

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Kim Korth

Ms. Korth, 64, has served as a director since 2006. Since July 2017 Ms. Korth has served as the President and Chief Executive Officer of 6<sup>th</sup> Avenue Consulting Group. Prior to that, from December 2012 until April 2017 Ms. Korth was the President and Chief Executive Officer of Dickten Masch Plastics, LLC, a thermoplastics and thermoset manufacturer, and as the President, Chief Executive Officer and director of TECHNIPLAS™, a privately held group of plastics-focused manufacturing businesses. Prior to that, she served as President, Chief Executive Officer and as a director of Supreme Corporation, a manufacturer of truck and van bodies, from 2011 to 2012. Ms. Korth is the founder and owner of IRN, Inc., an international automotive consulting firm. She founded the consulting firm in 1983 and is a recognized expert on automotive supplier strategy and issues.

Ms. Korth is a member of the board of Unique Fabricating, Inc., a niche supplier of acoustic parts for the automotive industry.

Ms. Korth has several decades of experience in corporate governance issues, organizational design, and development of strategies for growth and improved financial performance for automotive suppliers. In addition to the knowledge and experience described above, the Company believes that Ms. Korth should serve as a director because she provides insight to industry trends and expectations to the Board, which strengthens the Board's collective qualifications, skills and experience.

William M. Lasky

Mr. Lasky, 71, has served as a director since 2004. Mr. Lasky served as President and Chief Executive Officer of Accuride Corporation ( Accuride ), a manufacturer and supplier of commercial vehicle components, from 2008 until his retirement in 2011. He served as the Chairman of the Board of Accuride from 2009 to 2012. On October 8, 2009 Accuride filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. On February 26, 2010, after successfully completing its plan of reorganization, Accuride emerged from Chapter 11 bankruptcy. Mr. Lasky served as President and Chief Executive Officer of JLG Industries, Inc., a diversified construction and industrial equipment manufacturer, from 1999 through 2006 and served as Chairman of the Board from 2001 through 2006.

From 2011 through May 2016, Mr. Lasky also served as a director of Affinia Group, Inc., a designer, manufacturer and distributor of industrial grade replacement parts and services for automotive and heavy-duty vehicles.

In addition to his professional experience described above, the Company believes that Mr. Lasky should serve as a director because he provides in-depth industry knowledge, business acumen and leadership to the Board, which strengthens the Board's collective qualifications, skills and experience.

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Mr. Mayes, 60, has served as a director since 2012. Mr. Mayes currently provides independent business consulting services. Previously, Mr. Mayes served as Executive Vice President and Chief Operating Officer of Diebold, Inc., a provider of integrated self-service delivery and security systems and services, from 2013 to 2015. Prior to that, he served as Executive Vice President of Operations from 2008, as Senior Vice President, Supply Chain Management from 2006 to 2008, and as Vice President, Global Manufacturing upon joining Diebold, Inc. in 2005.

George S. Mayes, Jr.

Mr. Mayes has extensive experience in lean manufacturing and Six Sigma processes and has managed manufacturing facilities in Canada, Mexico, France, Hungary, Brazil, China, Poland, Italy and the United States.

The Company believes that Mr. Mayes should serve as a director because he provides in-depth knowledge of manufacturing theories and operations, business acumen and leadership to the Board, which strengthens the Board's collective qualifications, skills and experience.

Mr. Schlather, 66, has served as a director since 2009. Mr. Schlather currently provides independent business consulting services. Mr. Schlather was a partner at PricewaterhouseCoopers LLP, serving as co-head to the Private Client Service group from August 2002 until his retirement in 2008. Mr. Schlather also serves on the boards of four closely held businesses.

Paul J. Schlather

Mr. Schlather qualifies as an audit committee financial expert due to his extensive background in accounting and finance built through his career in public accounting. In addition to his professional and accounting experience described above, the Company believes that Mr. Schlather should serve as a director because he provides financial analysis and business acumen to the Board, which strengthens the Board's collective qualifications, skills and experience.

## **PROPOSAL TWO: RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP**

The Audit Committee of the Board currently anticipates appointing Ernst & Young LLP (Ernst & Young) as our independent registered public accounting firm for the year ending December 31, 2019. For 2018, Ernst & Young was engaged by us to audit our annual financial statements, assess our internal control over financial reporting and to perform audit-related and tax services. We expect that representatives of Ernst & Young will be present at the Annual Meeting, will have an opportunity to make a statement if they so desire, and are expected to be available to respond to appropriate questions from shareholders.

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent external audit firm retained to audit the Company's financial statements. As a matter of good corporate governance, the Audit Committee requests that shareholders ratify its anticipated selection of Ernst & Young to serve as our independent registered public accounting firm for 2019.

Although ratification by shareholders is not legally required, the Board believes that the submission is an opportunity for the shareholders to provide feedback on an important issue of corporate governance. If our shareholders do not

approve the appointment of Ernst & Young, the appointment of our independent registered public accounting firm will be re-evaluated by the Audit Committee, but will not require the Audit Committee to appoint a different accounting firm. If the selection is not ratified, the Audit Committee will consider whether it is appropriate to select another registered public accounting firm. Even if the selection is ratified, the Audit Committee in its discretion may select a different

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independent registered public accounting firm at any time during 2019 if it determines that such a change would be in the best interests of the Company and our shareholders.

Approval of this proposal requires the affirmative vote of a majority of the common shares present in person or by proxy and entitled to be voted on the proposal at our Annual Meeting. Abstentions will have the same effect as votes against the proposal. Broker non-votes will not be considered common shares present and entitled to vote on the proposal and will not have a positive or negative effect on the outcome of this proposal, however, there should be no broker non-votes on this proposal because brokers should have the discretion to vote uninstructed common shares on this proposal.

## The Board of Directors recommends that you vote FOR Proposal Two.

### Service Fees Paid to the Independent Registered Public Accounting Firm

For the fiscal years ended December 31, 2018 and 2017 we retained Ernst & Young to provide services in the following categories and amounts. The Audit Committee has considered the scope and fee arrangements for all services provided by Ernst & Young, taking into account whether the provision of non-audit-related services is compatible with maintaining Ernst & Young's independence.

	2018	2017
Audit Fees	<b>\$2,291,400</b>	\$2,339,100
Audit Related Fees	<b>3,000</b>	75,900
Tax Fees	<b>357,400</b>	437,800
Total Fees	<b>\$2,651,800</b>	\$2,856,400

*Audit Fees.* Audit fees include services associated with the annual audit of our consolidated financial statements, the audit of our internal control over financial reporting, the quarterly reviews of the financial statements included in our SEC Form 10-Q filings, international statutory audits and other services that are normally provided by the independent accountants in connection with regulatory filings.

*Audit-related fees.* Audit related fees include services associated with assurance and related services that are reasonably related to the performance of the audit of the Company's financial statements which included the assistance in financial due diligence related to mergers and acquisitions in 2017.

*Tax Fees.* Tax fees relate to tax planning, domestic and international tax compliance and tax advice. The decrease in tax fees in 2018 primarily relates to tax due diligence for mergers and acquisitions incurred in 2017, but not incurred in 2018, offset by higher fees related to the 2018 tax reform.

## Pre-Approval Policies and Procedures

The Audit Committee's policy is to approve in advance all audit and permitted non-audit services to be performed for the Company by its independent registered public accounting firm. Pre-approval is generally provided for up to one



year, is detailed as to the particular service or category of services and is generally subject to a specific budget. The Audit Committee also pre-approves particular services on a case-by-case basis. In accordance with this policy, the Audit Committee has delegated pre-approval authority to the Chairman of the Audit Committee. The Chairman may pre-approve services and inform the Audit Committee at the next scheduled meeting.

All services provided by Ernst & Young during fiscal year 2018, as noted in the previous table, were authorized and approved by the Audit Committee in compliance with the pre-approval policies and procedures described above.

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## **Audit Committee Report**

In accordance with its written charter, the Audit Committee assists the Board in fulfilling its responsibility relating to corporate accounting, our reporting practices, and the quality and integrity of the financial reports and other financial information provided by us to any governmental body or to the public. Management is responsible for the financial statements and the financial reporting process, including assessing the effectiveness of the Company's internal control over financial reporting. The independent registered public accounting firm is responsible for conducting audits and reviews of our financial statements in accordance with standards established by the Public Company Accounting Oversight Board, expressing an opinion on the conformity of the Company's financial statements in accordance with generally accepted accounting principles, and auditing and reporting on the Company's effectiveness of internal controls over financial reporting. The Audit Committee is comprised of five directors, each of whom is independent for audit committee purposes under the listing standards of the NYSE.

In discharging its oversight responsibility as to the audit process, the Audit Committee reviewed and discussed our audited financial statements for the year ended December 31, 2018, with management, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; and the clarity of disclosures in the financial statements. The Audit Committee also discussed with our independent registered public accounting firm, Ernst & Young, the matters required to be discussed under Public Company Accounting Oversight Board Auditing Standard No. 1301, *Communications with Audit Committees*. The Audit Committee has received the written disclosures and letter from Ernst & Young required by the applicable requirements of the Public Company Accounting Oversight Board regarding Ernst & Young's communication with the Audit Committee concerning independence. The Audit Committee discussed Ernst & Young's independence with Ernst & Young. The Audit Committee also considered whether the provision of non-audit services by Ernst & Young is compatible with maintaining Ernst & Young's independence.

