



**COMMUNICATION  
ON PROGRESS**

**2008**



**UNITED NATIONS  
GLOBAL COMPACT**



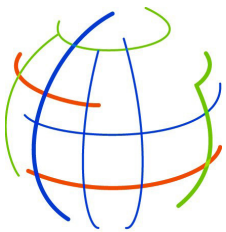
Table of Contents

|  |    |  |
|--|----|--|
| Introduction                                 | 1  |  |
| Letter from PAE                              | 2  |  |
| Where We Are                                 | 4  |  |
| The Ten Principles of the UN Global Compact. | 6  |  |
| Key Initiatives                              | 7  |  |
| Operations                                   | 14 |  |
| Appendix                                     | 16 |  |

Introduction

The United Nations Global Compact is the world’s largest voluntary corporate citizenship initiative with thousands of participants located in over 100 countries. The Global Compact brings together professionals in government, business, labor and civil society with the mission of advancing universal principles in the areas of human rights, labor standards, the environment and anti-corruption. Additionally, the Global Compact plays a central role within the United Nations by developing policy on UN-business engagement and advancing the partnership agenda across the UN network.

Each year, Global Compact participants must submit a Communication on Progress to describe their efforts to implement the Ten Principles. As such, Pacific Architects and Engineers (PAE) Inc., a Lockheed Martin company, is proud to present our 2008 Communication on Progress and to reaffirm our commitment to the Global Compact and its Ten Principles.



# Letter From PAE

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Dear Colleague:

From our founding in 1955, Pacific Architects and Engineers (PAE), Inc. has placed integrity and high ethical standards at the heart of our business operations. As a global company, we recognize that we have a core responsibility to positively impact the communities in which we work and live. PAE joined the United Nations Global Compact in November 2002, and we have continued to align our business operations with the Ten Principles set forth in this initiative since that time.

In 2006, PAE joined the Lockheed Martin Corporation. As part of the larger Lockheed Martin family, we continue to provide superior logistics and support services to United States and foreign government agencies and international aid organizations. From mission readiness to infrastructure and stabilization to disaster relief support, our employees perform with excellence and dedication in more than 30 countries, in some of the most challenging regions in the world.

The values that have set us apart over the past five decades continue to guide our company. We have a strong commitment to diversity recognizing that our success depends on being one company, one team, all-inclusive, and bringing together a wide range of perspectives, skills and experiences to find the most innovative solutions for our customers.

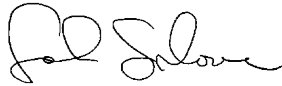
I am pleased to report that extensive effort and resources are dedicated to upholding our high ethical standards. Lockheed Martin and PAE have taken every measure to ensure that all employees are trained to analyze decisions and behave in compliance with these principals wherever we do business. We take special care to educate our employees on our standards of conduct through vigorous training and guidance programs, and open channels for communication, that ensure each of us understands our accountability for our actions and decisions.

PAE’s dedication to open, transparent and responsible business practices takes us beyond the requirements placed on us by our Government and international organization customers. We conduct regular internal audits on our programs and communicating those findings to our customers in the name of transparency. We therefore hold the Compact values as our own, and are proud to uphold fair labor standards and anti-corruption regulations, demonstrate respect for the environment, and strongly support human rights.

# Letter From PAE cont.

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Participation in the UN Global Compact allows PAE to join other companies that are changing the world by the way they do business. To prepare this Communication on Progress, we have turned our focus inward, to closely examine the intent behind every practice, what level of success we have achieved, and to consider new directions. In this reflection, we reaffirm our commitment to the Ten Principles, through the systems we have put in place and the activities we have planned throughout the year. We look forward to continued growth in the Global Compact community.

