

NAVISTAR INTERNATIONAL CORP
Form DEF 14A
January 24, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No. _)

Filed by the Registrant: X

Filed by a Party other than the Registrant: _____

Check the appropriate box:

_____ Preliminary Proxy Statement

_____ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

X Definitive Proxy Statement

_____ Definitive Additional Materials

_____ Soliciting Material Pursuant to §240.14a-12
Navistar International Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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X _____ No fee required.

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- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
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NAVISTAR INTERNATIONAL CORPORATION
2701 NAVISTAR DRIVE
LISLE, ILLINOIS 60532
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
MONDAY, MARCH 10, 2014
11:00 A.M. – CENTRAL TIME

January 24, 2014
To our stockholders:

On behalf of the Board of Directors of Navistar International Corporation you are cordially invited to attend our 2014 Annual Meeting of Stockholders, which will be held on March 10, 2014, at 11:00 A.M. Central Time, at our corporate headquarters located at 2701 Navistar Drive, Lisle, Illinois 60532. At our annual meeting, our stockholders will be asked to:

- 1 Elect as directors the nominees named in the accompanying proxy statement;
- 1 Ratify the appointment of our independent registered public accounting firm;
- 1 Act on an advisory vote on executive compensation as disclosed in this proxy statement;
- 1 Consider a stockholder proposal; and
- 1 Act upon any other matters properly brought before the annual meeting.

We plan to send a Notice of Internet Availability of Proxy Materials on or about January 24, 2014. The Notice of Internet Availability of Proxy Materials contains instructions on how to access our materials on the Internet, as well as instructions on obtaining a paper copy of the proxy materials. The Notice of Internet Availability of Proxy Material is not a form for voting and presents only an overview of the proxy materials. In order to attend our 2014 Annual Meeting of Stockholders, you must have an admission ticket. Procedures for requesting an admission ticket are detailed in the accompanying proxy statement. Attendance and voting is limited to stockholders of record at the close of business on January 10, 2014.

By Order of the Board of Directors,

Curt A. Kramer
Secretary

IMPORTANT NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS
FOR THE STOCKHOLDERS MEETING TO BE HELD ON MARCH 10, 2014,
THE ANNUAL REPORT AND PROXY STATEMENT ARE AVAILABLE AT
[HTTP://WWW.NAVISTAR.COM/NAVISTAR/INVESTORS](http://www.navistar.com/navistar/investors)

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EXECUTIVE SUMMARY

Business Strategy

Our 2013 Accomplishments

During fiscal 2013, Navistar International Corporation ("we", the "Company" or "Navistar") have taken several actions that we believe will improve our performance while continuing to evaluate additional opportunities to enhance value. The entire organization remains aligned around our Drive-to-Deliver turnaround plan to address our top priorities, which are:

Improved quality - We moved with urgency to address quality issues in our existing product portfolio, as well as implemented new quality controls and testing systems. For example, during fiscal 2013, we logged nearly four million test miles on the International[®] ProStar[®] trucks powered by our Certified MaxxForce 13L engine (defined below).

Hit our launches - We achieved several milestones, which include achieving U.S. Environmental Protection Agency ("EPA") certification using an existing Selective Catalytic Reduction ("SCR") technology, getting to market products that incorporate existing SCR technology while expanding our engine options, and revamping our heavy-duty truck portfolio. Specific examples include:

We met our first major engine strategy milestone with the launch of certain Class 8 truck models featuring the Cummins ISX15 engine with the Cummins SCR after-treatment system in December 2012.

In April, we met another major engine strategy milestone with the receipt of EPA certification of our MaxxForce 13L Big-Bore engines incorporating the Cummins SCR after-treatment system (the "Certified MaxxForce 13L engine"). Later in that same month, we began shipping our International[®] ProStar[®] trucks powered by our Certified MaxxForce 13L engine. Also in April, we received on-board diagnostic ("OBD") certification for all current applications.

Deliver on our 2013 plan - We demonstrated discipline with regard to the cash of our manufacturing operations, where we met our guidance each quarter of fiscal 2013. We made tough decisions to reduce operating costs and made good progress on our benchmarking study and a Return on Invested Capital ("ROIC") evaluation initiative. We changed our leadership, which resulted in blending a combination our internal expertise with an outside perspective. Throughout fiscal 2013, we initiated various cost-reduction actions that were identified by our benchmarking study. Specifically in September 2013, we leveraged efficiencies identified through redesigning our organizational structure and began implementing new cost-reduction initiatives, including an enterprise-wide reduction-in-force, which we expect will contribute an estimated \$50 million to \$60 million of annual savings beginning in fiscal 2014.

The ROIC evaluation initiative drove the discussions to divest: (i) our interests in Mahindra Navistar Automotives Ltd. and Mahindra-Navistar Engines Private Ltd. (collectively, the "Mahindra Joint Ventures") in February, (ii) the Workhorse Custom Chassis ("WCC") business in March, (iii) substantially all of our interest in certain operations of the Monaco RV business in May, and (iv) the Bison Coach trailer manufacturing business ("Bison Coach") in October. We also entered into an agreement to sublease a portion of our manufacturing facility in Cherokee, Alabama. Additionally, we began rationalizing certain engineering and product development programs, due in part to changes in our engine strategy and renewed focus on our core business of the North American truck and bus markets.

Built sales momentum - We have seen a strong response in our traditional markets as evidenced by our backlog of unfilled truck orders increase of 26% for October 31, 2013, as compared to October 31, 2012. We have seen an increase in our order share in the second half of fiscal 2013 compared to the first half of the year. We believe this momentum will continue to be fueled by offering the Cummins ISB 6.7 liter engine (the "Cummins ISB") in our International[®] DuraStar[®] medium-duty trucks and IC Bus[™] CE Series school buses. Initial production of DuraStar[®] and CE Series school buses, incorporating the Cummins ISB, is expected to begin during our first quarter of fiscal 2014.

Our Expectations Going Forward

We believe we are well-positioned to build upon our fiscal 2013 accomplishments and take them to the next level through the following efforts:

Lead in vehicle uptime - Quality remains at the forefront of our customer-focused approach. We believe our quality will continue to improve and our trucks will be market leaders in uptime and fuel economy with the lowest cost of ownership. Going forward, we believe we are building the best trucks in our Company's history.

Lean enterprise - We are utilizing a customer-focused redesign of our trucks to find new ways to reduce costs and add value for our customers. We are eliminating waste and driving functional excellence to achieve continuous improvement. We expect these steps will build customer satisfaction, lower our break-even point, and drive profitability at all points in the cycle.

Financial growth - We expect the increases seen in our orders and backlogs in our traditional markets will translate to increased volumes and market share in the future. Due to our focus on reducing costs through manufacturing optimization, eliminating waste, and addressing the opportunities identified by our benchmarking study, we expect to lower manufacturing costs, increase capacity utilization and productivity, and a lower cost structure. We also expect to continue to enhance our liquidity profit and meet the needs of our financial obligations. As a result of these actions, we expect to improve our financial performance and achieve our long-term financial goals.

Profitable improvements in market share - We expect the sales momentum that began in fiscal 2013 to continue with new and improved products, volume growth, and effective pricing. We intend to move steadily closer to having a full-product portfolio with SCR technology. We expect to continue to enhance our product differentiation with enhanced features and options that will benefit our customers and help drive profitable market share improvements.

Changes in Management

In connection with our renewed focus on the North America market, we have realigned our leadership and management structure around functional expertise. We believe this realignment will result in better execution of our strategies by facilitating faster decision making, driving greater accountability and transparency, creating better alignment towards common objectives, and reducing our operating costs.

In March 2013, our Board of Directors (the "Board") appointed Troy A. Clarke as President and Chief Executive Officer ("CEO") of the Company and as a member of the Board, effective April 15, 2013. Mr. Clarke, previously served as the Company's President and Chief Operating Officer. At the same effective date, Lewis B. Campbell, who had served as Executive Chairman and Interim CEO since August 2012, stepped down from those positions and from the Board.

The Company made several other management changes during fiscal 2013:

In June, Walter G. Borst was appointed as the Company's as Executive Vice President and Chief Financial Officer ("CFO"), succeeding Andrew J. (A. J.) Cederoth.

In April, Jack Allen was named President and Chief Operating Officer. He had previously been President of North America Truck and Parts.

In May, Bill Kozak was hired as the new President of North America Truck and Parts and Bill Osborne was named the new Vice President, Global Manufacturing and Quality.

In August, Terry Kline was hired as the new Chief Information Officer.

Board of Director Changes

During fiscal 2013, our Board underwent several changes due, in part, to the retirement of Diane H. Gulyas and John C. Pope, and amendments to agreements (the "Settlement Agreement Amendments") relating to the composition of our Board entered into with two of our largest stockholders, Carl C. Icahn and several entities controlled by him (collectively, the "Icahn Group") and Mark H. Rachesky, MD and several entities controlled by him (collectively, the "MHR Group"). On December 10, 2012, Mr. Samuel J. Merksamer was appointed as the mutually agreed upon representative of both the Icahn Group and the MHR Group to replace Ms. Gulyas. Pursuant to the Settlement Agreement Amendments, we granted each of the Icahn Group and the MHR Group the right to nominate two directors

to serve on our Board effective as of our 2014 Annual Meeting of Stockholders (the "Annual Meeting"). The Icahn Group's nominees are Mr. Vincent J. Intrieri and Mr. Samuel J. Merksamer. The MHR Group nominees are Dr. Mark H. Rachesky and Mr. Michael Sirignano.

Corporate Governance

During fiscal 2013, we strove to maintain effective governance practices and policies, and to solicit and consider input from our stockholders. Beginning with the Annual Meeting, the Board will be completely declassified and all directors will be subject to annual election to one-year terms. In April, with the appointment of Mr. Clarke as our new CEO, the Board determined it would be preferable for one of our independent directors to serve as Chairman and so elected James H. Keyes to this position. Mr. Keyes, who has served on our Board since 2002, was previously Chairman/CEO of a Fortune 500 company and has served on other public company boards. In July, we amended our Stockholder Rights Plan (the "Rights Plan") to raise the trigger threshold from 15% to 20% and to extend the expiration of the Rights Plan to June 18, 2015.

In addition to these actions during the year, we believe that the following items, among others, contribute to a strong governance and compensation profile:

9 of 10 director nominees are independent under ours and the NYSE rules.

• We have 100% independent Board standing committees.

• We have stockholder representation on all of our Board committees.

• We have a director resignation policy with respect to directors who fail to obtain a majority vote.

• We adopted a clawback policy.

• We do not provide tax gross-ups to any employees.

• We have "double trigger" change in control benefits.

• Our NEOs and directors are subject to stock ownership guidelines and stock retention requirements.

• We impose restrictions on short selling, trading in derivatives, pledges, hedges and margin account use by our executives and directors.

Compensation Policies

During fiscal 2013, members of our Board and management spoke with several of our large stockholders and with proxy advisors Institutional Shareholder Services ("ISS") and Glass Lewis to discuss our compensation policies, among other matters. In response to stockholder feedback, we made significant changes to our executive compensation policies in fiscal 2013. For a summary of our commitment to best practices in executive compensation and changes made in fiscal 2013, please see the Executive Summary section of the Compensation, Discussion and Analysis section of this proxy statement. Highlights of these changes include the following:

• We engaged the services of a new executive compensation consultant.

• We approved changes to our Annual Incentive Plan to support our turnaround strategy.

• We limited future long-term incentive awards to executives to performance-based equity instruments.

• We structured our CEO's pay to provide an upfront equity grant in lieu of long-term incentive payments.

• We approved a new peer group.

• We approved new stock ownership and retention requirements for our senior management team.

• We adopted a clawback policy.

For a more detailed summary of our commitment to best practices in executive compensation and changes made in fiscal 2013, please see Executive Summary section of the Compensation, Discussion and Analysis section of this proxy statement.

FREQUENTLY ASKED QUESTIONS REGARDING ATTENDANCE AND VOTING

Q: Why did I receive a notice of internet availability of proxy materials?

A: Pursuant to the rules of the U.S. Securities and Exchange Commission ("SEC"), we have elected to provide access to our proxy materials over the internet. Accordingly, we have sent you a Notice of Internet Availability of Proxy Materials (the "Notice") because the Board is soliciting your proxy to vote your shares at our 2014 Annual Meeting of Stockholders (the "Annual Meeting"). This proxy statement includes information that we are required to provide to you under the rules of the SEC and is designed to assist you in voting your shares. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the internet or to request a printed copy can be found in the Notice.

Q: What is the purpose of the Annual Meeting?

A: The purpose of the Annual Meeting is to have stockholders consider and act upon the matters outlined in the notice of Annual Meeting and this proxy statement, which include (i) Proposal 1 – the election of the nominees named in this proxy statement as directors, (ii) Proposal 2 – the ratification of the appointment of KPMG LLP ("KPMG"), the Company's independent registered public accounting firm, (iii) Proposal 3 – an advisory vote on executive compensation, a so-called "Say-on-Pay" proposal, (iv) Proposal 4 - acting on a stockholder proposal, and (v) any other matters properly brought before the Annual Meeting. In addition, management may report on the performance of the Company and respond to appropriate questions from stockholders.

Q: How does the Board recommend that I vote?

