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2017 | SUSTAINABILITY REPORT



CEO LETTER

ADVANCED TECHNOLOGIES, REDUCED ENVIRONMENTAL IMPACT

We are advancing electric trucking technologies, which are poised to deliver major environmental benefits in the school bus and medium truck markets.



During 2017, we found even more ways to make trucking safer, more fuel efficient and more environmentally friendly. Advances were achieved in both our products and our operations.

Our Project Horizon initiative has delivered the industry's newest product line: innovative, fuel-efficient vehicles with enhanced visibility and advanced safety features. One important technology source is our CatallST International SuperTruck, developed through the U.S. Department of Energy (DOE) SuperTruck I initiative. The CatallST greatly exceeded DOE's targeted improvement in freight efficiency. It also yielded our industry-leading predictive cruise control technology, which optimizes fuel economy by using GPS data to adjust cruising speed based on the terrain ahead.

Our SuperTruck I work also inspired our International® LT® Series of ergonomic, aerodynamic Class 8 vehicles, which in 2017 was shown by a third-party study to provide industry-leading fuel efficiency. We are now participating in the next phase of DOE's SuperTruck initiative, SuperTruck II, which aims to more than double the freight efficiency of Class 8 trucks moving forward.

We are also advancing electric trucking technologies, which are poised to deliver major environmental benefits in the school bus and medium truck markets. In 2017, we agreed to work with our alliance partner, Volkswagen Truck & Bus, to develop battery-powered school buses and medium duty trucks. The chargE™, our prototype next-generation electric school bus, is based on alliance technology.

It features a quieter ride, an ergonomically friendly cockpit, and the industry's first and only purpose-built camera technology to improve line of sight and enhance overall safety for passengers inside and outside the bus.

We incorporate advanced driver assistance systems that improve safety, including our Leave No Student Behind® safety system, which is standard on our IC Bus® school buses. Our medium-duty vehicles were the first to use the Bendix® Wingman® Fusion™ suite of integrated, advanced safety technologies. We were the first in the industry to make collision mitigation standard on long-haul trucks. And our vehicles helped Texas A&M Transportation Institute demonstrate the potential of energy-saving truck platooning.

Throughout our supply chain, we promote compliance with safety, environmental and social standards. Approximately 90 percent of our vehicles' content is recyclable, and we continuously review opportunities to increase the use of recycled and recyclable content.

Our manufacturing facilities are committed to reduce their environmental impact by lowering their electric consumption load by 4 percent annually. We also work company-wide to reduce greenhouse gas emissions and increase recycling of excess materials.

One of the things we're proudest of is investing in young people who will be tomorrow's innovators. Our support for STEM education, including FIRST Robotics, demonstrates our commitment to the community and to the future of our industry.



Troy A. Clarke Chairman, President and Chief Executive Officer



PRODUCTS

REDUCING EMISSIONS THROUGH FUEL-EFFICIENT INNOVATION

Navistar's long history of product innovation includes pioneering steps in emissions reduction. As part of its mission to help customers improve their vehicles' uptime, Navistar also aims to deliver vehicles that perform as efficiently, reliably and with as low an impact on the environment as possible.

■ Driving New 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 we 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.

In recent years, Navistar has built on this tradition, working with the industry, EPA and the National Highway Traffic Safety Administration (NHTSA) to develop workable greenhouse gas regulations. The company worked extensively with EPA and NHTSA on the next phase of greenhouse gas/fuel efficiency regulations in the heavy-duty sector. Navistar supported the larger goal of the proposed rule, while expressing concerns about certain specific aspects of the proposed rule. The final rule, which was adopted in October 2016, phases in over model years 2021 through 2027, and will require new and expanded efficiency technologies across vehicle and engine

platforms. EPA has estimated the Phase 2 rule will result in an additional 10 percent reduction in greenhouse gas emissions.

In 2017, Navistar and Volkswagen Truck & Bus established a strategic alliance, featuring a procurement joint venture and technology collaboration. The alliance is exploring all aspects of commercial vehicle development, including powertrain technology solutions, advanced driver assistance systems, connected vehicle solutions, platooning and autonomous technologies, electric vehicles, as well as cab and chassis components.

In September 2017, the two companies announced they would collaborate on development of electric powertrains for school buses and Class 6-7 medium-duty trucks, with a launch planned in late 2019 or 2020. In November 2017, Navistar unveiled the chargeE™, an electric concept school bus developed with Volkswagen Truck & Bus.

During 2017, Navistar continued its participation in the U.S. Department of Energy's SuperTruck II project, which has the goal of improving heavy-truck freight efficiency by more than 100 percent compared with a manufacturer's best-in-class 2009 truck.

Leading the Way on Connected Vehicles

Navistar is playing a leading role in developing a new generation of connected heavy-duty vehicles. Navistar is also exploring the great potential benefits from autonomous technologies that enable platooning, which allows trucks



In November 2017, Navistar unveiled the chargeE™, an electric concept school bus developed with Volkswagen Truck & Bus.



In September 2016, Navistar CEO Troy Clarke and Volkswagen Truck & Bus CEO Andreas Renschler celebrated the formation of an alliance that will include collaboration on a wide range of advanced technologies.



to safely follow each other to reduce wind drag. This platooning work is being conducted through Navistar's research partnership with the Texas A&M Transportation Institute.

