



PAE **2011** Communication on Progress
United Nations Global Compact

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Letter from PAE



Dear Colleague,

In April 2011, PAE transitioned from a wholly-owned subsidiary of Lockheed Martin Corporation to an independent company under the ownership of private equity firm Lindsay Goldberg, LLC. Throughout the divestiture process, PAE maintained its operational tempo and emphasized our commitment to our corporate values, to assure our employees that the sale of the company would not impact our established culture of ethics and integrity. In fact, our strong culture was one of the features that attracted our new owners to PAE, a point has been continually communicated to our employees to demonstrate how their actions and attitudes can directly influence our company's success.

Since its founding in 1955, PAE has distinguished itself by its commitment to ethical business practices in all that we do, whether administrative or mission-focused work. We considered our recent 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 compliance program to meet the demands of today's world of government contracting and the challenges that companies face while supporting international missions.

In August of 2011, PAE began the process of acquiring Defense Support , LLC (DS2), a joint venture between Lockheed Martin and Day & Zimmermann, and successfully completed the acquisition in October. With its complementary operational capabilities and shared priority on business ethics and compliance, DS2 was perceived as the ideal addition to PAE's existing portfolio and culture, and it has since been incorporated as one of three business units within the company's operating structure.

As PAE looks forward to a new phase of operations, we will continue to apply the lessons we learned from our past and customize them for our success in the future. We are proud to recommit ourselves to the principles of the Global Compact, and we pledge to maintain and continually increase our support of responsible, ethical and business operations.

Sincerely,

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

Mike Dignam
Chief Executive Officer

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.



The PAE badge, shown above, is distributed to every employee to wear with their site badge. It serves as a constant visual reminder of the vision, mission and values that every employee has agreed to support through their daily actions. The reverse side of the badge includes the PAE Ethics Officer's contact information in various formats, to ensure that every employee has the ability to report a concern or ask for guidance.

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

One of PAE's core corporate values is to "perform as one team with excellence, integrity and respect." We expect that all employees apply this value to their work every day - whether they support internal and administrative processes or our customers' missions. PAE supports the acknowledgment and advancement of human rights through various means. Employees in our Global Stability & Development business unit train and mentor various groups within the civil infrastructure of post-conflict countries and assist foreign governments that are challenged to provide for the needs of their citizens. In other countries, PAE provides logistics and training to support basic human needs within the context of peacekeeping and humanitarian missions.

PAE Initiatives

PAE's orientation process includes an explanation of the company's expectations of behavior and conduct, to ensure that employees are cognizant of our ethical standards from their first day of work onwards. Expectations are reinforced through annual trainings. Among the courses, special attention is paid to ethics awareness, diversity and inclusion, creating a harassment-free workplace and Equal Employment Opportunities. PAE educates its employees on the U.S. Federal Acquisition Regulation and provides additional training to mitigate even the slightest perception of inappropriate behavior.

PAE is committed to ethical performance of our work, and we support the industry-wide efforts of the International Stability Operations Association to promote universal standards of conduct. In addition, PAE has developed a standard operating procedure to help our employees recognize and report instances of human trafficking, which is one of the fastest growing criminal activity in the world. Our Code of Conduct, entitled

Leading the Way, provides guidance customized for the nature and location of the work our employees perform.

PAE Code of Conduct

PAE's Code of Conduct stipulates that all employees are required to comply with our own corporate policies, the laws of the United States and the laws that govern their 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.



PAE's corporate values and expectations of ethical conduct are communicated from our corporate office to all employees. However, we rely on managers at the program level to reinforce those messages with employees and discuss the best approach to local issues and questions.

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 has continued its partnerships with organizations such as the International Stability Operations Association and the United Nations Global Compact to expand awareness of globally recognized fair labor standards.

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 to 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 trained on our policies on non-discrimination, Equal Employment Opportunity, culture of performance excellence, workplace security and sexual harassment, among many others. At the conclusion of our new-hire and annual 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.

Forced labor and child labor are strictly prohibited in every area where we work. We promote the use of our Ethics Hotline, and PAE's Ethics Officer works closely with PAE's Legal department, Human Resources and



PAE employees are educated and trained on our labor policies on the first day of their employment, and the entire workforce is re-trained on key elements of our business conduct on an annual basis. We prohibit discrimination in any form and take an active approach to recruiting and developing a diverse workforce, which we believe is one of our greatest organizational strengths.

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. Our Environmental Safety and Health (ESH) initiatives are implemented by local ESH representatives on sites where PAE is the majority owner of contract operations. We have continued the efforts from previous years to reduce hazardous environmental releases and other ESH incidents on contract sites around the world.

Our ESH organization continues its active request for input from our diverse workforce, in an effort to combine the knowledge from our different backgrounds and experiences.

PAE Initiatives

PAE emphasizes to its employees that prevention is the first line of defense against hazardous environmental impacts. Our Target Zero goal - an initiative aimed at eliminating injuries and negative environmental impacts - applies throughout the company. We have continued pollution prevention initiatives and recurring training for all on-site employees on proper disposal of hazardous waste. We have also continued our recycling and reusable materials plan at international project sites.