A. The Board recommends that you vote:

FOR the election of each of the director nominees (Proposal 1);

FOR the ratification of the appointment of KPMG LLP, as our independent registered public accounting firm (Proposal 2);

FOR the approval of the advisory vote on executive compensation (Proposal 3); and

- NO RECOMMENDATION with respect to the stockholder proposal (Proposal 4).

Q: Who can attend the Annual Meeting?

A: Anyone wishing to attend the Annual Meeting must have an admission ticket issued in his or her name. Admission is limited to:

Stockholders of record on January 10, 2014;

An authorized proxy holder of a stockholder of record on January 10, 2014; or

An authorized representative of a stockholder of record who has been designated to present a properly-submitted stockholder proposal.

You must provide evidence of your ownership of shares with your ticket request. The specific requirements for obtaining an admission ticket are specified in the Admission and Ticket Request Procedure section of this proxy statement.

Q: What is a stockholder of record?

A: A stockholder of record or registered stockholder is a stockholder whose ownership of Navistar common stock ("Common Stock") is reflected directly on the books and records of our transfer agent, Computershare Investor

Services (the “Transfer Agent”). If you hold Common Stock through a bank, broker or other intermediary, you hold your shares in “street name” and are not a stockholder of record. For shares held in street name, the stockholder of record of the shares is your bank, broker or other intermediary. Navistar only has access to ownership records for stockholders of record. So, if you are not a stockholder of record, for the purpose of requesting an admission ticket to attend the Annual Meeting, you must present us with additional documentation to evidence your stock ownership as of the record date,

such as, a copy of your brokerage account statement, a letter from your broker, bank or other nominee or a copy of your voting instruction card.

Q: When is the record date and who is entitled to vote?

A: The Board has set January 10, 2014, as the record date for the Annual Meeting. Holders of shares of Common Stock on that date are entitled to one vote per share. As of January 10, 2014, there were approximately 81,242,023 shares of Common Stock outstanding. If you hold shares of our Common Stock as a participant in any of the Company's 401(k) or retirement savings plans, your proxy card will represent the number of shares of Common Stock allocated to your account under the plan and will serve as a direction to the plan's trustee as to how the shares in your account are to be voted.

A list of all registered stockholders will be available for examination by stockholders during normal business hours at 2701 Navistar Drive, Lisle, Illinois 60532 at least ten (10) days prior to the Annual Meeting and will also be available for examination at the Annual Meeting.

Q: How do I vote?

A: For stockholders of record: You may vote by any of the following methods:

in person – stockholders who obtain an admission ticket (following the specified procedures) and attend the Annual Meeting in person may cast a ballot received at the Annual Meeting.

by Internet – stockholders may access the Internet at www.proxyvote.com and follow the instructions on the proxy card or in the Notice.

by phone – stockholders may call toll-free 1-800-690-6903 and follow the instructions on the proxy card or in the Notice.

by mail – if you requested and received your proxy materials by mail, you may complete, sign, date and mail the enclosed proxy card.

For holders in street name: You will receive instructions from your bank or broker that you must follow in order for your shares to be voted.

Q: How can I change or revoke my proxy?

A: For stockholders of record: You may change or revoke your proxy at any time before it is exercised by (i) submitting a written notice of revocation to Navistar c/o the Corporate Secretary at 2701 Navistar Drive, Lisle, Illinois 60532, (ii) signing and returning a new proxy card with a later date, (iii) validly submitting a later-dated vote by telephone or via the Internet on or before 11:59 pm EST on March 9, 2014 or (iv) attending the Annual Meeting and voting in person. For all methods of voting, the last vote properly cast will supersede all previous votes.

For holders in street name: You may change or revoke your voting instructions by following the specific directions provided to you by your bank or broker.

Q: Is my vote confidential?

A: Yes. Proxy cards, ballots and voting tabulations that identify stockholders are kept confidential. There are exceptions for contested proxy solicitations or when necessary to meet legal requirements. Broadridge Financial Solutions, Inc., the independent proxy tabulator appointed by Navistar for the Annual Meeting, will count the votes and act as the inspector of elections for the Annual Meeting.

Q: Will my shares be voted if I do not provide my proxy?

A: For stockholders of record: If you are the stockholder of record and you do not vote by proxy card, by telephone or via the Internet or in person at the Annual Meeting, your shares will not be voted at the Annual Meeting.

For holders in street name: If your shares are held in street name, under certain circumstances, your shares may be voted even if you do not provide the bank or brokerage firm with voting instructions. Under New York Stock Exchange ("NYSE") rules, your broker may vote shares held in street name on certain "routine" matters without your instruction. NYSE rules considers the ratification of the appointment of KPMG as our independent registered public

accounting

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firm (Proposal 2) to be a routine matter. As a result, your broker is permitted to vote your shares on that matter at its discretion without instruction from you.

When a proposal is not a routine matter, such as the election of directors (Proposal 1), the Say-On-Pay proposal (Proposal 3) and the approval of a stockholder proposal (Proposal 4), and you have not provided voting instructions to the bank or brokerage firm with respect to that proposal, the bank or brokerage firm cannot vote the shares on that proposal. The missing votes for these non-routine matters are called “broker non-votes.”

Q: What is the quorum requirement for the Annual Meeting?

A: Under Navistar’s Third Amended and Restated By-Laws (the “By-Laws”), holders of at least one-third of the shares of Common Stock outstanding on the record date must be present in person or represented by proxy in order to constitute a quorum for voting at the Annual Meeting. Abstentions and broker non-votes are counted as present for purposes of establishing a quorum.

Q: What vote is necessary for action to be taken on proposals?

A: It will depend on each proposal.

Proposal 1 (election of directors) requires a plurality vote of the shares present or represented by proxy at the Annual Meeting and entitled to vote, meaning that the director nominees with the greatest number of affirmative votes are elected to fill the available seats. As outlined in our Corporate Governance Guidelines, any director who receives more “withheld” votes than “for” votes in an uncontested election is required to tender his or her resignation to the Nominating and Governance Committee for consideration and recommendation to the Board.

Proposal 2 (ratification of the appointment of KPMG as our independent registered public accounting firm) requires the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote.

Proposal 3 (Say-On-Pay proposal) represents an advisory vote and the results will not be binding on the Board or the Company. The affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote on the matter will constitute the stockholders’ non-binding approval with respect to our executive compensation programs. Our Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.

Proposal 4 (stockholder proposal) constitutes a non-binding request that the Board redeem the rights issued pursuant to the Rights Plan. The affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote on the matter will constitute the stockholders’ non-binding approval of the stockholder proposal. Our Board will review the voting results and take them into consideration in determining the course of action that it determines is in the best interests of the Company.

With respect to Proposals 2, 3 and 4 you may vote FOR, AGAINST or ABSTAIN. If you abstain from voting on any of these proposals, the abstention will have the same effect as an AGAINST vote. With respect to Proposal 1, you may vote FOR all nominees, WITHHOLD your vote as to all nominees, or FOR all nominees except those specific nominees from whom you WITHHOLD your vote. A properly executed proxy card marked WITHHOLD with respect to the election of one or more directors will not be voted with respect to the director or directors indicated. Proxies may not be voted for more than nine directors and stockholders may not cumulate votes in the election of directors. If you abstain from voting on Proposal 1, the abstention will not have an effect on the outcome of the vote.

Broker non-votes will not affect the outcome on a proposal that requires a plurality vote (Proposal 1) or on a proposal that requires the approval of a majority of the shares present in person or represented by proxy and entitled to vote (Proposals 3, and 4).

Votes submitted by mail, telephone or Internet will be voted by the individuals named on the proxy and/or voting instruction card (or the individual properly authorized) in the manner indicated. If you do not specify how you want your shares voted, they will be voted in accordance with management’s recommendations. If you hold shares in more than one account, you must vote each proxy and/or voting instruction card you receive to ensure that all shares you

own are voted.

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Q: What is house-holding?

A: If you and other residents at your mailing address own shares of Common Stock in street name, your broker or bank may notify you that your household will receive only one annual report and proxy statement for the Company if you hold shares through that broker or bank. In this practice known as "house-holding," you were deemed to have consented to receiving only one annual report and proxy statement for your household. House-holding benefits both you and the Company because it reduces the volume of duplicate information received at your household and helps the Company to reduce expenses. Accordingly, the Company and your broker or bank will send one copy of the Notice (or our annual report and proxy statement if you have requested a physical copy) to your address. Each stockholder will continue to be entitled to vote a separate proxy and/or voting instruction card. We will promptly deliver an additional copy of either document to you if you call or write us at the following address or phone number: Investor Relations, Navistar International Corporation, 2701 Navistar Drive, Lisle, Illinois 60532, (331) 332-2143.

Q: What does it mean if I receive more than one proxy card or more than one Notice?

A: Whenever possible, shares of Common Stock, including shares held of record by a participant in any of the Company's 401(k) or retirement savings plans, for multiple accounts for the same registered stockholder will be combined into the same Notice or proxy card. Shares with different, even though similar, registered stockholders cannot be combined, and as a result, the stockholder may receive more than one Notice or proxy card. For example, shares registered in the name of John Doe will not be combined on the same proxy card as shares registered jointly in the name of John Doe and his wife.

Shares held in street name are not combined with shares registered in the name of an individual stockholder or for a participant in any of the Company's 401(k) or retirement savings plan and may result in the stockholder receiving more than one proxy and/or voting instruction card. For example, shares held in street name by a broker for John Doe will not be combined with shares registered in the name of John Doe.

If you hold shares in more than one account, you must vote each proxy and/or voting instruction card you receive to ensure that all shares you own are voted. If you receive more than one proxy and/or voting instruction card for accounts that you believe could be combined because the stockholder is the same, contact our Transfer Agent (for shares held by registered stockholders) or your broker (for shares held in street name) to request that the accounts be combined for future mailings.

Q: Who pays for the solicitation of proxies?

A: This solicitation is being made by Navistar. Accordingly, Navistar pays the cost of soliciting proxies. This solicitation is being made by mail, but also may be made by telephone, e-mail or in person. We have hired Alliance Advisors, LLC ("Alliance Advisors") to assist in the solicitation of proxies. Alliance Advisors' fees for their assistance in the solicitation of proxies are estimated to be \$15,000, plus out-of-pocket expenses. Proxies may also be solicited by our directors, officers and employees who will not receive any additional compensation for those activities. We will reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for sending proxy materials to stockholders and obtaining their votes.

Q: When are stockholder proposals or nominations due for the 2015 Annual Meeting of Stockholders?

A: Our annual meeting of stockholders is typically held on the third Tuesday in February. Accordingly, we expect to hold our 2015 annual meeting of stockholders on or around February 17, 2015. Any stockholder proposal for inclusion in the Company's proxy materials for the 2015 annual meeting of stockholders pursuant to SEC Rule 14a-8 under the Securities Exchange Act of 1934 (the "Exchange Act") must be received by the Company's Corporate Secretary no later than September 26, 2014. Any proposal may be included in next year's proxy statement only if such proposal complies with the Company's By-Laws and the rules and regulations promulgated by the SEC, including Rule 14a-8. In addition, the Company's By-Laws require that the Company be given advance written notice of nominations for election to the Board and other matters that stockholders wish to present for action at an annual meeting of stockholders (other than matters included in the Company's proxy materials in accordance with Rule 14a-8 under the Exchange Act). For matters to be presented at the 2015 annual meeting of stockholders, the Company's Corporate Secretary must receive such notice no earlier than October 11, 2014, and no later than November 10, 2014. The notice must contain, and be accompanied by, certain information as specified in the Company's By-Laws. The Company recommends that any stockholder wishing to nominate a director at, or bring any other item before, an annual meeting

of stockholders review the Company's By-Laws, which are available on the Company's website at <http://www.navistar.com/navistar/investors/corporategovernance/documents>. All stockholder proposals and director

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nominations must be delivered to Navistar by mail c/o the Corporate Secretary at 2701 Navistar Drive, Lisle, Illinois 60532.

Q: Are there any matters to be voted on at the Annual Meeting that are not included in the proxy?

A: We do not know of any matters to be acted upon at the Annual Meeting other than those discussed in this proxy statement. If any other matter is properly presented, proxy holders will vote on the matter in their discretion.

Q: May stockholders ask questions at the Annual Meeting?

A: Yes. During the Annual Meeting, stockholders may ask questions or make remarks directly related to the matters being voted on. In order to ensure an orderly meeting, we ask that stockholders direct questions and comments to the Chairman. In order to provide the opportunity to every stockholder who wishes to speak, each stockholder's remarks will be limited to two minutes. Stockholders may speak a second time only after all other stockholders who wish to speak have had their turn.

Q: How can I find the voting results of the Annual Meeting?

A: Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in a Current Report on Form 8-K to be filed with the SEC within four business days after the Annual Meeting. If the official voting results are not available at that time, we will provide preliminary voting results in the Form 8-K and will provide the final voting results in an amendment to the Form 8-K as soon as they become available.

PROPOSAL 1—ELECTION OF DIRECTORS

Our Board currently consists of ten directors but there exists one vacancy on our Board. At the Annual Meeting, our Board has chosen to nominate nine directors, all of who will be up for election at the Annual Meeting. The tenth director is appointed by the United Automobiles, Aerospace and Agricultural Implement Workers of America (the “UAW”) pursuant to a settlement agreement we entered into in 1993 in connection with the restructuring of our postretirement health care and life insurance benefits and is not elected by the stockholders. At our 2012 annual meeting of stockholders, our stockholders approved an amendment to Article Seventh of the Company's Certificate of Incorporation that provides for the declassification of the Board. Accordingly, the directors elected at the Annual Meeting will be elected for a one-year term ending at the 2015 annual meeting of stockholders.