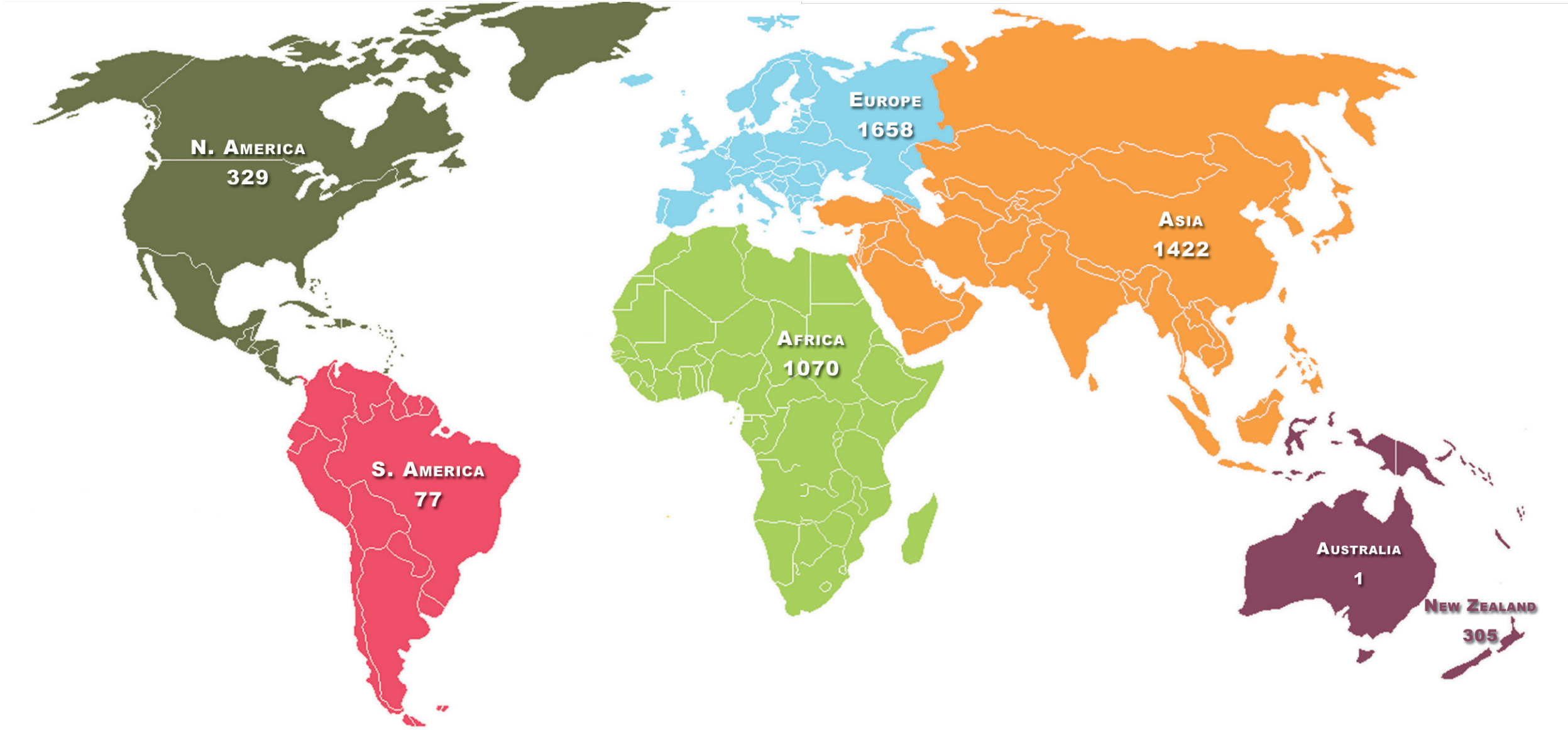
Sincerely,  


John Moore  
President  
PAE, Inc



Where We Are

PAE operates programs throughout the United States in addition to our operations in over 30 countries, on all seven continents.



The Ten Principles of the UN Global Compact

Ten Principles

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;
- 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.



Key Initiatives

Values and Key Initiatives

Lockheed Martin’s values of Do What’s Right, Respect Others and Perform with Excellence shape our policies and operational activities.

