

DEFENCE COMPANIES INDEX (DCI) ON ANTI-CORRUPTION AND CORPORATE TRANSPARENCY 2020

FINAL ASSESSMENT

AAR CORPORATION

The following pages contain the detailed scoring for this company based on publicly available information.

The table below shows a summary of the company's scores per section:

Section	Number of Questions*	Score Based on Publicly Available Information
1. Leadership and Organisational Culture	4	6/8
2. Internal Controls	6	7/12
3. Support to Employees	7	9/14
4. Conflict of Interest	4	8/8
5. Customer Engagement	7	7/14
6. Supply Chain Management	5	5/10
7. Agents, Intermediaries and Joint Ventures	10	13/20
8. Offsets	2	2/4
9. High Risk Markets	4	5/8
10. State-Owned Enterprises	0	N/A
TOTAL		62/98
BAND		C

*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.

1. Leadership and Organisational Culture

Question
1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?
Score
2
Comments
There is evidence that the company has a publicly stated anti-corruption commitment, which details the company's stance against bribery and corruption within the organisation. It is clear that this commitment was authorised and endorsed by the company's leadership.
Evidence
<p>[1] Zero Tolerance for Corruption and Bribery (Webpage) Accessed 04/11/2019 https://www.aarcorp.com/investor-relations/zero-tolerance-for-corruption-and-bribery/ May 2019</p> <p>To all AAR employees and business partners:</p> <p>At AAR, we believe in Doing It Right, every time — even if that's not always the easiest course of action and even if it means walking away from business. I want to remind everyone that we have a policy of zero tolerance for bribery or corruption in any of our business dealings.</p> <p>Just as we are dedicated to being the best-in-class aviation services provider for commercial and government customers worldwide, we must be similarly focused always on upholding our commitment to ethics and integrity. This unwavering dedication to doing business ethically is a vital element in making AAR a reliable and trusted partner for our customers around the world and a key ingredient of our long-term success.</p> <p>All of us at AAR — employees, officers, directors, business partners, and all those performing services for our company — have a responsibility to strictly comply with our Global Anti-Corruption Policy, our Standards of Business Ethics and Conduct, and our Code of Conduct. All of us must comply with all applicable anti-corruption laws in the United States and throughout the world in our everyday business dealings.</p> <p>If you ever have any question or concern about the legality or integrity of AAR's business practices or of a particular transaction or opportunity, I ask you to immediately contact our Legal team or our Ethics Hotline for guidance. We are all expected and encouraged to ask questions and raise concerns to AAR's leaders at any level without fear of retaliation.</p> <p>I thank each of you for the important role that you play in combating corruption and maintaining AAR's success and reputation for integrity and excellence.</p> <p>Sincerely, John M. Holmes President and Chief Executive Officer</p>

Question
1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories: a) All employees, including staff and leadership of subsidiaries and other controlled entities; b) All board members, including non-executive directors.
Score
2
Comments
<p>There is evidence that the company publishes a comprehensive anti-bribery and corruption policy which specifically prohibits bribery, payments to public officials, commercial bribery and facilitation payments. There is evidence that this policy applies to all employees and board members as described in (a) and (b) in the question.</p>
Evidence
<p>[2] Code of Conduct (Document) Accessed 04/11/2019 https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf</p> <p>[p.4] Who must follow our Code?</p> <p>Just as everyone at AAR shares the same commitment to making sure we provide high-quality, safe solutions and services that exceed our customers' expectations, we are also dedicated to acting with integrity. Whether you are an employee, officer or director at AAR, you are expected to follow our Code, as well as the letter and spirit of the law.</p> <p>In addition, we expect our third-party business partners, such as contractors, agents, consultants, representatives and others who may be temporarily assigned to perform work or services, to meet our high ethical standards and follow the guidance set forth in our Code. If you see that a third-party business partner is not living up to our standards, speak up.</p> <p>[p.13] Saying no to bribery and corruption</p> <p>When we work on AAR's behalf, we must always demonstrate AAR's commitment to doing business honestly. In all our work, we must comply with all applicable laws, including the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, and any local anti-corruption laws. AAR has zero tolerance for any form of bribery or corruption. That means we never offer, give or accept, directly or indirectly, any bribes, kickbacks or other corrupt payments, regardless of whether we are working with commercial entities or government officials, including employees at state-owned or -controlled airlines.</p> <p>How we own it</p> <ul style="list-style-type: none"> • Never offer or accept any sort of bribe. This can be anything of value given with the intention of gaining an improper advantage, such as securing a contract or receiving a license or a permit. Value can include cash payments, promises or offers of employment, use of AAR facilities, lavish gifts or entertainment, payments for unreasonable travel expenses or political or charitable contributions. • Do not offer or accept kickbacks, which are payments paid (or due to be paid) after the completion of a business deal. • Take special care when working with government officials outside the U.S. Under the FCPA, it is illegal to offer government officials anything of value that could corruptly influence their decision making. • Do not make facilitating payments, which are small cash payments to perform or expedite a routine non-discretionary government action, such as processing visas or obtaining utility services. • Always keep in mind that these rules also apply to third-party business partners, including agents and representatives, who act on AAR's behalf. • Report any questions or concerns regarding bribery or corruption to an attorney in the Law Department. <p>See the Global Anti-Corruption policy for more information.</p> <p>Bianca is setting up a new AAR office, and she needs to have the utility service turned on. She contacts the clerk at the local utility company, and he tells her that it will take at least three weeks to get utility service—unless she can</p>

make a small additional cash payment to him to expedite the process. She wants to get the office open as soon as possible, so she decides to make the payment out of her own pocket. Is Bianca Doing It Right?

No, she is not. Regardless of whether Bianca uses AAR funds or her own money, this is still a facilitating payment, which is not allowed at AAR. We want to do business the right way, so we never offer or make any corrupt payment, no matter how small.

Susan is meeting with a prospective state-owned commercial airline customer in Asia. During the meeting, the customer suggests that AAR hire his daughter as an intern prior to submitting its bid. Susan agrees to do so. Is Susan Doing It Right?

No, she is not. The FCPA prohibits promising something of value to a foreign government official to gain an improper advantage. Employees of state-owned commercial airlines are considered government officials, and hiring the customer's daughter could be perceived as an improper attempt to give something of value to the customer in order to secure the contract. Susan should refuse the request and immediately report this situation to the Law Department.

[3] Anti-Corruption Policy (Document)

Accessed 04/11/2019

https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf

[p.1] 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.

[...]

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");
- 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.

[p.2] 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.

[p.10] 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;

[p.11]

- 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.

[4] Standards of Business Ethics and Conduct (Document)

Accessed 04/11/2019

https://www.aarcorp.com/assets/3/7/Policy_1.07.001_Standards_Business_Conduct_Policy_English.pdf

[p.1] SCOPE: Corporate; all operating units (AAR CORP., its subsidiaries, business units, and other affiliates are collectively referred to herein as “Company”).

POLICY:

[...]

Responsibility for carrying out the Company's commitment to integrity, fairness and compliance with high ethical standards and legal requirements rests with each of its employees, officers and directors contractors, consultants and other agents when they represent or act for the Company (collectively "Covered Persons").

[p.8] 7. Policy Regarding Offering Gifts, Payments or Other Items of Value – The Company has zero tolerance for bribery or corruption. Neither corporate nor individual funds or assets may be used for any unlawful purpose or be offered or given to any entity or officer or employee of any entity directly or indirectly as a bribe, illegal kickback or illegal contribution. Before offering, promising, or providing a gift, meal, or entertainment to any third party, please refer to AAR's Travel and Expense Policy and Global Anti-Corruption Policy to ensure that such gratuity is permitted under Company policy.

[p.9] Facilitating Payments. While the Foreign Corrupt Practices Act ("FCPA") does not prohibit payment to certain non-U.S. *government officials* to expedite or secure the performance of routine, non-discretionary government actions, such payments still constitute a compliance risk because they are considered to be bribes in violation of the UK Bribery Act ("UKBA") and many other local anti-corruption laws. Therefore, the Company prohibits any Covered Person from making any facilitating payments on its behalf.

[1] Zero Tolerance for Corruption and Bribery (Webpage)

Accessed 04/11/2019

<https://www.aarcorp.com/investor-relations/zero-tolerance-for-corruption-and-bribery/>

May 2019

[...]

All of us at AAR — employees, officers, directors, business partners, and all those performing services for our company — have a responsibility to strictly comply with our Global Anti-Corruption Policy, our Standards of Business Ethics and Conduct, and our Code of Conduct. All of us must comply with all applicable anti-corruption laws in the United States and throughout the world in our everyday business dealings.

[...]

Sincerely,
John M. Holmes
President and Chief Executive Officer

Question
1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?
Score
1
Comments
<p>Based on publicly available information, there is evidence that a designated board committee – the Audit Committee – is ultimately responsible for oversight of the company's anti-bribery and corruption programme. The Audit Committee's role includes reviewing reports from management on the company's risk assessment procedure and receiving reports on investigations.</p> <p>However, the company receives a score of '1' because there is no clear publicly available evidence that the Audit Committee receives reports on the overall performance of the company's anti-bribery and corruption programme, nor that it has the authority to require that changes to the programme are made as a result of reviews.</p>
Evidence
<p>[5] Audit Committee Charter (Webpage) Accessed 04/11/2019 https://www.aarcorp.com/investor-relations/audit-committee-charter/ The Audit Committee shall make regular reports to the Board.</p> <p>In addition, the Audit Committee shall:</p> <p>[...]</p> <p>15. Receive reports concerning the Company's Assist Line activity and any investigations of non-compliance with the Company's Code of Business Ethics and Conduct by any officers of the Company;</p> <p>[3] Anti-Corruption Policy (Document) Accessed 04/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf [p.8] 3. Quarterly Certifications of Compliance with this Policy</p> <p>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.</p> <p>4. Anti-Corruption Risk Assessment Procedure</p> <p>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.</p>

Question
1.4. Is responsibility for implementing and managing the company's anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company's programme?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company's Chief Compliance Officer and the General Counsel are jointly responsible for implementing and managing the company's anti-bribery and corruption programme.</p> <p>However, the company receives a score of '1' because, although there is evidence of reporting activities between these persons and the Audit Committee, this appears to mostly relate to the presentations of risk assessments, rather than the status of the anti-bribery and corruption programme more broadly.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 04/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf <p>[p.3] Responsibility</p> <p>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.</p> <p>[p.8] Anti-Corruption Risk Assessment Procedure</p> <p>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.</p> </p>

2. Internal Controls

Question
2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?
Score
2
Comments
Based on publicly available information, there is evidence that the company has a formal bribery and corruption risk assessment procedure that informs the design of its anti-bribery and corruption programme. The company indicates that the results of risk assessments are reviewed by the Audit Committee on at least an annual basis. There is evidence that the results of such reviews are used to update specific parts of the company's anti-bribery and corruption programme.
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 04/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf [p.8] 4. Anti-Corruption Risk Assessment Procedure</p> <p>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.</p>

Question
2.2. Is the company's anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company's anti-bribery and corruption programme is subject to regular review by an internal audit department. The company states that this process takes place regularly, no less than annually, and it is clear that the results of audits are used to make updates and improvements to the anti-bribery and corruption programme.</p> <p>However, the company receives a score of '1' because there is no evidence that high-level audit findings are presented to the board. Moreover, ownership of this process is unclear as the company does not publicly state which body or senior individual is responsible for using the audit findings to make updates to the company's programme. There is also no clear evidence that – in addition to ensuring the proper functioning of the company's internal controls – these audits are used to ensure that the programme is consistent with best practice and the business risks facing the company.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 04/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf [p.8] 5. Corporate Internal Audit</p> <p>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.</p>

Question
2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?
Score
2
Comments
<p>There is evidence that the company publicly commits to investigating allegations and incidents of bribery and corruption, including those reported through whistleblowing channels. For whistleblowing cases, there is a procedure in place that stipulates documentation and actions to be taken at every step of the case, from receipt to final outcome, and the company indicates that it will inform whistleblowers of the outcome of investigations. although the company does not explicitly state that the Audit Committee receives reports concerning investigations on an annual basis, there is sufficient evidence of regular and ongoing reporting systems for the company to receive a score of '2'.</p>
Evidence
<p>[24] Investigations Procedure (Webpage) Accessed 06/05/2020 https://www.aarcorp.com/about/investigations/ INVESTIGATIONS AAR is committed to investigating all allegations of misconduct, including those related to suspected corruption or bribery. Under AAR's Global Investigations Policy, reports of potential misconduct must be reported to the Chief Ethics & Compliance Officer.</p> <p>[1] Matters involving significant potential misconduct concerns are elevated to senior management as well as the Chair of the Audit Committee of the Board of Directors.</p> <p>Report of misconduct are triaged by the CECO, in consultation with the General Counsel, to the appropriate investigator.</p> <p>AAR ensures quality and consistency in its investigations by ensuring that its investigations are handled by qualified, objective investigators and that those investigators have access to the resources necessary to conduct such an investigation.</p> <p>During the course of an investigation, the investigator must keep the CECO and the General Counsel informed. Where allegations of misconduct are confirmed, remedial actions are taken, documented in the company's case management tools, and reported to the CECO. Responses to the person(s) filing the initial report are coordinated through the CECO when appropriate.</p> <p>The CECO regularly briefs the chair of the Audit Committee on any significant investigations and reports any materials findings to the Audit Committee. When appropriate, anonymized findings and "lessons learned" from investigations, including those related to agents or representatives, are shared during training sessions and in other appropriate settings.</p> <p>[5] Audit Committee Charter (Webpage) Accessed 04/11/2019 https://www.aarcorp.com/investor-relations/audit-committee-charter/ ORGANIZATION</p> <p>The Audit Committee shall be comprised of not less than three members of the Board who shall meet the independence, experience, financial literacy, expertise and other requirements of the New York Stock Exchange, applicable SEC regulations and other applicable federal and state securities law and regulations. At least one member of the Audit Committee shall qualify as an Audit Committee financial expert.</p> <p>COMMITTEE AUTHORITY AND RESPONSIBILITIES</p> <p>[...]</p>

The Audit Committee shall make regular reports to the Board.

In addition, the Audit Committee shall:

[...]

15. Receive reports concerning the Company's Assist Line activity and any investigations of non-compliance with the Company's Code of Business Ethics and Conduct by any officers of the Company;
16. Report on significant matters discussed at each Committee meeting to the Board;
17. Investigate, as appropriate, any matter brought to its attention within the scope of its duties, with the power to retain outside counsel or a second independent registered public accountant, at the expense of the Company, for this purpose if, in its judgment, that is appropriate;

[3] Anti-Corruption Policy (Document)

Accessed 04/11/2019

https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf

[p.7] 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.

[6] EthicsPoint FAQs (Document)

Accessed 04/11/2019

<https://secure.ethicspoint.com/domain/media/en/gui/37461/faq.pdf>

[p.4] Once a report is made, details of the report will be sent to designated personnel at AAR for follow-up and investigation.

[p.5] If I file a report, will I be told what the outcome is?

At the conclusion of the investigation, AAR, through EthicsPoint, will usually notify you, (i) that the investigation is complete, (ii) whether or not the reported allegations or concerns were substantiated, and,

[p.6] (iii) if the allegations were substantiated, that appropriate action has been or will be taken. However, due to confidentiality and privacy concerns, you will not receive details of findings from the investigation or actions taken, including any disciplinary action taken against another employee for misconduct.

