The following pages contain the detailed scoring for your company based on public information.

The following table represents a summary of your scores:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Number of questions</th>
<th>% score based on public information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership, Governance and Organisation</td>
<td>10</td>
<td>5%</td>
</tr>
<tr>
<td>Risk Management</td>
<td>7</td>
<td>0%</td>
</tr>
<tr>
<td>Company Policy and Codes</td>
<td>12</td>
<td>54.2%</td>
</tr>
<tr>
<td>Training</td>
<td>5</td>
<td>0%</td>
</tr>
<tr>
<td>Personnel and Helplines</td>
<td>7</td>
<td>64.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>28%</strong></td>
</tr>
</tbody>
</table>
A1:

Does the company publish a statement from the Chief Executive Officer or the Chair of the Board supporting the ethics and anti-corruption agenda of the company?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company publishes a statement from the Chief Executive Officer or the Chair of the Board supporting the ethics and anti-corruption agenda of the company.

References:

Public:
NA
A2:
Does the company’s Chief Executive Officer or the Chair of the Board demonstrate a strong personal, external facing commitment to the ethics and anti-corruption agenda of the company?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company’s Chief Executive Officer or Chair of the Board demonstrates a strong personal, external facing commitment to the ethics and anti-corruption agenda of the company

References:
Public:
NA
A3:
Does the company’s Chief Executive Officer demonstrate a strong personal, internal-facing commitment to the ethics and anti-corruption agenda of the company, actively promoting the ethics and anti-corruption agenda at all levels of the company structure?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company’s Chief Executive Officer demonstrates a strong personal, internal-facing commitment to the ethics and anti-corruption agenda of the company, actively promoting the ethics and anti-corruption agenda at all levels of the company structure.

References:

Public:
NA
A4:
Does the company publish a statement of values or principles representing high standards of business conduct, including honesty, trust, transparency, openness, integrity and accountability?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company publishes a statement of values or principles representing high standards of business conduct. TI notes that the Code of Business Ethics and Conduct states that employees must maintain integrity, but very little explanation is provided.

References:
Public:
TI notes:
Code of Business Ethics and Conduct (May 2013), pp.1-2:
‘The Company’s business goals are important and demanding, but maintaining integrity and ethical and legal standards must take precedence. Compliance with the law is only a minimum standard; this Company has sought, and will continue to seek, adherence to the spirit of the law as well.
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.
The Company’s employees are expected to adhere to a high standard of business and personal ethics and integrity so that the Company and all of its employees will enjoy the high respect and esteem of the public, government authorities, the business community, customers, shareholders, vendors and suppliers. To this end, each employee shall:
- comply with all applicable laws, rules and regulations of all governmental jurisdictions throughout the world in which the Company conducts its business;
- avoid conflict(s) of interest with regard to the Company’s interests;
- refrain from (i) taking for their 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 employee in the course of his or her relationship with the Company, unless disclosure is required by law or expressly authorized by the Company;

• 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;

• 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 (which policies are not part of this Code), 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 to assure that the Company’s public reports are timely, complete, fair, 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.

A5:
Does the company belong to one or more national or international initiatives that promote anti-corruption or business ethics with a significant focus on anti-corruption?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company belongs to one or more national or international initiatives, that promote anti-corruption or business ethics with a significant focus on anti-corruption.

References:
Public:
NA
A6: Has the company appointed a Board committee or individual Board member with overall corporate responsibility for its ethics and anti-corruption agenda?

Score: 1

Comments:
Based on public information, there is limited evidence that the company has appointed the Audit Committee with overall corporate responsibility for its ethics and anti-corruption agenda. The Committee has responsibilities relating to legal and regulatory compliance, and receives reports concerning non-compliance with the Code of Business Ethics and Conduct. The company therefore scores 1. To score higher the company would need to provide evidence of what this responsibility specifically entails.

