

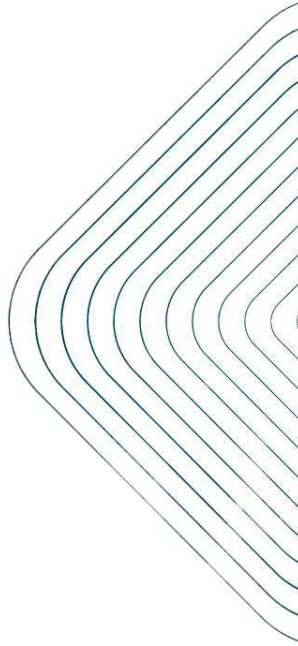


باديكو القابضة
PADICO HOLDING

*2011 United Nations Global
Compact Communications on Progress Report*



Date of submission: September 20, 2011



Statement of Continued Support

We are pleased to submit PADICO HOLDING's first United Nations Global Compact Communications on Progress report for the year 2011. We would like to express our continued support for all ten universal principles of the Global Compact in respect to human rights, labor, environment and anti-corruption.

PADICO HOLDING was the first Palestinian Company to officially join the UN Global Compact initiative. With this communication, we would like to assure you that our company will continue to adhere to and promote all of its principles. In addition, we shall take further steps to promote our community role and to translate our vision of good corporate citizenship into facts on the ground. We are fully aware of our social responsibility and of the growing need for responsible investment in Palestine. In this regard, our company will further focus its community and corporate responsibility role and will reinforce it with full transparency, disclosure and accountability.

As part of our membership in the UN Global compact and our awareness of the importance of active engagement in the initiative, we were careful to attend the the Fourth United Nations Conference on Least Developed Countries that took place in Turkey last May 2011. The event further strengthened our commitment to the charter, and our awareness of the importance it carries especially for emerging economies and the least developed countries in the world.

We, at PADICO HOLDING, share the same value system with the principles of the UN Global Compact in all our practices. We pride ourselves in having gone a step further than moral commitment by actually signing to this global compact by engaging with the network of companies that are already signatories, and by placing requirements on ourselves and our subsidiaries to adhere to even stricter principles in our management, governance, business practice and above all, our stakeholder engagement.

We renew our pledge to the UN Global Compact and we will encourage other companies and entities in Palestine to make a similar commitment in order to create a more ethical and inclusive business environment in Palestine.

Sincerely,

Samir Hulileh
Chief Executive Officer



A) RESPONSIBILITY TOWARDS THE ENVIRONMENT

In its commitment towards sustainable development, PADICO HOLDING devotes considerable attention towards the environment in its business operations, through various different mechanisms:

- *Emphasizing responsible investment practices that minimize the impact of business operations on the environment;*
- *Pioneering innovative investments and projects that help preserve ecosystems and protect the health and safety of citizens;*
- *Launching various campaigns and initiatives to raise awareness of environmental issues and promoting responsible social practices amongst community members including the wise use of resources and the promotion of recycling.*

PADICO HOLDING is fully aware that ensuring the safety and health of human beings mandates investing in the creation of healthy ecosystems. In line with this vision, the company adopts a proactive approach towards environmental stewardship throughout its investment strategy, existing business operations, and corporate citizenship activities.

In accordance with all UN Global Compact principles on the environment, PADICO HOLDING continuously supports a precautionary approach to environmental challenges, undertakes initiatives to promote greater environmental responsibility and encourages the development and diffusion of environmentally friendly technologies. Specifically, the Company has played a significant role in addressing various environmental issues in Palestine in various sectors including water, sewage, and renewable energy. This role has not been limited to executing environmental investments but included advocacy as well as social and community initiatives. PADICO HOLDING's commitment to the environment is deeply embedded in its investment strategy and policies. This strategy was put into effect in early 2009 and calls for focusing future investments in the environmental sector including solid waste recycling, sewage treatment, seawater desalination and renewable energy. It is important to highlight that PADICO HOLDING is the first Company in Palestine to adopt a strategy geared towards the environment making it a leader and an exemplary role model in this domain.

Environmental Responsibility in Action

Water

PADICO HOLDING's interest in the sustainable development and modernization of the Palestinian water sector was initiated in early 2009 and greatly expanded in 2011, following an engagement with the Palestinian Water Authority to explore water desalination options for the Gaza Strip. The objective of the project is to set up mobile desalination units across the Strip to provide a temporary yet quick-impact solution to the ongoing water crisis. At the same time, the company is also discussing the possibility of establishing a large-scale desalination facility that

could provide a permanent solution for water shortages. PADICO HOLDING's interest in this project stems from its awareness of the difficult water situation in Gaza and from the grave environmental consequences resulting from the over-extraction of fresh water resources from the coastal aquifer. Waterborne diseases in Gaza are very common and many are attributed to the low quality of drinking water according to a report published by the United Nations Environmental Programme (UNEP) in 2009. The Company hopes to limit the damage caused to the coastal aquifer through this project while providing citizens with a clean yet affordable drinking water source, thus reducing waterborne illnesses. In carrying out the project, the Company has entered discussions with leading international companies operating in the desalination sector and is aiming to select environmentally friendly technologies that minimize the consumption of energy. Options to be considered include an energy-recovery mechanism and the use of renewable energy resources for powering the facility. PADICO HOLDING is additionally exploring further investments in the water sector, especially in the domain of water utilities management where it is attempting to improve the status of water services provided to citizens by focusing on increasing network efficiency, reducing leakages, and raising the quality of drinking water. This should contribute to a reduced burden on fresh water resources and a decrease in network losses.

