

Navistar Defense Code of Conduct

INTRODUCTION

Navistar Defense, LLC (hereinafter “Navistar Defense” or the “Company”) is committed to conducting its business according to the highest standards of ethics and integrity and in full compliance with all laws and regulations. Obeying the law, both in letter and spirit, is one of the foundations on which Navistar Defense’s ethical policies are built. This supplement to the Navistar International Corporation (“NIC”) Code of Conduct (the “Code”) outlines the broad standards of legal and ethical business conduct embraced by Navistar Defense. It applies to all directors, officers, employees, and independent contractors of Navistar Defense and Navistar employees acting on its behalf (collectively, “Navistar Defense Personnel”) when they are representing or acting on behalf of the Company and its consolidated subsidiaries and reflect the general principles to guide Navistar Defense Personnel in making ethical decisions. While it is not intended to address every specific legal or ethical situation, rather, Navistar Defense Personnel are expected to adhere to the Code using common sense and good judgment, to ask questions, and seek guidance.

Consistent with the guidance and requirements in DFARS 203.1004 AND FAR 52.203 – 13, Navistar Defense will timely report to appropriate Government officials any suspected or possible violation of law in connection with Government contracts or any other irregularities in connection with such contracts; and will fully cooperate with any Government agencies responsible for either investigation or corrective actions.

The Company’s reputation is earned one person at a time, and each and every one of us helps contribute to that reputation. I would like to personally thank you for always helping to protect and maintain Navistar’s excellent reputation.

Effective Date: April 21, 2014



Robert B. Walsh
President, Navistar Defense

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Policies Incorporated by Reference

In addition to the supplemental policies set forth in this addition, many of the policies included in the NIC Manual are incorporated by reference. They are mentioned due to their overall importance of doing business in a legal and ethical matter. We encourage you to review the following policies in addition to the supplemental policies included for Navistar Defense Personnel:

- Insider Trading 01-04
- Environmental Protection and Energy Conservation 01-05
- Charitable Contributions 01-07
- Confidential or Proprietary Information 02-02
- Financial Responsibilities 03-00
- Relationship with Independent Auditors 03-01
- Government Laws and Regulations 04-00
- Political Activities 04-01
- Money Laundering Prevention 05-09
- Equal Employment Opportunity 06-00

Annual Certification

All Navistar Defense Personnel must read and comply with the Manual. In addition, all Navistar Defense Personnel must certify annually that they have read the Manual (and any amendments thereto), that they understand it, and that they will comply with its terms.

Ethics and Compliance Programs

Navistar Defense will administer ethics and compliance training programs to promote and support commitment to ethics and integrity, and to help ensure compliance with the Code, Company policies, and applicable laws and regulations. These training programs will advise Navistar Defense Personnel of the Company's policies and procedures regarding ethical business conduct and help them resolve questions.

Administration

Officers and managers are expected to be familiar with the standards of conduct set forth in the NIC Manual and these supplemental policies, and with the Company resources available to assist in the resolution of any questions or concerns. Managers are expected to promote the standards of conduct set forth in the Manual and ensure that employees and independent contractors under their direction are aware of and comply with these standards, as well as all other relevant Company policies and legal requirements.

Reporting Suspected Violations

All Navistar Defense Personnel are responsible for expressing concerns regarding compliance with the Manual and related policies and for reporting any suspected violations of the Manual or the law. If you are in or aware of a situation that you believe may violate or lead to a violation of the Manual, the law and/or the regulations, follow the policies described in Navistar Defense Code Section 06-01 “*Reporting and Handling Suspected Violations*”. Retaliation against individuals who report suspected violations in good faith will not be tolerated. Those who violate the Manual will be subject to disciplinary action up to and including termination of employment without warning, and possible referral for criminal prosecution if deemed appropriate by the Company.