References:
Public:
Company website: Board of Directors Audit Committee
‘The Audit Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibilities relating to (i) corporate accounting, disclosure and reporting practices and legal and regulatory compliance of the Company, (ii) the quality and integrity of the Company’s financial statements, (iii) the qualifications, independence and performance of the Company’s internal audit department and independent registered public accounting firm, and (iv) the preparation of an Audit Committee report for inclusion in the Company’s annual proxy statement in accordance with applicable rules and regulations.’
‘Receive reports concerning the Company’s Access Line activity and any investigations of non-compliance with the Company’s Code of Business Ethics and Conduct by any officers of the Company and approve any “related party” transactions’.
http://www.aarcorp.com/investor-relations/board-of-directors-audit-committee-charter/
A7:
Has the company appointed a person at a senior level within the company to have responsibility for implementing the company’s ethics and anti-corruption agenda, and who has a direct reporting line to the Board?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company has appointed a person at a senior level within the company to have responsibility for implementing the company’s ethics and anti-corruption agenda, and who has a direct reporting line to the Board.

References:

Public:

NA
A8:
Is there regular Board level monitoring and review of the performance of the company’s ethics and anti-corruption agenda?

Score:
0

Comments:
Based on public information, there is no readily available evidence of regular Board level monitoring and review of the performance of the company’s ethics and anti-corruption agenda.

References:
Public:
NA
A8(a):
Is there a formal, clear, written plan in place on which the review of the ethics and anti-corruption agenda by the Board or senior management is based, and evidence of improvement plans being implemented when issues are identified?

Score:

0

Comments:
Based on public information, there is no readily available evidence of a formal, clear, written plan in place on which the review of the ethics and anti-corruption agenda by the Board or senior management is based, or evidence of improvement plans being implemented when issues are identified.

References:

Public:
NA
A9:
Does the company have a formal process for review and where appropriate update its policies and practices in response to actual or alleged instances of corruption?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company has a formal process for review, and where appropriate updates its policies and practices in response to actual or alleged instances of corruption.

References:
Public:
NA
A9(a):
Does the company have a formal anti-corruption risk assessment procedure implemented enterprise-wide?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company has a formal anti-corruption risk assessment procedure implemented enterprise-wide. The company identifies non-compliance with international anti-corruption legislation as a risk, but provides no evidence of a corresponding risk assessment procedure.

References:
Public:
TI notes:
2013 Annual Report, p.9:
We are exposed to risks associated with operating internationally.
We conduct our business in certain foreign countries, some of which are politically unstable or subject to military or civil conflicts. Consequently, we are subject to a variety of risks that are specific to international operations, including the following:
• military conflicts, civil strife, and political risks;
• export regulations that could erode profit margins or restrict exports;
• compliance with the U.S. Foreign Corrupt Practices Act and other anti-bribery laws;
• the burden and cost of compliance with foreign laws, treaties, and technical standards and changes in those regulations;
A10:
Does the company have a formal anti-corruption risk assessment procedure for assessing proposed business decisions, with clear requirements on the circumstances under which such a procedure should be applied?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company has a formal anti-corruption risk assessment procedure for assessing proposed business decisions, with clear requirements on the circumstances under which such a procedure should be applied.

References:
Public:
NA
A11:
Does the company conduct due diligence that minimises corruption risk when selecting or reappointing its agents?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company conducts due diligence that minimises corruption risk when selecting or reappointing its agents.

References:
Public:
NA
A12:
Does the company have contractual rights and processes for the behaviour, monitoring, control, and audit of agents with respect to countering corruption?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company has contractual rights and processes for the behaviour, monitoring, control, and audit of agents with respect to countering corruption.

References:
Public:
NA
A13:
Does the company make clear to contractors, sub-contractors, and suppliers, through policy and contractual terms, its stance on bribery and corruption and the consequences of breaches to this stance?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company makes clear to contractors, sub-contractors, and suppliers, through policy and contractual terms, its stance on bribery and corruption and the consequences of breaches to this stance.

References:
Public:
TI notes:
Code of Business Ethics and Conduct (May 2013), p.4:
‘Relations with Suppliers
The purchase of supplies, inventories, materials and services shall be made solely on the basis of price, quality, service and suitability to the Company’s business requirements. Purchases should be competitively priced wherever practicable and be made on the best terms and conditions available to the Company consistent with other principles set forth in this Code.’
A13(a):
Does the company explicitly address the corruption risks associated with offset contracting?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company explicitly addresses the corruption risks associated with offset contracting.