If a nominee is unavailable for election, proxy holders will vote for another nominee proposed by the Board or, as an alternative, the Board may reduce the number of directors to be elected at the Annual Meeting. We know of no reason why any nominee would be unable to accept nomination or election. All nominees have consented to be named in this proxy statement and to serve if elected.

As discussed in the Executive Summary, during fiscal 2013, our Board underwent several changes as follows:

Effective December 10, 2012, Diane Gulyas retired as a member of the Board.

Effective December 10, 2012, pursuant to the settlement agreements entered into with each of the Icahn Group and the MHR Group, the Company appointed Mr. Samuel J. Merksamer to the Board as the representative appointed together by the Icahn Group and the MHR Group.

Effective April 15, 2013, Lewis B. Campbell stepped down from his positions as Executive Chairman and Interim Chief Executive Officer and as a member of the Board.

Effective April 15, 2013, Troy A. Clarke was appointed by the Board to the position of President and Chief Executive Officer of the Company and as a member of the Board to fill the vacancy created by the resignation of Mr. Campbell.

Effective April 15, 2013, James H. Keyes, an independent non-executive director, was appointed Chairman of the Board to replace Mr. Campbell.

Effective July 14, 2013, John C. (Jack) Pope retired as a member of the Board.

During the summer of 2013, our Board held discussions with two of our largest stockholders, namely the Icahn Group and the MHR Group. As a result of those discussions, on July 14, 2013, we entered into amendments to the existing settlement agreements with each of the Icahn Group and the MHR Group, pursuant to which each of the Icahn Group and the MHR Group have the right to nominate two directors to serve on our Board and to stand for election at the Annual Meeting.

The Icahn Group designated Vincent J. Intrieri and Samuel J. Merksamer as the Icahn Group nominees for election at the Annual Meeting.

The MHR Group designated Dr. Mark H. Rachesky and Michael Sirignano as the MHR Group nominees for election at the Annual Meeting.

The following summarizes additional information about each of the nominees and continuing directors as of the date of this proxy statement, including their business experience, public company director positions held currently or at any time during the last five years, involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that qualify our nominees and continuing directors to serve as directors of the Company. The nominees were evaluated and recommended by the Nominating and Governance Committee in accordance with the process for nominating directors as found in the Nominating Directors section of this proxy statement.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE NOMINEES PRESENTED IN PROPOSAL 1.

Troy A. Clarke, 58, Director since April 2013. Mr. Clarke has served as President and Chief Executive Officer of NIC since April 2013. Prior to this position, Mr. Clarke served as President and Chief Operating Officer of NIC since August 2012, at Navistar, Inc. as President of the Truck and Engine Group from June 2012 to August 2012, as President of Asia-Pacific Operations of Navistar, Inc. from 2011 to 2012, and as Senior Vice President of Strategic Initiatives of Navistar, Inc. from 2010 to 2011. Prior to joining Navistar, Inc., Mr. Clarke held various positions at General Motors, including President of General Motors North America from 2006 to 2009 and President of General Motors Asia Pacific from 2003 to 2006. Over the course of his career with GM, he held several additional leadership roles, including President and Managing Director of GM de Mexico and Director of Manufacturing for GM de Mexico. On June 1, 2009, General Motors filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code. Mr. Clarke received a bachelor's degree in engineering from the General Motors Institute in 1978 and a master's degree in business administration from the University of Michigan in 1982. Mr. Clarke has served on the board of directors of Fuel Systems Solutions, Inc., a public alternative fuel components and systems company, since December 2011.

Mr. Clarke's vast experience in the automotive industry over the past 38 years is invaluable to the Board in evaluating and directing the Company's future. As a result of his professional and other experiences, Mr. Clarke possesses particular knowledge and experience in a variety of areas, including corporate governance, engineering, manufacturing (international and domestic), mergers and acquisitions, sales (international and domestic) and union/labor relations, which strengthens the Board's collective knowledge, capabilities and experience and well qualifies him to serve on our Board.

John D. Correnti,* 66, Director since October 1994 (Committees: Audit, Nominating and Governance and Compensation (Chair)). Mr. Correnti serves as Chairman and Chief Executive Officer of Big River Steel, LLC, a steel mill operational and development company, since 2010. Prior to this position he was the Chairman and Chief Executive Officer of Steel Development Company, LLC, a steel mill operational and development company, from 2007 to 2010 and President and Chief Executive Officer of SeverCorr, LLC, a manufacturer of high quality flat-rolled steel products, from 2005 until 2008. He was Chairman and Chief Executive Officer of SteelCorr, LLC from 2002 to 2005, and Chairman and Chief Executive Officer of Birmingham Steel Corporation, a manufacturer of steel and steel products, from 1999 to 2002. Mr. Correnti served as Chief Executive Officer, President and Vice Chairman of Nucor Company, a mini mill manufacturer of steel products, from 1996 to 1999, and as its President and Chief Operating Officer and as a director from 1991 to 1996. He is Executive Chairman of the Board of Directors of Silicor Material, a private silicon manufacturer, since 2010, Chairman of BlueOak Resources, a private electronic waste recycling company, since 2010, and a director of Corrections Corporation of America, a public provider of correctional solutions, since 2000. He also serves on the Clarkson University Board of Trustees.

Mr. Correnti's executive leadership and experience gained through his service as a chief executive of established and start-up companies, both public and private, and his public company director experience contribute significantly to the capabilities and composition of our Board. His skills and experience in accounting, corporate governance, distribution, engineering, human resources, compensation, and employee benefits, manufacturing (domestic and international), marketing, mergers and acquisitions, domestic sales and distribution and purchasing matters well qualifies him to serve on our Board.

Michael N. Hammes,* 72, Director since February 1996 (Committees: Compensation, Finance and Nominating and Governance (Chair)). Mr. Hammes also served as Lead Director of the Company from December 2007 to April 2013. He served as Chairman and Chief Executive Officer of Sunrise Medical Inc., which designs, manufactures and markets home medical equipment worldwide, from 2000 until his retirement as Chief Executive Officer in 2007 and as Chairman in 2008. He was Chairman and Chief Executive Officer of the Guide Corporation, an automotive lighting business, from 1998 to 2000. He was also Chairman and Chief Executive Officer of The Coleman Company, Inc., a manufacturer and distributor of camping and outdoor recreational products and hardware/home products, from 1993 to 1997, and held a variety of executive positions with Ford and Chrysler including President of Chrysler's International Operations and President of Ford's European Truck Operations. He is a director of James Hardie, a public fibre cement technology company, since February 2007 and its Chairman since January 2008. He is also a director of Dynavox, Inc., a public speech-generating devices company, since April 2010 and a director of DeVilbiss Healthcare, a private manufacturer of respiratory medical products, since 2010.

As a result of these professional and other experiences, including his experience as a member of other public company boards of directors, Mr. Hammes possesses particular knowledge and experience in a variety of areas, including accounting, corporate governance, distribution, finance, manufacturing (domestic and international), marketing, international sales/distribution and product development, which strengthens the Board's collective knowledge, capabilities and experience. Likewise, his experience and leadership in serving as Chairman and Chief Executive Officer for three different companies for fifteen years well qualifies him to serve on our Board.

Vincent J. Intrieri,* 57, Director since October 2012 (Committees: Finance (Co-Chair) and Nominating and Governance). Mr. Intrieri has been employed by Carl Icahn-related entities since October 1998 in various investment related capacities. Mr. Intrieri has served as Senior Managing Director of Icahn Capital LP, the entity through which Carl C. Icahn manages private investment funds, since January 2008. Since November 2004, Mr. Intrieri has been a Senior Managing Director of Icahn Onshore LP, the general partner of Icahn Partners LP, and Icahn Offshore LP, the general partner of Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP and Icahn Partners Master Fund III LP, entities through which Mr. Icahn invests in securities. Mr. Intrieri is currently a director of: Chesapeake Energy Corporation, a public oil and gas exploration and production company, since June 2012; CVR Energy, Inc., a public independent petroleum refiner and marketer of high value transportation fuels, since May 2012; CVR Refining GP, LLC, the general partner of CVR Refining, LP, a public independent downstream energy limited partnership, since January 2013; and Forest Laboratories, a public pharmaceutical company, since June 2013.

Mr. Intrieri was previously: a director of Icahn Enterprises G.P. Inc., the general partner of Icahn Enterprises L.P. (a diversified holding company engaged in a variety of businesses, including investment, automotive, energy, gaming, railcar, food packaging, metals, real estate and home fashion) from July 2006 through September 2012, and was Senior Vice President of Icahn Enterprises G.P. Inc. from October 2011 through September 2012; a director of Dynegy Inc., a company primarily engaged in the production and sale of electric energy, capacity and ancillary services, from March 2011 through September 2012; chairman of the board and a director of PSC Metals Inc., a metal recycling company, from December 2007 through April 2012; a director of Motorola Solutions, Inc., a provider of communication products and services, from January 2011 through March 2012; a director of XO Holdings, a telecommunications company, from February 2006 through August 2011; a director of National Energy Group, Inc., a company that was engaged in the business of managing the exploration, production and operations of natural gas and oil properties, from December 2006 through June 2011; a director of American Railcar Industries, Inc., a railcar manufacturing company, from August 2005 until March 2011; a director of WestPoint International, Inc., a manufacturer and distributor of home fashion consumer products, from November 2005 through March 2011; chairman of the board and a director of Viskase Companies, Inc., a meat casing company, from April 2003 through March 2011; a director of WCI Communities, Inc., a homebuilding company, from August 2008 through September 2009; a director of Lear Corporation, a global supplier of automotive seating and electrical power management systems and components, from November 2006 through November 2008; and President and Chief Executive Officer of Philip Services Corporation, an industrial services company, from April 2005 through September 2008.

Mr. Intrieri graduated in 1984, with distinction, from The Pennsylvania State University (Erie Campus) with a B.S. in Accounting and was a certified public accountant. He possesses strong skills and experience in accounting, corporate governance, finance, mergers and acquisitions and treasury matters. Mr. Intrieri's significant experience as a director of various companies enables him to understand complex business and financial issues, which contributes greatly to the capabilities and composition of our Board and well qualifies him to serve on our Board.

James H. Keyes,* 73, Director since December 2002; Chairman since April 2013 (Committees: Audit (Chair), Compensation and Nominating and Governance). Mr. Keyes retired as Chairman of the Board of Johnson Controls, Inc., a public automotive system and facility management and control company, in 2003, a position he had held since 1993. He served as Chief Executive Officer of Johnson Controls, Inc. from 1988 until 2002. He retired as a director of Pitney Bowes, Inc. in

May 2013 and is a member of the Board of Trustees of Fidelity Mutual Funds. He was also a director of LSI Logic Corporation, an electronics company that designs semiconductors and software that accelerate storage and networking in datacenters and mobile networks, from 1983 until 2008.

Mr. Keyes has broad experience as a former chief executive officer of a public company, experience as a certified public accountant, experience as a member of other public company boards of directors, and he has a Masters degree in Business Administration. He possesses strong skills and experience in accounting, corporate governance, finance, human resources/compensation/employee benefits, manufacturing (domestic and international), mergers and acquisitions and treasury matters, which well qualifies him to serve on our Board.

General (Retired) Stanley A. McChrystal,* 59, Director since February 2011 (Committees: Compensation, Finance and Nominating and Governance). Gen. McChrystal is a retired 34-year U.S. Army veteran of multiple wars. He commanded the U.S. and NATO's security mission in Afghanistan, served as the director of the Joint Staff and was the Commander of Joint Special Operations Command, where he was responsible for the nation's deployed military counter terrorism efforts. Gen. McChrystal is a graduate of the United States Military Academy at West Point, the United States Naval Command and Staff College and was a military fellow at both the Council on Foreign Relations and the Kennedy School of Government at Harvard University. Gen. McChrystal has been serving as a member of the Board of Directors of JetBlue Airways Corporation, a public commercial airline, since 2010, Chairman of the Board of Siemens Government Technologies, Inc., a wholly-owned indirect subsidiary and a Federal Business Entity of Siemens AG, since December 2011, and a member of the Board of Advisors of General Atomics, a private high-technology systems company ranging from the nuclear fuel cycle to remotely operated surveillance aircraft, airborne sensors, and advanced electric, electronic, wireless and laser technologies, since August 2011. In 2011, Gen. McChrystal co-founded McChrystal Group, a leadership consulting firm. He also teaches a seminar on leadership at the Jackson Institute for Global Affairs at Yale University and serves alongside his wife on the Board of Directors for the Yellow Ribbon Fund, a non-profit organization committed to helping wounded veterans and their families.

As a former senior military leader, Gen. McChrystal has experience in logistics, talent management and experience with government and regulatory affairs and military contracting. Gen. McChrystal's years of military leadership and service are of great value to the Board as the Company makes decisions in respect of its global and military businesses.

