



PAE **2010** Communication on Progress
United Nations Global Compact

Table of Contents

Letter from PAE	1
The Ten Principles of the United Nations Global Compact	3
Human Rights	4
Labor Standards	5
The Environment	6
Anti-Corruption	8
Appendix	10

Letter from PAE



Dear Colleague,

When Lockheed Martin announced its intention to divest PAE in June of 2010, we considered our transition period to be an opportunity, one which we would use to re-evaluate the policies that governed our operations and adjust them, if necessary, to enable our specific business model and the ever-evolving world of government contracting. Over the years that PAE operated as a wholly-owned subsidiary of Lockheed Martin, our business certainly benefitted from the larger corporation's influence - the methods we use to track our compliance training and the rigor with which our Code of Conduct is enforced across the company have provided the necessary structure to support the growth of our business. As PAE looks forward to a new phase of operations, we will continue to apply the lessons we learned from Lockheed Martin's governance system, in a manner customized for our international business.

Since PAE's founding in 1955, the company has distinguished itself by its commitment to ethical business practices in all that we do, whether administrative or mission-focused work. Moving forward, my leadership team has set its standards at unprecedented levels, with a focus on quality performance and superior human resources, and we are proud to recommit ourselves, under new ownership, to the principles of the United Nations Global Compact.

As a responsible corporate citizen, but even more importantly as a contractor supporting humanitarian, stabilization and development missions, we consider it our most primary duty to support human rights and labor standards, protect the environment and combat corruption in all areas of our work. Embodying these principles is critical to our ability to accomplish our missions. Because our integrity as a company is defined by the integrity of our individual employees, we continually train our employees on appropriate business conduct and require every member of our workforce to annually sign their agreement to the rules and regulations of the United States, the countries in which they work, and our internal code of conduct.

PAE's vision is to create value for our customers and stakeholders by consistently exceeding mission requirements and implementing innovative solutions with both integrity and excellence.

Continued on next page...

Letter from PAE

Continued from previous page...

In support of this vision, our employees strive to not only fulfill their professional responsibilities, but also to give back to the communities that host our project sites. Though our employees' official roles on a mission tend to focus on the logistic and technical elements, the human side does not escape them. Though they might be hired to train a local police force or build the capacity of a developing nation, our employees will often spend their extra hours volunteering at an orphanage or sending e-mails to their friends and families at home to gather support for a good cause they have identified on their own. We have found that it is this genuine compassion of our employees and their deep-seated dedication to the mission that makes a difference; it is what separates a job well done from a true success story that will impact people's lives for the better.

By their nature, PAE's missions are difficult, and we regularly confront significant challenges in some of the most austere regions of the world. We meet these challenges successfully by hiring the types of individuals who run towards a fire - literally, in the case of our Emergency Crash and Rescue Team in Kinshasa - and who understand how change is accomplished in different regions of the world. With this understanding and with respect for the principles that we share with the United Nations Global Compact, we recommit to this organization and pledge to maintain and continually increase our support of responsible, ethical and professional business operations.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mike A. Dignam', with a long horizontal line extending to the right.

Mike A. Dignam
President, PAE

The Ten Principles of the UN Global Compact

Human Rights

Principle 1: Businesses should support and respect the protection of international human rights; and

Principle 2: Make sure they are not complicit in human rights abuses.

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labor;

Principle 5: The effective abolition of child labor; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

The Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



Human Rights

Principles of the UNGC: Businesses should support and respect the protection of international human rights; and make sure they are not complicit in human rights abuses.

PAE Values

Through both direct and indirect methods, PAE supports the recognition and advancement of human rights in all of its mission areas. Our direct support includes a set of programs through which employees train and mentor various groups within the civil infrastructure of post-conflict countries. Through our Governance and Institutional Development line of business, PAE assists foreign governments that are challenged to provide for the needs of their citizens. Under one current task order of the CivPol program, for example, our employees train and advise members of the Haitian National Police, to increase their ability to maintain order and protect the citizens of the country. Through our Stability Operations line of business, employees provide the necessary logistics to support basic human needs within peacekeeping and humanitarian missions.

