



## **Corporate Governance Guidelines**

**(Last approved July 12, 2011)**

### **1. Director Qualification Standards**

A majority of the members of the Board of Directors shall qualify as independent directors in accordance with the applicable provisions of the Securities Exchange Act of 1934, and the rules promulgated thereunder and the applicable rules of the New York Stock Exchange.

The Nominating and Governance Committee and the Board of Directors shall critically evaluate director nominees to determine the independence of a director, taking into consideration charitable contributions made by the Company to organizations with whom a director is affiliated, whether the Company has consulting or other contractual relationship with, or provides other indirect compensation to, a director, and other factors required by New York Stock Exchange rules or applicable law.

Each director shall promptly advise the Board of any change in primary employment or other changes in status or qualification for service as a director of the Company in order to provide an opportunity for the Board to determine whether continued Board service is in the best interest of the Company.

No candidate who has reached the age of 72 prior to the date of nomination shall be nominated by the Board for election as a director, unless the Board of Directors determines, in its discretion, that it would be advisable and in the Company's best interest to request an existing director to serve past age 72 for an additional year or years in light of that director's particular skills, expertise or experience.

Each director shall acquire a minimum of 10,000 shares of Common Stock of the Company within four years of becoming a director, and thereafter shall maintain such level of stock ownership during his or her respective term of office as a director.

Recognizing the value of continuity of directors who have experience with the Company, there are no limits on the number of terms a director may hold office.

## **2. Size of Board and Director Selection**

The Board of Directors shall determine, from time to time, the number of positions on the Board and when such positions are to be filled. The Nominating and Governance Committee shall identify, interview and screen candidates and recommend to the Board a slate of one or more candidates who, in the judgment of the Nominating and Governance Committee, satisfy the Board's selection criteria and otherwise qualify for nomination as a director. The Board of Directors shall approve nominees for election to the Board from the slate of candidates recommended by the Nominating and Governance Committee.

The Chairman of the Nominating and Governance Committee shall initiate the search process for director nominees when a need is identified. Any member of the Board of Directors or senior management of the Company, and any search firm engaged by the Nominating and Governance Committee, may refer names of potential director nominees to the Nominating and Governance Committee for consideration as a potential nominee or provide input to the Nominating and Governance Committee concerning any potential nominee. Stockholders may also submit names of potential nominee candidates, together with the candidate's qualifications and background, to the Nominating and Governance Committee for consideration as provided in the Company's annual proxy statement.

In selecting candidates to recommend to the Board for nomination, the Nominating and Governance Committee shall base its recommendations on the following criteria and considerations:

- a high level of integrity and professional and personal ethics and values consistent with those of the Company;
- professional background and relevant business and industry experience;
- current employment, leadership experience and other board service;
- demonstrated business acumen or special technical skills or expertise (e.g. auditing, financial, law and aviation/aerospace);
- a commitment to enhancing stockholder value and serving the interest of all stockholders;
- independence (including within the meaning of the applicable rules of the New York Stock Exchange) and freedom from any conflicts of interest that would interfere with the ability to discharge a director's duties;
- willingness and ability to make the commitment of time and attention necessary for effective board service;
- a balance of business, financial and other experience, expertise, capabilities and perspectives among sitting directors in the context of the current composition of the

Board, operating requirements of the Company and long-term interests of stockholders; and

- other factors the Nominating and Governance Committee deems appropriate.

### **3. Director Responsibilities**

Directors exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company in a manner consistent with their fiduciary duties. Directors are expected to attend all meetings of the Board of Directors, stockholder meetings and meetings of Board committees upon which they serve, and to be familiar with the Company's director orientation and educational materials and participate in director continuing education programs made available by the Company from time to time. To prepare for meetings, directors are expected to review the materials that are sent to directors in advance of those meetings.

The Board of Directors of the Company and each Board committee shall hold regular executive sessions of independent directors without management participation or presence. The chairman of the Nominating and Governance Committee (or in his absence, a director selected by the directors present from among themselves), shall preside at each executive session and provides a report to the Chairman of the Board and the Chief Executive Officer on matters discussed, as appropriate. Interested parties may communicate directly with the independent directors, individually or as a group through the procedures disclosed on the Company's web site ([www.aarcorp.com](http://www.aarcorp.com)) and in the annual proxy statement.

The Board of Directors shall at all times maintain an Audit Committee, a Nominating and Governance Committee and a Compensation Committee which shall operate in accordance with the Company's By-Laws, their respective charters as adopted and amended from time to time by the Board, the applicable rules of the Securities and Exchange Commission and the New York Stock Exchange and other applicable law. The Board may also establish such other committees (e.g., an Executive Committee) as it deems appropriate and delegate to such committees such authority permitted by such committees' charters, if any, applicable law and the Company's By-Laws as the Board sees fit.

### **4. Director Access to Management and Independent Advisors**

The Company shall provide each director with complete access to the management of the Company, subject to reasonable advance notice and reasonable efforts to avoid disruption to the Company's management, business and operations. The Board of Directors and, to the extent set forth in the applicable committee charter, each of its committees shall have the right to consult and retain independent legal and other advisors at the expense of the Company.

## **5. Director Compensation**

The Board of Directors shall determine the form and amount of director compensation, including cash, equity-based awards and other director compensation. In determining director compensation, the Board of Directors shall consider, among other factors, the levels of compensation customary at other companies of similar size and type.

## **6. CEO Evaluation and Succession**

The independent directors of the Board shall conduct an annual review of the performance and compensation of the Chief Executive Officer, taking into account the views and recommendations of the Compensation Committee and Nominating and Governance Committee, as applicable, and as set forth in their respective charters.

The Board of Directors shall establish and review such formal or informal policies and procedures, consulting with the Nominating and Governance Committee, the Chief Executive Officer and others, as it considers appropriate, regarding succession to the Chief Executive Officer in the event of emergency or retirement.

## **7. Annual Performance Evaluation of the Board and Board Committees**

The Board of Directors and each of its committees shall conduct a self-evaluation annually to determine whether it is functioning effectively. The full Board of Directors shall discuss the evaluation report to determine what, if any, action could improve Board and Board committee performance.

## **8. Amendment and Modification**

These Guidelines may be amended or modified by the Board of Directors, subject to the disclosure and other provisions of the Securities and Exchange Act of 1934, the rules promulgated thereunder and the applicable rules of the New York Stock Exchange. The Board of Directors, with the assistance of the Nominating and Governance Committee, as appropriate, shall review these Corporate Governance Guidelines on an annual basis to determine whether any changes are appropriate.

## **9. Chairman and Chief Executive Officer**

The Board of Directors determines the leadership of the Board and the Company in the way that best serves the Company. The Board has no fixed policy with respect to combining or separating the offices of Chairman of the Board and Chief Executive Officer and may vest those responsibilities in the same individual or in different individuals.