Samuel J. Merksamer,* 33, Director since December 2012 (Committees: Audit and Compensation). Mr. Merksamer has served as a Managing Director at Icahn Capital LP since 2008, where he is responsible for identifying, analyzing and monitoring investment opportunities and portfolio companies for Icahn Capital. Mr. Merksamer has served as a director of: Hologic Inc., a public health-care company, since December 2013; Talisman Energy Inc., a public independent oil and gas exploration and production company, since December 2013; Transocean Ltd., a public provider of offshore contract drilling services for oil and gas wells, since May 2013; CVR Refining GP, LLC, the general partner of CVR Refining, LP, a public independent downstream energy limited partnership, since January 2013; Ferrous Resources Limited, a private iron ore mining company with operations in Brazil, since November 2012; and CVR Energy, Inc., a public diversified holding company primarily engaged in the petroleum refining and nitrogen fertilizer manufacturing industries, since May 2012. Mr. Merksamer was previously a director of: Federal-Mogul Corporation, a public supplier of automotive powertrain and safety components, from September 2010 to January 2014; American Railcar Industries, Inc., a railcar manufacturing company, from June 2011 to June 2013; Viskase Companies, Inc., a meat casing company, from January 2010 to April 2013; PSC Metals Inc., a metal recycling company, from March 2009 to October 2012; and Dynegy Inc., a company primarily engaged in the production and sale of electric energy, capacity and ancillary services, from March 2011 to September 2012. Mr. Merksamer received an A.B. in Economics from Cornell University in 2002.

Mr. Merksamer's significant experience as a director of various companies enables him to understand complex business and financial issues. He possesses strong skills and experience in accounting, corporate governance, finance, human resources/compensation/employee benefits, mergers and acquisitions and treasury matters, which contributes greatly to the capabilities and composition of our Board and qualifies him to serve on our Board.

Mark H. Rachesky, M.D.,* 54, Director since October 2012 (Committees: Compensation, Finance (Co-Chair) and Nominating and Governance). Dr. Rachesky is the founder and President of MHR Fund Management LLC, an investing firm that manages approximately \$5 billion of assets and utilizes a private equity approach to investing in middle market companies with an emphasis on special situation and distressed investments. Dr. Rachesky serves as a member and chairman of the board of directors of Loral Space & Communications Inc., a public satellite communications company, since 2005, Lions Gate Entertainment Corp., a public entertainment company, since 2009, Leap Wireless International, Inc., a public digital wireless company, since 2004, and Telesat Canada, a public satellite company, since 2007, and as a member of the board of directors of Emisphere Technologies, Inc., a public biopharmaceutical company, since 2005 and Nationshealth, Inc., a private medical supply company, since 2005. Dr. Rachesky previously served as a director of Neose Technologies, Inc. from 1999 to 2008. Dr. Rachesky holds a B.S. in molecular aspects of cancer from the University of Pennsylvania, an M.D. from the Stanford University School of Medicine and an M.B.A. from the Stanford University School of Business.

Dr. Rachesky brings significant corporate finance and business expertise to our Board due to his background as an investor and fund manager. Dr. Rachesky also has significant expertise and perspective as a member of the boards of directors of private and public companies engaged in a wide range of businesses. Dr. Rachesky's broad and insightful perspectives relating to economic, financial and business conditions affecting the Company and its strategic direction well qualifies him to serve on our Board.

Michael Sirignano* 32, Mr. Sirignano has served as a Principal at MHR Fund Management LLC since 2012 where he is responsible for sourcing and managing investments and portfolio companies. From 2006 to 2011, Mr. Sirignano was at Owl Creek Asset Management, L.P. which is a value-oriented investment firm. Mr. Sirignano held various titles, most recently Senior Analyst. Mr. Sirignano was focused primarily on equities and distressed debt in the industrial, housing, metals and mining, telecommunication and technology sectors. Prior to that, Mr. Sirignano was a member of Rothschild's restructuring group where he worked on restructurings, refinancing transactions and sale processes for distressed companies. Mr. Sirignano holds a B.A. in Economics, with honors, from Williams College.

Mr. Sirignano brings significant corporate finance and business expertise to our Board due to his experience as an analyst across a number of industries and his focus on equity and debt securities.

Additional Director Who Is Not Elected by the Stockholders

Dennis D. Williams,* ** 60, Director since June 2006. (Committee: Audit). Mr. Williams has served as UAW's Secretary, Treasurer and Director, Agricultural Implement and Transnational Departments since June 2010. Prior to this position, Mr. Williams served as Director of UAW Region 4 from 2001 to June 2010 and as Assistant Director of Region 4 from 1995 to 2001. Prior to joining the UAW, Mr. Williams was employed by Case Company from 1977 to 1988. Mr. Williams also served for four years in the United States Marine Corps.

* Indicates each director deemed independent in accordance with our Corporate Governance Guidelines and Section 303A of the NYSE Listed Company Manual Corporate Governance Standards.

In July 1993, we restructured our postretirement health care and life insurance benefits pursuant to a settlement agreement, which required, among other things, the addition of a seat on our Board. The director's seat is filled by a ** person appointed by the UAW. This director is not elected by stockholders at the Annual Meeting. Mr. Williams was elected as a director in June 2006 to fill the seat previously held by David McAllister, the former UAW director who held this position from 2001 until his removal by the UAW in June 2006.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE GUIDELINES

Our Board has adopted Corporate Governance Guidelines, which are available on the Investor Relations section of our website at <http://www.navistar.com/navistar/investors/corporategovernance/documents>. These guidelines reflect the Board's commitment to oversee the effectiveness of policy and decision-making both at the Board and management level, with a view to enhancing stockholder value.

RELATED PARTY TRANSACTIONS AND APPROVAL POLICY

Our Policy and Procedures with Respect to Related Person Transactions governs the review, approval and ratification of transactions involving the Company and related persons where the amount involved exceeds \$120,000. Related persons include our executive officers, directors, director nominees, 5% stockholders and immediate family members of such persons, and entities in which one of these persons has a direct or indirect material interest. Under this policy, prior to entering into any related-person transaction, the General Counsel or Corporate Secretary of Navistar is to be notified of the facts and circumstances of the proposed transaction, including: (i) the related person's relationship to the Company and interest in the transaction; (ii) the material facts of the proposed 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 Company of the proposed transaction; (iv) if applicable, the availability of other sources of comparable products or services; and (v) an assessment of whether the proposed transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally.

The General Counsel or Corporate Secretary then assesses whether the proposed transaction is a related-person transaction for purposes of the policy and SEC rules. If the General Counsel or Corporate Secretary determines that the proposed transaction is a related-person transaction for such purposes, the proposed transaction is then submitted to the Audit Committee of the Board for its consideration. The Audit Committee considers all of the relevant facts and circumstances available, including (if applicable) but not limited to: (i) the benefits to the Company; (ii) the impact on a director's independence, in the event such person is a director; (iii) the availability of other sources for comparable products or services; (iv) the terms of the transaction; and (v) the terms available to unrelated third parties or to employees generally. No member of the Audit Committee shall participate in any review, consideration or 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. The Audit Committee will then make a recommendation to the Board. The Board approves only those proposed transactions that are in, or are not inconsistent with, the best interests of the Company and its stockholders, as determined by the Board in good faith. In the event that the Company becomes aware of a related-person transaction that has not been previously approved or ratified by the Board or the Audit Committee, a similar process will be undertaken by the Board and the Audit Committee in order to determine if the existing transaction should continue or be terminated and/or if any disciplinary action is appropriate. The General Counsel or Corporate Secretary may also develop, implement and maintain from time to time certain administrative procedures to ensure the effectiveness of this policy.

A copy of our Policy and Procedures with Respect to Related Person Transactions is available on the Investor Relations section of our website at <http://www.navistar.com/navistar/investors/corporategovernance/documents>.

Since the beginning of fiscal 2013, the following four related-person transactions occurred:

• The first originally occurred in August 2008 and relates to our Senior Vice President and Treasurer, James M. Moran, whose wife, Kristin Moran, is employed as the General Counsel of our finance subsidiary, Navistar Financial Corporation. As General Counsel of Navistar Financial Corporation, Mrs. Moran received annual compensation and benefits for fiscal 2013 of less than \$210,000, which includes base salary, annual incentive, Company 401(k) matching contributions and other standard benefits available to all employees generally, and was granted 1,028 stock options, 1,028 performance based options and 945 share settled restricted stock units. Mrs. Moran's compensation and benefits are comparable to other employees with equivalent qualifications, experience, and responsibilities at the Company. Moreover, Mrs. Moran's annual compensation is market bench-marked periodically by our Corporate

Compensation Department and determined outside of the related person's reporting structure. This transaction is subject to our Policy and Procedures with Respect to Related Person Transactions because Mr. Moran is an executive officer of the Company. This transaction did not

require approval, however, and is permissible under our Policy and Procedures with Respect to Related Person Transactions because Mrs. Moran's employment pre-dated Mr. Moran's appointment as our Senior Vice President and Treasurer. Any material change in the terms of Mrs. Moran's employment would, however, need to be approved. The second originally occurred in September 2009 and relates to our former Chief Financial Officer, Andrew J. Cederoth, whose brother-in-law, Daniel McEachern, is a materials manager at Navistar Defense, LLC. As materials manager at Navistar Defense, Mr. McEachern received annual compensation and benefits for fiscal 2013 of less than \$145,000, which includes base salary, annual incentive, Company 401(k) matching contributions and other standard benefits available to all employees generally. Mr. McEachern's compensation and benefits are comparable to other employees with equivalent qualifications, experience, and responsibilities at the Company. Moreover, Mr. McEachern's annual compensation is market bench-marked periodically by our Corporate Compensation Department and determined outside of the related person's reporting structure. This transaction is subject to our Policy and Procedures with Respect to Related Person Transactions because Mr. Cederoth was an executive officer of the Company. This transaction did not require approval however, and is permissible under our Policy and Procedures with Respect to Related Person Transaction because Mr. McEachern's employment predated Mr. Cederoth's appointment as our former Executive Vice President and Chief Financial Officer.

The third occurred in June 2013 and was approved by our Board, upon the recommendation of the Audit Committee, and relates to Carl Icahn, a 16% stockholder of the Company, and a subsidiary of CVR Energy, Inc. ("CVR"). CVR purchased seven trucks from Navistar, Inc. for a total purchase price of approximately \$800,000. Mr. Icahn owns 82% of CVR. In addition, Mr. Icahn is a member of CVR's Board of Directors. CVR received the standard discount given to all customers and received no unique payment terms or special concessions. Because Mr. Icahn is an 82% owner of CVR, Mr. Icahn has a direct material interest in this transaction. The Audit Committee and Board considered the factors described above and the Board, upon the recommendation of the Audit Committee, approved the transaction on the basis that the Navistar/Icahn/CVR relationship is in the best interests of the Company.

The fourth occurred throughout fiscal 2013 and was ratified by the Board, upon the recommendation of the Audit Committee, in December 2013 and relates to Carl Icahn, a 16% stockholder of the Company, and Federal-Mogul Corporation ("Federal-Mogul"). Navistar purchased goods and services from Federal-Mogul throughout fiscal 2013 that amounted to approximately \$21,000,000. Mr. Icahn owns over 80% of Federal-Mogul. Navistar received standard terms and conditions and received no unique payment terms or special concessions. Because Mr. Icahn is an 80% owner of Federal-Mogul, Mr. Icahn has a direct material interest in this transaction. The Audit Committee and the Board considered the factors described above and the Board, upon the recommendation of the Audit Committee, ratified the transactions on the basis that the Navistar/Icahn/Federal-Mogul relationship is in the best interests of the Company.

DIRECTOR INDEPENDENCE DETERMINATIONS

We believe that a substantial majority of the members of our Board should be independent non-employee directors. Our Board has affirmatively determined that eight of our nine current directors, namely Messrs. Correnti, Hammes, Intrieri, Keyes, McChrystal, Merksamer, Rachesky and Williams, qualifies as an "independent director" in accordance with the NYSE's independence requirements and our own internal guidelines for determining director independence. If Mr. Sirignano is elected as director at the Annual Meeting, the Board has determined that he also qualifies as an "independent director." Each of these directors and nominees has also been determined to be financially literate. All of the members of our Audit Committee, Compensation Committee, Finance Committee and the Nominating and Governance Committee are independent and financially literate.

Both the NYSE requirements and our own guidelines include a series of objective tests for determining the independence of a director, such as that the director is not an employee of Navistar and has not engaged in various types of commercial or charitable relationships with Navistar. A copy of our existing guidelines for determining director independence, as included in our Corporate Governance Guidelines, is available on the Investor Relations section of our website at <http://www.navistar.com/navistar/investors/corporategovernance/documents>. Our Board has made a determination as to each independent director that no relationship exists which, in the opinion of the Board, would interfere with the exercise of the director's independent judgment in carrying out his or her responsibilities as a director.

In making these determinations, our Board reviewed and discussed information provided by the directors and Navistar with regard to each director's business and personal activities as they may relate to Navistar, its management and/or its independent registered public accounting firm.

BOARD LEADERSHIP STRUCTURE

The Company's Corporate Governance Guidelines require the Board to select the Chairman of the Board and the CEO and to determine from time to time whether the positions are combined and filled by one person or separated and filled by two persons. Previously, our CEO served as Chairman and we had an independent Lead Director. Beginning in April 2013, with the appointment of Mr. Clarke as our new CEO, the Board determined it would be preferable for one of our independent directors to serve as Chairman, and as such elected Mr. Keyes to this position. Mr. Keyes, who has over 11 years serving on our Board, was previously Chairman/CEO of a Fortune 500 company and has served on other public company boards. The Board believes this board leadership structure is best for our Company and our stockholders as Mr. Clarke begins his service as CEO of our Company.

