

“Navistar is committed to be the company that customers, shareholders, employees and communities can count on.”



CEO LETTER

A COMMITMENT TO SUSTAINABLE SOLUTIONS

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Navistar is committed to be the company that customers, shareholders, employees and communities can count on. Our commitment includes pursuing lean, sustainable approaches that drive out waste, make efficient use of energy and other resources, and deliver industry-leading uptime. Our products reduce energy costs and environmental emissions, while enhancing driver and vehicle safety.

Our International® ProStar® long haul vehicle has a well-earned reputation as one of the industry's most fuel-efficient trucks. In 2014, we built on that tradition by introducing the International® ProStar® ES (Efficiency Specification), one of the industry's most aerodynamic tractors in real-world conditions. The ProStar ES offers the most fuel-efficient powertrain and transmission combination available in the industry, and has achieved as much as a 13 percent fuel economy improvement over its predecessor 2011 baseline vehicle.

In 2014, we continued our commitment to offer alternative fuel solutions by announcing a new propane school bus option. The IC Bus™ CE series PSI uses an 8.8 liter heavy-duty propane engine—a clean option that doesn't sacrifice power, torque or durability.

Our Leave No Student Behind® safety system, standard equipment in our IC Bus school buses, offers an unmatched combination of safety features. On the truck side, we were the first in the industry to introduce the Bendix® Wingman® Fusion™ suite of integrated advanced safety technologies to our heavy-duty line-up.

Our products are also sustainable in their composition. Approximately 90 percent of our

vehicles' content by weight is recyclable, and we are planning to increase the use of recycled and recyclable content in new models.

We work to assure compliance with safety, environmental and social standards throughout our supply chain. Our major truck, bus and engine manufacturing facilities are ISO 14001 certified, and thanks to our focus on lean, we continually reduce the environmental impact of our operations.

In 2014, we continued to achieve reductions in the greenhouse gas (GHG) emissions attributed to our facilities by another 2.3 percent. That improvement built on the 24 percent GHG reduction our facilities achieved between 2008 and 2013. And our recycling rate reached 55 percent, meeting our 2015 goal a full year in advance.

Our lean transformation reinforces our commitment to workplace safety. One example is our Drive Home Safety campaign, which encourages employees in our Parts Distribution Centers to get personally involved in focusing on safe operations.

Navistar's commitment to sustainable solutions also embraces the community. Our support for science, technology, engineering and math education, including the FIRST Robotics competition, is just one of the ways we provide tangible benefits to the communities where we live and work.

Troy A. Clarke
President and Chief Executive Officer





Our International® ProStar® long haul vehicle has a well-earned reputation as one of the most fuel-efficient trucks in the industry, and we are continuing that tradition with the International® ProStar® ES (Efficiency Specification).

PRODUCTS

FOCUSING ON FUEL EFFICIENCY AND
REDUCED EMISSIONS

As part of its uptime mission, Navistar aims to help its customers move their products reliably and perform their services as efficiently and with as low an impact on the environment as possible.

■ Continuing a Legacy of Emissions Reductions

Navistar's long history of product innovation includes pioneering steps in emissions reduction. Since the advent of federal regulation by the U.S. Environmental Protection Agency (EPA), emissions of nitrogen oxides (NOx) from diesel engines have been reduced by more than 90 percent; emissions of particulate matter (PM) have been cut by 99 percent; and emissions of carbon monoxide (CO) and hydrocarbons (HC) have been reduced to near-zero levels.

We were the first North American engine manufacturer to release a smokeless diesel engine, and worked with the EPA to advocate reducing the sulfur content of diesel fuel to 15 ppm in order to cut emissions of NOx and PM. Navistar then became the first truck and engine manufacturer certified by the EPA as meeting 2007 standards for PM and HC—six years ahead of requirements.

Navistar and other commercial truck manufacturers worked together with EPA and NHTSA to develop workable greenhouse gas regulations that went into effect in 2014. These were the first greenhouse gas or fuel efficiency regulations covering heavy duty vehicles and engines adopted in the U.S. We are following

a similar cooperative approach to future regulations, and are actively engaged in discussions with the goal that future rules similarly allow for cost-effective, achievable greenhouse gas reductions and real-world fuel efficiency improvements.

■ Offering Low-Emitting Engine Options

Navistar offers customers a wide range of engine options, including Cummins® engines and our own proprietary engines, that utilize selective catalytic reduction (SCR) for the reduction of emissions. We have worked closely with the EPA and California Air Resources Board (CARB) to assure that our engines for medium and heavy vehicles meet emissions requirements.

All engines in Navistar products are certified by CARB and EPA for on-board diagnostics (OBD), a self-diagnostic and reporting capability that ensures emissions control components are working effectively. All of the company's diesel engines can operate using biodiesel (up to B20), and Navistar also offers alternative-fuel vehicles, such as the International® TranStar® with the Cummins ISL-G natural gas engine.

In 2014, we continued our commitment to offer alternative fuel solutions by announcing a new propane school bus option, the IC Bus™ CE series PSI. Using an 8.8 liter heavy-duty propane engine, this new clean option doesn't sacrifice power, torque or durability.

Navistar also contributes to reduced emissions by offering many anti-idle solutions, such as



The IC Bus™ CE series PSI uses an 8.8 liter heavy-duty propane engine—a clean option that doesn't sacrifice power, torque or durability.



PRODUCTS

FOCUSING ON FUEL EFFICIENCY AND
REDUCED EMISSIONS

battery-powered heating and air conditioning systems. Our Parts group offers verified diesel exhaust emission retrofit products from various manufacturers to help reduce emissions from older vehicles.

■ Delivering Innovations in Aerodynamics

The company continues to build on the inherent fuel economy advantages of diesel technology. Much of Navistar's leadership in fuel economy is due to innovations in aerodynamics. Our International® ProStar® long haul vehicle has a well-earned reputation as one of the most fuel-efficient trucks in the industry, and we are continuing that tradition with the International® ProStar® ES (Efficiency Specification).

Introduced in 2014, the ProStar ES was engineered to feature the lowest wind-averaged drag coefficient in the industry. This means efficiency in cross-winds, making it one of the industry's most aerodynamic tractors in real-world conditions. In addition, it provides the most fuel-efficient powertrain and transmission combination available in the industry. These features, together with other improvements, enable the ProStar® ES to achieve as much as a 13 percent fuel economy improvement over the 2011 model year ProStar.

■ Minimizing Impacts throughout the Product Lifecycle

As part of our formal Environmental Protection and Energy Conservation Policy, Navistar works to minimize the environmental impacts of our products throughout their entire lifecycle, from raw material selection to the end of life. The company is working diligently to eliminate leaded bearings from its engines: all main, thrust, camshaft and rod bearings in future Navistar 13-liter engines will be lead free.

Approximately 90 percent of the content by weight of our vehicles is potentially recyclable, based on the availability of recycling facilities. We encourage suppliers to include recycled content in their products wherever possible; and we are looking at alternative materials to improve recyclability wherever feasible.

