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|  | SECTION: LAW               |                |                           |
| SUBJECT: POLITICAL PARTICIPATION, LOBBYING, AND CONTRIBUTIONS POLICY   |                            |                |                           |

**PURPOSE:** This Political Participation, Lobbying, and Contributions Policy (the “Policy”) establishes the standards for political engagement by the directors, officers, and employees of AAR and its subsidiaries and affiliates<sup>1</sup> worldwide (“Company”).

Related topics, such as gift rules and U.S. Foreign Corrupt Practices Act provisions, are covered by other Company policies. This Policy should therefore be read in conjunction with other Company policies and guidelines.

**SCOPE:** Corporate and all operating units

**POLICY:** Public sector decisions significantly affect the Company’s business, direction and growth. For this reason, the Company participates in the political process through regular and constructive engagement with government officials and policy-makers, by making political contributions, and by encouraging the civic involvement of its employees.


The Company has adopted this Policy to (a) promote ethical and transparent political engagement by the Company, (b) ensure that the Company's political spending enhances shareholder value, and (c) facilitate the Company's compliance with applicable law.

**RESPONSIBILITY:** The Policy owner is the Government Affairs Department (“Government Affairs”). Government Affairs is responsible for implementing the Policy, developing and maintaining procedures to support the Policy, monitoring the operation and effectiveness of the Policy, and ensuring that Company directors, officers and employees receive adequate communication and training regarding the Policy.

The Board of Directors of AAR, acting through the Nominating and Corporate Governance Committee, is responsible for overseeing the Company’s lobbying activities and political contributions as set forth in this Policy, and for reviewing management’s Annual Contributions and Lobbying Reports.

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<sup>1</sup> Affiliate means any entity that AAR, directly or indirectly or acting through one or more other entities or persons (i) owns, controls, or has power to vote more than 50% of the voting power of such entity or (ii) controls in any manner the election of a majority of the directors of such entity.

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**PROCEDURES:**


**Policy Standards**

**1. Lobbying: Communicating with Government Officials**

The Company endeavors to maintain a healthy and transparent relationship with governments around the world by communicating its views and concerns to elected officials and policy-makers. Varied laws highly regulate lobbying activity on behalf of Company interests. Accordingly, Government Affairs must, in respect of any country:

- Pre-approve the Company's retention of outside lobbyists and any other agencies or consultancies retained to provide advice related to AAR's interaction with government (e.g., national, federal, state, regional, provincial, municipal, local) officials and regulators, or otherwise facilitate interaction with such officials and regulators;
- Supervise the Company's attempts to influence legislative, executive, or administrative action;
- Be notified of significant meetings with and provide pre-clearance for non-Government Affairs personnel for engaging government officials or politicians in relation to issues that relate to laws, government policies, regulations, other government action, or the generation of goodwill with officials (other than engagements involving law enforcement matters);
- Upon request, receive call/meeting reports if governmental decisions, actions or issues were discussed, identifying the government officials present and providing a summary of the discussions; and
- Oversee the Company's compliance with applicable registration, reporting and other laws governing lobbying activity, together with legal counsel.

Government Affairs also will prepare and present to the Nominating and Corporate Governance Committee an annual report regarding the Company's lobbying expenditures, which will include information regarding any memberships in and payments to tax-exempt organizations that write and endorse model legislation (the "Annual Lobbying Report").

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## 2. Political Contributions


The Company and the non-partisan AAR PAC make domestic (US) political contributions to support AAR's interests and further its public policy objectives. Company and PAC funds may not be used for any unlawful, improper, or unethical purpose, and no contribution may be given in anticipation of, in recognition of, or in return for an official act. All political contributions are to be made by credit card, check, or other fully auditable payment method, and must be reported as and when required by applicable law.

The Nominating and Corporate Governance Committee must pre-approve the use of corporate funds for political contributions. To meet this requirement, Government Affairs will annually prepare and present to the Committee for approval a proposed plan for corporate political giving for the year. Government Affairs also will prepare and present to the Committee a report detailing the Company's political contributions for the prior year, which will be publicly disclosed on AAR's website (the "Annual Contributions Report").