The company's medium-duty vehicles are now available with Bendix® Wingman® Fusion™, a leading-edge technology that allows truck operators to reduce and potentially avoid vehicle collisions. In addition, the company has made collision mitigation and full stability technologies standard on its newly introduced LT Series of Class 8 long-haul vehicles. Navistar had been the first in the industry to introduce the technology on its long-haul models.

Delivering Innovations in Efficiency

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. The International® LT® Series, a new line of Class 8 over-the-road trucks introduced in 2016, delivered industry-leading fuel economy, including a 7 percent improvement over the most fuel-efficient trucks the company had previously offered in the category. The LT Series delivered 3 percent improvement in fuel economy from its aerodynamic benefits alone. Aerodynamics in the LT Series were finetuned using multiple advanced testing methods, including computational fluid dynamics, one-eighth scale and full-size wind-tunnel and coast-down testing, in order to assure that the vehicle would perform well facing winds not just head-on, but also at an angle. In fact, the higher the yaw angle of the wind, the better

the LT Series performs compared with competitive vehicles.

Navistar's introduction of the LT Series built on the company's many innovations designed to reduce energy consumption. In addition to vehicle aerodynamics, these innovations have included improvements in base engine efficiency, engine-transmission integration, lubrication materials, and intelligent control strategies, as well as vehicle weight reductions. In 2017, the LT® was shown by a third-party study to provide industry-leading fuel efficiency.*

Offering Low-Emitting Engine Options

Navistar offers customers a wide range of engine options, including Cummins® engines and our own proprietary engines, which utilize selective catalytic reduction (SCR) for the reduction of NOx 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.

During 2017, our recently introduced propane school bus option, the IC Bus® CE series PSI, continued to find favor with customers. Using an 8.8 liter heavy-duty propane engine, this alternative-fuel solution does not sacrifice power, torque or durability.

Navistar also contributes to reduced emissions by offering many solutions to support anti-idling, such as battery-powered heating and air conditioning systems. Our Parts group offers diesel exhaust emission retrofit products from various manufacturers in order to help reduce emissions from older vehicles.

Alliance with Volkswagen Truck & Bus

In September 2016, Navistar announced the formation of an alliance with Volkswagen Truck & Bus, a leading Europe-based maker of commercial vehicles. The alliance includes strategic technology and supply collaboration, focused on commercial vehicle development, including powertrain technology solutions, advanced driver assistance systems, connected vehicle solutions, platooning and autonomous technologies, electric vehicles, and cab and chassis components.





Navistar continues to add new OnCommand® Connection products and features, such as Electronic Driver Log, that help fleets manage their vehicles remotely and efficiently.



The International® LT® Series, a new line of Class 8 over-the-road trucks introduced in 2016, delivered industry-leading fuel economy, including a 7 percent improvement over the most fuel-efficient trucks the company had previously offered in the category.

*Please see the full study, available at: https://www.internationaltrucks.com/-/ media/navistar/trucks/spotlight/fueleconomy/lta26 wp-06-vf.pdf



OPERATIONS

USING LEAN PRACTICES TO OPTIMIZE OPERATIONS

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 consumption normalized by production and weather variables) by 20% over 10 years. Navistar continues its steady progress towards this U.S. goal, having reduced energy intensity in 2017 by another 5% company-wide.

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 environmental protection.

Our audit programs—both internal and third-party ISO 14001 audits—help us monitor how well we are fulfilling our commitments. Navistar's major truck, bus 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.

■ Collaborating to Reduce Energy Use

Energy conservation continues to be a focus at our facilities, having multiple benefits, including environmental protection, resource conservation and substantial cost savings. In 2017, we expanded our energy conservation efforts, again primarily focused on low- or no-capital investment opportunities. The Corporate Environmental and Energy Affairs Department tracks and communicates to facilities their monthly electric loads and "load ratios." These load ratios compare energy consumption loads between production

hours and off hours, such as weeknights and weekends. These non-production hours represent a substantial opportunity for Navistar manufacturing facilities to reduce unneeded electric consumption. As part of their 2017 energy reduction goals, facilities were challenged to reduce their electric consumption loads and load ratios by 4% from the respective 2016 levels. Having made significant progress in recent years, in 2017, Navistar manufacturing facilities reduced their electric consumption loads during production period by 3%, weeknights reduced by 0.6% and weekends increased by 0.1% over their respective 2016 averages. Navistar has enjoyed considerable increased production, adding entire shifts or new lines of product in 2017. Given the increase, the ability to achieve 3% reduction during production periods and maintain similar levels of consumption loads during weeknights and weekends is noteworthy.

During 2017, a number of Navistar's facilities made significant progress in reducing energy consumption.

- The Escobedo truck assembly plant, located in Nuevo Leon, Mexico, reduced its production period and weeknight electric consumption loads despite adding an entire new stamping plant and substantial production increases.
- The Springfield, Ohio, truck assembly plant's

Energy team was especially active, meeting on a weekly basis and strategizing to prioritize energy reduction opportunities. The plant implemented an intensive air leak reduction initiative to identify and repair

INTERNATIONAL

The Escobedo truck assembly plant reduced its energy consumption despite production increases.



compressed air leaks, a major source of wasted energy.

 The Huntsville, Alabama engine plant reduced its production period, weeknight and weekend electric consumption loads by making changes to its air compressor operations, lighting and HVAC.