The table below outlines our initiatives and which of the four areas – human rights support, fair labor standards, environmental protection or anti-corruption – these efforts address. Following, you will see detailed descriptions of each initiative

| Initiative   | Human Rights | Fair Labor Standards | Environmental Protection | Anti-Corruption |
|--|--------------|----------------------|--------------------------|-----------------|
| Setting the Standard: Code for Ethics and Business Practices | ✓            | ✓                    |                          | ✓               |
| Target Zero  |              | ✓                    | ✓                        |                 |
| Diversity Maturity Model                                     | ✓            | ✓                    |                          |                 |
| Full Spectrum Leadership                                     | ✓            | ✓                    |                          | ✓               |





Key Initiatives

Setting the Standard: Code for Ethics and Business Practices  
Human Rights · Fair Labor Standards · Anti-Corruption

While we remain sensitive to the diverse social and cultural settings in which we conduct our business, PAE aims to set the standard for ethical conduct at all of our locations throughout the world by shaping our business practices using our company values. PAE is committed to Lockheed Martin’s “Setting the Standard: Code for Ethics and Business Practices,” an annually published booklet that sets expectations and gives employees guidance for appropriate actions and behaviors. Available in 18 different languages, the booklet references corporate policy statements that govern our business practices and gives instructions on how to report a violation. Sample scenarios on each major topic help employees to identify with the corporate policies and understand their role in upholding our company values. To see a representative sample of the issues addressed in Setting the Standard, please refer to the Appendix.

PAE conducts its business in compliance with the laws and regulations of the United States and each foreign country in which PAE operates, except to the extent inconsistent with United States law. Additionally, PAE has several means through which employees may voice concerns or request guidance in ambiguous situations, including fully dedicated Ethics Department personnel, a web-based resource, toll-free helpline numbers, and a department-managed inbox.



Key Initiatives cont.

Activities Upholding UN Principles:

- Annual review and employee-signed acknowledgment of Setting the Standard, encompassing corporate guidance on non-discrimination, workplace security, harassment, and trafficking in persons. The booklet also addresses how to conduct business ethically outside of the United States, how to compete fairly for all business opportunities, extending and accepting appropriate business courtesies, and addressing conflict of interest.
- Annual Business Compliance Training comprised of interactive modules through which employees interpret corporate policies and correctly answer test questions.
- Ethics Roundtables in which employees are invited to participate in open-forum discussions with company leaders on the ethics procedure and policies, encouraging immediate, honest and two-way communication.

Key Initiatives

Target Zero  
Fair Labor Standards Environmental Protection

Responsible companies take the safety and health of their workers seriously. At Lockheed Martin and PAE, that serious commitment to worker safety and environmental health has coalesced around Target Zero, an initiative to ensure zero workplace injuries, zero negative impact on the environment and zero regulatory violations across the corporation.

Target Zero is an excellent example of putting the principles of workplace safety and standards into action – for the benefit of our employees and, ultimately, the customer. Lockheed Martin’s Injury Reduction Model (IRM) is one of the best solutions we have to eliminate workplace injuries by analyzing safety performance. It enables us to identify the root causes of accidents and find solutions that correct the specific action, process or product that prompted the injury. We use this tool to focus on improvement, and reduce the number of incidents and lost workdays. Our focus on safety also improves workforce morale, the consistency of our processes, and the quality of our products and services.

Our commitment to environmentally-conscious practices has led to the corporate campaign to “Go Green.” As part of Lockheed Martin, PAE upholds the corporate commitment to Go Green: to work to reduce the impact of its operations on the climate, to conserve natural resources and to promote environmental stewardship in the community. As a member of the U.S. Environmental Protection Agency’s Climate Leaders program, Lockheed Martin has pledged to reduce its greenhouse gas emissions. At the end of 2008, Lockheed Martin had reduced its total carbon emission by 3 percent and reduced water usage by 11 percent.



Key Initiatives cont.