The Audit Committee discussed with our Internal Audit Director and Ernst & Young the overall scope and plans for their respective audits. The Audit Committee also met with the Internal Audit Director and Ernst & Young, with and without management present, to discuss the results of their examinations, their evaluations of our internal controls, and the overall quality of the Company's financial reporting.

Based on the above-referenced review and discussions with management, the Internal Audit Director and Ernst & Young, the Audit Committee recommended to the Board, and the Board approved, that the audited consolidated financial statements for fiscal 2018 be included in the Company's Annual Report on Form 10-K filed with the SEC.

### **The Audit Committee**

Douglas C. Jacobs, Chairman  
Ira C. Kaplan  
William M. Lasky  
George S. Mayes, Jr.  
Paul J. Schlather

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## **PROPOSAL THREE: SAY-ON-PAY**

As required by Section 14A of the Securities Exchange Act of 1934 (the Exchange Act ) we provide our shareholders with the opportunity to cast an annual advisory non-binding vote to approve the compensation of our Named Executive Officers as disclosed pursuant to the SEC's compensation disclosure rules (which disclosure includes the Compensation Discussion and Analysis, the compensation tables, and the narrative disclosures that accompany the compensation tables) (a Say-On-Pay proposal). We believe that it is appropriate to seek the views of shareholders on the design and effectiveness of the Company's executive compensation program.

At the Company's 2018 Annual Meeting of Shareholders, 97.5% of the votes cast on the Say-On-Pay proposal voted in favor of the proposal. The Compensation Committee believes this affirmed shareholders' support of the Company's approach to executive compensation.

Our goal for the executive compensation program is to attract, motivate, and retain a talented, entrepreneurial and creative team of executives to provide operational and strategic leadership for the Company's success in competitive markets. We seek to accomplish this goal in a way that rewards performance and is aligned with our shareholders' long-term interests. We believe that our executive compensation program, which emphasizes performance-based compensation and long-term equity awards, satisfies this goal and is strongly aligned with the long-term interests of our shareholders.

Base compensation is aligned to be competitive in the industry in which we operate. Performance-based compensation (cash and equity) represents 44-53% of each executive officer's target compensation opportunity, with long-term incentives representing the largest portion of compensation. Targets for incentive compensation are based on financial performance targets and increasing shareholder value. The Compensation Committee retains the services of an independent compensation consultant to advise the Compensation Committee on competitive compensation and compensation practices.

### **The Board recommends that shareholders vote FOR the following resolution:**

RESOLVED that the compensation paid to the Company's Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

Because the vote is advisory, it will not be binding upon the Board or the Compensation Committee. The Board and the Compensation Committee value the opinions of our shareholders and will take into account the outcome of the vote when considering future decisions regarding executive compensation.

The affirmative vote of a majority of the common shares present or represented by proxy and voting at the Annual Meeting will constitute approval of this non-binding resolution. If you own common shares through a bank, broker or other holder of record, you must instruct your bank, broker or other holder of record how to vote in order for them to vote your common shares so that your vote can be counted on this proposal. Abstentions will have the same effect as votes against the proposal. Broker non-votes will not be considered common shares present and entitled to vote on this proposal and will not have a positive or negative effect on the outcome of this proposal.

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## **CORPORATE GOVERNANCE**

### **Corporate Governance Documents and Committee Charters**

The Company's Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics for Senior Financial Officers and the charters of the Board of Directors – Audit, Compensation, and Nominating and Corporate Governance committees are posted on our website at [www.stoneridge.com](http://www.stoneridge.com). Written copies of these documents are available without charge to any shareholder upon request. Requests should be directed to Investor Relations at the address listed on the Notice of Annual Meeting of Shareholders.

### **Corporate Ethics Hotline**

We established a corporate ethics hotline as part of our Whistleblower Policy and Procedures to allow persons to lodge complaints about accounting, auditing and internal control matters, and to allow an employee to lodge a concern, confidentially and anonymously, about any accounting and auditing matter. Information about lodging such complaints or making such concerns known is contained in our Whistleblower Policy and Procedures, which is posted on our website at [www.stoneridge.com](http://www.stoneridge.com).

### **Director Independence**

The NYSE rules require listed companies to have a Board of Directors comprised of at least a majority of independent directors. Under the NYSE rules, a director qualifies as independent upon the affirmative determination by the Board of Directors that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The Board has not adopted categorical standards of independence. The Board has determined that the following directors and nominees for election as a director are independent:

Jeffrey P. Draime  
Douglas C. Jacobs  
Ira C. Kaplan

Kim Korth  
William M. Lasky

George S. Mayes, Jr.  
Paul J. Schlather

### **Annual Board and Committee Self Evaluations**

Our Corporate Governance guideline requires that the Board and each committee conduct an annual self-evaluation. The self-evaluations are intended to facilitate a candid assessment and discussion by the Board and each committee of its effectiveness as a group in fulfilling its responsibilities. Each year the Board and each committee conducts a self-evaluation/assessment using questionnaires to facilitate the evaluation. The Board and each Committee then reviews a summary of the questionnaires in connection with discussions to determine which areas the Board and Committee would like to focus on during the coming year to enhance its effectiveness.

### **The Board of Directors – Role in Risk Oversight**

It is management's responsibility to manage risk and bring to the Board's attention the most material risks to the Company. The Board has oversight responsibility of the processes established to report and monitor systems for material risks applicable to us. The Audit Committee regularly reviews enterprise-wide risk management, which includes treasury risks (foreign exchange rates, and credit and debt exposures), financial and accounting risks, legal and compliance risks, and other risk management functions. The Compensation Committee considers risks related to the attraction and retention of talent and related to the design of compensation programs and arrangements. The full Board considers strategic risks and opportunities and regularly receives reports from management on risk and from the committees regarding risk oversight in their areas of responsibility.

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## **The Board of Directors Role in Ethics and Compliance**

The Company is committed to a culture of integrity and trust, to conducting all of its business dealings in compliance with applicable federal, state and foreign laws, rules and regulations and to operating with the highest standards of business ethics. To facilitate this, in 2017 the Board established the Compliance and Ethics Committee to assist the Board in overseeing (i) the Company's activities in the areas of corporate responsibility, compliance and ethics, including oversight of the Company's Code of Business Conduct and Stoneridge Integrity Program Charter, and (ii) the Company's compliance with legal and regulatory requirements. Members of the Compliance and Ethics Committee are Ira C. Kaplan, Kim Korth, George S. Mayes, Jr. (chair) and Paul Schlather.

### **Anti-Hedging Policy**

Our Insider Trading Policy prohibits Company directors, officers and key employees covered by the pre-clearance procedures of the Insider Trading Policy from engaging in hedging transactions designed to offset decreases in the market value of the Company's securities, including transactions in put options, call options or other derivative securities, on an exchange or in any other organized market, prepaid variable forwards, equity swaps, collars and exchange funds.

### **Anti-Pledging Policy**

Our Insider Trading Policy prohibits directors, officers and key employees covered by the pre-clearance provisions of the Insider Trading Policy from holding Company securities in a margin account or pledging Company securities as collateral for a loan.

## **The Board of Directors**

In 2018 the Board held six meetings. Each Board member attended at least 75% of the meetings of the Board and of the committees on which he or she serves. Our policy is that directors are required to attend the Annual Meeting of Shareholders. All of our directors attended the 2018 Annual Meeting of Shareholders. Mr. Lasky has been appointed as the lead independent director by the independent directors to preside at the executive sessions of the independent directors. The Board's independent directors meet regularly in executive session. All directors, except Mr. DeGaynor, the Company's President and CEO, are independent.

### **Leadership of the Board**

The Board does not have a formal policy regarding the separation of the roles of CEO and Chairman of the Board as the Board believes it is in the best interest of the Company and our shareholders to make that determination based on the position and direction of the Company and the membership of the Board. At this time, the Board has determined that having an independent director serve as Chairman is in the best interest of the Company and our shareholders. This structure ensures a greater role for the independent directors in the oversight of the Company and active participation of the independent directors in setting agendas and establishing Board priorities and procedures. Further, this structure permits our President and CEO to devote more time focusing on the strategic direction and management of our day-to-day operations.

