

Navistar, Inc

Trans Compliance Program

Supplier Guidelines

September 2013

Version 02

NAVISTAR®



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DEFENSE

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FINANCIAL

Version:	02
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Written By:

Cathy Yates, Engine EDI Analyst, Supplier Compliance

Approved By:

Mel Campbell, Manager, Material Planning & Flow

ELEMENT

DESCRIPTION

1.0

WRONG MODE/ROUTING

LTL vs TL

UNDERUTILIZED TL's

LINEAR FOOT VIOLATION

ODC vs DIRECT

2.0

SHIPPING AROUND MENLO WORLDWIDE

LTLs SHIPPED AROUND MENLO

TLs SHIPPED AROUND MENLO

3.0

LOAD PLANNING/COORDINATION VIOLATION

SHIP-DATE REQUIREMENT CHANGE

TIMELY BORDER DOCUMENTATION

INCORRECT WEIGHTS AND DIMENSIONS

MILK RUN FAILURES

4.0

ACCS CAUSED BY SUPPLIER

DETENTION

TRUCK NOT USED

5.0

SUPPLIER PERFORMANCE

METRICS

6.0

SUPPLIER CHARGEBACK

7.0

CONTACT INFORMATION

Navistar International Corporation

Navistar International Corporation is a holding company whose individual units provide integrated and best-in-class transportation solutions. Based in Lisle, Ill., the company produces International® brand commercial trucks, mid-range diesel engines and IC brand school buses, and Workhorse brand chassis for motor homes and step vans. It is a private-label designer and manufacturer of diesel engines for the pickup truck, van and SUV markets. The company also provides truck and diesel engine parts and service. A wholly owned subsidiary offers financing services. Additional information is available at: www.internationaltrucks.com.

The company became Navistar International Corporation in 1986, after selling the agricultural equipment business, International Harvester name and IH brand to Case and its parent, Tenneco. Navistar was selected as a name with a strong sound, a resonance to Harvester, and a connection to its root words "navigate" and "star." In 2000, the operating company name was changed from Navistar International Truck Corporation to International Truck and Engine Corporation, so that we could focus on the International brand, which at the time was the name on all of our vehicles and engines. Navistar International Corporation remained the name for the parent holding company.

The name "Navistar" was originally intended to represent a holding company containing many businesses and brands. That intent is being realized today. Now, our business has grown far beyond just International brand vehicles. It's time to use the Navistar name as the umbrella for all of our vehicle, engine and service businesses, while at the same time, maintaining our strong product brands, including International trucks, MaxxForce engines and others.

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Purchasing and Supply Chain Services

The Purchasing and Supply Chain Service group's mission is to be the Industry Leader in Supply Management for improved Profitability of the Extended Enterprise and Customer Life Cycle Value. Extended Enterprise includes International, supply base, supply partners, service and logistics providers, dealers, truck equipment manufacturers, customers and International joint venture alliances. Purchasing organization manages the supplier sourcing process and the commercial issues involved in supporting Supply Management.

Navistar Supply Chain Services

Our vision is to develop leaders of Supply Chain Solutions that move and improve the world. Our mission is to develop global organization and infrastructure with people who are trained to leverage best practices, capabilities and strategic partnerships, to drive continuous savings, providing sustainability through Lean Principles, proven processes, and a greater emphasis on the development of future leaders. These Trans Compliance guidelines set forth the Supply Chain requirements for all suppliers doing business with Truck, Engine, & Service Parts groups of Navistar. Supply Chain is responsible for the key elements below.

- Compliance Metrics
 - Wrong Mode/Routing
 - Shipping around Menlo Worldwide
 - Load Planning/Coordination Violation
 - ACCS Caused by Supplier
- Supplier Performance

WRONG MODE/ROUTING (Element 1.0)

1.1 LTL Instead of TL or TL Instead of LTL

- LTL shipments can be no greater than 15,000 lbs and less than 14 linear feet. If the freight is larger in either weight or linear feet, the mode must be changed to TL and Menlo must be contacted. If freight is less than 15,000 lbs and less than 14 linear feet it must ship LTL. (Note: If instructed per Menlo to ship against this rule, please confirm the weights and dims. If approved, no violation will occur)

1.2 Underutilized TLs

- When TL is greater than 15,000 lbs but less than 40 linear feet, the supplier is required to contact Menlo and inform them of the available space on the trailer. It is Menlo's responsibility to optimize the shipment.

1.3 Linear Ft Violation

- All shipments that exceed 15,000 lbs or 14 linear feet must ship via TL carrier. (Note: If instructed by Menlo to ship against this rule, please confirm the weights and dims. If approved, no violation will occur).

1.4 Redirect to Consol/ODC vs. Direct

- All pieces in a shipment must be clearly tagged and labeled with the ultimate destination. Shipments that are scheduled to stop via cross dock must not ship directly to the plant.
- A Master Bill of Lading is required for all multi-destination shipments for Navistar. One Master Bill of Lading must be used to convey multiple shipments to a single consolidation center (ODC).