We believe it is the CEO's responsibility to run the Company and the Chairman's responsibility to run the Board. As directors continue to have more oversight responsibilities than ever before, we believe it is beneficial to have an independent Chairman whose sole job is leading the Board. In making its decision to change the leadership structure and appoint an independent chairman, the Board considered the time that Mr. Clarke will be required to devote to the CEO position in this important turn-around time for the Company. By having another director serve as Chairman, Mr. Clarke will be able to focus his entire energy on turning around the Company.

Our Corporate Governance Guidelines require that if, in the future, the CEO is serving as Chairman, then the Board would also name an independent Lead Director.

RISK OVERSIGHT

Our Board has overall responsibility for the oversight of risk management at our Company. Day-to-day risk management is the responsibility of management, which has implemented an Enterprise Risk Management process to identify, assess, manage and monitor risks that our Company faces. Enterprise Risk Management operates within our Internal Audit and Sarbanes-Oxley Compliance department and coordinates its efforts with that department. Our Board, either as a whole or through its committees, regularly discusses with management our major risk exposures, their potential impact on our Company, and the steps we take to monitor and control such exposures.

While our Board has general oversight responsibility for risk at our Company, the Board has delegated some of its risk oversight duties to the various Board committees. In particular, the Audit Committee is responsible for generally reviewing and discussing the Company's policies and guidelines with respect to risk assessment and risk management. It also focuses on the management of financial risk exposure and oversees financial statement compliance and control environment risk exposure. The Nominating and Governance Committee oversees risks related to corporate governance, including risk related to the political environment. The Compensation Committee assists our Board in overseeing the management of risks arising from our compensation policies and programs and programs related to assessment, selection, succession planning, training and development of executives of the Company. Finally, the Finance Committee is responsible for overseeing policies with respect to financial risk assessment and financial risk management including, without limitation, risks relating to liquidity/access to capital and macroeconomic trends/environment risks. Each of the Board committees periodically reviews these risks and then discusses the process and results with the full Board.

The Board believes maintaining an independent Board with a separate Chairman and CEO permits open discussion and assessment of the Company's ability to manage risks associated with the Company's strategic plans and objectives.

NOMINATING DIRECTORS

You may recommend any person as a candidate for director for election at our 2015 annual meeting of stockholders by writing to our Corporate Secretary at 2701 Navistar Drive, Lisle, Illinois 60532 and complying with the procedures set forth in our By-Laws. Your letter must be received by the Company's Corporate Secretary no earlier than October 11, 2014, and no later than November 10, 2014, and must include all of the information required by our By-Laws including, but not limited to, the proposed nominee's biographical information and principal occupation; the number of shares of capital stock of the Company which are owned by the proposed nominee, appropriate information about the proposed nominee that would be required to be included in a proxy statement under the rules of the SEC, the number

of shares held by you, information about the relationship between the proposed nominee and you, any pending or

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threatened litigation in which the proposed nominee is a party and a representation that you intend to appear in person or by proxy at the meeting to nominate the proposed nominee. Your letter must be accompanied by the written consent of the proposed nominee to being named as a nominee and to serve as a director if elected. You may only recommend a candidate for director if you hold shares of Common Stock on the date you give the notice described above, on the record date for the annual meeting of stockholders at which you propose such nominee be elected and on the date of the annual meeting of stockholders at which you propose such nominee be elected.

The Nominating and Governance Committee identifies nominees for directors from various sources, including suggestions from Board members and management, and in the past has used third party consultants to assist in identifying and evaluating potential nominees. The Nominating and Governance Committee will consider persons recommended by the stockholders in the same manner as a committee-recommended nominee. The Nominating and Governance Committee has specified the following minimum qualifications that it believes must be met by a nominee for a position on the Board:

- knowledge and contacts in the Company's industry and other relevant industries;
- positive reputation in the business community;
- the highest personal and professional ethics and integrity and values that are compatible with the Company's values;
- experiences and achievements that provide the nominee with the ability to exercise good business judgment;
- ability to make significant contributions to the Company's success;
- ability to work successfully with other directors;
- willingness to devote the necessary time to the work of the Board and its committees which includes being available for the entire time of meetings;
- ability to assist and evaluate the Company's management;
- involvement only in other activities or interests that do not create a conflict with his or her responsibilities to the Company and its stockholders;
- understanding of and ability to meet his or her responsibilities to the Company's stockholders including the duty of care (making informed decisions) and the duty of loyalty (maintaining confidentiality and avoiding conflicts of interest); and
- potential to serve on the Board for at least five years.

The Nominating and Governance Committee believes that consideration should also be given to having a diversity of backgrounds, skills, and perspectives among the directors, and that generally directors should not be persons whose primary activity is investment banking, law, accounting, or consulting. In addition, in selecting directors, the Nominating and Governance Committee will consider the need to strengthen the Board by providing a diversity of persons in terms of their expertise, age, sex, race, ethnicity, education, and other attributes which contribute to the Board's diversity. Our Board diversity policy is contained within our Corporate Governance Guidelines.

The satisfaction of the above criteria is implemented and assessed through ongoing consideration of directors and nominees by the Nominating and Governance Committee and the Board, as well as through the Board's self-evaluation process. Based upon these activities and its review of the current composition of the Board, the Nominating and Governance Committee and the Board believe that these criteria have been satisfied.

As outlined in our Corporate Governance Guidelines, any director who receives more "withheld" votes than "for" votes in an uncontested election is required to tender his or her resignation to the Nominating and Governance Committee for consideration and recommendation to the Board. The Board will publicly disclose its decision.

BOARD COMMITTEES AND MEETINGS

The Board documented its governance practices, policies and procedures in our Corporate Governance Guidelines. These governance standards embody many of our long-standing practices, policies and procedures, which are the foundation of our commitment to best practices. In October 2013, the Board conducted an evaluation of the committees and the Board.

The Board has four standing committees: an Audit Committee, a Compensation Committee, a Finance Committee and a Nominating and Governance Committee. Each of the committees is governed by a written charter, copies of which are available on the Investor Relations section of our website at <http://www.navistar.com/navistar/investors/corporategovernance/documents>.

In fiscal 2013, the full Board met 25 times. In addition, the Board's independent directors meet regularly in executive session without management present to, among other things, evaluate the performance of the Chief Executive Officer and discuss corporate strategies. The Chairmen of our Audit, Compensation, Nominating and Governance and Finance Committees of the Board each preside as the chair at meetings or executive sessions of independent directors at which the principal items to be considered are within the scope of the authority of his committee.

During fiscal 2013, each of the directors attended 75% or more of all the meetings of the Board and the committees on which he serves. The average attendance of all directors at meetings of the Board and the committees on which he served in fiscal 2013 was 86%. We encourage all Board members to attend all meetings, including the Annual Meeting. All of our directors who were directors at the time of our 2013 annual meeting of stockholders attended that meeting.

Below is a table indicating committee membership and a description of each committee of the Board.

Committee Membership (as of December 31, 2013)

	Audit	Compensation	Finance	Nominating & Governance
Troy A. Clarke				
John D. Correnti	ü	ü	*	ü
Michael N. Hammes		ü	ü	ü *
Vincent J. Intrieri			ü	* ü
James H. Keyes	ü	* ü		ü
Stanley A. McChrystal		ü	ü	ü
Samuel J. Merksamer	ü	ü		
Mark H. Rachesky		ü	ü	* ü
Dennis D. Williams	ü			

* Indicates the chair of the committee. Mr. Intrieri and Mr. Rachesky serve as co-chairs of the Finance Committee.

Audit Committee – The Audit Committee assists the Board in fulfilling its responsibility for oversight of the Company's financial reporting process, the Company's legal and regulatory compliance, the independence, qualifications and performance of the Company's independent registered public accounting firm and the performance of the Company's internal audit function and corporate compliance function. The Audit Committee reviews the audit plans of the Company's independent registered public accounting firm and internal audit staff, reviews the audit of the Company's accounts with the independent registered public accounting firm and the internal auditors, considers the adequacy of audit scope and reviews and discusses with the auditors and management the auditors' reports. The Audit Committee also reviews environmental reports and compliance activities for the Company's facilities and the expense accounts of executive officers and directors. The Audit Committee reviews and decides on conflicts of interest and waivers of compliance with the Company's Code of Conduct that may affect executive officers and directors, discusses policies and guidelines with respect to risk assessment and risk management. The Audit Committee reviews and recommends to the Board for approval to either approve, ratify, reject or take other action with respect to related person transactions and it prepares and approves the Audit Committee Report for inclusion in the Company's proxy statement. Additional information on the roles and responsibilities of the Audit Committee is provided in the Audit

Committee Report section

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of this proxy statement. All members of the Audit Committee are independent and the Board designated each Audit Committee member, namely Mr. John D. Correnti, Mr. James H. Keyes, Mr. Samuel J. Merksamer, and Mr. Dennis D. Williams, as an “audit committee financial expert,” as defined by applicable law, rules and regulations. In fiscal 2013, the Audit Committee held 13 meetings. The Audit Committee conducted an evaluation of its performance in October 2013.

Compensation Committee – The Compensation Committee makes recommendations to the Board with respect to the appointment and responsibilities of all executive officers, reviews and approves the compensation of executive officers who are not also directors of the Company, reviews and approves the Company’s compensation strategy and any associated risks, recommends to the independent members of the Board the compensation of executive officers who also are directors of the Company, administers the Company’s equity and incentive compensation plans, engages the compensation consultants that advise the Compensation Committee and approves the consultants’ fees and terms of engagement, furnishes an annual Compensation Committee Report on executive compensation and reviews and discusses the Compensation Discussion & Analysis (“CD&A”) with management and recommends to the Board the inclusion of the CD&A in the Company’s proxy statement. Upon management’s recommendation, the Compensation Committee reviews basic changes to non-represented employees’ base compensation and incentive and benefit plans. The Compensation Committee also oversees the development and implementation of succession plans for senior executives (with the exception of our CEO). Additional information on the roles and responsibilities of the Compensation Committee is provided in the CD&A section of this proxy statement. The Compensation Committee held 15 meetings in fiscal 2013. The Compensation Committee conducted an evaluation of its performance in October 2013.

Finance Committee – The Finance Committee reviews the Company’s financing requirements, custody and management of assets which fund the pension and retirement savings plans of the Company’s subsidiaries, procedures by which projections and estimates of cash flow are developed, dividend policy and investment spending and capital expenditure budgets. The Finance Committee also oversees the Company’s policies with respect to financial risk assessment and financial risk management, including liquidity and access to capital and macroeconomic trends. The Finance Committee held 12 meetings in fiscal 2013. The Finance Committee conducted an evaluation of its performance in October 2013.

Nominating and Governance Committee – The Nominating and Governance Committee is responsible for the organizational structure of the Board and its committees, recommending to the Board the directors to serve on the standing Board committees, reviewing and making recommendations to the Board concerning nominees for election as directors, CEO succession planning, reviewing and making recommendations to the Board concerning corporate governance practices and policies and changes to the Company’s Certificate of Incorporation and By-Laws and overseeing risks related to corporate governance and the political environment. In addition, the Nominating and Governance Committee leads the Board in its self-evaluation process and monitors compliance with the Corporate Governance Guidelines. The Nominating and Governance Committee held 22 meetings in fiscal 2013. The Nominating and Governance Committee conducted an evaluation of its performance in October 2013.

COMMUNICATION WITH THE BOARD

Interested parties may communicate with any of our directors, our Board as a group, our non-employee directors as a group or any committees of the Board by sending an e-mail to presiding.director@navistar.com or by writing to the Presiding Director, c/o the Corporate Secretary, at 2701 Navistar Drive, Lisle, Illinois 60532. The Board has given the Corporate Secretary the discretion to distribute communications to the director or directors, after ascertaining whether the communications are appropriate to the duties and responsibilities of the Board. Communications that relate to ordinary business matters that are not within the scope of the Board’s duties and responsibilities will be forwarded to the appropriate employee within the Company. Solicitations, junk email and obviously frivolous or inappropriate communications will not be forwarded. You will receive a written acknowledgment from the Corporate Secretary’s Office upon receipt of your communication.

CODE OF CONDUCT

Our Code of Conduct embodies a code of ethics (the “Code”) applicable to all of our directors, officers and employees. The Code establishes the principles, policies, standards and conduct for professional behavior in the workplace. Every director, officer and employee is required to read and follow the Code. A copy of the Code is available on the Investor Relations section of our website at <http://www.navistar.com/navistar/investors/corporategovernance/documents>. Any waiver of the Code for executive officers or directors of the Company requires the approval of the Audit Committee and must be promptly disclosed to the Company’s stockholders. We intend to disclose on the Investor Relations section of our website (<http://www.navistar.com/navistar/investors/corporategovernance/documents>) any amendments to, or waivers from, the Code that is required to be publicly disclosed under the rules of the SEC.