## **Committees of the Board**

The Board has four standing committees to facilitate and assist the Board in the execution of its responsibilities. These committees are the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Compliance and Ethics Committee. Each member of the Audit, Compensation, Nominating and Corporate Governance and Compliance and Ethics

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Committees is independent as defined under the listing standards of the NYSE. The table below shows the composition of the Board's committees:

Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Compliance and Ethics Committee
Douglas C. Jacobs*	Jeffrey P. Draime	Jeffrey P. Draime	Ira C. Kaplan
Ira C. Kaplan	Douglas C. Jacobs	Ira C. Kaplan	Kim Korth
William M. Lasky	Kim Korth*	Kim Korth	George S. Mayes, Jr.*
George S. Mayes, Jr.	William M. Lasky	William M. Lasky*	Paul J. Schlather
Paul J. Schlather			

\*

Committee Chairperson

**Audit Committee**

This committee held eight meetings in 2018. Information regarding the functions performed by the Audit Committee is set forth in the Audit Committee Report, included in this Proxy Statement. The Board has determined that each Audit Committee member is financially literate under the listing standards of the NYSE. The Board also determined that Mr. Jacobs and Mr. Schlather each qualify as an audit committee financial expert as defined by the SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002. In addition, under the Sarbanes-Oxley Act of 2002 and the NYSE rules mandated by the SEC, members of the audit committee must have no affiliation with the issuer, other than their Board seat, and receive no compensation in any capacity other than as a director or committee member. Each member of the Audit Committee meets this additional independence standard applicable to audit committee members of NYSE listed companies.

**Compensation Committee**

This committee held four meetings in 2018. Each member of our Compensation Committee meets the independence requirements of the NYSE, including the enhanced independence requirements applicable to Compensation Committee members under NYSE rules and is a non-employee director under Rule 16b-3 of the Exchange Act. The Compensation Committee is responsible for establishing and reviewing our compensation philosophy and programs with respect to our executive officers; approving executive officer compensation and benefits; recommending to the Board the approval, amendment and termination of incentive compensation and equity-based plans; and certain other compensation matters, including director compensation. Our CEO makes recommendations regarding compensation of other officers to the Compensation Committee. The Compensation Committee can exercise its discretion in modifying any amount presented by our CEO. The Compensation Committee regularly reviews the total compensation obligations to each of our executive officers. During 2018, the Compensation Committee retained Total Rewards Strategies LLC to provide compensation related consulting services. Specifically, the compensation consultant provided relevant market data, current trends in executive and director compensation and advice on program design. In accordance with its charter, the Compensation Committee may delegate power and authority as it deems appropriate for any purpose to a subcommittee of not fewer than two members.

**Nominating and Corporate Governance Committee**

This committee held two meetings in 2018. The purpose of the Nominating and Corporate Governance Committee is to evaluate the qualifications of director nominees, to recommend candidates for election as directors, to make recommendations concerning the size and composition of the Board, to develop and implement our corporate



governance policies and to assess the effectiveness of the Board.

### **Compliance and Ethics Committee**

This committee, established December 2017, held three meetings in 2018. The purposes of the Compliance and Ethics Committee are to assist the Board in overseeing (a) the Company's activities in the areas of corporate responsibility, compliance and ethics, including oversight of the Stoneridge Integrity Program,

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(b) in collaboration with the Audit Committee, the Company's compliance with legal and regulatory requirements, and (c) to oversee the Company's commitment to establishing a culture of integrity and trust, to conducting all of its business dealings in compliance with applicable federal, state and foreign laws, rules and regulations and to operating with the highest standards of business ethics.

## **Nominations and Nomination Process**

It is the policy of the Nominating and Corporate Governance Committee to consider individuals recommended by shareholders for membership on the Board. If a shareholder desires to recommend an individual for membership on the Board, then that shareholder must provide a written notice (the Recommendation Notice) to the Secretary of the Company at Stoneridge, Inc., 39675 MacKenzie Drive, Suite 400, Novi, Michigan 48377, on or before January 15 for consideration by this committee for that year's election of directors at the Annual Meeting of Shareholders.

In order for a recommendation to be considered by the Nominating and Corporate Governance Committee, the Recommendation Notice must contain, at a minimum, the following:

the name and address, as they appear on the Company's books, and telephone number of the shareholder making the recommendation, including information on the number of common shares owned and date(s) acquired, and if such person is not a shareholder of record or if such common shares are owned by an entity, reasonable evidence of such person's ownership of such shares or such person's authority to act on behalf of such entity;

the full legal name, address and telephone number of the individual being recommended, together with a reasonably detailed description of the background, experience, and qualifications of that individual;

a written acknowledgment by the individual being recommended that he or she has consented to the recommendation and consents to the Company undertaking an investigation into that individual's background, experience, and qualifications in the event that the Nominating and Corporate Governance Committee desires to do so;

any information not already provided about the person's background, experience and qualifications necessary for us to prepare the disclosure required to be included in our proxy statement about the individual being recommended;

the disclosure of any relationship of the individual being recommended with us or any of our subsidiaries or affiliates, whether direct or indirect; and

the disclosure of any relationship of the individual being recommended with the shareholder, whether direct or indirect, and, if known to the shareholder, any material interest of such shareholder or individual being recommended in any proposals or other business to be presented at our Annual Meeting of Shareholders (or a statement to the effect that no material interest is known to such shareholder).

The Nominating and Corporate Governance Committee determines, and periodically reviews with the Board, the desired skills and characteristics for directors as well as the composition of the Board as a whole. This assessment considers the directors' qualifications and independence, as well as diversity, age, skill, and experience in the context of the needs of the Board. Directors should share our values and should possess the following characteristics: high personal and professional integrity; the ability to exercise sound business judgment; an inquiring mind; and the time available to devote to Board activities and the willingness to do so. The Nominating and Corporate Governance Committee does not have a formal policy specifically focusing on the consideration of diversity; however, diversity is one of the factors that the Nominating and Corporate Governance Committee considers when identifying candidates and making its recommendations to the Board. In addition to the foregoing considerations, generally with

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respect to nominees recommended by shareholders, the Nominating and Corporate Governance Committee will evaluate such recommended nominees considering the additional information regarding them contained in the Recommendation Notices. When seeking candidates for the Board, the Nominating and Corporate Governance Committee may solicit suggestions from incumbent directors, management and third-party search firms. Ultimately, the Nominating and Corporate Governance Committee will recommend to the Board prospective nominees who the Nominating and Corporate Governance Committee believes will be effective, in conjunction with the other members of the Board, in collectively serving the long-term best interests of our shareholders.

The Nominating and Corporate Governance Committee recommended to the Board each of the nominees identified in Election of Directors beginning on page 5 of this Proxy Statement.

## **Compensation Committee Interlocks and Insider Participation**

None of the members of the Board's Compensation Committee served as an officer at any time or as an employee during 2018. In addition, no Compensation Committee interlocks existed during 2018.

## **Communications with the Board of Directors**

The Board believes that it is important for interested parties to have the ability to send communications to the Board. Persons wishing to communicate with the Board may do so by sending a letter to the Secretary of the Company at Stoneridge, Inc., 39675 MacKenzie Drive, Suite 400, Novi, Michigan 48377. The envelope must contain a clear notation indicating that the enclosed letter is a Board Communication or Director Communication. All such letters must identify the author and clearly state whether the intended recipients are all members of the Board or certain specified individual directors (such as the lead independent director or non-management directors as a group). The Secretary will make copies of all such letters and circulate them to the appropriate director or directors. The directors are not spokespeople for the Company and responses or replies to any communication should not be expected.

## **Transactions with Related Persons**

There were no reportable transactions involving related persons in 2018.

## **Review and Approval of Transactions with Related Persons**

The Board has adopted a written statement of policy with respect to related party transactions. Under the policy, a related party transaction is a transaction required to be disclosed pursuant to Item 404 of Regulation S-K or any other similar transaction involving the Company or the Company's subsidiaries and any Company employee, officer, director, 5% shareholder or an immediate family member of any of the foregoing if the dollar amount of the transaction or series of transactions exceeds \$25,000. A related party transaction will not be prohibited merely because it is required to be disclosed or because it involves related parties. Pursuant to the policy, such transactions are presented to the Nominating and Corporate Governance Committee for evaluation and approval by the committee, or if the committee elects, by the full Board. If the transaction is determined to involve a related party, the Nominating and Corporate Governance Committee will either approve or disapprove the proposed transaction. Under the policy, in order to be approved, the proposed transaction must be on terms that are fair to the Company and are comparable to market rates, where applicable.



TABLE OF CONTENTS**EXECUTIVE COMPENSATION****Compensation Discussion and Analysis**

In this section we describe the compensation program for our Named Executive Officers ( NEOs ). We also discuss our compensation philosophy, policies and the decisions made by the Compensation Committee (the Committee ) of the Board in 2018 as it relates to the compensation of our NEOs.

**Named Executive Officers for 2018**

Name	Title
Jonathan B. DeGaynor	President and Chief Executive Officer
Robert R. Krakowiak	EVP, Chief Financial Officer & Treasurer
Thomas M. Dono, Jr.	Chief Legal Officer and Secretary
Thomas A. Beaver	Vice President and President of Global Sales
Robert R. Willig, Jr.	President Control Devices

**2018 Overview**

We delivered strong financial performance in 2018 as we experienced higher sales and generated higher net income. The Company believes that focusing our portfolio on smart products, or products which contain embedded electronics or logic, will address industry megatrends and have a positive impact on both our top-line growth and underlying margins.

The actions of the Committee and our pay-for-performance philosophy functioned such that compensation earned by our executives was aligned with our financial performance for 2018. Highlights from the year and our performance are as follows:

Our business units have continued to focus on profitable and sustainable top line growth by developing a clear current and future vision of our products, technologies and targeted customers.

