



## PAE INCORPORATED

### CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “**Board**”) of PAE Incorporated (the “**Company**”) has adopted the following Corporate Governance Guidelines (the “**Guidelines**”) to assist the Board in the exercise of its responsibilities and to serve the interests of the Company and its stockholders. These Guidelines should be interpreted in the context of all applicable laws and the Company’s charter, bylaws and other corporate governance documents. These Guidelines acknowledge the leadership exercised by the Board’s standing committees and their chairs and are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations. The Guidelines are subject to modification from time to time by the Board as the Board may deem appropriate and in the best interests of the Company and its stockholders or as required by applicable laws and regulations.

#### I. The Board

##### A. *Independence of the Board*

Except as otherwise permitted by the applicable NASDAQ rules, the Board will be comprised of a majority of directors who qualify as independent directors (the “**Independent Directors**”) as required under NASDAQ rules.

Directors have the affirmative obligation to inform the Board of any material changes in their circumstances or relationships that may impact their designation by the Board as “independent.” This obligation includes all business relationships between directors and certain of their family members, and the Company and its affiliates or members of senior management and their affiliates, whether or not such business relationships are subject to the Board’s approval requirements.

##### B. *Separate Sessions of Independent Directors*

On a regularly scheduled basis, but no less than twice per year, the Independent Directors will meet in executive sessions without non-Independent Directors or management present.

##### C. *Director Qualification Standards and Additional Selection Criteria*

The Nominating and Corporate Governance Committee, in recommending director candidates, and the Board, in nominating director candidates, will evaluate candidates in accordance with the qualification standards set forth in Attachment A to these Corporate Governance Guidelines. In addition, the Nominating and Corporate Governance Committee and the Board may also consider the additional selection

criteria listed in Attachment A.

D. *Director Orientation and Continuing Education*

Management will provide an orientation process for new directors, including background material on the Company and its business. As appropriate, management will provide opportunities for additional educational sessions for directors on matters relevant to the Company and its business.

E. *Service on Other Boards*

The Board recognizes that its members may benefit from service on the boards of other companies and it encourages such service. The Board also believes, however, that it is critical that directors have the opportunity to dedicate sufficient time to their service on the Company's Board. To that end, a director may not serve on the boards of more than four other public companies, *provided that*, any director who also serves as the chief executive officer of a public company or in an equivalent position should not serve on more than two public company boards in addition to the Company's Board. Prior to accepting any position on the board of directors of any organization, whether for-profit or not-for-profit or public or private, current directors should notify the Chair of the Nominating and Corporate Governance Committee. The Chair of the Nominating and Corporate Governance Committee shall review the proposed board membership to ensure compliance with applicable laws and policies. In the event that the Chair of the Nominating and Corporate Governance Committee determines that the additional directorship constitutes a conflict of interest or interferes with such director's ability to carry out his or her responsibilities as a director, the Chair of the Nominating and Corporate Governance Committee may bring it up for consideration by the entire Board. Upon review, the Board may request that the director not accept the new directorship or offer his or her resignation to the Board.

Service on other boards and/or committees should be consistent with the Company's conflict of interest policies.

F. *Interlocking Directorates*

No executive officer or non-Independent Director of the Company should serve as a director of another company where a Company director is an executive officer.

G. *Directors Who Resign or Materially Change Their Current Positions With Their Own Company or Become Aware of Circumstances that May Adversely Reflect upon the Director or the Company*

When a director, including any director who is currently an officer or employee of the Company, resigns or materially changes his or her position with his or her employer or becomes aware of circumstances that may adversely reflect upon the director or the

Company, such director should offer to resign from the Board. The Nominating and Corporate Governance Committee will recommend to the Board whether such resignation should be accepted.

#### H. *Term Limits*

As each director is periodically subject to election by stockholders, the Board does not believe it is in the best interests of the Company to establish term limits at this time. Additionally, such term limits may cause the Company to lose the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company's business and therefore can provide an increasingly significant contribution to the Board.

#### I. *Director Responsibilities*

The business and affairs of the Company will be managed by or under the direction of the Board, including through one or more of its committees. Each director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. These include:

- Exercising their business judgment in good faith;
- Acting in what they reasonably believe to be the best interest of the Company and its stockholders;
- Ensuring that processes are in existence to maintain the Company's integrity and reputation, including in the following areas: (i) financial statements filed with the Securities and Exchange Commission, (ii) compliance with Company policy, legal and regulatory requirements, (iii) relationships with customers and suppliers, and (iv) relationships with other Company stakeholders; and
- ensuring that the business of the Company is conducted so as to further the long-term interests of its stockholders.

#### J. *Compensation*

The Board believes that director compensation should fairly pay directors for work required in a business of the Company's size and scope, and that compensation should align directors' interests with the long-term interests of stockholders. The Compensation Committee will review and make recommendations to the Board regarding the cash and equity compensation of directors. The Company's executive officers do not receive additional compensation for their service as directors. Compensation for directors shall be compliant with applicable NASDAQ rules.

#### K. *Stock Ownership*

The Company encourages directors to own shares of the Company's stock. However, the number of shares of the Company's stock owned by any director is a

personal decision and, at this time, the Board has chosen not to adopt a policy requiring ownership by directors of a minimum number of shares.

L. *Board Access to Senior Management*

The Board will have complete access to Company management in order to ensure that directors can ask any questions and receive all information necessary to perform their duties. Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer or the Chairman of the Board, or if neither is available or neither is appropriate, directly by the director.

