

*Improved
Aerodynamics*

*Side View
Cameras*

CATALIST
INTERNATIONAL SUPER TRUCK



*LED
Lights*

*Lightweight
Suspension*

*Drive Wheel
Hub Covers*

2 0 1 6

SUSTAINABILITY
REPORT



TABLE OF CONTENTS

2016 | SUSTAINABILITY REPORT

1 | CEO LETTER

2 | PRODUCTS

6 | OPERATIONS

10 | COMMUNITIES

13 | CHARTS



CEO LETTER

INNOVATING FOR SUSTAINABILITY

In 2016, we leveraged advanced technologies to help our customers and the industry find new ways to make trucking safer, more fuel efficient and more environmentally friendly.



At Navistar, we believe sustainability starts with us, and that each of us has a responsibility to help improve the impact of our products and activities on our world. In 2016, we leveraged advanced technologies to help our customers and the industry find new ways to make trucking safer, more fuel efficient and more environmentally friendly.

Working with the U.S. Department of Energy (DOE), we delivered the CataliST International® SuperTruck, a vehicle that greatly exceeded DOE's targeted improvement in freight efficiency. This initiative yielded our industry-leading predictive cruise control technology, which provides optimal fuel economy in real time by using GPS data to make adjustments to cruising speed, based on the terrain ahead. We also won a DOE grant for the SuperTruck II program, which will aim even higher.

We launched our new International® LT™ Series of ergonomic Class 8 vehicles, which provide fuel efficiency that is 7 percent better than the company's previous offering. This continues our initiative to refresh our entire product line with new, fuel-efficient vehicles with enhanced visibility and advanced safety features.

Our vehicles 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. We expanded into medium-duty vehicles with our use of the Bendix® Wingman® Fusion™ suite of integrated, advanced safety technologies, which we pioneered in on-highway models. We became the first in the industry to make collision mitigation standard on long-haul vehicles.

And our vehicles helped Texas A&M Transportation Institute successfully demonstrate the potential of truck platooning, which will enhance fuel efficiency and reduce emissions.

Our innovation will be enhanced by our new alliance with Volkswagen Truck & Bus, which will include collaboration on a wide range of advanced technologies.

We also worked to assure compliance with safety, environmental and social standards throughout the supply chain. Ninety percent of our vehicles' content is recyclable, and we are planning to increase the use of recycled and recyclable content in new models.

Navistar manufacturing facilities work to reduce their environmental impact, surpassing their recycling goals, reducing their electric consumption load ratios by 4 percent annually and continuously reducing greenhouse gas emissions from manufacturing.

As Navistar works to enhance the future of the industry, 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, reflects our commitment to the communities where we live and work.

A handwritten signature in black ink, appearing to be 'T. Clarke'.

Troy A. Clarke
Chairman, President and Chief Executive Officer



PRODUCTS

REDUCING EMISSIONS THROUGH FUEL-EFFICIENT INNOVATION

In 2016, Navistar delivered the results of the five-year SuperTruck research and development program undertaken with the U.S. Department of Energy. The truck, known as the CatalIST, exceeded the DOE's requirements for a 50 percent improvement in overall freight efficiency on a heavy-duty Class 8 tractor-trailer vehicle.

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 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. In 2015 and 2016, the company worked extensively with EPA and NHTSA on Phase 2 of the 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 estimates the Phase 2 rule will result in an additional 10 percent reduction in greenhouse gas emissions.

In 2016, Navistar delivered the results of the five-year SuperTruck research and development program undertaken with the U.S. Department of Energy (DOE). The truck, known as the CatalIST, exceeded the DOE's requirements for a 50 percent improvement in overall freight efficiency on a heavy-duty Class 8 tractor-trailer vehicle, and 50 percent engine efficiency. Ultimately, the CatalIST achieved a fuel efficiency of 13 miles per gallon and demonstrated 50.3 percent Brake Thermal Efficiency, representing an improvement in freight efficiency of 104% over DOE's control vehicle. These results reflected many technology improvements, including:

- Predictive cruise control that innovatively uses GPS mapping and the latest commercial route data to adjust cruising speed without the need to pre-drive routes. This technology is now offered on International® on-highway vehicles.
- Advanced integration of engine and vehicle, utilizing proprietary intelligent controls and high-efficiency combustion.