References:
Public:
TI notes:
AAR Mobility Systems – Purchase C (November 2010), p.8:
‘Offset Credit/Cooperation
All offset or countertrade credit value resulting from this Contract shall accrue solely to the benefit of AAR Mobility Systems. Seller agrees to cooperate with AAR Mobility Systems in the fulfillment of any foreign offset/countertrade obligations.’
A13(b):
Does the company conduct due diligence that minimises corruption risk when selecting its offset partners and offset brokers?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company conducts due diligence that minimises corruption risk when selecting its offset partners and offset brokers.

References:
Public:
See references for A13a.
A15:
Does the company have an anti-corruption policy that prohibits corruption in its various forms?

Score:

2

Comments:
Based on public information, there is evidence that the company has an anti-corruption policy that prohibits corruption in its various forms. This includes giving bribes, kickbacks and receiving corrupt gifts and hospitality.

References:

Public:
Code of Business Ethics and Conduct (May 2013), p.1:
‘It is the long-standing policy and commitment of AAR CORP. (the “Company”) to observe high ethical standards and comply with all laws, rules and regulations affecting the Company and its employees, officers and directors (collectively, “employees”) and to require all employees to avoid any activities that could involve or lead to involvement of the Company or its employees in any unethical or unlawful practice.’

(p.3): ‘Each employee 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 employee in a conflict of interest or the appearance of a conflict of interest between the employee’s private interests and the interests of the Company. Each employee has a duty to avoid financial, business or other relationships that might be opposed to the interests of the Company or might cause a conflict with the performance of assigned duties.’

‘Receipt of Gifts, Payments or Other Items of Value
A gift may take many forms. For the purposes of this Code, 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. Subject to specified de minimis exceptions set forth in Company policies, employees shall not solicit or accept any gift, payment, services, or special treatment from any source that conducts or seeks to conduct business with the Company. Gifts given by other persons to members of the employee’s family, to those with whom the
employee has a close personal relationship, and to charities designated by the employee, are considered to be gifts to the employee for purposes of the Code.

Further guidance regarding receipt of gifts, payments or other items of value is set forth in other Company policies, which are not part of this Code.

‘Neither Company 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.’

(p.4): ‘The giving or offering of gifts (as defined above), payments and other items of value to government officials and employees, including those of state-owned and state-controlled enterprises and labor unions, is in many cases prohibited or limited by law or regulation. All employees shall adhere to these restrictions.

The laws of many other countries prohibit giving, offering, or promising, directly or indirectly, anything of value to corruptly influence any government official, including any officer of a political party or a candidate for political office, for the purpose of obtaining or retaining business or to secure an improper advantage (such as favorable regulatory or judicial action). Offering or paying such remuneration to any such person, either directly or through any intermediaries such as agents, attorneys or other consultants, is strictly prohibited. All employees shall comply with these foreign laws.

Further guidance regarding offering gifts, payments or other items of value is set forth in other Company policies, which are not part of this Code.’
A16:
Is the anti-corruption policy explicitly one of zero tolerance?

Score:

1

Comments:
Based on public information, there is no readily available evidence that the anti-corruption policy is explicitly one of zero tolerance. However, the company has a zero tolerance policy of violations of the Code of Business Ethics and Conduct, as shown by its explicit stance on disciplinary procedures in the event of a violation by any employee or director. The company therefore scores 1.

References:
Public:
Code of Business Ethics and Conduct (May 2013), p.1:
‘It is the long-standing policy and commitment of AAR CORP, (the “Company”) to observe high ethical standards and comply with all laws, rules and regulations affecting the Company and its employees, officers and directors (collectively, “employees”) and to require all employees to avoid any activities that could involve or lead to involvement of the Company or its employees in any unethical or unlawful practice.’

p.3: ‘Neither Company 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.’

(p.7): ‘Sanctions for Violations of the Code
Employees who violate this Code will be subject to disciplinary action up to and including termination. As with all matters involving disciplinary action, principles of fairness will apply and any person charged with a violation of this Code will be afforded an opportunity to explain his or her actions before any decision is made as to the appropriate disciplinary action.’
A17:  
Is the company's anti-corruption policy easily accessible to Board members, employees, contracted staff and any other organisations acting with or on behalf of the company?

