



Navistar, Inc.
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REQUIREMENTS TO DO BUSINESS-TRUCK GROUP

Navistar International Corporation (NYSE:NAV) is a holding company whose subsidiaries and affiliates produce International® brand commercial and military trucks, MaxxForce® brand diesel engines, IC Bus™ brand school and commercial buses, and Workhorse® brand chassis for motor homes and step vans. Navistar 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. Another affiliate offers financing services.

The Corporate Purchasing & Logistics Department has developed the following Requirements to do Business for all Truck Suppliers conducting business with Navistar, Inc. ("Navistar").

TERMS

1. Payment Terms

Standard payment terms will be sixty (60) days from date of receipt of a correct invoice from Supplier, or the date of receipt of the Products by Navistar, whichever is later. All payments will be made in U.S. dollars. Navistar neither guarantees nor is responsible for any liabilities incurred by any Third Party Designees.

PRODUCT

2. D-13 Packaging and Packing

- Suppliers must comply with all requirements detailed in the Navistar [D-13 Supplier Packing and Shipping Standard](#). This requirement details packing, packaging, labeling, and shipping requirements.

3. Labeling

Suppliers must meet the requirements identified in the Navistar [Quick Receive Guideline](#).

SUPPLIER PERFORMANCE

4. Performance Achievement

Suppliers to Navistar are required to meet all quality, cost, and delivery requirements as specified by Navistar. Navistar Plants and Parts Distribution Centers will communicate non-conformances directly to Suppliers with requests for corrective actions. These corrective actions must be returned in a timely manner and the issues corrected to the reporting locations' satisfaction. All non-conformances will be subject to minimum charges.

5. Keep Competitive Agreement

Navistar recognizes that to develop long-term associations with Suppliers, it is crucial to be competitive in price, performance, delivery, reliability, quality, and technology. If Navistar reasonably demonstrates to the Supplier that a particular product part number is not a competitive value in price, performance, delivery, reliability, quality, or technology with other equivalent products of equivalent value, production, usage, or availability in the world, then the Supplier agrees to provide an action plan timetable within sixty (60) days of such demonstration to cure the deficiency. If the plan fails to cure the deficiency within the agreed upon timetable, then Navistar may at its option withdraw the non-competitive product(s) from any agreement(s) and serve notice to terminate the obligations of the parties under such agreement(s) effective on the date specified by Navistar in the notification. Navistar agrees that prior to exercising this option, all proposals made by the Supplier to correct the deficiency in good faith will be considered.

6. Warranty Policy

The Supplier agrees to warrant its product against defects in material and/or workmanship. The terms of this warranty will match Navistar's warranty as published in the CTS 1100 Warranty Manual, available upon request from Navistar, in effect at the time the Suppliers' product is delivered to the customer, to the extent set forth below.

Reimbursement for Warranty Claims:

The Supplier shall reimburse Navistar for warranty claim costs determined by Navistar to be the result of a defect in the Suppliers material and/or workmanship as follows:

- Material costs at the Supplier's OEM selling price (Supplier to Navistar); plus
- Navistar's Handling Allowance (Navistar to Dealer) in effect at the time of failure (currently, dealer net price times thirty-two percent); plus Dealer's approved labor rate times the appropriate Standard Repair Time as published in Navistar's CTS 1200 Warranty Time Schedule Manual, available upon request from Navistar.
- Freight charges associated with the delivery of replacement parts; plus
- Charges associated with the purchase of parts outside of Navistar's distribution system, and/or repairs made by subcontractors; plus
- Cost of repairs of any damage to other components caused by the Supplier's defective parts.

In the event that the Supplier's product fails at an extraordinary rate and results in Navistar issuing an Authorized Field Change or a Safety Recall, the Supplier will reimburse Navistar for reasonable administrative expenses, including but not limited to parts operation and reliability and quality expenses, in addition to the reimbursement specified above.

If Navistar agrees to reimburse a customer for product failures beyond the warranty period or terms in order to show good will and maintain customer satisfaction, the Supplier agrees to negotiate in good faith with Navistar regarding reimbursement for these expenses to Navistar on a case-by-case basis.

