



POLICY AND PROCEDURES WITH RESPECT TO RELATED PERSON TRANSACTIONS

A. Policy Statement

This Policy and Procedures With Respect to Related Person Transactions (the "Policy") of Navistar International Corporation (the "Corporation") sets forth the policies and procedures governing the review, approval and ratification of Related Person Transactions (as defined below). The Corporation recognizes that Related Person Transactions may raise questions among stockholders as to whether those transactions are consistent with the best interests of the Corporation and its stockholders. It is the Corporation's policy to enter into or ratify Related Person Transactions only when the Board of Directors, acting through the Audit Committee or as otherwise described herein, determines that the Related Person Transaction in question is in, or is not inconsistent with, the best interests of the Corporation and its stockholders, including but not limited to situations where the Corporation may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when the Corporation provides products or services to Related Persons (as defined below) on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally. Therefore, the Policy has been approved by the Nominating and Governance Committee of the Corporation's Board of Directors (the "Committee") and adopted by the Corporation. The Committee will review and may amend the Policy from time to time.

While it is expected that Related Person Transactions may occur, employees and directors must nonetheless abide by the applicable provisions in the Corporation's Code of Ethics, which provides that personal conflicts of interest are prohibited as a matter of Corporation policy, except under guidelines approved by the Corporation's Board of Directors, notwithstanding whether the proposed transaction giving rise to the conflict of interest would also require review under this Policy.

In addition, the Securities and Exchange Commission rules and the New York Stock Exchange listing standards require the Board of Directors to assess whether relationships or transactions exist that may impact the independence of the Corporation's directors. This independence determination is made by the Board of Directors in accordance with the Corporation's Corporate Governance Guidelines (as in effect from time to time) and a director's independence may be affected by the existence of Related Person Transactions.

B. Related Person Transactions

For purposes of the Policy, a "Related Person Transaction" shall have the meaning set forth in Item 404(a) of Regulation S-K, as amended, and generally is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Corporation (including any of its subsidiaries) was, is or will be a participant and the amount involved exceeds \$120,000, and in which any Related Person had, has or will have a direct or indirect material interest.

For purposes of the Policy, a "Related Person" is as defined in the instructions to Item 404(a) of Regulation S-K, as amended, and generally means:

1. any person who is, or at any time since the beginning of the Corporation's last fiscal year was, a director or executive officer of the Corporation or a nominee to become a director of the Corporation;
2. any person who is known to be the beneficial owner of more than 5% of any class of the Corporation's voting securities; and
3. any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner.

C. Responsibility of Related Persons

Any director, executive officer or nominee to become a director of the Corporation who proposes to enter into a Related Person Transaction or becomes aware of an unapproved Related Person Transaction shall notify the General Counsel or Corporate Secretary of such proposal or transaction, and to the extent known, provide the General Counsel all of the information required under Section D.1 of the Policy, as well as any other information requested by the General Counsel or Corporate Secretary. The General Counsel or Corporate Secretary, upon receiving such notification, shall be responsible for requiring that any proposed Related Party Transaction be presented to the Audit Committee for consideration in accordance with this Policy. In the event of a good faith failure to seek approval or ratification of a proposed transaction, approval or ratification should be sought as soon as the director, executive officer or other Related Person involved in such transaction or the General Counsel

or Corporate Secretary becomes aware of such failure.

D. Approval Procedures

Related Person Transactions that are identified as such prior to the consummation thereof or amendment thereto shall be consummated or amended only if the following steps are taken:

1. Prior to entering into the Related Person Transaction (a) the Related Person, (b) the director, executive officer, nominee or beneficial owner who is an immediate family member of the Related Person or (c) the business unit or function/department leader responsible for the potential Related Person Transaction shall provide notice to the General Counsel or Corporate Secretary of the facts and circumstances of the proposed Related Person Transaction, including: (i) the Related Person's relationship to the Corporation and interest in the transaction; (ii) the material facts of the proposed Related Person Transaction, including the proposed aggregate value of such transaction or, in the case of indebtedness, the amount of principal that would be involved; (iii) the benefits to the Corporation of the proposed Related Person Transaction; (iv) if applicable, the availability of other sources of comparable products or services; and (v) an assessment of whether the proposed Related Person Transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally. In the event the notice is provided to the General Counsel or Corporate Secretary by someone other than the business unit or function/department leader responsible for the potential Related Person Transaction, a member of the General Counsel's staff shall meet with the relevant business unit or function/department leader to confirm and supplement the information provided in the original notice. The General Counsel or Corporate Secretary will assess whether the proposed transaction is a Related Person Transaction for purposes of this Policy.
2. If the General Counsel or Corporate Secretary determines that the proposed transaction is a Related Person Transaction, the proposed Related Person Transaction shall be submitted to the Audit Committee for consideration at the next Audit Committee meeting or, in those instances in which the General Counsel or Corporate Secretary, in consultation with the Chief Executive Officer or the Chief Financial Officer, determines that it is not practicable or desirable for the Corporation to wait until the next Audit Committee meeting, at a meeting of the Audit Committee called by the General Counsel or Corporate Secretary.
3. The Audit Committee shall consider all of the relevant facts and circumstances available to the Audit Committee, including (if applicable) but not limited to: the benefits to the Corporation; the impact on a director's independence in the event the Related Person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available to unrelated third parties or to employees generally. No member of the Audit Committee shall vote on the approval of any Related Person Transaction with respect to which such member or any of his or her immediate family members is the Related Person but such member may, if so requested by the chairperson of the Audit Committee, participate in some or all of the Audit Committee's discussions of the applicable Related Person Transaction. The Audit Committee shall approve only those Related Person Transactions that are in, or are not inconsistent with, the best interests of the Corporation and its stockholders, as the Audit Committee determines in good faith. The Audit Committee shall convey the decision to the General Counsel or Corporate Secretary, who shall convey the decision to the appropriate persons within the Corporation.