Navistar also works diligently to assure compliance with environmental and social standards in its supply chain. Our compliance initiatives, including Risk Management and Defense certification programs, help to ensure that suppliers maintain the highest standards in their operations, while also complying with industry-wide initiatives designed to prevent human rights abuses, such as the SEC's Conflict Minerals program and the California Human Trafficking Act. Meanwhile, our Supplier Diversity initiative also fosters growth and opportunity for minority companies in our supply base.





Navistar and its employees are committed to improving the environment. Here, several employees take part in an Adopt-A-Road clean-up project near Navistar's world headquarters in Lisle, Ill.

OPERATIONS

USING LEAN PRACTICES TO REDUCE WASTE

Navistar is engaged in lean transformation that minimizes waste throughout our operations. As part of its Environmental Protection and Energy Conservation Policy, Navistar is committed not just to operate in compliance with applicable legal requirements, but to prevent pollution beyond what is required, and to continuously improve its operations for energy efficiency and the appropriate disposal of waste.

Our audit programs—both internal and third-party ISO 14001 audits—help us monitor how well we are fulfilling our commitments. Navistar's truck and engine manufacturing facilities are ISO 14001 certified, and employees constantly find new ways to reduce energy use, trim greenhouse gas emissions and lower the production of waste. Since 1992, the company's pollution prevention projects have yielded more than \$100 million in savings.

■ Collaborating to Reduce Energy Use

The company's manufacturing facilities continue to decrease energy use and greenhouse gas (GHG) emissions. Last year, we exceeded our goal of reducing GHGs by 20 percent from 2008 levels by the end of 2013, achieving a reduction of 24.6 percent in that timeframe. During 2014, we continued to improve, reducing GHGs by another 2.3 percent. We also achieved a 2.4 percent decrease in total energy consumed.

Navistar employees utilize cross-functional "treasure hunts" and other approaches to identify

operating solutions that reduce energy usage, many of which require little or no investment. Navistar is in a continuous process of finding efficiencies and making the company leaner from top to bottom, and this treasure hunt process further underscores our commitment to lean. More than \$1.4 million in energy savings have been identified since the beginning of the treasure hunt process in 2012.

During 2014, the Lisle campus conducted an energy treasure hunt uniquely applied to an office environment. In a work setting that already featured extensive advanced energy-saving systems and equipment, the Lisle treasure hunt teams identified many additional energy reduction opportunities, including strict HVAC setbacks and assessing the need for phones, computers, monitors, and lighting in less occupied areas. The Smart Energy Design Assistance Center (SEDAC), an applied research program at the University of Illinois, provided a speaker for the Lisle treasure hunt event, and offered energy efficiency education to employees.

Navistar has previously partnered with the U.S. Department of Energy (DOE) to conduct onsite energy assessments. The company's Springfield, Ohio, truck assembly plant continues to address energy conservation recommendations from the most recent DOE assessment, and has formed a site Energy Team to focus on continuous energy efficiency improvements throughout the campus.



On World Environment Day, employees from Navistar's truck assembly plant in Escobedo, Nuevo Leon, Mexico wrote their personal environmental commitments on a banner that was posted at the plant.



OPERATIONS

USING LEAN PRACTICES TO REDUCE WASTE

Navistar is a member of the Better Buildings, Better Plants program of the U.S. Department of Energy, reflecting our commitment to reduce energy intensity (energy spent per unit of Gross Domestic Product) by 25 percent over 10 years. Navistar continues its progress towards this U.S. goal, having reduced energy intensity in 2014 by 1.9 percent at its larger participating sites in the U.S. The company was the first truck OEM to be EPA-certified both as a SmartWay shipper and as a manufacturer for its SmartWay-capable equipment specifications.

Navistar's corporate functions are also working to create lean workspaces. One recent lean project is the continual consolidation of workspaces to create larger areas that require little to no energy. Such collaboration can achieve significant reductions in energy consumption and other costs.

■ Reducing and Recycling Wastes

Navistar facilities are working hard to increase recycling, reduce the generation of both hazardous and non-hazardous waste and improve their use of water resources. In 2010, the company set a goal of increasing recycling from 33 percent of waste to 55 percent by 2015, inclusive of sands, slags and baghouse dusts. Having made steady progress, the facilities achieved this 55 percent goal in 2014, a full year in advance. Navistar will pursue additional improvement through the use of lean tools and the establishment of new waste goals.

The company's parts unit finds many opportunities to save energy and reduce waste:

- Navistar's parts distribution centers (PDCs) reduce the use of packing materials by increasing use of returnable containers for the shipment of parts, saving more than \$500,000 annually.
- The PDCs' dedicated delivery program follows prescribed routes to reach multiple dealerships with the same vehicle—eliminating double-handling and cross-docking of parts while achieving earlier deliveries and saving fuel. The dedicated delivery program served 28 percent more dealers in FY2014 than in FY2013.
- Returnable container use has been extended to all dedicated shipments at all PDCs, resulting in an annual cost savings of \$200,000.
- Navistar has an extensive parts remanufacturing program, which in FY2014 remanufactured more than 50.86 million pounds of parts materials, a 10 percent increase over FY2013.

■ Preserving Important Water Resources

As the profile and impact of water scarcity issues continues to rise, we continue to identify ways to minimize operational risk and improve our water management practices. In the past year, we have





The grounds of our Lisle, Ill., campus incorporate a number of environmentally responsible practices, including reliance on retention ponds for landscape irrigation, and landscaping that uses native plants to reduce the need for added water and maintenance.

OPERATIONS

USING LEAN PRACTICES TO REDUCE WASTE

focused our efforts on decreasing water consumption and making investments to preserve water quality.

- Our Springfield, Ohio assembly plant is making significant investments to its on-site wastewater treatment plant to ensure we continue to operate efficiently and meet our direct discharge limits.
- Our Melrose Park, Illinois engine plant received the Return on Environment (ROE) award, which recognizes companies that significantly surpass and improve environmental and operational goals while balancing industrial demands. Melrose Park received the award from GE Infrastructure Water & Process Technologies, a leading provider of water treatment solutions. The Melrose Park team achieved more than \$200,000 in annual savings by changing a boiler pre-treatment setup to a reverse osmosis process. The facility also re-piped a storm sewer lift station to provide recycled and filtered storm water make up for one of our cooling towers to save approximately 6,000,000 gallons of water per year.

Green Practices at Dealerships

The company coordinates closely with its International and IC Bus dealerships to utilize green practices that are also good business. Navistar was the first company in the industry to equip its

U.S. and Canadian dealers with new technology designed to detect leaks of refrigerant R134a and to recover, recharge and recycle the substance. In recent years, dealerships have added such innovations as geothermal heating systems, shop ceiling fans, T5 and T8 fluorescent lighting, and maximized use of natural sunlight.

A Record of Site Remediation

Navistar works closely and voluntarily with local communities to conduct brownfield remediations of closed or sold sites, and has achieved a number of notable successes:

- Since 2013, Navistar has remediated all 176 acres of the Wisconsin Steel Works (WSW) site it formerly owned in southeastern Chicago. All of the site's 13 parcels have received "no further remediation" (NFR) letters from environmental authorities and have been sold for industrial or commercial uses.
- Navistar has received the Kenneth L. Brace Memorial Award from the Calumet Area Industrial Commission (CAIC) in recognition of the company's more than 15 years of work in remediating the former WSW site.
- Illinois General Assembly House Resolution 899 recognized Navistar and its project team "for its initiative in assuming responsibility" for the WSW project and for its "steadfast commitment,



Our campuses at Springfield, Ohio, and Lisle, Ill., have received the “Wildlife at Work” certification from Wildlife Habitat Council (WHC). This certification reflects our active management of wildlife conservation areas featuring sustainable native species.



