

Anti-Bribery and Anti-Corruption Policy

1. POLICY

Cobham will only conduct business in compliance with the law, including all anti-bribery and anti-corruption laws and regulations in all jurisdictions in which Cobham operates, including the UK Bribery Act 2010 (Bribery Act), the US Foreign Corrupt Practices Act 1977 (FCPA), various US statutes that apply to US Government contracting, and the OECD Convention on Combating Bribery of Foreign Public Officials. A summary of certain of these various statutes is contained in Appendix 1

2. PURPOSE AND SCOPE – CORE MESSAGE

Bribery is a criminal offence. It is Cobham policy never to offer, promise, pay, solicit, request, agree to receive or accept bribes or kickbacks or other prohibited payments or activities, whether in cash or any other form of inducement to or from private individuals, foreign public officials or government officials, in order to obtain or retain business or to influence those individuals or foreign public or government officials to act improperly in their duties or favourably toward Cobham.

This policy applies to the Cobham Group its employees (including all officers and directors) and all persons acting on behalf of, or performing services for, Cobham anywhere in the world. Employees (including all officers and directors) and those (including advisors, representatives, resellers and distributors) acting on behalf of the Cobham Group must ensure this Policy is observed and report any potential breaches of this Policy to their Supervisor, the Chief Legal Officer or via the Cobham helpline referred to in the Code of Business Conduct published on the extranet.

Every employee, officer and director of the Cobham Group is required to read and understand this Policy at the time of hire and annually thereafter and to comply with its provisions; understands that this Policy specifies the minimum standards of business conduct to which he or she must conform; agrees to promptly disclose to the Cobham Group any activities which do not comply with this Policy; and understands that Cobham may modify or rescind any provisions in this Policy at any time without prior notice.

3. DEFINITIONS

"Bribery Act"	UK Bribery Act 2010
"FCPA"	US Foreign Corrupt Practices Act 1977
"BECO"	Business Unit Ethics and Compliance Officer
"Supervisor"	the person to whom any employee, officer or director directly reports to in their everyday line of work.

Capitalized terms used in this policy but not defined in this Policy shall have the meaning given to them in the Corporate Framework.

4. LEGISLATION

As a UK public company Cobham (and its subsidiaries) is expected to adhere to the Bribery Act across its global operations and employees, officers and directors should note that the reach of the Bribery Act is potentially very wide. In addition the FCPA applies to Cobham's US companies and their employees (of whatever nationality) and all Cobham's US citizen employees wherever located.

However, compliance with US law will not necessarily ensure compliance with the Bribery Act. The FCPA while vigorously enforced, arguably is more lenient than the Bribery Act in that it:

1. has a more limited jurisdictional reach;
2. only applies to bribery of public officials not also of private citizens (individual commercial bribery is covered by state statutes in the US); and
3. allows "facilitating" or "expediting payments" (e.g. for hastening review processes) made to government officials as long as such payments are related to routine government business (e.g. processing visas or obtaining permits). Such payments are often illegal under local law and are illegal under the Bribery Act.

In light of the legislation discussed above, the following key principles should be adhered to.

5. KEY PRINCIPLES

5.1. Payments to Foreign Government or Public Officials or to Employees of Customers or Vendors. No employee, officer or director of, or person associated with the Cobham Group shall offer, promise, give, receive, agree to receive or accept (or countenance) any payment to secure, maintain, or direct business, or for any other purpose (including, notably, to induce a person to improperly perform a function in relation to the business or that is public in nature), to or from any government or foreign public official or to any employee of a customer or vendor, or to any individual who is based in, or has a close connection with, the UK. Payments (including gifts and hospitality – see below) made indirectly through a third party to any government or foreign public official also require the prior written approval of either the employee's Sector President, EVP of the applicable function or Cobham's Chief Financial Officer.

5.2. Cash Payments To/From Third Parties. To avoid even the appearance of impropriety, no payments to or from any third party shall be made or received in cash other than documented petty cash disbursements **such as taxi journeys, tolls, stationery, food on the run**¹ for which a receipt must always be acquired and submitted for approval with expenses in accordance with Cobham Policy. No cash or investment interests such as stock, bonds or certificates of deposit are permissible. No corporate cheques shall be written to "cash," "bearer," or third party designees of the party entitled to payment. No payments shall be made outside the country of residence of the recipient without the prior written approval of either the employee's Sector President, EVP of the applicable function or Cobham's Chief Financial Officer. At all times when making even documented petty cash disbursements, regard should be had to the nature of the payment and whether, following the core policy set out in section 2 above it is appropriate to make the payment.