Score: 1

Comments:  
Based on public information, there is some evidence that the company's ethics and anti-corruption policies are easily accessible to Board members, employees and third parties. The Code of Business Ethics and Conduct is available on the company website, but it is only available in English, despite the company operating in over 60 locations worldwide. The company therefore scores 1.

References:  
Public:  
Code of Business Ethics and Conduct (May 2013):  

2013 Annual Report, p.5:  
‘At May 31, 2013, we employed approximately 6,300 employees worldwide, of which approximately 230 employees are subject to a collective bargaining agreement. We also retain approximately 900 contract workers, the majority of whom are located at our airframe maintenance facilities.’

Company website: Global Locations  
‘AAR currently serves customers in 110 countries. From 60 locations around the world, we provide high-quality products and a variety of services that enable commercial airlines and government agencies to operate more efficiently.’

http://www.aarcorp.com/locations/
A17(a):
Is the company’s anti-corruption policy easily understandable and clear to Board members, employees and third parties?

Score:

2

Comments:
Based on public information, there is evidence that the company’s Code of Business Ethics and Conduct is written in accessible, comprehensive language.

References:

Public:
Code of Business Ethics and Conduct (May 2013), p.1:
‘It is the long-standing policy and commitment of AAR CORP. (the “Company”) to observe high ethical standards and comply with all laws, rules and regulations affecting the Company and its employees, officers and directors (collectively, “employees”) and to require all employees to avoid any activities that could involve or lead to involvement of the Company or its employees in any unethical or unlawful practice. The Company’s business goals are important and demanding, but maintaining integrity and ethical and legal standards must take precedence. Compliance with the law is only a minimum standard; this Company has sought, and will continue to seek, adherence to the spirit of the law as well.’
A18:

Does the anti-corruption policy explicitly apply to all employees and members of the Board?

Score:

2

Comments:

Based on public information, there is evidence that the company’s Code of Business Ethics and Conduct explicitly applies to all employees and Board members.

References:

Public:
Code of Business Ethics and Conduct (May 2013), p.1:
‘It is the long-standing policy and commitment of AAR CORP. (the “Company”) to observe high ethical standards and comply with all laws, rules and regulations affecting the Company and its employees, officers and directors (collectively, “employees”) and to require all employees to avoid any activities that could involve or lead to involvement of the Company or its employees in any unethical or unlawful practice.’

(p.2): ‘Any waiver of this Code for executive officers or directors of the Company may be made only by the Board of Directors or a committee of the Board of Directors and shall be promptly disclosed in the manner required by the rules of the Securities and Exchange Commission and the New York Stock Exchange.’
A20:

Does the company have a policy on potential conflicts of interest, and does it apply to both employees and board members?

Score:

1

Comments:

Based on public information, there is evidence that the company has a policy on potential conflicts of interest. The policy contains a brief description of a conflict of interest but provides no examples. The company therefore scores 1. To score higher the company would need to provide examples of potential conflicts of interest.

References:

Public:
Code of Business Ethics and Conduct (May 2013), p.3:
‘Conflicts of Interest
Each employee 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 employee in a conflict of interest or the appearance of a conflict of interest between the employee’s private interests and the interests of the Company. Each employee has a duty to avoid financial, business or other relationships that might be opposed to the interests of the Company or might cause a conflict with the performance of assigned duties.
Employees shall not use corporate opportunities for their own benefit or use Company property for personal gain.
Employees are expected to advise the Company of any situation that involves a real or potential conflict of interest. If, in the opinion of the Company, a conflict of interest does arise, it is the responsibility of the employee to resolve the conflict promptly to the satisfaction of the Company.’
A21:
Does the company have a policy for the giving and receipt of gifts to ensure that such transactions are bona fide and not a subterfuge for bribery?

Score:

1

Comments:
Based on public information, there is evidence that the company has a policy for the giving and receipt of gifts, to ensure that such transactions are bona fide and not a subterfuge for bribery. Employees may not solicit or accept any gifts from a source that conducts or seeks to conduct business with the Company. The company therefore scores 1. To score higher the company would need to provide evidence that it sets clear upper limits on the acceptable value of a gift and/or has the requirement for senior management authorisation if a value threshold is exceeded.