Navistar employees learn from WHC naturalist Colter Sonnevile about the native plants and invasive species on our Lisle campus.



OPERATIONS

USING LEAN PRACTICES TO REDUCE WASTE

engineering excellence, and well-attuned stakeholder engagement.”

- In a resolution passed by Mayor Rahm Emanuel and the City Council, the City of Chicago commended Navistar’s “technically excellent remediation project” and called the company’s assumption of responsibility at WSW “a high-mark in corporate citizenship.”
- Navistar’s now-completed remediation of the former West Pullman Works site, also in Chicago, is now the site of the largest municipally-owned urban solar plant in the United States, which generates enough clean electricity to power up to 1,500 homes.

■ Working to Sustain Wildlife

The campus of Navistar’s world headquarters in Lisle, Ill., was awarded a Conservation@Work certification from the Conservation Foundation, recognizing our efforts in promoting native plants and water conservation.

In addition, employees on the Lisle campus work with the Wildlife Habitat Council and the DuPage County (Ill.) Forest Preserve to help manage the biodiversity of the natural habitats on the Lisle campus.

During 2014, Navistar’s Lisle facility received the “Wildlife at Work” certification from the Wildlife Habitat Council. Navistar’s Springfield, Ohio truck assembly plant has been certified by the Council since 2009. Acting on the input of wildlife biologists, the Springfield facility reduced its mowing, while teams of employee and community volunteers attracted more wildlife by planting wildflowers and building and installing bird and bat houses. More than 100 species of birds, mammals, fish, amphibians and reptiles have been identified on the Springfield campus.





Navistar encourages a safe, healthy and secure lifestyle that supports employees' health and wellness, increases their productivity and improves their quality of life.

EMPLOYEES

ENCOURAGING SAFE, SECURE AND HEALTHY LIFESTYLES

Navistar encourages a safe, healthy and secure lifestyle that supports employees' health and wellness, increases their productivity and improves their quality of life. This approach also helps to control health care costs for both employees and the company.

■ A Strong Commitment to Improved Safety

As part of its commitment to employees' safety and health, leadership has established a systematic approach to achieve best-in-class safety.

Navistar began 2014 by establishing a new strategic direction for safety and health, along with improvement targets for the next three years. Leadership is now involved in target-setting, based on recommendations and analysis by functional experts. Navistar's safety management system also provides all management levels throughout the company with necessary information to take early action if deviations from targets occur.

In 2014, the lost time case rate (LTCR) for North American manufacturing operations was 0.55 per 200,000 hours, up from 0.50 the previous year. In 2014, the incident frequency rate (IFR) for North American manufacturing operations was 2.65 per 200,000 hours, up from 2.47 the previous year. Continuing management commitment and rigorous application of safety systems and procedures, combined with ongoing training for employees and safety professionals,

is expected to drive progress in injury and illness reduction, and targets for 2015 have been set accordingly.

Our parts distribution centers (PDCs) have a holistic safety campaign called "Drive Home Safety," now in its second year, which engages employees as well as their families in promoting safety awareness. One example is a safety poster contest for employees' children, resulting in a 2015 safety calendar for use at work and in the home. Thanks in part to this initiative, our parts facilities have posted remarkable safety records. Ten out of 13 parts facilities have worked more than 1,000 consecutive days without a lost time case, and any injuries in our parts network have been minor. Consequently, workers compensation has been reduced year over year, and currently stands at its lowest level in 10 years.

■ Our Global Approach to Security

Navistar's Global Security function remains focused on protecting our company's people, property, brand and reputation, while maintaining our commitment to Navistar's mission. Global Security is focused on prevention and early detection of internal and external criminal activity and violations of company policies.



The Navistar-sponsored robotics team from School District 308 in Oswego, Ill., won fourth place in the world championship of the FIRST Robotics competition—one of the ways in which Navistar supports STEM (science, technology, engineering and math) education.



COMMUNITIES

BENEFITING THE COMMUNITIES WHERE WE LIVE AND WORK



Students from Chicago-area schools attended a STEM Awareness Youth Visit organized by International Community of African Americans at Navistar, one of Navistar's Employee Resource Groups. Students toured key engineering operations and took a close look at our products.



Navistar supports community development initiatives that benefit the communities where we operate. Our focus is on initiatives that reflect our special expertise, including STEM education (Science, Technology, Education and Math), troops' and veterans' causes, disaster relief and community development.

■ Support for STEM Education

Since the late 1990s, Navistar has supported diesel education in resource-challenged high schools, and more recently, the "College to Careers" program of the City Colleges of Chicago. The three-year diesel education curriculum developed by the company has been certified by the National Automotive Technicians Education Foundation. Other recent examples of Navistar's commitment to STEM education include:

- Supporting FIRST (For Inspiration and Recognition of Science and Technology), a global math and science education initiative, which holds an annual robotics

competition that attracts more than 2,000 teams.

- Working with the Chicago Museum of Science and Industry and its Center for the Advancement of Science Education.
- Providing strategic advice and direction to the Hoefft Technology & Management program at the University of Illinois, which bridges instruction in business and engineering.
- Working with the Girl Scouts of Greater Chicago and Northern Indiana to help build girls' interest in STEM careers.
- Supporting the DuPage Children's Museum, which exposes children to the principles of physics and mechanics at an early age.

Navistar South America supports social programs that provide mentoring for young people, including Projeto Crescer (Project Grow Up), which has provided on-the-job training for





Navistar continues to support the disaster relief efforts of the American Red Cross. We recently donated an International® TerraStar® that is being used in disaster relief and to aid the organization in its many other missions.

COMMUNITIES

BENEFITING THE COMMUNITIES WHERE WE LIVE AND WORK

hundreds of underprivileged teenagers in São Paulo, Brazil and Canoas, Brazil. Employees at our facilities in Canoas and São Paulo and in Jesús María, Argentina, teach and mentor students at the Formare School, which introduces disadvantaged 16- to-18-year-olds to manufacturing, engineering and administrative careers. More than 750 students have graduated from the Formare program, and a high percentage of them are now employed, many with Navistar.

Our community efforts are well recognized. For two years, our Mexico operations have been on the Mexico Philanthropy Center's list of Most Socially Responsible Companies, and our Escobedo, Mexico assembly plant has been on the list for six years. For the ninth time, Navistar South America has received the Great Place to Work designation, awarded by International Institute in partnership with ÉPOCA magazine in Brazil.

■ Aiding the Victims of Disasters

Navistar continues to support the disaster relief efforts of the American Red Cross. We recently donated an International® TerraStar® that is being used in disaster relief and to aid the organization in its many other missions. This vehicle was used in providing food and emergency supplies to northern Illinois residents affected by the severe tornado of April 9, 2015.

