



PAE 2009 Communication on Progress  
United Nations Global Compact

**PAE**

A Lockheed Martin Company

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# Letter from PAE

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Dear Colleague,

“Character may be manifested in the great moments, but it is made in the small ones.”

This quote by clergyman Phillips Brooks encompasses all that PAE represents as a global company. We are surely proud of each of our major accomplishments, but without diligence and hard work from employees, such feats are unattainable. It is through each of our employees' daily operations that PAE's character as a company is formed. From the men and women providing critical support to the Haitian and Liberian National Police forces to our workers building peacekeeper base camps in Sudan, our character is further developed every day through our services and efforts.

Three values – responsibility, transparency, and integrity – are the core of PAE's global operations. With these values in mind, PAE joined the UN Global Compact.

As an active member of the Compact since 2002, PAE takes its responsibility of upholding the Ten Principles seriously. Our company policies and practices reflect our commitment to support the areas of human rights, labor standards, the environment and anti-corruption. We ensure that all of our business operations are conducted with the highest level of ethical standards. PAE relies on our dedicated ethics officer to oversee company adherence to both the letter and the spirit of laws, regulations, and internal codes of conduct.

At PAE, we devote ourselves to the communities where our employees live and work. Our focus on home-grown talent is evident through one of our key hiring practices, which is to train area locals to perform vital services in their communities.

PAE encourages a positive working environment focused on furthering individual employees' skill development and realizing their potential. Our resources extend into Goz Beïda, Chad, where we have constructed camps in support of the United Nations Mission in the Central African Republic and Chad (MINURCAT), and even further into areas such as the Democratic Republic of Congo where we provide air terminal services for the United Nations Mission in the Democratic Republic of Congo (MONUC). As these individuals thrive, so do the communities in which they live.

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## Letter from PAE *continued*

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We embrace the challenge of helping solid mechanisms for peace, growth and prosperity take root in stabilizing countries. Participating in the UN Global Compact motivates PAE to continue working steadfastly to inspire change and create a positive impact around the globe.

Sincerely,

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;

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.



*South Sudanese PAE construction workers supporting United Nations/African Union Mission in Darfur (UNAMID)*



*PAE's operations in Goz Beïda, Chad in support of the United Nations Mission in the Central African Republic and Chad (MINURCAT)*



## Setting the Standard: Code for Ethics & Business Conduct

Human Rights – Labor Standards – Anti-Corruption

In the global marketplace, PAE employees face a variety of challenges ranging from interpersonal conflicts to business negotiation issues. With our understanding that different situations require different solutions, PAE makes it a priority to train all employees on how to resolve situations by following strict rules and ethical regulations. All Lockheed Martin and PAE employees participate in business conduct compliance training and ethics awareness training on an annual basis. Through interactive modules, employees participate in mock business scenarios that test their knowledge of company policy.

In the countries in which we do business, PAE complies with the anti-corruption laws that govern our operations. The Foreign Corrupt Practices Act (FCPA) prohibits U.S.-based corporations from offering or making payments to foreign government officials to assist in obtaining or retaining business. Our annual business conduct compliance training highlights FCPA regulations, as well as the potential consequences of an FCPA violation.

In addition, PAE fully commits itself to Lockheed Martin's *Setting the Standard: Code of Ethics and Business Practices*. This annually published booklet provides guidance on our expectations for all employees, contract labor, agents, consultants, members of the Board of Directors, and others when representing or acting for the Corporation. In cases where employees are uncertain whether an action could be characterized as unethical, they know to consult with our company ethics officer for further clarity. Our ethics officer promotes a positive, inclusive, and ethical work environment and operates a confidential ethics help line.

PAE has established a firm expectation for employees to successfully and lawfully apply company policy in the workplace. To see a representative sample of the issues addressed in *Setting the Standard*, please refer to page 11.







## Empowering the Community

### Human Rights – Labor Standards

PAE understands that without the right tools, skills and resources, a community will struggle to prosper. With this understanding, Lockheed Martin and PAE use our philanthropic programs to help address the challenges facing our local communities. Through a partnership with FINCA International Incorporated, we provided \$30,000 in microfinance grants to low-income entrepreneurs in Afghanistan, El Salvador and Haiti. In another instance, our employees supporting the United Nations Mission in Liberia (UNMIL) volunteered to tutor students and raise funds for orphanages and schools. With these and other philanthropic projects, PAE continues to see a positive impact in our communities across the globe.

One of the over-arching themes of PAE's operations is empowering unstable nations. With that goal in mind, we believe the first step begins with transforming the lives of individuals. We take every opportunity to hire men and women who live in the communities where our program operations take place. Our goal is to further develop their skills and position them to be more competitive candidates for future jobs. It will be these individuals who serve as role models to others in their communities. That is why PAE embraces the concept of home-grown talent.

