

# **NAVISTAR INTERNATIONAL CORPORATION CORPORATE GOVERNANCE GUIDELINES**

Navistar International Corporation's (the "Corporation") Board of Directors (the "Board" and each such director thereof a "Director") has adopted the following corporate governance guidelines (the "Guidelines") in order to preserve and strengthen the structure and processes of the Board. The Guidelines acknowledge the leadership exercised by the Board's standing committees (the "Committees") and their chairs. The Guidelines also recognize the importance of maintaining the flexibility to adapt corporate governance processes to the changing requirements of business. These Guidelines may be amended by the Board and the Board may make exceptions to them.

## **1. SELECTION OF THE CHAIR OF THE BOARD, CHIEF EXECUTIVE OFFICER, AND LEAD DIRECTOR.**

The Board will select the Chair of the Board and Chief Executive Officer (the "CEO") and determine from time to time whether the positions are to be combined and filled by one person or separated and filled by two persons. If the positions are separated, the Chair of the Board may be an employee or a non-employee Director. If the Chair is an employee Director, then the Board shall select a Lead Director from among the Independent Directors.

## **2. BOARD COMPOSITION AND INDEPENDENCE.**

The number of Directors will be determined by the Board.

After reviewing recommendations from the Nominating and Governance Committee, the Board will establish criteria for Board membership which it will use in determining the size of the Board, filling vacancies on the Board and making recommendations to stockholders regarding the election of Directors. These criteria should include, but not be limited to:

- (a) knowledge and contacts in the Corporation's industry and other relevant industries;
- (b) reputation in the business community;
- (c) personal and professional ethics and integrity;
- (d) experiences and achievements;
- (e) ability to make significant contributions to the Corporation's success;
- (f) ability to work effectively with other directors;
- (g) willingness to devote necessary time to the work;
- (h) ability to assist and evaluate the Corporation's management;
- (i) involvement only in other activities or interests that do not create a conflict with their responsibilities;
- (j) understanding of and ability to meet responsibilities to the Corporation's stockholders; and
- (k) having the potential to serve on the Board for at least five years.

Consideration is also given to having a diversity of backgrounds, skills, and perspectives among the Directors. In selecting Directors the Board considers diversity of persons in terms of their expertise, age, gender, race, ethnicity, education, and other attributes which contribute to the Board's diversity. One of the criteria will be that a substantial majority of the Directors will be Independent Directors as defined under the New York Stock Exchange ("NYSE") listing standards and in accordance with the guidelines set forth in the annex to these policies. If at any time the Board determines that a director no longer qualifies as an Independent Director, that Director is required to offer to resign from the Board. The Board, after considering the recommendation of the Nominating and Governance Committee, will review the continued appropriateness of such Director's Board membership and decide whether to accept such Director's resignation.

The Board believes that Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively. Directors who also serve as active CEOs or in equivalent positions should not serve on more than three boards of public companies in addition to the Navistar board, and other Directors should not serve on more than five other boards of public companies in addition to the Navistar board.

When the Board makes recommendations to stockholders regarding the election of Directors, or appoints a new Director to fill a vacancy on the Board, the Nominating and Governance Committee will provide recommendations to the Board for its consideration. In evaluating candidates, the Nominating and Governance Committee will use the criteria established by the Board. In determining whether to recommend a Director for re-election, consideration should be given to the Director's past attendance at meetings, participation in and contributions to the activities of the Board and the results of the most

recent Board self-evaluation. In the case of new Directors, after the Board has decided to make a recommendation to the stockholders, or to appoint a Director to fill a vacancy, the Board will authorize the CEO to extend an invitation to the candidate to become a Director.

The Board does not believe that arbitrary term limits on Director's service are appropriate, nor does it believe that Directors should expect to be re-nominated at the expiration of their term. In order to assist the Nominating and Governance Committee and the Board in applying the criteria for the size of the Board and for Board and Committee membership, each Director is required to notify the Corporate Secretary (a) whenever his or her principal occupation or primary business affiliation changes and (b) of his or her intention to join the board of directors of, or become affiliated with, another business entity. In instances where the Director's principal occupation or primary business affiliation changes, the notice should be accompanied by the Director's offer to resign from the Board. The notice will provide an opportunity for the Board, after considering the recommendation of the Nominating and Governance Committee, to review the continued appropriateness of the Director's Board membership and decide whether to accept the Director's resignation. A Director who has served as an executive officer of the Corporation should likewise offer the Board his or her resignation as a Director at the end of his or her tenure as an executive officer. The Board will decide at that time whether it is appropriate for the departing executive officer to continue to serve as a Director.