■ Supporting Our Troops and Veterans

Navistar works to provide support for our troops and military veterans:

- We continue to support Operation Support Our Troops-America, while employees donate money, volunteer time, notes of encouragement, and care package items to the organization.
- We are the founding sponsor of the "Rockin' for the Troops" fundraiser, which is celebrating its 10th anniversary this year.
- We sponsor the UK's Combined Services Disabled Ski Team, which is a charitable organization that uses Adaptive (Alpine) Skiing to rehabilitate serving and retired service personnel who have been injured during their military service.
- We sponsor the UK's British Army Motorsports Association, which as part of its mission assists the rehabilitation of wounded, injured and sick soldiers through the medium of motorsport and associated activities.



Navistar South America supports social programs that provide mentoring for young people, including the Formare School, which introduces disadvantaged 16- to 18-year-olds to manufacturing, engineering and administrative careers.



COMMUNITIES

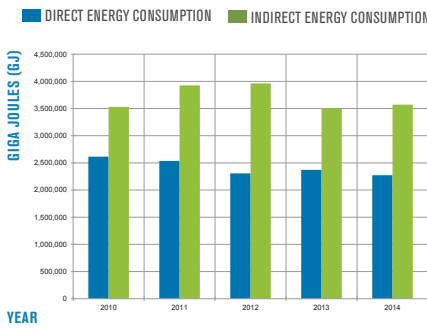
BENEFITING THE COMMUNITIES WHERE WE LIVE AND WORK

■ Supporting Diversity

Navistar's commitment to diversity brings the company a number of tangible benefits, including innovation, high-quality products and services, and improved customer relationships:

- For more than 15 years, employee-led Employee Resource Groups have enhanced our employees' networking and development experiences, while contributing to community outreach. They include Women in Navistar, International Community of African Americans at Navistar, Professional Latino Association of Navistar, Navistar Asian Professional Association, and Navistar Young Professionals.
- Navistar works to support diversity in the community through alliances with such organizations as the DuPage County NAACP and the Quad County Urban League.
- For five years, the company has served as the corporate sponsor of the "Influential Women in Trucking" award of the Women in Trucking Association, which recognizes women in the trucking industry who make or influence key decisions, have a proven record of responsibility, and mentor and serve as a role model for other women.
- In South America, the Navistar Inclusion Program hires people with physical and intellectual disabilities.
- More than 30 years ago, Navistar instituted a supplier diversity program to identify and develop minority companies that can provide Navistar with quality products and services. In 2014, our spending with Minority and Women Business Enterprises grew to more than \$288 million, and more than 23 percent of the suppliers we recognized as Diamond Suppliers during the year were diverse suppliers.
- Navistar continued to be a member of the executive board of the Chicago Minority Supplier Development Council, and we were also a sponsoring company of the 47th Chicago Business Opportunity Fair, an annual event aimed at increasing minority business opportunities.



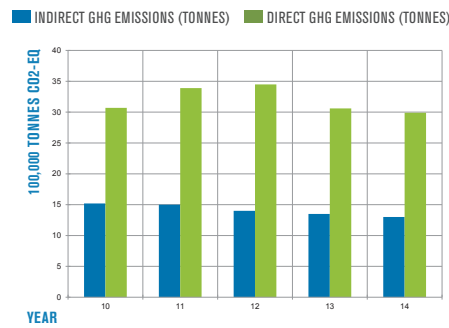


ENERGY CONSUMPTION

Direct energy consumption:

reflects non-renewable energy sources consumed at all Navistar manufacturing plants, parts distribution centers, offices, used truck centers, company-owned dealership locations and fuel consumed by leased vehicles.

Indirect energy consumption reflects non-renewable energy sources consumed at upstream power plants to generate the electricity consumed by Navistar facilities.



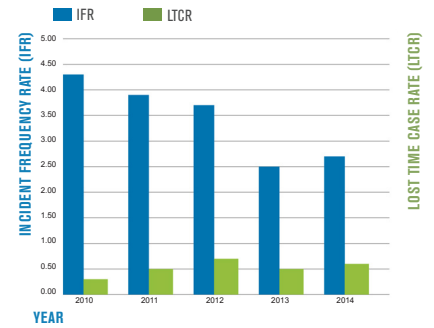
GHG EMISSIONS

GHG emissions:

emissions of six greenhouse gases listed in the Kyoto Protocol: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride.

Direct GHG emissions: emissions from sources that are owned or controlled by the company.

Indirect GHG emissions: emissions that are a consequence of the operations of the company, but occur at sources owned or controlled by another company, such as purchased electricity.



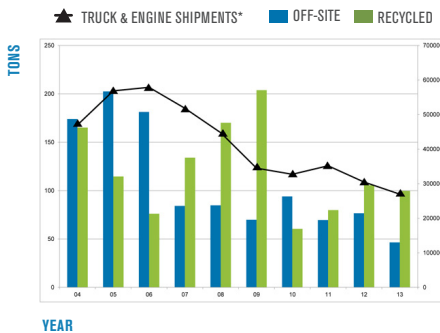
INCIDENT FREQUENCY RATE (IFR) & LOST TIME CASE RATE (LTCR)

Incident frequency rate:

the number of OSHA recordable injuries or illnesses per 100 full-time employees (200,000 hours). OSHA recordable cases are those work-related incidents that require medical treatment beyond first aid, lost time or job reassignment.

Lost time case rate is the number of work-related injuries or illness where people lose time off the job per 100 full-time employees.

Note: Data for IFR and LTCR reflect only North America manufacturing. Data shown in previous reports have also included global facilities.

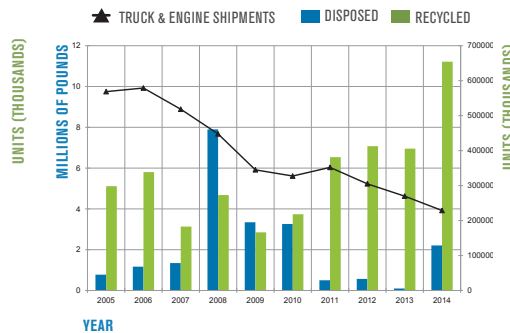


YEAR

TOXICS RELEASE INVENTORY (TRI) RELEASE AT U.S. FACILITIES

The Toxics Release Inventory (TRI):

a publicly available US EPA database that contains information on toxic chemical releases and other waste management activities reported annually by certain covered industry groups. TRI Releases is the amount of chemicals and chemical categories reportable under the Emergency Planning & Community Right-to-Know Act (EPCRA) released or recycled off-site from the company's US manufacturing locations.

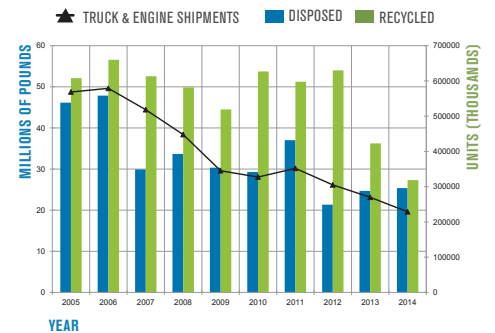


YEAR

HAZARDOUS WASTE GENERATION

Hazardous waste generation:

the amount of hazardous waste sent off-site for recycling, disposal or treatment from the company's manufacturing, engineering and part distribution operations. Wastes are considered hazardous based on the regulatory requirements applicable to each operation.



