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PURPOSE: To establish directives and guidance for complying with the Company’s commitment to conduct its business anywhere in the world free of any bribery and other corruption.

SCOPE: This policy, which includes the appendices listed below, applies to AAR CORP. and all subsidiaries, operating units, joint ventures or other affiliates controlled by the Company (collectively, “Company”), as well as to all directors, officers and employees of the Company.

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All appropriate provisions of this policy shall apply by written agreement to contractors, consultants, customs brokers, distributors, freight forwarders, professional advisors, sales representatives and suppliers, offset brokers, as well as joint venture and other business partners, who act as agents or representatives of the Company while performing services for, in conjunction with, or on behalf of, the Company (collectively, “Third Party Representatives”).

With respect to entities where AAR holds a non-controlling ownership interest, AAR will use best efforts to ensure that such entities adopt and maintain appropriate controls and take steps necessary to comply with applicable anti-corruption laws.

POLICY: The Company does not tolerate any form of bribery or corruption in the conduct of Company business. While conducting Company business, all directors, officers, employees and Third Party Representatives must fully comply with:

- All applicable anti-corruption laws, including but not limited to the U.S. Foreign Corrupt Practices Act (“FCPA”), the U.K. Bribery Act (“UKBA”) and other local anti-corruption laws (collectively, “Anti-Corruption Laws”);

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- All applicable Company policies and procedures, including but not limited to this Policy (1.05.001) and AAR CORP. Standards of Business Ethics and Conduct Policy (1.07.001); and
- The Company’s Code of Conduct.

In particular, all directors, officers, employees and Third Party Representatives are prohibited from authorizing and/or directly or indirectly offering, giving, soliciting or receiving, either for themselves or on behalf of the Company, any form of *bribe, kickback, other corrupt payment or anything of value*, to or from any person or organization in order to obtain or retain business for the Company, direct business to another entity or person, and/or to secure any *improper advantage* for the Company.

Because the FCPA expressly prohibits bribery of non-U.S. *government officials*, business with non-U.S. governments carries special risks and requires particular attention. However, the UKBA as well as other laws in the U.S. and in many countries where the Company operates or where its products are sold or sourced also prohibit the bribery of domestic public officials and bribery of commercial organizations and private individuals. Therefore, all forms of bribery while conducting any Company business is prohibited.

This policy applies to the actions of all directors, officers, employees and, by written agreement, Third Party Representatives, even though local law or custom in certain countries may permit business standards that are less stringent. At times, compliance with this policy may place the Company in a noncompetitive position. However, compliance with this policy and its underlying values of honesty and integrity is more important to the Company than any business which may be lost.

Facilitating Payments. While the FCPA does not prohibit payments to certain non-U.S. *government officials* to expedite or secure the performance of routine, non-discretionary government actions, these “facilitating payments” still constitute a compliance risk because they are considered to be bribes in violation of the UKBA and many other local Anti-Corruption Laws. Therefore, the Company prohibits its directors, employees and Third Party Representatives from making any facilitating payments on its behalf and will not make reimbursements for them. For purposes of this provision, legally mandated fees payable directly to governmental agencies—and not to individual government officials –for expedited administrative services are not considered prohibited facilitating payments if such fees are established in an open and transparent manner and if a proper receipt is provided.

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Penalties

The Company has **zero tolerance** for bribery or corruption. Violations of this policy may result in disciplinary action up to and including termination of employment or engagement. In addition, violations of Anti-Corruption Laws may subject individuals and the Company to civil and criminal penalties. Individuals are subject to criminal liability under the FCPA regardless of whether the Company has been found guilty or is prosecuted for a violation of that law. The FCPA also prohibits the Company from reimbursing employees and Third Party Representatives for the amount of any fines imposed on them for violating the FCPA.

Responsibility

The Company's General Counsel and Chief Compliance Officer are jointly responsible for ensuring compliance with this policy and, more generally, for implementing, managing, and ensuring the effectiveness of AAR's anti-corruption compliance program.


PROCEDURES:

The following procedures have been established to implement the policy stated above:

A. Key Compliance Risk Areas


Directors, officers, employees and Third Party Representatives must comply with requirements for prior written approvals, due diligence, accounting and recordkeeping as stated in the procedures cited below for each of the following key compliance risk areas:

1. Allowable Payments and Other Things of Value. In some very limited circumstances, directors, officers, employees and Third Party Representatives may (i) make certain types of payments to, (ii) provide certain other items of value to, and/or (iii) accept certain other items of nominal value from, *government officials* and commercial business contacts without violating the Anti-Corruption Laws or this policy. Such payments or other items of value are listed below along with references to the respective detailed procedures that directors, officers, employees, and Third Party Representatives must comply with:
 - a. Personal Safety Payments. Under most Anti-Corruption Laws, bribes are not defined to include payments that are made to *government officials*

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when employees (or their traveling companions) face imminent threats of harm to their health, safety, or physical or mental well-being. Consequently, in order to ensure any such payments qualify for this narrow exception, the payments may only be made pursuant to the conditions and in accordance with the procedures stated in paragraph 1 of Appendix B.

- b. Payment for or Reimbursement of Travel Expenses for Government Officials and Other Business Partners.** Paying for travel expenses for government officials and other commercial business partners does not constitute a bribe if the expenses are (i) reasonable in amount and (ii) incurred in connection with promoting the Company's products or services or performing a particular contract. The guidelines for paying such expenses under this narrow exception are stated in paragraph 1 of Appendix B and Appendix F - Procedure for Providing Gifts Meals and Entertainment or Travel to Non-U.S. Public Officials.
- c. Gifts and Hospitality.** The exchange of gifts or hospitality, including entertainment, with government officials and/or current or potential customers and suppliers is severely restricted under the Anti-Corruption Laws, many other laws in the U.S. and abroad, and this policy. More specifically, gifts or hospitality must not be (i) given to government officials and/or to current or potential customers and suppliers, and/or (ii) accepted by employees or Third Party Representatives unless the gifts or hospitality comply with the guidance provided in sections 7 and 8 of Policy 1.07.001 – AAR CORP. Standards of Business Ethics & Conduct and Appendix F - Procedure for Providing Gifts Meals and Entertainment or Travel to Non-U.S. Public Officials.
- d. Political Contributions and Charitable Donations.** Under no circumstances will any money, assets, property, or other thing of value of the Company be contributed, loaned, or made available to any non-U.S. candidate, party, or political committee. The Company may make charitable donations in accordance with Appendix B (see page 14) of this policy. Under no circumstances may a charitable donation be made at the suggestion, request, or behest of any public official or any other party to obtain any improper advantage or to a charity owned, controlled, or connected to a public official or another other party. Before making a charitable donation, you must ensure that such donation complies with the requirements of this policy. Any political contributions must be made in


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accordance with AAR's Political Participation, Lobbying, and Contributions Policy.

2. **Acquisitions and Joint Ventures.** The Company can be liable for anti-corruption violations committed by an acquired company or a joint venture partner regardless of whether such violations occur before and/or after the closing of the transaction. Thus, appropriate anti-corruption due diligence of the target company's or joint venture partner's anti-corruption practices should be performed in accordance with the procedures set forth in Appendix C.