We employ and train members of the local community on a majority of our international programs. We not only provide them with a well-paying job, but also train them to develop a marketable skill. Earlier this spring, through our Empowerment Through Entrepreneurship Project, PAE trained a group of employees and members of the U.S. military on entrepreneurial concepts and how to apply them to real-life situations. In the second half of the program, the individuals who received training partnered with small businesses in the city of Djibouti to assist in developing sustainable business plans.

We know that big changes start with small steps. So whether it's offering a grant to an entrepreneur or providing a local national with their first job, PAE seeks to empower entire communities by reaching out to local residents on an individual basis.





## Safety in the Workplace and Beyond

The Environment – Human Rights – Labor Standards



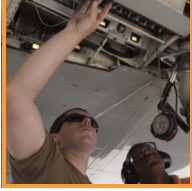
At Lockheed Martin and PAE, safety – of employees and the environment – is of the utmost importance. With such important considerations, PAE has adopted Target Zero, an initiative to eliminate injuries and negative environmental impacts across all locations. We support the Target Zero goals by maintaining safe workplaces, providing employee training, complying with safety regulations, and requiring a demonstrated safety commitment from leaders at all levels of the corporation.

Lockheed Martin participates in the Occupational Safety and Health Administration's Voluntary Protection Program. This program recognizes businesses with excellent occupational safety and health practices and encourages partnerships between participating companies. As a result, Lockheed Martin is able to develop and implement systems to effectively evaluate, prevent and control occupational hazards to employees.

In an effort to eliminate workplace injuries, Lockheed Martin implemented its Injury Reduction Model. PAE utilizes this tool to identify and correct the root cause of incidents. Building employee awareness is another component of our safety program. The Target Zero initiative inspired Lockheed Martin's 25-Foot Safety Control Zone. This concept encourages employees to take control of the risks and conditions within a 25-foot radius around them - effectively heightening employee awareness in the workplace.







## Safety in the Workplace and Beyond *continued*

The Environment – Human Rights – Labor Standards

PAE fully adopts the goals of Lockheed Martin's "Go Green" program, that aims to reduce adverse impacts on the environment. Practices such as water-use reduction, waste reduction, and construction of renewable energy projects factor into the company's long-term goals through 2010 for reducing each of the hazard categories by 25 percent. In 2009, Lockheed Martin purchased more than 98 million kilowatt-hours of green power, which represents 5 percent of the Corporation's total electricity usage. According to EPA calculations, Lockheed Martin's green power purchase is the equivalent of purchasing enough electricity to power more than 9,700 average American homes annually or the equivalent of avoiding the carbon dioxide (CO<sub>2</sub>) emissions of more than 12,800 passenger vehicles per year.

Along with Lockheed Martin, PAE is committed to protecting employees and the environment by implementing strong safety and health provisions.





## Full Spectrum Leadership

Human Rights – Fair Labor Standards – Anti-Corruption

At PAE, leaders are integral to our company's success. PAE leverages Lockheed Martin's Full Spectrum Leadership model, which provides a framework for evaluating and encouraging our leaders and is also used to train our leaders to serve as role models. Leaders are expected to embody our company culture and Lockheed Martin's vision of "doing what's right, respecting others and performing with excellence." As the phrase "Full Spectrum Leadership" would suggest, the model evaluates leaders on a combination of key behaviors. Our leaders must be able to:

**Shape the Future** - Leaders must be forward-thinkers who are able to envision a future state, set the direction, and then lead others toward the goal.

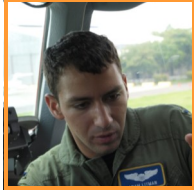
**Build Effective Relationships** - Our leaders are expected to establish and maintain good, effective relationships with their peers, employees, customers, communities and any other sphere that influences the company's business.

**Energize the Team** - The business needs leaders who create a positive work environment where people are excited about the contribution they can make, are inspired to be actively engaged, understand exactly what is expected of them, and know the bar is high.

**Deliver Results** - Leaders are ultimately responsible for delivering results, and that means continually driving operational excellence, creating shareholder value, and adapting with agility to changing circumstances.

**Model Personal Excellence, Integrity and Accountability** - Leaders are role models for employees, whether they intend to be or not. By refusing to sacrifice personal and business principles in pursuit of results, they are reflecting well on the character of the company and promoting ethical behavior in all employees.





## Diversity

### Human Rights – Fair Labor Rights

PAE embraces its diverse culture, comprised of employees originating from numerous locations and various professions. We strive to provide a safe and respectful environment for all of our employees. We do not tolerate harassment or discrimination of any kind – especially involving race, ethnicity, religion, color, sex, national origin, age, U.S. military veteran's status, ancestry, sexual orientation, gender identity or expression, marital status, family structure, or disability.