Net sales increased by 5.1% due to higher sales in our Electronics segment, offset by lower sales in our Control Devices and PST segments. Our Electronics segment net sales increased primarily due to an increase in European and North American commercial vehicle and off-highway product sales. Our Control Devices segment net sales decreased primarily as a result of decreased sales volume in the North American automotive market as a result of certain program volume reductions, partially offset by increased sales volume in our commercial vehicle and China automotive markets. Our PST segment net sales decreased primarily due to unfavorable foreign currency translation as well as lower volumes for our audio products and our Argentina aftermarket channel.

Net income increased by \$8.8 million compared to the prior year, which was primarily due to higher sales in our Electronics segment offset by lower sales in our Control Devices and PST segments, and gross margin expansion and improved operational efficiency in our Electronics and PST segments, offset by slightly lower gross margin in our Control Devices segment. The Company also experienced favorable SG&A in 2018 compared to prior year due to a reduction of expense for fair value earn-out consideration related to our Orlaco and PST acquisitions.



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As a result:

Performance on our consolidated operating income, free cash flow and return on invested capital fell below the budgeted targets for our Annual Incentive Plan (AIP), resulting in an overall weighted achievement of 75.2% of target for the consolidated portion of the AIP.

Our Control Devices segment achieved below budgeted targets for the divisional financial metrics and earned 53.1% of target for the AIP.

Our Electronics segment met some of its targets for the divisional financial metrics and earned 102.2% of target for the AIP.

Our PST segment achieved below budgeted targets for the divisional financial metrics and earned 58.6% of target for the AIP.

Under our long-term incentive plan, our earnings per share for 2018 exceeded the 2018 EPS performance target.

This, combined with the annual EPS performance from 2016 and 2017, resulted in total EPS share awards of 134% of target being earned for the 2016-2018 performance period. Additionally, for the three year total shareholder return performance component, our shareholder return was at the 70<sup>th</sup> percentile of companies in our peer group resulting in TSR awards being earned at 140% of target for the 2016-2018 performance period.

## **Compensation Philosophy and Objectives**

Our Company's compensation programs for executive officers are designed to attract, retain, motivate, and reward talented executives who advance our strategic, operational and financial objectives and thereby enhance shareholder value. The primary objectives of our compensation programs for executive officers are to:

Attract and retain talented executive officers by providing a total compensation package that is competitive with that offered by similarly situated companies.

Create a compensation structure under which a substantial portion of total compensation is based on achievement of performance goals.

Align total compensation with the objectives and strategies of our shareholders and business.

A substantial portion of our executive officers' annual and long-term compensation is tied to quantifiable measures of the Company's financial performance, and therefore will not be earned unless at least the minimum threshold performance is achieved.

TABLE OF CONTENTS**Elements of Compensation**

Following are the elements of our executive compensation program and the objectives for including them.

Element	Type	Objective
Base Salary	Cash fixed	Attract and retain highly skilled executives by providing market competitive base salary that is aligned with the executive's responsibilities, experience & performance.
Annual Incentive Plan	Cash variable	Motivate and reward the achievement of individual, division and/or corporate financial and operational strategic objectives.
Long-Term Incentive Plan	Equity and/or Cash variable	Retain and reward key employees, and align the interests of employees with our shareholders and the long-term success of the Company.
Benefits & Perquisites	Non-cash	Retain key employees by providing market competitive health, welfare & retirement benefits, and limited perquisites that align with our compensation philosophy.

**Mix of Compensation**

Our executive compensation is based on our pay-for-performance philosophy, which emphasizes executive performance measures that closely correlate with the achievement of both short-term performance objectives and long-term shareholder value. A significant portion of our executive officers' annual and long-term performance-based compensation is at-risk, with the amount of risk increasing with the officer's position level. This provides more upside potential as well as downside risk for more senior positions because they have greater influence on our overall performance.

There is no pre-established policy or target for the allocation between cash and non-cash or short-term and long-term incentive compensation. Rather, the Committee reviews competitive market compensation information provided by our compensation consultant and considers the Company's historical compensation practices in determining the appropriate level and mix of incentive compensation for each executive position.

**Total Target Compensation**

Total target compensation is the value of the compensation package that is intended to be delivered if performance goals are met. Actual compensation depends on the annual and long-term incentive compensation payout levels based upon the applicable performance achievement and, for a significant percentage of long-term awards, the price of our common shares and total return to shareholders measured against peer group TSR. The following charts show the weighting of each element of total target compensation for the CEO, and average for the other NEOs.





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These charts demonstrate our pay-for-performance philosophy, showing that annual and long-term incentive-based compensation comprises the majority of total target compensation.

## **Compensation Policies & Best Practices**

To achieve the goals of aligning executive compensation with Company performance while maintaining strong corporate governance and minimizing risk, the Committee and the Company review and adopt policies and best practices that they believe are in the best interest of the Company and our shareholders. Following are some of the practices that have been adopted over time that we believe help us to achieve these goals.

Significant emphasis on performance-based compensation

Use of an independent compensation consultant whose firm does no other work for the Company

Annual benchmarking of compensation mix and levels for executive officers to ensure competitiveness

Use of the Total Shareholder Return metric in the long-term incentive plan to align executive and shareholder interests

Include caps on both the annual incentive plan and the long-term incentive plan

Provide limited perquisites to executive officers

Maintain stock ownership guidelines for our executive officers and non-employee Directors

Established anti-hedging and anti-pledging policies

Recoupment of compensation ( clawback ) policy

Conduct an annual compensation risk assessment

## **The Compensation Committee**

The Committee has the responsibility for determining the compensation paid to the Company's executive officers. In carrying out its responsibilities, among other things, the Committee does the following:

Ensures there is a clear, reasonable and logical linkage between executive officer compensation programs and overall Company performance

Considers comparison to the Company's established Comparator Group and the broader market to ensure appropriate mix and level of competitiveness of compensation

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Reviews and approves annual base salary levels, annual incentive plan targets, and long-term incentive plan targets, in alignment with the level and performance of each NEO as well as Company performance and market conditions

Reviews, advises on and approves new or revised compensation plans

## **Independent Compensation Consultant**

The Committee retains the services of an independent compensation consultant to assist the Committee with the following:

Appraising of relevant trends and compensation developments in the market

Providing advice regarding issues such as long-term incentives and change in control arrangements and other topics as needed

Providing Comparator Group analysis

Providing market data for the CEO position and other executive officers

In 2018, the Committee's compensation consultant was Total Rewards Strategies, LLC ( TRS ).

## **Management**

The Committee considers the recommendations and evaluations of the CEO when setting the compensation of the other executive officers.

## **Comparator Group**

The Comparator Group is comprised of some of our direct competitors and a broader group of companies in the electronic and motor vehicle parts manufacturing industries that the Committee believes is representative of the labor market from which we recruit executive talent. Factors used to select the Comparator Group of companies include, but are not limited to, industry segment, revenue, profitability, number of employees and market capitalization. The Committee reviews and approves the Comparator Group annually. The companies in the Comparator Group in 2018 were:

Actuant	EnPro Industries	Methode Electronics
Altra Industrial Motion	ESCO Technologies	Modine Manufacturing Company
AVX	Franklin Electric	OSI Systems
Barnes Group	Gentex	Rogers
Chart Industries	Gentherm	Shiloh Industries
CIRCOR	Graco	Spartan Motors
Columbus McKinnon	KEMET	Standard Motor Products
Commercial Vehicle Group	Littelfuse	Superior Industries
CTS	Lydall	Tower International
Dorman Products	Meritor	Wabash National

## **Compensation Benchmarking**

TRS provides the Committee with the 50<sup>th</sup> and 75<sup>th</sup> percentiles of the Comparator Group for base salary, cash bonus, long-term incentives and total overall compensation. The Committee uses as a primary reference point the 50<sup>th</sup> percentile when determining base salary, annual incentive and long-term incentive targets; each element of pay is adjusted to reflect competitive market conditions. The goal of the executive compensation program is to target overall

compensation at the 50<sup>th</sup> percentile of pay practices of the Comparator Group of companies. Actual target pay for an individual may be more or less

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than the referenced percentiles based on the Committee's evaluation of the individual's performance and potential. Consistent with the Committee's philosophy of pay-for-performance, incentive payments can exceed target levels only if overall Company financial targets are exceeded and will fall below target levels if overall financial goals are not achieved.

## **Consideration of Shareholder Advisory Vote on Executive Compensation**

At our 2018 Annual Meeting of Shareholders, our shareholders approved our compensation advisory resolution with 97.5% of the votes cast on the say-on-pay proposal voted for the proposal on the 2017 executive compensation described in our 2018 Proxy Statement. The Committee believes the shareholders vote affirms the Company's approach to executive compensation.