- Reduction in aerodynamic drag through replacement of cab- and hood-mounted mirrors with a series of cameras and interior-mounted monitors.
- A new LED headlamp system that reduces lamp size for a more aerodynamic shape and cuts electric demand by greater than 80 percent, while improving luminous output and light color for improved night-time direct driver vision.
- An all-new shape with a sloped windshield and wedged cab for improved aerodynamics.
- Innovative use of lighter-weight carbon-fiber panels in the upper body, roof headers, back panel and dash panel.
- A hybrid front suspension and lightweight rear suspension that leverages lightweight alloys with composite materials, reducing weight and enabling an electronic ride height management system.
- Aerodynamic improvements that reduce the trailer's drag coefficient by more than 30 percent.

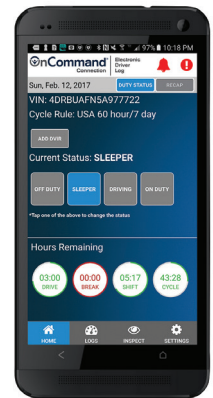
During 2016, Navistar won funding for the U.S. Department of Energy's SuperTruck II project, which has the goal of improving heavy-truck freight efficiency by more than 100 percent compared with a manufacturer's best-in-class 2009 truck.

■ 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 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.

Building on its previous leadership in introducing new safety systems that use advanced technology, the company announced that its medium-duty International® DuraStar® is 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 made collision mitigation and full stability technologies standard on its newly

OnCommand® Connection | Electronic Driver Log



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



Navistar is exploring the benefits from technologies that enable platooning, which allows trucks to safely follow each other to reduce wind drag. These International® ProStar® trucks are being utilized in a platooning initiative at the Texas A&M Transportation Institute.



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.

introduced LT™ Series of Class 8 long-haul vehicles. The previous year, the company had been the first in the industry to introduce the technology on its long-haul models.

In 2016, the company also made available at no cost to customers over-the-air programming for engine control modules (ECMs) for all new trucks powered by its proprietary engines. This offering makes it possible for customers to reprogram ECMs with approved calibrations via wi-fi, without the necessity for visiting a service facility, thereby reducing fuel consumption.

■ **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. Our International® ProStar® long-haul vehicle has a well-earned reputation as one of the most fuel-efficient trucks in the industry.

In 2016, Navistar built on that heritage when it introduced the International® LT™ Series, a new line of Class 8 over-the-road trucks that delivered a host of improvements, 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 fine tuned 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.

■ **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.



In 2016, Navistar introduced the new International® LT™ Series, a new line of Class 8 trucks that delivered a 7 percent improvement in fuel efficiency over the most fuel-efficient trucks the company had previously delivered in the category.

*Compared with 2016 ProStar® ES.

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 2016, 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 anti-idle solutions, 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, which it is expected will explore all aspects of 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.



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.



The IC Bus™ CE Series PSI, a propane school bus option, found favor with customers, including the public school system in Tuscaloosa, Ala.

OPERATIONS

USING LEAN PRACTICES TO OPTIMIZE OPERATIONS

During 2016, a number of Navistar's facilities made significant progress in reducing energy consumption. Escobedo Assembly Plant, located in Nuevo Leon, Mexico, reduced its weeknight electric consumption load ratio to 47 percent from the 2015 annual average of 75 percent.

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 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. Since 1992, the company's pollution prevention projects have yielded more than \$100 million in savings.