In addition to this direct support, PAE indirectly supports human rights around the world through our commitment to the communities that surround our project sites. We hire as many local nationals as possible, to support the local economy with well-paying jobs, and our employees often support charitable programs in the local area.

PAE Initiatives

As part of our on-boarding process, new employees at PAE receive an explanation of the company's expectations of behavior and conduct on their first day of work. Expectations and standards are reinforced through annual trainings, which consist of eight individual courses for every employee, and four additional courses for employees in specific positions. Among the courses, special attention is paid to ethics awareness, diversity and inclusion, harassment-free workplace and Equal Employment Opportunity. PAE



educates employees on the United States Federal Acquisition Regulation, which provides extensive mandates to federal contractors, and provides additional training to mitigate even the slightest perception of inappropriate behavior.

As a company, PAE is committed to performing ethically and promoting exemplary conduct around the globe. That is why we embrace and support the shared values of partner organizations, like the International Stability Operations Association, that promotes standards for conduct in the stability operations industry. In addition, PAE has developed its own Code of Conduct entitled *Leading the Way* to provide customized guidance to our employees.

PAE Code of Conduct

PAE's Code of Conduct stipulates that all employees are required to comply with policies, the laws of the United States and the laws that govern the country of operation. Our zero tolerance policy is in place to protect employees from discrimination and harassment, and employees may report any violation of this policy or any other concern to the Ethics Officer. While these and other regulatory measures are effective, it is truly the management team that sets the tone and expectations for the rest of the workforce. Though their example and with the corporate policies in place, PAE uses every resource at its disposal to support and protect human rights.

Labor Standards

Principles of the UNGC: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labor; the effective abolition of child labor; and the elimination of discrimination in respect of employment and occupation.

PAE Values

PAE's commitment to fair labor standards provides employees with the right to collective bargaining; fair compensation for the work they do; and protection from every form of discrimination. We believe that our employees are our most valuable assets, and we prioritize their individual and collective needs accordingly.

PAE Initiatives

PAE recognizes that the high standard of fair labor in the United States may not be replicated by the other countries where we operate. We partner with international organizations such as the International Stability



Operations Association and the United Nations Global Compact to increase awareness of globally recognized fair labor standards and establish working examples of our shared principles at our project sites.

PAE's workforce is diverse; comprised of individuals who represent a wide spectrum of age, ethnicities, religions and races. To protect our employees from abuse or harassment and ensure that our working environment is inclusive and respectful of all employees, PAE implements a zero tolerance policy against any sort of discrimination.

Every PAE employee is required to participate in new-hire training, during which they receive PAE's Code of Conduct and policies on nondiscrimination, Equal Employment Opportunity, culture of performance excellence, workplace security and sexual harassment, among many others. At the conclusion of training, every employee is required to sign and return an acknowledgement page, confirming that they comprehend and voluntarily agree to follow the policies by which PAE is governed.

PAE strictly prohibits forced and child labor in every area where we work. We promote the use of our Ethics Hotline, through which employees can anonymously report instances of unfair labor treatment, allegations of corruption or harassment, and any other issue that violates company principles. Should any report be submitted, PAE's Ethics Officer works closely with PAE's Legal department, Human Resources and Program Managers to thoroughly investigate allegations, and take action if necessary.

PAE Code of Conduct

PAE's support of our employees' fair labor rights around the world is vital to maintaining a productive workforce. In turn, we expect our employees to create a culture of fairness and equality amongst themselves by treating each other as they wish to be treated. This is a recurring theme throughout our policies and Code of Conduct; employees of our company must act in an ethical and professional manner.

The Environment

Principles of the UNGC: Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.

PAE Values

PAE recognizes that the safety of our employees and the protection of the environment are imperative to ensuring our operational success. PAE administers its Environmental Safety and Health (ESH) initiatives by assigning an ESH representative to every site in which PAE is the majority owner of contract operations. We have effectively reduced hazardous environmental releases over the last year and are actively working toward reducing other ESH incidents on contract sites around the world.