SHIPPING AROUND MENLO (Element 2.0)

2.1 LTLs shipped around Menlo

- Menlo will arrange an LTL carrier for pickup. Supplier should contact Menlo and NOT the carrier. All suppliers shipping to the same location within the same business week must do so using one master BOL and not via multiple LTL shipments.
- Engine Suppliers – Menlo will arrange the LTL carrier for pickup. All engine suppliers must ship no more than one LTL a day.

2.2 TLs shipped around Menlo

- Menlo will obtain pickup and delivery appointments (if needed), and arrange an TL carrier for pickup. Supplier should contact Menlo and NOT call the carrier.

LOAD PLANNING/COORDINATION VIOLATION (Element 3.0)

3.1 Last Minute Change in Ship-Date Requirements

- Menlo must be notified immediately or at least 24 hours in advance if a mode change is required.

3.2 Timely Submission of Documents for Border Crossing

- The supplier must submit the Letter of Instruction and Invoice(s) no later than three hours from pickup. If pickup is later than 1800CST the supplier must submit the Letter of Instruction and Invoice(s) no later than 900CST the following morning.

3.3 Wrong Weights and Dimensions Provided

- The weight and dimensions of the freight must be provided and accurate.

3.4 Multi-Stop Failures

- Suppliers must provide accurate weight, dimensions, stackability, ready time, and close time for milk run shipments.

ACCS CAUSED BY SUPPLIER (Element 4.0)

4.1 Supplier Caused Detention

- All suppliers are required to load/unload a shipment within a two hour time frame beginning at the scheduled appointment time.

4.2 Truck not Used (Accessorial Charge)

- If entire shipment is cancelled, the supplier must notify Menlo at least 24 hrs in advance of the scheduled pickup date/time.

SUPPLIER PERFORMANCE (Element 5.0)

5.1 Metrics

Navistar has developed a Supplier Performance assessment tool for issues relative to Materials and the Supply Chain. This rating is based on a 100-point scale for each calendar month. This assessment targets the below key metrics:

<u>Metric</u>	<u>% Deduction For Each Violation</u>	<u>Max Deduction Per Category Per Month</u>
LTL instead of TL, TL instead of LTL	5%	15%
Underutilized Truckloads	6.67%	20%
Linear Ft Violation	5%	10%
Redirect to Consol/ODC vs. Direct	2.5%	5%
LTL Shipped Around Menlo	3.33%	10%
TL Shipped Around Menlo	6.25%	13%
Last Minute Change in Ship date Requirements/late border crossing documents	2.5%	5%
Wrong Weights and Dimensions Provided	5%	5%
Multi-Stop Failures	5%	5%
Supplier Caused Detention	1.25%	3%
Truck not Used (Accessorial Charge)	5%	10%

NOTE: All violations within Supplier Performance are subject to the Supplier Chargeback Policy for suppliers who have demonstrated systemic or chronic issues with no presence of a corrective action plan.

SUPPLIER CHARGEBACK POLICY (Element 6.0)

6.1 Policy

The goal of the Supplier Charge-Back Policy is to encourage the Truck, Engine, & Service Parts Group's suppliers to consistently provide accurate, precise, timely and cost effective deliveries of materials to Navistar Plants and PDC's by holding them financially accountable for the consequences of their non-performance. This Policy will set uniform guidelines for all divisions to follow in order to recover, from the supplier, the costs associated with the supplier's non-performance.

Non-performance is defined as any event that constitutes failure to maintain the minimum performance requirement under the Trans Compliance Program Supplier Guidelines. The Materials organization will be responsible for monitoring suppliers' adherence to these standards and will initiate the proper actions necessary to charge back suppliers' for their non-performance.

6.2 Supplier Performance

As a result of a supplier's failure to comply with the requirements described in the Trans Compliance Program Supplier Guidelines, the charge-back process will be as follows:

- 6.2.1 Excessive Premium Freight Control charge-back, determined to be the Supplier's responsibility by Materials Managers, will be the entire premium freight charge plus \$75 administrative charge per shipment
- 6.2.2 Suppliers not maintaining an 80% average each month will incur up to a \$625 chargeback for every percentage point under 80% (Element 5.0).
- 6.2.3 Suppliers will have 6 months after a debit has been issued to file a dispute providing evidence to the contrary to suppliercompliance@navistar.com

6.3 Timeline

Date	Clarification	Action
7th of month	7 th Business Day	Scorecards sent to suppliers
7-17 of month	10 days after scorecard receipt	Dispute timeline for suppliers
30th of month	Last day of month	Debits issued
	6 Months after issuance	Debit dispute deadline

CONTACT INFORMATION (Element 7.0)

7.1

- Supplier Compliance Team
 - suppliercompliance@navistar.com
- Menlo
 - Truck Division
 - Escobedo Assembly Plant, Blue Diamond Assembly Plant, Mexico Engine Trim – eap@menloworldwide.com
 - Springfield Assembly Plant, Cab Assembly Plant, – sap@menloworldwide.com
 - Tulsa Bus Plant – tbp@menloworldwide.com
 - Conway Bus Plant, expedites – cbp@menloworldwide.com
 - Rollins Export Operations – rollins@menloworldwide.com
 - ODC(Origin Destination Consolidation) – odcrequest@menloworldwide.com
 - Engine Division
 - menlonavistarengine@menloworldwide.com
 - Parts Division
 - menlonavistarparts@menloworldwide.com