



PAE

PAE 2014 Communication on Progress



United Nations Global Compact

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Dear Colleague,

In 2014, PAE placed its focus on integrating a large part of the company acquired in 2013 and facilitating future growth, through an initiative titled “Transformation.” The company-wide Transformation effort began with an examination, then redesign, and finally implementation of internal processes and systems. PAE’s objectives throughout the Transformation were to support the business, maintain compliance and scale for future growth by achieving:

- Efficiency, through process improvements and cost reductions;
- Effectiveness, through performance improvement, transparency and accountability; and
- Compliance, by implementing and auditing against all required practices and reducing risk.

In hand with the Transformation objectives above, PAE’s company values evolved during the process of integrating a new business into the corporate framework. Although the core cultural values remained intact, additional emphasis was placed on forward-looking action:

- **Perform with Excellence and Integrity** – Deliver 100% of customer commitments, on time, within budget and with the highest standards of ethics and compliance.
- **Enable the Business** – Ensure safe and secure operating environments for all employees.
- **Grow the Business** – Create a culture of growth and entrepreneurial behavior that drives value and opportunity for ownership, customers and employees.

The PAE values continue to guide our employees in their every-day actions. Our annual Ethics and Compliance training program reinforces these values, and emphasizes critical compliance requirements. In-person training sessions stimulate open and honest discussions on key ethics and leadership issues between manager and employees, and ensure that all PAE employees are empowered to make ethical decisions in a variety of situations.

In 2014, PAE also hosted its pilot Leadership Development Program workshop for rising leaders from various programs and departments. By bringing together employees from separate parts of the company, the workshop provided an opportunity for participants to discuss, define and reinforce a unified corporate culture among PAE’s legacy organizations.

I am proud to say that throughout 2014, PAE remained committed to the Global Compact principles, and our operational teams continued to support an impressive portfolio of missions in accordance with the Global Compact principles. As PAE continues to strengthen its infrastructure, 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.

John Heller
Chief Executive Officer

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 graphic is a dark blue rectangular box with white and gold text. At the top, 'PAE' is written in large, bold, white serif capital letters. Below it, 'OFFICE OF ETHICS & COMPLIANCE' is written in a smaller, gold-colored serif font. A horizontal white line separates the header from the content below. The word 'VISION:' is in bold gold capital letters. Below it, the vision statement is in white text: 'To be a global leader in providing enduring support for the essential missions of the U.S. government, its allied partners and international organizations.' The word 'VALUES:' is in bold gold capital letters. Below it, three bullet points are listed in white text: 'Perform with Excellence and Integrity: Deliver 100% of customer commitments, on time, within budget and with the highest standards of ethics and compliance.', 'Enable the Business: Ensure safe and secure operating environments for all employees.', and 'Grow the Business: Create a culture of growth and entrepreneurial behavior that drives value and opportunity for ownership, customers and employees.'

PAE

OFFICE OF
ETHICS & COMPLIANCE

VISION:

To be a global leader in providing enduring support for the essential missions of the U.S. government, its allied partners and international organizations.

VALUES:

- **Perform with Excellence and Integrity:** Deliver 100% of customer commitments, on time, within budget and with the highest standards of ethics and compliance.
- **Enable the Business:** Ensure safe and secure operating environments for all employees.
- **Grow the Business:** Create a culture of growth and entrepreneurial behavior that drives value and opportunity for ownership, customers and employees.

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 with excellence and integrity." We expect that all employees apply this value to their work every day - whether they support our customers' missions directly or indirectly. In a direct sense, PAE's Global Logistics & Stability Operations business unit includes programs that provide critical support to the civil infrastructure of conflict and post-conflict countries; assist foreign governments that are challenged to provide for the needs of their citizens; provide logistics and training to support basic human needs within the context of peacekeeping and humanitarian missions. In October of 2014 and under contract to the USAID Office of Foreign Disaster Assistance, PAE rapidly mobilized more than 1,600 personnel to provide operations, logistics, and medical support for nine Ebola Treatment Units and one Field Hospital throughout Liberia.

PAE Initiatives

PAE's orientation process includes an explanation of the company's expectations of behavior as stated in the Code of Conduct entitled *Leading the Way*, to ensure that employees are cognizant of our ethical standards from their first day of work. These expectations are reinforced through mandatory annual ethics and compliance trainings. Among the topics covered in the online training, special attention is paid to ethics awareness, diversity and inclusion, human trafficking, 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. PAE also continues to adhere to our standard operating procedure to help our employees recognize and report violations like instances of human trafficking, which is one of the fastest growing criminal activities in the world.