### **Base Salary**

Base salary is the foundation of our compensation program for our executive officers. The annual cash incentive compensation awards and long-term incentive awards are typically based on a percentage of base compensation. The base salary is set at competitive market levels to attract and retain our executive officers. Base salary levels for our executive officers are set on the basis of the executive's responsibilities, the current general industry, and competitive market data, as discussed above. In each case, due consideration is given to individual factors, such as the officer's experience, competencies, performance and contributions, and to external factors, such as salaries paid to similarly situated executive officers by like-sized companies and in particular our comparator group. The Committee considers the evaluation and recommendation of the CEO in determining the base salary of the other executive officers. The Committee generally approves all executive officer base salaries at its December meeting, which become effective January 1 of the following year.

Executive officers' base salaries remain fixed throughout the year unless a promotion, change in responsibilities, or special circumstances occur. In 2018, in recognition of his performance, Mr. Krakowiak was awarded a 5% base salary increase on October 1, 2018.

### **Annual Incentive Awards**

Our executive officers participate in our Annual Incentive Plan (AIP) which provides for annual cash payments based on the achievement of specific financial goals. As described above, the Company believes that a substantial portion of each executive's overall compensation should be directly tied to quantifiable measures of financial performance. At the March 2018 Compensation Committee meeting, the Committee approved the Company's 2018 AIP targets and performance metrics. The AIP targets are expressed as a percentage of the executive officer's base salary.

For 2018, the structure of our AIP included both consolidated financial performance metrics and, where appropriate, divisional metrics to incentivize specific performance. In addition, there is an individual performance metric for executive officers (excluding Mr. DeGaynor) and other leaders in the Company as a way to incentivize and reward specific strategic and measurable activities that are particular to each leader's area of responsibility. The individual metrics are considered critical to the achievement of the overall financial and operational metrics. The individual performance metric functions as a multiplier to the Overall Weighted Achievement, and can range from 90% to 110%.



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The AIP metrics, weighting, metric performance targets, and achievement for 2018 are summarized as follows:

<b>Mr. DeGaynor, Mr. Krakowiak, Mr. Dono, Mr. Beaver</b>	<b>Weight</b>	<b>Metric Target</b>	<b>Achievement</b>
<i>Consolidated Metrics:</i>			
Operating profit	60 %	\$79.9 million	72 %
Free cash flow	20 %	\$63.0 million	68 %
Return on invested capital	20 %	13.2 %	91 %
Overall Weighted Achievement			75.2 %

<b>Mr. Willig</b>	<b>Weight</b>	<b>Metric Target</b>	<b>Achievement</b>
<i>Consolidated Metrics:</i>			
Operating profit	40 %	\$79.9 million	72 %
Free cash flow	20 %	\$63.0 million	68 %
Return on invested capital	20 %	13.2 %	91 %
<i>Divisional Metrics:</i>			
Operating income	10 %	\$77.7 million	57 %
Free cash flow	5 %	\$50.0 million	0 %
Return on invested capital	5 %	32.3 %	57 %
Overall Weighted Achievement			69.3 %

The consolidated and divisional financial performance metric targets were based on our 2018 business plan and were intended to be challenging but achievable based on industry conditions known at the time they were established. Under the 2018 AIP, the minimum level for achievement for the consolidated and divisional financial metrics was based on 80% of target while the maximum level was based on 130% of target.

The following table provides the 2018 AIP targets and achievement as a percent of base salary and as a dollar amount for our NEOs.

<b>Executive Officer</b>	<b>Percent of Base Salary Target</b>	<b>Percent of Target Bonus Achieved</b>	<b>Target Bonus</b>	<b>Achieved Bonus</b>
Jonathan B. DeGaynor	100 %	75.2 %	\$750,000	\$564,000
Robert R. Krakowiak	70 %	75.2 %	303,660	228,352
Thomas M. Dono, Jr.	55 %	75.2 %	200,750	150,964
Thomas A. Beaver	55 %	75.2 %	184,968	139,096
Robert R. Willig, Jr.	40 %	69.3 %	130,000	90,090

For each performance metric, specific levels of achievement for minimum, target, and maximum were set as described above. At target, 100% payout is achieved for each element of the plan; at maximum, 200% payout is achieved; and at minimum, 50% payout is achieved. Below the minimum, no incentive is earned under the plan. Minimum achievement under the Operating Income metric is required for the other metrics to payout above their minimum levels. The AIP incentive compensation payout earned between the minimum and maximum levels is prorated. The payment of compensation under the 2018 plan was subject to our overall performance and is included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

In addition to AIP, Mr. Willig received a sign-on bonus in the amount of \$85,000, which is included in the Bonus column of the Summary Compensation Table.

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TABLE OF CONTENTS**Long-Term Incentive Awards**

We believe that long-term incentive awards are a valuable motivation and retention tool and provide a long-term performance incentive to management. Under our Long-Term Incentive Plan ( LTIP ), executive officers may be granted share options, restricted common shares and other equity-based awards. Under our Long-Term Cash Incentive Plan ( LTCIP ), executive officers may be granted awards payable in cash. The long-term awards are calculated based on the fair value of the shares, shares equivalent or cash at the time of grant. In 2018, we used the following long-term incentive vehicles to provide grants to our executive officers.

**Time-Based Restricted Share Units (RSUs):** RSUs provide strong retention value by granting the recipients the right to receive common shares (on a one-for-one basis for the number of RSUs granted) after a three year vesting period, provided that the executive officer is still employed by the Company.

**Performance-Based Share Units (Performance Shares) Total Shareholder Return:** These awards may be earned based on our TSR over a three year period relative to the TSR of our 2018 Peer Group, which is comprised of our 2018 Comparator Group of companies. The following table shows the payout levels associated with TSR percentile ranking. We believe the use of the TSR metric effectively aligns executive and shareholder interests. The Performance Shares earned based on the TSR metric will be paid after a three year vesting period by the issuance on a one-for-one basis of common shares.

SRI TSR v. Peer Group	Calculation of # of Shares	Shares Earned as a % of Target Shares
50 <sup>th</sup> 10 <sup>th</sup> percentile	SRI percentile x 2.0	100% 200%
30 <sup>th</sup> 4 <sup>th</sup> percentile	50% + {2.5 × (SRI percentile - 30)}	50% 99%
< 30 <sup>th</sup> percentile	n/a	0%

**Performance-Based Share Units (Performance Shares) Earnings Per Share:** In 2018, we granted Performance Shares that may be earned after three years based on performance relative to a pre-determined threshold, target and maximum cumulative EPS metric over a three year period. Below the threshold, no shares will be earned. The maximum shares that may be earned is 150% of target. The target EPS for 2018 was set using the Board-approved budget, with an additional 10% added for each of the next two years in the vesting period. The threshold is set at 70% of target and the maximum is set at 130%. Provided the executive officer remains employed, and depending on annual EPS performance, the number of Performance Shares vested prorates between minimum and maximum amounts. Actual EPS performance below the minimum level results in no vested Performance Shares for the annual performance period. The Performance Shares earned based on the EPS metric will be paid after a three year vesting period by the issuance on a one-for-one basis of common shares.

	Threshold	Target	Maximum
Cumulative EPS	\$4.21	\$6.02	\$7.83

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The following chart shows the allocation of the LTIP awards that were granted in 2018:

The Committee determines the value of the annual grant to the executive officers by considering the comparison to our Comparator Group obtained during the annual compensation review process, as well as the executives responsibilities, performance and potential contributions. The targeted value of 2018 LTIP grants were established as listed in the table below.

Executive Officer	Targeted Value 2018 Grant
Jonathan B. DeGaynor	\$1,800,000
Robert R. Krakowiak	536,000
Thomas M. Dono, Jr.	365,000
Thomas A. Beaver	346,000
Robert R. Willig, Jr.	325,000

The grant date fair value of the RSUs and Performance Shares awarded in 2018 are included in the Stock Awards column of the Summary Compensation Table. The RSUs awarded in 2018 are included in the All Other Stock Awards column of the Grants of Plan-Based Awards table, and the grant date fair value of the Performance Shares awarded are included in the Estimated Future Payouts Under Equity Incentive Plan Awards columns of the Grants of Plan-Based Awards table.

The Committee's practice has been to approve the long-term incentive awards at the first regular meeting of the calendar year. As a general practice, awards under the long-term incentive plans are approved once a year unless a situation arises whereby a compensation package is approved for a newly hired or promoted executive officer and equity-based compensation is a component.

## 2016 Grant of RSUs and Performance Shares

The performance period for the Performance Shares that were granted in 2016 ended on December 31, 2018. The shares vested on March 4, 2019, as shown below. These shares are included for the NEOs, as applicable, in the Outstanding Equity Awards at Year-End table.

2016 LTIP Grant		Performance Period Results				
Award Type & Metric	Grant Date	Vest Date	Allocation of Shares	Performance Results (2016 - 2018)	Payout % of Target Shares	%
Time-Based RSU	3/4/2016	3/4/2019	45 %	n/a	100	%
Performance Shares	EPS	3/4/2016	3/4/2019	25 %	120% of target	134% of target
Performance Shares	TSR	3/4/2016	3/4/2019	30 %	70 <sup>th</sup> percentile of Peer Group	140% of target

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The TSR Peer Group for the 2016 grant consisted of the following companies.

