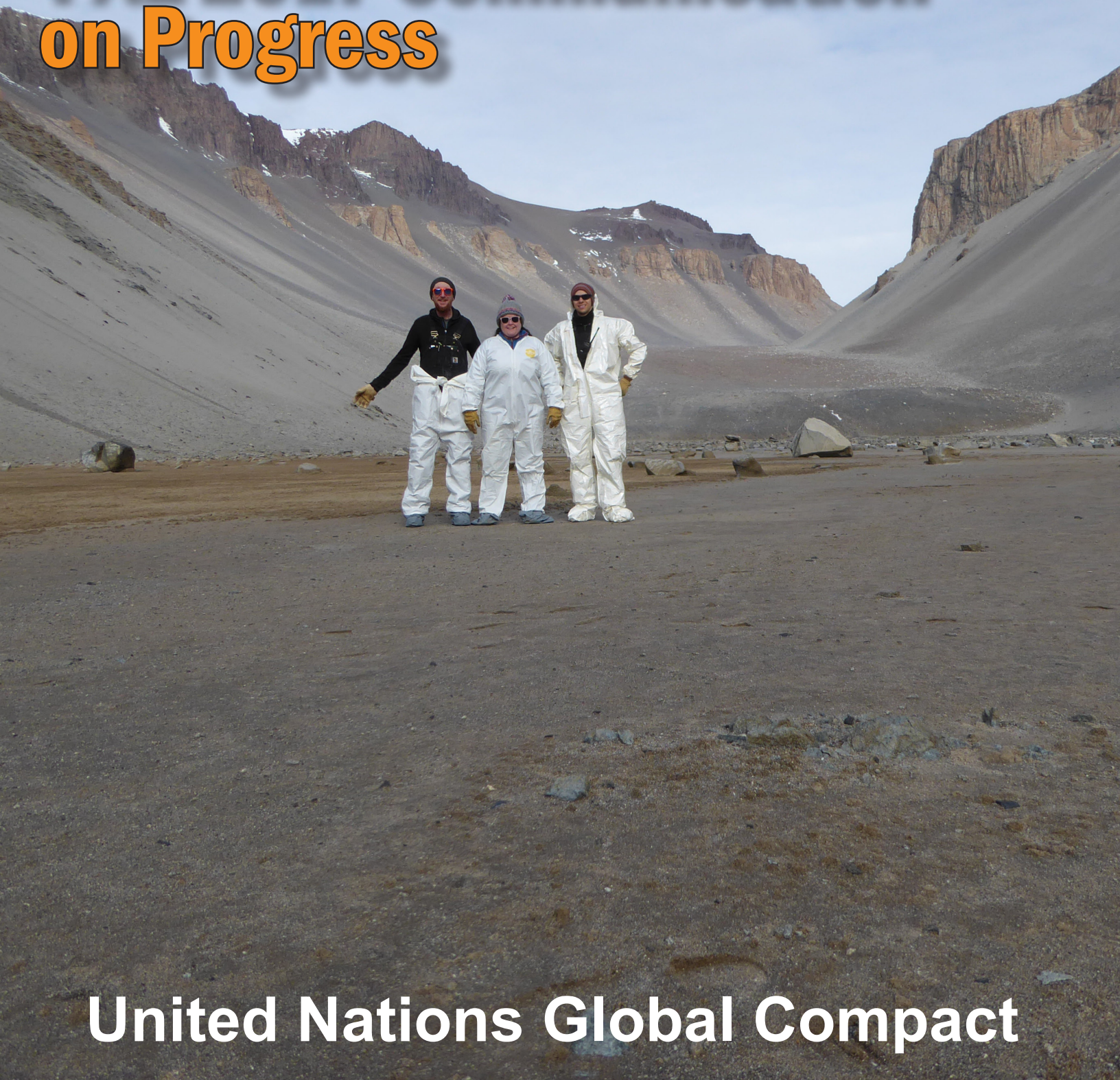




PAE

PAE 2017 Communication on Progress



United Nations Global Compact



2017



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Dear Colleague,

In 2017, as it has been in year's past, PAE is committed to the United Nation's Global Compact mission of shaping a sustainable future. We understand that long-term business success means more than just our bottom line. Our entire workforce is doing their part in respecting the rights of others, of upholding and practicing established labor standards, of being good stewards of the environment and encouraging environmentally friendly technologies. Every day, on every project, we work with integrity and require integrity from everyone who represents PAE. While I could cite multiple initiatives across our enterprise that support the UN Global Compact mission, I'm going to focus on one contract that represents the principles we vowed to uphold for 2017.