Before the Company closes on the acquisition of an entity or on a joint venture transaction, the applicable Group Vice President, after consulting with the General Counsel, must ensure that appropriate accounting practices and internal controls exist or will be implemented at the target entity or joint venture in order to facilitate its compliance with the Anti-Corruption Laws and this policy.

3. **Engagement of Suppliers, Service Providers, and Third Party Representatives.** The Company can be liable for violations of Anti-Corruption Laws that are committed by suppliers, service providers, consultants, and Third Party Representatives. Accordingly, the Company must (i) perform appropriate due diligence on suppliers, service providers, and Third Party Representatives, and (ii) implement contractual protection and other controls in accordance with the procedures stated in Appendix C.
4. **Offsets.** Offset transactions represent a corruption risk because they give foreign government officials the opportunity to direct resources from the Company to a project that might benefit them or other foreign government officials or their families personally. The offset itself could function as a bribe or an offset contract could be inflated to mask the existence of bribes, enabling money or assets to be siphoned off from an offset project. To address this risk and to prevent corruption or bribery in the Company's offset transactions, the following is required:
 1. Risk-based due diligence will be conducted on all offset brokers and other third parties involved in putting together and implementing offset projects for the Company in accordance with the due diligence procedures set forth in this policy for Third Party Representatives. This due diligence will ensure, among

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other things, that the beneficial ownership¹ of all such offset brokers and other third parties is identified;

2. Risk-based due diligence will be conducted on all proposed offset projects by the employee seeking approval of the project under the direction of the Law Department to ensure that the beneficial ownership of the beneficiaries of any such proposed projects and any conflict of interest risks associated with them are identified and addressed and that the offset project has a legitimate business rationale. All proposed offset projects must be approved in writing by the applicable business unit(s) counsel (“Lead Counsel”) and the General Counsel or his or her designee.
3. The business unit responsible for implementing the offset project will monitor compliance with the Anti-Corruption Laws for the duration of the project to ensure that the Company's investment in the project is being properly used for the stated purpose of the project and is not being misdirected or used for an improper purpose. This ongoing monitoring will be conducted under the supervision of the business unit's Law Department in coordination with the CCO.
5. **Accounting and Recordkeeping.** Under the FCPA, even if no bribery occurs, the Company can be liable if it fails to maintain (i) accurate books and records, in reasonable detail, and (ii) an adequate system of internal accounting controls. Therefore, in addition to any other accounting or internal control stated above and/or in other procedures the Company may issue from time to time, employees and Third Party Representatives must comply with the minimum accounting and recordkeeping requirements stated in Appendix D.

B. Training

All directors, officers, and employees of the Company and all of its wholly-owned subsidiaries are required to complete annual training on compliance with the Anti-Corruption Laws as determined by the CCO in consultation with the General Counsel. Annual training on compliance with the Anti-Corruption Laws will be assigned by the CCO in consultation with the General Counsel to relevant directors,

¹ “Ultimate beneficial owner refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.” See *Financial Action Task Force*, <http://www.fatf-gafi.org>

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officers, and employees of the Company and all of its wholly-owned subsidiaries. This training will be provided to all employees in all business units and countries of operation in all appropriate languages to ensure full understanding of the requirements, including whistleblowing. The training will be risk-based and tailored to address the responsibilities of directors, employees in high-risk positions, and middle management, including those employees:

- Contacting commercial or government customers in order to obtain or retain business;
- Interfacing with government officials (e.g. customs, immigration, or tax officials, inspectors, regulators) in order to obtain or retain certificates, licenses, permits, registrations, or other results necessary for the company's operations;
- Engaging and/or overseeing Third Party Representatives; and/or
- Approving or authorizing payments to, transactions with, or expense reimbursements of the aforementioned employees and/or Third Party Representatives.

Such tailored training also will include personnel in executive management, marketing/business development/sales, program or project management, as well as certain employees in finance, contracts, trade compliance, supply chain and logistics. The training will occur at the beginning of their employment with the Company and annually thereafter. The GC, CCO or his or her designee will work with Human Resources to review the effectiveness of this training program on an annual basis, and update and strengthen it as may be necessary or appropriate.

Annual training of Third Party Representatives on compliance with the Anti-Corruption Laws in a form determined by the CCO will be conducted under the direction of the CCO.


C. Reporting

1. Questions

Any questions regarding compliance with the Anti-Corruption Laws and/or any real or apparent inconsistency between such laws must be referred to the CCO or his or her designee for resolution.

2. Receipts of Bribery Requests

Any employee, officer, director or agent of the Company who receives (i) a direct or indirect solicitation for a bribe from any person or business entity, or (ii) a request to otherwise to violate this policy or the Anti-Corruption Laws, shall

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immediately reject such request and explain that the Company's policy prohibits any such consideration, and report the details (who, what, date, time, place, etc.) of such demand, solicitation or request, in writing, to the Chief Compliance Officer immediately.

3. Quarterly Certifications of Compliance with this Policy


As part of their respective Quarterly Financial Statement Representation Letters submitted under Policy 3.06.003 - Internal Accounting Control Policy, each business unit must certify that it has complied with this policy and must identify any instances of non-compliance or violations of this policy. This certification shall be provided to the Audit Committee of the Board of Directors, the General Counsel, and the CCO.

4. Anti-Corruption Risk Assessment Procedure

The Chief Compliance Officer and General Counsel shall present to the Audit Committee an Anti-Corruption Risk Assessment based upon corruption risks identified by Chief Compliance Officer through consultation with the General Counsel, Chief Financial Officer, Controller, Vice President of Supply Chain, Director of Internal Audit, and the head of every business unit of the Company. This Anti-Corruption Risk Assessment must be presented to the Audit Committee not less than annually. The Chief Compliance Officer may make additional risk assessment reports to the Audit Committee as circumstances may warrant based upon changes to the Company's business operations, products and services, merger and acquisition activities, business partners, geographical markets, or other significant business developments. The purpose of the risk assessment is to ensure that the Company's anti-corruption policies and procedures are and remain adequate to address the anti-corruption risks faced by the Company in a dynamic global business environment.

The Anti-Corruption Risk Assessment will be taken into account in determining appropriate markets for the Company's products and services and will inform the decision on any necessary additional controls to help ensure compliance or the decision to avoid or refuse business in certain high-risk countries.


5. Corporate Internal Audit

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In accordance with its annual audit plans, Corporate Internal Audit will periodically assess or audit internal controls across the Company to ensure compliance with this policy and the Anti-Corruption Laws. Such assessments or audits will be conducted not less than annually and corrective actions will be taken to strengthen the Company's anti-corruption compliance program when weaknesses or areas requiring improvement are identified. The findings of Corporate Internal Audit and the corrective actions taken will be reported to the Audit Committee of the Board of Directors by the Director of Internal Audit and the Chief Compliance Officer.

