



27 September 2006

Kofi A. Annan
Secretary-General, United Nations
100 United Nations Plaza
New York, NY 10017, USA

Subject: Statement of Support for the UN Global Compact, and 2006 Communication on Progress

Dear Mr. Secretary-General:

Pacific Architects and Engineers Incorporated (PAE) will continue to apply the ten principles of the Global Compact in our projects worldwide. Our sphere of influence extends to over 30 countries through 45 contracts, under which we employ about 6,500 multi-national employees who work at contract operations and field offices in over 75 locations.

PAE does not publish an annual report wherein we can present our COP. Therefore, we use our Commitment to Excellence publication. I have included for your review our November 2005 through May 2006 Communication on Progress (COP) distributed on 31 July 2006 to PAE professionals worldwide. The COP appears on pages three and four of Edition 31, but we have posted the entire document to the UN website to demonstrate how our corporate culture and policies support the principles of the Global Compact.

PAE professionals read and discussed the semi-annual 2005-2006 COP at weekly meetings that were conducted at PAE corporate headquarters, and at every support office and contract location. All PAE professionals received the message concurrently and discussed their support of the Global Compact as it applies to their performance. As a support services contractor for the UN, USAID, NATO, the African Union, the U.S. Government, and commercial clients, we implement the principles of the Global Compact worldwide. Simply stated, our actions align with our core values and uphold the principles of the UN Global Compact.

As highlighted in this Communication on Progress, PAE's support of the ten Principles of the Global Compact is assured every day through implementation of corporate policy that is consistent with the meaningful principles of the UN Global Compact. An electronic version of our November 2005 through May 2006 COP, along with this Letter of Continuing Support can be accessed by clicking the UN Global Compact COP button on the home page of our web site <http://www.paegroup.com>.

Sincerely,

A handwritten signature in black ink, appearing to read "Allen E. Shay".

Allen E. Shay
Chief Executive Officer

PAE, INC.

CORPORATE HEADQUARTERS
888 South Figueroa Street | Suite 1700 | Los Angeles | CA | 90017-5466 | U.S.A.
Tel: 213.593.3200 | Fax: 213.593.3300 | www.paegroup.com

UNITED STATES
INDONESIA
COLOMBIA
U.A.E.
BAHRAIN
MALAYSIA
SIERRA LEONE
IRAQ
AUSTRIA
HONDURAS
CANADA
SPAIN
EL SALVADOR
RUSSIA
ITALY
SINGAPORE
LIBERIA
CHAD
GERMANY
KOREA
EAST TIMOR
SUDAN
AFGHANISTAN
JAPAN
D.R. CONGO
NIGER
CHINA
NEW ZEALAND
ALGERIA
VIETNAM
HAITI
UNITED KINGDOM

DISCUSSION OF THE WEEK

Recognize: Page 1 Congratulations, Announcements, and this week's highlight: *Communication on Progress: United Nations' Global Compact and PAE* on Page 3

Reflect: Share stories about professional business relations in your work last week

Read aloud the Basic of the Week, the Quality Topic, the Quote for the Week, and the Thoughts, Page 2

Discuss: Business Ethics - UN Global Compact
What does this mean to you? How does it apply to your work at PAE?

Recite the Quality Policy (The Five Key Elements of Service) and the Credo

Application: Think about how you uphold the 4 key areas of consideration: human rights, labor, the environment, and anti-corruption with your stakeholders in your work this week

ANNOUNCEMENTS

SAFETY TIP OF THE WEEK



CONGRATULATIONS

BIRTHDAYS

ANNIVERSARIES

WELCOME

Visitors

USE THE SMART SYSTEM TO DEVELOP GOALS

- **Specific** - write your goals, including as many details as possible, leaving no room for misinterpretation...
- **Measurable** – provide a means to measure your progress, a way to measure actual performance against desired performance standards...
- **Attainable/Believable** – set an actionable, believable goal...
- **Realistic/Achievable** – write your goals with consideration for your capabilities and limitations...
- **Time Bound** – develop a specific deadline for meeting each of your goals; otherwise they will remain dreams and never become reality...

From *Interpersonal Skills in Organizations*
by Suzanne C. De Janasz, Karen Dowd, & Beth Schneider

BASIC OF THE WEEK

PAE BASIC # 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.

QUALITY TOPIC

Principle # 3

INVOLVEMENT OF PEOPLE

People at all levels are the essence of ...[PAE]... and their full involvement enables their abilities to be used for the organization's benefit.