### a) Contributions to Political Candidates and 527 Organizations

In the United States, consistent with U.S. federal law, the Company does not contribute corporate funds to federal candidates, national political party committees or other federal political committees. The Company may contribute corporate funds to U.S. state or local candidates and committees only where permissible and within the limits designated by state and local laws and regulations, including limitations in so-called "pay-to-play" rules that may be applicable in jurisdictions where the Company holds or may in the future bid for a government contract.

The Company also may make contributions (a) to certain established and recognized organizations that are organized under Section 527 of the U.S. federal tax code and are registered with the Federal Election Commission or a state equivalent regulating entity, and (b) to support or oppose state or local ballot initiatives or referendums, where doing so would advance the Company's public policy objectives and business interests. Contributions of \$15,000 or less to organizations that support ballot initiatives or referendums related to the Company's employer of choice strategy or local community and diversity initiatives may be approved by Government Affairs (in consultation with the Law Department). All other contributions in support of ballot initiatives or referendums and 527

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organizations require the advance approval of the Nominating and Corporate Governance Committee. All contributions in support of ballot initiatives or referendums, regardless of amount, and 527 organizations will be disclosed in the Annual Contributions Report.

**b) Use of Corporate Funds for Independent Expenditures and Electioneering Communications**

In the United States, neither the Company nor the PAC regularly sponsors advertisements that qualify as “independent expenditures” or “electioneering communications” under U.S. federal campaign finance laws. However, should the Company choose to use corporate funds for these purposes at the federal, state, or local level, it will obtain the advance approval of the Nominating and Corporate Governance Committee and disclose the payments in its Annual Contributions Report.

**c) Contributions to Trade Associations and Other Tax Exempt Organizations**

The Company also belongs to various trade associations in the U.S. and abroad and pays regular dues to these groups. The Company does not make additional, non-dues contributions to support such groups’ political activities. Any decision to grant an exception to this rule must be obtained in advance from the Nominating and Corporate Governance Committee, and such expenditures must be disclosed in the Annual Contributions Report.


Government Affairs also will make reasonable efforts to obtain from U.S. trade associations whose annual membership dues exceed \$25,000 the portion of such dues that are used for political contributions. The Company will disclose the amount of dues reported by trade associations as political contributions, if any, in the Annual Contributions Report.

It is AAR's policy that this disclosure requirement applies to any payments to other tax exempt organizations engaged in advocacy if it determines that the contribution in question was used for political purposes.<sup>2</sup> Such contributions to these other tax exempt organizations, if any, will be included in the Annual Contributions Report.

**d) AAR PAC**

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<sup>2</sup> This disclosure requirement applies to any tax exempt organizations, including 501(c)(3), (4), and (6) organizations, if any such payment was used for political purposes. While 501(c)(3) organizations are not permitted to engage in direct political activities, this policy nonetheless requires disclosure of any payments that could be construed as political in nature.

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In the United States, AAR sponsors a federal PAC pursuant to the Federal Election Campaign Act, as amended, and the regulations promulgated by the Federal Election Commission. The AAR PAC enables Company employees to voluntarily pool their financial resources to support federal political candidates and organizations. The PAC is funded exclusively by eligible employees' voluntary contributions; employees' contributions are never coerced and all solicitees are informed that neither their contribution nor their refusal to contribute will affect their employment status. Employees may not be directly or indirectly reimbursed for PAC contributions.

PAC contributions and expenditures are publicly disclosed on government-agency websites, including the Federal Election Commission's website ([www.fec.gov](http://www.fec.gov)). In addition to disclosure of PAC contributions on government websites, the Company will post on its corporate website links to The Center for Responsive Politics to enable interested parties to review such contributions.

A PAC Board of Directors governs and oversees all PAC activities. Law Department personnel reviews and approves all PAC materials, activities, and expenditures.


**e) Political Contributions Outside the United States**

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-US candidate, party or political committee.

**f) Selection of Recipients of Political Contributions**

In selecting recipients of corporate or PAC political contributions, Government Affairs and, when contributions are made from PAC monies, the PAC Board (or its designee) will consider the following factors:

- The potential contributee's views, voting record, and understanding of policy issues of importance to the Company, its shareholders, and other stakeholders;
- The potential contributee's reputation for integrity;
- The potential contributee's service in a party or legislative leadership position;
- The potential contributee's relationship to or representation of a Company facility or a large concentration of Company employees; and

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- The extent to which the potential contributee shares the Company’s legislative priorities.

