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PURPOSE

This Global Anti-Corruption Policy (“Policy”) sets the expectations and requirements for complying with the Foreign Corrupt Practices Act of 1977, the United Kingdom’s Bribery Act 2010, and any other applicable anti-bribery or anti-corruption laws, rules or regulations of countries in which AAR conducts business (together “Anti-Corruption Laws”).

SCOPE

This Policy applies to AAR CORP. and all subsidiaries or other affiliates controlled by AAR Corp. (collectively, the “Company” or “AAR”), as well as to all directors, officers and employees of the Company. With respect to entities where AAR holds a non-controlling ownership interest, AAR will use best efforts to ensure such entities adopt and maintain appropriate controls and take steps necessary to comply with applicable Anti-Corruption Laws.

All appropriate provisions of this Policy shall apply by written agreement to sales agents and representatives, consultants, customs brokers, freight forwarders, lobbyists, distributors, professional advisors, and 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”).

POLICY

A. General

Worldwide Response to Bribery: Most countries in which AAR does business have laws prohibiting bribery and corruption. These laws include the U.S. Foreign Corrupt Practices Act of 1977 (“FCPA”), which criminalizes bribery of foreign Government Officials (defined below), the US Foreign Extortion Prevention Act, which criminalizes the solicitation or receipt of bribes by foreign Government Officials, and many others that also prohibit the bribery of foreign and domestic Government Officials and bribery of commercial organizations and private individuals.

AAR’s Expectation of Conducting Business Legally and Ethically: In addition to bribery being unlawful, doing business without engaging in bribery is paramount to Doing It Right®. All directors, officers, employees, Third Party Representatives and any other third parties acting for or on AAR’s behalf (together “Covered Persons”) are expected to conduct business legally and ethically, even if local customs in certain countries may permit business standards that are less stringent.

Covered Persons may not offer, promise, or give anything of value to anyone or request, agree to accept or take anything of value from anyone, in order to obtain an unfair business advantage. Giving anything of value to Government Officials or any third parties will not be tolerated if not permitted by an express provision within this Policy. Additionally, Covered Persons shall keep

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books, records and accounts that accurately and fairly reflect all transactions made for or on behalf of the Company.

Government Official definition: Under Anti-Corruption Laws, “Government Official” is generally defined to include any officer or employee of a government, or any department, agency or instrumentality thereof. This is broadly defined to include:

- Any employee of any branch of state, local, or federal government, including the judiciary, appointed as well as elected officials, the police and the military;
- Political parties, party officials and political candidates, as well as officials and employees of public international organizations, such as the United Nations or World Bank; and
- Employees of government owned or “government-controlled” enterprises, including state owned or controlled airlines.
 - “Government control” is based on facts and circumstances of which percentage ownership is only one factor. *AAR considers any enterprise that has 25% or more government ownership as government controlled, and employees thereof as “Government Officials” for purposes of this Policy.*

Question: One of my major customers is a state-owned airline. Are employees of this company considered Government Officials?

Answer: Yes. Government Official is broadly construed to include any employee or other official acting for or on behalf of a government agency, including government-owned companies.

B. Key Compliance Risk Areas

Covered Persons must comply with requirements for: 1) providing anything of value to third parties, 2) receiving anything of value from third parties, 3) employee recruitment, 4) engaging third parties, 5) acquisitions and joint ventures, and 6) proper accounting and recordkeeping. Dollar values throughout are in USD.

1. Providing Anything of Value to Third Parties

Anti-Corruption Laws prohibit offering, promising or giving anything of value, tangible or intangible, to a Government Official or other third party for an improper purpose, including, but not limited to, securing an advantage in order to obtain or retain business.

“Anything of Value” Defined: includes not only cash, but gifts, meals, entertainment, travel, accommodations, charitable or political donations, internships or employment opportunities, among other things. While certain of these items may be permissible to give, they are subject to proper approval and in all cases must be reasonable based on the circumstances, as further set forth in this Policy.

a. Prohibited Payments and Other Things of Value

1. Payments to secure any improper advantage are prohibited. Covered Persons must not

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offer, promise or give anything of value, either directly or indirectly, to:

- obtain preferential treatment in contract negotiations or an unfair advantage in the bidding process;
- obtain confidential information about business opportunities, bids or the activities of competitors;
- influence the award of a contract;
- influence the rate of taxes that would be levied on AAR's business;
- prevent some governmental action, such as the imposition of a large tax or fine, or the cancellation of an existing government contract or contractual obligation;
- resolve commercial litigation or other court proceedings in foreign courts; or
- obtain or influence positive government action for the Company.