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In December 2017, Navistar again partnered with the U.S. Department of Energy, Better Buildings, Better Plants program. The Springfield assembly plant underwent a no-cost U.S. Department of Energy (DOE) sponsored "energy treasure hunt" (TH) to identify ways of decreasing both CO2 emissions and cost. The TH objective is to find low- to no-cost energy reduction savings, changing the culture to continually practice energy reductions, and automation to make the savings more sustainable. The plant enjoyed the onsite collaboration and support from members of the DOE, our Treasure Hunt partner companies Honda and Harley Davidson, and Navistar corporate and plant employees. The team identified a number of opportunities that would reduce energy demand. The facility is working on evaluating and implementing the opportunities.

Navistar's corporate functions are working to create lean workspaces. Continual consolidation of workspaces can create opportunities to reduce energy use.

Such collaboration maximizes building use efficiency, while achieving reductions in energy consumption and many other associated costs.

■ Reducing and Recycling Wastes

Navistar facilities continually work hard to increase recycling, reduce the generation of both hazardous and non-hazardous waste and improve their use of water resources. In 2017, 58% of all waste generated was recycled, in spite of the shrinking global recycling outlets. In 2017 total waste generation across the company increased. Navistar added two new sites, accounting for a 12% increase, and waste generation increased in our Mexico operations, overshadowing reductions made by our other operating sites. These other sites achieved significant reductions as a result of multiple local continuous improvement activities and improving operational efficiencies throughout.

Navistar's truck assembly plant team in Springfield, Ohio completed a project reducing the toxicity and volatility of its paint purge solvent used in coating operations. Use of the new recyclable, reusable and less toxic solvent was expanded in 2017, replacing all paint solvents. This and other local initiatives exhibit the drive for continuous improvement. The site aims to become a USEPA small quantity generator of hazardous waste in 2018, reflecting an enormous reduction achievement from the site's historic large quantity generator status since the rules were first implemented.



The Springfield, Ohio truck plant Treasure Hunt team welcomed support from the U.S. Department of Energy and other participating companies.

OPERATIONS | USING LEAN PRACTICES TO OPTIMIZE OPERATIONS

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.
- 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.
- Returnable containers are used for all dedicated shipments at all PDCs.
- Navistar has an extensive parts remanufacturing program, annually processing millions of pounds of parts materials.

The results of Navistar's pollution prevention and recycling efforts are also reflected in the company's Toxic Release Inventory (TRI)
Form R reports. The company reported 358,000

pounds of production-related waste managed in its TRI Form R Reports for 2016. TRI data for 2017 will be available July 1, 2018, based on U.S. EPA reporting guidelines. The 2016 reportable amount was 643,000 pounds less than the previous year, mostly due to less metal processing at the company's Cherokee, Ala. fabrication plant. Approximately 82% of the company's 2016 TRI total reportable wastes were recycled, as opposed to being released to the environment.

■ 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. Over the past few years, we have focused our efforts on decreasing water consumption and making investments to preserve water quality. In 2016 and 2017 our Springfield, Ohio assembly plant made significant investments to its on-site wastewater treatment plant to ensure we continue to operate efficiently and meet our

direct discharge limits. In 2017, the company's total water withdrawal was approximately 0.53 million cubic meters, a 4% reduction from the previous year. Overall, water withdrawal company-wide has been reduced by 69% since accounting began in 2012. Specific efforts include eliminating single-pass cooling systems, reducing paint booth water systems charge and clean outs, and using reduced flow high pressure hose nozzles. The operation of a zero-discharge wastewater treatment plant at our Escobedo, Mexico assembly plant and a system to use pond water for irrigation at our Lisle, headquarters have also contributed to more efficient water use.

■ 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 he 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 improvements as geothermal heating systems, shop ceiling fans, T5 and T8 fluorescent lighting, solar panels and maximized use of natural sunlight and native planting.

■ A Strong Commitment to Improved Safety

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.

Navistar world headquarters hosts an Earth Day event that invites employees and community members to share sustainability practices.





More than 100 species of birds, mammals, fish, amphibians and reptiles have been identified on the Springfield, Ohio campus.



As part of its commitment to employees' safety and health, leadership has established a systematic approach to achieve best-in-class safety. Navistar continues to focus on reducing lost-time case rate (LTCR) and incident frequency rate (IFR) on a year-over-year basis. These efforts resulted in a LTCR for 2017 of 0.41 per 200,000 hours, a 14.5% improvement from 2016. The IFR for 2017 was 1.95, a 12% improvement over 2016. This reflects a positive trend based on man-hours and a reduction in total recordable injuries.

In order to continue our efforts to provide a safe working environment for all employees, leadership approved three areas of focus for 2018. These are:

- The review and updating of cranes and hoists procedures and safety training, as well as amplifying the physical barriers and inspections to ensure safer operations.
- An increased focus on ergonomics through the review of job set-up, training of industrial engineers in ergonomics, and monthly report-outs at our plant safety reviews on jobs that have been identified as needing ergonomic redesign. Intra-plant sharing is critical in redesigning like operations; and problem-solving discussion across platforms has been utilized to reduce incidents across all operations.
- Reviewing and upgrading our daily, weekly and annual inspections of powered industrial vehicles to reduce potential accidents and injuries, as well as repairs to vehicles or facilities.

These efforts are behind the goal to reduce LTCR and IFR by 10% in 2018.