In April, PAE won for the fourth consecutive time the Rapid Expert Assistance and Cooperation Teams contract supporting the Department of State and the Organization for Security and Cooperation in Europe, or OSCE as it's known. Because everyone has the right to live safely, the OSCE has a mandate to monitor and report on security and human rights issues. OSCE asked one of our REACT Monitoring Officers to spearhead an initiative in Ukraine to identify industrial facilities and other sites in the conflict zone that posed environmental concerns. Despite the challenges and hazards of working in the conflict zone, the officer reported feeling strongly mission-driven about what she was doing because as she put it, environmental risks need to be examined and addressed to mitigate the hazards posed to communities. That's the kind of dedication indicative of our team.

Similarly, PAE's commitment to anti-corruption, human rights and labor standards is demonstrated daily through REACT. For example, our program officers in the Economic Governance Unit at OSCE Secretariat in Vienna focus on anti-money laundering and countering the financing of terrorism. We also support those on the margins of society to build their resilience and self-confidence and encourage their critical thinking through a mobile training team in Bosnia and Herzegovina. Because of this training, we are working to eliminate acts of violence and abuse occurring in the workplace and to individuals.

As I referenced earlier, the REACT program is just one example among many (some of which are shared in this document) that represent PAE's diligence toward sustainment of human rights protection, fair labor standards, environmental protection and our ongoing work against anti-corruption. As CEO, I committed PAE to implement universal sustainability principles put forth in the UN Global Compact – as an organization we honor our commitments.

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.

A dark blue rectangular graphic 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 smaller, gold, serif capital letters. A thin white horizontal line separates this header from the content below. The word 'VISION:' is in bold, gold, sans-serif capital letters. Below it, the vision statement is in white, sans-serif text. The word 'VALUES:' is in bold, gold, sans-serif capital letters. Below it, three bullet points are listed in white, sans-serif text, each preceded by a gold dot.

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 Mission Services 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.

PAE Initiatives

PAE's mandatory annual ethics and compliance trainings include 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 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 implements the Department of State Bureau of International Narcotics and Law Enforcement Affairs Corrections System Support Program (CSSP) in Afghanistan. CSSP provides mentoring and advising support, training assistance, leadership capacity building initiatives, infrastructure assistance and nation-wide case management for correctional facilities. One of PAE's initiatives for CSSP in 2017 was to execute small-scale construction efforts to improve sanitation, life support needs and security for adult prisons and juvenile rehabilitation centers. In order to track and report the progress of these projects in the field, PAE's Software Solutions team and Governance and Institutional Development team partnered to design and deploy a remote monitoring tool. The tool produced elaborate reports that were shared with the customer and proved a critical component in the success of the projects.



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, healthy and respectful 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.

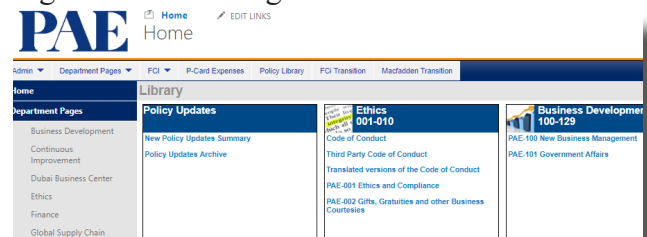
In addition, PAE's anti-human trafficking program provides employees and contractors with training and awareness on human trafficking red flags, assesses suppliers on their human trafficking risks, holds suppliers accountable for trafficking activities that may occur in their supply chain, and includes human trafficking-focused audits for specific programs.

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 *One PAE Policy Library*, which stores all of the company's policies and related documents. Weekly company communications direct employees to the Policy 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 and inclusive 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. PAE's Director for Quality, Environmental, Safety and Health (QESH) reports to the PAE President and centralizes PAE's approach to applying QESH best practices across our diverse business units. Our Environmental Safety and Health (ESH) initiatives are then 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 also have 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 Antarctica, PAE provides operations and maintenance support to the United States Antarctica Program (USAP) funded by the National Science Foundation. Scientists and support staff "on the ice" must adhere to strict environmental regulations, and PAE employees play an integral role in this area each year. In 2017, PAE environmental employees at the main U.S. base, McMurdo Station, conducted 63 environmental trainings for 731 USAP participants. In addition, the environmental team completed eight field camp/science environmental audits and seven remediation projects and were part of three science and technical project service cleanup projects.



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.