Activities Upholding UN Principles:

- Manager training on workplace safety and on fair labor practices, and legal advisors from host countries on every contract. Additionally, PAE employs, trains, and seeks advancement opportunities for local national professionals on nearly every international contract.
- Zero instance of forced labor or child labor on any PAE contract.
- PAE’s monthly environment, safety and health article customized to challenges at our sites.
- Go Green campaign targets for 2009, which aim to reduce carbon emissions by 10 percent, reduce waste to landfill by 7 percent and reduce water usage by 7 percent.



Key Initiatives

Diversity Maturity Model  
Human Rights · Fair Labor Standards

As a part of the Information Systems & Global Services (IS&GS) business area within Lockheed Martin, PAE participates in the annual Diversity Maturity Model (DMM) survey, which measures the level of diversity maturity across the Corporation’s business practices. The IS&GS leadership supports this initiative, noting that the inclusion initiatives like DMM are internal programs that Lockheed Martin has voluntarily committed to supporting in an effort to leverage individuality as a competitive strength.

Through the DMM survey, we conduct risk assessment and establish policies that leverage the variety of capabilities that exist in our global workforce, thereby creating a culture of inclusion. The IS&GS strategy stresses that it is the responsibility of each employee to create a culture where everyone feels valued, trusted, respected and included.

Activities Upholding UN Principles:

- Annual assessments to measure inclusive practices and perceptions throughout business areas.
- Implementation of policies after survey evaluation to increase inclusive behaviors across the workforce.



Key Initiatives

Full Spectrum Leadership  
Human Rights - Fair Labor Standards - Anti-Corruption

The challenges of today’s business environment demand a new standard of leadership. To address this challenge, Lockheed Martin has created its own framework, Full Spectrum Leadership, for encouraging and evaluating our leaders. Full Spectrum Leadership provides a set of imperatives to shape leadership behaviors. Our leaders are expected to demonstrate inclusive behavior, communicate our mission and educate their team about diversity and inclusion. Leaders across Lockheed Martin and PAE are held responsible for modeling personal excellence, integrity and accountability, and holding their teams to the same standard. We believe this will ensure the creation of an environment where employees feel welcome, respected, and able to develop professionally. These tangible results will continue to produce strong leaders who cooperate in a manner consistent with Lockheed Martin and PAE values and who provide added value to our customers.

Activities Upholding UN Principles:

- Annual Performance Management reviews required for all employees, to include the Full Spectrum Leadership imperatives as guides for performance objectives.
- Leader evaluations, which influence compensation, based on effective implementation of imperatives to shape team cohesiveness and foster a respectful and inclusive environment.





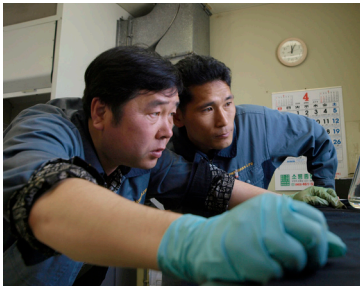
Operations

With the acquisition of PAE and through a reorganization of other existing capabilities, Lockheed Martin has formed a business unit called Readiness & Stability Operations (RSO). The formation of RSO provides an unparalleled reach-back into Lockheed Martin for human and capital resources, processes, technology and tools like our web-based, project/task order management. Several of PAE’s programs directly support human rights causes across the globe, as demonstrated in the examples below:

- REACT: Rapid Expert Assistance and Cooperation Teams

Through this contract, PAE provides personnel and related personnel support services to rapidly deploy U.S. citizens on behalf of the U.S. Department of State to advance the democratization, human rights and rule of law efforts by the Organization for Security and Cooperation in Europe (OSCE) in the Balkans, Central and Eastern Europe, Caucasus and Central Asia.

PAE’s ability to successfully implement the REACT contract requires our staff, experts, and observers to demonstrate dedication to internationally-recognized principles of human rights, democratic governance, free and fair elections, and rule of law. Our REACT staff’s ability to deliver a continuously high-level of service to our US Department of State customer has further enabled PAE to successfully re-bid the contract in 2006 and provide other contracts with corporate documentation of “past success” in these areas.