Our ESH representatives record, log and report all safety incidents and environmental releases. These incidents are tracked on a system modeled after a blend of the ISO-9000, ISO-14000 and OHSAS-18000 certification requirements.

Our ESH standards apply to our procurement process as well. PAE upholds U.S. standards for 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. Our goal 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 addresses our company commitment to a safe and healthy work environment, and 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

Given the different cultures in each of the countries where PAE operates, our employees have and will continue to encounter varying interpretations of business protocol. Because a gesture could 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.

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

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 trained on policies including 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.

PAE's corporate newsletter, *GAIN Insight*, regularly includes perspectives from the Ethics Office and examples of unethical behavior in our industry, 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 any 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.

PAE's position against corruption is not only the concern of our Ethics and Legal departments. Our Procurement team is required to compare vendors' costs to ensure fair competition, and the Procurement personnel are specially trained to not 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.

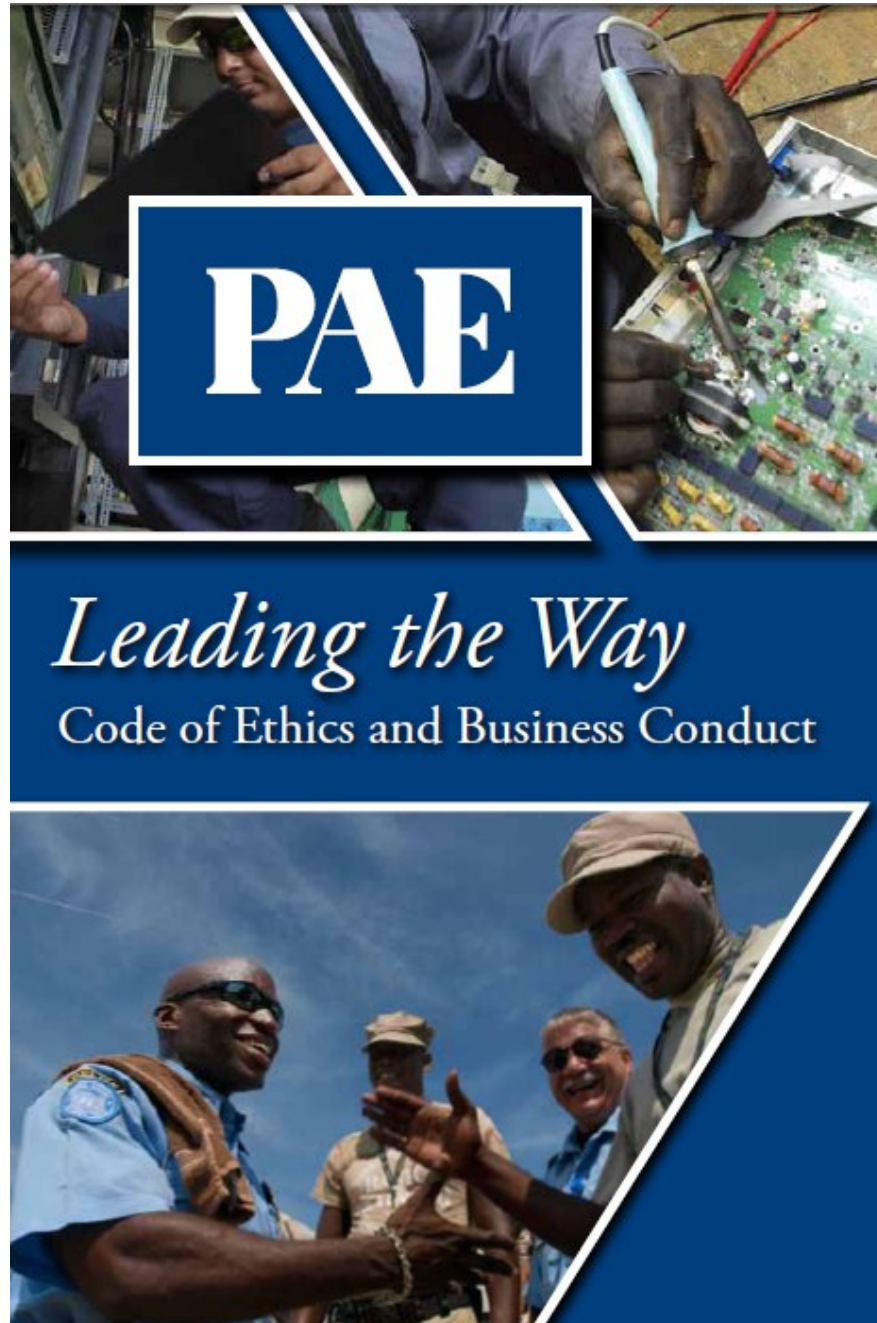
PAE Code of Conduct

PAE's Code of Conduct provides guidance on how to respond to offers of gifts and courtesies, how to ensure ethical business operations, how to appropriately interact with former government employees, and how to navigate conflict of interest, bribery, and the Truth in Negotiations Act. PAE is dedicated to combating corruption of all kinds and stands firmly against abusing entrusted power for personal gain.



PAE employees are trained to be sensitive to the norms of all other cultures, while still abiding by the requirements of the U.S. government.

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
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PAE

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