Where To Go For Help

If you have any questions or concerns about the NIC Manual or these supplemental policies, or how they apply to a particular situation, we encourage you to discuss them initially with your supervisor or manager. You may also contact:

- **Navistar Defense Compliance Officer**
- **Navistar hotline at 1-877-7DIALIT (1-877-734-2548)**

Government Contract Requirements

Navistar Defense has additional requirements and expectations of its employees when performing on Government contracts. Related company policies and excerpts are as follows:

- 01-01 - Business Courtesies involving Government Customers
- 01-02 - Business Courtesies involving International Vendors and Customers
- 01-03 – Foreign Corrupt Practices Act (FCPA) – See also Nav Inc policy 05-02
- 01-04 - Lobbying
- 02-01 - Procurement Integrity Act
- 02-01A – A Summary of Procurement Integrity Act
- 02-02 – Anti-Kickback
- 02-03 – Antitrust Laws
- 02-04 – Procurement laws in foreign countries
- 02-05 – Truth in Negotiations Act (TINA)
- 02-06 – False Claims and False Statements Act
- 02-07 – Debarment and Suspension of Subcontractors
- 03-00 – Trade Regulations General
- 03-01 – International Traffic in Arms (ITAR) Provisions
- 03-02 – Foreign Asset Controls
- 03-03 – Anti-Boycott Provisions and Trade Agreements
- 03-04 – Export Administration Regulations (EAR) Provisions
- 04-00 – Conflict of Interest – General

- 04-01 – Recruiting or working with Former Government Officials
- 05-01 – Handling of Classified Materials
- 05-02 – Department of Defense Priority Ratings
- 05-03 – US Government Audits and Examinations
- 05-04 – Labor Charging
- 05-05 – Records Management
- 05-06 – Combating Trafficking in Persons
- 06-01 – Reporting Suspected Violations
- 06-02 – Non-Retaliation Policy

01-01 Business Courtesies involving Government Customers

A “**Business Courtesy**” is a gift, hospitality, or favor given by or on behalf of Navistar Defense for which fair market value is not paid by the recipient. Nevertheless, Navistar Defense employees and representatives are prohibited from offering or giving any Business Courtesies to a government employee. This includes employees from any Federal, state, or local government departments and agencies.

01-02 Business Courtesies involving International Vendors and Customers

Business practices include interactions with suppliers, customers and other individuals in the United States and around the globe who influence or make purchasing decisions. The NIC Manual allows for the possibility of providing Business Courtesies to business partners under specific controlled circumstances.

01-03 Foreign Corrupt Practices Act (FCPA)

The FCPA is intended to prevent bribery of foreign officials by representatives and employees of U.S. companies for the purpose of gaining a business advantage, and also requires companies to maintain transparency to the corporate books and records. The act prohibits the payment or offering of anything of value directly or indirectly to a foreign government official, political party, party official or candidate in order to influence an official act of the person or government to gain an advantage. Also see Navistar Inc policy 05-02.

01-04 Lobbying

Expenditures by Navistar Defense for lobbying activities, contributions to political parties and regarding ballot measures are strictly controlled by U.S. statutes and regulations. In addition to the lobbying and electioneering restrictions, the Federal Acquisition Regulation (FAR) sets forth detailed requirements governing all aspects of a government contractor’s relationships with the federal government.

02-01 Procurement Integrity Act

In the performance of federal government procurements, Navistar Defense personnel, representatives and consultants must be aware of and comply with the Procurement Integrity Act (PIA). The Act prohibits the soliciting, obtaining or disclosing of contractor bid and proposal information or proprietary or source selection information.

02-01A A Summary of Procurement Integrity Act

The PIA has four basic provisions, a ban on disclosing procurement information; a ban on obtaining procurement information; requirement for procurement officers to report employment contacts by or with a competing contractor; and a 1-year ban for certain personnel on accepting compensation from the contractor.

02-02 Anti-Kickback

The Anti-Kickback Act of 1986 was passed to deter subcontractors from making payments, and contractors from accepting payments, for the purpose of improperly obtaining or rewarding favorable treatment in connection with a contract or contractual action entered into by the United States for the purpose of obtaining supplies, materials, equipment, or service of any kind.

02-03 Antitrust Laws

Various Federal Government laws and regulations deal with antitrust matters, the most notable of which is the Sherman Anti-Trust Act. This act prohibits and makes unlawful any contract, combination or conspiracy with any competitor, potential competitor or representative of same in restraint of trade activities. These activities include price fixing, boycotts, or limitation of products and sales.

02-04 Procurement Laws in Foreign Countries

Navistar Defense employees have the responsibility to abide by the company's values and standards of business conduct when doing business anywhere in the world. This includes not only strictly adhering to all U.S. laws and regulations, but also foreign laws and regulations.

