



1 November 2005

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

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

Dear Mr. Secretary-General:

Pacific Architects and Engineers Incorporated (PAE) will continue its embrace of the ten principles of the Global Compact and will advance these principles within our global sphere of influence through our Project Managers on approximately 47 contracts in 26 countries, who collectively manage 6,500 multi-national stakeholders/employees at contract operations or field offices in over 75 locations.

With this letter I commend for your review our annual Communication on Progress (COP). PAE does not publish an annual report wherein we can present our COP. Therefore, we use our *Commitment to Excellence* publication. Our annual COP for 2005 was distributed to all PAE stakeholders on 19 September 2005 as Edition 32 of our weekly *Commitment to Excellence* publication. The COP actually appears on pages three and four of the publication, but we posted the entire document because it focuses on our support of UN missions worldwide.

Our COP was distributed, read, and discussed by all PAE stakeholders at their weekly "Stand-Up" meeting that occurred at PAE corporate headquarters, as well as at every support office and contract location around the world. All PAE stakeholders are reading from the same sheet, once each week, every week of the year. Our COP:

1. Reaffirms our corporate vision for worldwide citizenship and describes how we integrate the ten principles of the Global Compact in daily operations
2. Cites specific contract examples of how our stakeholders implement all ten Global Compact principles on a daily basis in compliance with our corporate mandate and related policies
3. Provides evidence of the results our stakeholders achieve when they implement PAE policies which are tied directly to Global Compact principles through what we call our Twelve PAE Basics. These are also posted on the web site.

PAE is an ISO-registered company. Therefore, we recognize the value (and necessity) of continuous improvement. As described in our COP, PAE provides standard, written policy manuals that are mandatory compliance documents for each PAE stakeholder. Continuous improvement is monitored by each division/project manager by ensuring stakeholder compliance with published procedures. Through implementation of PAE policy, which is mirrored in the Global Compact Principles, we achieve the expected outcome of providing contract operations that meet each applicable Global Compact Principle as a matter of daily performance.

We have provided an electronic version of our 2005 COP, along with this Letter of Continuing Support, on our web site <http://www.paegroup.com> that can be accessed by clicking the **UN Global Compact COP** button on our home page.

Sincerely yours,


Allen E. Shay
Chief Executive Officer

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DISCUSSION OF THE WEEK

Recognize: Page 1 and this week's highlighted subject the United Nations Global Compact on Page 3.

Reflect: Share stories about how you practiced Stewardship of Assets last week.

Read aloud the Basic of the Week, the Five Key Elements of Service, the Quality Topic, the Quote for the Week, and the Thoughts on Page 2.

Discuss: Support of the UN Compact. What does this mean to you? How does it apply to your work at PAE?

Recite the Credo

Application: Think about the Ten Principles of the UN Global Compact and how that applies to and conforms with our work at PAE.

CONGRATULATIONS

BIRTHDAYS

ANNIVERSARIES

WELCOME

Visitors

ANNOUNCEMENTS

PAE 50th ANNIVERSARY, WITH GRATITUDE

16 September 2005

Today marks a milestone in the history of our company: I am delighted to be able to commemorate the 50th anniversary of the incorporation of our parent company, Pacific Architects and Engineers Incorporated.

As I reflect on our rich heritage, I am reminded that PAE has grown significantly since we received our first architecture and engineering contracts in 1955. Over the past 50 years, we have earned a reputation as a solutions provider in a broad array of services to include Facilities Management, Operations & Maintenance, Logistics Support, Airfield Operations, Camp Construction, Capacity Building, and Personnel Placement Services in addition to our original Architecture and Engineering business. We earned this

reputation serving the United States Government, foreign governments, the United Nations, NATO, other institutional and commercial clients around the world, often in remote and hostile locations, and always with dedication and integrity.

This commendable achievement is truly a tribute to the many PAE Professionals past and present who have made this day possible. I sincerely applaud your extraordinary efforts and your dedication to performance excellence.

On behalf of my family, the PAE Group of companies, and in memory of my late father, I thank you.

With your continued support, I look forward to continued success for each of you individually and for us collectively in the next 50 years.

With my gratitude,
Allen E. Shay

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BASIC OF THE WEEK

PAE BASIC #12

The protection and stewardship of the customers' and PAE's assets are the responsibility of every professional to include **conserving energy, properly maintaining the customers' and our assets, and protecting the environment.**

PAE'S QUALITY POLICY

THE FIVE KEY ELEMENTS OF SERVICE

1. Understand our [stakeholders'] expectations of us
2. Anticipate our ... [stakeholders'] needs
3. Deliver responsive and responsible services and solutions that provide for:
 - a. *Quality of Service*
 - b. *Timeliness (On-Schedule)*
 - c. *Cost-Effectiveness (Cost Control)*
4. Foster professional *Business Relations*
5. Improve deliberately

QUALITY TOPIC

Principle #1: **CUSTOMER FOCUS**

... [We] depend on our... [stakeholders] and therefore should understand current and future customer needs and strive to exceed ... [stakeholder] expectations.

QUOTE FOR THE WEEK

The line separating good and evil passes not through states, nor between political parties either—but right through every human heart.

*Aleksandr Solzhenitsyn
Russian Author*

THOUGHTS

The United Nations is a customer that requires no introduction. This customer consists of almost 200 nations with a total population of over five billion people. Now that is a huge customer!! And...each one of these five billion plus is one of our stakeholders. The UN has come under increasing scrutiny recently in how it administers its programs and expends its funds. Member nations are asking tough questions and demanding accountability. As a contractor on several highly visible UN projects, we must adhere to the highest ethical standards, maintain stringent financial control, and provide the very best in customer support. As a pacesetter in our industry, and with our worldwide footprint, we are postured to set the standard. And we do!!

*Richard Lee
Business Development Manager*

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THE UNITED NATION'S GLOBAL COMPACT AND PAE

The United Nation's 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, 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 DR Congo for a second successful five-year 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.

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, NATO, 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 East Timor and the DR Congo, 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.

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

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 for which PAE provides management, administrative, and logistical support required to 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, Media Affairs, Human Rights, Elections, Rule of Law, Political Affairs, Economic and Environmental Affairs, General Staff/Monitor Functions, Public Information, Administration and Support, and Military Affairs. 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.

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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 Civilian Police (CIVPOL) program in a joint venture with Homeland Security Corporation (HSC). PAE-HSC provides management, administrative, and logistical support required to deploy U.S. Law Enforcement and Judicial Officers 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 East Timor. Also, our Civilian Protection Monitoring Teams (CPMT) project in Sudan strongly supports this principle through their Reports of Investigation.

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 in 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 DR Congo in support of 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 East Timor, PAE trained the local national Timorese to run the airfields to a point of self-sufficiency within three years of starting the contract. Then PAE was able to turn over successfully the entire operations of the airfields in Dili, Suai and Bacau to the Government of East Timor. 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 our 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, 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.

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