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. In addition to reaching out to our Chief Ethics & Compliance Officer, PAE employees have many different channels to report violations including our 24-hour Ethics Hotline, which is reachable by international and domestic employees via phone or email. 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. Through their example and the corporate policies in place, PAE uses every resource at its disposal to support and protect human rights.

PAE Program Spotlight:

PAE's Justice Sector Support Program (JSSP) played a major role in assisting the Afghan government's ascent to Tier 2 in the U.S. Department of State's Annual Human Trafficking Report. By addressing issues with anti-trafficking compliance standards, the JSSP team helped determine where programs were ineffective; improved coordination and communication among ministries; developed programs to record progress and improved efforts taken to combat trafficking; and provided education and training to Afghan officials.



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's workforce includes a number of union labor groups, and we are proud of the effective collaborations between PAE Labor Relations and these teams to most effectively support the missions of our customers.

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.

Operating in over 50 countries on all seven continents, PAE has a diverse workforce that is 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, our culture of leading with integrity and excellence, our commitment to maintaining a safe and healthy work environment, among many others. At the conclusion of our new-hire orientation and every annual ethics and compliance 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.

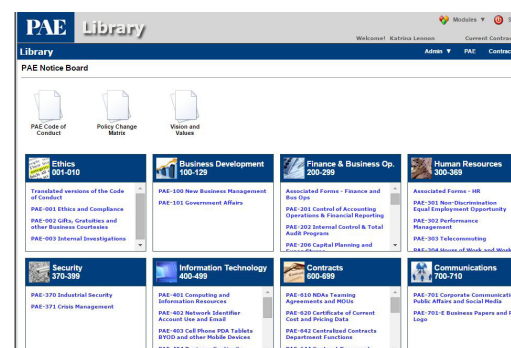
Forced labor and child labor are strictly prohibited in every area where we work. We promote the use of our Ethics Hotline, and PAE's Chief Ethics & Compliance Officer works closely with PAE's Legal department, Human Resources and Program Managers to thoroughly investigate allegations, and take action 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; where our employees must lead with integrity and excellence.

PAE Program Spotlight:

PAE employees have access to the PAE Library, which stores all of the company's policies and related documents. Weekly company communications direct employees to the Library for various policy updates and procedures that enforce our values of working with integrity and excellence. Our 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.



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 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's 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.

PAE Programs Spotlight:

PAE's Atlantic Undersea Test and Evaluation Center (AUTECH) program was recognized with the 2014 Energy and Water Management Award, Blue Level Achievement for operating and maintaining a "well rounded" energy program. Energy and Water Management are critical to the Navy's mission, and PAE is proud to support those efforts. PAE's performance has significantly advanced progress towards the Navy's goals, and we will continue to strive to be good stewards of our natural resources. Additionally, one of PAE's joint ventures - Kings Bay Support Services, LLC - achieved Gold level for a "very good to outstanding energy program" in 2014.



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 employees to avoid 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 through our annual ethics and compliance training, PAE employees receive a comprehensive education on how to operate ethically and professionally.

PAE Initiatives

PAE's Chief Ethics & Compliance Officer serves as one of the four founders of the Compliance Leadership Roundtable (CLR), which was established in 2013 to promote excellence in compliance and reality in regulations. The invitation-only group of key leaders in the Washington, DC metropolitan area collaborates with other relevant professional organizations, and educational institutions to promote development and continued learning for leaders in the compliance profession.

PAE's Chief Ethics & Compliance Officer leverages the CLR to shape quarterly compliance discussions on high risk areas; such as respect in the workplace, False Claims Act, human trafficking, respect and workplace safety. The Chief Ethics & Compliance Officer also chairs a Monthly Compliance Council comprised of functional executive leaders to: oversee the Company's implementation of compliance programs, policies and procedures that are designed to be responsive to the various compliance and regulatory risks facing the company; assist the Chief Ethics & Compliance Officer in fulfilling oversight responsibility for the Company's compliance and ethics programs; and perform any other duties deemed as necessary.

PAE's quarterly employee magazine, *Inside PAE*, regularly includes perspectives from the Ethics & Compliance Office and offers examples of unethical behavior in our industry, to emphasize the importance of following our anti-corruption policies. In the event of a corruption claim, the Ethics & Compliance Office works closely with our General Counsel to investigate thoroughly.