One of the best frameworks we have for evaluating our diversity program is Lockheed Martin's Diversity Maturity Model (DMM). The DMM tracks our progress in building a more inclusive environment. The model uses an employee survey, an organization self-assessment with peer review, and objective statistical data. PAE uses this model to measure employee perceptions, business processes and the organizational climate.

PAE and Lockheed Martin's diversity training classes help create comradery and raise morale with the organization. Each year employees engage in diversity dialogues with work groups and work through realistic scenarios to further their understanding of other cultures and backgrounds. In addition to the training we provide to our employees, PAE is also responsible for providing diversity training to Afghan correctional officers as part of the Corrections Engagement and De-Radicalization Team (CEDRT) mission. As part of their training, the officers, who are of varied ethnic and religious backgrounds, break into small groups to share their own individual backgrounds and discuss stereotypes. These conversations build trust and brotherhood within the team as they work together to reconcile and dismiss any preconceived notions about others.

Everyone at PAE takes responsibility for creating an environment infused with diversity and respect.

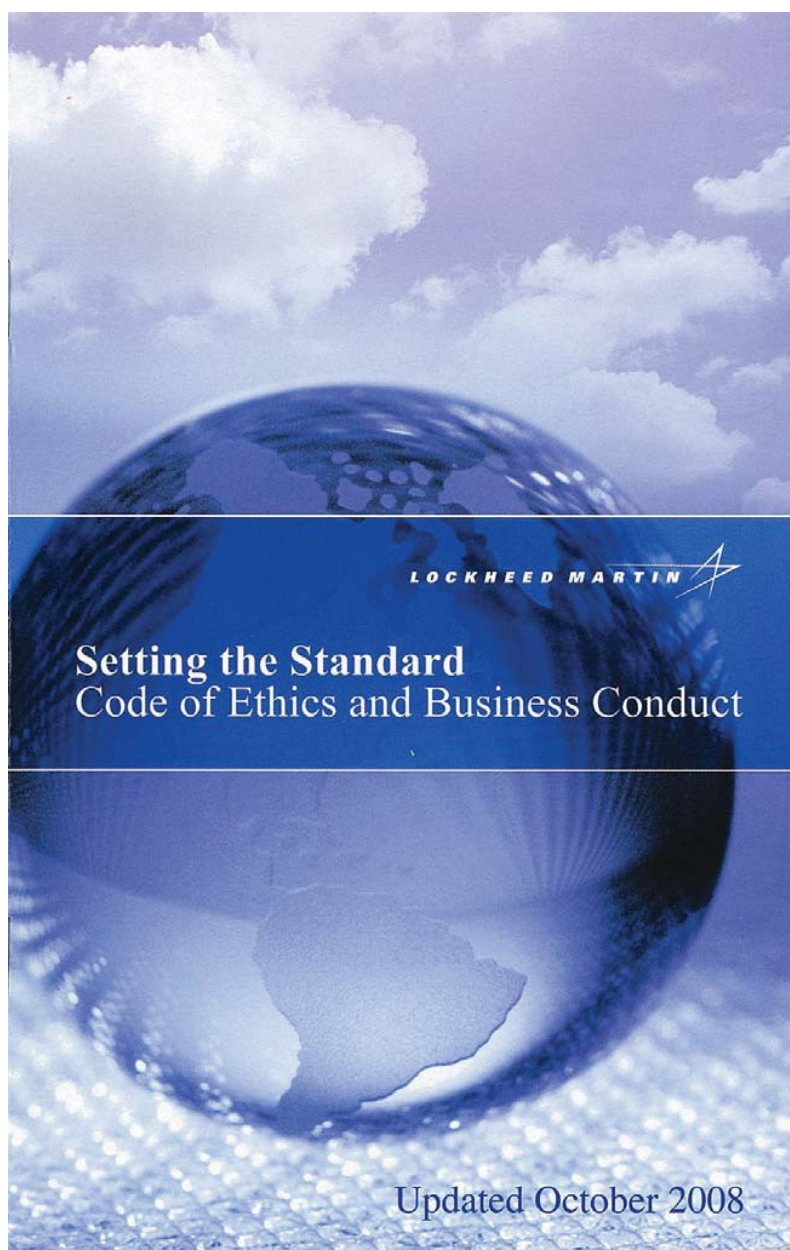
PAE is a company that displays its character in each facet of our operations. We can be trusted to advance human and workers' rights, care for the environment, and carefully fulfill our responsibilities with integrity.





## Appendix

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***Setting the Standard: Code of Ethics and Business Conduct*** booklet is available online at:

<http://www.lockheedmartin.com/data/assets/corporate/documents/ethics/setting-the-standard.pdf>

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