References:

Public:
Code of Business Ethics and Conduct (May 2013), p.3:
‘Receipt of Gifts, Payments or Other Items of Value
A gift may take many forms. For the purposes of this Code, 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. Subject to specified de minimis exceptions set forth in Company policies, employees shall not solicit or accept any gift, payment, services, or special treatment from any source that conducts or seeks to conduct business with the Company. Gifts given by other persons to members of the employee’s family, to those with whom the employee has a close personal relationship, and to charities designated by the employee, are considered to be gifts to the employee for purposes of the Code.
Further guidance regarding receipt of gifts, payments or other items of value is set forth in other Company policies, which are not part of this Code.’

(pp.3-4): ‘Offering Gifts, Payments or Other Items of Value, including Unlawful, Questionable or Sensitive Payments or Transactions
Neither Company 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.

The giving or offering of gifts (as defined above), payments and other items of value to government officials and employees, including those of state-owned and state-controlled enterprises and labor unions, is in many cases prohibited or limited by law or regulation. All employees shall adhere to these restrictions.

The laws of many other countries prohibit giving, offering, or promising, directly or indirectly, anything of value to corruptly influence any government official, including any officer of a political party or a candidate for political office, for the purpose of obtaining or retaining business or to secure an improper advantage (such as favorable regulatory or judicial action). Offering or paying such remuneration to any such person, either directly or through any intermediaries such as agents, attorneys or other consultants, is strictly prohibited. All employees shall comply with these foreign laws.

Further guidance regarding offering gifts, payments or other items of value is set forth in other Company policies, which are not part of this Code.’
A22: 
Does the company’s anti-corruption policy include a statement on the giving and receipt of hospitality that ensures that such transactions are bona fide and not a subterfuge for bribery?

Score:

1

Comments:

Based on public information, there is evidence that the company has a policy for the giving and receipt of hospitality, to ensure that such transactions are bona fide and not a subterfuge for bribery. Employees may not solicit or accept hospitality from a source that conducts or seeks to conduct business with the Company. The company therefore scores 1. To score higher the company would need to provide evidence that it sets clear upper limits on the acceptable value of hospitality and/or has the requirement for senior management authorisation if a value threshold is exceeded.

References:

Public:
Code of Business Ethics and Conduct (May 2013), p.3:
‘Receipt of Gifts, Payments or Other Items of Value
A gift may take many forms. For the purposes of this Code, 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. Subject to specified de minimis exceptions set forth in Company policies, employees shall not solicit or accept any gift, payment, services, or special treatment from any source that conducts or seeks to conduct business with the Company.
Gifts given by other persons to members of the employee’s family, to those with whom the employee has a close personal relationship, and to charities designated by the employee, are considered to be gifts to the employee for purposes of the Code.
Further guidance regarding receipt of gifts, payments or other items of value is set forth in other Company policies, which are not part of this Code.’

(pp.3-4): ‘Offering Gifts, Payments or Other Items of Value, including Unlawful, Questionable or Sensitive Payments or Transactions
Neither Company 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.

The giving or offering of gifts (as defined above), payments and other items of value to government officials and employees, including those of state-owned and state-controlled enterprises and labor unions, is in many cases prohibited or limited by law or regulation. All employees shall adhere to these restrictions.

The laws of many other countries prohibit giving, offering, or promising, directly or indirectly, anything of value to corruptly influence any government official, including any officer of a political party or a candidate for political office, for the purpose of obtaining or retaining business or to secure an improper advantage (such as favorable regulatory or judicial action). Offering or paying such remuneration to any such person, either directly or through any intermediaries such as agents, attorneys or other consultants, is strictly prohibited. All employees shall comply with these foreign laws.

Further guidance regarding offering gifts, payments or other items of value is set forth in other Company policies, which are not part of this Code."
A23:
Does the company have a policy that explicitly prohibits facilitation payments?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company has a policy that explicitly prohibits facilitation payments.

References:
Public:
NA
A24:
Does the company prohibit political contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent? Does the company record and publicly disclose all political contributions?

Score:

1

Comments:
Based on public information, there is evidence that the company regulates political donations, in order to prevent undue influence or other corrupt intent. Written approval must be received from the General Counsel before making any political contributions using company funds or in the company’s name. The company therefore scores 1. To score higher the company would need to provide evidence that it publically declares recipients of its political contributions.