Non-employee Directors are eligible to retire from the Board after they attain 5 years of service or as otherwise deemed retirement eligible by the Board.

### **3. BOARD MEETING AGENDAS AND INFORMATION.**

The Chair of the Board (or the Lead Director when applicable) and CEO will establish the agendas for meetings of the Board, taking into consideration any items suggested by other Directors. If the positions are held by two persons, then the CEO, in consultation with the Chair of the Board, will establish the agendas. Directors are free to raise subjects at a Board meeting that are not on the agenda for that meeting.

In order to enhance the Directors' understanding and consideration of matters to be discussed at Board meetings, concise written information regarding all agenda items will be distributed to Directors in advance of each meeting if possible and practicable.

### **4. COMMITTEES.**

The Board will create Committees of its members to exercise a lead role in addressing significant issues affecting the Corporation. The Committees will have such duties and responsibilities as are conferred by the by-laws or delegated by the Board. The five current standing Committees are Finance, Audit, Compensation, Nominating and Governance and Executive. Each of the Board's Finance, Audit, Compensation and Nominating and Governance Committees shall be governed by a written charter and such other committees of the Board may be governed by a written charter as determined necessary or appropriate in the judgment of the Board. The written charters of the Finance, Audit, Compensation and Nominating and Governance Committees shall be published on the Corporation's website.

After reviewing recommendations from the Nominating and Governance Committee, the Board will establish criteria for Committee membership. In addition to the requirement that a majority of the Directors be Independent Directors, members of the Audit Committee, Compensation Committee and the Nominating and Governance Committee must all be independent. Further, the Audit Committee and the Compensation Committee members must also satisfy any additional NYSE independence requirements. Specifically, Audit Committee members may not be affiliates of the Corporation and they may not directly or indirectly receive any compensation from the Corporation other than their Director's compensation. Similarly, in evaluating their independence, the Board shall consider whether members of the Compensation Committee are affiliated with the Corporation, a subsidiary of the Corporation, or an affiliate of a subsidiary of the Corporation, and whether the Committee members receive any direct or indirect compensation from the Corporation, other than their Director compensation.

The Board will appoint members of its Committees, including a chair of each Committee, after reviewing recommendations from the Nominating and Governance Committee. The appointments will be made annually at the first meeting of the Board after the annual meeting of the stockholders. Consideration will be given to periodic rotation of Committee membership and leadership by taking into account continuity, expertise and tenure. Committee chairs will report the highlights of their meetings to the full Board following each meeting of the respective Committees. The Committees may hold meeting in conjunction with the full Board.

Committee chairs, in consultation with the Chair of the Board (or the Lead Director when applicable) and CEO, other Committee members and appropriate members of management, will determine the frequency, length and agendas of meetings of their Committees and will communicate agendas and meeting dates to the other Directors as far in advance of Committee meetings as is practicable.

## **5. DIRECTORS' RESPONSIBILITIES.**

The Board establishes broad corporate policies, sets strategic direction and oversees management, which is responsible for the Corporation's day-to-day operations. To foster open discussions, the proceedings and deliberations of the Board and its Committees are confidential. Accordingly, unless required by law or otherwise permitted by the Corporation, each Director will maintain confidentiality of non-public information received from the Corporation or its advisors and information obtained during Board and Committee proceedings and deliberations. Directors are expected to exercise their business judgment to act in good faith, on an informed basis and in what they reasonably believe to be the best long-term interest of the Corporation and its stockholders. Except in extenuating circumstances, directors are expected to attend all meetings of the Board and the Committees on which they serve. Directors should carefully review Board and committee meeting agendas and related materials in advance of meetings to enable them to participate in an informed manner.

## **6. EXECUTIVE SESSIONS OF NON-EMPLOYEE AND INDEPENDENT DIRECTORS.**

Executive Sessions are those sessions that include only non-employee Directors. If the Chair is an employee Director, Executive Sessions shall be chaired by the Lead Director. Independent Director Sessions are those sessions that include only Independent Directors. From time to time management of the Corporation may be asked to attend an Executive Session or Independent Director Session of the Board. The Board will have at least three regularly scheduled meetings a year for non-employee Directors without management present. The Director who chairs the Committee which has responsibility for the subject to be considered shall act as chair pro tem. If any non-employee Director is not independent, then the Independent Directors shall also schedule an Independent Director Session at least once per year.