6. Violations

Any director, officer, employee, or Third Party Representative who suspects or becomes aware of any violation of this policy must report it to appropriate representatives of the Company (supervisor, senior officer, General Counsel, or the CCO). As stated in AAR's Ethics Hotline Policy (1.14.001), these reports may also be made confidentially and anonymously (where permitted by law) via the AAR Ethics Hotline ("Hotline") which is operated by EthicsPoint, a third party provider. The AAR Ethics Hotline can be accessed at aar.ethicspoint.com. **The Company prohibits retaliation against anyone who reports potential or actual misconduct in good faith.**

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APPENDIX A


Definitions of Terms Shown in Italics

1. **What Are Bribes, Kickbacks & Other Corrupt Payments or Anything of Value?**

i. **Bribes**

Some key concepts regarding bribes are as follows:

- Bribes can generally be described as an offer or receipt of any payment, gift, loan, fee, reward, or something of value, to or from any person, as an improper inducement to do something, to refrain from doing something, or to influence a decision.
- Bribes can be made both in the public sector (e.g. bribing a government or public official to induce him or her to act in a particular way) and in the commercial sector (e.g. bribing an employee of another company to cause him or her to award a contract or give some other benefit to the Company).
- Bribes can be made via offers or payments that are made by a third party on the Company's behalf.
- While the FCPA prohibits only the offer or payment of bribes, the UKBA and other Anti-Corruption Laws also prohibit the solicitation or receipt of bribes.
- There are no immaterial bribes (i.e. even low value bribes are illegal if made with improper intent).
- Bribes are still illegal, even if an offer is not accepted or if a payment does not achieve the desired outcome.
- Bribes may come in many different forms including, but not limited to, the following:
 - Cash, cash equivalents (e.g. gift cards) or loans;
 - Payments for unreasonable travel, entertainment or other hospitality;
 - Promises or offers of employment or internships for an individual and/or his/her family member(s) or close friend(s);
 - Use of Company facilities, services or assets at no charge;
 - Lavish gifts, entertainment, or recreation on behalf of the Company (e.g. perfume, jewelry, use of club memberships), whether such items were paid for with Company or personal resources;

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- Donations to a charity affiliated with or sponsored by any person who is in a position to act or make a decision in favor of the Company (including such person’s family members or associates); and
- Political contributions to political parties or candidates.

ii. Kickbacks


Kickbacks are a particular kind of bribe that occur when a seller agrees to return part of an item’s purchase price to the buyer in order to induce the buyer to purchase that item to or to improperly influence the buyer’s decisions on future purchases. For example, an unethical supplier might agree to pay a purchasing manager some amount of money in exchange for the purchasing manager’s award of a supply contract to the supplier.

iii. Other Corrupt Payments or Anything of Value

Other corrupt payments may include but are not limited to commissions, loans, rebates, consulting or other service fees and/or special discounts when it is known, or reasonably suspected, that any part of the payment is made or value is given in order to improperly obtain or retain business, receive a favorable decision, or secure any improper advantage.

2. What are some “improper advantages” the Company may not obtain in exchange for a bribe?

Improper advantages are broadly defined to mean something to which the Company is not clearly entitled, such as approval of a price increase, a favorable court decision, or settlement of a tax dispute. Improper advantages obtained from government officials may include, but are not limited to overlooking a violation or tolerating non-compliance with relevant laws (e.g. environmental or worker safety laws); not performing a task that should otherwise be performed in accordance with that person’s duties (e.g. does not conduct a required inspection prior to issuing a permit), reducing customs duties, or granting a favorable tax treatment.


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3. Who is a “government official”?

Under the Anti-Corruption Laws, a government official generally includes any officer or employee of a government, or any department, agency or instrumentality thereof. However, under the FCPA, a government official is more broadly defined to include:

- Any employee (including low-level employees and officials) of any branch of state, local, or federal government, including the judiciary, appointed as well as elected officials, the police and the military, and employees of government-owned or government-controlled enterprises (e.g. airlines) and private citizens who act in an official government capacity; and
- Political parties, party officials and political candidates, as well as officials and employees of public international organizations, such as the United Nations, International Red Cross, and World Bank.

With respect to government-owned and government-controlled enterprises, the percentage of ownership is just one of several factors that the U.S. government will consider in assessing the status of an entity under the FCPA. Enforcement authorities will also consider such factors as the foreign country’s own characterization of the enterprise and its employees, i.e., whether the foreign country prohibits and prosecutes bribery of the enterprise’s employees as public corruption, the purpose of the enterprise, and the degree of control exercised over the enterprise by the foreign government. Accordingly, even where the foreign government owns less than 50 percent of an enterprise, if it can exercise effective control over the enterprise (e.g. control of the board of directors or governing body), the enterprise may be regarded as an instrumentality of government.

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APPENDIX B

Allowable Payments and Other Things of Value

The Anti-Corruption Laws contain some narrow exceptions whereby the Company may authorize the following payments and other things of value under the circumstances stated below:

1. Personal Safety Payments


The Company recognizes that its employees operating outside of the U.S. may confront situations where payment is demanded from government officials in order to avoid physical harm or damage to the employee's (or his or her traveling companions') health or mental well-being. In these very limited circumstances, "Personal Safety Payments" may be made. Examples include payments made under the following circumstances:

- Being stopped by persons claiming to be police, military, or paramilitary personnel, who demand payment as a condition of passage of persons;
- Being threatened with imprisonment for a routine traffic or visa violation unless a payment is made; and
- Being asked by persons claiming to be security personnel, immigration control, or health inspectors to pay for (or to avoid) an allegedly required inoculation or similar procedure.

Only under these or similar circumstances, and only where there is an imminent threat to the health or safety of Company personnel (or their traveling companions), may a Personal Safety Payment be made without prior approval.

If the need for a Personal Safety Payment can be anticipated, or if circumstances permit, the General Counsel, CCO or his or her designee should be consulted before making any payment.

After a Personal Safety Payment is made, and as soon as possible (but no more than seven days) after the danger has passed, the payment must be reported to the General Counsel or his or her designee and on an expense report, reflecting accurately the amount paid, the recipient, the means of payment, and the circumstances under which the payment was made. The General Counsel or his or her designee will investigate and document the circumstances surrounding the Personal Safety Payment and work with Finance to ensure that the payment is promptly and accurately recorded in the Company's books and records.

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2. Travel Expenses


Payment for or reimbursement of travel expenses for government officials or to employees or other agents of commercial business partners is permissible provided that the payment of such expenses:

- Is not prohibited by law or any internal rules of the applicable agency or employer;
- Is not intended as an incentive for, or in exchange or as a reward for, obtaining or retaining business or an improper business advantage for the Company;
- Such travel is directly related to a bona fide and legitimate business purpose (such as demonstration of the Company's products and services or the execution or performance of a customer contract);
- Such travel has been disclosed to and approved by the applicable agency or private employer of the traveler(s);
- The individual travelers whose expenses will be paid for by the Company are selected by their respective agencies or private employers (not the Company);
- The value of such travel is reasonable (in terms of expense, the number of travelers, and frequency);
- Such travel is consistent with guidelines for employee travel and is otherwise appropriate under the circumstances so as not to create an appearance of impropriety;
- Tourist and entertainment excursions are not paid for by the Company;
- Expenses for family members of the officials, employees or agents are not paid for by the Company;
- Cash (including per diem allowances) are not given to the travelers and, whenever feasible, payment for travel expenses is made directly to the service providers or to the applicable agencies or private employers; and
- The travel expenses are promptly and accurately recorded in the Company's books and records.