No payment shall be made without adequate supporting documentation nor made with the intention or understanding that such payment is to be used for any purpose other than that described by such supporting documentation.

2. Facilitation Payments: Making payments to Government Officials to expedite or secure the performance of routine, non-discretionary government actions are prohibited. 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, are made pursuant to local regulations allowing for such expedited services, and if a proper receipt is provided.

Question: I work in a country where the local custom is to provide small payments directly to Government Officials to help expedite local permits. These amounts are typically between \$5-\$50. Since the amount is so small and this is the way of doing business, is this allowed?

Answer: No. AAR prohibits facilitation payments regardless of amount or local practice.

b. Allowable Payments and Other Things of Value

1. Giving Permissible Gifts and Hospitality: Employees are expected to use good judgment and exercise discretion when giving or accepting gifts and hospitality. Any gifts and hospitality must be:
 - Reasonable and appropriate to the recipient's position, circumstances and occasion;
 - Tasteful and commensurate with generally accepted standards for professional courtesy in the region given;
 - Provided openly and transparently;
 - Permitted under applicable local law and the recipient's internal company policies;

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- Accurately identified and recorded in the Company’s books and records;
- Not any of the following: cash, cash equivalents, gift cards, stock or other securities or other items that are easily converted into cash (i.e., refundable airline tickets);
- Not made to induce the recipient for a favor, preferential treatment, an award of business or such similar action that benefits the recipient;
- Not so lavish or provided with such frequency as to create the appearance of impropriety; and
- Not made or received during a competitive bid process or contract negotiations.

2. Giving Gifts and Hospitality to Government Officials

U.S. Government Officials: Government departments and agencies have regulations concerning acceptance of entertainment, meals, and gifts from firms and persons with which they do business. AAR employees must not give or offer to give Government employees any entertainment, meal, or gift, regardless of the value, when that act would be a violation of the rules or regulations of the Government employee’s agency. Most U.S. government agencies permit their employees to accept business courtesies, including mementos, coffee, donuts, or similar light refreshments, with a retail value of less than \$20. The rules also state that in no event may the total amount from the Company in one year exceed \$50 for that Government employee unless the gift qualifies under one of several exceptions. See the Contracting with the US Government Policy for further details.

Non-US Government Officials:

Gifts: Giving gifts, such as promotional items, under \$25 in value may be given to non-U.S. Government Officials, as long as allowed under local law. Pre-approval from AAR’s Chief Ethics and Compliance Officer (“CECO”) is required for gifts over \$25.

Hospitality: Providing hospitality (e.g., meals or tickets to events) with a face value of up to \$100 per person to non U.S. Government Officials may be provided, so long as the hospitality is associated with a business purpose and allowed under local law. Only those employees and business associates necessary for the business purpose should be paid for by the Company. Pre-approval from AAR’s CECO is required for hospitality over \$100 per person.

3. Guidelines for Providing Travel and Lodging

AAR may receive requests to host business associates for training or to educate the party about our product or service offerings. When such hosting occurs, and involves non-local travel, it tends to involve more significant costs. As such, it poses higher corruption or public relations risks than routine local hosting and entertainment.

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Therefore, payment for or reimbursement of travel expenses for Government Officials is permissible provided pre-approval from the CECO is obtained, and:

- The payment for such travel is not prohibited by local laws or rules and has been approved by the applicable agency or employer of the traveler(s);
- Such travel is directly related to a bona fide and legitimate business purpose;
- The individual travelers whose expenses will be paid for by the Company are selected by their respective agencies or employers (not the Company);
- Such travel is consistent with AAR employee travel guidelines and is 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 business associates 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 the Company's aircraft to transport Government Officials is prohibited unless prior written authorization is obtained from AAR's General Counsel.

In all cases, AAR shall communicate clearly and in writing to the business associate(s) what expenses will and will not be covered by AAR prior to travel.