M. *Board Access to Independent Advisors*

The Board committees may hire independent advisors as set forth in their applicable charters. The Board as a whole shall have access to any independent advisor retained by the Company, and the Board may hire any independent advisor it considers necessary to discharge its responsibilities. The Company shall provide funding to compensate such independent advisors retained by the Board or any of its committees for reasonable fees and expenses.

N. *Board Interaction with Institutional Investors and Press*

The Company views senior management as the Company's primary contact with outside parties. From time to time however, directors may be asked by the Chairman, Chief Executive Officer, or other members of the management team to speak with outside parties, as appropriate. In the absence of such a request, directors should generally refrain from discussing confidential or proprietary information relating to Company matters with outside parties.

O. *Self-Evaluation*

The Nominating and Corporate Governance Committee will oversee the annual self-evaluation of the Board and each of the Board's committees. Each of the directors will be requested to provide his or her assessment of the effectiveness of the Board and the committees on which he or she serves. If determined by the Nominating and Corporate Governance Committee to be desirable, the Board may retain independent corporate governance experts to assist the Board and the committees with the self-evaluations.

P. *Attendance at Annual Meetings of Stockholders*

All directors are expected to attend the Company's Annual Meeting of Stockholders, except in the event of unavoidable or extenuating circumstances.

**II. Board Meetings**

A. *Frequency of Meetings*

The Board will meet at least four (4) times annually. In addition, special meetings may be called from time to time as determined by the needs of the business. It is the responsibility of the directors to attend meetings.

**B. *Director Attendance***

A director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. Accordingly, a director is expected to regularly prepare for and attend meetings of the Board and all committees on which the director sits (including separate meetings of the Independent Directors), with the understanding that, on occasion, a director may be unable to attend a meeting. A director who is unable to attend a meeting of the Board or a committee of the Board is expected to notify the Chairman of the Board or the Chair of the appropriate committee in advance of such meeting, and, whenever possible, participate in such meeting via teleconference in the case of an in-person meeting.

**C. *Attendance of Non-Directors***

The Board encourages the Chairman of the Board or Chair of any committee to invite Company management and outside advisors or consultants from time to time to participate in Board and/or committee meetings to (i) provide insight into items being discussed by the Board which involve the manager, advisor or consultant, (ii) make presentations to the Board on matters which involve the manager, advisor or consultant, and (iii) bring managers with high potential into contact with the Board. Attendance of non-directors at Board meetings is at the discretion of the Board.

**D. *Advance Receipt of Meeting Materials***

Information regarding the topics to be considered at a meeting is essential to the Board's understanding of the business and the preparation of the directors for a productive meeting. To the extent feasible, the meeting agenda and any written materials relating to each Board meeting will be distributed to the directors sufficiently in advance of each meeting to allow for meaningful review of such agenda and materials by the directors. Directors are expected to have reviewed and be prepared to discuss all materials distributed in advance of any meeting.

**III. *Committee Matters***

The Board currently has three (3) standing committees: (i) the Audit Committee, (ii) the Compensation Committee and (iii) the Nominating and Corporate Governance Committee. Each committee will perform its duties as delegated by the Board in compliance with the Company's charter and bylaws and the committee's charter. It is the responsibility of the directors to attend the meetings of the committees on which they serve.

#### **IV. Succession Planning**

The Board (or a committee delegated by the Board) will (i) work on a periodic basis with the Chief Executive Officer to evaluate the Company's succession plans upon the Chief Executive Officer's retirement and in the event of an unexpected occurrence, and (ii) periodically review the performance of the Chief Executive Officer.

In the event of the death, resignation, incompetence or incapacity of the Chairman and/or the Chief Executive Officer, the Chair of the Nominating and Corporate Governance Committee will as soon as practicable call a meeting of the Board to discuss the selection and appointment of a temporary or permanent replacement for either or both positions.

\* \* \* \*

## Attachment A

### **Director Qualification Standards and Additional Selection Criteria**

#### *Director Qualification Standards:*

The Nominating and Corporate Governance Committee, in recommending director candidates for election to the Board, and the Board, in nominating or appointing director candidates, will consider candidates on the basis of their character, expertise, sound judgment, ability to make independent analytical inquiries, business experiences, understanding of the Company's business environment, ability to make time commitments to the Company, demonstrated teamwork, and ability to bring unique and diverse perspectives and understanding to the Board.

#### *Additional Selection Criteria:*

In evaluating director candidates, the Nominating and Corporate Governance Committee and the Board may also consider the following criteria as well as any other factor that they deem to be relevant:

- A. The candidate's experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- B. Whether the candidate has exhibited behavior that indicates he or she is committed to the highest ethical standards;
- C. The candidate's experience as a board member of another publicly held company;
- D. Whether the candidate has special skills, expertise and background that would complement the attributes of the existing directors;
- E. The candidate's professional and academic experience relevant to the Company's industry;
- F. Whether the candidate has achieved prominence in his or her business, governmental or professional activities, and has built a reputation that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make;
- G. The strength of the candidate's leadership skills;
- H. Whether the candidate will effectively, consistently and appropriately

consider and balance the legitimate interests and concerns of all of the Company's stockholders and our other stakeholders in reaching decisions;

- I. The candidate's experience in finance and accounting and / or executive compensation practices;
- J. Whether the candidate will be able to devote sufficient time to the performance of his or her duties as a director; and
- K. The candidate's geographic background, gender, age and ethnicity.

In addition, the Board will consider whether there are potential conflicts of interest with the candidate's other personal and professional pursuits.

The Board should monitor the mix of specific experience, qualifications and skills of its directors in order to assure that the Board, as a whole, has the necessary tools to perform its oversight function effectively in light of the Company's business and structure.