



PAE

PAE 2015 Communication on Progress



United Nations Global Compact



2015

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Dear Colleague,

In 2015, PAE placed its focus on development and growth. After adding approximately 2,500 new employees from the acquisitions of the Global Security and Solutions (GS&S) business unit of US Investigations Services (USIS) and A-T Solutions, PAE worked to enhance the company's internal infrastructure, in order to reduce the amount of manual processes and increase operational accuracy and speed.

Internal initiatives including a streamlined and integrated financial system; a new human resources information system and contracts database; and a leadership development program for PAE's rising leaders all led to more efficient and effective processes that contributed to the company's organic and inorganic growth throughout the year.

PAE succeeded in re-capturing many legacy contracts in 2015 and won several major new contracts with strategic value for positioning the company for future work with new and existing customers. PAE also implemented a plan to expand into new areas of national security and round out the full spectrum of services our customers require for their enduring missions.

This growth would not have been possible without PAE's established corporate culture and our employees' commitment to our corporate 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.

PAE also celebrated its 60th anniversary in 2015. Reflecting on PAE's six decades of service, I am proud to observe that while PAE's company values have evolved, they have not changed in essence. Employees are just as committed to supporting our customer's enduring missions with integrity and excellence today, as they were in 1955 and all the years in between.

After two acquisitions, significant internal initiatives, major contract wins and re-captures, and the celebration of our 60th anniversary, I am pleased to say that throughout 2015, PAE remained committed to the Global Compact principles. We are proud to recommit ourselves for the year ahead and 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 internationally proclaimed human rights; and
- Principle 2: Make sure that 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 thin white horizontal line separates the header from the body text. 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 also 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 internationally proclaimed 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 integrate this commitment into their daily work - 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; and provide logistics and training to support basic human needs within the context of peacekeeping and humanitarian missions. Under contract to the USAID Office of Foreign Disaster Assistance, PAE provided operations, logistics and medical support for nine Ebola Treatment Units and one Field Hospital throughout Liberia in 2015.

PAE Initiatives

PAE's mandatory annual ethics and compliance trainings includes an explanation of the company's expectations of behavior as stated in the Code of Conduct entitled "*Leading the Way*." Among the topics covered in the 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's comprehensive compliance plan trains our employees to recognize and report violations they may observe in their work or travels, such as 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 are encouraged to report any violation of this policy or any other concern. In addition to reaching out to our Chief Ethics & Compliance Officer personally, PAE employees have various 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 Spotlight:

PAE's Justice Sector Support Program (JSSP) was instrumental in working with the Afghan Ministry of Women's Affairs (MOWA) Victim Assistance Program to develop a public awareness campaign that included TV spots and billboards to address domestic violence. The countrywide public awareness campaign aimed to raise victim's awareness of available assistance.



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 60 countries on all seven continents, PAE's diverse workforce 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, and 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

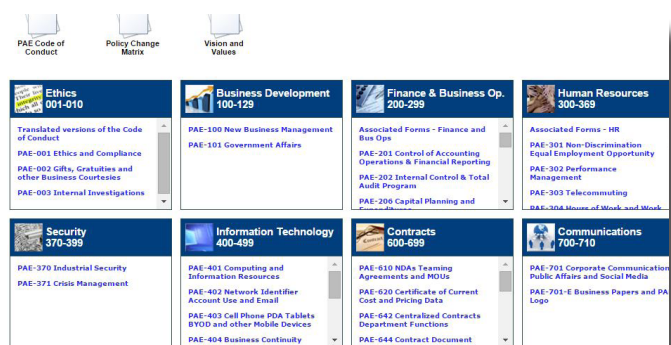
Ethics & Compliance Officer works closely with PAE's Legal department, Human Resources and Program Managers to thoroughly investigate any reported allegations, and take action if necessary.

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 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 is also proud to have our headquarters in a Leadership in Energy and Environmental Design (LEED) designated building. Throughout the year, our employees participate in LEED initiatives such as an E-waste recycling project.

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. In the absence of nation-specific environmental laws, we adhere to the Overseas Environmental Baseline Guidance document, and our subcontractors make every effort to incorporate LEED standards into 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 Spotlight:

In 2015, PAE's team at Johnson Space Center (JSC) was awarded the 2014 Contractor Safety Forum (CSF) Safety and Health Excellence Award at the SUPER NOVA level and a 2014 Safety Innovation Award. The CSF Awards are given to contractors who have excellent safety performance by being well below average industry injury rates; for participation and support of community events and safety meetings; and for a report which highlighted innovative and measureable Safety and Health Programs and employee involvement. The SUPER NOVA level of the award is the top of three levels honored.

The Innovation Award for outstanding safety or health innovation was awarded to PAE for the implementation of the Hazardous Materials Pharmacy. Mislabeled materials, corroded containers, and waste materials were all disposed of, and through PAE, the on-site pharmacy improved controls and reduced duplication of inventories.



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.

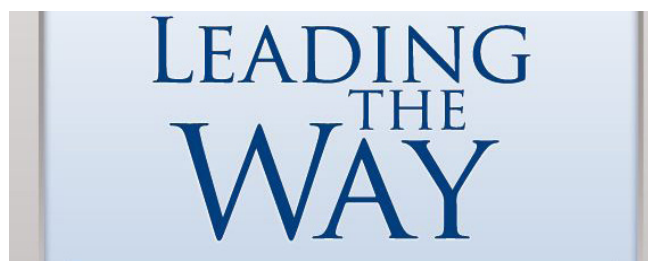
PAE's Chief Ethics & Compliance Officer leverages the CLR to shape quarterly compliance discussions on high risk areas; such as False Claims Act, respect and workplace safety, and conflicts of interest. The Chief Ethics & Compliance Officer also chairs a Monthly Compliance Council comprised of functional 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.