Use of Company aircraft to transport government officials is prohibited unless prior written authorization is obtained from the General Counsel.

3. Charitable Donations


Under no circumstances shall a charitable donation by or on behalf of the Company be promised, offered, or made to obtain an improper advantage. All charitable donations must be approved in writing by an AAR CORP. Corporate Officer. Employees shall include a

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record of said written approval when seeking reimbursement or requesting payment for such contribution. Additionally, charitable donations by or on behalf of the Company may not be made (i) at the suggestion, request, or direction of any government official or (ii) to a charity owned by, controlled by, or connected in any way to a government official without written pre-approval from the General Counsel or CCO. Before authorizing a donation, the General Counsel or CCO must conduct sufficient due diligence to confirm that none of the money or other items donated by the Company will be paid or used, directly or indirectly, to obtain or retain any business or improper advantage for the Company. The Company makes charitable donations only to tax-exempt 501(c)(3) organizations as recognized by the United States Internal Revenue Service. For charitable donations to organizations incorporated outside the United States, Employees should verify with the Law Department that charitable donations are similarly tax-exempt prior to making the donation.

All charitable donations are provided by or on behalf of the Company, the donations must also meet the following criteria:

- All donations be approved in writing by an AAR CORP. Corporate Officer. Employees shall include a record of said approval when seeking reimbursement or requesting payment for the donation.
- The donations must not violate any applicable governmental policies or any applicable local laws or regulations; and
- The donations must be recorded promptly, fully and accurately on the Company's financial books and records.

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APPENDIX C

Due Diligence Requirements for Suppliers, Service Providers and Third Party Representatives


1. Background & Purpose of Due Diligence Requirements

Suppliers and service providers perform critical roles for the Company; but, there is a risk that kickbacks and other bribes may be exchanged in connection with transactions between the Company and the suppliers and service providers. Additionally, the Company can be legally liable for and/or incur damages to both its reputation and financial performance from other corrupt activities committed by suppliers and service providers. Some of the more significant acts of corruption by suppliers and service providers that may involve and/or be associated to the Company include procurement fraud, bypassing health and safety requirements, violations of human rights and labor laws, avoiding required licenses and permits, and evading tax liabilities.

Similarly, in many instances, the use of a local Third Party Representative (e.g. sales representative, consultant, distributor or joint venture partner) is an essential element of doing business in a foreign country. However, the Company's risk of being held liable for the corrupt activities of Third Party Representatives can be even greater than for other suppliers and service providers. Many Anti-Corruption Laws prohibit the Company's use of Third Party Representatives to make payments that would otherwise violate the laws if the payments were made directly by the Company. Under the FCPA, the Company is responsible for the actions of Third Party Representatives when they are working on behalf of the Company and the Company knows, or consciously disregards a high probability, that the Third Party Representatives will offer or make a bribe and the Company fails to take steps to prevent the bribe.

Additionally, under the UKBA, the Company can be liable if (i) the Company fails to take adequate steps to prevent bribery when hiring agents, and/or (ii) any person or entity that performs services for or on behalf of the Company bribes another person in order to obtain or retain business or an improper business advantage for the Company. Such persons or entities performing services for or on behalf of the Company include not only the Company's own employees and subsidiaries, but also Third Party Representatives.

Therefore, employees must conduct appropriate due diligence and monitoring of all suppliers, service providers, and Third Party Representatives prior to and after engaging them. The results of the due diligence must be documented and maintained on file. What is "appropriate" due diligence must be determined by the General Counsel or his or her

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designee, working in conjunction with the functional employee(s) who will engage the suppliers, service providers, and Third Party Representatives.

At a minimum, factors that must be considered in determining the level of risk that bribery and other forms of corruption could occur with a given supplier, service provider or Third Party Representative include, but are not limited to:


- The level of corruption where the supplier, service provider, or Third Party Representative is located and, if different, where goods or services for the Company will be provided based upon Transparency International's most current Corruption Perceptions Index;
- The relative size of the supplier, service provider, or Third Party Representative, its reputation for integrity and ethical conduct, and evidence of its own anti-corruption compliance program;
- Whether or not the supplier, service provider or Third Party Representative is part of a large multi-national entity that is subject to and familiar with FCPA, UKBA, and/or Sarbanes/Oxley requirements;
- The monetary value of the applicable transaction(s); and
- The presence of one or more of the “red flags” shown in Appendix C-1.

2. Due Diligence Requirements

Employees who want to engage or renew a supplier, service provider, or Third Party Representative must perform due diligence in coordination with the Law Department and the General Counsel or his or her designee, using a risk-based approach that includes the following steps:

a. Watch List Screening Requirement for All Suppliers, Service Providers, and Third Party Representatives

The employee who wants to engage or renew a supplier, service provider, or Third Party Representative (“Sponsor”), must collect information about the party, such as full legal names, trade names, beneficial owners, officers, and key employees and work with Trade Compliance and the Company’s CCO or his or her designee, to screen the entity and individuals against U.S. and applicable foreign government watch lists using online services the Company subscribes to, such as MK Denial, OCR Ease, Red Flag Group, and/or Thomson Reuters World Check. The purpose of such screenings is to determine if any of the parties (i) are subject to sanctions, and/or (ii) have a history of illegal activities, including

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corruption. The Trade Compliance and/or Law departments must be contacted in the event the screening results show any matches to the watch lists and further actions with the applicable supplier or service provider must stop until the match is resolved.

For the engagement and the renewal of suppliers, the Company's Global Supply Chain will be responsible for ensuring that the foregoing due diligence screening, which shall be risk-based as described below, has been satisfactorily completed and that ongoing monitoring and oversight of suppliers is being conducted in coordination with the CCO.


Such screenings must be performed prior to engagement or renewal, and prior to making any payments to the supplier, service provider, or Third Party Representative. Each supplier, service provider, or Third Party Representative must also be periodically screened after engagement in order to monitor any changes in the party's status on the applicable watch lists and otherwise. Such periodic screenings shall be risk-based but shall be conducted at least annually.

b. Additional Due Diligence Requirements for Third Party Representatives.


Prior to engaging or renewing suppliers, service providers and joint venture and other business partners who will serve as Third Party Representatives of the Company, risk-based anti-corruption due diligence **must be conducted** to determine whether there is a reasonable risk that the potential Third Party Representative could pay, authorize, or accept bribes to or from government officials, commercial entities, or private individuals. The due diligence requires fact-collecting on the potential Third Party Representative, including background investigations, as well as consultation with and approval by the Law Department. The extent of the due diligence will vary depending on the risk factors raised by the potential Third Party Representative. Primary responsibility for fact-collecting on the potential Third Party Representative rests with the Law Department. In the case of performing due diligence on AAR's suppliers, this responsibility will reside in AAR's Procurement Department.