The Audit Committee has established procedures for employees, vendors and other interested parties to communicate concerns with respect to our accounting, internal controls or financial reporting to the Audit Committee, which has responsibility for these matters. Concerns may be reported as follows:

Via the Navistar Business Abuse and Compliance Hotline

1 -877-734-2548
or via the Internet at
tnwinc.com/webreport/default.asp

Write to the Audit Committee

Audit Committee
c/o Corporate Secretary
Navistar International Corporation
2701 Navistar Drive
Lisle, Illinois 60532

E-mail the Audit Committee

Audit.committee@navistar.com

AUDIT COMMITTEE REPORT

Management of the Company has the primary responsibility for the integrity of the accounting, auditing and financial reporting practices of the Company, including the system of internal controls. KPMG LLP (“KPMG”), our independent registered public accounting firm, is responsible for performing an independent audit of the Company’s consolidated financial statements and internal controls over financial reporting in accordance with standards established by the Public Company Accounting Oversight Board (United States) and issuing a report thereon. The Audit Committee’s responsibility is to monitor these processes. In this regard, the Audit Committee meets periodically with management, the internal auditors and our independent registered public accounting firm. The Audit Committee has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities and the authority to retain such outside counsel, experts and other advisors as it determines appropriate to assist it in conducting any such investigations. The Audit Committee is responsible for selecting and, if appropriate, replacing our independent registered public accounting firm.

The Audit Committee discussed with KPMG the overall scope and execution of the independent audit and reviewed and discussed the audited financial statements with management. Discussions about the Company’s audited financial statements included KPMG’s judgments about not only the acceptability of the accounting principles, but also the quality of, and the reasonableness of significant judgments and the clarity of disclosures in, the financial statements. The Audit Committee also discussed with KPMG other matters required by Statement on Auditing Standards No. 61 (AICPA, Professional Standards, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. KPMG provided to the Audit Committee the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm’s communications with the Audit Committee concerning independence, and the Audit Committee discussed the independence of the independent registered public accounting firm with management and KPMG. The Audit Committee concluded that KPMG’s independence had not been impaired.

Based on the above-mentioned review and discussions with management and KPMG, and subject to the limitations on the roles and responsibilities of the Audit Committee referred to above and in the Audit Committee’s written charter, the Audit Committee recommended to the Board that the Company’s audited consolidated financial statements be included in its Annual Report on Form 10-K for the fiscal year ended October 31, 2013 for filing with the SEC. In addition, the Audit Committee engaged KPMG to serve as the Company’s independent registered public accounting firm for fiscal year 2014.

Audit Committee

James H. Keyes, Chairman

John D. Correnti

Samuel J. Merksamer

Dennis D. Williams

PERSONS OWNING MORE THAN FIVE PERCENT OF NAVISTAR COMMON STOCK

This table indicates, as of January 10, 2014, all persons we know to be beneficial owners of more than 5% of our Common Stock. This information is based, in part, on a review of Schedule 13D, Schedule 13G and Section 16 reports filed with the SEC by persons and entities listed in the table below.

Name and Address	Total Amount and Nature of Beneficial Ownership	Percent of Class (A)	
Franklin Resources, Inc. One Franklin Parkway San Mateo, CA 94403-1906	14,588,520	(B) 17.96	%
Carl C. Icahn c/o Icahn Associates Corp., 767 Fifth Avenue, Suite 4700 New York, NY 10153	13,309,735	(C) 16.38	%
Mark H. Rachesky, M.D. 40 West 57 th Street, 24 th floor New York, NY 10019	13,074,857	(D) 16.09	%
GAMCO Investors, Inc. et. al. One Corporate Center Rye, NY 10580-1435	8,210,182	(E) 10.11	%
Citadel Advisors LLC 131 South Dearborn Street, 32nd Floor Chicago, Illinois 60603	4,348,428	(F) 5.35	%

(A) Applicable percentage ownership is based upon 81,242,023 shares of Common Stock outstanding as of January 10, 2014.

(B) As reported in Schedule 13G/A filed with the SEC on February 12, 2013 by Franklin Resources, Inc. ("FRI"), Charles B. Johnson, Rupert H. Johnson, Jr. and Templeton Global Advisors Limited. These securities are beneficially owned by one or more open- or closed-end investment companies or other managed accounts that are investment management clients of investment managers that are direct and indirect subsidiaries of FRI. Charles B. Johnson and Rupert H. Johnson, Jr. each own in excess of 10% of the outstanding common stock of FRI and are the principal stockholders of FRI. See the Schedule 13G/A for certain disclaimers of beneficial ownership.

(C) As reported in Schedule 13D/A filed with the SEC on July 19, 2013 by High River Limited Partnership ("High River"), Hopper Investments LLC ("Hopper"), Barberry Corp. ("Barberry"), Icahn Partners Master Fund LP ("Icahn Master"), Icahn Partners Master Fund II LP ("Icahn Master II"), Icahn Partners Master Fund III LP ("Icahn Master III"), Icahn Offshore LP ("Icahn Offshore"), Icahn Partners LP ("Icahn Partners"), Icahn Onshore LP ("Icahn Onshore"), Icahn Capital LP ("Icahn Capital"), IPH GP LLC ("IPH"), Icahn Enterprises Holdings L.P. ("Icahn Enterprises Holdings"), Icahn Enterprises G.P. Inc. ("Icahn Enterprises GP"), Beckton Corp. ("Beckton"), and Carl C. Icahn (collectively, the "Icahn Reporting Persons"). The Icahn Reporting Persons reported the following: High River has sole voting power and sole dispositive power with regard to 2,661,946 shares of Common Stock and each of Hopper, Barberry and Mr. Icahn has shared voting power and shared dispositive power with regard to such shares of Common Stock; Icahn Master has sole voting power and sole dispositive power with regard to 4,241,590 shares of Common Stock and each of Icahn Offshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and Mr. Icahn has shared voting power and shared dispositive power with regard to such shares of Common Stock; Icahn Master II has sole voting power and sole dispositive power with regard to 1,660,223 shares of Common Stock and each of Icahn Offshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and Mr. Icahn has shared voting power and shared dispositive power with regard to such shares of Common Stock; Icahn Master III has sole voting power and sole dispositive power with regard to 730,846 shares of Common Stock and each of Icahn Offshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and

Mr. Icahn has shared voting power and shared dispositive power with regard to such shares of Common Stock. Icahn Partners has sole voting power and sole dispositive power with regard to 4,015,130 shares of Common Stock and each of Icahn Onshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and

Mr. Icahn has shared voting power and shared dispositive power with regard to such shares of Common Stock. Barberry is the sole member of Hopper, which is the general partner of High River. Icahn Offshore is the general partner of each of Icahn Master, Icahn Master II and Icahn Master III. Icahn Onshore is the general partner of Icahn Partners. Icahn Capital is the general partner of each of Icahn Offshore and Icahn Onshore. Icahn Enterprises Holdings is the sole member of IPH, which is the general partner of Icahn Capital. Beckton is the sole stockholder of Icahn Enterprises GP, which is the general partner of Icahn Enterprises Holdings. Mr. Icahn is the sole stockholder of each of Barberry and Beckton. As such, Mr. Icahn is in a position indirectly to determine the investment and voting decisions made by each of the Icahn Reporting Persons. In addition, Mr. Icahn is the indirect holder of approximately 92.6% of the outstanding depositary units representing limited partnership interests in Icahn Enterprises L.P. ("Icahn Enterprises"). Icahn Enterprises GP is the general partner of Icahn Enterprises, which is the sole limited partner of Icahn Enterprises Holdings. See the Schedule 13D/A filed by the Icahn Reporting Persons for certain disclaimers of beneficial ownership.

As reported in a Form 4 filed with the SEC on September 9, 2013 by MHR Institutional Partners III LP, MHR Institutional Advisors III LLC, MHR Fund Management LLC, MHR Holdings LLC and Dr. Rachesky. MHR (D) Institutional Partners III LP and MHR Institutional Advisors III LLC each has sole voting and dispositive power over 11,922,293 shares of Common Stock. MHR Fund Management LLC and MHR Holdings LLC have sole voting and dispositive power over 13,072,979 shares of Common Stock. Dr. Rachesky has sole voting and

dispositive power over 13,074,857 shares of Common Stock, which includes 1,878 shares acquired in connection with his service as a director of Navistar. The shares reported therein are held for the accounts of (a) MHR Capital Partners Master Account LP, (b) MHR Capital Partners (100) LP, and (c) MHR Institutional Partners III LP.

As reported in a Schedule 13D/A filed with the SEC on September 6, 2013, by Gabelli Funds, LLC, GAMCO Asset Management, Inc., Gabelli Securities, Inc., Gabelli Foundation, Inc., MJG Associates, Inc., MJG-IV Limited Partnership, Teton Advisors, Inc., and Mario J. Gabelli (collectively, the "Gabelli Reporting Persons"). The Gabelli Reporting Persons reported the following: Gabelli Funds LLC has sole voting and dispositive power with regard to 2,577,334 shares of Common Stock, GAMCO Asset Management Inc. has sole voting power with regard to 5,161,348 shares of Common Stock and sole dispositive power with regard to 5,548,848 shares of Common Stock, Gabelli Securities, Inc. has sole voting and dispositive power with regard to 1,500 shares of Common Stock, (E) Gabelli Foundation, Inc. has sole voting and dispositive power with regard to 9,000 shares of Common Stock, MJG Associates, Inc. has sole voting and dispositive power with regard to 3,000 shares of Common Stock, MJG-IV Limited Partnership has sole voting and dispositive power with regard to 2,000 shares of Common Stock, Teton Advisors, Inc. has sole voting and dispositive power with regard to 2,000 shares of Common Stock, Mr. Gabelli has sole voting and dispositive power with regard to 66,500 shares of Common Stock. Mr. Gabelli is deemed to have beneficial ownership of the shares of Common Stock owned beneficially by each of the foregoing entities due to the fact that he directly or indirectly controls or acts as chief investment officer for such entities. See the Schedule 13D/A filed by the Gabelli Reporting Persons for certain disclaimers of beneficial ownership.

As reported in a Schedule 13G filed with the SEC on January 3, 2013, by Citadel Advisors LLC, Citadel Holdings II LP, Citadel Investment Group II, L.L.C. and Kenneth Griffin (collectively, the "Citadel Reporting Persons"). The Citadel Reporting Persons reported the following: Citadel Advisors LLC has shared voting power and shared dispositive power with regard to 4,196,228 shares of Common Stock, Citadel Holdings II LP, has shared voting (F) power and shared dispositive power with regard to 4,196,228 shares of Common Stock, Citadel Investment Group II, L.L.C. has shared voting power and shared dispositive power with regard to 4,348,428 shares of Common Stock, and Kenneth Griffin has shared voting power and shared dispositive power with regard to 4,348,428 shares of Common Stock. See the Schedule 13G filed by the Citadel Reporting Persons for certain disclaimers of beneficial ownership.

NAVISTAR COMMON STOCK OWNED BY EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth certain information regarding beneficial ownership of our Common Stock as of December 31, 2013 by: (i) each of our directors or nominees for director; (ii) each of our executive officers named in the Summary Compensation Table (“NEOs”); and (iii) all of our directors, nominees for director and executive officers as a group. In general, “beneficial ownership” includes those shares of Common Stock a director, nominee for director or NEO has the power to vote or transfer, stock units convertible into Common Stock within 60 days and stock options exercisable within 60 days. Except as noted, the persons named in the table below have the sole voting and investment power with respect to all shares of Common Stock beneficially owned by them.

Name/Group	Owned (A)	Number of DSUs, PSUs or RSUs Convertible into Common Stock (B)	Obtainable Through Stock Option Exercise	Total	Percent of Class
John J. Allen	28,032	6,915	78,838	113,785	*
Walter G. Borst	—	—	—	—	*
Lewis B. Campbell	—	—	—	—	*
Andrew J. Cederoth	—	6,779	18,533	25,312	*
Troy A. Clarke	54,100	1,827	50,000	105,927	*
John D. Correnti	6,063	13,257	24,600	43,920	*
Steven K. Covey	25,810	3,601	136,539	165,950	*
Michael N. Hammes	6,395	—	15,400	21,795	*
Vincent J. Intrieri	—	1,231	1,667	2,898	*
James H. Keyes	3,416	16,424	24,600	44,440	*
Stanley A. McChrystal	1,508	8,204	5,000	14,712	*
Samuel J. Merksamer	—	585	1,667	2,252	*
Mark H. Rachesky ^(C)	13,074,857	—	1,667	13,076,524	16.1
Michael Sirignano	—	—	—	—	*
Eric Tech	15,094	1,148	49,458	65,700	*
Dennis D. Williams ^(D)	—	—	—	—	*
All Directors and Executive Officers as a Group (20 persons) ^(E)	13,252,951	66,146	512,430	13,831,527	^(F) 17.0

*Percentage of shares beneficially owned does not exceed one percent.

(A) The number of shares shown for each NEO (and all directors and executive officers as a group) includes the number of shares of Common Stock owned indirectly, as of December 31, 2013, by such executive officers in our Retirement Accumulation Plan, as reported to us by the Plan trustee.

(B) For additional information on deferred share units (“DSUs”), premium share units (“PSUs”) and restricted stock units (“RSUs”) see below.