Actuant	EnPro Industries	Methode Electronics
Altra Industrial Motion	ESCO Technologies	Modine Manufacturing Company
AVX	Franklin Electric	OSI Systems
Barnes Group	Gentex	Rogers
Chart Industries	Gentherm	Shiloh Industries
CIRCOR	Graco	Spartan Motors
Columbus McKinnon	KEMET	Standard Motor Products
Commercial Vehicle Group	Littelfuse	Superior Industries
CTS	Lydall	Tower International
Dorman Products	Meritor	Wabash National

## Perquisites

We provide executive officers with limited perquisites that we and the Committee believe are reasonable and consistent with the overall compensation program to better enable us to attract and retain superior employees for key positions. The Committee periodically reviews the levels of perquisites provided to executive officers.

Perquisites that are provided to executive officers are different by individual and might include an auto allowance or spousal travel. The incremental costs of the perquisites listed above for the NEOs are included in the All Other Compensation column of the Summary Compensation Table.

## Employment Agreements

We use employment agreements in limited situations. In 2015, we entered into a negotiated employment agreement with Mr. DeGaynor which remains in effect. This agreement provides for a minimum base salary of \$500,000; participation in the annual incentive plan at a target of 100% of base salary; a monthly auto allowance, participation in the Company's customary benefit plans including an annual executive physical; and participation in the long-term incentive plan. In addition, if Mr. DeGaynor is terminated without cause, we will be obligated to pay him the sum of his annual base salary and target annual incentive as well as health and welfare benefits for one year, and if the termination occurs in the last six months of the fiscal year, he would be paid a prorated annual incentive.

The Company has not entered into an employment agreement with any other NEO.

## Severance Plan

The Company provides executive severance through the Officers and Key Employees Severance Plan (the Severance Plan). The NEOs covered under the Severance Plan include Mr. Krakowiak, Mr. Beaver, Mr. Dono and Mr. Willig. If a covered executive is terminated by us without cause, we will be obligated under the Severance Plan to pay the executive's salary for 12 months and continue health and welfare benefits coverage over the same period of time. Mr. DeGaynor's severance protection is provided in his employment agreement as described above.

## Termination and Change in Control Payments

We have entered into change in control agreements with Mr. DeGaynor, Mr. Krakowiak, Mr. Dono, Mr. Beaver and Mr. Willig, and certain other senior management employees. These agreements are designed to promote stability and continuity of senior management, both of which are in the best interest of Stoneridge and our shareholders. Our termination and change in control provisions for the NEOs are summarized below under Potential Change in Control and Other Post-Employment Payments.

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### **Tax Deductibility of Compensation**

Section 162(m) of the Internal Revenue Code ( Code ) generally limits tax deductibility of compensation paid by a public company to its chief executive officer and certain other executive officers in any year to \$1 million in the year compensation becomes taxable to the executive. Prior to the 2017 Tax Cuts and Jobs Act, certain compensation was exempt from the deduction limit to the extent it met the requirements to be considered qualified performance-based compensation as previously defined in Section 162(m). The 2017 Tax Cuts and Jobs Act eliminated that exemption. Certain arrangements entered into prior to November 2, 2017 are considered grandfathered and compensation paid under such arrangements will continue to be deductible until the arrangements are materially modified.

The Compensation Committee has historically considered Section 162(m) in the design of incentive plans to preserve the corporate tax deductibility of compensation. However, in light of the changes to Section 162(m), the Committee anticipates that a larger portion of future compensation paid to the Company's NEOs will be subject to a tax deduction disallowance under Section 162(m). The Compensation Committee recognizes that factors other than tax deductibility should be considered in determining the forms and levels of executive compensation most appropriate and in the best interests of the Company and its stockholders. Annually, the Compensation Committee reviews all compensation programs and payments, including the tax impact on the Company.

### **Accounting Treatment of Compensation**

As one of many factors, the Committee considers the financial impact in determining the amount of and allocation of the different pay elements, including Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 718 Stock Compensation.

### **Share Ownership Guidelines**

The Committee has established share ownership guidelines for our executive officers to enhance the linkage between the interests of our executive officers and those of our shareholders. These guidelines provide that the CEO, CFO and other executive officers must retain Company common shares equal in market value to five, four and three times, respectively, of their annual base salaries. The executive officers have a five year accumulation period to achieve compliance and are restricted from selling any common shares earned under a Company equity-based compensation plan until their ownership guideline has been reached. The accumulation period begins on the date of their first grant following their date of hire or promotion which subjects them to the guidelines.

### **Clawback Policy**

The Company adopted a clawback policy which provides for recoupment of performance-based executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under federal securities laws. The policy applies to current and former executives and requires reimbursement or forfeiture of any excess performance-based compensation received by an executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement.

## Compensation Risk Assessment

The Compensation Committee reviews the Company's incentive compensation structure practices for all employees to evaluate any risks associated with the Company's compensation programs.

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As part of the evaluation, the Compensation Committee reviews a compensation risk assessment that was prepared by Company management and its independent compensation consultant. The compensation risk assessment analyzes all Company compensation programs for various categories of compensation related risk.

The Compensation Committee considers, among other factors, the design of the incentive compensation programs, which are closely aligned to corporate performance, the mix of short term and long term compensation, the maximum payout levels for short term and long term incentives, the distribution of compensation between equity and cash, and other factors that mitigate risk.

The Compensation Committee determined that the Company's compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

## **Compensation Committee Report**

We have reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K and, based on that review and discussion, we recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

## **The Compensation Committee**

Kim Korth, Chairwoman  
Jeffrey P. Draime  
Douglas C. Jacobs  
William M. Lasky

TABLE OF CONTENTS**Summary Compensation Table**

The following table provides information regarding the compensation of our NEOs for 2018.

Name and Principal Position	Year	Salary (\$)	Bonus (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Jonathan B. DeGaynor <i>President &amp; Chief Executive Officer</i>	<b>2018</b>	<b>\$750,000</b>	<b>\$</b>	<b>\$1,800,013</b>	<b>\$564,000</b>	<b>\$28,022</b>	<b>\$3,142,035</b>
	2017	615,000		1,299,862	832,095	26,408	2,773,365
	2016	550,000		1,095,793	720,720	25,864	2,392,377
Robert R. Krakowiak <i>EVP, Chief Financial Officer &amp; Treasurer</i>	<b>2018</b>	<b>433,800</b>		<b>535,648</b>	<b>228,352</b>	<b>12,472</b>	<b>1,210,273</b>
	2017	408,333	275,250	499,904	395,020	9,480	1,587,987
	2016	137,949	2,500	509,626	115,275	1,450	766,799
Thomas M. Dono, Jr. <i>Chief Legal Officer</i>	<b>2018</b>	<b>359,853</b>		<b>364,848</b>	<b>150,964</b>	<b>10,066</b>	<b>885,730</b>
Thomas A. Beaver <i>Vice President &amp; President of Global Sales</i>	<b>2018</b>	<b>336,305</b>		<b>346,495</b>	<b>139,096</b>	<b>34,895</b>	<b>856,791</b>
	2017	326,510		336,391	267,270	27,264	957,434
	2016	317,000	5,000	323,745	224,144	26,975	896,865
Robert R. Willig, Jr. <i>President Control Devices</i>	<b>2018</b>	<b>325,000</b>	<b>85,000</b>	<b>324,962</b>	<b>90,090</b>	<b>12,032</b>	<b>837,084</b>

(1) The amount shown in the Bonus column for Mr. Willig is attributable to a sign-on bonus paid six months after his hire date.

The amounts included in the Stock Awards column represent the grant date fair value of time-based RSUs and Performance Shares computed in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions, see Note 8 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018. In 2018, RSUs and Performance Share awards were granted to our NEOs.

(2) The Performance Share awards were expected to be earned at the target level when granted; the maximum value of the Performance Share awards on the date of grant for Mr. DeGaynor, Mr. Krakowiak, Mr. Dono, Mr. Beaver and Mr. Willig, are, respectively, \$1,755,111, \$522,321, \$355,671, \$337,931 and \$316,642. Please see the Grants of Plan-Based Awards for 2018 table for more information regarding the RSUs and Performance Shares granted in 2018.

(3) The amount shown for each NEO in the Non-Equity Incentive Plan Compensation column is attributable to an annual incentive award earned under the AIP in the fiscal year listed.