■ Collaborating to Reduce Energy Use

Energy conservation has multiple benefits, including environmental protection, resource conservation and substantial cost savings. During 2016, our energy conservation efforts primarily focused on low- or no-capital investment opportunities, especially on turning off equipment

when not in use, ranging from machines, motors and compressors to lights and fans. To measure facilities' progress, the Corporate Environmental and Energy Affairs Department tracks and communicates to facilities their monthly electric "load ratios." These load ratios compare energy consumed between production hours and off hours, such as weeknights and weekends. Navistar manufacturing facilities are currently challenged to reduce their electric consumption load ratios by 4 percent annually. Starting in 2016, Navistar manufacturing facilities are also challenged to reduce their electric consumption loads during production periods, weeknights and weekends by 4 percent over their respective 2015 averages.

During 2016, a number of Navistar's facilities made significant progress in reducing energy consumption. Escobedo Assembly Plant, located in Nuevo Leon, Mexico, reduced its weeknight electric consumption load ratio to 47 percent from the 2015 annual average of 75 percent. In addition, the facility reduced its 2016 weekend electric consumption load ratio to 32 percent from the 2015 annual average of 48 percent.

At the end of 2015, the facility replaced a 900 horsepower (HP) centrifugal compressor with two 350 HP rotary-screw compressors. This

combination of available air compressors, along with the facility's aggressive program to detect and repair compressed air leaks, provides the right combination of tools for maximum flexibility,





allowing the facility to meet production needs with the minimum amount of compressed air. The facility also replaced 1000-watt sodium-vapor street lights with 400-watt LED lights. In addition, production efficiency improvements at the paint facility eliminated the need for a second shift operation, which resulted in significant energy conservation.

The Huntsville big bore engine plant, located in Huntsville, Ala., reduced its weeknight electric consumption load ratio to 52 percent from the 2015 annual average of 67 percent. In addition, the facility reduced its 2016 weekend electric consumption load ratio to 39 percent from the 2015 annual average of 47 percent. The facility shut off all compressors, and all lights, except a small portion for navigational and security purposes, on weeknights and weekends. The facility also upgraded its HVAC System to provide easier access to the controlling system schedules and turn off the AC system on Fridays and weekends. In addition, the facility changed 45 perimeter lights from 400-watt incandescent to 80-watt LED lights.

Navistar also introduced in 2015 the WattSense program, a common-sense roadmap to effective energy management at Navistar facilities. Each facility successfully implemented in 2016 the four prerequisites that form the foundation of the WattSense program. An additional seven steps then form the basis for a comprehensive energy management program at each site. Altogether, the program identifies more than 100 specific opportunities to improve energy management from which each facility can choose to fit its particular needs. Facilities are awarded points based on having implemented

energy program opportunities. In 2016, the sites developed baseline WattSense scores to better understand energy conservation and cost savings improvements that continue driving energy reductions. All facilities are expected to achieve scores at Bronze Level (50 – 74 points) by the end of 2018 and Silver Level (75 – 100 points) by 2020. Facilities are also required to increase their WattSense scores by 15 points each year.

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 25 percent over 10 years. Navistar continues its progress towards this U.S. goal, having reduced energy intensity thus far by 12.6 percent at its larger participating sites in the U.S. The company was also 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 working to create lean workspaces. Continual consolidation of workspaces creates larger areas that require little to no 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 2016, a 63 percent recycling rate was achieved, while



The Escobedo Assembly Plant donates all the proceeds from plastics recycling to the Institution Alianza Anticancer Infantil, an institution supporting children with cancer.

OPERATIONS | USING LEAN PRACTICES TO OPTIMIZE OPERATIONS

total waste generation was reduced by over 50 percent. The closing of our foundry operations in 2015 and 2016 accounted for a significant decrease in the generation of wastes, mostly in the form of sands, slag, and baghouse dusts. Despite these foundry reductions, the remaining sites accounted for more than 30 percent of the reductions in all other production materials. Such significant reductions are evidence of improved efficiencies throughout. While sites continue removing waste from all aspects of our operations, more aggressive recycling and non-landfill goals are being developed.