Due diligence on potential Third Party Representatives should seek to determine and document that:

- There are no concerns about the potential Third Party Representative's integrity (e.g. allegations that the potential Third Party Representative has been involved in improper conduct and/or has improper connections to government officials or employees of other customers);

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- No red flags of the type illustrated in Appendix C-1 have arisen in the course of due diligence that have not been addressed to the satisfaction of the Law Department;
 - The use of the potential Third Party Representative is necessary to perform a legitimate business function and the potential Third Party Representative has the appropriate expertise and resources to provide the services for which they are being retained;
 - The proposed compensation is reasonable and proportionate for the services to be performed by the potential Third Party Representative and is lawful under the laws of the country where the services are to be performed; and
 - The potential Third Party Representative has its own anti-corruption procedures that prohibit foreign and domestic bribery and facilitating payments, is aware of applicable Anti-Corruption Laws and the Company's anti-corruption policies and Code of Conduct, and has agreed to comply with them in performing its services on behalf of the Company. The Company will require the contractual flow-down of these anti-corruption compliance requirements by its suppliers and subcontractors to lower-tier subcontractors throughout its supply chain.
 - The highest risk Third Party Representatives, suppliers, and service providers will be subject to enhanced due diligence, as determined by the Chief Compliance Officer or his or her designee.
- c. **Refreshing Due Diligence.** Due diligence on all Third Party Representatives will be refreshed by the Sponsor who wants to continue using such Third Party Representative. Renewal of such Third Party Representative's information on file shall be to the satisfaction of the Law Department, and such refresh shall occur between month 25 and month 36 since initial submission of information on the Third Party Representative or from the previous renewal of such Third Party Representative's due diligence information, provided, however, on a case by case basis, the Law Department may specify an earlier or later refresh of a Third Party Representative's information at its sole discretion.


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i. Specific Due Diligence Requirements for Third Party Representatives:

Contracted Sales Representatives: Employees who wish to engage or renew a third party (i.e. not an AAR entity or employee) to represent one or more AAR entities to, and promote AAR’s products/services to, specific customers or to customers in a specific territory must consult with the Company’s CCO or his or her designee to ensure that the due diligence requirements set forth below have been satisfactorily performed prior to engaging the contracted sales representative.

Factors that will be considered by the CCO or his or her designee in determining the level of risk for bribery and other forms of corruption to occur with a given potential Third Party Representative include, but are not limited to:

- a. The level of corruption based on Transparency International's most current Corruption Perceptions Index where the potential Third Party Representative is located and, if different, where services for the Company will be provided;
- b. The relative size of the potential Third Party Representative, its reputation for integrity and ethical conduct, and evidence of its own anti-corruption compliance program;
- c. Whether or not the potential Third Party Representative is part of a large multi-national entity that is subject to the FCPA, UKBA, and/or Sarbanes/Oxley compliance;
- d. The degree to which the potential Third Party Representative will interface with non-U.S. government officials on behalf of the Company; and/or
- e. The presence of one or more of the “red flags” shown in Appendix C-1.

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Due diligence steps for contracted sales representatives and other Third Party Representatives upon retention and renewal will include:

- Completion of questionnaires to obtain information about the potential Third Party Representative's beneficial ownership, experience, affiliations, and ability to meet key compliance requirements.
- Verify information provided on the questionnaire;
- Interviews with the potential Third Party Representative and/or visits to the potential Third Party Representative's offices;
- Research regarding local anti-corruption laws, levels of corruption and the most common types of corruption in the country where the potential Third Party Representative is located and, if different, where the Third Party Representative will perform services for the Company; and
- Where determined by the CCO or his or her designee to be necessary, investigations by independent parties in the home country or the country where services will be performed to determine the extent to which the potential Third Party Representative has previously complied with local laws, licensing requirements, and regulations.

3. International Joint Ventures

Any joint venture agreement with an international partner in connection with an international business opportunity must be approved in writing by the business unit's Law Department, the CCO, and the General Counsel before the agreement is entered into. Before providing approval, Lead Counsel, CCO and General Counsel must ensure that adequate risk-based anti-corruption due diligence has been conducted on the proposed international joint venture partner, including determining the beneficial ownership of the partner company, and that the joint venture agreement contains adequate Anti-Corruption Law-compliance provisions requiring the joint venture to implement and maintain adequate anti-corruption controls.

The responsible business development personnel will consult with the business unit's Lead Counsel to determine the appropriate level of due diligence based on potential Anti-Corruption Law exposure. At a minimum, the due diligence must include a completed International Business Venture Anti-Corruption Questionnaire. As part of the due diligence process, potential international joint

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venture partners also may be required to complete an Anti-Corruption Law Certification. The business unit Law Department may recommend additional investigation as warranted. The appropriate due diligence must be performed by or under the direction of the business unit's Law Department, with assistance from the responsible business development personnel.


No joint venture with a proposed international joint venture partner may be entered into until the satisfactory completion of Anti-Corruption Law due diligence evidenced by the written confirmation of the business unit's Lead Counsel and the written concurrence of the CCO and the General Counsel. Before providing their concurrence, the CCO and General Counsel will require the satisfactory completion of enhanced due diligence for joint ventures operating in high risk countries or with high risk partners such as state-owned enterprises. They also will seek to ensure that a procedure is in place at the time the joint venture agreement is signed for follow-on due diligence to be conducted on an ongoing basis once the joint venture has been established.

The CCO and General Counsel will ensure that the joint venture agreement will enable the Company to monitor the joint venture's compliance with the Anti-Corruption Laws and help ensure its ongoing compliance. This may be accomplished in various ways, e.g., by the Company appointing the Chief Compliance Officer for the joint venture, having and exercising audit rights, and providing anti-corruption training to the joint venture's personnel.

Due diligence shall be repeated whenever there is a significant change in the business relationship between the partners.

4. Acquisitions

Any proposed acquisition of another company which engages in any international business activity must be approved in writing by the business unit's Law Department, the CCO, and the General Counsel before the agreement is entered into. Before providing such approval, the business unit's Law Department, CCO, and General Counsel must ensure that adequate risk-based anti-corruption due diligence has been conducted on the proposed acquisition target, including determining the beneficial ownership of the target company, and that the purchase and sale agreement contains adequate Anti-Corruption Law compliance representations and warranties from the target company.


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After the acquisition has been completed, the General Counsel or his or her designee are responsible for ensuring that a post-acquisition integration plan has been adopted and is implemented to ensure that the newly acquired company has adopted and implemented appropriate accounting practices and internal controls to ensure its compliance with the Anti-Corruption Laws and this policy.