[2] Code of Conduct (Document)

Accessed 04/11/2019

[https://aar903.ae-admin.com/assets/3/7/343811\(1\)_13_AAR_Code_of_Conduct_WR.pdf](https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf)

[p.6] Speaking up

[...]

- Remember that AAR will take your report seriously and conduct an appropriate investigation, no matter how you choose to report an issue or voice a concern.

Question
2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?
Score
1
Comments
<p>Based on publicly available information, there is some evidence that the company assures itself of the quality of its internal investigations. There is evidence that investigators are appropriately qualified to perform the function.</p> <p>However, there is no evidence that the company has a system in place to handle complaints about the investigation process, nor which individual would be responsible for the handling such complaints. It is also not clear that the company assures itself of the quality of both incident investigations and whistleblowing cases. In addition, there is no evidence that the company reviews its investigations procedure at least every three years or in response to any changes in the regulatory environment.</p>
Evidence
<p>[24] Investigations Procedure (Webpage) Accessed 06/05/2020 https://www.aarcorp.com/about/investigations/ INVESTIGATIONS</p> <p>[...]</p> <p>Report of misconduct are triaged by the CECO, in consultation with the General Counsel, to the appropriate investigator.</p> <p>AAR ensures quality and consistency in its investigations by ensuring that its investigations are handled by qualified, objective investigators and that those investigators have access to the resources necessary to conduct such an investigation.</p> <p>[...]</p> <p>The CECO regularly briefs the chair of the Audit Committee on any significant investigations and reports any materials findings to the Audit Committee. When appropriate, anonymized findings and "lessons learned" from investigations, including those related to agents or representatives, are shared during training sessions and in other appropriate settings.</p>

Question
2.5. Does the company's investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company reports findings of corruption investigations to the Audit Committee of the board of directors. However, the company receives a score of '1' because there is no evidence that the company publicly commits to disclose criminal offences to the relevant authorities if necessary, nor does it indicate that a specific senior individual is responsible for ensuring such disclosures.</p>
Evidence
<p>[24] Investigations Procedure (Webpage) Accessed 06/05/2020 https://www.aarcorp.com/about/investigations/ Under AAR's Global Investigations Policy, reports of potential misconduct must be reported to the Chief Ethics & Compliance Officer.[1] Matters involving significant potential misconduct concerns are elevated to senior management as well as the Chair of the Audit Committee of the Board of Directors.</p> <p>Report of misconduct are triaged by the CECO, in consultation with the General Counsel, to the appropriate investigator.</p> <p>[...]</p> <p>The CECO regularly briefs the chair of the Audit Committee on any significant investigations and reports any materials findings to the Audit Committee. When appropriate, anonymized findings and "lessons learned" from investigations, including those related to agents or representatives, are shared during training sessions and in other appropriate settings.</p>

Question
2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption investigations, or disciplinary actions involving its employees.
Evidence
No evidence found.

3. Support to Employees

Question
3.1. Does the company provide training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?
Score
2
Comments
Based on publicly available information, there is evidence that the company provides training that outlines the principles of its anti-bribery and corruption policy, which covers the whistleblowing options available to employees. There is evidence that the company provides this training to all employees across all divisions and countries of operation and in all appropriate languages. The company states that employees must repeat the training on an annual basis.
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf [p.6] B. Training</p> <p>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, 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.</p>

Question
<p>3.2. Does the company provide tailored training on its anti-bribery and corruption programme for at least the following categories of employees:</p> <ul style="list-style-type: none"> a) Employees in high risk positions, b) Middle management, c) Board members.
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company tailors its anti-bribery and corruption training programme to the different levels of risk facing employees in different roles. The company makes specific reference to the categories of employee referred to in the question. There is evidence that employees working in high risk positions are required to refresh their training on at least an annual basis.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf [p.6] B. Training</p> <p>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.</p> <p>[...]</p> <p>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:</p> <p>[p.7]</p> <ul style="list-style-type: none"> • 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. <p>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.</p>

Question
3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?
Score
1
Comments
<p>Based on publicly available information, there is some evidence that the company reviews its anti-bribery and corruption communications and personnel training programme on an annual basis. There is evidence that the results of such reviews are used to update the programme.</p> <p>However, the company receives a score of '1' because it does not provide any publicly available information to indicate how it measures effectiveness, and therefore it is unclear how the company does this in practice.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf [p.7] 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.</p>

Question
3.4. Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
0
Comments
There is no publicly available evidence that the company's incentive schemes incorporate ethical or anti-bribery and corruption principles.
Evidence
No evidence found.

Question
3.5. Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?
Score
1
Comments
<p>Based on publicly available information, there is some evidence that the company encourages employees to act ethically, even when it results in a loss of business for the company.</p> <p>However, the company receives a score of '1' because there is no clear evidence that the company assures itself of its employees' confidence in this statement through anonymised surveys or other clearly stated means.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf [p.2] 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.</p> <p>[1] Zero Tolerance for Corruption and Bribery (Webpage) Accessed 04/11/2019 https://www.aarcorp.com/investor-relations/zero-tolerance-for-corruption-and-bribery/ To all AAR employees and business partners:</p> <p>At AAR, we believe in Doing It Right, every time — even if that's not always the easiest course of action and even if it means walking away from business. I want to remind everyone that we have a policy of zero tolerance for bribery or corruption in any of our business dealings.</p>

Question
3.6. Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?
Score
1
Comments
<p>There is evidence that the company promotes a policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents, which explicitly applies to all employees across the organisation, including those engaged by the group as third parties, suppliers and joint venture partners.</p> <p>However, the company receives a score of '1' because there is no evidence that the company assures itself of its employees' confidence in this commitment through surveys, usage data or other clearly stated means.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 04/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf [p.9] 6. Violations</p> <p>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.</p> <p>[2] Code of Conduct (Document) Accessed 05/11/2019 https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf [p.6] Upholding our commitment to non-retaliation</p> <p>To maintain an environment where everyone feels comfortable raising concerns or asking questions, AAR does not and will not tolerate retaliation for making a report in good faith. A good-faith report contains all the information you have at the time, and that you believe to be true—even if it later turns out that you were mistaken. AAR never tolerates retaliation for a good-faith report, and anyone who engages in retaliation will be subject to discipline.</p> <p>[6] Standards of Business Ethics and Conduct (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/Policy_1.07.001_Standards_Business_Conduct_Policy_English.pdf [p.3] No acts of retaliation of any kind will be tolerated against good faith reports or complaints of violations of the Standards, accounting or financial reporting irregularities, or illegal or unethical conduct by the Company or any Covered Person.</p> <p>[8] EthicsPoint (Webpage) Accessed 05/11/2019 https://secure.ethicspoint.com/domain/media/en/gui/37461/index.html No retaliatory action will be taken against anyone for reporting or inquiring in good faith about potential ethical misconduct or violations of laws, regulations, or company policies, or for seeking guidance on how to handle suspected misconduct or violations, even if sufficient evidence is not found to substantiate a reported concern.</p>

Question
3.7. Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has multiple whistleblowing and advice channels to report instances of suspected corrupt activity and seek advice on the company's anti-bribery and corruption programme. There is evidence that these channels are sufficiently varied to allow employees to raise concerns across the management chain and to an external channel operated by an independent third party.</p> <p>There is evidence that the company's channels allow for confidential and, wherever possible, anonymous reporting. They are available and accessible to all employees in all jurisdictions where the company operates, including those employed by the group as third parties, suppliers and joint venture partners and in all relevant languages.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 04/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf</p> <p>[p.1] 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.</p> <p>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").</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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"); • 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. <p>[p.9] 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.</p> <p>[2] Code of Conduct (Document) Accessed 05/11/2019 https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf</p> <p>[p.4] Just as everyone at AAR shares the same commitment to making sure we provide high-quality, safe solutions and services that exceed our customers' expectations, we are also dedicated to acting with integrity. Whether you</p>

are an employee, officer or director at AAR, you are expected to follow our Code, as well as the letter and spirit of the law.

In addition, we expect our third-party business partners, such as contractors, agents, consultants, representatives and others who may be temporarily assigned to perform work or services, to meet our high ethical standards and follow the guidance set forth in our Code. If you see that a third-party business partner is not living up to our standards, speak up.

[p.6] Speaking up

During the course of our work for AAR, we may see or learn about potential violations of our Code or the law. We all have a responsibility to report any issues we know of or ask questions about anything we are unsure of. By doing so, we build on the culture of honesty, trust and integrity at AAR, which contributes to AAR's business success. Speaking up is the best course of action, even if you are not certain whether you have witnessed a violation. When in doubt, speak up!

How we own it

- If you have a question or need to report a potential violation of our Code or the law, it is usually best to speak first to your manager.
- You can also reach out to one of the following resources:
 - Another manager or business leader you trust
 - A Human Resources representative
 - An attorney in the Law Department
 - The AAR Ethics Hotline (www.aar.ethicspoint.com)
- Keep in mind that the AAR Ethics Hotline is operated by an independent third party and is available 24 hours a day, 7 days a week, via myConnection. You can report anonymously using the AAR Ethics Hotline, where allowed by local law, but you are encouraged to give your contact information, as this permits AAR to better investigate your report.
- Remember that AAR will take your report seriously and conduct an appropriate investigation, no matter how you choose to report an issue or voice a concern. Your personal information—if you chose to provide it—will be handled discreetly.

AAR takes violations of our Code and the law very seriously. Unethical or illegal actions detract from our workplace's ethical culture. In addition, they could have serious consequences for the Company, including reputational damage, safety and quality concerns and potential legal exposure. For this reason, anyone who is found to have violated our Code or the law will be subject to discipline, up to and including termination of employment.

[p.26] The keys to doing it right

While there is no one document that can address every difficult scenario we may face, we can sum up AAR's Code of Conduct with a few short keys to Doing It Right:

- Act ethically, in accordance with the law and AAR's Policies and Values.
- Ask—when in doubt, or if you have questions.
- Report good-faith concerns to your manager, the Law Department, or through the AAR Ethics Hotline.

[6] Standards of Business Ethics and Conduct (Document)

Accessed 05/11/2019

https://www.aarcorp.com/assets/3/7/Policy_1.07.001_Standards_Business_Conduct_Policy_English.pdf

[p.1] SCOPE: Corporate; all operating units (AAR CORP., its subsidiaries, business units, and other affiliates are collectively referred to herein as "Company").

POLICY:

[...]

Responsibility for carrying out the Company's commitment to integrity, fairness and compliance with high ethical standards and legal requirements rests with each of its employees, officers and directors contractors, consultants and other agents when they represent or act for the Company (collectively "Covered Persons").

[p.2] Covered Persons who observe illegal or unethical conduct by the Company or any other Covered Person or have concerns regarding compliance with financial reporting or accounting regulations, must promptly report such behavior and concerns to appropriate representatives of the Company such as a supervisor, Human Resources representative, senior managers in the Covered Person's chain of supervision, or to the General Counsel who will provide a report to the Audit Committee of the Board of Directors, as appropriate.

Alternatively, such reports may be made confidentially and anonymously (where permitted by law) via the AAR Ethics Hotline (the "Hotline") which is operated by EthicsPoint, a third party provider. To place a report, go to www.aar.ethicspoint.com, which is a portal hosted on a secure server operated by EthicsPoint. Once you are in the portal, click on "To Make a Report" and you will be prompted with instructions for completing your report. The website also provides toll-free telephone numbers.

[8] EthicsPoint (Webpage)

Accessed 05/11/2019

<https://secure.ethicspoint.com/domain/media/en/gui/37461/index.html>

Our Commitment

AAR is committed to providing employees with a safe and productive workplace and to conducting business with the highest standards of ethics.

We also believe it is important to create an environment where open, honest communications are the expectation, not the exception. We strongly encourage you to report relevant concerns directly to your supervisor, manager, or local Human Resources representative whenever you believe possible illegal, unethical, or improper conduct has occurred. In addition, the AAR Ethics Hotline (the "Hotline") is available 24 hours a day, seven days a week, as an alternative method of reporting when:

- You have a concern that you are uncomfortable talking about with your supervisor, manager, local Human Resources representative, or other company resources, such as senior management at your location or a member of the Human Resources or Law departments at AAR; OR
- You have used other channels to raise concerns but have found them to be ineffective in resolving the issue; OR
- You want to report a concern anonymously and laws of the country where you work permit you to do so.

The Hotline is administered by EthicsPoint, an independent, third-party provider and you may file a report with EthicsPoint via the Web or the phone. If permitted by local law, you may choose to submit a report to EthicsPoint anonymously; however, we encourage you to identify yourself as doing so often facilitates AAR's ability to fully address your concerns. AAR has a policy of confidentiality, and we will protect your identity to the extent permitted by law, and consistent with our need to conduct a thorough investigation, if warranted, or to take other appropriate action.

No retaliatory action will be taken against anyone for reporting or inquiring in good faith about potential ethical misconduct or violations of laws, regulations, or company policies, or for seeking guidance on how to handle suspected misconduct or violations, even if sufficient evidence is not found to substantiate a reported concern. Please see the EthicsPoint FAQs for more information about using the Hotline.

[6] EthicsPoint FAQs (Document)

Accessed 05/11/2019

<https://secure.ethicspoint.com/domain/media/en/gui/37461/faq.pdf>

[p.2] What is EthicsPoint?

EthicsPoint is an independent company that provides secure, confidential telephone and web-based systems for use by those who wish to report a concern regarding business conduct. AAR is one of many companies that have contracted with EthicsPoint for this service in the belief that, in some cases, potential reporters will be more comfortable reporting a concern if they know they will be reporting to a professional, third party. In addition to providing intake services 24 hours a day, EthicsPoint offers translation services that allow telephone and web reports to be made in the native language of the reporter.

[p.4] Can I make a report in my native language? Yes.

4. Conflict of Interest

Question
4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?
Score
2
Comments
Based on publicly available information, there is evidence that the company has a policy and procedure that define conflicts of interest, including actual, potential and perceived conflicts. There is clear evidence that this policy covers employee and government relationships, financial interests and other employment. The company states that this policy applies to all employees and board members, including those of subsidiaries and other controlled entities.
Evidence
<p>[6] Standards of Business Ethics and Conduct (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/Policy_1.07.001_Standards_Business_Conduct_Policy_English.pdf</p> <p>[p.1] PURPOSE: The Company's reputation in the marketplace is a major factor in its continuing growth and success. This statement of long-standing corporate policy concerning business ethics and conduct is provided as directives and guidance to directors, officers, employees and third parties performing services on behalf of the Company about their responsibilities to the Company, themselves and the public.</p> <p>SCOPE: Corporate; all operating units (AAR CORP., its subsidiaries, business units, and other affiliates are collectively referred to herein as "Company").</p> <p>[...]</p> <p>Responsibility for carrying out the Company's commitment to integrity, fairness and compliance with high ethical standards and legal requirements rests with each of its employees, officers and directors contractors, consultants and other agents when they represent or act for the Company (collectively "Covered Persons").</p> <p>[p.4] Conflicts of Interest - Each Covered Person shall avoid any act or relationship with persons, firms or corporations with whom the Company transacts or is likely to transact business that may involve the Covered Person in an actual or potential conflict of interest or the appearance of a conflict of interest between the Covered Person's private interests and the interests of the Company.</p> <p>[p.5] Each Covered Person has a duty to avoid financial, business or other relationships that might be opposed to the interests of the Company or might cause an actual, potential or perceived conflict with the performance of assigned duties.</p> <p>It is impossible to list every situation in which a conflict of interest could occur, but some examples of situations that must be avoided, unless disclosed to and approved in writing in advance by the General Counsel, are:</p> <ul style="list-style-type: none"> • Covered Person's personal or immediate family's (i.e. spouse, minor child or other person residing in the same household as Covered Person) beneficial relationship or ownership interest(s) in enterprises that conduct or seek to conduct business with the Company or that compete or seek to compete with the Company. Ownership of less than one percent (1%) of the outstanding stock of a publicly-held company in the aggregate by a Covered Person and the Covered Person's immediate family will not be considered a conflict of interest. See also Section 10, "Relations with Suppliers"; • Any form of competition by a Covered Person with Company business activities; • Acceptance by a Covered Person of positions as director, consultant, salaried or commissioned employee or similar positions with another company or with any competitor, supplier, partner or subcontractor of the Company.