References:
Public:
Code of Business Ethics and Conduct (May 2013), pp.5-6:
‘Political Activity and Contributions
The Company’s business activities require contact with public officials on a wide variety of matters. Employees who deal with public officials must be familiar with and comply with applicable lobbying laws and regulations, particularly those that apply to registrations and filings, when engaging in such activity.

There is a comprehensive and absolute prohibition against any corporation making a political contribution to any U.S. federal election campaign (in contrast, the U.S. Supreme Court recently held that corporations may use their funds to advertise for the election or defeat of federal candidates, citing First Amendment protected speech principles). 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 foreign countries, 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.

Any employee 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 employee’s ability to meet the requirements of his or her employment, 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.'
A25:
Does the company have a clear policy on engagement in lobbying activities, in order to prevent undue influence or other corrupt intent, and discloses the issues on which the company lobbies?

Score:
1

Comments:
Based on public information, there is limited evidence that the company has a clear policy on engagement in lobbying activities, in order to prevent undue influence or other corrupt intent. The company states that employees who deal with public officials must be familiar with and comply with applicable lobbying laws and regulations, particularly those that apply to registrations and filings. The company therefore scores 1. To score higher the company would need to provide evidence that it publically discloses the issues on which it lobbies.

References:
Public:
Code of Business Ethics and Conduct (May 2013), pp.5-6:
‘Political Activity and Contributions
The Company’s business activities require contact with public officials on a wide variety of matters. Employees who deal with public officials must be familiar with and comply with applicable lobbying laws and regulations, particularly those that apply to registrations and filings, when engaging in such activity.’
A25(a):
Does the company prohibit charitable contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company prohibits or regulates charitable contributions, in order to prevent undue influence or other corrupt intent.

References:
Public:
NA
A26:

Does the company provide written guidance to help Board members and employees understand and implement the firm’s ethics and anti-corruption agenda?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company provides written guidance to help Board members and employees understand and implement the company’s ethics and anti-corruption agenda.

References:

Public:

TI notes:

Code of Business Ethics and Conduct (May 2013), p.3:

‘Further guidance regarding receipt of gifts, payments or other items of value is set forth in other Company policies, which are not part of this Code.’

(p.4): ‘Further guidance regarding offering gifts, payments or other items of value is set forth in other Company policies, which are not part of this Code.’

(p.7): ‘Interpretation of the Code
Questions concerning interpretation or application of this Code should be referred to the General Counsel.’
A27:
Does the company have a training programme that explicitly covers anti-corruption?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company has a training programme that explicitly covers anti-corruption.

References:
Public:
NA
A28:
Is anti-corruption training provided in all countries where the company operates or has company sites?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company provides anti-corruption training in all countries where it operates or has sites.

References:
Public: NA
A29:
Does the company provide targeted anti-corruption training to members of the Board?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company provides targeted anti-corruption training to Board members.

References:
Public:
NA
A30:

Does the company provide tailored ethics and anti-corruption training for employees in sensitive positions?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company provides tailored ethics and anti-corruption training for employees in sensitive positions.

References:

Public:
NA
A31: Does the company have a clear and formal process by which employees declare conflicts of interest?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company has a clear and formal process by which employees declare conflicts of interest. Employees are instructed to advise the company of any real or potential conflicts of interest. To score on this question the company would need to provide evidence that employees are instructed to either report conflicts of interest to a manager in writing, or to an independent department.

References:
Public:
TI notes:
Code of Business Ethics and Conduct (May 2013), p.3:
‘Conflicts of Interest
Each employee 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 employee in a conflict of interest or the appearance of a conflict of interest between the employee’s private interests and the interests of the Company. Each employee has a duty to avoid financial, business or other relationships that might be opposed to the interests of the Company or might cause a conflict with the performance of assigned duties.
Employees shall not use corporate opportunities for their own benefit or use Company property for personal gain.
Employees are expected to advise the Company of any situation that involves a real or potential conflict of interest. If, in the opinion of the Company, a conflict of interest does arise, it is the responsibility of the employee to resolve the conflict promptly to the satisfaction of the Company.’
A32:
Is the company explicit in its commitment to apply disciplinary procedures to employees, Directors and Board members found to have engaged in corrupt activities?