- AFRICAP: Africa Peacekeeping Program

In the 1990s, PAE expanded its overseas capability to include peacekeeping and capacity enhancement. PAE currently has over 1,700 personnel in Africa, 75 percent of whom are local nationals. Our planned approach to meeting increased mission requirements is to continue to use local national staff and resources to the fullest extent possible. We use local national leadership and offer employees long term growth opportunities by training them to be a critical part of our international staff. This investment in leadership development has resulted in an overwhelming number of success stories for men and women from several countries. Our strategy not only supports accomplishment of contractual tasks, but it also offers the compounded benefit of providing local employment, human resource development and support of local economies. This capacity enhancement is critical to the success of managing peacekeeping and post-conflict environments and creating stable and functioning societies, governments, and countries. PAE not only offers capacity enhancement as a direct result of contractual responsibilities, we offer it as an integral and value added way of doing business on the world’s stage.

Appendix

PAE Mission Statement

A PAE Contract is a promise to our customers that they are entitled to rely on us to act continuously in their best interests in accomplishing every aspect of our portion of their mission. We pledge to understand our customers’ objectives and concerns as well as their expectations of us, anticipate their requirements, respect their values, and position ourselves to serve as a seamless extension of their organization in delivering services and solutions effectively and efficiently. The professionals of PAE instill in each and all customers complete confidence that we are their partners, serving as their stewards to achieve excellence in fulfilling our mutual goals.