4. Political Contributions and Charitable Donations

Under no circumstances may anything of value be contributed, loaned, or made available to any non-U.S. political candidate, party, or political committee by or on behalf of AAR. Any other political contributions must be made in accordance with AAR's Political Participation, Lobbying and Contributions Policy.

The Company makes charitable donations only to tax-exempt 501(c)(3) organizations as recognized by the United States Internal Revenue Service. All charitable donations must be pre-approved in writing by an AAR Corp. Corporate Officer.

For charitable donations to organizations incorporated outside the United States, pre-approval by the CECO is also required.

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Under no circumstances may a charitable donation be made at the suggestion, request, or behest of any Government Official to obtain any improper advantage or to a charity owned, controlled, or connected to a Government Official.

5. Personal Safety Payments. Under most Anti-Corruption Laws, payments made to Government Officials when faced with imminent threats of harm to personal health or safety are not prohibited. Examples of circumstances under which such payments may be permissible include:

- 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; or
- 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.

If such a 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 AAR's CECO.

6. Offsets. Offset transactions represent a corruption risk because they give Government Officials the opportunity to direct resources from the Company to a project that might benefit them or others (including their family members) personally. To address this risk, appropriate due diligence must be conducted on any offset project under the direction of the CECO.

The business unit responsible for implementing the offset project will monitor, in coordination with the Law Department, compliance with Anti-Corruption Laws for the duration of the project to ensure that the Company's investment in the project is being properly used for its stated purpose.

Process to Obtain CECO Pre-Approval: For any transactions requiring CECO pre-approval, please complete the [Pre-Approval for Business Courtesies Form](#) found on the "Compliance" site on myConnection.

2. Receiving Anything of Value from Third Parties

Acceptance of gifts or hospitality by Covered Persons from any third party doing or seeking to do business with the Company is generally prohibited except as set forth below.

- a. Gifts: May be accepted on infrequent occasions from such third party if:

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- it is clear that the person is not trying to influence or reward the Covered Person inappropriately in connection with any business decision or transaction;
- the gift has a retail value under \$100;
- the gift is only given on an occasion when gifts are customary, such as a birthday or the year-end gift-giving season, or on the occasion of a promotion or retirement; and
- the gift is unsolicited.

Any gifts that are received that cannot easily be returned to sender that are outside of the parameters set forth above must be reported to the CECO.

- b. Meals, refreshments, and entertainment: May be accepted on infrequent occasions from such third party if:
- the purpose is business-related;
 - the host of the event is present;
 - attendance is related to the Covered Person's duties with the Company;
 - the level of expense is reasonable and customary in the context of the business and the relationship with the host, and
 - the frequency of such invitations from the host is not excessive.
- c. Kickbacks Prohibited: A “kickback” is a particular form of bribe in which a person entrusted by an employer has some responsibility for the granting of a benefit and does so in a way that secures a return (kickback) of some of the value of that transaction or benefit for that person without the knowledge or authorization of the employer to which the person is accountable.

3. Employee Recruitment

Human Resources processes shall mitigate corruption risks and any possible risks for conflict of interests in the recruiting process, as well as in the process of defining compensation and bonuses. In employee recruiting, managers shall:

- Recruit in a way that is fair, transparent and not tainted by bribery, favoritism or nepotism.
- Ensure compliance with Human Resources policies and guidance, as well as applicable laws, with respect to employee background checks prior to offering employment to any individual.
- Ensure compliance with Human Resources policies and guidance in relation to defining compensation and bonuses.

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4. Engaging Third Parties

Anti-Corruption Laws prohibit direct, as well as *indirect*, corrupt payments to Government Officials and other third parties. This means AAR may be held liable for bribes paid by third parties acting on our behalf, not only where AAR had actual knowledge of bribery but where AAR ignored (or turned a “blind eye” to) warning signs of potential bribery.

In order to protect against the business and legal risks of dealing with third parties who do not share our commitment to fair dealing, we must carefully choose our business partners. This means making appropriate inquiries when screening and selecting business partners. The necessary inquiries will vary depending the nature of the proposed relationship but shall determine, at a minimum, that the business partner is reputable, competent and qualified to perform the work for which they are being retained; the compensation sought is reasonable; there are no conflicts of interest that would make engaging the business partner inappropriate; and the proposed arrangement complies with applicable legal requirements. The results of any inquires must be documented and maintained on file.