- A Covered Person also acts as an officer of any government or government department, agency or instrumentality, especially if the position is linked to procurement processes; and
- A Covered Person stands to gain from or has influence over any supplier, subcontractor, customer or competitor involved in business dealings with the Company.

The above examples of conflicts or potential or perceived conflicts of interest are not an exhaustive list and it is important that the spirit, as well as the letter, of this conflict of interest policy be followed by all Covered Persons.

[...]

[p.6] 5. Outside Employment – The primary loyalty and interest of all regular, full time employees of the Company must remain at all times with the Company. Outside employment, self-employment or non- business commitments by a regular, full time employee may be permissible but are secondary to duties owed to AAR and are subject to the following restrictions.

All outside employment or self-employment activities by regular, full time employees in excess of 10 hours per week or 40 hours per month in the aggregate must be disclosed to the Company in writing at the time of application for employment with the Company or, if acceptance of outside employment or beginning self-employment occurs after becoming an AAR employee, prior to beginning this additional employment. Disclosure shall include the name and address of each outside employer, the nature of each outside employer's business, the employee's position with each outside employer, and the number of hours per week expected to be worked by the employee for each outside employer.

Outside employment or self-employment by any employee is not permissible if that employment:

- might affect the objectivity and independence of the employee's judgment or conduct in carrying out the employee's duties and responsibilities to the Company,
- interferes with the employee's discharge of his or her primary responsibilities to the Company or otherwise conflicts with the best interests of the Company,
- might embarrass or reflect discredit upon the Company, or
- might involve the use of private Company information to which the employee has access.

[2] Code of Conduct (Document)

Accessed 05/11/2019

[https://aar903.ae-admin.com/assets/3/7/343811\(1\)_13_AAR_Code_of_Conduct_WR.pdf](https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf)

[p.4] Who must follow our Code?

Just as everyone at AAR shares the same commitment to making sure we provide high-quality, safe solutions and services that exceed our customers' expectations, we are also dedicated to acting with integrity. Whether you are an employee, officer or director at AAR, you are expected to follow our Code, as well as the letter and spirit of the law.

In addition, we expect our third-party business partners, such as contractors, agents, consultants, representatives and others who may be temporarily assigned to perform work or services, to meet our high ethical standards and follow the guidance set forth in our Code. If you see that a third-party business partner is not living up to our standards, speak up.

[p.17] Avoiding organizational conflicts of interest

Due to AAR's long history of working with the government and other companies in our industry, the Company may sometimes face an organizational conflict of interest because of AAR's past work experience or because of its relationships with other persons, such as consultants, teaming partners or subcontractors. In an organizational conflict of interest, the Company is unable (or could potentially be unable) to act impartially, or it may receive an unfair advantage regarding a new business opportunity with the government. We must avoid even the appearance of an organizational conflict of interest. If you learn of a potential organizational conflict of interest, report it to your manager and an attorney in the Law Department immediately.

[p.21] Avoiding conflicts of interest

We each have a responsibility to act with integrity and do what is best for AAR. As part of that commitment, we must avoid conflicts of interest, or situations where we might have to choose between doing what is best for AAR and what is best for us personally or for a member of our immediate family, such as a spouse, child or anyone else who lives with us.

How we own it

- It is impossible to list every situation where a conflict of interest may arise, but here are a few guidelines to help you avoid the most common ones:
 - Do not compete with AAR. Do not take for yourself any business opportunity that you learn about through your work with AAR, or serve as a director, consultant or employee for any company that competes with AAR.
 - Think before accepting outside employment. Any outside employment should not embarrass AAR, require you to use Company confidential information or interfere with your ability to perform your work for AAR. Full-time employees must disclose any outside job that requires a significant time commitment—meaning more than 10 hours a week or 40 hours a month—before accepting the position.
 - Never directly supervise—or be supervised by—a member of your immediate family.
 - Exercise caution when making outside investments. You (or your immediate family) should not own more than one percent of the stock of a company that does business (or seeks to do business) with or competes with AAR.

[...]

Mark works in AAR's Marketing Department. In the evenings, he works as a server at a local restaurant. Sometimes Mark has to work the late shift, and he does not get home until 1 AM. He is usually tired at work the next day, and has even caught himself almost falling asleep a few times. Is he Doing It Right?

No, he is not. This outside job is taking up a significant amount of time and interfering with Mark's ability to effectively perform his work for AAR. He should speak to his manager about the situation.

Question
4.2. Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has procedures to identify, declare and manage conflicts of interest, including actual, potential and perceived conflicts. This includes a statement that all employee and board member declarations of actual and potential conflicts of interest are recorded in a dedicated register that is accessible to those responsible for oversight of the process.</p> <p>The company indicates that potential and actual conflict of interest declarations are reviewed and overseen by the Law Department and the General Counsel, who is ultimately accountable for the implementation and handling of individual cases. Although the company's procedure does not specify criteria for recusals, it does state that the failure to adequately disclose a conflict will result in disciplinary action including potential termination.</p>
Evidence
<p>[6] Standards of Business Ethics and Conduct (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/Policy_1.07.001_Standards_Business_Conduct_Policy_English.pdf</p> <p>[p.5] The above examples of conflicts or potential or perceived conflicts of interest are not an exhaustive list and it is important that the spirit, as well as the letter, of this conflict of interest policy be followed by all Covered Persons. For that purpose, each Covered Person is expected to disclose to the responsible operating company General Manager (or comparable senior executive) or to the corporate senior executive of each functional area any situation that may involve a real or potential conflict of interest for review with the General Counsel. By providing this information, a Covered Person does not necessarily acknowledge that a conflict of interest exists or may arise. Rather, it gives the Covered Person and the Company an opportunity to address any actual potential or perceived conflict before it becomes an embarrassment to the Covered Person or the Company or a more serious problem.</p> <p>The value of certain outside interests and activities to Covered Persons is recognized and the Company will interpret this policy with reason. If in the opinion of the Company a conflict arises, however, a Covered Person will be expected to promptly remedy the situation to the satisfaction of the Company. Failure to do so will subject the Covered Person to disciplinary action, up to and including termination.</p> <p>Any Covered Person who becomes aware of an actual, potential or perceived conflict of interest must bring it to the attention of his or her supervisor, Human Resources representative, senior managers in his or her chain of supervision, or directly to the General Counsel. Alternatively, where permitted by local law, reports concerning actual, potential or perceived conflicts of interest may be made confidentially and anonymously via the AAR Ethics Hotline which is operated by a third party and can be accessed using the instructions that are stated above on page 2 of this policy and in Policy No. 1.14.001.</p> <p>All Covered Person declarations of actual, potential and perceived conflicts of interest must be recorded in a dedicated conflicts of interest register that will be accessible to those responsible for oversight of the process. This file will be maintained by the Law Department under the direction and oversight of the ...</p> <p>[p.6] ... General Counsel or his or her designee.</p>
<p>[2] Code of Conduct (Document) Accessed 05/11/2019 https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf</p> <p>[p.21] If you believe you may be involved in a conflict of interest—or a situation that could appear to be a conflict—disclose it to your manager, a Human Resources representative or an attorney in the Law Department right away.</p>

Question
4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has a policy on the appointment of former government employees, which includes controls to assess and regulate employment, offers of employment or other consultancy engagement to current and recently departed public officials, including politicians. There is evidence that the General Counsel must authorise the initiation of any employment discussions with current or former public officials, along with reviewing any actual, potential or perceived conflicts of interest.</p> <p>The company indicates that it will place restrictions on the activities of these individuals if such conflicts of interest are identified. Moreover, the company has a policy to implement a cooling-off period of at least 12 months before former public officials are permitted to have any form of contact or relationship with their former organisation on the company's behalf.</p>
Evidence
<p>[4] Standards of Business Ethics and Conduct (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/Policy_1.07.001_Standards_Business_Conduct_Policy_English.pdf [p.12] Covered Persons shall comply with so-called "revolving door" restrictions imposed by laws and regulations regarding Company employment of former government employees. In the U.S., these restrictions impose permanent, two-year or one-year restrictions on former government officials and employees, depending upon their government seniority and responsibilities, in representing private employers before their former government agencies or on behalf of foreign entities.</p> <p>In no event will the Company conduct employment discussions with a former or current government official without a review by the General Counsel or his or her designee of actual, potential or perceived conflict of interest and any restrictions in their activities if such a conflict of interest is identified. In the event the Company decides to hire such a former or current government employee, a cooling off period of at least 12 months, or such longer period as mandated by applicable law, will be imposed before such government official is permitted to have any contact or relationship with his or her former organization on AAR's behalf. The Company does not and will not contract for the services of currently serving politicians.</p> <p>[2] Code of Conduct (Document) Accessed 05/11/2019 https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf [p.17] Hiring former government employees</p> <p>We work closely with government officials as we bid and work on government contracts. At all times, we want to avoid the appearance that we could be trying to influence the procurement process unfairly. Accordingly, we must be careful to comply with applicable laws when hiring former government employees or even discussing employment opportunities with them.</p> <p>How we own it</p> <ul style="list-style-type: none"> • Never discuss employment or consulting opportunities with a government official who is involved in certain competitive procurements on which AAR is bidding. • Speak to a Human Resources representative and an attorney in the Law Department before discussing employment opportunities with anyone who works—or used to work—for the government.

Question
4.4. Does the company report details of the contracted services of serving politicians to the company?
Score
2
Comments
The company publishes a clear statement that it does not, and will not as a matter of policy, contract the services of serving politicians.
Evidence
[4] Standards of Business Ethics and Conduct (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/Policy_1.07.001_Standards_Business_Conduct_Policy_English.pdf [p.12] The Company does not and will not contract for the services of currently serving politicians.

5. Customer Engagement

5.1 Contributions, Donations and Sponsorships

Question
5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?
Score
0
Comments
<p>There is evidence that the company has a policy governing political contributions, to ensure that they are not used for corrupt purposes. This policy states that donations are permissible under certain circumstances and only with proper authorisation from senior individuals in the Government Affairs department and Nominating and Corporate Governance Committee. There is evidence that the policy applies to all employees, board members, third parties and other entities controlled by the company.</p> <p>However, based on publicly available information, there is evidence that the company allows corporate political donations in the United States and also operates a Political Action Committee (PAC), through which employees are able to make voluntary contributions to federal political candidates and organisations. The company therefore receives a score of '0'.</p>
Evidence
<p>[10] Political Participation, Lobbying, and Contributions Policy (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/Policy_1.10.001_Lobbying_Contributions.pdf</p> <p>[p.1] 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 worldwide ("Company").</p> <p>SCOPE: Corporate and all operating units</p> <p>RESPONSIBILITY:</p> <p>[...]</p> <p>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.</p> <p>[p.3] 2. Political Contributions</p> <p>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.</p> <p>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").</p> <p>a) Contributions to Political Candidates and 527 Organizations</p>

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 ...

[p.4] ... 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.² Such contributions to these other tax exempt organizations, if any, will be included in the Annual Contributions Report.

² 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.

d) AAR PAC

[p.5] 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.

[...]

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

[p.6]

- 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 ...

[p.6-7] ... and 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.

[9] Political Engagement (Webpage)

Accessed 05/11/2019

<https://www.aarcorp.com/investor-relations/political-engagement/>

POLITICAL DISCLOSURES

Public sector decisions significantly affect AAR's business, direction and growth. For this reason, AAR 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. AAR complies with all applicable laws and regulations related to its participation in the political process.

AAR's Government Affairs Department is responsible for managing and coordinating the Company's political participation. The Board of Directors of AAR Corp. is responsible for overseeing the Company's lobbying activities and political contributions and for reviewing Annual Contributions and Lobbying Reports. The Company's participation in the political process is governed by our Political Participation, Lobbying, and Contributions Policy.

CORPORATE POLITICAL CONTRIBUTIONS AND EXPENDITURES

Independent Expenditures

AAR has not sponsored advertisements that would qualify as "independent expenditures" or "electioneering communications" under U.S. federal campaign finance laws, and has no plans to do so.

Political Contributions Outside of the United States

AAR does not and will not contribute, loan, or make available any money, assets, property or other thing of value to any non-U.S. candidate, political party, or political committee.

Contributions to Political Candidates

Consistent with U.S. federal law, AAR does not contribute corporate funds to federal candidates, national political party committees, or other federal political committees. AAR may contribute corporate funds to U.S. state or local candidates or 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 AAR holds or may in the future bid for a government contract.

State and Local Contributions

From time to time, AAR may make corporate political contributions in certain states where permitted by law. In 2018, AAR did not make corporate political contributions to state political candidates or political committees.

527 Political Contributions

In 2018, AAR did not contribute to any Section 527 organizations or to organizations that support or oppose local state or local ballot initiatives or referendums, and has no plans to do so in the future. In the event that the Company would choose to use Company funds to make contributions to these organizations, it will disclose such contributions.

Political Action Committee

In the United States, AAR sponsors the AAR Corp. PAC, a federal political action committee, formed pursuant to the Federal Election Campaign Act, as amended, and the regulations promulgated by the Federal Election Commission. The AAR PAC enables eligible 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; employee 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 Commissions website (www.fec.gov). Additionally, information regarding contributions to the AAR Corp. PAC can be found at The Center for Responsive Politics website.

[3] Anti-Corruption Policy (Document)

Accessed 05/11/2019

https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf

[p.1] 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.

[...]

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");
- 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.

[p.3] 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:

[p.4] 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 of this policy. Under no circumstances may a charitable donation be made at the suggestion, request, or behest of any public official to obtain any improper advantage or to a charity owned, controlled, or connected to a public official. Before a donation is authorized, you must ensure that the Chief Compliance Officer ("CCO") or another attorney from AAR's Law Department has conducted sufficient due diligence to ensure compliance with the requirements of this policy. Any political contributions must be made in accordance with AAR's Political Participation, Lobbying, and Contributions Policy.

[2] Code of Conduct (Document)

Accessed 05/11/2019

[https://aar903.ae-admin.com/assets/3/7/343811\(1\)_13_AAR_Code_of_Conduct_WR.pdf](https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf)

[p.13] Saying no to bribery and corruption

[...]

How we own it

- Never offer or accept any sort of bribe. This can be anything of value given with the intention of gaining an improper advantage, such as securing a contract or receiving a license or a permit. Value can include cash payments, promises or offers of employment, use of AAR facilities, lavish gifts or entertainment, payments for unreasonable travel expenses or political or charitable contributions.

[p.17] Avoiding improper payments and competing fairly

[...]

We must also be aware of lobbying and political contribution restrictions and follow all related rules closely.

[p.24] Remember that you are welcome to contribute to the AAR Political Action Committee, which may advocate on AAR's behalf regarding certain issues or legislation. However, you are not obligated to do so.