Score:

2

Comments:
Based on public information, there is evidence that the company has an explicit commitment to apply disciplinary procedures to employees who violate the Code of Business Ethics and Conduct. The Code includes an anti-corruption policy and is applicable to Board members.

References:
Public:
Code of Business Ethics and Conduct (May 2013), p.1:
‘It is the long-standing policy and commitment of AAR CORP. (the “Company”) to observe high ethical standards and comply with all laws, rules and regulations affecting the Company and its employees, officers and directors (collectively, “employees”) and to require all employees to avoid any activities that could involve or lead to involvement of the Company or its employees in any unethical or unlawful practice.’

(p.2): ‘Any waiver of this Code for executive officers or directors of the Company may be made only by the Board of Directors or a committee of the Board of Directors and shall be promptly disclosed in the manner required by the rules of the Securities and Exchange Commission and the New York Stock Exchange.’

(p.7): ‘Sanctions for Violations of the Code
Employees who violate this Code will be subject to disciplinary action up to and including termination. As with all matters involving disciplinary action, principles of fairness will apply and any person charged with a violation of this Code will be afforded an opportunity to explain his or her actions before any decision is made as to the appropriate disciplinary action.’
A33:
Does the company have multiple, well-publicised channels that are easily accessible and secure, to guarantee confidentiality or anonymity where requested by the employee (e.g. web, phone, in person), to report concerns or instances of suspected corrupt activity?

Score:

2

Comments:
Based on public information, there is evidence that the company has multiple, accessible, secure channels, for employees to report concerns or instances of suspected corrupt activity. These channels include a Human Resources representative, the General Counsel, the Senior Counsel, or the Corporate Compliance Officer. In particular, employees may report anonymously to the independently operated Ethics Hotline.

References:
Public:
Code of Business Ethics and Conduct (May 2013), p.8:
‘Reporting Illegal or Unethical Conduct
Employees shall report any violation or suspected violation of this Code or any concerns regarding compliance with accounting or financial reporting regulations to appropriate representatives of the Company such as an employee’s supervisor, Human Resources representative, or senior managers in the employee’s chain of supervision, or to the General Counsel, or the Senior Counsel and Corporate Compliance Officer (“CCO”) who will provide a report to the Audit Committee of the Board of Directors, as appropriate. Alternatively, such employee 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. Hotline reports may be submitted online or via telephone using the following instructions:
- To place a web report, go to: www.aar.ethicspoint.com.
- To place a toll-free call from an outside line in the United States (including Guam) or Canada, dial 1-855-822-9536.
- To place a call from Afghanistan, Burkina Faso, International Waters, Qatar, and United Arab Emirates, use an outside line to contact a local operator and ask to place a reverse charge or collect call to the U.S. at 503-597-4397. If you wish to remain anonymous, when
the local operator asks who is placing the call, state “AAR” rather than your name.

- To place a toll-free call from an outside line at any location that is not shown above:
  1. Dial the AT&T Direct Access Code (http://www.business.att.com/bt/access.jsp) for the location you are calling from. (There is no need to enter the Country Code or City Code from the chart shown on the AT&T website.); and
  2. When prompted, dial 855-822-9536. (There is no need to dial a “1” before this number.)

Note: For regulatory reasons, the AAR Ethics Hotline is currently not accepting any reports from employees in Belgium, Denmark, France, Germany, the Netherlands, Norway, Sweden and the United Kingdom. Employees in these locations should use the reporting options described in the first sentence of this section.

Failure to report is itself a violation of this Code. No acts of retaliation of any kind will be tolerated against good faith reports or complaints of violation of this Code, accounting or financial reporting irregularities, or illegal or unethical conduct by the Company or its employees.

AAR Corp EthicsPoint website: 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.’

Questions & Answers for AAR Employees (2013), pp.5-6:

‘May I submit my report anonymously?

Yes, except if you are located in a country that prohibits anonymous reporting.

It is my understanding that any report I send from a company computer generates a server log that shows every website that my PC connects with, and won’t this log identify me as a report originator?

EthicsPoint does not generate or maintain any internal connection logs with IP addresses, so no information linking your PC to EthicsPoint is available. In fact, EthicsPoint is contractually committed not to pursue a reporter’s identity. If you feel uncomfortable making a report on your work PC, you have the option of using a PC outside our work environment (such as one located at an Internet café, at a friend’s house, etc.) through the EthicsPoint secure website. Many people choose this option, as EthicsPoint’s data shows that fewer than 12% of reports are generated during business hours.