Recipients of corporate political contributions must be approved by the appropriate Government Affairs representative (state or federal) for the jurisdiction where the contribution will be made, as well as by the General Counsel or his or her designee.

### **3. Voluntary Personal Political Participation by Company Personnel**

The Company values the personal right of its directors, officers, and employees to engage voluntarily in the political process. In doing so, Company directors, officers, and employees must make clear that their personal activities are not on the Company’s behalf, especially when communicating with colleagues, customers, and suppliers. In general, directors, officers, and employees must not use work hours, coercive measures, or Company resources (e.g., facilities, staff, telephones, email accounts, computers, supplies, letterhead, logos) to further their personal political activities. However, *de minimis* levels of personal political activity in certain jurisdictions may be permitted during work hours or using Company resources if such activity is approved by Government Affairs (in consultation with the Law Department), does not affect the director’s, officer’s, or employee’s workload, and does not increase the Company’s overhead or operating expenses. In addition, Company directors, officers, and employees that wish to run for, or accept appointment to, or employment in, any government office must notify Government Affairs before running for or accepting the office and upon election or appointment to such office. With respect to an officer or employee, the Company will assess whether the officer or employee can fulfill his or her job responsibilities in light of the demands of such personal political activity and determine whether seeking or holding the office impacts AAR's ability to do business in the jurisdiction.

Company directors, officers, and employees may make personal political contributions and raise funds for candidates and organizations and are solely responsible for ensuring they make such personal contributions and raise such funds in compliance with applicable law. However, directors and officers, and any Company employees who work in departments that hold or bid for contracts with state or local governments or quasi-governmental agencies in the U.S., must consult with the Government Affairs Department before making any personal political contribution to a U.S. state or local candidate or officeholder or committee in order to avoid any adverse consequences for the Company under applicable “pay-to-play” rules. The Company may require that directors, officers and

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employees report to the Company or refrain from making contributions in particular jurisdictions with such rules.

The Company will not directly or indirectly reimburse any personal political contributions or expenses. Directors, officers, and employees may not make or commit to political contributions on the Company’s behalf outside of the Company’s official corporate contribution-approval process. Directors, officers, and employees may lobby government officials on the Company’s behalf only if Government Affairs pre-approves such lobbying contact.

Consistent with applicable law, AAR will not take any adverse employment action against an employee on the basis of his or her personal political affiliation or lawful political activity.

#### **4. Anti-Bribery Compliance**

AAR has a zero-tolerance policy regarding bribery and corruption. When dealing with public officials and employees or making political contributions, Company personnel must comply with applicable law and AAR's policies governing gifts, entertainment, and anti-bribery. Any Third Party Representative under the Global Anti-Corruption Policy, such as a government lobbyist, must satisfy the Global Anti-Corruption Policy due diligence requirements prior to engagement.


#### **5. Reporting Violations**

Company personnel who believe they have observed illegal or unethical behavior relating to the Company’s political participation, lobbying, or contributions, or who are in doubt about the best course of action in a particular situation, are encouraged to discuss the matter with their manager, senior managers, Human Resources representatives, the Law Department, or the Senior Compliance Counsel.

Actual or potential violations also may be reported by using the AAR Ethics Hotline, which is operated by a third party. The AAR Ethics Hotline can be accessed via phone at 1.855.822.9536 or via the internet at [www.aar.ethicspoint.com](http://www.aar.ethicspoint.com). Personnel who report in good faith incidents of potential misconduct will not be subject to retaliation.

#### **6. Validation of Policy Compliance**

The Nominating and Corporate Governance Committee will review this Policy annually. In addition,

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the Policy may be subject to periodic compliance validation and/or Internal Audit review to determine the effectiveness of the implementation and on-going compliance with the Policy. Findings and mitigation strategies may be reviewed with appropriate stakeholders. Significant exceptions may be reported to the Nominating and Corporate Governance Committee.