[4] Standards of Business Ethics and Conduct (Document)

Accessed 05/11/2019

https://www.aarcorp.com/assets/3/7/Policy_1.07.001_Standards_Business_Conduct_Policy_English.pdf

[p.14] 15. Political Activity and Contributions - The nature of the Company's business activities requires contact with public officials on a wide variety of matters. Covered Persons responsible for dealing with public officials must be familiar and comply with applicable lobbying laws and regulations, particularly those that apply to registrations and filings when engaging in such activity, in accordance with AAR's Political Participation, Lobbying and Contributions Policy.

There is a comprehensive and absolute prohibition against any corporation making a political contribution to any U.S., federal election campaign. No such contribution, whether by cash or otherwise, may be made by or in the name of the Company. In U.S. state and local elections and in countries outside the U.S., political contributions may be prohibited. Before making any political contribution using Company funds or in the Company's name, prior written approval by the General Counsel is required. 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. The Company may make domestic political contributions in accordance with AAR's Political Participation, Lobbying and Contributions Policy.

Any Covered Person is free to make personal contributions, or engage in personal political activities including holding public office, provided those activities do not interfere with or impair the Covered Person's ability to meet the requirements of his or her services for the Company, do not involve the use of Company property and do not pose a conflict of interest that might be reasonably construed or appear to be a conflict of interest under applicable law or Company policy.

Question
5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?
Score
2
Comments
<p>There is evidence that the company publishes full details of its political contributions, including information regarding the recipient, amount, country of recipient and the name of the corporate entity that made the contribution. There is evidence that the company updates and publishes this data on at least an annual basis, by providing a direct link to the Centre for Responsive Politics website. The company's PAC contributions and expenditures are publicly disclosed on government-agency websites.</p>
Evidence
<p>[9] Political Engagement (Webpage) Accessed 05/11/2019 https://www.aarcorp.com/investor-relations/political-engagement/ CORPORATE POLITICAL CONTRIBUTIONS AND EXPENDITURES</p> <p>Independent Expenditures AAR has not sponsored advertisements that would qualify as "independent expenditures" or "electioneering communications" under U.S. federal campaign finance laws, and has no plans to do so.</p> <p>Political Contributions Outside of the United States AAR does not and will not contribute, loan, or make available any money, assets, property or other thing of value to any non-U.S. candidate, political party, or political committee.</p> <p>Contributions to Political Candidates Consistent with U.S. federal law, AAR does not contribute corporate funds to federal candidates, national political party committees, or other federal political committees. AAR may contribute corporate funds to U.S. state or local candidates or 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 AAR holds or may in the future bid for a government contract.</p> <p>State and Local Contributions From time to time, AAR may make corporate political contributions in certain states where permitted by law. In 2018, AAR did not make corporate political contributions to state political candidates or political committees.</p> <p>527 Political Contributions In 2018, AAR did not contribute to any Section 527 organizations or to organizations that support or oppose local state or local ballot initiatives or referendums, and has no plans to do so in the future. In the event that the Company would choose to use Company funds to make contributions to these organizations, it will disclose such contributions.</p> <p>PAC contributions and expenditures are publicly disclosed on government-agency websites, including the Federal Election Commissions website (www.fec.gov). Additionally, information regarding contributions to the AAR Corp. PAC can be found at The Center for Responsive Politics website.</p>

[22] The Center for Responsive Politics – Recipients (Webpage)

Accessed 10/12/2019

<https://www.opensecrets.org/pacs/pacgot.php?cmte=C00625921&cycle=2018>

Contributions to Federal Candidates, 2018 cycle

Total Contributions from this PAC to federal candidates \$8,100
(67% to Democrats, 33% to Republicans)

House

Total to Democrats: \$2,700

Total to Republicans: \$2,700

Recipient	Total
Krishnamoorthi, Raja (D-IL)	\$2,700
Pence, Greg (R-IN)	\$2,700

Senate

Total to Democrats: \$2,700

Total to Republicans: \$0

Recipient	Total
Duckworth, Tammy (D-IL)	\$2,700

Based on data released by the FEC on June 10, 2019.

[23] The Center for Responsive Politics – PAC to PAC/Party (Webpage)

Accessed 10/12/2019

<https://www.opensecrets.org/pacs/pac2pac.php?cycle=2018&cmte=C00625921>

Party Breakdown



 Republican

Contributions from this PAC	Total
Inhofe Victory Cmte	\$5,400

*Based on data released by the FEC on June 10, 2019

Question
5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?
Score
1
Comments
<p>There is evidence that the company has a policy on charitable contributions, which outlines measures to ensure that such donations are not used as vehicles for bribery and corruption. These measures include due diligence on recipients, oversight and sign-off from the General Counsel and Chief Compliance Officer and a requirement to record all donations made in the company's financial records. Although the policy does not explicitly cover sponsorships, this type of contribution is understood to be covered under the company's policy on charitable donations.</p> <p>However, the company receives a score of '1' because the company does not publish full details of all charitable donations made. The company discloses the names of some organisations that it supports, but there is no evidence that this represents a comprehensive list of donations as it does not publish further details, such as the amount, country of recipient and which corporate entity made the payment.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf</p> <p>[p.4] 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 of this policy. Under no circumstances may a charitable donation be made at the suggestion, request, or behest of any public official to obtain any improper advantage or to a charity owned, controlled, or connected to a public official. Before a donation is authorized, you must ensure that the Chief Compliance Officer ("CCO") or another attorney from AAR's Law Department has conducted sufficient due diligence to ensure compliance with the requirements of this policy. Any political contributions must be made in accordance with AAR's Political Participation, Lobbying, and Contributions Policy.</p> <p>[p.14] APPENDIX B Allowable Payments and Other Things of Value 3. Charitable Donations</p> <p>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 private individual who is in a position to act or make a decision in favor of the Company, or (ii) to a charity owned by, controlled by, or connected to such government officials or private individuals.</p> <p>[p.15] 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 any business or improper advantage for the Company.</p> <p>If charitable donations are provided by or on behalf of the Company, the donations must also meet the following criteria:</p> <ul style="list-style-type: none"> • The donations do not violate any applicable governmental policies or any applicable local laws or regulations; and • The donations are recorded promptly, fully and accurately on the Company's financial books and records. <p>[2] Code of Conduct (Document) Accessed 05/11/2019 https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf</p>

[p.24] At AAR, we know that running a responsible business is about more than providing high-quality solutions and services. We strive to make a positive impact on the world around us through the work we do each day. AAR believes that Doing It Right is not just about business success—it is also about making the world a better place.

How we own it

- Work to minimize AAR's environmental impact and use natural resources wisely by complying with AAR environmental, health and safety policies and procedures.
- Do your part to contribute to AAR's corporate initiatives that are designed to improve our communities by supporting non-profit organizations, particularly those that help veterans or active military members, promote STEM education, encourage health and wellness activities and promote diversity and inclusion.

[...]

Volunteering and being politically active

AAR knows that many of us are deeply committed to improving our communities through volunteering for charitable organizations or political causes, and we are encouraged to do so. However, we may only volunteer on our own time and with our own resources.

How we own it

- Never give the impression that AAR supports your volunteer work or political cause.
- In some cases, you may be able to show AAR's support or use AAR's assets for your volunteer or charitable activities, with advance permission from a senior officer.

[20] Corporate Governance Guidelines (Webpage)

Accessed 07/11/2019

<https://www.aarcorp.com/investor-relations/corporate-governance-guidelines/>

1. Director Qualification Standards

[...]

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 a 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.

[11] Annual Report 2019 (Document)

Accessed 05/11/2019

https://www.aarcorp.com/assets/3/7/AAR_AR19_Online_final_081219.pdf

[p.10] Expanding impact

AAR is grateful to be a member of so many communities around the world and has instilled the importance of giving back into our company culture. As part of AAR's corporate social responsibility efforts, the company sponsors and supports nonprofit organizations in the regions AAR is located and focuses on promoting better care for veterans, aviation-focused education, health and wellness, and diversity and inclusion.

Throughout the year, AAR hosts philanthropic projects for employees to participate in. Recently, the AAR team packed over 30,000 meals for Rise Against Hunger to help feed individuals and families in need. AAR also participated in local "Plane Pull" events in Indianapolis and Chicago to fundraise for the Special Olympics.

AAR is dedicated to inspiring today's youth to explore careers in aviation and frequently participates in STEM events at neighboring schools and hosts students at its facilities for tours and mentorship programs.

Through charitable giving, AAR supports research and advanced treatment therapies for diseases and medical conditions, homeless veterans and families in need. Some of AAR's partner organizations include: the Alzheimer's Association; Brain Research Foundation; Feeding America; Ann & Robert H. Lurie Children's Hospital; Boys & Girls Clubs; Grandma's Marathon; United Way and more.

AAR also takes great responsibility in caring for the environment and seeks to lead by example by carrying out initiatives to lessen its ecological footprint. Throughout the company's global network of facilities, the employees work together to analyze processes and identify opportunities to conserve energy and resources. A recent success story is AAR's Component Repair facility in Amsterdam, which decreased its electricity usage by 40,000 kilowatt hours in 2018 through a focused LED conservation initiative. AAR's companywide collaboration on sustainability has resulted in a significant reduction in waste and new best practices that will grow AAR's operational efficiency for years to come.

[12] Corporate Social Responsibility (Webpage)

Accessed 05/11/2019

<https://www.aarcorp.com/about/corporate-social-responsibility/>

AAR also believes in doing it right outside of work, giving back to the communities in which we live and operate. We support non-profits and organizations that work to improve society in four primary areas: veterans/active military; education with an emphasis on STEM; health and wellness; and diversity and inclusion. In the last decade, AAR's charitable contributions totaled over \$7 million.

Veterans, Active Military & Their Families

As a U.S. military partner and an employer of veterans, supporting active and retired military is a priority. AAR actively supports groups devoted to veterans, armed forces members and the families of those who gave their lives to defend our country. Some of the organizations we contribute to include:

- Marine Corps Scholarship Fund
- Navy SEAL Foundation
- Operation Support our Troops – America
- VetsAID

Education – Focus on STEM

Committed to inspiring the next generation's interest in aerospace and developing a pipeline of young talent within the aviation industry, AAR partners with organizations around the world to foster education in the areas of science, technology, engineering and math. We proudly open our doors to students for tours and mentorship programs, and play an active role in organizations such as:

- Cool Aeronautics, UK
- "How Things Fly" Design Hangar at the Smithsonian National Air and Space Museum in Washington, D.C.
- Cradle of Aviation Museum. Long Island, N.Y.
- Perspectives Charter Schools (PCS) in Chicago

Health and Wellness

Health and wellness affect us all. AAR and our employees regularly contribute—financially and/or as volunteers—to groups dedicated to the research and cure of diseases. Among the organizations we support are:

- Alzheimer's Association
- Brain Research Foundation
- Feeding America
- Ann & Robert H. Lurie Children's Hospital of Chicago

Diversity & Inclusion

As a global company, AAR values diverse perspectives and is a proponent of inclusion in our workplace and beyond. We advocate for diversity and inclusion by supporting organizations like:

- Congressional Black Caucus Foundation
- Special Olympics
- POSSE Chicago
- U.S. Holocaust Memorial Museum

5.2 Lobbying

Question
5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has a policy on lobbying. The company states that the Government Affairs department is responsible for managing and supervising lobbyists on a day-to-day basis and that it can request reports from lobbyists on their interactions with government representatives. There is evidence that this policy applies to all employees, directors, subsidiaries and affiliated entities.</p> <p>However, the company receives a score of '1' because its policy does not clearly outline the standards of conduct that constitute 'responsible' lobbying. The company states that company personnel must comply with anti-bribery and corruption policies when engaging with government representations, but there is no evidence that it provides further details beyond this, for example, by specifying oversight mechanisms or providing guidelines on what behaviours are acceptable and unacceptable.</p>
Evidence
<p>[10] Political Participation, Lobbying, and Contributions Policy (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/Policy_1.10.001_Lobbying_Contributions.pdf</p> <p>[p.1] 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 worldwide ("Company").</p> <p>SCOPE: Corporate and all operating units</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>[p.2] PROCEDURES: Policy Standards</p> <p>1. Lobbying: Communicating with Government Officials</p> <p>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:</p>

- 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").

[p.7] Directors, officers, and employees may lobby government officials on the Company's behalf only if Government Affairs pre-approves such lobbying contact.

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.

[2] Code of Conduct (Document)

Accessed 05/11/2019

[https://aar903.ae-admin.com/assets/3/7/343811\(1\)_13_AAR_Code_of_Conduct_WR.pdf](https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf)

[p.4] Who must follow our Code?

Just as everyone at AAR shares the same commitment to making sure we provide high-quality, safe solutions and services that exceed our customers' expectations, we are also dedicated to acting with integrity. Whether you are an employee, officer or director at AAR, you are expected to follow our Code, as well as the letter and spirit of the law.

In addition, we expect our third-party business partners, such as contractors, agents, consultants, representatives and others who may be temporarily assigned to perform work or services, to meet our high ethical standards and follow the guidance set forth in our Code. If you see that a third-party business partner is not living up to our standards, speak up.

[p.17] Avoiding improper payments and competing fairly

When we work with government officials, we must be sure to know and follow the rules and regulations they are subject to regarding gifts and entertainment. We must also be aware of lobbying and political contribution restrictions and follow all related rules closely.

[p.24] Volunteering and being politically active

AAR knows that many of us are deeply committed to improving our communities through volunteering for charitable organizations or political causes, and we are encouraged to do so. However, we may only volunteer on our own time and with our own resources.

How we own it

[...]

- Be aware of the laws related to lobbying and follow them at all times, if your work involves interacting with government officials.

[4] Standards of Business Ethics and Conduct (Document)

Accessed 05/11/2019

https://www.aarcorp.com/assets/3/7/Policy_1.07.001_Standards_Business_Conduct_Policy_English.pdf

[p.14] 15. Political Activity and Contributions - The nature of the Company's business activities requires contact with public officials on a wide variety of matters. Covered Persons responsible for dealing with public officials must be familiar and comply with applicable lobbying laws and regulations, particularly those that apply to registrations and filings when engaging in such activity, in accordance with AAR's Political Participation, Lobbying and Contributions Policy.

[9] Political Engagement (Webpage)

Accessed 05/11/2019

<https://www.aarcorp.com/investor-relations/political-engagement/>

POLITICAL DISCLOSURES

AAR's Government Affairs Department is responsible for managing and coordinating the Company's political participation. The Board of Directors of AAR Corp. is responsible for overseeing the Company's lobbying activities and political contributions and for reviewing Annual Contributions and Lobbying Reports. The Company's participation in the political process is governed by our Political Participation, Lobbying, and Contributions Policy.