Navistar's truck assembly plant team in Springfield, Ohio embarked on a project to reduce the toxicity and volatility of its paint purge solvent used in coating operations. The previous solvent blend product had been continually recycled off-site and returned to the facility for reuse since 1987. The new solvent in full use at the paint facility in 2016 is also 100-percent recycled and reused but contains less hazardous materials,

reduces volatile organic compounds, and carries less hazardous waste codes during transport due to the reduced toxicity. The plant plans to expand its use in 2017, replacing all other paint solvents.

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 1 million pounds of production-related waste managed in its TRI Form R Reports for 2015. TRI data for 2016 will be available in 2017, based on U.S. EPA reporting guidelines. The 2015 reportable amount was 308,000 pounds more than the previous year, mostly due to increased metal processing at the company's Cherokee, Ala. fabrication plant. However, 92 percent of the company's 2015 TRI total reportable wastes were recycled, as opposed to being treated or disposed.

■ 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. Our Springfield, Ohio assembly plant made significant investments in 2016 to its on-site wastewater treatment plant to ensure we continue to operate efficiently and meet our direct discharge limits. In 2016, the company's total water withdrawal was approximately 0.55 million cubic meters, a 32 percent reduction from the previous year. While a significant amount of this reduction in water use was due to ceasing operations at a number of sites, the company was also able to reduce its water use at continuing operations by



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





12 percent. Our efforts to optimize cooling tower operation and to eliminate single-pass cooling systems at our facilities where possible have contributed to these reductions. The operation of a zero-discharge wastewater treatment plant at our Escobedo, Nuevo Leon, Mexico assembly plant and a system to use pond water for irrigation at our Lisle, Ill. headquarters campus 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 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, 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.

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 2016 of 0.48 per 200,000 hours, a 7 percent improvement from 2015. The IFR for 2016 was 2.22, which, although slightly higher than the previous year, 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 2017. These are the review and updating of lockout procedures and placards, a monthly plant safety review for all manufacturing operations, and a review of the specifics of the job safety analysis for all operations. These efforts are behind the goal to reduce LTCR and IFR by 15 percent in 2017.

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, new tools for strap lock operations used at our truck assembly plants in Springfield, Ohio and Escobedo, Nuevo Leon, Mexico, which have resulted in improved costs as well as better ergonomics.

Leadership from both our Manufacturing and Parts teams, both inside and outside the United States, participate in a monthly call that is 100-percent focused on safety. Our goal is simple: Employees return home, every evening, in the same condition in which they began their day.

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

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 WORK AND LIVE

Navistar South America's support for the Formare School Program has enabled more than 830 students to receive knowledge from Navistar professionals, while providing them with internships and other opportunities.

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. More recently, Navistar has provided active support for:

- **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 also supports the Chicago Museum of Science and Industry and its Center for the Advancement of Science Education and the Women in Defense Michigan Chapter Scholarship Fund.

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 30th year in 2016. 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

Navistar continues to support the disaster relief efforts of the American Red Cross. We 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 2015. 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.

In 2016, for the seventh 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 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 for our troops and military veterans:

- 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.
- In the UK, we support the Armed Forces Para-Snowsport Team – formerly the Combined Services Disabled Ski 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 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 ROTC cadets and midshipmen who attend Michigan colleges and universities as they prepare for their service to our country.

■ Encouraging Volunteerism

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

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

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 first annual volunteer fair in the fall of 2016, bringing 16 local and national charities to our corporate headquarters so employees could learn more about what these organizations do, and how they can help.