The performance of the CEO shall be reviewed annually at an Independent Director Session. A review and discussion of the Corporation's Board evaluation, strategic plans or such other matters as may be determined by the non-employee Directors shall occur at an Executive Session, but the formal actions of the Board generally should be taken at a Board meeting.

## **7. CEO AND MANAGEMENT EVALUATION, DEVELOPMENT AND SUCCESSION PLANNING.**

The Independent Directors, acting together, may retain consultants and advisors to assist them in performing the evaluation of the CEO at the Independent Director Session. After the Independent Director Session, the chair of the Compensation Committee and the CEO will discuss the results of that evaluation.

On an annual basis, the Compensation Committee reviews with the CEO management succession planning for executives other than the CEO in preparation for discussion by the entire Board as well as the non-employee Directors. The Nominating and Governance Committee reviews CEO succession planning in preparation for discussion by the entire Board as well as the non-employee Directors. The Board and non-employee Directors discussion on management succession shall focus on succession planning for the CEO and other key members of senior management.

The CEO will provide opportunities for members of management to meet with the Directors.

## **8. REVIEW OF THE CORPORATION'S STRATEGIC PLANS.**

At least annually, the Board will review the Corporation's strategic plans with those members of management who have primary responsibility for their development and execution and then will discuss those strategic plans in Executive Session.

## **9. RISK MANAGEMENT.**

The Board provides oversight of the major risks facing the Corporation, and may delegate risk oversight responsibility to one or more Committees of the Board.

## **10. COMMUNICATIONS.**

The Board believes that management speaks for the Corporation. Directors may from time to time meet or

otherwise communicate with various constituencies that are involved with the Corporation but it is expected that Directors would do this only with the knowledge of management and, in most instances, at the request of management.

#### **11. BOARD COMPENSATION REVIEW.**

Management will report to the Nominating and Governance Committee once a year regarding the compensation of the Directors, including a comparison of the Directors' compensation with the compensation received by directors of other companies. Compensation of the Directors will be determined by the Board after reviewing recommendations of the Nominating and Governance Committee. Employees of the Corporation or any of its subsidiaries receive no additional compensation for service as a Director.

#### **12. DIRECTOR STOCK OWNERSHIP.**

The Board believes that, in order to align the interests of Directors and stockholders, Directors elected by the holders of the Corporation's common stock should have a meaningful personal investment in the Corporation. In furtherance of this policy, the Board believes that each Director who has served on the Board for at least 5 years should own a minimum of shares of common stock or stock units equivalent to three (3) times the annual cash retainer. The value of three (3) times the annual cash retainer will be converted to a number of shares calculated by using the average of the high and low stock price as of (x) June 15, 2010 for such existing Directors and (y) the election date for such new Directors. The number of shares shall be fixed based upon the above valuation and shall not fluctuate based on future stock price movement. The Board will evaluate whether exceptions should be made in the case of any Director who, due to his or her unique financial circumstances, would incur a hardship by complying with this requirement.

#### **13. ACCESS TO MANAGEMENT AND OUTSIDE ADVISORS.**

Directors shall have full and free access to any member of management for the purpose of understanding issues facing the Corporation. Any meetings or contacts that a Director wishes to initiate may be arranged through the CEO or the Corporate Secretary or directly by the Director. It is the expectation of the Board to keep the CEO informed of communications between a Director and a manager of the Corporation, as appropriate. The Directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Corporation. The Board and its Committees shall have the right at any time to retain independent outside financial, legal or other advisors. The Corporation shall provide appropriate funding necessary, as determined by the Board or any Committee, to compensate independent outside advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its Committees in carrying out their duties.

#### **14. DIRECTOR ORIENTATION AND EDUCATION.**

The Corporate Secretary is responsible for providing an orientation for new Directors, and for periodically providing material or briefing sessions for all Directors on subjects that would assist them in discharging their duties. Each Director is expected to participate in the Director orientation and continuing education program developed by the Corporate Secretary. In addition, each Director is responsible for maintaining the necessary level of expertise to perform his or her responsibilities as a Director. The Corporation may reimburse Directors for costs relating to continuing education.