5. Contractual Protection

All relationships with Third Party Representatives must be covered by written agreements or written certifications that are approved by the Law Department. In general, written agreements should include:

- i. Appropriate representations and warranties that the Third Party Representative will:
 - Comply with all applicable Anti-Corruption Laws and regulations and the Company's anti-corruption policies and Code of Conduct and immediately notify the Company of any violations or potential violations;
 - Notify the Company of any changes to the ownership or control of the Third Party Representative; and
 - Indemnify the Company for any violations of Anti-Corruption Laws by the Third Party Representative.
- ii. A requirement for the Company to pre-approve any subcontracting or assignment of obligations by the Third Party Representative
- iii. A prohibition on making any payment to the Third Party Representative outside the country where the Third Party Representative has its regular place of business or is performing services for the Company;
- iv. A prohibition on making advance lump-sum commission payments to a Third Party Representative before the Company has received payment from its customer and ensuring that commissions are only paid proportionately after the Company receives payment from its customer based on milestones over the course of its contract;
- v. The right for the Company to audit the Third Party Representative's books and records to ensure compliance with such laws and regulations;
- vi. A requirement for the Third Party Representative to cooperate in any investigations by applicable government agencies or by the Company;
- vii. A requirement that any Third Party Representative providing sales promotion services provide detailed written activity reports as a condition of getting paid;

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- viii. A prohibition on the Third Party Representative providing any gifts or hospitality in connection with performing services for the Company without the Company's prior written approval;
- ix. The right for the Company to immediately terminate the engagement upon the Company's reasonable belief that any violation by the Third Party Representative of applicable Anti-Corruption Laws has occurred; and
- x. The right for the Company to terminate the engagement on short notice (30 days) without cause.

6. Ongoing Monitoring

After Third Party Representatives are engaged, the Company must, on an ongoing basis:

- i. Monitor transactions with the Third Party Representatives and their compliance with respective agreement terms;
- ii. Periodically require (not less than every three years) the Third Party Representatives to update questionnaires and written certifications;
- iii. Investigate any changes or concerns in the relationship with each Third Party Representative (e.g. changes in third party ownership or control); and
- iv. Exercise audit rights, as appropriate.

On a periodic basis (not less than annually), the Chief Compliance Officer or his or her designee shall ensure that a risk-based review of a sample of the Company's suppliers, service providers, and Third Party Representatives is performed to determine if any issues are present which would impact (i) the Company's decision to conduct business with the suppliers, service providers, and Third Party Representatives included in the sample, and/or (ii) the due diligence requirements stated above.


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APPENDIX C-1 Due Diligence “Red Flags” *

When conducting due diligence on suppliers, service providers and Third Party Representatives (see Appendix C), the following red flags should be looked for. A “red flag” is a fact or circumstance that serves as a warning that a supplier, service provider or Third Party Representative may act corruptly. It is the responsibility of the employee who observes a red flag to request advice from an attorney in the Law Department on its significance and on the type and extent of due diligence needed to resolve the red flag issues and to work with that attorney to satisfactorily resolve the red flag issues.


Examples of red flags include facts and circumstances which indicate that a supplier, service provider or Third Party Representative:

1. Does not appear to have the required experience, staff, office space or other place of business.
2. Refuses to certify the adequacy of its compliance program and/or to agree to comply with the Company’s policy or applicable Anti-Corruption Laws.
3. Is a shell company or some other unorthodox corporate structure.
4. Has abnormal access to “inside” information.
5. Engages in, or has been accused of engaging in improper business practices.
6. Has a reputation for paying bribes, or requiring that bribes are paid to them, or has “special relationships” with government officials.
7. Was recommended by government regulator or by a potential government or commercial customer.
8. Refuses to reveal details about ownership of the third party.
9. Has a reputation for “getting things done” regardless of circumstances or claims to be able to expedite government actions.
10. Alludes to the need to pay bribes or make facilitation payments in order to conduct business in his or her jurisdiction.
11. Requests political or charitable contributions or other favors as a way of influencing required official actions.
12. Insists on receiving a commission or fee payment prior to committing to executing an agreement with the Company or prior to carrying out a function or process for the Company.
13. Requests payment in cash and/or refuses to execute an agreement or to provide an invoice or receipt for a payment made.

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14. Requests that payment be made to a country or geographic location different from where the third party is located or conducts business.
15. Requests reimbursement of expenses with incomplete supporting documentation.
16. Requests an unexpected additional fee, commission, or bonus to facilitate a service.
17. Demands lavish entertainment or gifts before commencing or continuing contract negotiations or providing services or offers such entertainment or gifts to potential customers without prior approval by the Company;
18. Requests that you provide employment or some other advantage to a friend or relative.
19. Insists on the use of side letters or refuses to put agreed terms in writing.
20. Charges a commission or fee on an invoice which appears out of line with the applicable services.
21. Requests or requires permission to use an agent, intermediary, consultant, or supplier not previously discussed and/or who is closely connected with customers, the government, or a political party, or has been specifically requested by a government official or representative of a customer.
22. Offers you a gift or lavish entertainment.
23. Refuses to grant the Company rights to audit the portion of the third party's books and records which relate to the services performed for the Company.

Note: These are only illustrative examples of red flags. Any event or circumstance that appears unusual or suspicious or makes no legitimate business sense could give rise to a red flag which always must be brought to the attention of the Law Department or the CCO.


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APPENDIX D
Accounting and Recordkeeping Requirements

Under the FCPA, the Company (including foreign subsidiaries and certain joint ventures) is required to maintain books, records and accounts that reflect the Company's transactions and dispositions of assets. The FCPA also prohibits any inaccurate or misleading entries (even entries unconnected with foreign bribery). These requirements apply not only to the Company's financial statements, but also to records kept in the ordinary course of business, including proposed itineraries, expense reports, and receipts to support requests for reimbursement.

Accordingly, directors, officers, employees and, by contract, Third Party Representatives must comply with the following requirements:

- No accounting record or other document related to any transaction shall be falsified in any manner that obscures or disguises the true nature of the transaction;
- No director, officer, employee or Third Party Representative shall engage in any arrangement which results in an inaccurate entry on the Company's books and records;
- No payment on behalf of the Company shall be approved or made when there is an express or implied agreement that any portion of the payment is to be used for any purpose other than as described on the supporting documentation for the payment;
- Undisclosed or unrecorded funds and accounts are prohibited;
- Payments must not be made into anonymous bank accounts or other accounts not in the name of the payee or of an entity known to be controlled by the payee;
- Fictitious invoices, over-invoices, or other misleading documentation must not be used;
- Fictitious entities, sales, purchases, services, loans, or financial arrangements must not be used; and
- Any director, officer, employee or Third Party Representative who suspects the possibility that a bribe, kickback, or over-invoice is associated with a particular receipt or payment, or that an understanding exists that all or a portion of a receipt or payment will be rebated, refunded, or otherwise paid in contravention of the laws of any jurisdiction, must immediately report that suspicion to the Chief Financial Officer or General Counsel. Such report may also be made confidentially and anonymously (where permitted by law) via the AAR Ethics Hotline (aar.ethicspoint.com), which is operated by EthicsPoint, a third party provider.