■ Supporting Diversity

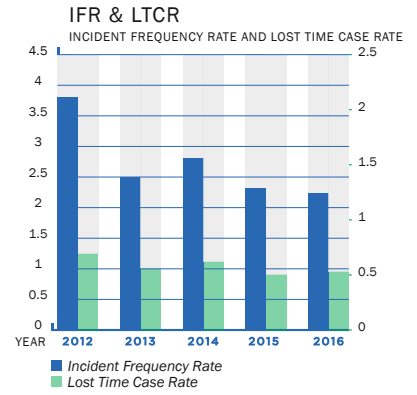
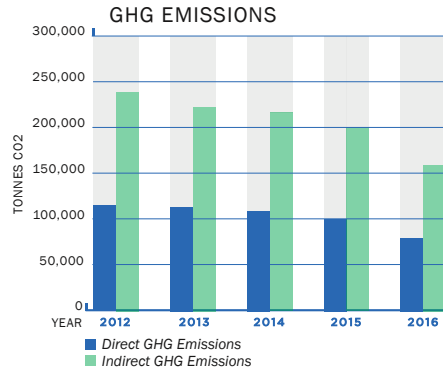
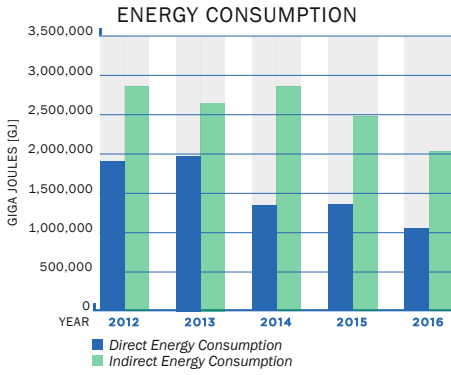
Navistar's commitment to diversity brings the company a number of tangible benefits, including innovation, high-quality products and services, and improved customer relationships:

- 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, 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 consequently improves their quality of life and 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 2016, our spending with Minority and Women Business Enterprises was more than \$190 million, and more than 27 percent of the suppliers we recognized as Diamond Suppliers during the year were diverse suppliers.
- In 2016, Navistar continued to be a member of the executive board of the Chicago Minority Supplier Development Council, and participated in the 49th Chicago Business Opportunity Fair, an annual event aimed at increasing minority business opportunities.
- Reflecting our good-faith efforts to engage with diverse suppliers, during 2016 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.



Volunteer members of Employee Resource Groups like the International Community of African Americans 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.

GHG 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.

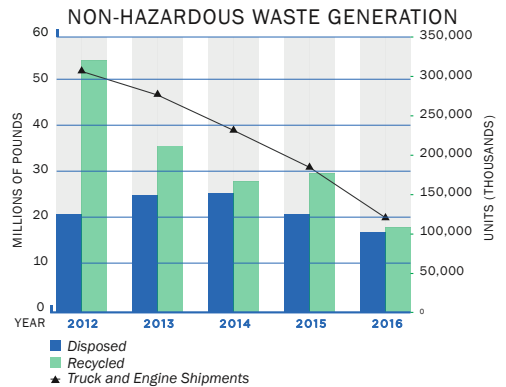
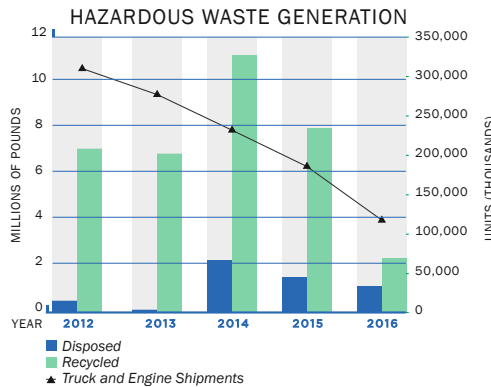
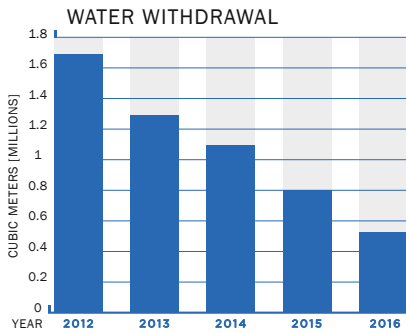
Indirect GHG emissions are a consequence of the operations of the company, but occur at sources owned or controlled by another company, such as purchased electricity.