(C) As reported in a Form 4 filed with the SEC on September 9, 2013 by MHR Institutional Partners III LP, MHR Institutional Advisors III LLC, MHR Fund Management LLC, MHR Holdings LLC and Dr. Rachesky. See also Footnote D to the section Persons Owning More Than Five Percent of Navistar Common Stock in this proxy statement.

(D) At the request of the UAW, the UAW representative director, Dennis Williams, does not receive stock or stock option grant awards.

(E) Includes all current directors, NEOs and officers for purposes of Section 16 of the Exchange Act as a group.

(F) Includes 7,822 shares over which there is shared voting and investment power by certain executive officers (not including the NEOs) included in the Directors and Executive Officers as a group.

DSUs PSUs and RSUs

Under our Executive Stock Ownership Program in effect for fiscal 2013 and prior years, executives may defer their cash bonus into DSUs. If an executive officer elects to defer a cash bonus, the number of shares shown for such NEO includes these DSUs. These DSUs vest immediately. The number of shares shown as owned for each NEO (and all Executive Officers as a group) also includes PSUs that were awarded pursuant to the Executive Stock Ownership Program. PSUs vest in equal installments on each of the first three anniversaries of the date on which they are awarded. Effective November 1, 2013, our Executive Stock Ownership Program was amended and restated to, among other things, eliminate an executive's ability to earn PSUs or defer their cash bonus into DSUs.

Under our Non-Employee Directors Deferred Fee Plan, directors may defer all or a portion of their annual retainer into DSUs, and prior to calendar year 2012 when attendance at board and committee meetings were also paid, all or a portion of their meeting fees into DSUs. If a director elected to defer a portion of their annual retainer and/or meeting fees into DSUs, these DSUs are shown as owned.

Certain of our executives have been awarded share settled restricted stock units (RSUs) that were granted under the 2013 Performance Incentive Plan. The RSUs vest in equal installments on each of the first three anniversaries of the date of grant and are converted into common stock on a one to one basis at time of vesting.

COMPENSATION

COMPENSATION COMMITTEE REPORT

The Compensation Committee of our Board (the "Compensation Committee") reviewed and discussed the Compensation Discussion and Analysis ("CD&A") required by Item 402(b) of Regulation S-K with management, and based upon this review and discussion, the Compensation Committee recommended to the Board that the CD&A be included in this proxy statement. The independent members of the Board reviewed and discussed the compensation of the Chief Executive Officer.

The Compensation Committee	The Independent Members of the Board of Directors (non-Compensation Committee members)
John D. Correnti, Chairperson	Vincent Intrieri
Michael N. Hammes	Dennis D. Williams
James H. Keyes	
Samuel J. Merksamer	
General (Retired) Stanley A. McChrystal	
Mark H. Rachesky	

(Approved by the members of the Compensation Committee and the other independent members of the Board on December 16, 2013.)

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee has the responsibility to approve and monitor all compensation and benefit programs for our executive officers (for purposes of this proxy statement, the term executive officer means the senior leadership of the Company, including officers for purposes of Section 16 of the Exchange Act ("Section 16 Officers") and NEOs) and makes recommendations for the compensation and benefits of our Chief Executive Officer (the "CEO"), which is then reviewed and approved by the independent members of our Board. As part of its responsibilities, the Compensation Committee reviews the performance of our executive officers and approves compensation based on the overall successes of the individual executive, his or her specific business unit to the extent applicable, and the organization as a whole. The Compensation Committee is governed by a written charter, a copy of which is available on the Investor Relations section of our website at <http://www.navistar.com/navistar/investors/corporategovernance/documents>.

Executive Summary

Throughout the past year, the Compensation Committee engaged in an extensive review of our executive compensation programs after seeing the results of the non-binding advisory vote on our executive compensation programs from our 2013 annual meeting of stockholders. Members of the Compensation Committee and management met with proxy advisory firms and major stockholders to understand and address their concerns, key among which were due to special circumstances in connection with our turnaround, including the departure of our former CEO, the promotion of our current CEO, and the recruitment of our current CFO. In response to this outreach, our executive compensation programs have been modified to align management and stockholder interests in executing a turnaround plan in fiscal 2013, as well as incorporating best practices in executive pay programs.

Navistar can currently be best described as a closely-held large public company, with two stockholders holding over 30% of our Common Stock and occupying several Board seats. Our top 4 stockholders hold over 60% of our Common Stock and have significant input into both the management and compensation decisions over the past year. Major changes among our NEOs in fiscal 2013 include:

- Troy Clarke as the new President and Chief Executive Officer (CEO).
- Walter Borst as the new Executive Vice President and Chief Financial Officer (CFO).
- Jack Allen as the new Executive Vice President and Chief Operating Officer (COO).

With respect to the Board, two new members have been added to the Compensation Committee and those additions are directors appointed by two of our largest stockholders. In fact, we have stockholder-nominated directors on each of our committees. Also, the Board will be fully declassified for the first time at the Annual Meeting with each director up for election.

In August 2012, Mr. Lewis B. Campbell succeeded Mr. Daniel C. Ustian, as our Executive Chairman and Interim Chief Executive Officer to lead Navistar's turnaround efforts on an interim basis, until a permanent successor was identified. Mr. Troy A. Clarke was chosen as successor and was appointed President and CEO by the Board effective April 15, 2013. At that time, the Board also made the decision to separate the roles of Chairman and CEO and Mr. Keyes was appointed the independent Chairman of the Board.

Overall pay for current executives was actually down in fiscal 2012 in response to the Company's performance.

- No annual incentive was awarded for fiscal 2012.

• Realized pay for stock options and performance shares under the Total Shareholder Return ("TSR") program, i.e. the actual amount these awards were worth to our NEOs as of October 31, 2012, was \$0.

During fiscal 2013, the Compensation Committee took the following actions with respect to the Company's executive compensation program:

• Engaged the services of a new executive compensation consultant to assess our current policies and programs and recommend changes to better align with best practices.

• Approved an Annual Incentive Plan ("AI Plan") for fiscal 2013 with four performance measures aligned with our turnaround strategy consisting of (i) Manufacturing cash, (ii) Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), (iii) SG&A savings and (iv) successful quality engine launch.

• Approved changes to our Long-Term Incentive Plan ("LTI Plan"), with executives receiving only performance-based equity instruments.

• Structured a pay package for a new CEO with direct input from major stockholders, aligning his incentives with a Company turnaround by issuing an upfront equity grant in lieu of any long-term incentive payments over the next 3 years in order to measure performance over the long-term.

New for fiscal 2014

• Approved a new peer group, placing Navistar at the median based on revenue and enterprise value.

Approved a new Executive Stock Ownership Program ("ESOP") which increases ownership multiples, adds retention requirements, and eliminates premium shares. These changes are effective beginning fiscal 2014.

Adopted a new recoupment policy effective fiscal 2014 which enables the Company to recover incentive-based compensation in the event of an accounting restatement due to material non-compliance with financial reporting requirements, as well as intentional misconduct.

Approved certain revisions to our Executive Severance Agreement ("ESA") template for fiscal 2014 and going forward, including, but not limited to: (i) reducing the duration of the agreement period post-Change in Control ("CIC"); (ii) modifications to the definition of CIC; (iii) reducing the duration of the post-CIC period and (iv) inclusion of the Company's ability to recoup incentive pay under the Company's Recoupment Policy.

Looking Forward: Pay for Performance

The Company experienced a net loss in fiscal 2012 and 2013. These operating results were largely due to our inability to achieve EPA approval under our previous emissions strategy, expenses related to the new engine launches, a continuing decrease in our military-related business, lower market share during the transition to the new engine strategy, and higher warranty expense. As such, no annual incentives awards were paid in respect of the fiscal 2012 AI Plan and fiscal 2012 LTI Plan values decreased with a depressed stock price. For fiscal 2013, the AI Plan was revamped to address key goals for the turnaround effort using multiple metrics and the LTI Plan was overhauled to be 100% performance-based.

The focus in fiscal 2014 is to return to profitability by meeting targets along the following parameters:

Cash: Short-term liquidity is key to continuing operations and positive cash flow from operations needs to be achieved. Navistar is continuing to work on improving the balance sheet by restructuring and focusing on core businesses.

Market Share: In our capital intensive industry, market share is key to both operational efficiency and long term viability.

Earnings: To maintain a long-term value proposition for stockholders, Navistar needs to balance market share goals with profitability by achieving competitive margin levels.

An additional area of focus is product quality. As the current warranty challenges have illustrated, the timeline for identifying issues extends beyond the first 12 months of the product life cycle. During fiscal 2014, we intend to identify fleets, designate comparative products, and establish a baseline quality metric for use in continuing incentive programs.

Detailed Review of Executive Compensation

Fiscal 2013 NEO's

The following table lists our fiscal 2013 NEOs that will be discussed throughout the CD&A.

NEO	Title
Troy A. Clarke	President and Chief Executive Officer
Walter G. Borst	Executive Vice President and Chief Financial Officer
John J. Allen	Executive Vice President and Chief Operating Officer
Steven K. Covey	Senior Vice President, General Counsel and Chief Ethics Officer
Eric Tech	Senior Vice President, Strategy and Planning & President Global and Specialty Businesses
Lewis B. Campbell	Former Chairman and Interim Chief Executive Officer
Andrew J. Cederoth	Former Executive Vice President and Chief Financial Officer

Compensation Philosophy and Objectives

We believe the compensation of our executives should be closely tied to the performance and growth of the Company, so that their interests are aligned with the long-term interests of our stockholders. Consistent with this philosophy, the following guiding principles provide a framework for the Company's executive compensation program:

• **Competitive Positioning:** Total remuneration is designed to attract and retain the executive talent necessary to achieve our goals through a market competitive total remuneration package.

• **Pay-for-Performance:** Executive compensation is performance-based with a direct link to Company, business unit, and individual performance. It is also designed to align the interests of executives and stockholders.

• **Ownership and Responsibility:** Compensation programs are designed to recognize individual contributions as well as link executive and stockholder interests through programs that reward our executive officers, based on the financial success of the Company and increases to stockholder value.

Compensation Consultant

The Compensation Committee undertook a search process to engage a new independent executive compensation consultant. The search process included in-depth interviews with three consultancy firms and culminated in the appointment of Frederic W. Cook and Company, Inc. ("Cook & Co.") in June 2013 as an independent advisor to the Compensation Committee to provide executive compensation consulting services. Cook & Co. was engaged by and reports solely to the Compensation Committee. Cook & Co. has been retained to render the following services:

• Attend all committee meetings at the request of the Compensation Committee.

• Advise the Compensation Committee on market trends, regulatory issues and developments and how they may impact our executive compensation programs.

• Review the compensation strategy and executive compensation programs for alignment with our strategic business objectives.

• Advise on the design of executive compensation programs to ensure the linkage between pay and performance.

• Provide market data analyses to the Company.

• Advise the Compensation Committee and the Board on setting the Chairman and CEO pay.

• Review the annual compensation of the other NEOs as recommended by the CEO.

• Perform such other activities as requested by the Compensation Committee.

The Compensation Committee has the sole authority to approve the terms of Cook & Co.'s engagement. Cook & Co. did not provide any services to the Company other than executive compensation consulting services during fiscal 2013.

In compliance with SEC and NYSE requirements regarding the independence of compensation consultants, Cook & Co. provided the Compensation Committee information regarding any personal, financial, or business relationships between Cook & Co. and the Company, its management or the members of the Compensation Committee that could impair its independence or present a conflict of interest. Based on its review of this information, the Compensation Committee determined that there were no relationships that impair the independence or create a material conflict of interest between the Company and Cook & Co. and the partners, consultants, and employees who service the Compensation Committee on executive compensation matters and governance issues.

Chief Executive Officer Compensation

The new executive appointments made by the Board were in the best interests of the Company as it executes on its turnaround plan. Mr. Troy A. Clarke was named as the new President and CEO, after an interim term by Mr. Lewis B. Campbell. A key concern expressed by stockholders is the alignment of CEO pay and Company performance. The Board, with the assistance of the independent executive compensation consultant, reviewed CEO pay levels of our peer group, as well as those of other manufacturing organizations with similar revenues. Consistent with our

compensation philosophy and the market review for other Navistar executive officers, the Compensation Committee targeted total compensation at the market median but believed the pay for the President and CEO should be weighted with the greatest emphasis on performance.

Mr. Campbell's compensation as interim CEO was based on the interim nature of the position.

Mr. Campbell was awarded a base salary of \$500,000 and was awarded 500,000 stock options as a new hire inducement grant.

This represented a significant decrease in CEO pay and a larger percentage of CEO compensation tied to the Company's stock performance.

Mr. Clarke's compensation when promoted from President and COO to President and CEO is specifically structured to focus on performance over the longer term as part of the turnaround strategy. Mr. Clarke's compensation package was negotiated with significant input from our stockholder-nominated directors.

Mr. Clarke's base salary was increased to \$900,000 and he was awarded a significant equity grant of stock options in lieu of future grants under the Company's fiscal 2014, 2015, and 2016 LTI Plan; however, over half of the grant value is subject to a 125% premium exercise price and/or earnings before interest, taxes, depreciation, amortization, pension and other post-employment obligations ("EBITDAPO") and market share goals. The time vesting stock options are scheduled to vest at the rate of 33-1/3% on each of the first three anniversaries, and performance vesting stock options vest as the performance goals pre-established by the Compensation Committee are satisfied.