As with all matters, PAE's ESH organization seeks the input of all members of our diverse workforce, knowing that different backgrounds and experiences combine to form the most comprehensive perspective. Our knowledge base is comprised of best practices from around the globe, making PAE's ESH organization second to none.



PAE Initiatives

PAE understands that prevention is the first line of defense against hazardous environmental impacts. As a company, we set a goal of Target Zero; an initiative aimed at eliminating injuries and negative environmental impacts for every program. Because we believe in stopping problems before they start, PAE implements pollution prevention initiatives that include: installation of local exhaust ventilation systems where potentially harmful chemicals are stored; transitioning from highly toxic chemicals to safer chemicals; and recurring training for all on-site employees on proper disposal of hazardous waste.

PAE also implements a number of recycling programs and replaces potentially harmful materials with safer alternatives. Our reusable materials plan at international project sites includes activities such as replacing Styro-foam cups with ceramic coffee mugs and finding alternative uses for materials that would otherwise be considered waste. We also manage oxygen-depleting substances and implement meticulous control programs to ensure appropriate reclamation. Every program collects hazardous waste items - such as computers, expired pharmaceuticals, and materials containing mercury, asbestos or lead - for safe and appropriate disposal.

Continued on next page...

The Environment

...Continued from previous page

ESH Managers on program sites record and log all safety incidents and environmental releases, and report them to the corporate ESH manager. These incidents are tracked on a system modeled after a blend of the ISO-9000, ISO-14000 and OHSAS-18000 certification requirements. PAE is developing an automated incident reporting system that will provide real-time notifications of incidents to PAE headquarters from anywhere in the world.

The environmental standards set by our ESH organization also apply to our procurement process; for instance, PAE upholds the standards of the United States by purchasing only materials that do not contain lead or asbestos from international vendors. We adhere to the Overseas Environmental Baseline Guidance document when nation-specific environmental laws are absent. Our contractors make every effort to incorporate standards of the Leadership in Energy and Environmental Design (LEED) certification system for all of our construction projects. We choose to use products that are safe for our client, the environment and our employees. Wherever we operate, our focus is to reduce waste; maximize the utility of any unavoidable waste; and conserve energy, water and any other natural resources in the construction and/or maintenance phase of our programs.



PAE Code of Conduct

Our Code of Conduct explicitly addresses our company commitment to a safe and healthy work environment (see page 7 of the Code of Conduct by following the link provided in the Appendix). PAE enforces its policy of maintaining drug and tobacco-free workplaces by prohibiting the use or sale of these products on any PAE premises. We ask that all members of our organization consider themselves ambassadors of public safety. Not only are all employees responsible for complying with ESH regulations and laws, they are also required by policy to report any injury sustained or accident observed on a job site to their management immediately.



Anti-Corruption

Principles of the UNGC: Businesses should work against corruption in all its forms, including extortion and bribery.

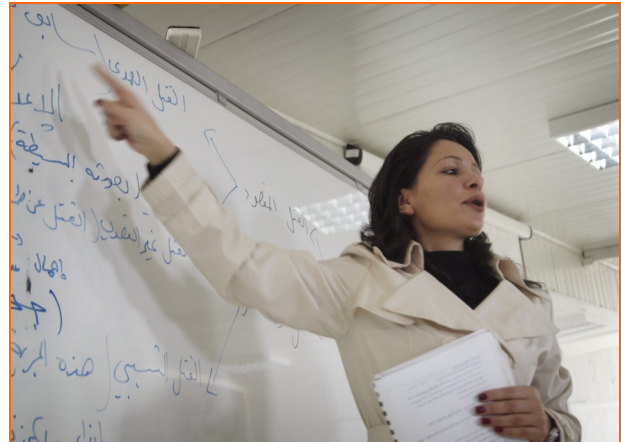
PAE Values

By virtue of the large number of countries in which PAE operates, our employees have and will continue to encounter varying interpretations of business protocol. When a gesture can be considered typical etiquette in one country and bribery in another, PAE and other contractors must be proactive in training their employees to follow the most conservative definitions of extortion and bribery.