02-05 Truth in Negotiations Act (TINA)

For certain types of contracts, TINA requires contractors to disclose and certify the accuracy, completeness, and currency of all data that a reasonable person would expect to have a significant effect on price negotiations with the U.S. Government, our subcontractors, or with our customers holding covered U.S. Government contracts or subcontracts, prior to final agreement on price. Further, the Government is authorized to audit the cost or pricing data on which the proposed price is based.

02-06 False Claims and False Statements Act

The False Claims Act dates back to the Civil War when President Abraham Lincoln and the Congress enacted this law to combat defense procurement fraud. The Act was, and is, intended to encourage people to come forward with information and assist the government in detecting and prosecuting companies committing fraud against the government.

The False Statements Act prohibits contractors and individuals from "knowingly and willfully" making false statements, oral or in writing, which might support a fraudulent claim or which might "pervert or corrupt the authorized functions of Government agency to which the statement was made."

02-07 Debarment and Suspension of Subcontractors

Violations of U.S. Government contract laws and regulations can result in significant fines and penalties and in some cases can result in a company being suspended or debarred from receiving Government contracts and subcontracts to which the U.S. Government must consent. Debarred and suspended parties are excluded from receiving solicitations, contract, or as noted above, subcontract awards from government agencies, except when there is a compelling reason (e.g., they are the only company that can make a specific product).

03-00 Trade Regulations General

The United States uses international trade controls to protect our national security and domestic economy, and to promote foreign policy. These laws apply to tangible products as well as technology, technical data, software programs, trade secrets and other similar types of information. Violation of export/import laws can damage U.S. national security and foreign policy objectives and the penalties for violations are severe.

03-01 International Traffic in Arms Regulations (ITAR) Provisions

ITAR controls the export of physical goods, software, information, and technology; restricting the provision of defense articles and defense services and related technical data to "U.S. Persons" unless a license is obtained from the Directorate of Defense Trade Controls (DDTC). An export of covered items or knowledge can be provided physically or materially, in personal conversation or by telephone, or electronically by email, Internet, fax or any other means. Exports require government permission in the form of a license or written approval.

03-02 Foreign Asset Controls

The enforcement of economic and trade sanctions is the responsibility of the Office of Foreign Assets Control (OFAC), under the U.S. Department of Treasury. These sanctions may be imposed against governments, organized groups, businesses, individuals or particular activities that pose a threat to the national security, foreign policy or economy of the United States. Types of sanctions include: Anti-terrorism sanctions, Non-proliferation sanctions, Narcotics Trafficking sanctions, and country or item specific sanctions.

03-03 Anti-Boycott Provisions and Trade Agreements

During the mid-1970's, the United States enacted two laws that seek to counteract the participation of U.S. citizens in other nation's economic boycotts or embargoes. These "anti-boycott" laws are amendments to the Export Administration Act (EAA) and the Ribicoff Amendment to the 1976 Tax Reform Act (TRA). These laws require U.S. firms to refuse to participate in foreign boycotts that the United States does not sanction, therefore preventing U.S. companies from being used to implement foreign policies of other nations which run counter to U.S. policy.

03-04 Export Administration Regulations (EAR) Provisions

An export includes an actual shipment or transmission of items out of the United States, a re-export (from one foreign country to another), or a release of technology or software subject to the EAR to a foreign national or in a foreign country. An export of covered items, technology, or software can be provided physically or materially, in personal conversation or by telephone, or electronically by email, Internet, fax or any other means.

04-00 Conflict of Interest – General

Navistar Defense has many customers, suppliers, and other business partners, all of whom are important to the success of our company. All of these relationships must be based entirely on sound business decisions and fair dealing. Business courtesies can build goodwill, but they can also create a perception of conflict of interest that can undermine the integrity of our relationships.

04-01 Recruiting or working with Former Government Officials

Former and current Government officials often will seek employment in the private sector with government contractors. In addition, many contractors may recruit current and former Government officials for employment due to their experience and knowledge. While there is nothing inherently wrong with the recruiting and hiring of former and current Government officials, we must be careful to avoid any actual or perceived

conflicts of interest, and be sure to follow the applicable guidelines when either contacting, or being contacted by former or current Government officials.