Question																						
5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?																						
Score																						
1																						
Comments																						
<p>There is evidence that the company publishes some information on the topics on which it lobbies. The company provides this information via a direct link to the Center for Responsive Politics, which lists the specific issues on which the company lobbies and its official reports.</p> <p>However, the company receives a score of '1' because it does not provide further details on these topics, such as their importance or relevance to the company and its stakeholders. The company also does not publish any information about its lobbying activities outside of the United States, nor a statement that it does not conduct lobbying in other jurisdictions.</p>																						
Evidence																						
<p>[21] The Center for Responsive Politics – Issues (Webpage) Accessed 05/11/2019 https://www.opensecrets.org/federal-lobbying/clients/issues?cycle=2018&id=D000046283</p> <div><div>Issues Lobbied By AAR Corp, 2018</div><div>Export to CSV</div></div> <div><div>Filter results</div><table><tr><th>Issue</th><th>Specific Issues</th></tr><tr><td>Aviation, Airlines & Airports</td><td>5</td></tr><tr><td>Fed Budget & Appropriations</td><td>3</td></tr><tr><td>Defense</td><td>1</td></tr><tr><td>Government Issues</td><td>1</td></tr></table><div>Showing 1 to 4 of 4 entries</div></div> <p>Client Profile: AAR Corp lobbying on Aviation, Airlines & Airports, 2018</p> <div><div></div><div>Export to CSV</div></div> <table><tr><th>Document</th><th>Specific Issue</th></tr><tr><td>Read Report</td><td>Kigali Amendment Regulatory Issues economic development</td></tr><tr><td>Read Report</td><td>Kigali Amendment Regulatory Issues</td></tr><tr><td>Read Report</td><td>Government contracting for aviation services.</td></tr><tr><td>Read Report</td><td>Regulatory Issues Economic development Military Aviation Programs</td></tr><tr><td>Read Report</td><td>Regulatory Issues Economic development Military Aviation Programs</td></tr></table> <div>Showing 1 to 5 of 5 entries</div>	Issue	Specific Issues	Aviation, Airlines & Airports	5	Fed Budget & Appropriations	3	Defense	1	Government Issues	1	Document	Specific Issue	Read Report	Kigali Amendment Regulatory Issues economic development	Read Report	Kigali Amendment Regulatory Issues	Read Report	Government contracting for aviation services.	Read Report	Regulatory Issues Economic development Military Aviation Programs	Read Report	Regulatory Issues Economic development Military Aviation Programs
Issue	Specific Issues																					
Aviation, Airlines & Airports	5																					
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Government Issues	1																					
Document	Specific Issue																					
Read Report	Kigali Amendment Regulatory Issues economic development																					
Read Report	Kigali Amendment Regulatory Issues																					
Read Report	Government contracting for aviation services.																					
Read Report	Regulatory Issues Economic development Military Aviation Programs																					
Read Report	Regulatory Issues Economic development Military Aviation Programs																					

Client Profile: AAR Corp lobbying on Fed Budget & Appropriations, 2018

[Export to CSV](#)

Document Specific Issue

[Read Report](#) FY 2019 Department of Defense Authorizations and Appropriations; FY 2019 State Department Authorizations and Appropriations.

[Read Report](#) FY 2019 Department of Defense Authorizations and Appropriations; FY 2019 State Department Authorizations and Appropriations

[Read Report](#) Military Aviation programs

Showing 1 to 3 of 3 entries

Client Profile: AAR Corp lobbying on Defense, 2018

[Export to CSV](#)

Document

Specific Issue

[Read Report](#) Military Aviation programs

Showing 1 to 1 of 1 entries

Client Profile: AAR Corp lobbying on Government Issues, 2018

[Export to CSV](#)

Document

Specific Issue

[Read Report](#) Government contracting for aviation services.

Showing 1 to 1 of 1 entries

[9] Political Engagement (Webpage)

Accessed 05/11/2019

<https://www.aarcorp.com/investor-relations/political-engagement/>

Lobbying Expenditures

AAR lawfully engages in the legislative process through lobbyists to communicate its views on legislative and regulatory matters affecting the Company's business. All federal lobbying activities are regulated by the Lobbying Disclosure Act (LDA). Under the LDA, AAR's lobbyists file quarterly disclosure reports with the Clerk of the House and the Secretary of the Senate regarding payments for all federal lobbying activities. The most recent reports along with historical reports can be found at The Center for Responsive Politics website.

Question**5.2.3 Does the company publish full details of its global lobbying expenditure?****Score****1****Comments**

The company discloses some information about its total lobbying expenditure, by providing a direct link to the Center for Responsive Politics website. In 2018, this organisation published the names of the external lobbyists and firms engaged by the company, as well as the agencies lobbied by the company.

However, the company receives a score of '1' because the data published does not appear to cover internal lobbyists or association lobbying, and there is no evidence that it differentiates between corporate entities. In addition, neither the organisation nor the company publishes any information about its lobbying activities outside of the United States, nor a statement that it does not conduct lobbying in other jurisdictions.

Evidence**[9] Political Engagement (Webpage)**

Accessed 05/11/2019

<https://www.aarcorp.com/investor-relations/political-engagement/>
Lobbying Expenditures

AAR lawfully engages in the legislative process through lobbyists to communicate its views on legislative and regulatory matters affecting the Company's business. All federal lobbying activities are regulated by the Lobbying Disclosure Act (LDA). Under the LDA, AAR's lobbyists file quarterly disclosure reports with the Clerk of the House and the Secretary of the Senate regarding payments for all federal lobbying activities. The most recent reports along with historical reports can be found at The Center for Responsive Politics website.

[13] The Center for Responsive Politics – Summary (Webpage)

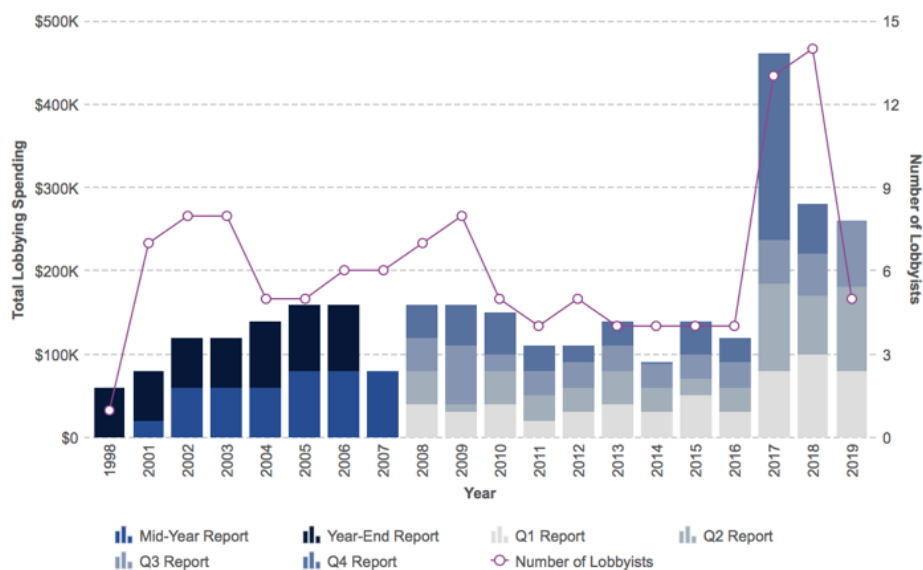
Accessed 05/11/2019

<https://www.opensecrets.org/federal-lobbying/clients/summary?cycle=2018&id=D000046283>

Client Profile : AAR Corp

\$280,000

Total Lobbying Expenditures, 2018

Annual Lobbying by AAR Corp

AAR Corp Lobbying by Industry

[Export to CSV](#)

Industry	Total
Air Transport	\$280,000

[10] Political Participation, Lobbying, and Contributions Policy (Document)

Accessed 05/11/2019

https://www.aarcorp.com/assets/3/7/Policy_1.10.001_Lobbying_Contributions.pdf

[p.2] 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.

[14] The Center for Responsive Politics – Lobbyists (Webpage)

Accessed 05/11/2019

<https://www.opensecrets.org/federal-lobbying/clients/lobbyists?cycle=2018&id=D000046283>

\$280,000

Total Lobbying Expenditures,
2018

14

Number of Lobbyists

9 (64.29%)

Number of Revolvers ?

Lobbyists representing AAR Corp, 2018

[Export to CSV](#)

[Reset Filters](#)

Filter by Revolving Door Profiles:

All

Filter by Former Members of Congress:

All

Filter results

Lobbying Firm Hired	Total Amount*	Client	Lobbyist
Barnes & Thornburg	\$30,000	AAR Corp	Edward P Ayoob
Barnes & Thornburg	\$30,000	AAR Corp	Craig S Burkhardt

Barnes & Thornburg	\$30,000	AAR Corp	Robert Ganim ↻
Barnes & Thornburg	\$30,000	AAR Corp	Robert T Grand
Barnes & Thornburg	\$30,000	AAR Corp	David M Spooner ↻
Ice Miller Strategies	\$60,000	AAR Corp	Clayton Heil ↻
Ice Miller Strategies	\$60,000	AAR Corp	Graham Hill ↻
Ice Miller Strategies	\$60,000	AAR Corp	Thomas Lynch ↻
Ice Miller Strategies	\$60,000	AAR Corp	Andy Mueller
Mercury	\$190,000	AAR Corp	Stephen Aaron ↻
Mercury	\$190,000	AAR Corp	Mark Braden
Mercury	\$190,000	AAR Corp	Rodney Emery ↻
Mercury	\$190,000	AAR Corp	Graham Haile
Mercury	\$190,000	AAR Corp	Greg Lankler ↻

[15] The Center for Responsive Politics – Agencies (Webpage)
Accessed 05/11/2019
<https://www.opensecrets.org/federal-lobbying/clients/agencies?cycle=2018&id=D000046283>
Agencies Lobbied By AAR Corp, 2018
Defense Information Systems Agency
Dept of Defense
Dept of State
Environmental Protection Agency
Executive Office of the President
National Economic Council
National Security Council
Office of Management & Budget
US House of Representatives
US Senate
Vice President's Office
White House

5.3 Gifts and Hospitality

Question
5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has a policy on the giving and receipt of gifts and hospitality. There is evidence that the company's policy specifies financial and proportional limits for different types of promotional expenses, and that it addresses the risks associated with gifts and hospitality given to and received from public officials.</p> <p>However, the company receives a score of '1' because there is no evidence that all gifts and hospitality above a certain threshold are recorded in a dedicated register that is accessible to those responsible for oversight of the process.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf</p> <p>[p.4] 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.</p> <p>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.</p> <p>[p.14] 2. Travel Expenses</p> <p>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:</p> <ul style="list-style-type: none"> • 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.

[p.32] 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.

[p.33] 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.

[p.34] 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:

- All meals and entertainment provided to non-U.S. Public Officials must be reported to, and pre-approved in writing by, AAR's Law Department in advance.
- The meal or entertainment is under \$100 USD per person, unless a higher amount is expressly pre-approved 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.
- [p.35] 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.

[p.36] TRAVEL

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 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:

[p.37] 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 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.

[4] Standards of Business Ethics and Conduct (Document)

Accessed 05/11/2019

https://www.aarcorp.com/assets/3/7/Policy_1.07.001_Standards_Business_Conduct_Policy_English.pdf

[p.6] 6. Policy Regarding Receipt of Gifts, Payments or Other Items of Value

A gift may take many forms. For the purposes of these Standards, the term "gift" includes anything of value for which the employee is not required to pay the retail or usual and customary cost. A gift may include cash or other

payments, meals or refreshments, goods, services, tickets to entertainment or sporting events, or the use of a residence, vacation home, or other accommodations. This section addresses the receipt of gifts. Section 8 of the Standards addresses, among other subjects, giving gifts and making payments that may be improper. The receipt or offering/providing any gifts, payment or other items of value must also comply with AAR's Travel and Expense Policy and Global Anti- Corruption Policy.

A Covered Person may never, except as provided in the Standards, Travel and Expense Policy, and the Global Anti-Corruption Policy:

- solicit, for the Covered Person, himself or herself, or for anyone else, or accept anything of value from anyone doing business with the Company;
 - solicit, for the Covered Person, himself or herself, or for anyone else, or accept anything of value from anyone in return for any business, service, or confidential information of the Company;
 - accept a gift in appreciation for good service, as thanks for our business; or ...
- [p.7]
- ... solicit, for the Covered Person, himself or herself, or for anyone else, or accept anything of value, directly or indirectly (other than bona fide salary, wages, awards, and fees paid by or to the Company), from anyone in connection with the business of the Company, either before or after a transaction is discussed or consummated.

These restrictions do not apply to gifts based on obvious family relationships (such as a Covered Person's parents, children, or spouse) or close personal friendships developed outside the context of a customer or vendor relationship, where the circumstances make it clear that the relationship, rather than the Company's business, is the motivating factor for the gift.

Acceptance of gifts of any kind (including entertainment and hospitality) from any customer, supplier, or other party doing or seeking to do business with the Company is generally prohibited. See AAR's Global Anti-Corruption Policy (No. 1.05.001). However, the following gifts may be accepted by a Covered Person on infrequent occasions from such a person if 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 and the gift is unsolicited:

- gifts, including promotional material (such as note pads and calendars) and including food or beverage items that are not easily returned, having a retail value not exceeding U.S. \$100, but only to the extent 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;
- entertainment, such as participation in or attendance at a sporting event (such as a golf outing) or attendance at an artistic event (such as a play or a concert), where the person paying for the event is in attendance and the amount of the expense is reasonable and customary for the type of event;
- discounts and rebates on merchandise or services that are offered to the general public, or to all Covered Persons under a plan negotiated by the Company;
- civic, charitable, educational, or religious organization awards for recognition of service and accomplishment having a retail value not exceeding U.S. \$100; and
- meals, refreshments, and entertainment in the course of a meeting or other occasion, provided: (1) the purpose is business-related, (2) the host of the event is present, (3) attendance is related to the Covered Person's duties with the Company, (4) the level of expense is reasonable and customary in the context of the business and the relationship with the host, and (5) the frequency of such invitations from one host is not excessive. Questions about whether a specific invitation may be accepted under this section of the policy – whether, for example, it is business-related, or reasonable and customary in the context of the business with the host – should be discussed with an attorney in the Law Department.

[p.8] Whenever a Covered Person receives a gift, or an offer of a gift, that is not specifically permitted by the Standards, the Covered Person must make every effort to refuse or return it. If that is not possible, contact an attorney in the Law Department or the Chief Compliance Officer to discuss how to deal with the gift.

Receipt or retention of any gift, entertainment or travel not expressly permitted by the preceding procedures must be approved in advance by an attorney in the Law Department only after written disclosure of all relevant facts, including the name of the donor, the circumstances surrounding the offer and acceptance, the nature and approximate value of the gift, and the reason why it should be accepted or why it cannot be or should not be returned.

Gifts given by other persons to members of the Covered Person's family, to those with whom the Covered Person has a close personal relationship, and to charities designated by the Covered Person, are considered to be gifts to the Covered Person for purposes of the Standards.

7. Policy Regarding Offering Gifts, Payments or Other Items of Value – The Company has zero tolerance for bribery or corruption. Neither corporate nor individual funds or assets may be used for any unlawful purpose or be offered or given to any entity or officer or employee of any entity directly or indirectly as a bribe, illegal kickback or illegal contribution. Before offering, promising, or providing a gift, meal, or entertainment to any third party, please refer to AAR's Travel and Expense Policy and Global Anti-Corruption Policy to ensure that such gratuity is permitted under Company policy.

The giving or offering of gifts, payments and other items of value to government officials and employees, including employees of state-owned and state-controlled enterprises and labor unions as well as political parties, is in many cases prohibited or limited by law or regulation. For purposes of the Standards, the term "gift" includes payments and other items of value defined in Section 7, "Policy Regarding Receipt of Gifts, Payments and Other Items of Value." U.S. laws and regulations provide that government personnel must avoid any action, such as accepting gifts, that might result in or reasonably be expected to create the appearance of any of the following: (1) using public office for private gain, (2) giving preferential treatment to any person or entity, (3) impeding government efficiency or economy, (4) losing independence or impartiality, (5) making a government decision outside official channels, or (6) affecting adversely the confidence of the public in the integrity of the government. Penalties may be imposed against the Company and Covered Persons, as well as implicated government personnel, for violating these prohibitions.