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APPENDIX E
ILLUSTRATIVE SCENARIOS

The following scenarios are provided to illustrate how employees and Third Party Representatives should conduct Company business in order to comply with Anti-Corruption Laws and this policy.

Scenario 1: A government inspector at one of AAR’s facilities outside the U.S. has discovered a number of small safety violations. He threatens to shut down our facility unless you pay him a fine on the spot.


Analysis: In this instance, contact the Law Department immediately. While we certainly wish to avoid unnecessary bureaucratic difficulties, paying money directly to a government inspector is both improper and likely illegal.

Scenario 2: AAR is seeking to purchase land for a new facility outside the U.S. The land is owned by the local government. A real estate broker informs you that for a commission equal to 25% of the transaction value, he will arrange for the sale of the land through his “connections” with the local government. Do you pay the commission?

Analysis: No. Because of the large amount of the commission, and our knowledge that the broker has close government connections, there are sufficient “red flags” to suggest that this transaction is improper. You should contact the Law Department immediately.

Scenario 3: Upon exiting a country in Africa, you are told by a local immigration official that “your shot card is not in order” and that you will have to immediately be administered a yellow fever shot. However, you are also told your shot card can be put in order for the payment of \$100. You are then taken in a room; a syringe filled with an unknown liquid is pulled out and put in front of you. You are told to roll up your sleeve to receive the shot. Can you pay the \$100 fee?

Analysis: Yes. Because your personal health is at risk in this situation, you could pay the official \$100 because such a payment is considered a personal safety payment. However, as soon as possible (but no more than seven days) after the danger has passed, the payment must be reported to AAR’s Corporate Compliance Officer and the General Counsel and on an expense report, reflecting accurately the amount paid, the recipient, the means of payment, and the circumstances under which the payment was made.

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Scenario 4: A customer asks you to issue two invoices for products sold – one invoice reflecting the actual price, and another invoice reflecting a higher price. The customer will pay the first invoice, and will use the second invoice to justify charging a higher price from its end user. Is this acceptable?


Analysis: No. By issuing a second invoice at a higher price, AAR may be helping a customer engage in misrepresentation or fraud. This could expose AAR to liability, even if it was the customer who used the invoice improperly. (The same holds true if a customer requests AAR to issue a duplicate invoice reflecting a lower price. If the customer used the duplicate invoice to lower its customs duties, AAR may be legally liable for helping that customer evade those duties.)

Scenario 5: A large shipment of AAR’s product is on its way to an important customer in an emerging market. The shipment is held up in customs at the destination because the containers aren’t marked as hazardous as noted on the shipping papers. Because of the delay, we risk missing our delivery date. Our third party freight forwarder tells you he can convince customs officials to overlook the inconsistency for a small fee. Is this a good idea?

Analysis: No. As an AAR employee you are prohibited from making this type of payment, and using the freight forwarder to make the payment is the same as making it yourself. We do not ask another party to do something on our behalf that we are prohibited from doing ourselves.

Scenario 6: You want to hire a consultant to assist in soliciting business from customers, including government-owned entities. The consultant requests a \$100,000 up-front "logistics" fee and a 25% commission on any contracts. The consultant has no particular business experience with AAR's products, but is well known as someone "who gets things done." Should you enter into this business arrangement?

Analysis: Not without additional due diligence and significant contractual protections. Although the arrangement is not illegal on its face, there are red flags in this arrangement which, if left unchecked, will put you and the Company at risk of violating the FCPA or other anti-corruption laws. Be sensitive to unusual up-front payments and/or commissions for third parties, particularly those who will be dealing directly with government entities and who are really selling "access." You may act knowingly for purposes of an FCPA analysis by consciously disregarding facts about third parties which indicate a probability that a corrupt payment will occur. Contact the Law Department for help in conducting due diligence on agents as well as providing appropriate contractual language.

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Scenario 7: You intend to enter into a Joint Venture (“JV”) with a company to bid on a government contract in the Middle East. During contract negotiations the JV partner discloses that it has numerous existing contracts with third parties in countries where there is significant corruption. Some of those third parties are used to "provide introductions" to government officials and the partner claims they are necessary to do business in a particular country. Can you enter into the business arrangement?


Analysis: Not without additional information. Even though the proposed JV partner entered into these third party contracts prior to AAR's involvement, it can still be a problem going forward from a legal and a business perspective. These “paid introductions” could be viewed as corrupt transactions. As a party to the JV, AAR may be subject to liability under the FCPA and other anti-corruption laws -- even though no AAR employee was involved in the corrupt transaction.

From a business perspective, the ongoing operations and value of the business may be adversely impacted if the JV partner or its agent acted corruptly in the past to obtain government business or favorable government decisions. Before entering into the joint venture agreement, contact the Law Department to assist you in conducting due diligence. Through this process, the Law Department may review contracts and other relevant documents, interview key people and develop representations and warranties about the business. This process will help ensure that the third party contracts are not based on a corrupt relationship.

Scenario 8: AAR is seeking to expand its distribution network into a region of India. During the first weeks of that effort, the Company and its local agent have each been asked by a regional official to contribute \$5,000 to help construct a bus depot in a small town. The town has no official bank account, so the Company has been asked to make the contribution in cash directly to the regional official who will in turn award the construction contract. You have learned that the official has his own contracting company, but he has promised not to award the contract to himself. Company’s local agent supports making the contribution, and warns that failing to do so could make it much more difficult to do business in the region.


Analysis: Contributions may not be made in cash to government officials under any circumstances. In addition, the circumstances surrounding this request – the lack of an official bank account, the request to give cash directly to an official, the lack of transparency and openness, the fact that the official would have discretion to award the contract to himself or a friend – present a significant risk that some of the money will be diverted to the official’s personal use. As requested, this contribution is not permissible.

For example, a corrupt official may suggest that before AAR can be considered for awards of business we must agree to contribute to a charity of the official’s choosing. Obtain approval from the Law Department before making any such contribution. We need to insure that the: (a) charity

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is a legitimate charity; (b) payment will not be diverted to or otherwise benefit the official or his family; (c) contribution is transparent and will be properly recorded in our financial records; (d) arrangement complies with all applicable laws; and e) contribution is not given in exchange for a favorable decision by the requestor.

Please contact the Law Department or the CCO for additional, illustrative examples.

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APPENDIX F

PROCEDURE FOR PROVIDING GIFTS, MEALS AND ENTERTAINMENT, OR TRAVEL TO NON-U.S. PUBLIC OFFICIALS

This Procedure should be read and understood in conjunction with the AAR’s Anti-Corruption Policy (No. 1.05.001), as well as AAR’s Code of Conduct, and AAR’s Standard of Business Ethics and Conduct (No. 1.07.001). This procedure applies only to interactions with **non-U.S. public officials**.

AAR has zero tolerance for bribery or corruption. This Procedure will direct AAR Employee’s actions to help ensure compliance with all applicable laws and regulations in the countries where AAR operates or engages in business, including the U.S. Foreign Corrupt Practices Act (“FCPA”) and any other applicable anti-corruption laws.