(4) The amounts shown for 2018 in the All Other Compensation column are comprised of the following:



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Executive Officer	Auto Allowance	401(k) Match	Group Term Life Insurance	Total
Jonathan B. DeGaynor	\$14,400	\$11,000	\$2,622	\$28,022
Robert R. Krakowiak		11,000	1,472	12,472
Thomas M. Dono, Jr.		9,706	360	10,066
Thomas A. Beaver	14,400	11,000	9,495	34,895
Robert R. Willig, Jr.		11,000	1,032	12,032

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TABLE OF CONTENTS**Grants of Plan-Based Awards in 2018**

Executive Officer	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>			All Other Stock Awards: Number of Shares of Stock or Units <sup>(3)</sup>	Grant Date Fair Value of Stock and Option Awards <sup>(4)</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Jonathan B. DeGaynor	3/6/2018	\$375,000	\$750,000	\$1,500,000	20,230	40,460	71,725	33,100	\$1,800,013
Robert R. Krakowiak	3/6/2018	151,830	303,660	607,320	6,020	12,040	21,345	9,850	535,648
Thomas M. Dono, Jr.	3/6/2018	100,375	200,750	401,500	4,100	8,200	14,535	6,710	364,848
Thomas A. Beaver	3/6/2018	92,484	184,968	369,936	3,895	7,790	13,810	6,370	346,495
Robert R. Willig, Jr.	3/6/2018	65,000	130,000	260,000	3,650	7,300	12,940	5,980	324,962

(1) The amounts shown reflect awards granted under our 2018 AIP. In March 2018, the Compensation Committee approved the 2018 target AIP awards expressed as a percentage of the executive officer's 2018 approved base salary, and Company and individual performance measures for the purpose of determining the amount paid out under the AIP for each executive officer for the year ended December 31, 2018. Please see Compensation Discussion and Analysis Annual Incentive Awards for more information regarding the Company's 2018 awards and performance measures.

(2) The amounts shown reflect grants of Performance Share awards made under our LTIP on March 6, 2018. The amount of the Performance Shares that will be earned will be determined based on our total shareholder return compared to that of a defined peer group for 30% of the awards and based on our EPS performance for 25% of the awards for the performance period January 1, 2018 through December 31, 2020. The shares will vest on March 6, 2021, assuming the grantee is still employed on that date.

(3) The amounts shown reflect grants of time-based RSUs made under our LTIP. These RSUs were granted on March 6, 2018. The time-based grant comprises 45% of the total LTIP award, and will be earned on March 6, 2021, assuming the grantee is still employed on that date.

(4) The amounts included in Fair Value of Awards column represent the aggregate grant date fair value of the awards computed in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions, see Note 8 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.



TABLE OF CONTENTS**Outstanding Equity Awards at Year-End**

Executive Officer	STOCK AWARDS			Equity Incentive Plan Awards:		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(1)</sup>
	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(1)</sup>		Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)		
	37,530 <sup>(2)</sup>	\$925,115		62,967 <sup>(6)</sup>		\$1,552,137
Jonathan B. DeGaynor	31,230 <sup>(3)</sup>	769,820		67,665 <sup>(7)</sup>		1,667,942
	33,100 <sup>(4)</sup>	815,915		71,725 <sup>(8)</sup>		1,768,021
	12,669 <sup>(5)</sup>	312,291		21,255 <sup>(9)</sup>		523,944
Robert R. Krakowiak	12,010 <sup>(3)</sup>	296,047		26,025 <sup>(7)</sup>		641,516
	9,850 <sup>(4)</sup>	242,803		21,345 <sup>(8)</sup>		526,154
Thomas M. Dono, Jr.	6,710 <sup>(4)</sup>	165,402		14,535 <sup>(8)</sup>		358,288
	11,090 <sup>(2)</sup>	273,369		18,600 <sup>(6)</sup>		458,500
Thomas A. Beaver	8,080 <sup>(3)</sup>	199,172		17,515 <sup>(7)</sup>		431,745
	6,370 <sup>(4)</sup>	157,021		13,810 <sup>(8)</sup>		340,417
Robert R. Willig, Jr.	5,980 <sup>(4)</sup>	147,407		12,940 <sup>(8)</sup>		318,971

Time-based RSUs and Performance Shares are paid after the end of the performance period and on the vesting dates shown in the following footnotes. With regard to Performance Shares the actual number of common shares paid out is dependent upon the achievement of the related performance objectives. In this column, the theoretical value of the number of outstanding time-based RSUs and Performance Shares, as applicable, reported in the (1) column to the immediate left is based on the price of our common shares on December 31, 2018 (\$24.64). In calculating the number of Performance Shares and their value, we compare the Company's performance through 2018 under each outstanding Performance Share grant against the threshold, target, and maximum performance levels for the grant and report in this column the applicable potential payout amount. If the performance is between levels, we report the potential payout at the next highest level.

(2) These time-based RSUs vest on March 4, 2019.

(3) These time-based RSUs vest on March 6, 2020.

(4) These time-based RSUs vest on March 6, 2021.

(5) These time-based RSUs vest on August 29, 2019.

These Performance Shares are scheduled to vest on March 4, 2019 subject to actual performance on specified (6) financial performance metrics. Performance on TSR and EPS was between target and maximum for the performance period that ended December 31, 2018.

These Performance Shares are scheduled to vest on March 6, 2020 subject to achievement of specified financial (7) performance metrics. Performance is currently projected to be between Target and Maximum for both TSR and EPS (maximum is shown).

These Performance Shares are scheduled to vest on March 6, 2021 subject to achievement of specified financial (8) performance metrics. Performance is currently projected to be between Target and Maximum for both TSR and EPS (maximum is shown).

These Performance Shares are scheduled to vest on August 29, 2019 subject to actual performance on specified (9) financial performance metrics. Performance on TSR and EPS was between target and maximum for the performance period that ended December 31, 2018.

TABLE OF CONTENTS**Shares Vested in 2018**

Executive Officer	Stock Awards <sup>(1)</sup>	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Jonathan B. DeGaynor	160,431	\$4,427,896
Robert R. Krakowiak		
Thomas M. Dono, Jr.		
Thomas A. Beaver	34,248	945,245
Robert R. Willig, Jr.		

<sup>(1)</sup> For Mr. DeGaynor and Mr. Beaver, the number of shares includes time-based RSUs and Performance Shares from the 2015 LTIP grants that vested on March 30, 2018.

**Non-Qualified Deferred Compensation Plan**

The Compensation Committee approved implementation of a non-qualified deferred compensation plan for our executive officers and certain other leaders in the organization, effective June 1, 2017. The plan provides the opportunity to defer current compensation and taxes until a future date, and to receive tax deferred investment returns on deferred amounts. The Company will provide matching contributions to the extent that participants are unable to receive a full match in the 401(k) plan, due to contribution and/or compensation limits. The plan allows eligible employees to defer up to 80% of their base salary, up to 100% of AIP and up to 100% of LTIP. The minimum deferral period is three years. No NEO participated in the Company's non-qualified deferred compensation plan in 2018.

**Potential Change in Control and Other Post-Employment Payments**

We have entered into a Change in Control Agreement (the "CIC Agreement") with certain executive officers. There is no excise tax gross-up payment under the CIC Agreements. Our change in control agreements were designed to provide for continuity of management in the event of change in control of the Company. We think it is important for our executives to be able to react neutrally to a potential change in control and not be influenced by personal financial concerns. We believe our arrangements are consistent with market practice. For our NEOs covered under a CIC Agreement we set the level of benefits, as described below, to remain competitive with our select peer group. All payments under the CIC Agreement are conditioned on a non-compete, non-solicitation and non-disparagement agreement.

We believe that the CIC Agreements should compensate executives displaced by a change in control and not serve as an incentive to increase personal wealth. Therefore, our CIC Agreements are "double trigger" arrangements. In order for the executives to receive the payments and benefits set forth in the agreement, both of the following must occur:

- a change in control of the Company; and
- a triggering event:

the Company separates NEO from service, other than in the case of a termination for cause, within two years of the change in control; or

NEO separates from service for good reason (defined as material reduction in NEO's title, responsibilities, power or authority, or assignment of duties that are materially inconsistent to previous duties, or material reduction in NEO's compensation and benefits) within two years of the change in control.

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In March 2015, we entered into a CIC Agreement with Mr. DeGaynor as part of his employment agreement. The terms of this CIC Agreement are substantially similar to that described above. If the events listed above occur and the executive delivers a release to the Company, we will be obligated to provide the following to Mr. DeGaynor:

- two times the greater of Mr. DeGaynor's annual base salary at the time of a triggering event or at the time of the occurrence of a change in control;
- two times the greater of Mr. DeGaynor's target annual incentive award at the time of termination or the actual incentive award received for the fiscal year prior to termination;
- an amount equal to the pro rata amount of annual incentive compensation Mr. DeGaynor would have been entitled to at the time of a triggering event calculated based on the personal and performance goals that were achieved in the year in which the triggering event occurred; and
- continued life and health insurance benefits for twenty-four months following termination.

If the events listed above occur and the executive delivers a release to the Company, we will be obligated to provide the following to Mr. Krakowiak, Mr. Dono, Mr. Beaver, and Mr. Willig:

- two times the greater of the NEO's annual base salary at the time of a triggering event or at the time of the occurrence of a change in control;
- two times the greater of the NEO's average annual incentive award over the last three completed fiscal years or the last five completed fiscal years;
- an amount equal to the pro rata amount of annual incentive compensation the NEO would have been entitled to at the time of a triggering event calculated based on the performance goals that were achieved in the year in which the triggering event occurred; and
- continued life and health insurance benefits for twenty-four months following termination.

Upon a change in control as defined by the Amended and Restated Long-Term Incentive Plan ( 2016 LTIP ), time-based RSUs and Performance Shares granted under that plan vest immediately and are no longer subject to forfeiture. Upon a change in control as defined by the 2016 LTIP, time-based RSUs and Performance Shares granted under that plan remain subject to forfeiture under the original terms of the grant unless a triggering event, as described above, occurs within two years of the effective date of the change in control.