YEAR

NON-HAZARDOUS WASTE GENERATION

Non-hazardous waste generation:

the amount of non-hazardous waste sent off-site for recycling or disposal from the company's manufacturing, engineering and parts distribution operations. Due to their large volumes, certain non-hazardous waste streams such as sand, slag and baghouse dust from the company's foundries, and metals from some of the assembly plants are not included in this chart.

* Truck and engine shipments include total worldwide truck chargeouts and engine shipments to other OEMs. (See page 52 of 2014 Navistar Annual Report to Shareholders.)

Note: Mexico operations reported a very rainy 2014, causing excessive stormwater collection, which is treated and recycled in Mexico as "hazardous waste" by regulation.



GRI CONTENT INDEX



What is GRI?

The **Global Reporting Initiative (GRI)** is a leading organization in the sustainability field. GRI promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development. **A sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities.** It also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.

Source: Global Reporting Initiative website



STANDARD DISCLOSURES

INDICATOR NUMBER	DESCRIPTION	REFERENCE
1.0 STRATEGY AND ANALYSIS		
1.1	Statement from the most senior decision maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	Inside front cover
2.0 ORGANIZATIONAL PROFILE		
2.1	Name of the organization.	Page 1 (10-K)
2.2	Primary brands, products, and/or services.	Page 5 (10-K)
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Pages 7-9 (10-K)
2.4	Location of organization's headquarters.	Back cover
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Navistar has significant operations in the United States, Canada, Mexico, Brazil and Argentina. In addition, it has an assembly center and parts depot in South Africa; regional sales offices in China, Dubai, UAE and Australia; and a training center in Colombia. See also page 24 of 10-K.
2.6	Nature of ownership and legal form.	Page 5 (10-K)
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Pages 6-10, 129 (10-K)
2.8	Scale of the reporting organization, including: Number of employees; Net sales (for private sector organizations) or net revenues (for public sector organizations); Total capitalization broken down in terms of debt and equity (for private sector organizations); and Quantity of products or services provided.	Pages 11, 32, 38, 51-52, 70-74 (10-K)
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Pages 6-10, 85-88 (10-K)
2.10	Awards received in the reporting period.	www.navistar.com , "Awards and Honors"

PLEASE NOTE: All page references are to the Navistar, Inc., Sustainability Report 2014, except as otherwise noted. References to 10-K are to the 2014 Navistar International Corporation 10-K.



INDICATOR NUMBER	DESCRIPTION	REFERENCE
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3.0 REPORT PARAMETERS

REPORT PROFILE

3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	November 1, 2013 through October 31, 2014. Statistical information on environment, health and safety is current as of October 31, 2014. Additional anecdotal information may be provided relating to events beyond that date.
3.2	Date of most recent previous report (if any).	2013 report, published in 2014
3.3	Reporting cycle (annual, biennial, etc.).	Annual
3.4	Contact point for questions regarding the report or its contents.	Steve Schrier, Director, Corporate Communications, Navistar

REPORT SCOPE & BOUNDARY

3.5	Process for defining report content.	<p>Solely for the purposes of the corporate sustainability report, we consider material issues to be those that reflect the organization's significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of stakeholders.</p> <p>Navistar determines those risks that are material to it using a formal Enterprise Risk Management (ERM) process. The ERM Risk Assessment process is conducted annually at the business unit and department level and semi-annually at the executive level. The involvement of both executives and business units ensures that enterprise-wide risks and business unit-specific risks are identified and assessed.</p> <p>The assessment process develops an understanding of risks and then prioritizes them by magnitude of impact and likelihood of occurrence. For each of the top risks, a risk management action plan is developed that identifies necessary resources to support and validate the scope, duration, and overall adequacy of the risk management action plan.</p> <p>(Note that the definition of materiality as used in this report may differ from the definition used in other reports and is not to be construed as a determination of materiality for any purpose other than this sustainability report.)</p>
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	<p>Statistical information in this report covers Navistar, Inc. and Navistar Financial Corporation (both 100 percent owned) and entities for which the company had a controlling financial interest or is the primary beneficiary, worldwide as of October 31, 2014.</p> <p>Navistar's principal joint venture is Blue Diamond Truck and Blue Diamond Parts joint venture with Ford Motor Company (75 percent Navistar ownership). In December 2011, Ford notified the company of its intention to dissolve the BDT joint venture effective December 2014. In September 2013, we agreed with Ford to extend the BDT joint venture through February 2015, and in October 2014, Ford and the Company agreed to extend the BDT joint venture through April 2015.</p> <p>Navistar sells International® and CAT® branded trucks in North America, as well as in various global markets through an alliance with Caterpillar. The alliance with Caterpillar is not included in the boundary of this report.</p>

continued on page 17

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INDICATOR NUMBER	DESCRIPTION	REFERENCE
REPORT SCOPE & BOUNDARY (CONTINUED)		
3.6		<p>Navistar markets its commercial products through an extensive independent dealer network in North America, which offers a comprehensive range of services and other support functions to end users. Dealerships are not included in the boundary of this report.</p> <p>For a comprehensive list of subsidiaries and principal nonconsolidated joint ventures of Navistar International Corporation, effective Oct. 31, 2014, please see the company's most recent Annual Report on Form 10K (pages 7-9) filed with the U.S. Securities and Exchange Commission (SEC). Updates since that time are available in the company's 10-Q filings with the SEC.</p>
3.7	State any specific limitations on the scope or boundary of the report.	This report addresses the material economic, environmental, and social impacts of the organization, within the context of the boundary of the report as described in section 3.6.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	The basis for reporting on subsidiaries, joint ventures, leased facilities, and other entities does not significantly affect comparability from period to period.
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	Any decisions not to apply, or to substantially diverge from, the GRI indicator protocols are footnoted as part of the data presentation within the body of the report.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	None identified
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Navistar has been reporting on environmental and health and safety issues since 1994. The current report represents the fourth time that Navistar has aligned the report with the GRI guidelines. In terms of data trends that are presented in this report, there are no significant changes to the methodology used in prior years for the collection and reporting of performance data.
3.12	Table identifying the location of the Standard Disclosures in the report.	The present table

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INDICATOR NUMBER	DESCRIPTION	REFERENCE
4.0 GOVERNANCE		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Page 22, Navistar International Corporation proxy statement for the 2015 annual meeting of shareowners
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	No
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Nine
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Pages 7-11, Navistar International Corporation proxy statement for the 2015 annual meeting of shareholders
STAKEHOLDER ENGAGEMENT		
4.14	List of stakeholder groups engaged by the organization.	See Table 4.14 in this report.
4.15	Basis for identification and selection of stakeholders with whom to engage. This includes the organization's process for defining its stakeholder groups, and for determining the groups with which to engage and not to engage.	Identified and validated by sustainability committee.