Most important is the increased company-wide focus on common safety goals. Painstaking efforts continue to utilize common safety measurements, techniques and tools in all Navistar locations. Numerous ergonomic improvements continually take place around the organization, including, for example, the use of lifting devices, ergo arms, and lift and tilt racks, as well as turn tables and redesigned work stations. This has resulted in a 12% decrease in sprain/strain type injuries in 2018.

Leadership from both our Manufacturing and Parts teams are part of a steering committee dedicated to improving employees safety, sharing best practices and communizing health and safety through the Navistar organization. Our goal is simple: Employees return home every evening in the same condition in which they began their day.

Navistar's commitment to safety is also shared by Navistar's Global Security function, which is focused on protecting our company's people, property, brand and reputation.

COMMUNITIES

BENEFITING THE COMMUNITIES WHERE WE LIVE AND WORK

We support FIRST (For Inspiration and Recognition of Science and Technology), a global education initiative focused on inspiring young people to be science and technology leaders through engaging them in mentor-based robotics programs.

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, Engineering and Math), troops' and veterans' causes, disaster relief and community development.

Support for STEM Education

For decades, Navistar has actively supported STEM education for young people who represent the future of the industry. Recent examples include:

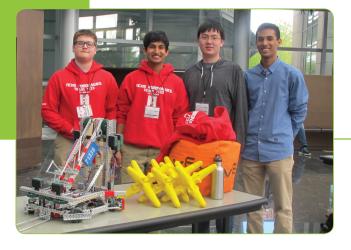
- FIRST (For Inspiration and Recognition of Science and Technology), a global education initiative focused on inspiring young people to be science and technology leaders through engaging them in mentor-based robotics programs. Navistar sponsors FIRST's Midwest Regional Competition and a number of local teams from schools near our world headquarters. Beyond this financial support, Navistar employees also serve as mentors to these teams.
- Navistar also sponsors Project Lead the Way and VEX Robotics programs for schools near our world headquarters, and is a strong supporter of the Naperville Education Foundation, which funds educational programs in our world headquarters' home school district.

 Navistar supports the Chicago Museum of Science and Industry and its Center for the Advancement of Science Education, the Women in Defense Michigan Chapter Scholarship Fund, and the DuPage Children's Museum.

Navistar South America supports social programs that contribute to the development of low-income adolescents. Projeto Crescer (The Grow Up Project) provides mentoring and coaching for young people from São Paulo, Brazil. They receive on-the-job training and the opportunity to make choices that can lead them to professional achievement. Navistar volunteer educators also share their knowledge with the Formare School Program, which completed its 31st year in 2017. The program has enabled more than 830 16-to-18-year-old students from the community to receive knowledge from, and share experiences with, Navistar volunteer educators. The students also receive opportunities for internships in manufacturing, engineering and administrative careers, and in fact, a high percentage of the former Formare students are now employed, many of them with Navistar.

Supporting the Community

In addition, we continue to support the American Red Cross through financial donations. Navistar provides support to a number of additional community development organizations, including among others the Northern Illinois Food Bank, Sharing Connections, Giant Steps, Aspire Living, Morton Arboretum, and the Exchange Club of Naperville's Ribfest, which combats child abuse and domestic violence through donations to more than 50 local non-profits.





To help better connect our employees with a variety of organizations serving our community, we held our second annual volunteer fair in the fall of 2017, bringing 19 local and national charities to our corporate headquarters so employees could learn more about what these organizations do, and how they as volunteers can help.





In 2017, for the eighth consecutive year, Navistar Mexico received from the Mexican Center for Philanthropy recognition as a Socially Responsible company for its corporate ethics and its activities supporting quality of life, community and care for the environment. One of the Escobedo, Mexico truck assembly plant's many community-minded activities is donating all the proceeds from PET recycling to the Institution Alianza Anticancer Infantil, an institution supporting children with cancer.

Supporting Our Troops and Veterans

Navistar works to provide support to active-duty military, veterans and their families.

- We continue to sponsor Operation Support Our Troops-America, which supports the morale and well-being of U.S. forces and their families during both deployment and after their return. For more than 10 years, we have supported the organization through monetary donations, including the Founding Sponsorship of the "Rockin' for the Troops" fundraiser, employee volunteer time, notes of encouragement, and care package donations for the organization.
- Navistar provides financial support to benefit the programs, services and facilities within the directorate of U.S. Army's Family & Morale, Welfare and Recreation (Family & MWR). No U.S. Army endorsement is implied.
- Navistar also supports future military personnel as a lead sponsor of the Michigan Chapter of the National Defense Industrial Association's ROTC Awards Banquet. This event recognizes excellence in Army, Navy

and Air Force ROTC cadets and midshipmen who attend Michigan colleges and universities as they prepare for service.

- Through the Association of the United States Army's Arsenal of Democracy Chapter, Navistar supports Guardian Angels Medical Service Dogs. This organization provides working dogs to enhance the lives of veterans and first responders struggling with a variety of disorders, including PTSD and Traumatic Brain Injury. Navistar's funding goes to support service dogs for veterans and first responders from the State of Michigan.
- Navistar is a sponsor of the National Museum of the United States Army, which is under construction at Fort Belvoir, Virginia, outside of Washington, D.C. The museum will celebrate more than 240 years of Army history and honor America's soldiers.
- In the U.K., Navistar supports the Armed Forces Para-Snowsport Team, which uses adaptive alpine skiing, snowboarding and Nordic/biathlon to rehabilitate serving and retired service personnel who have been injured during their military service.
- Navistar also supports the U.K.'s Armed Forces Rally Team. The team is made up of serving members of the U.K. Armed Forces and associated Civil Servants who compete in a variety of national and international rallies.