7. Financial Viability

Navistar will not award any new or additional business to any Supplier without evidence of the Supplier's financial viability, including audited financial statements. Financial information will be provided to Navistar's Purchasing Finance Department upon request.

8. NAFTA Documentation

- Suppliers will provide to Navistar annually, by the specified due date, an accurate and complete North American Free Trade Agreement (“NAFTA”) Certificate of Origin for those products by part number that qualify for NAFTA and an accurate and complete Country of Origin Affidavit for all products by part number. The NAFTA Certificate of Origin must be completed in accordance with regulations published by the U.S. Department of the Treasury in 19 C.F.R. Sec. 181.11 et seq. and any amendments thereto, and in accordance with Navistar’s NAFTA Policy included in the [Customs Invoicing Instructions](#). In the event that Supplier fails to comply with this requirement, Navistar reserves the right to assess a US\$250 non-compliance per product part number charge.
- In addition to the NAFTA Certificates of Origin or Country of Origin Affidavits mentioned above, Suppliers will provide to Navistar any requested supplemental part content and functionality information in relation to import or export operations, which may or may not be directly related to NAFTA.

9. Corporate Engineering Material Specification ([CEMS](#))

The purpose of this specification is to describe Navistar’s policy concerning the usage of certain chemical substances in Navistar products. These restrictions are based on environmental regulations and/or requirements of Navistar. These substances shall be either excluded from or restricted in parts, materials, equipment, manufacturing processes, or other goods, supplied to and/or manufactured by Navistar and intended for use in Navistar trucks, engines, and other branded products.

10. Manufacturing Location

Suppliers will provide Navistar immediate notification of any changes in the manufacturing location of Navistar’s products, defined per an executed Supply Agreement, Appendix A-PRODUCT DESCRIPTION/PRODUCT PRICING.

11. Supplier Diversity

Seller agrees to provide maximum practical opportunities which are fair and equitable to qualified “Small Business Concerns, Minority-Owned Business Concerns (Small Disadvantaged-Owned Business Concerns), Women-Owned Business Concerns, Veteran-Owned Business Concerns, Service Disabled-Owned Veteran Business Concerns, and HUBzone-Certified Business Concerns” as required by Federal Laws, 97-507, 99-661, 100-656, 103-355, 105-135, and 106-50.

Buyer’s policy requires that all suppliers, except small business concerns defined above, receiving contracts from Buyer in excess of six hundred fifty thousand dollars (US \$650,000), will:

- set a twenty-three percent (23%) minimum spending goal to further subcontract with Small Business Concerns;
- set a five percent (5%) minimum spending goal to further subcontract with Minority-Owned Business Concerns (Small Disadvantaged-Owned Business Concerns);
- set a five percent (5%) minimum spending goal to further subcontract with Women-Owned Business Concerns;
- and set a three percent (3%) minimum spending goal to further subcontract with Veteran-Owned Business Concerns, Service Disabled-Owned Veteran Business Concerns, and HUBzone Certified Business Concerns

commensurate with the Seller’s sales to the Buyer. The Seller further agrees to submit an annual written plan to Buyer by August 31st outlining how the above stated goals will be achieved.

Seller also agrees to report its accomplishment toward the above goals on a quarterly basis in the Navistar electronic second-tier reporting system <https://registration.internationalssupplier.com> and annually in the Federal electronic Subcontract Reporting System (eSRS) (<http://www.esrs.gov>) as required by FAR Part 19.7.

Buyer acknowledges and agrees that, for purposes of satisfying the foregoing goals:

- such goals apply only to those goods and services purchased by Seller in the United States; and
- purchases of goods and services may be entitled to credit toward more than one of the foregoing goals depending on the status of the subcontractor—e.g., a subcontract with a “Minority Owned Business Concern” may also qualify as a subcontract with a “Small Disadvantaged-Owned Business Concern” and/or a “Women-Owned Business Concern”.

Reference is hereby made to the Supplier Diversity section of Buyer's Navistar Supplier Network (“NSN”) website www.navistarsupplier.com.