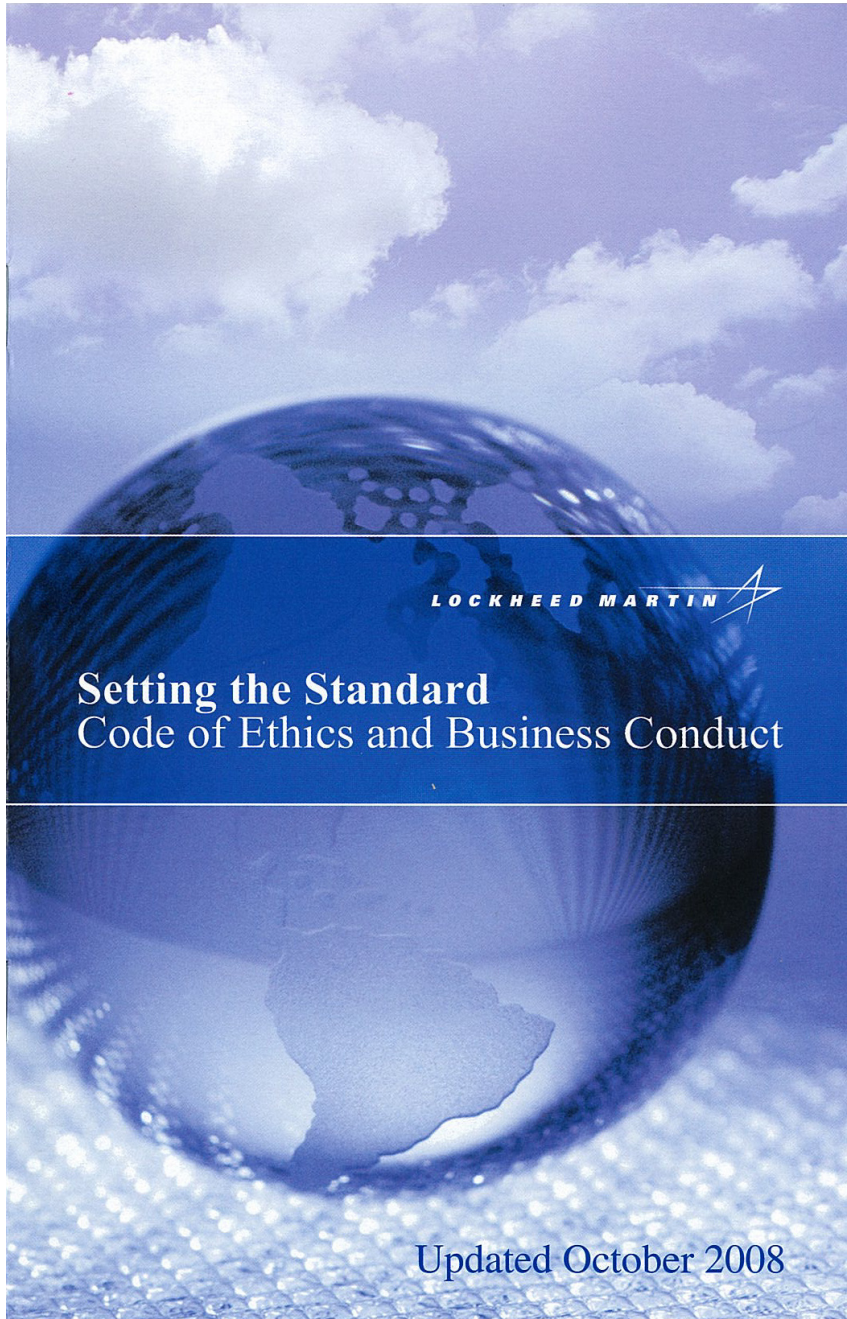
PAE Basics

- 1. The Credo is the principal belief of our company. It must be known, owned, and energized by all.
- 2. Our Motto is Professionals Providing Solutions. More than simply performing a service, our professionals strive with empathy to understand our customers’ objectives and anticipate their needs, and take initiative in providing our customers with responsive solutions.
- 3. The brandline of our Logo is Together...A Partnership in Excellence. We work together with our customers, in a professional, cooperative, and proactive manner, to achieve our mutually shared objectives.
- 4. PAE’s Quality Policy: The Five Key Elements of Service is the foundation of PAE performance excellence. These elements must be used in every project to ensure full customer satisfaction, retention, and loyalty.
- 5. PAE’s Employee Promise is the basis for our PAE work environment. Each professional is responsible for creating a work environment of teamwork, respect, and dignity, so that the requirements of our customers and the needs of each other are met. PAE’s Employee Promise will be honored by all professionals.

Appendix cont.

- 6. PAE has a reputation of uncompromising integrity – of actions aligned with values; of promises and commitments met. Our professionals are entrusted with the responsibility to ensure that their actions are aligned with the company values of Integrity, Empathy, Respect, Stewardship, Initiative, Teamwork, and Commitment to the benefit of each individual, each stakeholder, and the company.
- 7. Company objectives are communicated to all our professionals and it is everyone’s responsibility to support them.
- 8. Each professional is a member of our Partnership in Excellence and is encouraged to take the initiative to identify better ways to deliver our services that result in higher quality, improved timeliness, lower cost, or better value.
- 9. To create pride in the workplace, all of our professionals have the right to be involved in the planning of the work that affects them.
- 10. Everyone is responsible to convey a professional image. Personal appearance will be appropriate for the individual’s occupation and work location, and whenever possible, in accordance with the PAE Brand Identity Standard.
- 11. Think safety first. Each professional is responsible for creating a safe, secure and accident free environment for all customers and each other. Be aware of all fire and safety emergency procedures and report any security risks immediately.
- 12. The protection and stewardship of the customers’ and PAE’s assets are the responsibility of every professional to include conserving energy, properly maintaining the customers’ and our assets, and protecting the environment.





| Table of Contents   |    |
|---|----|
| A Culture of Integrity.....   | 1  |
| Our Vision and Our Values.....  | 1  |
| Report Violations of this Code.....   | 2  |
| Contacting Your Ethics 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 |
| Do Not Engage in Insider Trading.....   | 29 |
| Participate in Business Conduct Compliance Training and Ethics Awareness Training.....    | 30 |
| About the Office of Ethics and Business Conduct.....                                      | 31 |
| Warning Signs - You're on Thin Ethical Ice When You Hear.....                             | 32 |
| Quick Quiz - When in Doubt, Ask Yourself.....   | 33 |
| Contacting the Audit Committee.....   | 34 |
| Comments on the Code.....   | 34 |
| Receipt and Acknowledge.....  | 35 |
| Contacts.....   | 37 |