05-01 Handling of Classified Materials

Navistar Defense has a special obligation to comply with government laws and regulations that protect U.S. Government classified information, protect our nation's security, and safeguard our nation's secrets. When Navistar Defense personnel have been granted security clearances and have necessary access to classified information, we must ensure that the information is handled in strict accordance with applicable U.S. government regulations and procedures for safeguarding classified information including applicable agency procedures. When we are in possession of classified information, we must take appropriate precautions to avoid unauthorized disclosure.

05-02 Department of Defense Priority Ratings

Under FAR Subpart 11.6, which implements the Defense Priorities and Allocations System (DPAS), a supplier is required to give precedence to a rated order and deliver the goods in a required time period. A rated order is identified by a priority rating consisting of the rating— either DX or DO—and a program identification symbol. DX rated orders always take precedence over DO rated orders.

05-03 US Government Audits and Examinations

Pursuant to the terms and conditions of some types of contracts with the US Government, Navistar Defense agrees to the examination of certain financial records and cost data during audits and examinations. In those cases, cooperation is to be extended to U.S. Government representatives to facilitate the timely and efficient performance of examinations required by and occurring as a result of the terms and conditions of such contracts.

05-04 Labor Charging

Navistar Defense employees have the responsibility to ensure that their labor hours, travel, material, and other expenses are recorded timely, honestly, accurately and in accordance with Navistar Corporate and Navistar Defense policies and procedures.

When you sign your timecard, either manually or by reporting your time electronically, you are certifying that the timecard or electronically reported time accurately reflects how your time was utilized at work. Navistar Defense employees charging to U.S. Government contracts must be particularly careful to ensure that hours worked and costs expended are allocated to the account for which the work and costs were in fact incurred. Improper shifting of costs from one contract to another, improper charging of non-contractual time to contracts, improper charging of labor and/or materials and the falsifying of time are strictly prohibited.

05-05 Records Management

Navistar Defense employees are responsible for the integrity and accuracy of Navistar Defense's documents and records. The integrity, accuracy and retention of documents and records are necessary to comply with regulatory and legal requirements and to ensure records are available to support Navistar Defense's business practices and actions. No one may alter or falsify information on any record or document. No one may ever destroy a document and/or record in an effort to deny governmental authorities that which may be relevant to a government investigation.

05-06 Combating Trafficking in Persons

Navistar Defense is opposed to human trafficking and forced labor in any form. We are committed to working to mitigate the risk of human trafficking and forced labor in all aspects of our business. The US Government has a zero-tolerance policy regarding any Government employees, contractor personnel and their agents engaging in any severe form of trafficking in persons, to include sex trafficking or the recruitment, harboring, transportation, provision or obtaining of a person for labor or services through the use of force, fraud, or coercion. Navistar Defense Personnel and our agents are required to comply with the provisions contained in the proposed FAR amendments strengthening protections against trafficking in persons, available at 78 FR 59317, issued September 26, 2013 and Executive Order 13627, "*Strengthening Protections Against Trafficking in Persons in Federal Contracts*" and implementing regulations. To the extent the FAR, the Executive Order and this policy differ in their requirements, the stricter requirements must be followed.

06-01 Reporting Suspected Violations

Government contracting policies and controls are in place throughout Navistar Defense as safeguards to ensure compliance with Government contracting statutes and regulations. No matter how well these policies and controls are communicated and enforced by Navistar Defense employees, there may be instances where controls are circumvented and violations of statutes, regulations and/or Navistar Defense policies occur (hereinafter referred as an "**Irregularity**"). When a Navistar Defense employee discovers or has reason to believe that an Irregularity has occurred or is occurring, the employee will have certain obligations to Navistar Defense to report such actual or suspected Irregularity.

06-02 Non-Retaliation Policy

Navistar Defense will not tolerate retaliation against anyone who with good faith makes a report of an Irregularity or suspected Irregularity under the Navistar Defense Code of Conduct. Any such retaliation would be a serious violation of the Code of Conduct and grounds for immediate corrective action, which may include termination of employment and in some cases imposition of criminal or civil liability. If you become aware of a

potential violation of this Non-Retaliation policy, it must be reported immediately to either the Navistar Defense Compliance Officer, the Navistar hotline at 1-800-247-2124, or by calling The Network at 1-800-241-5689. Allegations of retaliation will be investigated immediately and, if substantiated, will result in appropriate disciplinary action.