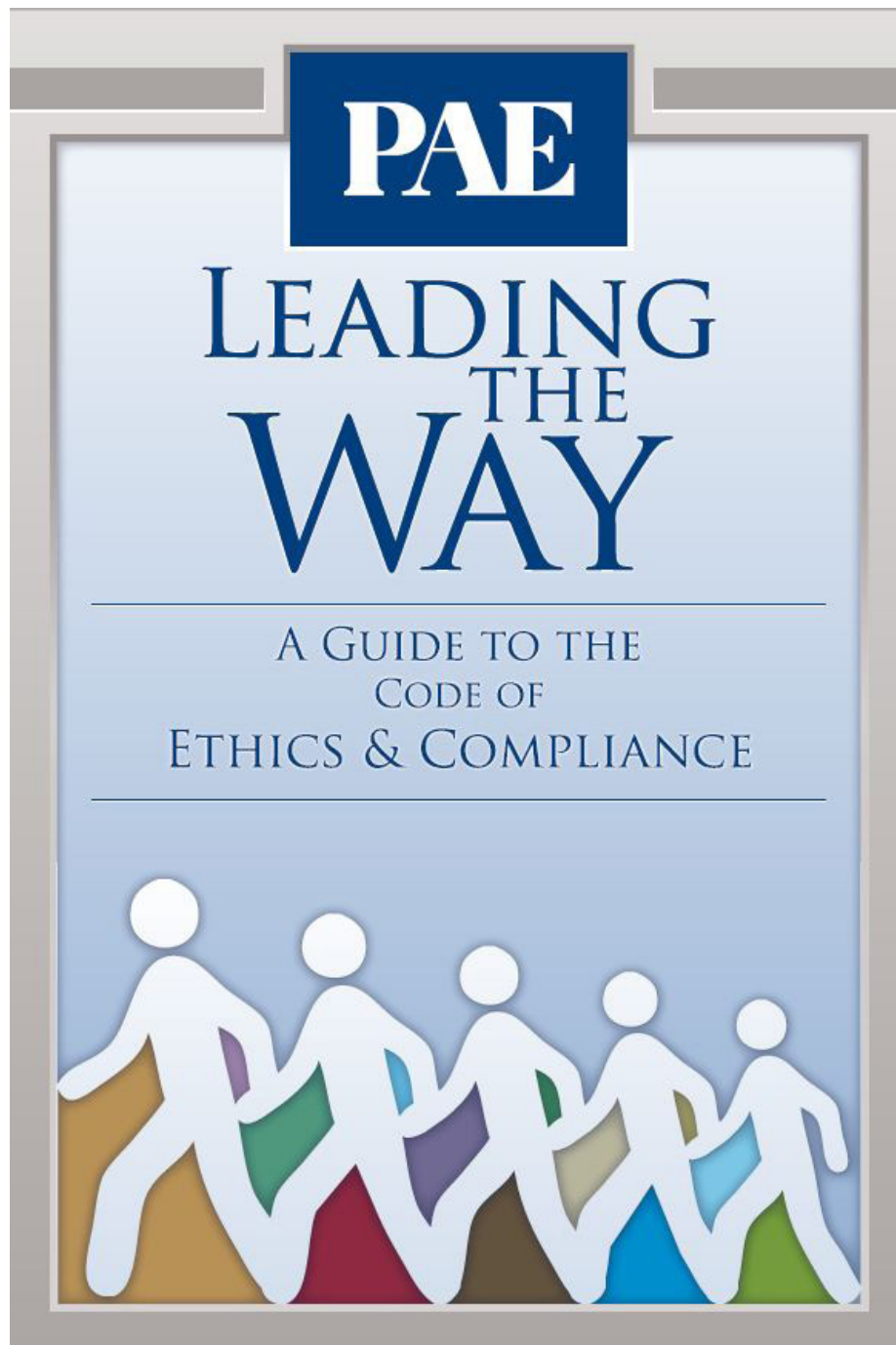
PAE's quarterly employee magazine, *Inside PAE*, regularly includes perspectives from the Ethics & Compliance Office and offers examples of unethical behavior in our industry, to emphasize the importance of following our anti-corruption policies. In the event of a corruption claim, the Ethics & Compliance 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 Trade Compliance Office procures the appropriate authorizations for international shipments to fulfill all regulatory requirements.

PAE Spotlight

In November, PAE hosted several members from the Department of State Office of Defense Trade Controls Compliance (DTCC) as part of their Company Visit Program to review PAE's trade compliance program. PAE was the first services company that DTCC visited; the office typically focuses on manufacturers and exporters of defense hardware. PAE was honored to show the DTCC team that our business conduct aligns with company ethics guidelines and complies with all applicable legal requirements. PAE was honored to demonstrate how our business operations align with company ethics guidelines and comply with all applicable legal requirements. During the visit, PAE took the opportunity to highlight our new HR information system (Workday), our annual ethics and compliance training program and our new contracts database as examples of our comprehensive focus on trade compliance.





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

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

Leading the Way: Code of Ethics and Business Conduct

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