Encouraging Volunteerism

While Navistar is proud to provide financial support for many STEM-focused and community development organizations in the areas where

we live and work, we also recognize that our greatest asset is our employees, many of whom are deeply involved in volunteer efforts for the organizations we support. To help better connect our employees with a variety of organizations serving our community, we held our second annual volunteer fair in the fall of 2017, bringing 19 local and national charities to our corporate headquarters so employees could learn more about what these organizations do, and how they as volunteers can help.

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 Chinese Professional Association, LBGTQ Alliance, 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.
- In South America, the Navistar Inclusion
 Program hires people with physical and
 intellectual disabilities, enabling them to
 develop their professional and personal skills
 in a supportive work environment that makes
 them feel valued and respected, and conse-



COMMUNITIES | BENEFITING THE COMMUNITIES WHERE WE LIVE AND WORK

Navistar provides support to a number of community development organizations, including among others the Northern Illinois Food Bank, Sharing Connections, Giant Steps, Aspire Living, Morton Arboretum, and the Exchange Club of Naperville's Ribfest, which combats child abuse and domestic violence.



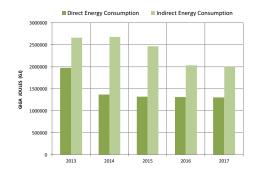
Company employees supported the Northern Illinois Food Bank in the "Foodie 5K" race in Wheaton. Ill.

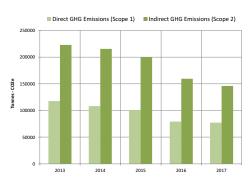
- quently improves their quality of life ability to contribute to the progress and success of the company.
- More than 30 years ago, Navistar instituted a supplier diversity program to identify and develop minority companies that can provide Navistar with quality products and services. In 2017, our spending with Minority and Women Business Enterprises was more than \$220 million, and more than 20 percent of the suppliers we recognized as Diamond Suppliers during the year were diverse suppliers.
- In 2017, Navistar continued to be a member of the executive board of the Chicago Minority Supplier Development Council, and participated in the 50th Chicago Business Opportunity Fair, an annual event aimed at increasing minority business opportunities.
- Reflecting our good-faith efforts to engage with diverse suppliers, during 2017 we participated in events and activities with such organizations as the Chicago Minority Supplier Development Council, the Michigan Minority Supplier Development Council, the Women's Business Enterprise National Council, the Women's Business Development Center, the National Minority Supplier Development Council, and Women in Trucking.

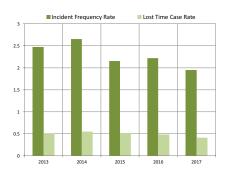
ce Groups
an Amerprofit
Navistar, Inc. and the International Community of Physics of the International Community

Volunteer members of Employee Resource Groups like the International Community of African Amercans at Navistar support multiple not-for-profit organizations in communities where employees live and work.









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.

GREENHOUSE GAS EMISSIONS

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

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

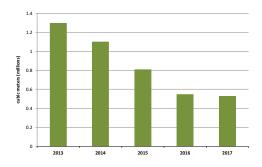
Indirect GHG emissions are a consequence of the operations of the company, but occur at sources owned or controlled by another company, such as purchased electricity.

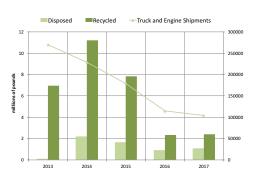
INCIDENT FREQUENCY RATE (IFR) & LOST TIME CASE RATE (LTCR)

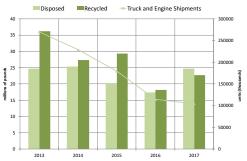
Incident frequency rate is the number of OSHA recordable injuries or illnesses per 100 full-time employees (200,000 hours). OSHA recordable cases are those work-related incidents that require medical treatment beyond first aid, lost time, or job reassignment.

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

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







WATER WITHDRAWAL

Water Withdrawal is the sum of all water used by the company's manufacturing, engineering, and parts distribution operations, either directly or through water utilities.

HAZARDOUS WASTE GENERATION

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 to each operation.

NON-HAZARDOUS WASTE GENERATION

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. 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.



GRI 306-2: TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD (IN TONS)

	METALS, SANDS, BA	AGHOUSE DUST, SLAG	ALL OTH	ER WASTE	TOTAL WAST	E GENERATED
METHOD	HAZARDOUS	NON-HAZARDOUS	HAZARDOUS	NON-HAZARDOUS	HAZARDOUS	NON-HAZARDOUS
RECYCLING	0	5,561	757	10,940	757	16,501
COMPOSTING	0	0	0	0	0	0
RECOVERY, INCLUDING ENERGY RECOVERY	0	0	355	395	355	395
INCINERATION (Mass Burned)	0	0	82	27	82	27
DEEP WELL INJECTION	0	0	0	0	0	0
LANDFILL	0	0	236	10,572	236	10,572
ON-SITE STORAGE	0	0	0	0	0	0
OTHER (WASTEWATER TREATMENT)	0	0	302	1,751	302	1,751
SUBTOTAL	0	5,561	1,732	23,685	1,732	29,246
				TOTAL WASTE	30	,978

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.