ENGINEERING

12. Engineering Specification and Product Compliance

a. All Suppliers must:

- Meet requirements as defined in Statements of Work (SOW), Specification Transmittals, prints, models, and math data.
- Be capable of supplying and receiving CAD data in NDP, with the ability to transition to a Saber/UG based CAD system in conjunction with Navistar.

b. Customer Specified Components Suppliers must:

- Provide test reports and documentation of Supplier conducted testing.
- Supply UG compatible 3D engineering CAD data and drawings.

c. Engineered Systems and Components Suppliers must:

- Provide engineering data in the form of solid models in UG Compatible Format.
- Maintain designs throughout the production and service life of the components.
- Provide on-site Supplier engineers during the Product Development Process if requested by Navistar Engineering.
- Have production intent prototype parts development capability.
- Have the capability of and use electronic data exchange for engineering & CAD data throughout the life of the development program and for production maintenance.
- Use quality tools, such as, (but not limited to) FEA (Finite Element Analysis), DVP&R's (Design Verification Plans and Reports), DFMEA (Design Failure Mode and Effects Analysis), PFMEA (Process Failure Mode and Effects Analysis), CFD, and VSA— where warranted — in the development of Navistar components, and must provide raw data, test reports, and detailed FMVSS (Federal Motor Vehicle Safety Standards) Compliance report for all tests as needed.

d. Commodities Suppliers must:

- Have the ability to provide engineering data as either CAD data or drawings.
- Provide required test reports.

13. Product Regulatory Compliance

- Components or systems purchased from a Supplier that have specific government regulatory performance requirements will require that the Supplier provide evidence of compliance, in the form of a test report and/or engineering analysis, validating conformance to those specific requirements.
- Suppliers must provide the same evidence of compliance whenever a change is made to a particular component or system that affects the performance of that component or system to a specific government regulatory performance requirement.
- Suppliers must provide an annual "Letter of Conformance" as required by Navistar.

14. Electronic Data Interchange (EDI) Implementation

- Supplier implementation of all EDI transactions required by Navistar is a core condition of doing business with Navistar. Suppliers must implement all required transactions for all locations in the applicable Navistar business unit **within thirty (30) days of contact** by Navistar (or Navistar's designated enabling service). Where a Supplier is currently trading EDI transactions with one or more, but not all, of the locations in a specific Navistar business unit, the Supplier must implement those transactions with the remaining locations **within 72 hours of contact** by Navistar. Supplier location changes for current EDI transactions must also be implemented **within 72 hours of contact** by Navistar.
- Failure to meet these implementation timeframes will result in a Supplier being designated 'EDI non-compliant'. Navistar reserves the right to impose a **penalty of US\$50 per day** past the specified timeframe until implementation status is achieved. Business unit-specific EDI information, including Implementation Guides and Business Process Guides, are available on Navistar's Supplier Network www.navistarsupplier.com.

15. Advance Ship Notice (ASN) and Quick Receive Label Initiatives

- Supplier compliance with Navistar's ASN and Quick Receive Label requirements is mandatory. ASNs must be available for use by Navistar receiving personnel when Supplier shipments arrive at Navistar production plants and service parts distribution centers. Quick Receive Labels must be visible on the accompanying paperwork for scanning and subsequent retrieval of Supplier ASNs.
- Failure to comply with Navistar's ASN and Quick Receive Label requirements will result in a **US\$500 penalty per occurrence**. Shipping and Quick Receive Label documentation is available on Navistar's Supplier Network www.navistarsupplier.com under Logistics, [D13 Supplier Packing and Shipping Standard](#) and [Quick Receive Guidelines](#).

For further information, accuracy verification of the Shipping or Quick Receive Label can be obtained from Parts Packaging at (630)753-6923.