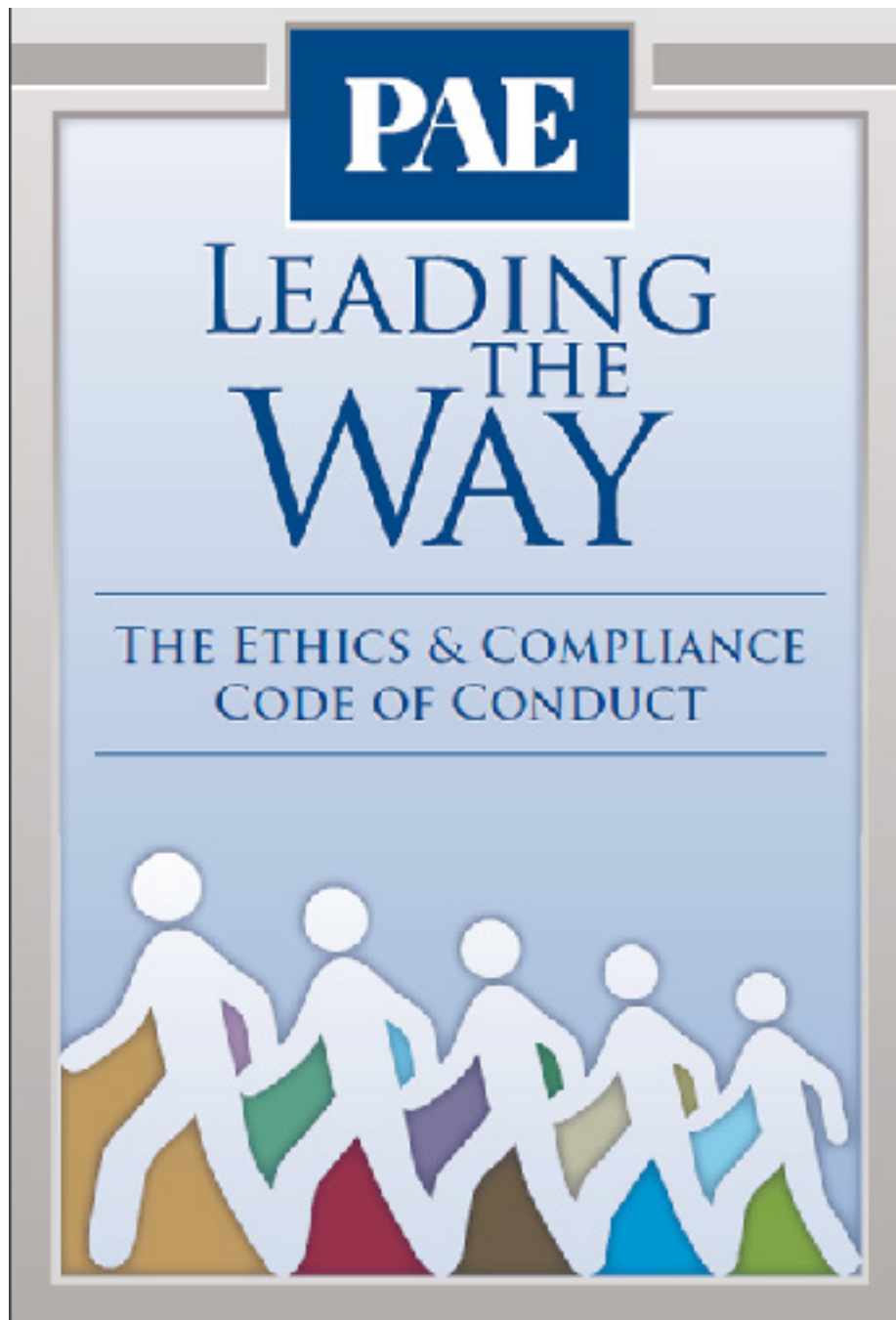
PAE's position against corruption is not only the concern of our Ethics and Legal departments. Our Procurement team is required to compare vendors' costs to ensure fair competition. Procurement personnel are also specially trained to not accept gifts of any value from potential vendors, to avoid even the perception of bribery. Additionally, our International Transactions 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.



Appendix



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

<http://www.pae.com/about-pae-ethics>

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Leading the Way: Code of Ethics and Business Conduct

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