THOUGHTS

PAE supports the United Nations' Global Compact and its principles as a key element of our business strategy for corporate social responsibility. We recognize our actions can have a significant impact and we can contribute in a positive manner to the social development of the communities we serve. For example, in Timor Leste, where PAE has supported United Nations peacekeeping and nation building efforts since 2001, we used the principles of the Global Compact as core values in employing and training Timorese and in sponsoring civic action projects by PAE and our employees. In this way we demonstrate leadership to all our stakeholders.

*Landis Hicks
Executive Vice President
PAE Group*

THE CREDO

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.

QUOTE FOR THE WEEK

"Be the change that you want to see in the world."

*Mohandas Gandhi
Indian Leader in Non-Violence*

RECOGNITION AND AWARDS

COMMUNICATION ON PROGRESS: UNITED NATIONS' GLOBAL COMPACT AND PAE

The United Nations' quest to create a kinder, gentler, and better world continues with its Global Compact initiative. At the World Economic Forum in Davos, Switzerland on 31 January 1999, United Nations (UN) Secretary-General Kofi A. Annan challenged world business leaders to support appropriate public policies and to embrace and enact the Global Compact in their individual corporate practices.

PAE committed to participate in the Global Compact in November 2002, as we prepared what would become a winning proposal to continue providing airfield operations in the Democratic Republic of the Congo (DRC) for a second successful contract term. Participation in the Global Compact requires PAE to publicly advocate the Global Compact and its Ten Principles by embracing them as part of our corporate philosophy and policy, and by publishing a written *Communication on Progress* to describe the ways PAE is supporting the Ten Principles.

As a matter of policy, in our Policy Manuals and our Human Resources Manual, as well as through our Ethics Program and through our Culture of Performance Excellence, PAE does demonstrate its leadership role as a world citizen and stakeholder by embracing and enacting the principles of the Global Compact. In essence, the principles of the Global Compact are, and always have been, part of our culture and our business management systems in day-to-day operations. It should be noted that since our last *Communication on Progress* we have achieved our goal of expanding the readership of

our weekly newsletter, *Commitment to Excellence*, and of increasing the understanding of PAE's philosophies and policies, including the Global Compact at the grassroots level through our weekly Culture of Performance Excellence meetings.

The Global Compact encourages participants to engage in partnership projects with UN agencies and civil society organizations in support of global development goals. PAE takes pride in the fact that we actively seek to support UN missions throughout the world, and that in spirit and action we support global development goals and our clients: UN, North Atlantic Treaty Organisation (NATO), African Union, United States Government, foreign governments, institutional, and commercial. From training local personnel in how to establish and operate safe and professional airfields in the jungles of Timor Leste and the DRC, to providing peacekeeping and capacity building support in the troubled plains of the Sudan and the Caucasus of the Balkan states, to reconstruction efforts in Afghanistan, PAE has supported and will continue to support UN inspired efforts that embody the Ten Principles of the Global Compact.

We adhere to the principles of human rights as part of our PAE policies and practices on every project. An example of a project dedicated to the advancement of **Global Compact Principle 1** is our Rapid Expert Assistance and Cooperation Teams (REACT) contract. PAE was awarded the follow-on contract award for this effort in March 2006, and therefore, will continue to provide management, administrative, and logistical support required to recruit and deploy U.S. personnel internationally, often on short notice, to support the Organization for Security and Cooperation in Europe (OSCE). The people we provide specialize in categories such as Democratization, Human Rights, Elections, Rule of Law, Political, Economic, Environmental and Military Affairs, Media and Public

The Ten Principles of the Global Compact are Set Forth Under Four Key Areas of Consideration

Human Rights

Principle 1: The support and respect of the protection of international human rights

Principle 2: The refusal to participate or condone human rights abuses

Labor

Principle 3: The support of freedom of association and the recognition of the right to collective bargaining

Principle 4: The abolition of compulsory labor

Principle 5: The abolition of child labor

Principle 6: The elimination of discrimination in employment and occupation

The Environment

Principle 7: The implementation of a precautionary and effective program to address environmental issues

Principle 8: Initiatives that demonstrate environmental responsibility

Principle 9: The promotion of the diffusion of environmentally friendly technologies

Anti-Corruption

Principle 10: The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery

**UNITED NATIONS'
TEN PRINCIPLES
OF THE
GLOBALCOMPACT**

RECOGNITION AND AWARDS

Information. Each of the PAE Professionals we hire to work on this contract serves on the forefront of the worldwide human rights initiative of the United States, and PAE is proudly a part of the process.