#### **15. VOTING FOR DIRECTORS.**

In an uncontested election, any nominee for Director who receives a greater number of votes "withheld" from his or her election than votes "for" such election (a "Majority Withheld Vote") shall promptly tender his or her resignation following certification of the stockholder vote. An election shall be considered uncontested if, as of the record date for the meeting of stockholders at which directors are to be elected, the number of nominees for election does not exceed the number of directors to be elected. The Nominating and Governance Committee shall promptly consider the resignation offer and make a recommendation to the Board. The Board will act on the Nominating and Governance Committee's recommendation within 90 days following certification of the stockholder vote. Thereafter, the Board will promptly publicly disclose its decision regarding whether to accept the Director's resignation offer. Any Director who tenders his or her resignation pursuant to this paragraph shall not participate in the Nominating and Governance Committee recommendation or Board action regarding whether to accept the resignation offer. However, if each member of the Nominating and Governance Committee received a Majority Withheld Vote at the same election, then all non-employee Directors on the Board who did not receive a Majority Withheld Vote shall appoint a committee amongst themselves to consider the

resignation offers and recommend to the Board whether to accept them.

**16. ANNUAL PERFORMANCE EVALUATION.**

The Board's structure processes and performance shall be reviewed annually at a separate Executive Session to determine whether it and its Committees are functioning effectively. The evaluation will be based on criteria established by the Directors after receiving recommendations from the Nominating and Governance Committee. The Nominating and Governance Committee will receive comments from all Directors and report annually to the Board with an assessment of the Board's performance. The assessment will focus on the Board's contribution to the Corporation and specifically focus on areas in which the Board or management believes that the Board could improve.

AS ADOPTED BY THE BOARD OF DIRECTORS ON APRIL 22, 2014

## ANNEX

The Board has established the following guidelines to assist it in determining director independence in accordance with the New York Stock Exchange (NYSE) corporate governance rules. An "Independent Director" shall mean a Director who, in the opinion of the Board:

- (i) within the preceding three years, has not been an employee, nor has an immediate family member of the Director been an executive officer, of the Corporation;
- (ii) within the preceding three years has not received during any twelve-month period more than \$120,000 in direct compensation from the Corporation, nor has an immediate family member of the Director received during any twelve-month period more than \$120,000 in direct compensation for services as an executive officer of the Corporation, excluding Director and Committee fees and pension or other forms of deferred compensation for prior service (provided such compensation was not contingent in any way on continued service);
- (iii) (A) is not a current partner or employee of a firm that is the Corporation's internal or independent auditor;  
(B) an immediate family member of the Director is not a current partner of such a firm;  
(C) an immediate family member of the Director is not a current employee of such a firm and does not personally work on the Corporation's audit;  
(D) within the preceding three years, has not, nor has an immediate family member of the Director, been a partner or employee of such a firm and personally worked on the Corporation's audit within that time;
- (iv) within the preceding three years, an executive officer of the Corporation has not served on the compensation committee of a company that, at the same time, employed the Director, or an immediate family member of the Director, as an executive officer; and
- (v) is not a current employee, nor is an immediate family member of the Director a current executive officer, of another company that made payments to, or received payments from, the Corporation for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or two percent (2%) of such other company's consolidated gross revenues.

For purposes of these guidelines, an "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home, and references to the "Corporation" include any subsidiary in the consolidated group with Navistar International Corporation or such other company as is relevant to any determination under the independent standards set forth in Section 303A.02(b) of the NYSE Listed Company Manual. The term "executive officer" has the same meaning specified for the term "officer" in Rule 16a-1(f) under the Securities Exchange Act of 1934.

The Board annually will review all commercial and charitable relationships between its Directors and the Corporation to determine whether the Directors meet these categorical independence tests. If a Director has a relationship with the Corporation that is not covered by these independence guidelines, those Directors who satisfy such guidelines will consider the relevant facts and circumstances and make an affirmative determination regarding whether such relationship is material or immaterial, and whether the Director would therefore be considered independent under the NYSE's rules.

The Corporation will disclose in its proxy statement any charitable contributions made by the Corporation to any charitable organization in which a Director serves as an executive officer if, within the preceding three years, contributions in any single fiscal year exceeded the greater of \$1 million, or two percent (2%) of such charitable organization's consolidated gross revenues.