GRI 302-1 ENERGY: TOTAL, DIRECT AND INDIRECT ENERGY CONSUMPTION

	2013	2014	2015	2016	2017
TOTAL ENERGY (MMBTU)	3,175,811	3,018,268	2,833,702	2,277,091	2,169,811
ELECTRICITY KWHs	382,639,595	379,087,870	365,703,231	302,350,003	273,708,000
ELECTRICITY IN MMBTU	1,306,408	1,294,282	1,248,584	1,032,283	933,210
DIRECT ENERGY IN MMBTU	1,869,403	1,723,986	1,585,118	1,244,808	1,236,601
DIRECT ENERGY IN GIGA	1,972,407	1,365,597	1,317,326	1,313,342	1,305,690

		ELECTRICITY CONSUMPTION (KWHS)			% Electricity Generated	
	2013	2014	2015	2016	2017	by Fossil Fuels
ARGENTINA	3,854,952	3,209,232	2,692,266	1,941,264	1,744,392	66.70%
BRAZIL	32,603,108	28,042,497	23,310,493	13,963,619	11,513,517	12.00%
CANADA	7,401,359	5,990,465	5,410,764	5,296,382	2,187,650	22.00%
MEXICO	56,707,787	61,408,550	53,982,978	42,569,716	43,712,697	84.00%
UNITED STATES	282,072,389	280,437,127	262,542,672	219,512,839	214,549,529	67.50%

		ELECTRICITY GENERATED BY FOSSIL FUELS			
	2013	2014	2015	2016	2017
ARGENTINA	2,571,253	2,140,558	1,795,741	1,294,823	1,163,509
BRAZIL	3,912,373	3,365,100	2,797,259	1,675,634	1,381,622
CANADA	1,628,299	1,317,902	1,190,368	1,165,204	481,283
MEXICO	47,634,541	51,583,182	45,345,702	35,758,561	36,718,665
UNITED STATES	190,398,863	189,295,061	177,216,304	148,171,166	144,820,932

	ENERGY CONSUMED AT ELECTRIC GENERATION STATIONS (ASSUMES THE GENERATORS ARE 33% EFFICIENT)			% EFFICIENT)	
	2013	2014	2015	2016	2017
ARGENTINA	7,714,530	6,422,315	5,387,762	3,884,858	3,490,877
BRAZIL	11,738,293	10,096,309	8,392,616	5,027,406	4,145,281
CANADA	4,885,386	3,954,102	3,571,461	3,495,962	1,443,993
MEXICO	142,917,915	154,765,023	136,050,711	107,286,413	110,167,013
UNITED STATES	571,253,713	567,941,976	531,702,081	444,557,955	434,506,247

		ELECTRICITY GENERATED BY FOSSIL FUELS (GIGA JOULES)			
	2013	2014	2015	2016	2017
ARGENTINA	27,772	23,120	19,396	13,986	12,568
BRAZIL	42,258	36,347	30,214	18,099	14,923
CANADA	17,587	14,235	12,858	12,586	5,199
MEXICO	514,505	557,154	489,796	386,242	396,612
UNITED STATES	2,056,571	2,044,648	1,914,181	1,600,453	1,564,266
TOTAL INDIRECT ENERGY In Giga Joules	2,658,693	2,675,504	2,466,446	2,031,366	1,993,568

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.

On April 30, 2015, Navistar sold the Waukesha foundry operation and on September 30, 2016 the Indianapolis foundry operation was also sold. Navistar adjusted its energy consumption and GHG emission inventories by excluding Waukesha and Indianapolis Plants' contributions from the 2008 baseline and all subsequent years, per Navistar GHG tracking guidelines.



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

GRI Content Index and GRI-Specific Disclosures – 2017

General Approach

Navistar, Inc. (The "Company" of Navistar) has referenced GRI standard 2016 Core in the preparation of this Sustainability Report. This GRI Content Index references the location of disclosure corresponding with the Core Disclosure or summarizes the information within the Index. In some cases, the referenced information partially satisfies the referenced disclosure standard. The term 10-K refers to the Annual Report Form 10-K filed for Navistar International Corporation for fiscal year 2017. NIC Proxy Statement refers to the Navistar Notice of 2018 Annual Meeting of Stockholders and Proxy Statement.