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)

METHOD	METALS, SANDS, BAGHOUSE DUST, SLAG		ALL OTHER WASTE		TOTAL WASTE GENERATED	
	HAZARDOUS	NON-HAZARDOUS	HAZARDOUS	NON-HAZARDOUS	HAZARDOUS	NON-HAZARDOUS
RECYCLING	0	5,780	845	8,458	845	14,238
COMPOSTING	0	0	0	0	0	0
RECOVERY, INCLUDING ENERGY RECOVERY	0	0	293	402	293	402
INCINERATION (MASS BURNED)	0	0	29	193	29	193
DEEP WELL INJECTION	0	0	0	0	0	0
LANDFILL	0	0	198	7,041	198	7,041
ON-SITE STORAGE	0	0	0	0	0	0
OTHER (WASTEWATER TREATMENT)	0	0	262	1,641	262	1,641
TOTAL HAZARDOUS	0	0	1,627	0	1,627	0
TOTAL NON- HAZARDOUS	0	5,780	0	17,735	0	23,515
				TOTAL		25,142

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

	2012	2013	2014	2015	2016
TOTAL ENERGY (MMBTU)	3,208,704	3,175,811	3,018,268	2,833,702	2,277,091
ELECTRICITY KWHs	412,375,433	382,639,595	379,087,870	365,703,231	302,350,003
ELECTRICITY IN MMBTU	1,407,932	1,306,408	1,294,282	1,248,584	1,032,283
DIRECT ENERGY IN MMBTU	1,800,772	1,869,403	1,294,282	1,248,584	1,032,283
DIRECT ENERGY IN GIGA	1,899,995	1,972,407	1,365,597	1,317,326	1,089,117

	ELECTRICITY CONSUMPTION (KWHs)					% Electricity Generated by Fossil Fuels
	2012	2013	2014	2015	2016	
ARGENTINA	3,924,548	3,854,952	3,209,232	2,692,266	1,941,264	66.7%
BRAZIL	34,364,101	32,603,108	28,042,497	23,310,493	13,963,619	12.0%
CANADA	8,873,022	7,401,359	5,990,465	5,410,764	5,296,382	22.0%
MEXICO	57,843,217	56,707,787	61,408,550	53,982,978	42,569,716	84.0%
UNITED STATES	307,370,545	282,072,389	280,437,127	262,542,672	219,512,839	67.5%

	ELECTRICITY GENERATED BY FOSSIL FUELS (KWHs)				
	2012	2013	2014	2015	2016
ARGENTINA	2,617,674	2,571,253	2,140,558	1,795,741	1,294,823
BRAZIL	4,123,692	3,912,373	3,365,100	2,797,259	1,675,634
CANADA	1,952,065	1,628,299	1,317,902	1,190,368	1,165,204
MEXICO	48,588,302	47,634,541	51,583,182	45,345,702	35,758,561
UNITED STATES	207,475,118	190,398,863	189,295,061	177,216,304	148,171,166

	ENERGY CONSUMED AT ELECTRIC GENERATION STATIONS (ASSUMES THE GENERATORS ARE 33% EFFICIENT)				
	2012	2013	2014	2015	2016
ARGENTINA	7,853,021	7,714,530	6,422,315	5,387,762	3,884,858
BRAZIL	12,371,076	11,738,293	10,096,309	8,392,616	5,027,406
CANADA	5,856,194	4,885,386	3,954,102	3,571,461	3,495,962
MEXICO	145,764,907	142,917,915	154,765,023	136,050,711	107,286,413
UNITED STATES	622,487,602	571,253,713	567,941,976	531,702,081	444,557,955