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STAKEHOLDER	APPROACHES TO ENGAGEMENT	KEY ISSUES	HOW ISSUES HAVE BEEN ADDRESSED
4.14 LIST OF STAKEHOLDER GROUPS ENGAGED BY THE ORGANIZATION			
Communities	<ul style="list-style-type: none"> ▪ Direct engagement and dialogue with community members, government officials and NGOs ▪ Encouraging employee and executive engagement with communities 	<ul style="list-style-type: none"> ▪ Jobs ▪ Opportunities for local businesses ▪ Opportunities for local not-for-profits ▪ Environmental impacts 	<ul style="list-style-type: none"> ▪ Providing appropriate employment and supplier opportunities ▪ Working with local and state government officials to assure alignment of needs ▪ Encouraging employee volunteerism and executive board memberships ▪ Providing philanthropic support to organizations that align with Navistar's strategic priorities, including education ▪ Making contributions and grants to community nonprofit organizations ▪ Implementing energy and environmental improvements in company operations, products and services
Dealers	<ul style="list-style-type: none"> ▪ Dealer Advisory Boards ▪ Direct dealer contacts through company's Dealer Operations unit ▪ Direct dealer contacts through company's sales and marketing professionals, parts professionals and service professionals ▪ International Edge initiatives to focus on ease of doing business and enhanced uptime customer experience 	<ul style="list-style-type: none"> ▪ Product availability ▪ Legacy product quality ▪ Saleability of products, parts and service ▪ Restore confidence in product ▪ Re-establish traditional warranty vs. customer pay ratios ▪ Post-sales uptime support ▪ Order-to-delivery effectiveness 	<ul style="list-style-type: none"> ▪ Recruitment of new dealers in emerging markets ▪ Company establishment of standards for training and service availability ▪ Issuance of Service Level Authorizations permitting dealer performance of warranty service ▪ Guidance on siting, branding, sustainability and other features of new dealer facilities ▪ Training for dealer personnel ▪ Financial benchmarking ▪ Dealer performance evaluation and report card ▪ Awards and financial incentives for outstanding dealer performance ▪ Sharing of customer survey data to provide insights into market trends
New Customers	<ul style="list-style-type: none"> ▪ Ongoing customer research ▪ Customer Advisory Boards for truck market segments ▪ Direct company interaction with customers by sales people or senior executives ▪ Branding and advertising ▪ Marketing communications 	<ul style="list-style-type: none"> ▪ Cost ▪ Reliability ▪ Fuel economy ▪ Driver issues ▪ Competitive segment issues ▪ Government incentives ▪ Regulation (fuel economy, emissions, driver hours, etc.) ▪ Product innovation 	<ul style="list-style-type: none"> ▪ Understanding customer satisfaction drivers by customer type and by business, and closing gaps ▪ Developing and communicating action plans based on customer satisfaction data ▪ Focusing business strategy on innovation and ongoing productivity improvements ▪ Identifying and implementing energy-saving opportunities for customers

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STAKEHOLDER	APPROACHES TO ENGAGEMENT	KEY ISSUES	HOW ISSUES HAVE BEEN ADDRESSED
4.14 LIST OF STAKEHOLDER GROUPS ENGAGED BY THE ORGANIZATION (CONTINUED)			
Shareholders & Providers of Capital	<ul style="list-style-type: none"> ▪ Shareholder communications ▪ Board communications 	<ul style="list-style-type: none"> ▪ Monitoring investors' changing expectations ▪ Demonstrating performance that meets socially responsible investor expectations, while also meeting company's strategic goals 	<ul style="list-style-type: none"> ▪ Regular communications with investors through quarterly earnings releases, analyst days and conference calls, as well as quarterly and annual SEC documents – 10Qs and 10Ks – and participation at industry conferences ▪ Active marketing, plant tours and conference schedules ▪ Face-to-face meetings with our shareholders several times a year ▪ Assuring that management is accessible to all stakeholders and obtains full access to their questions and thoughts ▪ Providing investor feedback to the Board of Directors
Suppliers	<ul style="list-style-type: none"> ▪ Supplier selection process ▪ Comprehensive supply agreements ▪ Regular purchase orders ▪ Master service agreements ▪ Operational communications and data sharing 	<ul style="list-style-type: none"> ▪ Assuring supplier performance meets Navistar expectations ▪ Communicating production requirements ▪ Assuring competitiveness ▪ Maintaining supplier relationships ▪ Keeping abreast of developing supplier technology, including energy and emissions improvement opportunities ▪ Aligning Navistar global growth with suppliers ▪ Managing raw materials costs ▪ Managing for sustainability ▪ Assuring Navistar's ability to source parts in the event of changes in suppliers' financial viability ▪ Assuring suppliers regarding Navistar's own financial performance 	<ul style="list-style-type: none"> ▪ Posting requirements to do business on company website; creating supplier scorecard to communicate supplier performance achievement ▪ Using EDI and supplier capacity questionnaires for capacity assessments ▪ Industry benchmarking and cost modeling, followed by supplier meetings with purchasing supply managers ▪ Holding regularly scheduled executive face-to-face meetings with select suppliers ▪ Holding supplier technology fairs and other meetings between supplier and Navistar engineering teams ▪ Sharing global growth strategies by region with key suppliers; conducting joint reviews of manufacturing footprint (present and future) ▪ Collaborating with suppliers on market forecasts, hedging strategies and joint brokerage ▪ Conducting supplier diversity program; working with suppliers to address materials handling and disposal requirements ▪ Working with suppliers to share financial updates and develop contingency plans ▪ Developing a supplier portal to improve two-way communication ▪ Re-establishing Diamond Supplier Awards to help drive supplier performance

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STAKEHOLDER	APPROACHES TO ENGAGEMENT	KEY ISSUES	HOW ISSUES HAVE BEEN ADDRESSED
4.14 LIST OF STAKEHOLDER GROUPS ENGAGED BY THE ORGANIZATION (CONTINUED)			
<p>Employees, Other Workers and Their Trade Unions</p>	<ul style="list-style-type: none"> ▪ Communications and information sharing ▪ Training ▪ Performance management 	<ul style="list-style-type: none"> ▪ Meeting company performance goals ▪ Assuring development of employee skill sets needed for business requirements and personal development ▪ Assuring employee support for company sustainability focus 	<ul style="list-style-type: none"> ▪ Communicating company strategy to employees through internal communications, executive presentations, team and business unit meetings and public recognition ▪ Development and communication of policies to encourage a progressive, diverse and inclusive work environment ▪ Use of company's Total Performance Management system to identify and meet employee developmental needs, both short- and long-term ▪ Creation of Navistar University as principal training mechanism ▪ Provision of competitive compensation and benefit programs ▪ Use of employee surveys to track employee engagement and identify specific needs ▪ Establishment of proactive employee safety programs ▪ Establishment of internal affinity groups based on employee needs