A Covered Person may not offer or give any gift, as defined in the Standards, to an official or employee of any U.S. executive, legislative or judicial branch of government: (1) where the branch, agency or other government entity regulates, does business with, or has any official interaction with the Company; or (2) where the gift could otherwise affect the performance or nonperformance of the government official or employee's duties.

U.S. laws and regulations also specifically prohibit offering, promising or giving any money or thing of value to foreign government officials or employees who have discretion to make decisions affecting the Company's business activities if the purpose of the payment is to influence those decisions.

[2] Code of Conduct (Document)

Accessed 05/11/2019

[https://aar903.ae-admin.com/assets/3/7/343811\(1\)_13_AAR_Code_of_Conduct_WR.pdf](https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf)

[p.12] Exchanging gifts and entertainment

Exchanging gifts or entertainment can be a local custom in some places where we do business, and it is also a way to build business relationships. However, there are limits on the gifts that we can make or receive.

A gift is anything of value that the recipient does not pay the retail price or usual cost for. Common examples include meals, tickets to sporting events or other entertainment, or items such as watches.

How we own it

- Avoid giving gifts to or accepting gifts from a customer, supplier or anyone else doing or seeking to do business with AAR.
- Exchanging certain nominal gifts may be allowed, but make sure they are unsolicited, not being used to influence a business decision and not given in appreciation for a past action.
- Understand what constitutes an acceptable gift, including:
 - Promotional materials bearing the company's logo or food or drinks that are difficult to return and are worth no more than USD 100, when they are given on occasions when gifts are customary.
 - Discounts or rebates that are available to the general public or all AAR employees.
 - Reasonably priced and infrequent entertainment or meals for a business purpose where the giver and recipient are both present.
- Refuse or return any other gifts. If you are unable to do so, you must disclose the gift in writing to your manager as soon as possible.

Keep in mind that stricter rules apply to gift giving when government officials and employees are involved. In general, do not give or offer any gift—regardless of value—to a government official.

For more information, see the “Doing It Right for Our Government Customers” section of the Code.

Tania has worked with one of AAR’s biggest customers for several years, and she has become very friendly with her contact at that company. The two of them go to lunch once a month at a high-end restaurant. Occasionally they discuss business, but usually they just chat about their lives. Either Tania or her contact at the other company will charge these lunches to their company credit card as a business lunch. Is she Doing It Right?

No, she is not. These lunches are not for a business purpose, and meeting at a high-end restaurant may not follow AAR’s guidelines for gifts and entertainment. Tania should pay for these lunches out of her own pocket unless they are truly opportunities to talk about business.

[p.12] Avoiding improper payments and competing fairly

When we work with government officials, we must be sure to know and follow the rules and regulations they are subject to regarding gifts and entertainment. We must also be aware of lobbying and political contribution restrictions and follow all related rules closely.

How we own it

- In general, do not give or offer any gift – regardless of value – to a government official.

[p.17] Avoiding improper payments and competing fairly

When we work with government officials, we must be sure to know and follow the rules and regulations they are subject to regarding gifts and entertainment.

How we own it

- In general, do not give or offer any gift – regardless of value – to a government official.
- Never offer anything to a government official in exchange for any official action, as this would be considered a bribe.

[p.18] Do’s and Don’ts for Working on Government Contracts

Don’t:

[...]

X Give a government official any gift, gratuity, bribe or other item of value during the contracting process, or discuss possible employment with them.

6. Supply Chain Management

Question
6.1. Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?
Score
0
Comments
<p>Based on publicly available information, there is some evidence that the company's procurement department is involved in the management of the company's supplier relationships. The company states that the procurement department is responsible for performing due diligence on suppliers.</p> <p>However, the company receives a score of '0' because it does not provide further information on the role of the procurement department to confirm that it is the primary body responsible for broader oversight and management of the company's supplier base, including facilitating onboarding of new suppliers. In addition, there is no evidence that the company assures itself of the procurement department's involvement at least every three years.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf [p.18] In the case of performing due diligence on AAR's suppliers, this responsibility will reside in AAR's Procurement Department.</p>

Question
6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has formal procedures to conduct risk-based due diligence on all of its suppliers. Due diligence includes checks on beneficial ownership. There is also evidence that the highest risk suppliers are subject to enhanced due diligence. The company states that due diligence is conducted before engaging new suppliers, and basic screening is repeated at least annually.</p> <p>However, the company receives a score of '1' because there is no explicit evidence that the company commits to reviewing or terminating supplier relationships in circumstances where a red flag highlighted in the due diligence cannot be mitigated.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf</p> <p>[p.1] 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.</p> <p>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").</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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"); • 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. <p>[p.5] 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.</p> <p>[p.16] APPENDIX C Due Diligence Requirements for Suppliers, Service Providers and Third Party Representatives</p> <p>1. Background & Purpose of Due Diligence Requirements</p> <p>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</p>

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 ...

[p.17] ... 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 corruption.

[p.18] 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);

[p.19]

- 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.

[p.21] 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.

[p.24] 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.

[p.25] 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.

[p.26]

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.

[2] Code of Conduct (Document)

Accessed 05/11/2019

[https://aar903.ae-admin.com/assets/3/7/343811\(1\)_13_AAR_Code_of_Conduct_WR.pdf](https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf)

[p.15] Selecting third-party business partners

When selecting contractors, agents, representatives, consultants and other third- party business partners with whom we want to do business, we must make sure to hold them to the same standards to which we hold ourselves.

How we own it

[...]

- Only work with companies and individuals who share AAR's commitment to integrity and meet AAR's third-party business partner due diligence process standards.

Question
6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company requires suppliers to have adequate anti-bribery and corruption policies and procedures in place. The company states that suppliers must have their own anti-corruption procedures that prohibit bribery and facilitation payments. In addition, there is evidence that suppliers must comply with the company's anti-corruption policies and Code of Conduct, which in turn cover bribery and facilitation payments, as well as conflicts of interest, gifts and hospitality and whistleblowing. There is evidence that the company ensures this through clear terms and audit rights in its contracts with suppliers.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 06/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf</p> <p>[p.1] 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.</p> <p>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").</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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"); • 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. <p>[p.2] 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.</p> <p>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.</p> <p>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,</p>

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.

[p.4] 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.

[p.9] 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.

[p.18] Due diligence on potential Third Party Representatives should seek to determine and document that:

[p.19] • 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.

[p.23] 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;
- 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;

[p.24]

- 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.

[4] Standards of Business Ethics and Conduct (Document)

Accessed 06/11/2019

https://www.aarcorp.com/assets/3/7/Policy_1.07.001_Standards_Business_Conduct_Policy_English.pdf

[p.1] SCOPE: Corporate; all operating units (AAR CORP., its subsidiaries, business units, and other affiliates are collectively referred to herein as "Company").

POLICY: AAR CORP. Standards of Business Ethics and Conduct("Standards")

It is the long-standing policy and commitment of this Company to observe high ethical standards and comply with all laws, rules and regulations affecting the Company and its directors, officers, employees and third parties performing services on behalf of the Company and to require all such persons to avoid any activities that could involve or lead to involvement of the Company or any such person in any unethical or unlawful practices.

The Company's business goals are important and demanding, but maintaining integrity and ethical and legal standards always must take precedence. Compliance with the letter of the law is only a minimum standard; the Company also has sought, and will continue to seek, adherence to the spirit of the law. At times, observance of this policy may place the Company in a non-competitive position. However, strict compliance with this policy and its underlying values is of greater importance to the Company than any potential lost business opportunities.

Responsibility for carrying out the Company's commitment to integrity, fairness and compliance with high ethical standards and legal requirements rests with each of its employees, officers and directors contractors, consultants and other agents when they represent or act for the Company (collectively "Covered Persons").

All Covered Persons are expected to adhere to a high standard of business and personal ethics and integrity so that the Company and all of its Covered Persons will enjoy the high respect and esteem of the public, government authorities, the business community, customers, shareholders, vendors and suppliers. To this end, each Covered Person shall:

- comply with all applicable laws, rules and regulations of all governmental jurisdictions throughout the world in which the Company conducts its business;
- avoid conflicts of interest with regard to the Company's interests;
- refrain from (i) taking for personal benefit, or directing to a third party, opportunities that properly belong to the Company or are discovered through the use of Company property, information or position, (ii) using corporate property for personal gain, and (iii) competing with the Company;
- maintain confidentiality of confidential or proprietary information of the Company or its customers or suppliers acquired by or entrusted to the Covered Person in the course of his or her relationship with the Company, unless disclosure is required by law or expressly authorized by the Company;

[p.2]

- deal ethically and fairly with the Company's customers, suppliers, and competitors;
- treat all persons without bias, discrimination or harassment and treat everyone within and outside the Company with proper respect and fairness, regardless of the person's sex, race, color, national origin, religion, age, disability, sexual orientation, veteran status or any other discernable reason to the extent applicable under local law (see Policy No. 2.01.002);
- protect the Company's assets (both tangible and intangible, including intellectual property) and use those assets only for legitimate Company business purposes in accordance with Company policies and approved practices and procedures;
- maintain accurate and complete books and records of the Company meeting the requirements of Generally Accepted Accounting Principles ("GAAP"), the Company's record retention and accounting policies, practices and procedures, and all applicable laws and regulations, and provide prompt, accurate responses to requests for information from the Chief Financial Officer, General Counsel and other members of senior Company management, and/or their designees, to assure that the Company's public reports are timely, complete, and accurate, and otherwise satisfy public disclosure requirements; and
- cooperate fully with the Company's internal and external auditors, directors of the Company, the General Counsel, and other authorized representatives of the Company, as well as government law enforcement officials and inspectors, requesting information or conducting an investigation.

Covered Persons who observe illegal or unethical conduct by the Company or any other Covered Person or have concerns regarding compliance with financial reporting or accounting regulations, must promptly report such behavior and concerns to appropriate representatives of the Company such as a supervisor, Human Resources representative, senior managers in the Covered Person's chain of supervision, or to the General Counsel who will provide a report to the Audit Committee of the Board of Directors, as appropriate.

Alternatively, such reports may be made confidentially and anonymously (where permitted by law) via the AAR Ethics Hotline (the "Hotline") which is operated by EthicsPoint, a third party provider. To place a report, go to www.aar.ethicspoint.com, which is a portal hosted on a secure server operated by EthicsPoint. Once you are in the portal, click on "To Make a Report" and you will be prompted with instructions for completing your report. The website also provides toll-free telephone numbers.

[2] Code of Conduct (Document)

Accessed 06/11/2019

[https://aar903.ae-admin.com/assets/3/7/343811\(1\)_13_AAR_Code_of_Conduct_WR.pdf](https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf)

[p.4] In addition, we expect our third-party business partners, such as contractors, agents, consultants, representatives and others who may be temporarily assigned to perform work or services, to meet our high ethical standards and follow the guidance set forth in our Code. If you see that a third-party business partner is not living up to our standards, speak up.

[p.6] Speaking up

During the course of our work for AAR, we may see or learn about potential violations of our Code or the law. We all have a responsibility to report any issues we know of or ask questions about anything we are unsure of. By doing so, we build on the culture of honesty, trust and integrity at AAR, which contributes to AAR's business success. Speaking up is the best course of action, even if you are not certain whether you have witnessed a violation. When in doubt, speak up!

How we own it

- If you have a question or need to report a potential violation of our Code or the law, it is usually best to speak first to your manager.
- You can also reach out to one of the following resources:
 - Another manager or business leader you trust
 - A Human Resources representative
 - An attorney in the Law Department
 - The AAR Ethics Hotline (www.aar.ethicspoint.com)
- Keep in mind that the AAR Ethics Hotline is operated by an independent third party and is available 24 hours a day, 7 days a week, via myConnection. You can report anonymously using the AAR Ethics Hotline, where allowed by local law, but you are encouraged to give your contact information, as this permits AAR to better investigate your report.

- Remember that AAR will take your report seriously and conduct an appropriate investigation, no matter how you choose to report an issue or voice a concern. Your personal information—if you chose to provide it—will be handled discreetly.

[p.13] Saying no to bribery and corruption

When we work on AAR's behalf, we must always demonstrate AAR's commitment to doing business honestly. In all our work, we must comply with all applicable laws, including the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, and any local anti-corruption laws. AAR has zero tolerance for any form of bribery or corruption. That means we never offer, give or accept, directly or indirectly, any bribes, kickbacks or other corrupt payments, regardless of whether we are working with commercial entities or government officials, including employees at state-owned or -controlled airlines.

[p.21] Avoiding conflicts of interest

We each have a responsibility to act with integrity and do what is best for AAR. As part of that commitment, we must avoid conflicts of interest, or situations where we might have to choose between doing what is best for AAR and what is best for us personally or for a member of our immediate family, such as a spouse, child or anyone else who lives with us.

[1] Zero Tolerance for Corruption and Bribery (Webpage)

Accessed 04/11/2019

<https://www.aarcorp.com/investor-relations/zero-tolerance-for-corruption-and-bribery/>

All of us at AAR — employees, officers, directors, business partners, and all those performing services for our company — have a responsibility to strictly comply with our Global Anti-Corruption Policy, our Standards of Business Ethics and Conduct, and our Code of Conduct. All of us must comply with all applicable anti-corruption laws in the United States and throughout the world in our everyday business dealings.

[...]

Sincerely,
John M. Holmes
President and Chief Executive Officer

Question
6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?
Score
2
Comments
There is evidence that the company takes steps to ensure that its sub-contractors have adequate anti-bribery and corruption programmes in place and that the substance of its anti-corruption and bribery programme and standards are included in subcontracts throughout the supply chain.
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 06/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf</p> <p>[p.18] Due diligence on potential Third Party Representatives should seek to determine and document that:</p> <p>[p.19]</p> <ul style="list-style-type: none"> 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.

Question
6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or anti-bribery and corruption investigations or the associated disciplinary actions relating to its suppliers.
Evidence
No evidence found.

7. Agents, Intermediaries and Joint Ventures

7.1 Agents and Intermediaries

Question
7.1.1 Does the company have a clear policy on the use of agents?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has a clear policy and procedure to control the use of agents, which addresses the corruption risks associated with the use of agents and provides details of specific controls to mitigate these risks. As part of this policy, the company commits to establishing and verifying that the use of an agent is, in each case, necessary to perform a legitimate business function. This policy applies to all divisions within the organisation that might employ agents, including subsidiaries and joint ventures.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 06/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf</p> <p>[p.1] 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.</p> <p>[...]</p> <p>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").</p> <p>[...]</p> <p>[p.15] 17. Use of Agents, Consultants, and Non-Employees - Agents, consultants, or other non-employees may not be used to circumvent the law or Company policies. No agent, consultant or other non-employee or representative may be authorized or permitted to engage in any activity or practice on behalf of the Company that is contrary to any law or regulation or the Company's policies. As stated in Policy No. 1.05.001, Covered Persons must perform appropriate due diligence and implement contractual protection and/or other controls when engaging certain parties who will perform services for, in conjunction with, or on behalf of, the Company.</p> <p>[p.18] Due diligence on potential Third Party Representatives should seek to determine and document that:</p> <p>[p.19]</p> <ul style="list-style-type: none"> 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;

Question
7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence prior to engaging and re-engaging with its third parties and agents. The company indicates that agents are subject to enhanced due diligence and states that some form of due diligence is conducted on at least an annual basis, and more frequently based on an assessment of risk. The company states that it will not enter into a business relationship with an agent where the risks identified in the due diligence process cannot be mitigated.</p> <p>However, the company receives a score of '1' because there is no clear evidence that agents are subject to enhanced due diligence every two years or when there is a significant change in the business relationship. In addition, there is no clear publicly available evidence that the company may terminate an existing relationship with an agent where red flags identified in the due diligence process cannot be mitigated.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf [p.1] 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.</p> <p>[...]</p> <p>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").</p> <p>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.</p> <p>[p.5] 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.</p> <p>[p.16] APPENDIX C Due Diligence Requirements for Suppliers, Service Providers and Third Party Representatives</p> <p>1. Background & Purpose of Due Diligence Requirements</p> <p>[...]</p> <p>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 ...</p>

[p.17] 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 corruption.