AAR Employees are *never* permitted to make, promise, or offer gifts, meals, entertainment, travel, or other thing of value to a non-U.S. Public Official with the intent to influence improperly any act or decision of such a person, to induce such a person to violate his or her duties, and/or to secure an unfair or improper advantage. All gifts, meals, entertainment, travel, or other thing of value to a non-U.S. Public Official must be pre-approved by the Law Department consistent with this Procedure. AAR Employees are prohibited from using their personal finances or assets, or third parties, to circumvent this Procedure.


GIFTS

This Section addresses the circumstances under which Employees may provide gifts to non-U.S. Public Officials.

Prerequisites

AAR Employees may give gifts to non-U.S. Public Officials only if **all** of the following requirements are met:

- The gift is under \$25 USD in value, unless a gift of higher value is expressly pre-approved in writing by the Law Department.
- The gift is provided only as a courtesy or token of esteem and could not be viewed as lavish or excessive under local standards and customs.

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- The gift is not in the form of cash, cash equivalent, gift card or certificate, or check.
- The gift is permitted under the laws of the non-U.S. Public Official's country and any other applicable laws and regulations.
- The gift is appropriately approved and documented as required by AAR for reimbursement.

Guidelines


In order to ensure that gifts are appropriate and proper, the following guidelines should also be followed:

- Gifts exceeding \$25 USD to non-U.S. Public Officials must be pre-approved by the AAR's Law Department in writing and in advance.
- Gifts should be given openly, at a time and place that appears appropriate and reasonable, and not in secret.
- Gifts must be appropriate to the occasion under local standards and customs.
- Gifts of promotional items imprinted with AAR's logo (such as candies, pens, coffee mugs, shirts, hats, etc.) are generally appropriate gifts.
- Gifts may not be given to family members or friends of a non-U.S. Public Official.
- The overall frequency of gifts to a non-U.S. Public Official must not exceed 4 gifts in a given year, and the aggregate value of gifts to a non-U.S. Public Official in a given year should not exceed \$100 USD, unless a higher amount is expressly pre-approved in writing by the Law Department.

MEALS & ENTERTAINMENT

This Section addresses the circumstances under which AAR Employees may provide meals and entertainment to non-U.S. Public Officials.

A company employee must be in attendance for an expense to qualify as a business expense. An employee may not provide tickets to non-U.S. Public Officials to attend concerts, the theatre, sporting events etc. unless approved in advance. The company employee must attend the event with the customer.

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The following information must be included on the Expense Report:


1. Amount of expense.
2. Date the expense was incurred.
3. Place (name and location) and nature of the entertainment.
4. Business purpose and nature of business benefit derived or expected to be derived.
5. Name, title or other designation of persons present, sufficient to establish business relationship to AAR.

The most senior member of the group must pay for the meal or entertainment. The approval must be attached to the submitted Expense Report, properly documented with date, place, amount, business purpose and list of attendees and titles.

Prerequisites

AAR Employees may provide **modest** meals and entertainment to non-U.S. Public Officials (*e.g.*, host them for meals, social or sporting events, etc.) only if all of the following requirements are met:

- The meal or entertainment is under \$100 USD per person, unless a higher amount is expressly pre-approved in writing by the Law Department.
- The meal or entertainment is of a type, manner, frequency, and expense that is ordinary and reasonable under local standards and customs. Meals and entertainment must be reasonable, not lavish or excessive, and consistent with local standards. Even meals or entertainment that are under the \$100 USD pre-approval limit may be considered to be unreasonable or excessive under the circumstances. A meal that may be reasonable in Paris may be considered unreasonable in Hanoi. When in doubt, reach out to the Law Department or AAR's Chief Compliance Officer.
- The expenses are for a bona fide business purpose and directly relate to: (i) the promotion, demonstration, or exhibition of products or services; (ii) training or education related to AAR's business; or (iii) performance or execution of a contract to which AAR is a party.

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- Providing the meal or entertainment is permitted under the laws of the non-U.S. Public Official's country and any other applicable laws and regulations.
- The meal or entertainment must be incidental to a bona fide business purpose.
- All expenses are appropriately approved and documented as required by AAR for reimbursement.

Guidelines

In order to ensure that expenses are appropriate and for bona fide business purposes, the following guidelines must be followed:

- Meals exceeding \$100 USD per person must be pre-approved by the Law Department in writing and in advance.
- An Employee must attend any meal or entertainment activities with the non-U.S. Public Official. For example, giving a non-U.S. Public Official tickets to a sporting event so the individual can attend the event alone is not appropriate.
- Family or friends of the non-U.S. Public Official may not attend a meal or entertainment activity at AAR's expense.
- Stand-alone entertainment outings with no related business purpose (such as business-related discussions) are not generally appropriate business entertainment for non-U.S. Public Officials.
- The overall frequency of meals or entertainment to a non-U.S. Public Official should not exceed 4 in a given year, and the aggregate value of meals or entertainment provided to a non-U.S. Public Official in a given year should not exceed \$300, unless a higher amount is expressly pre-approved in writing by the Law Department.

TRAVEL

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This Section addresses the circumstances under which AAR Employees may provide travel, accommodation, and related hosting to non-U.S. Public Officials.

Prerequisites


AAR Employees may pay for or reimburse a Public Official's travel (including transportation, lodging, and meal expenses) only if all of the following requirements are met:

- Any travel provided to a non-U.S. Public Official must be reported to, and pre-approved in writing by, the Law Department in advance.
- Payment of travel is permitted under the laws of the non-U.S. Public Official's country and any other applicable laws and regulations.
- The transportation, lodging, and meals provided are reasonable, not lavish or excessive, and consistent with local standards.
- The travel is for a bona fide business purpose and directly relates to: (i) the promotion, demonstration, or exhibition of products or services; (ii) training or education related to AAR's business; or (iii) performance or execution of a contract to which a AAR is a party.
- There is an appropriate balance between the business purpose of the trip and any sponsored social, entertainment, or leisure activities. Business activities must predominate. Social, entertainment, and leisure activities (if any) should be incidental to the business purpose.
- All expenses are appropriately approved and documented in writing as required by AAR for reimbursement.

Guidelines

In order to ensure that expenses are appropriate and for bona fide business purposes, the following guidelines should be followed:

- Where possible, payment should be made directly to the service provider (*e.g.*, airline, hotel, and restaurant). If reimbursement to a non-U.S. Public Official cannot

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be avoided, such reimbursement must be supported by appropriate receipts reflecting the nature of the expense being reimbursed. These reimbursement may never be made in cash or with a cash equivalent.

- Payments in the form of a per diem (e.g., cash payments or “walking around money”) are prohibited.
- The itinerary may not include stopovers at AAR’s expense at locations other than a business location. For example, a trip to our facilities in Miami cannot also include a stopover in Key West.
- The overall frequency and aggregate value of travel to a non-U.S. Public Official in a given year should be appropriate and not excessive under local standards.
- No family members or friends may accompany the non-U.S. Public Official on the trip at AAR’s expense.