As a matter of policy PAE does not participate in or condone human rights abuses. As another example PAE contributes significantly to the advancement of **Global Compact Principle 2** through our participation in the Support of Peace Operations and Other Complex Security Operations Overseas – Civilian Police (CIVPOL) program in a joint venture with Homeland Security Corporation (HSC). PAE-HSC provides management, administrative, and logistical support required to recruit and deploy U.S. Law Enforcement Officers, as well as Judicial and Correction System experts internationally for capacity building, peace, and security support for the U.S. Government's nation building operations overseas. To date, PAE-HSC has been awarded missions in Haiti, Liberia, Afghanistan, and Timor Leste. Through our participation in the Peace Keeping Capacity Enhancement and Surveillance Efforts – African Continent program, PAE strongly supports this principle through the U.S. Cease Fire Monitors who support the African Union's mission to monitor the Cease Fire Commission Mandate in Sudan.

PAE's Human Resources policies and procedures address our compliance with the Global Compact's four labor principles. As a matter of PAE policy we comply with **Global Compact Principle 3**. For example many of our contracts have unionized workforces with whom we support freedom of association and the right to collective bargaining. In compliance with PAE policy and as addressed in **Global Compact Principles 4 and 5**, we have neither compulsory nor child labor on any PAE contract.

Discrimination of any kind is completely prohibited by PAE policy. Moreover PAE deliberately focuses on building internal capacity and self-sufficiency in our international workforces by training local nationals in technical, administrative, and management skills and preparing them to stand on their own. For example, on our contract to provide airfield operations at six locations throughout the DRC in support of the UN's largest African aircraft fleet, the majority of our team is comprised of local nationals (complemented by expatriates from 19 countries) to whom we provide extensive vocational training. We also support economic development of the area through use of local and regional companies. In a similar airfield support contract for the UN in Timor Leste, PAE trained the local national Timorese to run the airfields to a point of self-sufficiency within three years of starting the contract. By the end of the contract in 2004, PAE successfully turned-over the entire operations of the airfields in Dili, Suai and Bacau to the Government of Timor Leste. On nearly every international contract, PAE employs, trains, and seeks advancement opportunities for local national people; in this way we adhere to our policies and

uphold **Global Compact Principle 6**.

As a matter of PAE policy, PAE embraces and enforces **Global Compact Principles 7 and 8 and 9** in its operations worldwide. While not always specified in a particular contract, environmental considerations are of significant importance to PAE in our role as a steward of the environment and are addressed in PAE *Basic Number 12*. Many of our contracts require submission of a formal Environmental Compliance Plan to the client for review and approval before we start work. In our effort to reduce our environmental footprint, and in keeping with our ISO-driven continuous improvement process, our professionals are always looking for ways to address the care of our environment through application of new technologies for resource conservation, waste minimization, and pollution prevention. In Afghanistan for instance, we strive to ensure that when we complete a project, the country is in better environmental shape than when we began. Many of our projects require mine clearing which benefits the local population, since deadly conditions are eliminated through our actions, and a safer site and countryside are left behind for the people who live there.

And finally, the UN's **Global Compact Principle 10** regarding Anti-Corruption, looks to Global Compact member firms to promote and adopt initiatives to counter all forms of corruption, including extortion and bribery. For over 50 years, PAE and our professionals always have aligned our actions with our values. PAE's Ethics program includes a book of standard business conduct and ethics, ethics posters, a Fraud, Waste and Abuse Hotline, an on-line Quiz, and an annual refresher course. Further, PAE's *Basic Number 6* is translated and published worldwide in the many languages where our professionals work. A part of our Culture of Performance Excellence, *Basic Number 6* is stated as follows:

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.

This basic PAE principle addresses trust on many levels and in many areas. PAE is a company that can be trusted to advance human rights, worker's rights, and care for the environment, and to diligently discharge our responsibilities with integrity.

We support the UN's Global Compact through following our policies. PAE's Culture of Performance Excellence enhances the way we do business as a company and as world citizens, because it continues to re-focus the way PAE Professionals perform on our contracts, and the way they take responsibility and accountability for the world in which they operate on PAE's behalf.