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INDICATOR NUMBER	DESCRIPTION	REFERENCE
EC ECONOMIC		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	See Table EC2 in this report.
EN ENVIRONMENTAL		
EN3	Direct energy consumption by primary energy source.	Page 13, Navistar Sustainability Report 2014, and Tables EN3 and EN4 in this report
EN4	Indirect energy consumption by primary source.	Page 13, Navistar Sustainability Report 2014, and Tables EN3 and EN4 in this report
EN5	Energy saved due to conservation and efficiency improvements.	<p>In 2014, Navistar consumed 2.4 percent less energy (electricity and natural gas) than in 2013. The reduction is the result of facilities' energy conservation efforts, such as the ongoing "treasure hunt" process that Navistar began implementing in 2012. Some reduction can also be attributed to lower production volumes at certain facilities.</p> <p>In recent years, Navistar senior management approved a significant Energy Fund to support energy capital improvement projects at all facilities. The funding was allocated to many separate projects, contributing to our reduced energy usage and our achievement of the aggressive 2013 GHG absolute reduction goal.</p> <p>Navistar's ongoing energy "treasure hunt" program establishes a process for employees to learn a culture of continuous improvement in reducing energy, emissions and related costs. It is focused on day-to-day, low-cost/no cost opportunities, and utilizes a "train the trainers" approach to guide facility personnel in identifying and quantifying operational energy-saving opportunities, using standard tools and techniques. To date, Navistar's "treasure hunt" program has identified \$1.4 million in potential energy savings over several sites, more than 10 percent of the facilities' overall energy spending.</p>
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Pages 3-4, Navistar Sustainability Report 2014
EN8	Total water withdrawal by source.	The total volume of water withdrawn by Navistar in 2014 was approximately 1.1 million cubic meters. Almost 100 percent of this total was from municipal water supplies or other utilities. Navistar has challenged all of its manufacturing facilities to develop programs and improve its processes to reduce water consumption. The company is aiming to reduce water consumption by 10 percent from 2011 to 2015.
EN16	Total direct and indirect greenhouse gas emissions by weight.	Page 13, Navistar Sustainability Report 2014
EN22	Total weight of waste by type and disposal method.	Table EN22 in this report

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INDICATOR NUMBER	DESCRIPTION	REFERENCE
LA LABOR PRACTICES AND DECENT WORK		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	<p>Page 9 and page 13, Navistar sustainability report 2014</p> <p>Statistics are reported using U.S. OSHA definitions. In 2014, the OSHA recordable injury/illness rate for Navistar was 2.65, and the lost time case rate was 0.55.</p> <p>There were no occupational diseases in 2014. Other occupational diseases, defined as any non-acute condition such as muscle strain or skin conditions, are included in the injury data. There were no workplace-related fatalities in 2014.</p>
SO SOCIETY		
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	<p>All office (white collar) employees are required to complete e-learning relating to our Code of Conduct on an annual basis. All managers and office (white collar) employees in key roles and responsibilities are required to complete e-learning or attend in-person training relating to anti-corruption on an annual basis. All plant (blue collar) employees are required to complete in person Code of Conduct training and/or receive Code of Conduct awareness on a yearly basis.</p> <p>Over the years we have trained thousands of employees on a variety of compliance-related topics, including code of conduct and anti-corruption, and will continue to do so in the years to come. Our Vice President of Internal Audit and Chief Compliance Officer is committed to creating an ethical environment and regularly meets with employees to discuss ethics- and compliance-related topics, including code of conduct and anti-corruption. In 2014, 8,783 employees were trained on our Code of Conduct and 3,643 employees were trained on anti-corruption. Our 2014 compliance training program educated employees on four ethics- and compliance-related topics through e-learning and/or in-person training.</p>

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EN22: TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD (IN TONS)

METHOD	METALS, SANDS, BAGHOUSE DUST, SLAG		ALL OTHER WASTE		TOTAL WASTE GENERATED	
	HAZARDOUS	NON-HAZARDOUS	HAZARDOUS	NON-HAZARDOUS	HAZARDOUS	NON-HAZARDOUS
RECYCLING	0	22,994	5,159	12,305	5,159	35,299
COMPOSTING	0	0	0	0	0	0
RECOVERY, INCLUDING ENERGY RECOVERY	0	8	388	1,335	388	1,343
INCINERATION (MASS BURNED)	0	0	61	13	61	13
DEEP WELL INJECTION	0	0	0	0	0	0
LANDFILL	0	20,421	464	11,064	464	31,486
ON-SITE STORAGE	0	0	0	0	0	0
OTHER (WASTEWATER TREATMENT)	0	20	639	1,621	639	1,641
TOTAL HAZARDOUS	0	0	6,711	0	6,711	0
TOTAL NON- HAZARDOUS	0	43,443	0	26,339	0	68,782
				TOTAL		75,493

Notes:

- **Reuse:** No data; many examples.
- **Non-Hazardous Qualifier:** Non-hazardous waste generation is the amount of non-hazardous waste sent off-site for recycling or disposal from the company's manufacturing, engineering and parts distribution operations.
- **Hazardous Qualifier:** Hazardous waste generation is the amount of hazardous waste sent off-site for recycling, disposal or treatment from the company's manufacturing, engineering and part distribution operations. Wastes are considered hazardous based on the regulatory requirements applicable.



EN3 AND EN4: DIRECT AND INDIRECT ENERGY CONSUMPTION

	2010	2011	2012	2013	2014
TOTAL ENERGY (MMBTU)	4,190,046	4,294,744	4,110,951	3,951,485	3,884,918
ELECTRICITY KWHs	501,678,928	554,243,984	563,808,775	498,872,842	503,485,866
ELECTRICITY IN MMBTU	1,711,729	1,891,080	1,924,956	1,703,252	1,719,001
DIRECT ENERGY IN MMBTU	2,478,318	2,403,663	2,185,995	2,248,233	2,165,917
DIRECT ENERGY IN GIGA	2,614,625	2,535,865	2,306,225	2,371,554	2,285,163

	ELECTRICITY CONSUMPTION (KWHs)					% Electricity Generated by Fossil Fuels
	2010	2011	2012	2013	2014	
ARGENTINA	2,843,255	3,516,654	3,924,548	3,854,952	3,209,232	66.7%
BRAZIL	33,270,061	38,044,299	34,364,101	32,603,108	28,042,497	12.0%
CANADA	10,338,714	9,233,447	8,873,022	7,401,359	5,990,465	22.0%
MEXICO	47,988,281	61,083,427	57,843,217	56,707,787	61,408,550	84.0%
UNITED STATES	412,179,309	449,217,824	458,803,887	398,305,636	404,835,123	67.5%

	ELECTRICITY GENERATED BY FOSSIL FUELS (KWHs)				
	2010	2011	2012	2013	2014
ARGENTINA	1,896,451	2,345,608	2,617,674	2,571,253	2,140,558
BRAZIL	3,992,407	4,565,316	4,123,692	3,912,373	3,365,100
CANADA	2,274,517	2,031,358	1,952,065	1,628,299	1,317,902
MEXICO	40,310,156	51,310,079	48,588,302	47,634,541	51,583,182
UNITED STATES	278,221,034	303,222,031	309,692,624	268,856,304	273,263,708

	ENERGY CONSUMED AT ELECTRIC GENERATION STATIONS (ASSUMES THE GENERATORS ARE 33% EFFICIENT)				
	2010	2011	2012	2013	2014
ARGENTINA	5,689,353	7,036,825	7,853,021	7,714,530	6,422,315
BRAZIL	11,977,222	13,695,948	12,371,076	11,738,293	10,096,309
CANADA	6,823,551	6,094,075	5,856,194	4,885,386	3,954,102
MEXICO	120,930,468	153,930,236	145,764,907	142,917,915	154,765,023
UNITED STATES	834,663,101	909,666,094	929,077,871	806,649,577	819,873,111

	ELECTRICITY GENERATED BY FOSSIL FUELS (GIGA JOULES)				
	2010	2011	2012	2013	2014
ARGENTINA	20,482	25,333	28,271	27,772	23,120
BRAZIL	43,118	49,305	44,536	42,258	36,347
CANADA	24,565	21,939	21,082	17,587	14,235
MEXICO	435,350	554,149	524,754	514,505	557,154
UNITED STATES	3,004,787	3,274,798	3,344,680	2,903,938	2,951,543
TOTAL INDIRECT ENERGY IN GIGA JOULES	3,582,399	3,528,301	3,925,523	3,963,323	3,582,399

Notes:

Direct energy consumption reflects non-renewable energy sources consumed at all Navistar manufacturing plants, parts distribution centers, offices, used truck centers, company-owned dealership locations and fuel consumed by leased vehicles. Indirect energy consumption reflects non-renewable energy sources consumed at upstream power plants to generate the electricity consumed by Navistar facilities.