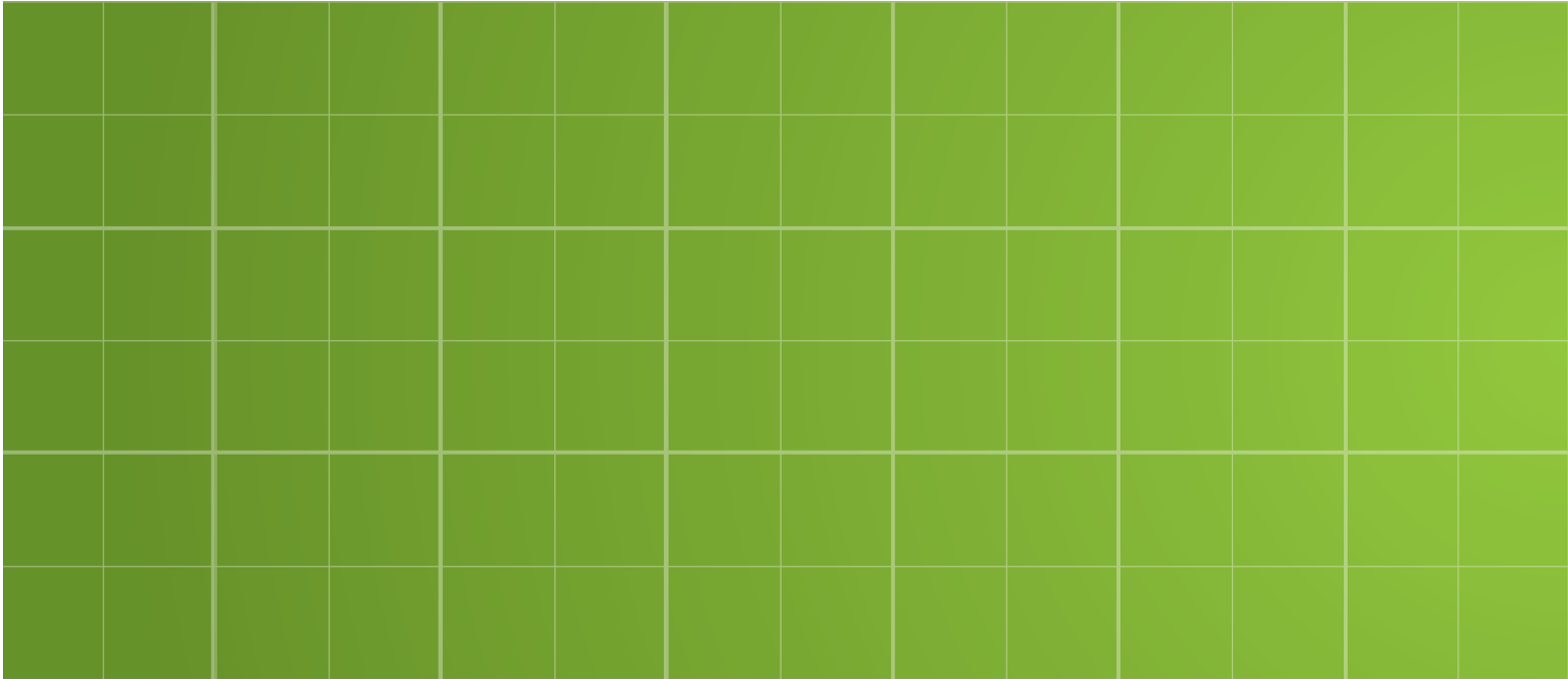
	ELECTRICITY GENERATED BY FOSSIL FUELS (GIGA JOULES)				
	2012	2013	2014	2015	2016
ARGENTINA	28,271	27,772	23,120	19,396	13,986
BRAZIL	44,536	42,258	36,347	30,214	18,099
CANADA	21,082	17,587	14,235	12,858	12,586
MEXICO	524,754	514,505	557,154	489,796	386,242
UNITED STATES	2,241,018	2,056,571	2,044,648	1,914,181	1,600,453
TOTAL INDIRECT ENERGY IN GIGA JOULES	2,859,661	2,658,693	2,675,504	2,466,446	2,031,366

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.





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