E. Ratification Procedures

In the event the Corporation's Chief Executive Officer, Chief Financial Officer, General Counsel or Corporate Secretary becomes aware of a Related Person Transaction that has not been previously approved or previously ratified under this Policy:

1. If the transaction is pending or ongoing, it will be submitted to the Audit Committee promptly, and the Audit Committee shall consider all of the relevant facts and circumstances available to the Audit Committee, including (if applicable) but not limited to: the benefits to the Corporation; the impact on a director's independence in the event the Related Person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available to unrelated third parties or to employees generally. Based on the conclusions reached, the Audit Committee shall evaluate all options, including but not limited to ratification, amendment or termination of the Related Person Transaction; and
2. If the transaction is completed, the Audit Committee shall evaluate the transaction, taking into account the same factors described above, to determine if rescission of the transaction and/or any disciplinary action is appropriate, and shall request that the General Counsel or Corporate Secretary evaluate the Corporation's controls and procedures to ascertain the reason the transaction was not submitted to the Audit Committee for prior approval and whether any changes to these procedures are recommended.

F. Review of Ongoing Transactions

At the Audit Committee's first meeting of each fiscal year, the Audit Committee shall review any previously approved or ratified Related Person Transactions that remain ongoing and have a remaining term of more than six months or remaining amounts payable to or receivable from the Corporation of more than \$120,000. Based on all relevant facts and circumstances, taking into consideration the Corporation's contractual obligations, the Audit Committee shall determine if it is in the best interests of the Corporation and its stockholders to continue, modify or terminate the Related Person Transaction. With respect to any Related Person Transaction that constitutes a series of similar transactions, arrangements or relationships expected to continue in the future, the Audit Committee, in approving such transaction, may adopt specific terms and conditions or guidelines with respect to such Related Person Transactions.

G. Charitable Contributions

The Corporation shall establish procedures to (i) identify all charitable and non-profit organizations to which the Corporation makes or intends to make a contribution in excess of \$120,000, other than those charitable organizations to which the Corporation makes non-discretionary contributions pursuant to the Corporation's matching contribution program for employees and directors and (ii) determine if a Related Person is an employee, officer, director, trustee or active fundraiser of such charitable or non-profit organization. If such a relationship exists, the contribution shall be subject to the review and approval by the Audit Committee at the next Audit Committee meeting or, in those instances in which the General Counsel or Corporate Secretary, in consultation with the Chief Executive Officer or the Chief Financial Officer, determines that it is not practicable or desirable for the Corporation to wait until the next Committee meeting, at a meeting of the Audit Committee called by the General Counsel or Corporate Secretary.

H. Nepotism Policy

No immediate family member of a director or executive officer shall be hired as an employee of the Corporation for a position entitling him or her to a salary in excess of \$120,000 per year unless the employment arrangement is approved by the Audit Committee at the next Audit Committee meeting or, in those instances in which the General Counsel or Corporate Secretary, in consultation with the Chief Executive Officer or the Chief Financial Officer, determines that it is not practicable or desirable for the Corporation to wait until the next Audit Committee meeting at a meeting of the Audit Committee called by the General Counsel or Corporate Secretary. In the event a person becomes a director or executive officer of the Corporation and an immediate family member of such person is already an employee of the Corporation in a position entitling him or her to a salary in excess of \$120,000 per year, no material change in the terms of employment, including compensation, may be made without the prior approval of the Audit Committee (except, if the immediate family member is himself or herself an executive officer of the Corporation, any proposed change in the terms of employment shall be reviewed and approved in the same manner as other executive officer compensatory arrangements).

I. Disclosure

All Related Person Transactions that are required to be disclosed in the Corporation's filings with the Securities and Exchange Commission, as required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations.

The material features of the Policy shall be disclosed in the Corporation's annual report on Form 10-K or in the Corporation's proxy statement, as required by applicable laws, rules and regulations. In addition, the Corporation shall post the Policy on its website and update it as necessary.