¹ Disbursements are intended to include cash payments for items such as taxi journeys, tolls, stationery, food on the run etc. rather than cash payments for contracts, gifts and hospitality etc. A common sense distinction should be applied.

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- 5.3. Use of Distributors/Resellers and Advisors or Agents. No employee, officer or director of the Cobham Group may retain a distributor/reseller, advisor or agent until sufficient due diligence has been performed to enable the employee to conclude with reasonable assurance that the distributor, reseller, advisor or agent understands and will fully abide by the FCPA and the Bribery Act and Cobham's Code of Business Conduct. Cobham regulates this process through the application of the Advisor and Distributor/Reseller Engagement Policies. Accordingly, it is a requirement of this ABAC Policy that both the Advisor Engagement and Distributor/Reseller Engagement Policies must be followed. when

Each member of the Cobham Group must have a written agreement with each of its distributors/resellers, advisors and/or agents, and the agreement should specifically bind the distributor/reseller or agent to comply with Cobham's Code of Business Conduct (or similar) and to comply with the FCPA and Bribery Act as if it directly applied to the distributor/reseller, advisor or agent.

- 5.4. Gifts and Entertainment/Hospitality. It is not just a cash payment that may constitute a bribe under applicable laws, regulations and custom. To offer, promise, give, receive, agree to receive or accept (or countenance) a financial or other advantage with the intention of inducing or rewarding improper performance of a person's function or to obtain business or an advantage in business from a foreign public official will constitute bribery. Accordingly, the giving or receiving of Gifts, Entertainment/Hospitality and other courtesies including, but not limited to, cash, presents, political or charitable donations and hospitality, such as meals, hotels and invitations to events, can, in certain circumstances, all be used and considered as 'bribes' under the Bribery Act. It is a requirement of this ABAC Policy that the Gifts and Hospitality Policy must be followed.
- 5.5. Charitable Gifts and Donations. The Cobham Group does not seek to discourage its employees from supporting bona fide charitable organisations through their own fundraising or individual effort outside and unconnected to their employment. Please see Cobham's Philanthropy Policy for further details on approvals required.
- 5.6. Facilitation/Facilitating Payments. Facilitation payments are unofficial payments to a Government Official to expedite or secure the performance of a routine action, which has already been paid for or to which one is already legally entitled. Examples include obtaining licences or other documents to do business in a foreign country, process visas or obtain Customs clearance. Cobham employees must not make facilitation payments of any kind or allow others to make them on behalf of Cobham.
- 5.7. Political Contributions. Contribution of Cobham funds or the use of Cobham assets or facilities for the benefit of political parties or candidates anywhere in the world is prohibited. Employees are entitled to make donations in their own personal capacity and this, for the avoidance of doubt, includes Cobham's political actions committee (PAC) in the US, established in November 2008.
- 5.8. Procurement. Cobham is aware that a significant risk of attempted bribery may exist within the procurement sector. This risk is addressed by restrictions placed on the procurement function in the Gifts and Hospitality Policy.

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- 5.9. Books and Records. Employees, officers and directors, and persons associated with the Cobham Group must, where reasonably practicable, help to ensure that corporate books and records (which include virtually all forms of business documentation as) accurately and fairly reflect, in reasonable detail, all transactions and dispositions of assets. No undisclosed or unrecorded fund or asset may be established or maintained for any purpose. No employee shall participate in falsifying any accounting or other business record, and all employees must cooperate fully and truthfully to any questions from Cobham's internal or independent auditors. Employees required to do so are to keep accurate records for their time and the time-keeping requirements of government contracts must be strictly adhered to. Financial transactions must be lawful and made for the purposes stated and authorised by Cobham. Forging or altering documents belonging to the Cobham Group is fraudulent and prohibited.
- 5.10. Warning Signs. Employees, officers and directors must be alert for conduct that could signal that an agent or consultant, distributor or anyone providing a service of Cobham intends to make or conceal improper payments. This would include "red flags" like the following:
- a request for payments for expenses or purposes inconsistent with the terms of the agreement with the agent or consultant;
 - a request for payment to a third party;
 - a request for payments in a form or to a bank or business location inconsistent with the terms of the agreement with the agent or consultant;
 - payments drawn from incorrect accounts;
 - payments to jurisdictions identified by the OECD as "Jurisdictions Committed to Improving Transparency and Establishing Effective Exchange of Information in Tax Matters"²;
 - lack of documentation supporting a payment request;
 - payments to a vendor or service provider who appears to lack the necessary qualifications or resources to perform; and
 - a refusal to certify compliance with the FCPA or the Bribery Act.
- 5.11. Compliance. Failure to comply with Cobham's this Policy will be grounds for termination or other disciplinary action.
- 5.12. Failure to Prevent a Bribe Being paid by a Person for or on behalf of Cobham or its Affiliates. The Bribery Act makes it an offence if a commercial organization fails to prevent a bribe being paid by a person for or on behalf of Cobham or its affiliates. This is something that is not considered under the FCPA, but should be an important consideration for corporate entities that are located in, or carry on business, or part of a business in, the UK. More information is provided on this offence in Appendix 1 to this Policy.