[p.18] 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.

[...]

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);

[p.19]

- 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.

[p.20] 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.

[p.21] 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.

[p.24] 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.

[p.25] 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.

[p.26]

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.

[2] Code of Conduct (Document)

Accessed 06/11/2019

[https://aar903.ae-admin.com/assets/3/7/343811\(1\)_13_AAR_Code_of_Conduct_WR.pdf](https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf)

[p.15] Selecting third-party business partners

When selecting contractors, agents, representatives, consultants and other third- party business partners with whom we want to do business, we must make sure to hold them to the same standards to which we hold ourselves.

How we own it

Only work with companies and individuals who share AAR's commitment to integrity and meet AAR's third-party business partner due diligence process standards.

[4] Standards of Business Ethics and Conduct (Document)

Accessed 06/11/2019

https://www.aarcorp.com/assets/3/7/Policy_1.07.001_Standards_Business_Conduct_Policy_English.pdf

[p.15] 17. Use of Agents, Consultants, and Non-Employees - Agents, consultants, or other non-employees may not be used to circumvent the law or Company policies. No agent, consultant or other non-employee or representative may be authorized or permitted to engage in any activity or practice on behalf of the Company that is contrary to any law or regulation or the Company's policies. As stated in Policy No. 1.05.001, Covered Persons must perform appropriate due diligence and implement contractual protection and/or other controls when engaging certain parties who will perform services for, in conjunction with, or on behalf of, the Company.

Question
7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has formal procedures to establish the beneficial ownership of agents and intermediaries, by asking agents to disclose their beneficial ownership to the company and verifying this information as part of the due diligence process. There is evidence that the company monitors its agents on an ongoing basis and that it may review its engagement as a result of changes in beneficial ownership.</p> <p>However, the company receives a score of '1' because there is no clear evidence that the company may decide to terminate or not proceed with the contractual relationship if this information cannot be established. There is also no clear evidence that the company's approach to verification is risk-based, with the ownership of high-risk agents and intermediaries subject to independent verification.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf</p> <p>[p.21] Due diligence steps for contracted sales representatives and other Third Party Representatives upon retention and renewal will include:</p> <ul style="list-style-type: none"> • 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; <p>[p.23] 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:</p> <ul style="list-style-type: none"> i. Appropriate representations and warranties that the Third Party Representative will: <ul style="list-style-type: none"> • Notify the Company of any changes to the ownership or control of the Third Party Representative; and <p>[p.24]</p> <ul style="list-style-type: none"> v. 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 vi. The right for the Company to terminate the engagement on short notice (30 days) without cause. <p>6. Ongoing Monitoring</p> <p>After Third Party Representatives are engaged, the Company must, on an ongoing basis:</p> <ul style="list-style-type: none"> iii. Investigate any changes or concerns in the relationship with each Third Party Representative (e.g. changes in third party ownership or control); and <p>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.</p>

Question
7.1.4 Does the company's anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities?
Score
2
Comments
Based on publicly available information, there is evidence that the company's anti-bribery and corruption policy applies to agents and intermediaries acting for or on behalf of the company. The company indicates that all agents and intermediaries are subject to anti-bribery and corruption clauses in their contracts, which include clear audit and termination rights to detect, control and prevent breaches.
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 06/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf</p> <p>[p.1] 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.</p> <p>[...]</p> <p>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").</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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"); • 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. <p>[p.2] 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.</p> <p>[...]</p> <p>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,</p>

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.

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.

[p.19]

- 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.

[p.23] 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;
- 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;

[p.24]

- 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.

[2] Code of Conduct (Document)

Accessed 04/11/2019

[https://aar903.ae-admin.com/assets/3/7/343811\(1\)_13_AAR_Code_of_Conduct_WR.pdf](https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf)

[p.4] Who must follow our Code?

In addition, we expect our third-party business partners, such as contractors, agents, consultants, representatives and others who may be temporarily assigned to perform work or services, to meet our high ethical standards and follow the guidance set forth in our Code. If you see that a third-party business partner is not living up to our standards, speak up.

Question
7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company addresses and highlights incentive structures for agents as a factor in bribery and corruption risk. The company's anti-corruption policy commits to structuring agent remuneration in stage payments and to only making payments into local bank accounts.</p> <p>However, although the company states that compensation for agents must be proportionate to the services provided, it is not clear that the company imposes a threshold on sales-based commissions to agents so that payments do not exceed a proportion of the net fee to the agent.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 06/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf [p.1] 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.</p> <p>[...]</p> <p>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").</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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"); • 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. <p>[p.18] Due diligence on potential Third Party Representatives should seek to determine and document that: [p.19]</p> <ul style="list-style-type: none"> • 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; <p>[...]</p> <ul style="list-style-type: none"> • 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 <p>[p.23] 5. Contractual Protection</p>

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:

[...]

- 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;

[...]

- vii. A requirement that any Third Party Representative providing sales promotion services provide detailed written activity reports as a condition of getting paid;

[p.25] 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:

[...]

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.

[p.26] 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.

[...]

20. Charges a commission or fee on an invoice which appears out of line with the applicable services.

Question
7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the agents currently contracted to act for and/or on its behalf.
Evidence
No evidence found.

Question
7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption-related investigations, incidents or the associated disciplinary actions involving agents.
Evidence
No evidence found.

7.2 Joint Ventures

Question
7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence prior to entering and when renewing relationships with its joint venture partners. The company's due diligence procedure explicitly includes checks on the ownership of the partner company. There is also evidence to suggest that joint ventures operating in high risk markets or with high risk partners such as state-owned enterprises are subject to enhanced due diligence. The company states that due diligence is repeated whenever there is a significant change in the business relationship.</p>
Evidence
<p>[25] Updated Anti-Corruption Policy (Document) 06/05/2020 https://www.aarcorp.com/assets/3/7/1.05.001_Anti-Corruption_4-17.pdf [p.21] 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</p> <p>[p.22] 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.</p> <p>[...]</p> <p>Due diligence shall be repeated whenever there is a significant change in the business relationship between the partners.</p> <p>[3] Anti-Corruption Policy (Document) Accessed 05/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf [p.1] 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.</p> <p>[...]</p> <p>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").</p> <p>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.</p>

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");
- 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.

[p.5] 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.

[p.16] APPENDIX C

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

1. Background & Purpose of Due Diligence Requirements

[...]

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 ...

[p.17] ... 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 corruption.

[p.18] 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:

- [p.19]
- 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);
 - 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.

[p.21] 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 ...

[p.22] ... 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.

[p.24] 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.

[p.25] 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.

[p.26]

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.

[2] Code of Conduct (Document)

Accessed 06/11/2019

[https://aar903.ae-admin.com/assets/3/7/343811\(1\)_13_AAR_Code_of_Conduct_WR.pdf](https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf)

[p.15] Selecting third-party business partners

When selecting contractors, agents, representatives, consultants and other third- party business partners with whom we want to do business, we must make sure to hold them to the same standards to which we hold ourselves.

How we own it

Only work with companies and individuals who share AAR's commitment to integrity and meet AAR's third-party business partner due diligence process standards.

Question
7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture partnerships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company commits to establishing and implementing anti-bribery and corruption policies and procedures in all of its joint ventures. The company states that joint venture partners must have their own anti-corruption procedures in place and must agree to comply with the company's anti-corruption policies and Code of Conduct, which prohibits bribery and facilitation payments.</p> <p>There is evidence that the company assures itself of this through anti-bribery and corruption clauses in the company's contracts. In addition, there is evidence that all contracts with joint venture partners include audit and termination rights to detect, control and prevent breaches.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 06/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf</p> <p>[p.1] 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.</p> <p>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").</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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"); • 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. <p>[p.2] 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.</p> <p>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.</p>

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.

[p.18] Due diligence on potential Third Party Representatives should seek to determine and document that:

[p.19]

- 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 designee.

[p.23] 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;
- 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;

[p.24]

- ix. 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.

[2] Code of Conduct (Document)

Accessed 04/11/2019

[https://aar903.ae-admin.com/assets/3/7/343811\(1\)_13_AAR_Code_of_Conduct_WR.pdf](https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf)

[p.4] Who must follow our Code?

Just as everyone at AAR shares the same commitment to making sure we provide high-quality, safe solutions and services that exceed our customers' expectations, we are also dedicated to acting with integrity. Whether you are an employee, officer or director at AAR, you are expected to follow our Code, as well as the letter and spirit of the law.

In addition, we expect our third-party business partners, such as contractors, agents, consultants, representatives and others who may be temporarily assigned to perform work or services, to meet our high ethical standards and follow the guidance set forth in our Code. If you see that a third-party business partner is not living up to our standards, speak up.

[1] Zero Tolerance for Corruption and Bribery (Webpage)

Accessed 04/11/2019

<https://www.aarcorp.com/investor-relations/zero-tolerance-for-corruption-and-bribery/>

All of us at AAR — employees, officers, directors, business partners, and all those performing services for our company — have a responsibility to strictly comply with our Global Anti-Corruption Policy, our Standards of Business Ethics and Conduct, and our Code of Conduct. All of us must comply with all applicable anti-corruption laws in the United States and throughout the world in our everyday business dealings.

[...]

Sincerely,
John M. Holmes
President and Chief Executive Officer

Question
7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company commits to take an active role in preventing bribery and corruption in all of its joint ventures. The company states that it provides its third parties – including joint venture partners – with training on anti-corruption regulations and that it performs ongoing monitoring and periodic reviews of its partners. The company also indicates that it may appoint a Chief Compliance Officer to the joint venture.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 06/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf</p> <p>[p.1] 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").</p> <p>[p.7] 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.</p> <p>[p.21-22] As part of the due diligence process, potential international joint venture partners also may be required to complete an Anti-Corruption Law Certification.</p> <p>[...]</p> <p>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.</p> <p>[p.24] 6. Ongoing Monitoring</p> <p>After Third Party Representatives are engaged, the Company must, on an ongoing basis:</p> <ol style="list-style-type: none"> Monitor transactions with the Third Party Representatives and their compliance with respective agreement terms; Periodically require (not less than every three years) the Third Party Representatives to update questionnaires and written certifications; Investigate any changes or concerns in the relationship with each Third Party Representative (e.g. changes in third party ownership or control); and Exercise audit rights, as appropriate. <p>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.</p>

8. Offsets

Question
8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company recognises the corruption risks associated with offset contracting. There is evidence that the company has a dedicated unit responsible for managing and monitoring the company's offset activities throughout the lifecycle of each project.</p> <p>However, the company receives a score of '1' because there is no clear evidence that all employees within the unit receive tailored anti-bribery and corruption training.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 06/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf</p> <p>[p.5] 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.</p> <p>[p.6] 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.</p>

Question
8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence on its offset obligations. The company ins checks on the beneficial ownership and conflicts of interest of both offset brokers and projects. There is also evidence that the company seeks to assure itself of the legitimacy of the investment.</p> <p>However, the company receives a score of '1' because there is no evidence that it refreshes this due diligence every two years or when there is a significant change in the business relationship or nature of the offset partner.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 06/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf</p> <p>[p.5] 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:</p> <ol style="list-style-type: none"> 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 other things, that the beneficial ownership¹ of all such offset brokers and other third parties is identified; <p>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</p> <p>[p.6]</p> <ol style="list-style-type: none"> 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. <p>[p.16] APPENDIX C Due Diligence Requirements for Suppliers, Service Providers and Third Party Representatives</p> <p>1. Background & Purpose of Due Diligence Requirements</p> <p>[...]</p> <p>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</p>

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 ...

[p.17] ... 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

[p.18] 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);

[p.19] • 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.

[p.21] 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.

Question
8.3 Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?
Score
N/A
Comments
The company publishes clear a statement that it does not does not have any offset brokers currently employed to work on its behalf, and indicates that this statement is correct for the past 12 months.
Evidence
[26] Offsets (Webpage) Accessed 06/05/2020 https://www.aarcorp.com/investor-relations/offsets/ Currently, AAR does not have any offset brokers and is not performing any offset projects nor has it done so in the past 12 months. (Updated: April 2020)

Question
8.4 Does the company publish details about the beneficiaries of its indirect offset projects?
Score
N/A
Comments
The company publishes a clear statement that it is not currently performing any offset projects, nor has it conducted any offset projects in the past 12 months.
Evidence
<p>[26] Offsets (Webpage) Accessed 06/05/2020 https://www.aarcorp.com/investor-relations/offsets/ Currently, AAR does not have any offset brokers and is not performing any offset projects nor has it done so in the past 12 months. (Updated: April 2020)</p>

9. High Risk Markets

Question
9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?
Score
2
Comments
<p>There is evidence that the company acknowledges the corruption risks associated with operating in different markets and that it has a risk assessment process in place to account for these specific risks. The company clearly indicates that the Chief Compliance Officer is responsible for this process.</p> <p>In addition, there is evidence that the results of risk assessments have a direct impact on business decisions and inform the development and implementation of additional controls. Although the company does not provide examples of such controls, the information provided by the company is sufficiently clear to receive a score of '2'.</p>
Evidence
<p>[3] Anti-Corruption Policy (Document) Accessed 06/11/2019 https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf [p.8] 4. Anti-Corruption Risk Assessment Procedure</p> <p>[...]</p> <p>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.</p> <p>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.</p>