Can I file a report from home and still remain anonymous?

A report from home, a neighbor’s computer, or any Internet portal will remain secure and anonymous. An Internet portal never identifies a visitor by screen name and the EthicsPoint system strips away Internet addresses so that anonymity is totally maintained. Plus, EthicsPoint is contractually committed not to pursue a reporter’s identity.

I am concerned that the information I provide EthicsPoint will ultimately reveal my identity. How can you assure me that will not happen?

The EthicsPoint system is designed to protect your anonymity. However, if you wish to remain anonymous, you - as a reporting party - need to ensure that the body of the report does not reveal your identity by accident. For example, don’t include statements in your report that provide clues to your identity, such as “From my cube next to Jan Smith...” or “In my 33 years...”

Are the telephone toll-free and collect-calling hot line options confidential and anonymous, too?

Yes. You will be asked to provide the same information that you would provide in an Internet-based report and an interviewer will type your responses into the EthicsPoint Web site. These reports have the same security and confidentiality measures applied to them during delivery.

What if the laws where I am located allow me to report anonymously, but I want to be identified with my report?

There is a section in the report for identifying yourself, if you wish.

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, (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.’

A33(a):
Are the whistleblowing channels available to all employees in all geographies?

Score:

2

Comments:
Based on public information, there is evidence that across geographies, all employees have access to more than one reporting channel. For example, employees can report to a Human Resources representative or the Ethics Hotline.

References:
Public:
Code of Business Ethics and Conduct (May 2013), p.8:
‘Reporting Illegal or Unethical Conduct
Employees shall report any violation or suspected violation of this Code or any concerns regarding compliance with accounting or financial reporting regulations to appropriate representatives of the Company such as an employee’s supervisor, Human Resources representative, or senior managers in the employee’s chain of supervision, or to the General Counsel, or the Senior Counsel and Corporate Compliance Officer (“CCO”) who will provide a report to the Audit Committee of the Board of Directors, as appropriate. Alternatively, such employee 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. Hotline reports may be submitted online or via telephone using the following instructions:
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- To place a toll-free call from an outside line at any location that is not shown above:
  o Dial the AT&T Direct Access Code (http://www.business.att.com/bt/access.jsp) for the location you are calling from. (There is no need to enter the Country Code or
City Code from the chart shown on the AT&T website.); and

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- 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.’

A33(b):
Does the company have formal and comprehensive mechanisms to assure itself that whistleblowing by employees is not deterred, and that whistleblowers are treated supportively?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company has formal and comprehensive mechanisms to assure itself that whistleblowing by employees is not deterred, and that whistleblowers are treated supportively.

References:
Public:
NA
A34:
Does the company have well-publicised resources available to all employees where help and advice can be sought on corruption-related issues?

Score:

2

Comments:
Based on public information, there is evidence that the company has well-publicised resources available to all employees, such as the General Counsel, where help and advice can be sought on corruption-related issues.

References:
Public:
Code of Business Ethics and Conduct (May 2013), p.7:
‘Interpretation of the Code
Questions concerning interpretation or application of this Code should be referred to the General Counsel.’
A35:
Is there a commitment to non-retaliation for bona fide reporting of corruption?

Score:
1

Comments:
Based on public information, there is evidence that the company has a non-retaliation policy for bona-fide reporting of corruption. The company therefore scores 1. To score higher the company would need to provide evidence that disciplinary measures are applied to employees who breach this policy.

References:
Public:
Code of Business Ethics and Conduct (May 2013), p.8:
‘Failure to report is itself a violation of this Code. No acts of retaliation of any kind will be tolerated against good faith reports or complaints of violation of this Code, accounting or financial reporting irregularities, or illegal or unethical conduct by the Company or its employees.’

AAR Corp EthicsPoint website: Our Commitment
‘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.’
Information Sources:

Company website:
www.aarcorp.com

2013 Annual Report:

AAR Mobility Systems – Purchase C (November 2010):

Code of Business Ethics and Conduct (May 2013):

Questions & Answers for AAR Employees (2013):