As such, PAE provides employees with ample training to prepare them for any instance of corruption they might confront, and implements precautions to ensure that the laws of the United States and foreign governments are strictly followed. Through diligent instruction and annual reinforcement of policies and procedures, PAE employees receive a comprehensive education on how to operate ethically and professionally.

PAE Initiatives

Although headquartered in the United States, the majority of PAE's workforce is currently spread throughout approximately 45 countries around the globe. To ensure that all employees receive their



annual training and to personally address any concerns specific to a certain region, PAE's Ethics Officer travels to many of our project sites and provides employees with information and tools they need to function responsibly in their roles. During these visits, employees are educated on policies including, but not limited to: appropriate business conduct; the giving and receiving of gifts and courtesies; and the Foreign Corrupt Practices Act, which is a key consideration in all of our international operations. These policies are also included in the annual Ethics Awareness and Business Conduct training, which all employees must complete.

Our company-wide newsletter includes perspectives from the Ethics Office and examples of the unethical behavior of other companies, to emphasize the importance of following our anti-corruption policies. PAE offers employees a toll-free Ethics Hotline to report any violations of our *Code of Conduct*, with an option to remain anonymous to remove the fear of retaliation. In the event of a corruption claim, the Ethics Office works closely with our General Counsel to ensure that the matter is fully investigated.



Continued on next page...

Anti-Corruption

...Continued from previous page

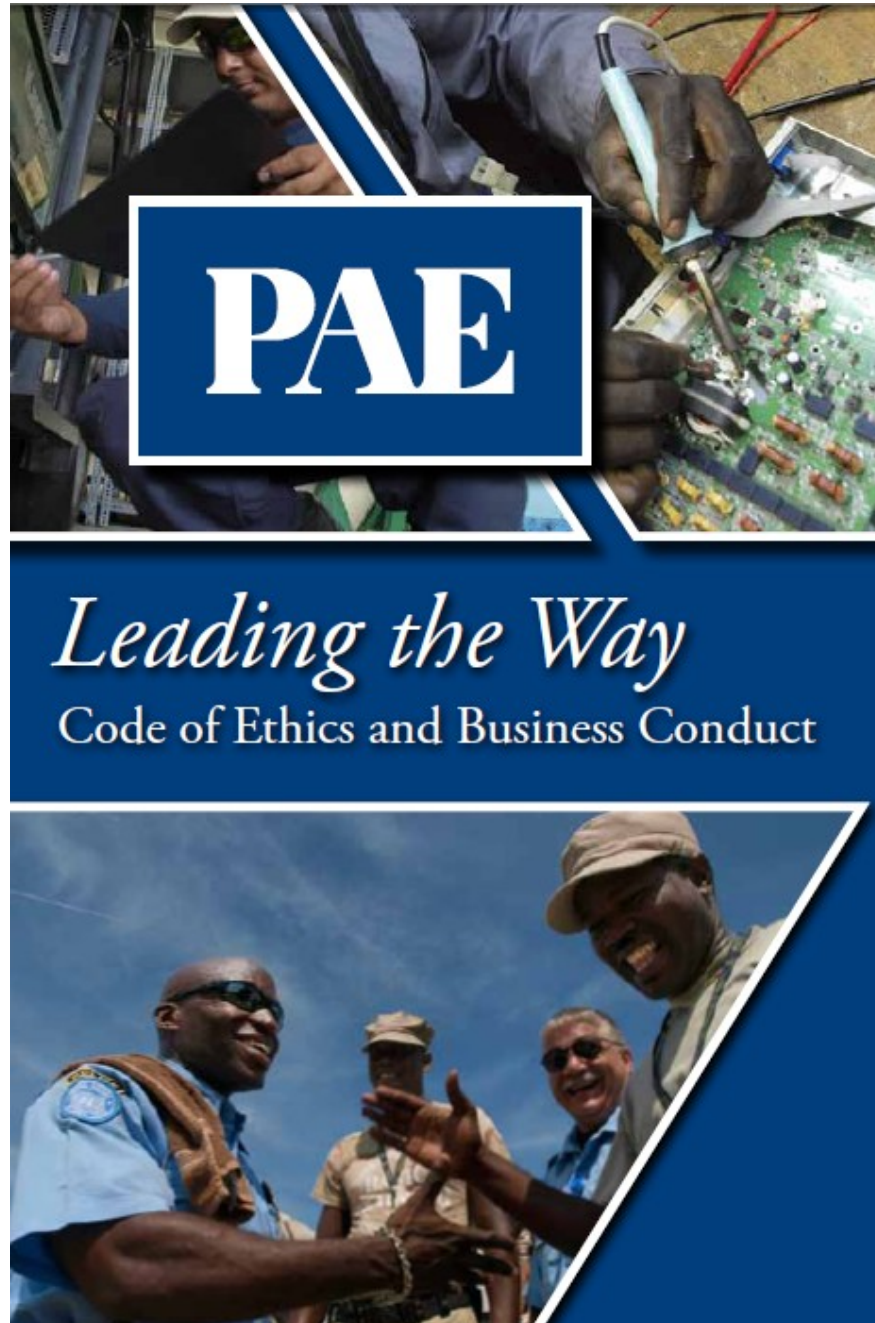
PAE's position against corruption requires the participation of several other departments, in addition to Ethics and Legal. Our Procurement team is required to compare vendors' costs to ensure fair competition, and the Procurement personnel are not allowed to accept gifts of any value from potential vendors, to avoid even the perception of bribery. Additionally, our International Trade Compliance Office procures the appropriate authorizations for international shipments to fulfill all regulatory requirements.