As President and Chief Operating Officer, Mr. Clarke also received a fiscal 2013 LTI Plan award comprised of performance stock options and performance share units. The performance stock options and performance share units each have a three (3) year cliff vesting schedule.

In general, our practice excludes the use of employment contracts. However, in connection with Mr. Clarke's appointment to President and CEO, we entered into a three-year employment and services agreement with him (the "Employment Agreement"). The following summarizes the material terms of the Employment Agreement:

Base salary of \$900,000;

AI Plan target of \$810,000 (90% of base salary);

Stock option grant of \$14,262,001 (50% time based, 50% performance based):

with a grant date value of \$10,602,643 awarded in fiscal 2013 (746,665 shares)

with a grant date value of \$3,659,358 to be awarded in fiscal 2014 with the number of shares to be determined at the time of grant;

Life insurance equal to five times base salary;

Vacation equal to four weeks;

Annual flexible perquisite payment of \$46,000;

Severance provisions that provide for a severance payment equal to the sum of (i) two times Mr. Clarke's base salary, (ii) the amount of his target annual incentive award and (iii) a pro-rated portion of his annual incentive award at the time such payments are made to the employees generally, in the event that Mr. Clarke is terminated without cause or due to constructive termination; and

Severance provisions that provide for a severance payment equal to the sum of (i) two times Mr. Clarke's base salary, (ii) the amount of his target annual incentive award and (iii) a pro-rated portion of his annual incentive award paid at the time of his termination, in the event that Mr. Clarke is terminated without cause or due to constructive termination within 24 months of a change-in-control of the Company (or during the 90 days preceding the date of a change-in-control).

Below is a table illustrating CEO Total Direct Compensation ("TDC") on a contractual and annualized basis.

	Contractual Terms			Annualized		
	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2013	Fiscal 2014	Fiscal 2015
Annual Base Salary ⁽¹⁾	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000
Annual Incentive ⁽²⁾	\$324,000	\$810,000	\$810,000	\$324,000	\$810,000	\$810,000
Long-Term Incentive / COO	\$2,563,033	\$0	\$0	\$2,563,033	\$0	\$0
Long-Term Incentive / CEO	\$10,602,643 ⁽³⁾	\$3,659,358	\$0	\$4,754,000	\$4,754,000	\$4,754,000
Total Direct Compensation	\$14,389,676	\$5,369,358	\$1,710,000	\$8,541,033	\$6,464,000	\$6,464,000

¹Assumes base salary remains constant each year.

²AI paid at 40% of Target (Target is 90% of base salary) for fiscal 2013 and pays at Target level for fiscal 2014 and 2015.

³Value excludes Premium Share Units (PSUs) in the amount of \$46,017 awarded in conjunction with the Executive Stock Ownership Program. Premium shares have been discontinued effective November 1, 2013.

External Market Compensation Review

We continuously monitor the external competitiveness of our executive compensation program. Over the past few years, the Compensation Committee reviewed various components of our executive compensation program to ensure (i) pay opportunities are competitive with the external market, (ii) there is an appropriate link between performance and pay and (iii) the program supports our stated compensation philosophy. For example, to address the link between pay and performance in fiscal 2013, we reduced our AI Plan target opportunity from 100% to 75% to align with our turnaround strategy while driving key performance behaviors.

In fiscal 2013 our Compensation Committee reviewed a broader industry survey published by Aon Hewitt for compensation market data. Please refer to Appendix A of this proxy statement for a list of participants in Aon Hewitt's 2013 Total Compensation Measurement ("TCM") survey.

We continued our compensation philosophy of targeting the 50th percentile (market median), for base salary, short-term incentives, and long-term incentives. We consider an NEO to be within the competitive range if his or her base salary is within 80 to 120 percent of the market median. Under special circumstances, when we are recruiting for critical roles, we may target an NEO's salary to a higher level. Our incentive compensation plans provide NEOs the opportunity to earn total compensation at the 50th percentile of the competitive market for target performance and at the 75th percentile for distinguished performance.

For NEO's, if the market data from the peer group of companies was not statistically reliable because of the small sample size, we used the manufacturing group (or if that sample size is not large enough, the all-industry group) of this broader survey data. When we use broader industry surveys, we use market data within our revenue scope, either overall consolidated revenue for corporate roles and/or business unit revenue for business unit specific roles. This is especially true for the base salary competitive market review.

Compensation Peer Group

For fiscal 2013, our Compensation Committee approved the following peer group of twenty two companies which was chosen from a cross section of manufacturing and transportation and equipment companies that have revenues ranging from one half to two times our revenues.

AGCO Corporation	Genuine Parts Company	PACCAR Incorporated
Cummins Incorporated	Goodyear Tire and Rubber	Parker-Hannifin
Dana Holding Corporation	Harley Davidson, Incorporated	PPG Industries, Inc.
Danaher Corporation	Illinois Tool Works	Textron, Incorporated
Deere and Company	Ingersoll-Rand Co. Ltd.	TRW Automotive Holdings Corporation
Dover Corporation	Lear Corporation	Whirlpool Corporation
Eaton Corporation	Masco Corporation	
General Dynamics	Oshkosh Corporation	

As noted in several other sections of this proxy statement, we are working to address stockholder concerns on our pay practices. The selection of peer group companies is a major determinant of overall executive compensation. A concern

expressed regarding the current peer group is the size of Navistar relative to the peer group median.

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For fiscal 2014, the Compensation Committee approved a new peer group placing Navistar at the median based on revenue and enterprise value. The Compensation Committee relied on Cook and Co's. methodology to determine the appropriate peer group for Navistar. Nine companies were removed and seven companies were added, for a total of twenty companies in the new peer group. The Company market cap remains low relative to the new peer group because the Company is in a turnaround situation. Please reference the table below for the Company's fiscal 2014 peer group.

AGCO Corporation	Illinois Tool Works	SPX
Borg Warner, Incorporated	Joy Global	Tenneco
Cummins Incorporated	Lear Corporation	Terex
Dana Holding Corporation	Masco Corporation	Textron
Delphi Automotive	Oshkosh Corporation	TRW Automotive Holdings Corporation
Dover Corporation	PACCAR Incorporated	Visteon
Goodyear Tire and Rubber	Parker-Hannifin	
Pay Mix		

Our pay mix of base salary, short-term incentives, and long-term incentives (collectively, “Total Direct Compensation” or “TDC”) generally tracks with the marketplace. The major components of TDC, specifically short-term and long-term incentives, are contingent upon performance and, therefore, fluctuate with our financial results and share price. For fiscal 2013, the LTI Plan was further enhanced to support the pay for performance link in our compensation philosophy through two factors:

- The AI Plan awards were modified to a 50/50 split between cash and restricted stock units (RSUs).
- The LTI Plan was modified to be 100% performance-based on either stock price hurdles or EBITDAPO goals.

Elements of Executive Compensation

The key elements of our executive compensation program include base salary, short-term incentives, long-term incentives, retirement benefits, perquisites, and other benefits. We also maintain stock ownership guidelines for our executives, including our NEOs. Although recommendations relative to each of these compensation elements are made separately, the Compensation Committee considers the total compensation and benefits package when making any compensation decision.

Base Salary

We provide each executive officer a competitive base salary paid monthly for services rendered during the year. Base salaries for executive officers are typically reviewed on an annual basis and adjusted based on evaluating (i) the responsibilities of their positions, (ii) the competitive market data and (iii) the performance of each executive during the fiscal year.

Summary of the Executive Salary Planning Approval Process for Fiscal 2013

The CEO reviews and approves and/or adjusts all salary recommendations for executive officers other than his own. The Compensation Committee reviews the salary for the CEO and reviews and approves the CEO's salary recommendations for most Section 16 Officers. The CEO does not recommend nor is he involved in decisions regarding his own compensation.

The Compensation Committee then recommends and the independent members of the Board approve or adjust the salary recommendation for the CEO. We have a detailed procedure in place for reviewing the performance of the CEO and determining the annual salary of the CEO as described in greater detail below.

In fiscal 2013, traditional base salary performance increases were not provided to executive officers due to the organization's turnaround environment. The table below summarizes the base salary for our NEO's in fiscal 2013, as well as their previous base salary.

NEO Fiscal 2013 Base Salary

NEO	Previous Base Salary	Effective Date	Base Salary as of October 31, 2013	Effective Date
Troy A. Clarke	\$775,000	August 27, 2012	\$900,000	⁽¹⁾ April 15, 2013
Walter G. Borst	--	--	\$700,000	⁽²⁾ August 1, 2013
John J. Allen	\$660,000	⁽³⁾ November 1, 2012	\$740,000	⁽⁴⁾ April 16, 2013
Steven K. Covey	\$575,000	January 1, 2012	\$575,000	January 1, 2012
Eric Tech	\$480,000	January 1, 2012	\$480,000	January 1, 2012
Lewis B. Campbell	\$500,000	August 26, 2012	\$—	⁽⁵⁾ January 1, 2012
Andrew J. Cederoth	\$575,000	January 1, 2012	\$—	⁽⁶⁾ January 1, 2012

⁽¹⁾ Appointed as President and Chief Executive Officer effective April 15, 2013.

⁽²⁾ Appointed as Executive Vice President and Chief Financial Officer in June 2013 but his start date was August 1, 2013.

⁽³⁾ Base salary increase effective November 1, 2012.

⁽⁴⁾ Promoted to Executive Vice President and Chief Operating Officer effective April 16, 2013.

⁽⁵⁾ Mr. Campbell's actual base salary as of October 31, 2013 was \$0 as Mr. Campbell left the Company effective April 15, 2013.

⁽⁶⁾ Mr. Cederoth's actual base salary as of October 31, 2013 was \$0 as Mr. Cederoth left the Company effective June 30, 2013.

CEO Performance Evaluation

Traditionally, each year in December, the Compensation Committee and the independent members of the Board evaluate the CEO's performance for the prior fiscal year. This review is based on the CEO's achievement of goals set for the start of that year. The CEO presents this information solely to the independent members of the Board, who then discuss it in executive session. The CEO is not present during this discussion. The independent members' evaluation of the CEO's performance then forms the basis for the decision on the CEO's short-term incentive award under our AI Plan for the prior fiscal year and base salary for the new fiscal year. The chairman of the Compensation Committee then informs the CEO of the performance evaluation and any compensation decisions on which those decisions were based.

In April 2013, based on the recommendation of the Compensation Committee, the independent members of the Board approved a promotional increase to base salary for Mr. Clarke from \$775,000 to \$900,000 effective April 15, 2013. Mr. Clarke's primary goal for fiscal 2013 is to continue the Company turnaround efforts. In December 2012, the Compensation Committee approved CEO goals for fiscal 2013 which included delivering the operating plan in conjunction with continuing to reduce our overhead costs, improving our balance sheet, and strengthening our leadership team. The goals include six guiding principles: (i) Quality, (ii) Cost, (iii) Urgency, (iv) Great Products, (v) Customer Satisfaction and (vi) People.

In December 2013, the independent members of the Board discussed and evaluated Mr. Clarke's accomplishments as CEO. These accomplishments included:

- Rebuilt and strengthened the senior leadership team;
- Met all key dates related to product launches;
- Received EPA certifications for Navistar MaxxForce 13L with SCR;
- Improved quality;
- Engaged dealers and increased confidence in organizational direction and leadership;
- Completed various ROIC fix/close/sell actions;
- Significantly exceeded structural cost goal;
- Reduced working capital; and
- Created and communicated a vision for the future.

Additionally, in December 2013, based on the recommendation of the Compensation Committee, the independent members of the Board approved a fiscal 2013 AI Plan award of \$324,000 for Mr. Clarke which equates to 40% of target, consistent with the AI Plan calculation for all eligible employees described in the Annual Incentive section of this proxy statement discussed below.

Also in December 2013, the Compensation Committee approved Mr. Clarke's CEO goals for fiscal 2014 which included (i) reduced warranty costs; (ii) increased revenues and market share; (iii) reduced material costs; (iv) financial goal attainment; (v) focus on lean enterprise; (vi) drive strategic changes; (vii) succession planning and leader development; and (viii) successful negotiations with United Auto Workers ("UAW").

Annual Incentive

Navistar provides its executives with annual incentive compensation opportunity through a short-term incentive plan designed to align a significant portion of their total cash compensation with the overall financial performance of the Company. Each executive is assigned a percentage of their base pay based on organization level as their target award. For fiscal 2013, Mr. Clarke's target annual incentive opportunity is 90% of base salary. For other NEOs target awards range from 65-75% of base salary.

The AI Plan for fiscal 2013 was based on attaining financial and non-financial performance goals established and approved by the Compensation Committee. The AI Plan is authorized under our stockholder approved 2013 Performance Incentive Plan (the "2013 PIP").

Fiscal 2013 has been designated as Navistar's turnaround year focused on the following objectives:

- Alignment of actions with drivers of stockholder value.
- Achievement of key financial and operation goals.
- Providing employees with line of sight and progress toward specific goals.

Key features of our AI Plan for fiscal 2013 are as follows:

• Performance based on four (4) performance financial and non-financial measures and weights

Total manufacturing cash (30%)

EBITDA (30%)

Successful quality launch (25%)

Company-wide SG&A savings(15%)

• AI Plan target opportunity reduced to 75%

AI Plan awards to be paid as a 50/50 split between cash and RSUs