² These jurisdictions are what we would understand to be 'tax havens'. As of July 2011 there are 38 of them and can be found at http://www.oecd.org/document/19/0,3746,en_2649_33745_1903251_1_1_1_1,00.html

- 5.13. Penalties. Offences under the Bribery Act may give rise to significant criminal penalties that an individual or subsidiary may be liable for if found to have breached the Bribery Act. These can include a prison sentence of up to 10 years and/or an unlimited fine. The severity of these penalties reflects how seriously compliance with the Bribery Act should be treated and therefore how important it is for this Policy (and other policies referred within) to be understood and complied with.
- 5.14. Ethics Helpline. Employees who wish to maintain anonymity and report any actual or potential violation of FCPA or the Bribery Act, should file a report via the Ethics Helpline at www.cobham.ethicspoint.com.
- 5.19 Mergers and Acquisitions. There are a number of significant risks to Cobham associated with it acquiring a business which has been involved in corrupt practices. These ABAC risks may include an adverse impact on the value of the target company, fines and imprisonment for corrupt acts occurring prior to acquisition, loss of key employees facing personal liability for corrupt conduct, loss of revenues from contracts obtained via corrupt practices and/or reputational damage.

To help manage these risks, for every acquisition Cobham must properly due diligence and assess its liability risks for the target's past or current bribery, the adequacy of the target's anti-bribery programme* and the inherent risks of bribery related to the target including its market sectors and countries in which it operates (such ABAC due diligence and risk assessment, "ABAC DD and Risk Assessment").

In addition to performing a proper ABAC DD and Risk Assessment, Cobham must also perform the ABAC Integration work described below.

* Anti-Bribery Programme = The entirety of the target company's anti-bribery efforts including values, code of conduct, detailed policies and procedures, risk management, internal and external communication, training and guidance, internal controls, oversight, monitoring and assurance

- 5.20 Pre-Acquisition ABAC Due Diligence. Cobham must consider ABAC risks as part of the approval of any acquisition.

Accordingly, for every Cobham acquisition an ABAC DD and Risk Assessment must be properly completed, documented and appropriately summarised in approval papers before any acquisition. In certain circumstances (eg acquisition of the shares of a listed company) applicable law may simply permit a detailed ABAC DD and Risk Assessment prior to completion. In these circumstances Cobham must still perform an ABAC DD and Risk Assessment before acquisition, albeit based on such information as is available. If this is the case then, a fuller ABAC DD and Risk Assessment must be completed as a matter of urgency in the post-acquisition period as part of the integration work. This is discussed further below.

To help complete the ABAC DD and Risk Assessment, any Cobham team working on an acquisition must consult with and use:

- the M&A Anti-Bribery and Anti-Corruption Due Diligence Risk Assessment Tool Kit. This tool kit is published on the extranet. If you have difficulty in finding this, speak with the applicable VP C & C will guide you to this; and

- external specialist advice where appropriate and proportionate to the ABAC risks identified.

Once completed, a copy of the ABAC DD and Risk Assessment must be provided to Corporate Legal where it shall be retained as part of Cobham's corporate records.

- 5.21 M + A ABAC Contractual Protections. In most cases, bribery will not be documented and therefore may not become apparent through traditional due diligence investigations. Accounting records may also be manipulated and transactions given descriptions which hide the true nature of a payment. As a result, it will be important for Cobham to seek contractual protections in the sale and purchase agreement in addition to carrying out due diligence.

It is Cobham policy that the acquisition agreements (share purchase, asset purchase agreement and other ancillary documents) include the appropriate contractual protections (eg representations and warranties about past behaviours, codes of conduct, training etc) . Check with the deal lawyer in the first instance (typically external counsel) to ensure these are included, but if in doubt contact the Chief Legal Officer.

- 5.22 Post-Acquisition ABAC Integration_ In certain circumstances (eg acquisition of the shares of a listed company) applicable law may simply not permit a substantive ABAC DD and Risk Assessment pre-acquisition. In these circumstances an ABAC DD and Risk Assessment must be completed after acquisition as a matter of urgency.