GRI Content Index and Disclosures

GRI DIS	SCLOSURES	CONTENT
102-1 to 102-8		Corporate names, description of corporate form are at 10-K Item 1, page 6. Corporate headquarters are located in Lisle, Illinois and the Company operates, for the purposes of the content in this Report, in the United States, Canada, Mexico and Brazil. Information as to the scale of the Company is at 10-K, p. 12-13 (employees); operating segments at 10-K, pp. 9-11; properties at 10-K, p. 24; net sales and revenues at 10-K, p. 27; detailed information on markets served and products provided is at 10-K, pp. 28-42.
102-9	Supply chain	Supply chain is described at 10-K, p. 13. The monetary value of payments to suppliers is a component costs of goods sold, 10-K, pp. 32-33 along with other factors, including warranty costs.
102-10	Significant changes to the organization and its supply chain	Changes to the organization are described at 10-K, pp. 6-11, 28-31, 38-39.
102-11	Precautionary principle or approach	The Company does not explicitly employ the precautionary approach as a matter of broad policy, but may employ such an approach in relation to specific risks.
102-13	Membership of associations	The Company is a member of the Truck and Engine Manufacturers Association; the National Association of Manufacturers; the Ohio Manufacturers Association; the Illinois Manufacturers Association; the Lisle, Ill., Chamber of Commerce; the Naperville, Ill., Chamber of Commerce; and the Springfield, Ill. Chamber of Commerce.
102-14	Statement from senior decision maker	Sustainability Report at p. 1.
102-15	Key impacts, risks, and opportunities	Impacts Economic impacts are discussed at 10-K, pp. 6-14. Social impacts are discussed at 10-K, p. 50 and the governance documents below at GRI Disclosure 102-18. Key environmental impacts include: Air emissions from operations, including emissions from coating operations. Emissions from products. We manufacture primarily diesel engine powered vehicles, which have associated emissions in ordinary use. Emissions related to electricity usage. We use primarily energy from the grid, which has associated emissions upstream from electricity generation. Our operations use water from local publicly owned water distribution systems. Our operations have associated water discharges to publicly owned-treatment works, from company owned treatment works to receiving streams and stormwater discharges. Our products use resources, both from recycled and primary sources. Waste generation and disposal. Transportation-related emissions. We have a large and diverse supply chain, which has associated emissions. Emissions, waste generation and water usage data are tables 306-2, 302-1 and Tables at p. 11. Each of the Company's manufacturing plants has an environmental management system in place and are certified under ISO 14001. In addition to this, the Company performs regular corporate environmental compliance audits. Risks are discussed at 10-K, pp. 16-26.
102-16	Values, principles, standards and norms of behavior	10-K at pp. 8-9; CEO letter, Sustainability Report at p. 1.
102-17	Mechanisms for advice and concerns about ethics	The Company Code of Conduct and other resources are available to employees. In addition, a hotline and email addresses are available to bring ethics concerns to the attention of appropriate Company personnel and the Audit Committee of the Board. Guidance on ethics concerns is also available from the Law Department, Human Resources and the Internal Audit and Compliance Department.
102-18	Governance structure	See NIC Proxy Statement. The Audit Committee of the Board of Directors has jurisdiction over environmental issues. Navistar governance documents are available at http://www.navistar.com/navistar/investors/corporategovernance/documents

102-40 List of stakeholder groups			
Stakeholder	Approaches to Engagement	Key Issues	How Issues Have Been Addressed
Communities	Direct engagement and dialogue with community members, government officials and NGOs Encouraging employee and executive engagement with communities	 Jobs Opportunities for local businesses Opportunities for local not-for-profits Environmental impacts 	 Providing appropriate employment and supplier opportunities Working with local and state government officials to assure alignment of needs Encouraging employee volunteerism and community involvement 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	 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 	Product availability New truck, used truck and parts sales intensity Saleability of products, parts and service Post-sales uptime support Order-to-delivery effectiveness	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 Training for dealer personnel Holistic and automated Dealer Score and Dealer Performance Dashboard Awards and financial incentives for outstanding dealer performance, as well as difficult discussions for underperforming dealers Sharing of customer survey data to provide insights into market trends
New Customers	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 Active social media engagements Quality improvement actions and communication of these activities Increased activity at industry events and organizations	Cost competitiveness Perceived reliability Fuel economy Driver issues Competitive segment issues Government incentives Regulation (fuel economy, emissions, driver hours, etc.) Product innovation Return on Investment/Residual Value Warranty coverage period	 Understanding product satisfaction and purchase consideration drivers by customer type and by business, and closing gaps Developing and communicating targeted action plans based on customer feedback and purchase criteria Focusing business strategy on innovation and ongoing productivity improvements Identifying and implementing energy-saving, driver satisfaction and operating cost reduction opportunities for customers Providing operating cost information on new technologies to facilitate better-informed decisions



102-40 List of stakeholder groups (continued)			
Stakeholder	Approaches to Engagement	Key Issues	How Issues Have Been Addressed
Shareholders & Providers of Capital	Shareholder communications Board communications	Monitoring investors' changing expectations Demonstrating performance that meets socially responsible investor expectations, while also meeting Company's strategic goals	 Regular communications with investors and analysts through quarterly earnings releases, conference calls, participation in industry financial conferences, investor/analyst day events, and SEC documents (8Ks, 10Qs and 10Ks) Active marketing and face-to-face meetings with shareholders, through conference participation, non-deal roadshows (NDRs), hosting shareholder visits and plant tours Assuring that senior management is accessible to all stakeholders and providing full access to obtain their thoughts and perspectives Providing investor feedback to the Board of Directors throughout the year
Suppliers	Supplier segment framework Comprehensive supply agreements Regular purchase orders Master service agreements Operational communications and data sharing	Assuring supplier performance meets Navistar expectations Communicating production requirements Assuring competitiveness Supplier relationship management 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 and exposure Managing for sustainability Assuring Navistar's ability to source parts in the event of changes in suppliers' financial viability and industry crisis Assuring suppliers regarding Navistar's own financial performance	 Posting requirements to do business on Company website; supplier scorecard utilized to communicate supplier performance to expectations 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 Refining supplier portal to improve two-way communication Diamond Supplier Awards to help drive supplier performance