In addition to conducting appropriate due diligence, all third parties must be engaged through written agreements, which must be in place prior to the start of the relationship. Activities performed by third parties must also be recorded and made available to the Law Department. Any written agreements, and amendments thereto, with Third Party Representatives must be reviewed and approved by the CECO and/or the Law Department. Before entering into an agreement with a Third Party Representative, due diligence must be satisfactorily completed as set forth in the Third Party Due Diligence Procedures.

Monitoring for Red Flags: Employees have a duty to inquire where circumstances indicate that a third party may have acted or will act unlawfully. Specifically, employees should be alert to any “red flags” that may be encountered in transactions involving Third Party Representatives. Review the Third Party Due Diligence Procedures for further information about spotting and reporting potential red flags.

5. 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 must be performed to the satisfaction of the CECO.

Before the Company closes on an acquisition, the applicable Group Vice President, after consulting with AAR’s General Counsel and the CECO, must ensure that appropriate accounting practices and internal controls exist or will be implemented at the target entity

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or joint venture in order to facilitate its compliance with the Anti-Corruption Laws and this Policy.

6. Record Keeping and Internal Accounting Controls

The Company requires accuracy and transparency in all its transactions. Regardless of the type or dollar amount of the transaction, all books and records established must be complete and accurately prepared on the basis of reliable supporting documentation. Books and records must accurately and fairly record transactions, services and purpose of any payments made for or on behalf of the Company. Specifically, all Covered Persons must comply with the following:

- 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 Covered Person 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;
- 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 are prohibited; and
- Fictitious entities, sales, purchases, services, or financial arrangements are prohibited

Question: I have been asked to reclassify a "commission" payment to a Government Official to "overhead expense" in our books and records. The dollar amount is only US\$100. Is this ok?

Answer: No. AAR prohibits false or misleading entries in the Company's books and records. This requirement applies to all transactions regardless of financial materiality.

Any Covered Person who suspects 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 Anti-Corruption Laws, must immediately report that suspicion to AAR's Chief Financial Officer, General Counsel or CECO.

C. Training

Certain employees and other Covered Persons, as designated by the Compliance department, will undertake regular and appropriate training concerning the requirements set forth in this Policy.

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The Compliance department will periodically conduct surveys or other methods to measure employee awareness and confidence in compliance with the requirements set forth in this policy.

D. Reporting Responsibilities

Any Covered Person who receives (i) a direct or indirect solicitation for a bribe, (ii) a direct or indirect offer of a kickback or (iii) a request to otherwise to violate this Policy or Anti-Corruption Laws, shall immediately reject the request, and report the request to the CECO immediately.

E. Violations

Any Covered Person who suspects or becomes aware of a violation of this Policy must report it to appropriate representatives of the Company (supervisor, senior management, General Counsel, or the CECO). As stated in the Speaking Up and Non-Retaliation Policy, these reports may also be made confidentially and anonymously via AAR's Ethics Hotline at www.aar.ethicspoint.com. The Company prohibits retaliation against anyone who reports potential or actual misconduct in good faith. Any questions regarding compliance with Anti-Corruption Laws and/or any real or apparent inconsistency between such laws must be referred to the CECO for resolution.

F. Quarterly Certifications

As part of their respective Quarterly Financial Statement Representation Letters submitted under Internal Accounting Control Policy (formerly policy 3.06.003), each business unit certifies compliance with this Policy, and is required to identify any non-compliance or violations of this Policy. This certification is provided to the Audit Committee of the Board of Directors, the General Counsel, and the CECO.

Compliance

Penalties: The penalties for violating Anti-Corruption Laws are severe and can result in criminal and civil liability for companies and individuals, including large fines and lengthy imprisonment. Penalties may also include disqualification from government contracts or public tenders, export licenses, and other governmental financing and insurance programs.

Disciplinary Action: The Company will also take appropriate action against any Covered Person whose actions are found to violate this Policy or Anti-Corruption Laws. Appropriate disciplinary action may also be taken against those who negligently fail to internally report such violations or retaliate against others reporting violations. Disciplinary action may include up to and including termination of employment (or termination of business relationship), and prosecution by authorities.