The acquiring Cobham business must take the following necessary actions as soon as practicable after acquisition. Recommended timescales are specified below to mitigate ABAC risks. Only those policies and aspects of corporate governance relating to ABAC are specifically highlighted here. In each integration the integration team leader should agree with the Chief Legal Officer the timescales for implementing ABAC policies into the new business.

All periods are from date of acquisition unless stated otherwise:

- Complete ABAC DD and Risk Assessment to extent not already performed as a matter of urgency after acquisition, and in any event within 3 months.

To help with ABAC DD and Risk Assessment:

- Use the M&A Anti-Bribery and Anti-Corruption Risk Assessment Tool Kit; and
- consult external specialist advice where appropriate and proportionate to the bribery risks identified.

Once completed, a copy of the ABAC DD and Risk Assessment must be provided to Corporate Legal where it shall be retained as part of Cobham's corporate records.

- Implement action plan to mitigate and close out ABAC risks identified in ABAC DD and Risk Assessment in a timescale proportionate to the risks and in any event as soon as practicable post-acquisition.

- Within 4 weeks:
 - Circulate Cobham Code of Business Conduct
 - Adopt Cobham Corporate Framework
 - Appoint Corporate Framework Maintainer
 - Adopt and implement ABAC Policy (to include Gift, Entertainment and Hospitality Policy)
 - Appoint BECO

- Within 6 weeks:
 - Adopt Advisor Engagement Policy
 - Adopt Distributor/Reseller Engagement Policy
 - Enrol all new employees in training system
 - Assign Cobham Code of Business Conduct (“COBC”) and ABAC training courses to employees
 - All new employees in high risk areas (to include sales, procurement, all senior leadership) to complete COBC and ABAC courses within 3 weeks of course assignment)
 - All new employees to complete COBC and ABAC courses within 6 weeks of course assignment)

- Within 8 weeks:
 - Review all Target’s Advisors and Distributors/Resellers and apply Cobham Advisor Engagement Policy and Distributor/Reseller Engagement Policies accordingly.
 - Categorise High/Medium/Low as appropriate per Cobham policies
 - Review existing agreements
 - Assess whether to terminate existing arrangements or to migrate to Cobham standard terms in accordance with Cobham Advisor Engagement Policy and Distributor/Reseller Engagement Policies
 - Terminate High Risk agreements as soon as possible and in any event within 8 weeks or, if not permitted under the terms of the contract or applicable law, engage local counsel to agree best way forward.

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Appendix 1 – Further details on relevant statutes

Bribery Act

There are four offences documented by the Bribery Act.

1. Active Bribery involves the offering, promising or giving of a bribe. It is an offence to offer or give a financial or other advantage with the intention of inducing that person to perform a relevant function or activity (essentially any function of a public nature and any activity connected with a business that would be expected to be performed in good faith or impartially or by a person in a position of trust) improperly (see below) or to reward that person for doing so.

2. Passive Bribery involves the requesting, agreeing to receive or accepting of a bribe. It is an offence to receive a financial or other advantage intending that a relevant function or activity should be performed improperly as a result. Improper performance will be judged by whether it breaches the expectation of what a reasonable person in the UK would expect in relation to the performance of the type of function or activity concerned. However, the function or activity need have no connection to the UK.

3. Bribery of foreign public officials covers the scenario where a person offers or gives a financial or other advantage to a foreign public official with the intention of influencing the foreign public official and obtaining or retaining business.

4. Failure of commercial organisations to prevent bribery is a new offence. It can be committed only by commercial organisations (companies and partnerships) where:

- a person associated with a relevant commercial organisation (which includes not only employees, but agents and external third parties) bribes another person (i.e. commits one of the offences above) intending to obtain or retain a business advantage; and
- the organisation cannot show that it had adequate procedures in place to prevent bribes being paid.

Under this corporate criminal offence, the company may be guilty even if no one within the company knew of the bribery. The company's defence is limited to showing that it had "adequate procedures" to prevent bribery. That effectively creates a burden on Cobham to ensure that its anti-corruption procedures are sufficiently robust to stop any employees, agents or other third parties acting on the 'corporates' behalf from committing bribery.

The definitions of "relevant commercial organisation" and "associated person" are very wide. The latter includes people who perform services for or on behalf of the company regardless of their capacity, so may include, for example, the company's employees, advisors, subsidiaries or joint ventures.