16. Quality Registration

Unless specifically exempted by Navistar, Seller is required to be registered to, compliant with, or working towards, ISO 9001, or a derivative Quality Management System such as TS-16949. Seller of production components is also required to be capable of fulfilling all AIAG APQP (Advance Product Quality Planning and Control Plan) and PPAP (Production Part Approval Process) documentation requirements. If Seller is currently registered, then Seller must maintain their certification with an accredited registrar and must furnish copies of their registration certificates to Navistar. If Seller is compliant to ISO 9001, but not certified by a recognized 3rd-party registrar, Seller agrees to provide evidence of such compliance to Navistar. If Seller is working towards their quality registration, then Seller must provide, upon Navistar's request, evidence of such efforts and, upon receipt of registration certification, inform Navistar and furnish copies of their registration certificates. Suppliers to Navistar are required to be registered to, or working towards, ISO-9001 or TS-16949 Quality System Requirements and are required to be capable of fulfilling all AIAG Advance Product Quality Planning and Control Plan (APQP) documentation and approval requirements. Suppliers currently registered must maintain their certification with an accredited registrar and must furnish copies of registration certificates to Navistar upon request. Suppliers working towards their quality registration, must upon receipt of registration certification, inform Navistar and furnish copies of their registration certificates upon request.

LEGAL

17. Governmental Requirements

Suppliers agree to comply with all applicable statutes, regulations, laws, and other Government requirements, including but not limited to those reflected in contract clauses set forth in 48 C.F.R. Sections 52.203-13 (Contractor Code of Business Ethics and Conduct); 52.219-8 (Utilization of Small Business Concerns), 52.222-26 (Equal Opportunity), 52.222-35 (Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans), 52.222-36 (Affirmative Action for Workers with Disabilities), 52.222-39 (Notification of Employee Rights Concerning Payment of Union Dues or Fees), 52.222-41 (Service Contract Act of 1965) and 52.247-64 (Preference for Privately Owned U.S.- Flag Commercial Vessels). The term "Contractor" and similar terms used in such FAR provisions shall be construed to mean Supplier.

- **ITAR Compliance.** Some products including without limitation, those being produced in Navistar's Garland, Texas plant, are controlled by International Traffic in Arms Regulations (ITAR). To ensure Navistar and Supplier's compliance with ITAR and to avoid possible export licensing requirements, Supplier will ensure that each person with access to Technical Data, as defined in 22 CFR Section 120.10, Defense Services as defined in 22 CFR Section 120.9, and Defense Articles as defined in 22 CFR Section 120.6 (collectively "**ITAR Materials**") is eligible to be granted access to such ITAR Materials pursuant to 22 CFR Section 120.1(c) or is a U.S. Person as defined in 22 CFR Section 120.15. In instances where Foreign Persons, as defined in 22 CFR Section 120.16 have access to ITAR Materials, Suppliers shall immediately provide Navistar with a copy of the license or approval at the time that Supplier provides such Foreign Person with access to ITAR Materials. For those instances where Supplier employs, retains, or contracts with any Foreign Persons without a license or approval described above, Supplier shall immediately notify Navistar and if requested, provide Navistar with a detailed explanation of the steps undertaken to ensure that these persons are not gaining access to ITAR Materials.

- Foreign Visitors to U.S. Navistar Facilities. All foreign visitors representing Supplier visiting a U.S. Navistar Facility, regardless of length of stay, must complete Navistar's Foreign Visitor Clearance Request Form (www.navistar.com/visitorform) two (2) weeks prior to the visit and send the completed form via email to foreignvisitorrequest@navistar.com.

18. Insurance

- Supplier will maintain, at its own expense, Commercial General Liability Insurance, including coverage for products liability and completed operations with limits of no less than US\$5,000,000 per occurrence and US\$5,000,000 general aggregate for death, bodily injury, and property damage. Navistar retains the right to obtain an increase in the above stated insurance limits at any time.
- Supplier will also maintain Workers' Compensation Insurance per statutory requirements and Employer's Liability with limit of no less than US\$1,000,000 each accident/disease.

19. Standard Terms and Conditions

The published [Standard Terms and Conditions](#), on Navistar's Supplier Network website www.navistarsupplier.com, apply to Contracts, Purchase Orders, and executed Supply Agreements.