We have a Severance Plan. The NEOs covered under the Severance Plan include Mr. Krakowiak, Mr. Dono, Mr. Beaver, and Mr. Willig. If we terminate a covered executive without cause, we will be obligated under the Severance Plan to pay the executive's salary for one year and continue health and welfare benefits coverage over the same period of time. Mr. DeGaynor's severance protection is provided in his employment agreement as described above. No severance is payable if the NEO's employment is terminated for cause, if they resign, or upon death or disability.



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Upon resignation, no payments are due to any NEO in the table below. Assuming the events described in the table below occurred on December 31, 2018, each NEO would be eligible for the following payments and benefits:

	Termination Without Cause	Non-Termination Change in Control	Change in Control and NEO Resigns for Good Reason or is Terminated Without Cause	Disability	Death
<b>Jonathan B. DeGaynor</b>					
Base Salary	\$ 750,000	\$	\$1,500,000	\$ 187,500	\$
Annual Incentive Award	750,000		1,664,190		
Unvested and Accelerated Restricted Common Shares and Share Units	1,570,797	925,115	2,510,849	2,510,849	2,510,849
Unvested and Accelerated Performance Shares, Restricted Common Shares	1,919,915	1,130,696	3,068,925	1,919,915	1,919,915
Health and Welfare Benefits	35,268		70,536		
Total	\$5,025,979	\$2,055,811	\$8,814,500	\$4,618,264	\$4,430,764
<b>Robert R. Krakowiak</b>					
Base Salary	\$ 450,000	\$	\$ 900,000	\$	\$
Annual Incentive Award			623,372		
Unvested and Accelerated Restricted Common Shares and Share Units	499,927	312,291	851,140	499,927	499,927
Unvested and Accelerated Performance Shares, Restricted Common Shares	611,024	381,681	1,040,329	611,024	611,024
Health and Welfare Benefits	32,260		64,519		
Total	\$1,593,210	\$ 693,972	\$3,479,360	\$1,110,951	\$1,110,951
<b>Thomas M. Dono, Jr.</b>					
Base Salary	\$ 365,000	\$	\$ 730,000	\$	\$
Annual Incentive Award			301,928		
Unvested and Accelerated Restricted Common Shares and Share Units	45,948		165,402	45,948	45,948
Unvested and Accelerated Performance Shares, Restricted Common Shares	56,153		202,130	56,153	56,153
Health and Welfare Benefits	30,962		61,925		
Total	\$ 498,063	\$	\$1,461,385	\$ 102,100	\$ 102,100

**Thomas A. Beaver**

Base Salary	\$ 336,305	\$	\$ 672,610	\$	\$
Annual Incentive Award			420,340		
Unvested and Accelerated Restricted Common Shares and Share Units	423,512	273,369	629,561	423,512	423,512
Unvested and Accelerated Performance Shares, Restricted Common Shares	517,625	334,008	769,573	517,625	517,625
Health and Welfare Benefits	32,058		64,115		
Total	\$1,309,500	\$ 607,377	\$2,556,199	\$ 941,137	\$ 941,137

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	Termination Without Cause	Non-Termination Change in Control	Change in Control and NEO Resigns for Good Reason or is Terminated Without Cause	Disability	Death
<b>Robert R. Willig, Jr.</b>					
Base Salary	\$325,000	\$	\$ 650,000	\$	\$
Annual Incentive Award			180,180		
Unvested and Accelerated Restricted Common Shares and Share Units	40,944		147,407	40,944	40,944
Unvested and Accelerated Performance Shares, Restricted Common Shares	49,990		179,945	49,990	49,990
Health and Welfare Benefits	28,935		57,870		
Total	\$444,869	\$	\$1,215,402	\$90,934	\$90,934

**CEO Pay Ratio**

In compliance with Section 953(b) of the Dodd-Frank Act and Item 402(u) of Regulation S-K, we undertook activities to calculate the ratio of our CEO's total annual compensation to that of our median employee. For 2018, as permitted, we used the employee who was identified in 2017 as our median paid employee as that individual is still employed and there have been no significant changes to our global employee population.

We calculated the 2018 total compensation data for both the CEO and the median employee. Our median employee's total annual compensation in 2018 was \$22,714. Our CEO's total annual compensation in 2018 for purposes of calculating the CEO pay ratio was \$3,142,035. The ratio of our CEO's total annual compensation to the total annual compensation of our median employee was 138 to 1.

**Director Compensation**

Non-employee directors are compensated for their services as directors as shown in the chart below.

**Schedule of Director Fees****Cash Compensation**

Annual Retainer – Director	\$ 80,000
Annual Retainer – Chairman	150,000
Additional Compensation:	
Audit Committee Chair	12,500
Compensation Committee Chair	10,000
Nominating & Corporate Governance Committee Chair	7,500

**Equity Compensation**

Date of grant value

105,000

The Compensation Committee annually reviews director compensation relative to data of the Company's Comparator Group provided by TRS, its independent consultant, and recommends changes to the full Board for approval, as appropriate. For 2018, the Committee recommended and the Board approved a \$5,000 increase to the Annual Cash Retainer and a \$10,000 increase to the Equity Annual Retainer for directors.

Pursuant to the Directors' Restricted Shares Plan, non-employee directors are eligible to receive awards of restricted common shares. In 2018, all directors were granted 4,277 restricted common shares. The restrictions for those common shares lapsed on March 7, 2019.

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Non-Employee Director	Fees Earned or Paid in Cash	Stock Awards (\$) <sup>(1)</sup>	Total Compensation (\$)
Jeff Draime	\$ 80,000	\$105,000	\$185,000
Doug Jacobs	92,500	105,000	197,500
Ira Kaplan	80,000	105,000	185,000
Kim Korth	90,000	105,000	195,000
Bill Lasky	157,500	105,000	262,500
George Mayes, Jr.	80,000	105,000	185,000
Paul Schlather	80,000	105,000	185,000

The amounts included in the Stock Awards column represent fair value at grant date of restricted common share awards to directors, computed in accordance with FASB ASC Topic 718. For a discussion of the valuation assumptions, see Note 8 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

**Director Share Ownership Guidelines**

The Board has established share ownership guidelines for all non-employee directors. These guidelines provide that each director should own Company common shares equal in market value to four times the cash portion of the Board's annual retainer. The Directors have a five year accumulation period from implementation of the guideline or appointment to the Board to achieve compliance and are restricted from selling any common shares earned under a Company equity-based compensation plan until their ownership guideline has been reached.

**OTHER INFORMATION****Shareholders' Proposals for 2020 Annual Meeting of Shareholders**

Proposals of shareholders intended to be presented, pursuant to Rule 14a-8 under the Exchange Act, at our 2019 Annual Meeting of Shareholders must be received by the Company at Stoneridge, Inc., 39675 MacKenzie Drive, Suite 400, Novi, Michigan 48377, on or before December 7, 2019, for inclusion in our proxy statement and form of proxy relating to the 2019 Annual Meeting of Shareholders. In order for a shareholder's proposal outside of Rule 14a-8 under the Exchange Act to be considered timely within the meaning of Rule 14a-4(c) of the Exchange Act, such proposal must be received by the Company at the address listed in the immediately preceding sentence not later than February 18, 2020.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and executive officers, and owners of more than 10% of our common shares, to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of our common shares and other equity securities. Executive officers, directors and owners of more than 10% of the common shares are required by SEC regulations to furnish us with copies of all forms they file pursuant to Section

16(a). To our knowledge, based solely on our review of the copies of such reports furnished to us and written representations that no other reports were required during the fiscal year ended December 31, 2018, all Section 16(a) filing requirements applicable to our executive officers, directors and more than 10% beneficial owners were complied with.

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**Other Matters**

If the enclosed proxy is executed and returned to us via mail, telephone or Internet, the persons named in it will vote the common shares represented by that proxy at the meeting. The form of proxy permits specification of a vote for the election of directors as set forth under Election of Directors, the withholding of authority to vote in the election of directors, or the withholding of authority to vote for one or more specified nominees. When a choice has been specified in the proxy, the common shares represented will be voted in accordance with that specification. If no specification is made, those common shares will be voted at the meeting to elect directors as set forth under Election of Directors, FOR the proposals to (i) ratify the appointment of Ernst & Young as our independent registered public accounting firm for the year ending December 31, 2019; and (ii) approve of the advisory resolution on executive compensation.

The holders of shares of a majority of the common shares outstanding on the record date, present in person or by proxy, shall constitute a quorum for the transaction of business to be considered at the Annual Meeting of Shareholders.

If any other matter properly comes before the meeting, the persons named in the proxy will vote thereon in accordance with their judgment. We do not know of any other matter that may be presented for action at the meeting and we have not received any timely notice that any of our shareholders intend to present a proposal at the meeting.

By order of the Board of Directors,

Dated: April 4, 2019

Thomas M. Dono, Jr.  
*Chief Legal Officer and Secretary*

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