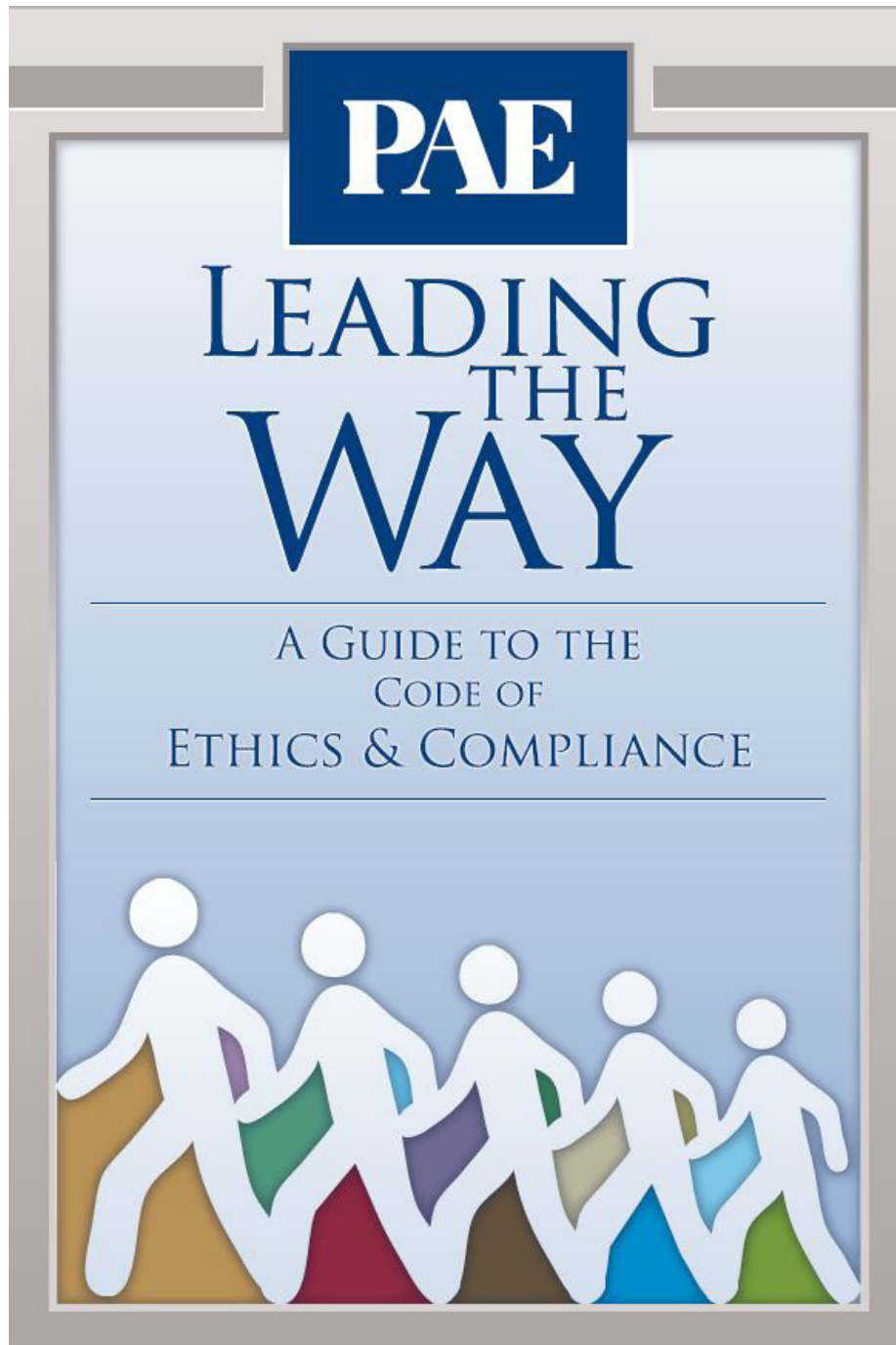
PAE's quarterly employee magazine, *Inside PAE*, regularly includes perspectives from the Ethics & Compliance Office and offers examples of unethical behavior in our industry, to emphasize the importance of following our anti-corruption policies. In the event of a corruption claim, the Ethics & Compliance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

Because of the nature of PAE's work, it is imperative that all PAE employees follow the company's anti-corruption policies. Among the requirements implemented by PAE's policies is the company's obligation to ensure compliance with the FCPA's rules regarding hospitality for and facilitating payments to government officials, as well as internal accounting and reporting provisions. In 2017, PAE augmented its financial reporting and monitoring procedures by introducing a revamped pre-approval, monitoring, and reporting process for hospitality and facilitating payments.

In addition, PAE is committed to investigate all reported ethics cases in a serious and fair manner. This includes investigating matters promptly and thoroughly. Furthering this commitment, PAE appointed additional staff to lead and direct investigations. PAE also provided detailed instructions on how internal investigations should be handled, while continuing to emphasize the importance of maintaining confidentiality, ensuring an environment free of retaliation, and encouraging employees to speak up when they witness instances of unethical behavior.



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

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

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