EC2: FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES FOR THE ORGANIZATION'S ACTIVITIES DUE TO CLIMATE CHANGE

GRI REQUIREMENT	DETAIL
<p>Report whether the organization's senior governance body considered climate change and the risks and opportunities it presents to the organization.</p>	<p>The Audit Committee of the Board of Directors has direct responsibility for climate change as part of its oversight of environmental risks to the company. (See proxy statement, page 20)</p> <p>Management of climate change issues, including meeting GHG reduction targets that are reported to the Board, is one of the most significant accountabilities of the Environmental and Energy Affairs organization at both the corporate and facility levels.</p>
<p>Report risks and/or opportunities posed by climate change that have potential financial implications for the organization, including:</p>	<p>Climate change is integrated into Navistar's business strategy. In June each year, Navistar's Senior Vice President and General Counsel presents to the Audit Committee of the Board the company's progress, status and major programs regarding environmental and energy management. The reporting also includes coverage of the company's progress, status and actions regarding climate change. Risks to products and product opportunities are overseen by the company's Integrated Product Development Group.</p>
<p>Risks due to physical changes associated with climate change (e.g., impacts of modified weather patterns and heat-related illness);</p>	<p>The physical risks to Navistar from extreme weather events, changes in weather patterns, rising temperatures, sea level rise and other related phenomena, both now and in the future, are no different than risks to other companies. Currently, however, we are unable to predict specific physical risks due to climate change.</p>
<p>Regulatory risks (e.g., the cost of activities and systems to comply with new regulations);</p>	<p>Navistar is monitoring regulatory development on GHG policy, trading and taxation and has engaged extensively with policymakers on possible responses to climate change issues.</p> <p>Government regulation related to climate change is under consideration at the U.S. federal and state levels. Because our products use fossil fuels, they may be impacted indirectly due to regulation, such as a cap and trade program, affecting the cost of fuels.</p> <p>On May 21, 2010, President Obama directed the EPA and the Department of Transportation to adopt rules by July 30, 2011 setting greenhouse gas emission and fuel economy standards for medium and heavy-duty engines and vehicles beginning with model year 2014. The EPA and NHTSA issued proposed rules on November 30, 2010. We were active participants in the discussions surrounding the development of regulations and filed comments with the EPA on the proposed rules on January 31, 2011.</p> <p>The final rules, which were issued on September 15, 2011, begin to apply in 2014 and are fully implemented in model year 2017. The agencies' stated goals for these rules were to increase the use of currently existing technologies. The company is complying with these rules through use of existing technologies and implementation of emerging technologies as they become available. Several of the company's vehicles were certified early for the 2013 model year, with the remaining vehicles and all engines certified in 2014. EPA and NHTSA are currently preparing a proposal for the next round of GHG rules for heavy duty vehicles and engines. The company, along with other industry members and groups, has been involved in this regulatory development. New rules are expected in 2015 that would become effective in 2021.</p> <p>In addition to the U.S., Canada and Mexico are also considering the adoption of fuel economy and/or greenhouse gas regulations. On April 14, 2012, Canada issued for comment proposed greenhouse gas emissions regulations (the "Canadian Proposal"), which are similar to the U.S. regulations. These rules became final in February 2013. We expect that heavy duty fuel economy rules will be under consideration in other global jurisdictions in the future. These and other rules drive risks from costs for product development and production costs for engines and vehicles. There are also risks of higher administrative costs arising from the implementation of the rules.</p> <p>Our facilities may be subject to regulation related to climate change. Currently, Navistar believes that if and when a mandatory stationary GHG cap and trade program is implemented, Navistar could potentially pay higher costs for its energy. However, until a specific regulatory program is adopted at the federal level, Navistar is unable to fully assess the regulatory risks or costs that may arise.</p>



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EC2: FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES FOR THE ORGANIZATION'S ACTIVITIES DUE TO CLIMATE CHANGE

GRI REQUIREMENT	DETAIL
<p>Opportunities to provide new technologies, products, or services to address challenges related to climate change; and</p>	<p>Navistar believes dieselization of motor vehicles is one of the solutions to climate change issues. In addition, the company continues to pursue innovations that build on diesel technology's inherent fuel economy advantages, using improved aerodynamics and other approaches to improve fuel efficiency and reduce emissions:</p> <ul style="list-style-type: none"> ▪ In 2012, the International® ProStar® and Navistar's proprietary 13-liter engine won the fifth annual China International Truck Energy Conservation Competition. ▪ In 2013, Navistar unveiled its Project Horizon concept vehicle, using advanced yet available technologies to demonstrate the potential for future improvements in fuel economy, while also meeting the requirements of new federal regulation of greenhouse gases (GHGs). ▪ In 2013, Navistar became the first truck OEM to receive federal approval for an innovative clutched air compressor technology. ▪ In 2014, Navistar announced a new propane school bus option, the IC Bus™ CE Series PSI. ▪ In 2014, Navistar introduced the International® ProStar® ES (Efficiency Specification), which was engineered to feature the lowest wind-average drag coefficient in the industry, and which provides the most fuel-efficient powertrain and transmission combination available in the industry, achieving as much as a 13 percent fuel economy movement over the 2011 model year ProStar. <p>Navistar also contributes to reduced GHGs and lower emissions by offering many anti-idle solutions, including technologies such as auxiliary power units.</p> <p>Navistar also offers alternative-fuel vehicles, such as the International® TranStar® with the Cummins ISL-G natural gas engine.</p>
<p>Potential competitive advantages created for the organization by regulatory or other technology changes linked to climate change.</p>	<p>Navistar expects shifts in consumer attitude and demand for products with lesser adverse environmental impacts. Navistar believes dieselization of motor vehicles is one of the solutions to climate change issues and would consider the shifts in consumer attitude as an opportunity rather than a risk. In addition, the company continues to pursue innovations that build on diesel technology's inherent fuel economy advantages, using improved aerodynamics and other approaches to improve fuel efficiency and reduce emissions.</p>
<p>Report whether management has quantitatively estimated the financial implications (e.g., cost of insurance and carbon credits) of climate change for the organization. Where possible, quantification would be beneficial. If quantified, disclose financial implications and the tools used to quantify.</p>	<p>Navistar has not yet provided a quantitative estimate of the financial implications of climate change for the organization.</p>

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