Adequate procedures

It is a defence to a charge under section 7 that the business had “adequate procedures” in place designed to prevent persons associated with the company from undertaking such conduct. “Adequate procedures” is not defined, but the Secretary of State has published guidance about the types of procedures organisations will be expected to put in place. The guidance is indicative only, setting out broad principles and good practice rather than detailed and prescriptive standards, and has indicated that it recognises that one size will not fit all. The Board and Group Executive have assessed the adequacy of Cobham’s procedures in light of the guidance.

The Ministry of Justice has said that what will be “adequate” will be interpreted in a flexible and proportionate way depending on the size and resources of the company, alongside the ethical risks associated with the industry in question, geographical area and the types of transaction concerned.

Penalties

The penalties for breaching the provisions of the Bribery Act are far more severe than under the previous regime, with conviction carrying up to 10 years imprisonment or an unlimited fine (or both) for individuals, and unlimited fines for businesses. Businesses also risk being debarred from competing for public contracts under the Public Contracts Regulations 2006, and are in any event likely to incur negative publicity and damage to their reputation.

Additional liability of “senior officers” (section 14)

If any of the general offences of bribing another person, being bribed, or bribing a foreign public official is committed by a body corporate, any “senior officer” is guilty of the same offence if he or she has consented to or connived in the commission of the offence provided that, if the offence is committed outside the UK, he or she has a close connection to the UK. The provision emphasises again the need for an organisation’s anti-corruption culture to be led from the top.

“Senior Officer” is widely defined to include a director, manager, secretary, or similar officer. A close connection will be established if the officer is a British citizen, British National (Overseas), an individual ordinarily resident in the UK or a body incorporated under the law of any part of the UK.

US Government Contracting

There are specific and unique laws and regulations in regards to US Government contracting. In particular, there are three relevant statutes and implementing regulations: the Anti-Kickback Act, the Bribery Statute and the Illegal Gratuities Statute.

Anti-Kickback Act:

This Act was passed in 1986 in order to deter subcontractors from making payments and prime contractors from accepting payments for the purpose of improperly obtaining or rewarding favourable treatment in connection with a prime contract or a subcontract relating to a prime contract (See FAR 3.502-2).

The Act prohibits individuals or business entities from engaging in three types of activities:

1. Providing, attempting to provide, or offering to provide any kickback;
2. Soliciting, accepting, or attempting to accept any kickback; or
3. Including, directly or indirectly, the amount of any kickback in the contract price charged by a subcontractor to a prime contractor or a higher tier subcontractor or in the contract price charged by a prime contractor to the United States.

A “kickback” is defined as “any money, fee, commission, credit, gift, gratuity, thing of value, or compensation of any kind which is provided, directly or indirectly, to any prime contractor, prime contractor employee, subcontractor, or subcontractor employee for the purpose of improperly obtaining or rewarding favorable treatment in connection with a prime contract or in connection with a subcontract relating to a prime contract.” The Act prohibits offers and attempts to provide kickbacks (not just completed kickbacks), and requires prime contractors and subcontractors to report, in writing, suspected violations of kickback laws to the agency Inspector General, the head of the contracting agency or the Department of Justice.

Finally, the Act requires certain prime contractors to have in place and follow reasonable procedures designed to prevent and detect violations of the Act in its own operations and direct business relationships such as, company ethics rules prohibiting kickbacks by employees, agents, or subcontractors; education programs for new employees and subcontractors, audit procedures designed to detect kickbacks; periodic surveys of subcontractors to elicit information about kickbacks; procedures to report kickbacks to law enforcement officials; annual declarations by employees of gifts or gratuities received from subcontractors; annual employee declarations that they have violated no company ethics rules and to “cooperate fully” with any Federal agency investigating a possible violation of the Act.

Additional US Legislation

The Bribery Statute:

The federal statutory crime of bribery prohibits both the giving and the receiving of bribes by public officials. In other words, it is not only the person offering the bribe that is subject to punishment. (See 18 USC §201). Under this statute, a person may be guilty of a bribe if he/she gives, offers or promises anything of value to a public official (or a person selected to become a public official) with the specific intent to influence an official act or to induce the public official to commit some fraud or violate an official duty.

It is also a crime for a public official to demand, seek, receive or accept a bribe. The bribe does not have to be actually paid, only that it is offered, promised, demanded, or sought. Finally, there must be a clear connection between the thing of value offered or received and the official act.

The Illegal Gratuities Statute:

This statute is very similar to the Bribery Statute in that it applies to the giving and seeking of things of value. In a simple sense, this statute relates to the "tipping" of government officials. The main difference between this statute and the Bribery Statute relates to the intent behind the giving. While the Bribery Statute requires corrupt intent (i.e. the gift is given in exchange for an act, the Illegal Gratuities Statute requires only that the gift is given "for or because of an official act").