PAE Code of Conduct

Employees are required to have a working knowledge of PAE's Code of Conduct, *Leading the Way*. This employee manual provides guidance on company policies including gifts and courtesies, ethical business operations, working with former government employees, conflict of interest, bribery, and the Truth in Negotiations Act. *Leading the Way* also provides employees with a series of common phrases that can often accompany situations of ethical vulnerability. PAE is dedicated to combating corruption of all kinds and stands firmly against abusing entrusted power for personal gain.



Appendix



Leading the Way: Code of Ethics and Business Conduct is available online at:

<http://www.paegroup.com/Media/docs/about-pae-code-of-conduct-2011.pdf>

Appendix

Leading the Way: Code of Ethics and Business Conduct

Our Vision and Our Values	1
Report Violations of this Code	2
Contacting Your Ethics and Business Conduct Officer or the Office of Ethics and Business Conduct	3
Be Accountable for Upholding the Code	4
Comply with Laws and Regulations	5
Zero Tolerance for Discrimination and Harassment	6
Maintain a Safe and Healthy Work Environment	7
Accurately Charge Labor and Other Costs	8
Maintain Accurate Business Records	9
Responding to Investigations and Legal Action	10
Strictly Adhere to All Antitrust Laws	11
Do Business Ethically Outside the United States	12
Political Contributions and Activities, Including Lobbying	14
Compete Fairly for All Business Opportunities	16
Provide and Accept Appropriate Business Courtesies	17
Avoid Personal Conflicts of Interest	22
Avoid Conflicts of Interest when Hiring and Working with Former Government Employees	24
Properly Engage Consultants, Representatives, and Other Third Parties	25
Protect Sensitive Information	26
Protect Personal Information	27
Properly Use Company and Customer Assets	28
About the Office of Ethics and Business Conduct	31
Warning Signs You're on Thin Ethical Ice When You Hear	32
Receipt and Acknowledgment	33
Contacts	34
Comments on the Code	35

PAE

1525 Wilson Blvd, Suite 900
Arlington, Virginia 22209
1-888-526-5416
www.paegroup.com