Question																																												
9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?																																												
Score																																												
1																																												
Comments																																												
<p>There is evidence that the company publishes a list of all its consolidated subsidiaries and non-fully consolidated holdings. This list includes the percentage ownership and country of incorporation for each entity. Although the company does not explicitly indicate that this list is updated on an annual basis, there is evidence that the list is complete at the time of publication (within the past 12 month).</p> <p>However, the company receives a score of '1' because there is no evidence that it publishes the country or countries of operation for each entity.</p>																																												
Evidence																																												
<p>[17] Organizational structure (Webpage) Accessed 06/11/2019 https://www.aarcorp.com/investor-relations/organizational-structure/ AAR CORP Subsidiaries, Affiliated Companies, and Joint Ventures As of May 30, 2019</p> <table> <tr> <th><u>Name [1]</u></th><th><u>Place of Incorporation</u></th><th><u>Ownership % [2]</u></th></tr> <tr> <td>AAR CORP.</td><td>Delaware</td><td></td></tr> <tr> <td>AAR do Brasil Ltda.</td><td>Brazil</td><td>.1%</td></tr> <tr> <td>Rags of Honor, LLC</td><td>Illinois</td><td>10%</td></tr> <tr> <td>AAR Aircraft & Engine Sales & Leasing, Inc.</td><td>Illinois</td><td></td></tr> <tr> <td>AAR Asset Management, LLC</td><td>Delaware</td><td></td></tr> <tr> <td>AAR Aircraft Services, Inc.</td><td>Illinois</td><td></td></tr> <tr> <td>Aviation Maintenance Staffing, Inc.</td><td>Delaware</td><td></td></tr> <tr> <td>Aeronautica Corporation</td><td>Illinois</td><td></td></tr> <tr> <td>AAR Airlift Group, Inc.</td><td>Florida</td><td></td></tr> <tr> <td>AAR Airlift Group Afghanistan Inc. Logistic Services</td><td>Afghanistan</td><td>50%</td></tr> <tr> <td>AAR Airlift Pakistan (Private) Limited</td><td>Pakistan</td><td>50%</td></tr> <tr> <td>AAR Airlift Group Peru S.A.C.</td><td>Peru</td><td>50%</td></tr> <tr> <td>AAR Airlift S.A.S.</td><td>Colombia</td><td></td></tr> </table>			<u>Name [1]</u>	<u>Place of Incorporation</u>	<u>Ownership % [2]</u>	AAR CORP.	Delaware		AAR do Brasil Ltda.	Brazil	.1%	Rags of Honor, LLC	Illinois	10%	AAR Aircraft & Engine Sales & Leasing, Inc.	Illinois		AAR Asset Management, LLC	Delaware		AAR Aircraft Services, Inc.	Illinois		Aviation Maintenance Staffing, Inc.	Delaware		Aeronautica Corporation	Illinois		AAR Airlift Group, Inc.	Florida		AAR Airlift Group Afghanistan Inc. Logistic Services	Afghanistan	50%	AAR Airlift Pakistan (Private) Limited	Pakistan	50%	AAR Airlift Group Peru S.A.C.	Peru	50%	AAR Airlift S.A.S.	Colombia	
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<i>Wide Open Sky General Trading & Services, LLC</i>	Iraq	
AAR Government Services, Inc.	Illinois	
<i>AAR Airlift Cyprus Limited</i>	Cyprus	
<i>AAR Airlift Panama, Inc.</i>	Panama	
AAR International, Inc.	Illinois	
<i>AAR (25262) LLC</i>	Delaware	
<i>AAR Airlift Group Afghanistan Inc. Logistic Services</i>	Afghanistan	50%
<i>AAR Airlift Pakistan (Private) Limited</i>	Pakistan	50%
<i>AAR Airlift Group Peru S.A.C.</i>	Peru	50%
<i>AAR Australia, L.L.C.</i>	Illinois	
<i>AAR Canada Holdings ULC</i>	British Columbia	
<i>AAR Aircraft Services – Windsor ULC</i>	British Columbia	
<i>AAR Aircraft Services – Trois Rivières ULC</i>	British Columbia	
<i>AAR Aviation Maintenance Staffing Canada ULC</i>	British Columbia	
<i>AAR do Brasil Ltda.</i>	Brazil	99.9%
<i>AAR Global Services – Australia Pty Ltd</i>	Australia	
<i>AAR International Financial Services, L.L.C.</i>	Illinois	
<i>AARIFS (561) LLC</i>	Illinois	
<i>AARIFS (662) LLC</i>	Delaware	
<i>AARIFS (25092) LLC</i>	Delaware	
<i>AARIFS (25093) LLC</i>	Delaware	
<i>AAR Indamer Technics Private Limited (Joint Venture)</i>	India	40%
<i>EAVF Aircraft Holdco Limited (Joint Venture)</i>	Bermuda	2%
<i>Primat Capital LLC (Joint Venture)</i>	Delaware	10%
<i>Primat Capital 2019-1 LLC</i>	Delaware	
<i>Osprey 737-300 Leasing LLC</i>	Delaware	
<i>AAR Landing Gear Services Sdn. Bhd. (Joint Venture)</i>	Malaysia	49%

<i>TN-AR Holdings LLC (Joint Venture)</i>	Delaware	
<i>AAR Ireland Limited</i>	Ireland	
<i>AAR Japan, Inc.</i>	Illinois	
<i>AAR Russia Limited (Joint Venture)</i>	Cyprus	50%
<i>Airinmar Limited</i>	United Kingdom	
<i>Technisch Handelskantoor Lloyd B.V.</i>	Netherlands	
<i>Allen Airmotive Properties B.V.</i>	Netherlands	
AAR Manufacturing, Inc.	Illinois	
<i>Brown International Corporation</i>	Alabama	
<i>EP Aviation, LLC</i>	Delaware	
AAR Supply Chain, Inc.	Illinois	
<i>AAR Allen Services, Inc.</i>	Illinois	
<i>AAR Landing Gear LLC</i>	Florida	
Windy City 737-400 Holdings LLC (Joint Venture)	Delaware	50%
<i>Windy City XI LLC</i>	Delaware	
<i>Windy City XII LLC</i>	Delaware	
<i>Windy City XIV LLC</i>	Delaware	
<i>Windy City XV LLC</i>	Delaware	
<i>Windy City XVII LLC</i>	Delaware	

[1] An *italicized* name means the entity is a subsidiary of the entity appearing in bold above it. An indentation means the entity is a subsidiary of the entity above.

[2] Where not wholly owned by AAR CORP. and/or one of its affiliated companies. Joint ventures are so noted.

Question										
9.3 Does the company disclose its beneficial ownership and control structure?										
Score										
2										
Comments										
There is evidence that the company is publicly listed on the New York Stock Exchange and is therefore not required to disclose further information on its beneficial ownership. The company is automatically awarded a score of '2'.										
Evidence										
<p>[18] Financial Times – Markets Data (Webpage)</p> <p>Accessed 06/11/2019</p> <p>https://markets.ft.com/data/equities/tearsheet/summary?s=AIR:NYQ</p> <div><div><div>AAR Corp</div><div>AIR:NYQ ▼</div><div>Industrials > Aerospace & Defense</div></div><table><tr><td>PRICE (USD)</td><td>TODAY'S CHANGE</td><td>SHARES TRADED</td><td>1 YEAR CHANGE</td><td>BETA</td></tr><tr><td>43.37</td><td>↓ -0.16 / -0.37%</td><td>78.85k</td><td>↓ -11.53%</td><td>1.1258</td></tr></table><p>Data delayed at least 15 minutes, as of Nov 06 2019 19:47 GMT.</p></div>	PRICE (USD)	TODAY'S CHANGE	SHARES TRADED	1 YEAR CHANGE	BETA	43.37	↓ -0.16 / -0.37%	78.85k	↓ -11.53%	1.1258
PRICE (USD)	TODAY'S CHANGE	SHARES TRADED	1 YEAR CHANGE	BETA						
43.37	↓ -0.16 / -0.37%	78.85k	↓ -11.53%	1.1258						

Question

9.4 Does the company publish a percentage breakdown of its defence sales by customer?

Score

0

Comments

The company publishes some information on its defence sales, which shows sales by geographic region and includes percentage breakdown of commercial versus government and defence sales.

However, the company receives a score of '0' because it does not publish further information to indicate its main customers within a region, nor does it provide a percentage breakdown of sales for each customer or region for defence-specific products and services.

Evidence
[19] Form 10-Q (Document)

Accessed 06/11/2019

<http://investors.aarcorp.com/node/19631/html>

[p.14] Sales by geographic region for the three- month periods ended August 31, 2019 and 2018 were as follows:

	Three Months Ended August 31,	
	2019	2018
Aviation Services		
North America	\$ 390.4	\$ 319.5
Europe/Africa	88.2	81.0
Other	33.2	37.9
	<u>\$ 511.8</u>	<u>\$ 438.4</u>
Expeditionary Services		
North America	\$ 28.2	\$ 25.7
Europe/Africa	1.4	1.7
Other	0.1	0.5
	<u>\$ 29.7</u>	<u>\$ 27.9</u>

[p.25] Results of Operations

Three Month Period Ended August 31, 2019

Sales and gross profit for our two business segments for the quarters ended August 31, 2019 and 2018 were as follows:

	Three Months Ended August 31,		
	2019	2018	% Change
Sales:			
Aviation Services			
Commercial	\$ 330.5	\$ 306.7	7.8 %
Government and defense	181.3	131.7	37.7 %
	<u>\$ 511.8</u>	<u>\$ 438.4</u>	16.7 %
Expeditionary Services			
Commercial	\$ 5.7	\$ 8.5	(32.9)%
Government and defense	24.0	19.4	23.7 %
	<u>\$ 29.7</u>	<u>\$ 27.9</u>	6.5 %
Gross Profit:			
Aviation Services			
Commercial	\$ 53.5	\$ 42.8	25.0 %
Government and defense	26.5	24.3	9.1 %
	<u>\$ 80.0</u>	<u>\$ 67.1</u>	19.2 %
Expeditionary Services			
Commercial	\$ (0.4)	\$ 1.0	(140.0)%
Government and defense	2.0	3.1	(35.5)%
	<u>\$ 1.6</u>	<u>\$ 4.1</u>	(61.0)%

Aviation Services Segment

Sales in the Aviation Services segment increased \$73.4 million or 16.7% over the prior year period due to a \$49.6 million or 37.7% increase in sales to government and defense customers. The increase in sales to government and

defense customers was primarily attributable to new contracts awarded recently, including the new \$118 million contract for the procurement, modification and delivery of two C-40 aircraft. During the first quarter of fiscal 2020, sales in this segment to commercial customers increased \$23.8 million or 7.8% over the prior year period. The increase was primarily due to higher volumes in our MRO activities as our actions to attract and retain the necessary skilled labor have allowed us to capture the customer demand for these services.

Changes in estimates and assumptions related to our arrangements accounted for using the cost-to-cost method are recorded using the cumulative catch-up method of accounting. In the first quarter of fiscal 2020, we did not have any favorable or unfavorable cumulative catch-up adjustments. In the first quarter of fiscal 2019, we recognized favorable and unfavorable cumulative catch-up adjustments of \$0.7 million and \$0.5 million, respectively. These adjustments relate to our long-term, power-by-the-hour programs where we provide component inventory management and repair services.

Cost of sales in Aviation Services increased \$60.5 million or 16.3% over the prior year period, which was largely in line with the sales increase discussed above. Gross profit in the Aviation Services segment increased \$12.9 million or 19.2% over the prior year period. Gross profit on sales to government and defense customers increased \$2.2 million or 9.1% over the prior year primarily driven by the new government contract awards. Gross profit margin on

[p.26] ... sales to government and defense customers decreased to 14.6% from 18.5% as the gross profit margin on these recent contract awards is lower than our existing government and defense activity.

Gross profit on sales to commercial customers increased \$10.7 million or 25.0% over the prior year period primarily due to the increased volume and improved profitability in our MRO activities. The gross profit margin on sales to commercial customers increased from 14.0% to 16.2% primarily from the increased profitability in our MRO activities.

Expeditionary Services Segment

Sales in the Expeditionary Services segment increased \$1.8 million or 6.5% over the prior year period primarily due to stronger demand for our mobility products.

Gross profit in the Expeditionary Services segment decreased \$2.5 million or 61.0% from the prior period primarily due to higher material costs. Gross profit margin decreased to 5.4% from 14.7% primarily as a result of these higher costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$9.9 million over the prior year period. As a percent of sales, selling, general and administrative expenses increased to 10.7% from 10.3% in the prior year period. These increases are primarily attributable to investigation and remediation compliance costs of \$2.8 million and severance costs of \$0.8 million.

10. State-Owned Enterprises (SOEs)

Question
10.1 Does the SOE publish a breakdown of its shareholder voting rights?
Score
N/A
Comments
N/A
Evidence

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
N/A
Comments
N/A
Evidence

Question
10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?
Score
N/A
Comments
N/A
Evidence

Question
10.4 Is the SOE's audit committee composed of a majority of independent directors?
Score
N/A
Comments
N/A
Evidence

Question
10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?
Score
N/A
Comments
N/A
Evidence

List of Evidence & Sources

No.	Type (Webpage or Document)	Name	Download Date	Link
01	Webpage	Zero Tolerance for Corruption and Bribery	04/11/19	https://www.aarcorp.com/investor-relations/zero-tolerance-for-corruption-and-bribery/
02	Document	Code of Conduct	04/11/19	https://aar903.ae-admin.com/assets/3/7/343811(1)_13_AAR_Code_of_Conduct_WR.pdf
03	Document	Anti-Corruption Policy	04/11/19	https://www.aarcorp.com/assets/3/7/105001_Global_AntiCorruption_Policy.pdf
04	Document	Standards of Business Ethics and Conduct	04/11/19	https://www.aarcorp.com/assets/3/7/Policy_1.07.001_Standards_Business_Conduct_Policy_English.pdf
05	Webpage	Audit Committee Charter	04/11/19	https://www.aarcorp.com/investor-relations/audit-committee-charter/
06	Document	EthicsPoint FAQs	04/11/19	https://secure.ethicspoint.com/domain/media/en/gui/37461/faq.pdf
07	Document	Standards of Business Ethics and Conduct	05/11/19	https://www.aarcorp.com/assets/3/7/Policy_1.07.001_Standards_Business_Conduct_Policy_English.pdf
08	Webpage	EthicsPoint	05/11/19	https://secure.ethicspoint.com/domain/media/en/gui/37461/index.html
09	Webpage	Political Engagement	05/11/19	https://www.aarcorp.com/investor-relations/political-engagement/
10	Document	Political Participation, Lobbying, and Contributions Policy	05/11/19	https://www.aarcorp.com/assets/3/7/Policy_1.10.001_Lobbying_Contributions.pdf
11	Document	Annual Report 2019	05/11/19	https://www.aarcorp.com/assets/3/7/AAR_AR19_Online_final_081219.pdf
12	Webpage	Corporate Social Responsibility	05/11/19	https://www.aarcorp.com/about/corporate-social-responsibility/
13	Webpage	The Center for Responsive Politics – Summary	05/11/19	https://www.opensecrets.org/federal-lobbying/clients/summary?cycle=2018&id=D000046283
14	Webpage	The Center for Responsive Politics – Lobbyists	05/11/19	https://www.opensecrets.org/federal-lobbying/clients/lobbyists?cycle=2018&id=D000046283
15	Webpage	The Center for Responsive Politics – Agencies	05/11/19	https://www.opensecrets.org/federal-lobbying/clients/agencies?cycle=2018&id=D000046283
16	Webpage	Offsets	06/11/19	https://www.aarcorp.com/investor-relations/offsets/
17	Webpage	Organizational structure	06/11/19	https://www.aarcorp.com/investor-relations/organizational-structure/

18	Webpage	Financial Times – Markets Data	06/11/19	https://markets.ft.com/data/equities/tearsheet/summary?s=AIR:NYQ
19	Document	Form 10-Q	06/11/19	http://investors.aarcorp.com/node/19631/html
20	Webpage	Corporate Governance Guidelines	07/11/19	https://www.aarcorp.com/investor-relations/corporate-governance-guidelines/
21	Webpage	The Center for Responsive Politics – Issues	07/11/19	https://www.opensecrets.org/federal-lobbying/clients/issues?cycle=2018&id=D000046283
22	Webpage	The Center for Responsive Politics - Recipients	10/12/19	https://www.opensecrets.org/pacs/pacgot.php?cycle=2018&cmte=C00625921
23	Webpage	The Center for Responsive Politics – PAC to PAC/Party	10/12/19	https://www.opensecrets.org/pacs/pac2pac.php?cycle=2018&cmte=C00625921
24	Webpage	Investigations Procedure	06/05/2020	https://www.aarcorp.com/about/investigations/
25	Document	Updated Anti-Corruption Policy	06/05/2020	https://www.aarcorp.com/assets/3/7/1.05.001_Anti-Corruption_4-17.pdf
26	Webpage	Updated Offsets Page	06/05/2020	https://www.aarcorp.com/investor-relations/offsets/