102-40 List of stakeholder groups (continued)			
Stakeholder	Approaches to Engagement	Key Issues	How Issues Have Been Addressed
Employees, Other Workers and Their Trade Unions	Communications and information sharing Training Performance management	Meeting company performance goals Assuring development of employee skill sets needed for business requirements and personal development Assuring employee support for company sustainability focus	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 Performance Management system to identify and meet employee developmental needs, both short- and long-term Provision of competitive compensation and benefit programs Establishment of proactive employee safety programs Establishment of internal Employee Resource Groups, based on employee needs

GRI DIS	CLOSURES	CONTENT
102-41	Collective bargain- ing agreements	6,700 of our employees are union employees covered by collective bargaining agreements of our 12,300 employees worldwide. See 10-K at 12-13.
102-42	ldentifying and selecting stake- holders	In compiling this report, a review of stakeholders with whom the Company has engaged during the reporting period is developed. The stakeholders include those who may have been engaged for any purpose, as discussed under the "Key Issues" section of 102-40.
102-43	Approach to stakeholder engagement	The method of stakeholder engagement depends on the stakeholder group. For example, governmental entities are engaged regularly as a part of routine business for regulatory and other purposes. For a more detailed list of methods by which each stakeholder group is engaged, please see the "Approaches to Engagement" section of 102-40.
102-44	Key topics and concerns raised	Please see "Key Issues" section of 102-40.
102-45	Entities included in the consoli- dated financial statements	10-K at p. 67.
102-46	Defining report content and topic boundaries	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 102-45.
102-48	Restatements of information	During calendar year 2017 we sold a plant in Canoas, Brazil. No adjustment was made because the change was immaterial.
102-49	Changes in reporting	There were no significant changes from previous reporting periods in the list of material topics and topic boundaries.
102-50	Reporting period	For environmental data, this report includes data from the 2017 calendar year. For other aspects of this report, including all references to 10-K in this index, the fiscal year 2017 is the appropriate period.
102-51	Date of most recent report	The previous Sustainability Report was issued in calendar year 2017 for the 2016 fiscal year.
102-52	Reporting cycle	Annual
205-2	Communication and training about anti-corruption policies and procedures	Our Vice President of Internal Audit and Chief Compliance Officer is committed to creating an ethical environment. Anti-corruption training is therefore incorporated within our standard training on the Company Code of Conduct. All salaried employees are required to complete e-learning relating to our Code of Conduct on an annual basis. In addition, all U.Sbased production employees receive in-person Code of Conduct training.
302-1	Energy consump- tion within the organization	Navistar Sustainability Report 2017, pp. 4-5 and Table in this report: GRI 302-1: Total, Direct, and Indirect Energy Consumption
302-2	Energy consump- tion outside of the organization	N/A. The Company currently does not compile information on energy consumption outside of the organization, commonly referred to as Scope 3 sources and emissions.
302-3	Energy intensity	Navistar tracks electric consumption load ratios (consumption loads during nights and weekends versus production period) at its North America manufacturing facilities. Navistar's major energy consumption facilities in United States participate in USDOE Better Plants Program and track and report their energy consumption intensity reductions on an annual basis.

GRI DIS	SCLOSURES	CONTENT
302-4	Reduction of ener- gy consumption	Navistar Sustainability Report 2017, pp. 4-5, and Table GRI 302-1 in this report.
302-5	Reductions in en- ergy requirements of products and services	Navistar Sustainability Report 2017, pp. 4-5.
303-1	Water withdrawal by source	Navistar Sustainability Report 2017, p. 11.
303-2	Water sources sig- nificantly affected by withdrawal of water	All significant corporate water uses rely on municipally supplied water sources.
303-3	Water recycled and reused	Navistar's Escobedo, Mexico Assembly Plant is a zero wastewater discharge facility. All wastewater generated at this facility is treated for reuse. Some other Navistar facilities have modified their once-through cooling water systems to re-circulation systems.
305-1	Direct (Scope 1) GHG Emissions	Navistar Sustainability Report 2017, p. 13.
305-2	Energy indirect (Scope 2) GHG emissions	Navistar Sustainability Report 2017, p. 13.
305-5	Reduction of GHG emissions	Navistar realized an 8% reduction in absolute GHG emissions in 2017 over the previous year.
305-6	Emissions of ozone-depleting substances (ODS)	392 pounds are known to have leaked to atmosphere in 2017 from all operations.
306-2	Waste by type and disposal method	Navistar Sustainability Report 2017, p. 12.
306-3	Significant spills	The Company had no significant spills during 2017.
306-4	Transport of haz- ardous waste	Navistar Sustainability Report 2017, p. 12, Table GRI 306-2, hazardous waste.
306-5	Water bodies affected by water discharges and/or runoff	Melrose Park, IL: Stormwater runoff and sanitary wastewater; Stormwater runoff; Storm sewer tributary to Silver Creek. Sanitary wastewater: Metropolitan Water Reclamation District of Greater Chicago Springfield, OH: Moore Run Tulsa, OK: Mingo Creek Huntsville, AL: Bradford Creek Cherokee, AL: Whitley Branch
307-1	Non-compliance with environ- mental laws and regulations	There were no significant fines or sanctions for non-compliance with environmental laws and/or regulations in the reporting period.
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Navistar Sustainability Report 2017, p. 11. Statistics are reported using U.S. OSHA definitions. In 2017, the OSHA recordable injury/illness rate for Navistar was 1.95, and the lost time case rate was 0.41. There were no occupational diseases in 2017. 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 2017.





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