Solid Waste

In solid waste, PADICO HOLDING has executed various projects in the West Bank directly or through the Palestinian Solid Waste Recycling Company (TADWEER), a subsidiary incorporated in 2010. The Company specializes in recycling solid waste and promoting the use of recycled goods.

TADWEER is already in the process of establishing a solid waste recycling project in Nablus that will provide suitable solutions for reducing the environmental burden that household and commercial solid waste pose in the governorate. Municipal waste will be sorted into recyclable components including plastic, steel, and carton, which will be reused as input materials, while organic waste will be transferred into compost. The recycling facility will be situated in northern Nablus. Some seventy-five percent of the municipal solid waste to be discharged at the facility (approximately 150 tons) will be recycled.

PADICO HOLDING has also set up another waste recycling station in Jenin as part of a strategic partnership with a regional company specialized in the management of solid waste. This project will recycle more than 500 tons of municipal solid waste daily providing relief for the Zahrat Al Finjan Landfill in the Northern part of the West Bank.

In Gaza, PADICO HOLDING and Northern Gaza Solid Waste Management Council have signed a memorandum of understanding (MoU) to examine the possibility of establishing a joint solid waste recycling project that will consist of waste sorting and organic fertilizer production business lines. The project's objective is to protect the environment by reducing waste disposal

and promoting recycling. This project is crucial especially following the release of a report by the United Nations Environment Programme (UNEP) in 2009 describing the situation of solid waste in the Gaza Strip as unsatisfactory and unsustainable.

Through these projects, the Company aims to implement environmentally friendly solutions for solid waste in Palestine, reduce the burden on existing sanitary landfills and extend their lifetime, cut down on the amount of space required for additional dumping sites, prevent pollution, reduce carbon emissions, and contribute to economic development and job creation.

Sanitation

PADICO HOLDING is currently collaborating with the United Nations Development Programme (UNDP) to assess the potential of a partnership to develop and manage the Khan Yunis wastewater treatment plant in the Southern part of Gaza. The objective of the project is to provide a partial solution for sewage problems in the Strip.

The collaboration comes as part of a memorandum of understanding that both parties signed in 2011. This MoU represents a framework for joint cooperation in sectors such as solid waste management, wastewater treatment, seawater desalination and renewable energy. Furthermore, it serves to bolster the company's relationship with international organizations, and sets the foundation for a stronger partnership between the private and public sectors in relation to implementing infrastructure projects.

PADICO HOLDING is also setting up a tertiary wastewater treatment plant in Jenin that will provide water suitable for irrigation purposes. Approximately 3,000 cubic meters of wastewater are currently discharged at the Jenin wastewater treatment plant on a daily basis. This quantity will increase to 6,000 cubic meters/day, and finally amount to 16,000 cubic meters per day in coming years. The quantity discharged will be treated and reused for irrigating certain types of trees. The remaining sludge will be disposed in a safe and environmentally friendly manner according to Palestinian standards and specifications for treated effluent.

This project is considered highly strategic in economic terms since it will create numerous direct and indirect job opportunities. It will also contribute to developing the Palestinian agriculture sector by providing additional water resources suitable for irrigation purposes, particularly in the Jenin area which suffers from water scarcity in relation to its vast agricultural land.

The project will also have various environmental benefits. The treatment of wastewater for irrigation purposes will reduce both the contamination of the aquifer and dependence on fresh water resources. This is extremely necessary, especially in a country like Palestine, which suffers from a scarcity in natural resources and water reserves.

Environmental Initiatives and Campaigns

Realizing the urgency of developing and preserving the environment in Palestine, a sector in dire need of care and enrichment, PADICO HOLDING sponsored various environmental initiatives and projects in 2010. For instance, the Company sponsored the Municipality of Ramallah Environmental Awareness Campaign in primary schools which was attended by 1600 participants. The objective of the campaign was to raise awareness about the importance of protecting the environment, encouraging responsible social practices including the wise use of resources, and the promotion of recycling as well as the avoidance of plastic bags. The campaign comprised a series of different activities including lectures, publications and public outreach programs through audio-visual material. It also engaged parents through moderated sessions in attempt to achieve a much broader emphasis on social responsibility amongst both adults and children.

The Company has also supported the promotion of public relations and environmental media services in the Palestinian Environmental Quality Authority. Funds were channeled to the Authority in order to help it promote its environmental campaigns, activities and initiatives amongst the public in Palestine. The Company has also supported a competition organized by the non-governmental organization INJAZ Palestine, a member of the global organization *Junior Achievement* worldwide. Six volunteers were delegated from the Company to help secondary school students from the Friends School-Ramallah establish an officially registered student-run company as part of a nation-wide competition organized by the NGO. Given PADICO HOLDING's interest in the environmental sector, the Company helped the students in setting up a green bag marketing and sales company under the name "Eco-Generation" over a six months period. The company proved very successful and students were able to sell around 20,000 bags. They also organized a campaign to promote the use of green bags instead of plastic.

Environmental Greening Palestine

PADICO HOLDING's contributes to environmental greening in Palestine by increasing the amount of green spaces in its national operations, and by sponsoring independent greening campaigns organized by community and non-governmental organizations. In business operations, various PADICO HOLDING subsidiaries established a new enterprise under the name Nakheel which is currently implementing the largest agricultural project in Palestine. Nakheel is planting around 32,000 palm trees over a total area of 30 hectares in Jericho. Another subsidiary of PADICO HOLDING, Palestine Poultry Co. has also planted thousands of almond trees on the company's site in the north of the West Bank.

In addition, PADICO HOLDING has sponsored the "One million trees in Palestine" Campaign organized by the Arab Group for the Protection of Nature (APN) for the second consecutive year. The aim of the campaign was to replant trees in Palestinian lands razed by Israeli

bulldozers in areas where Israeli settlements and bypass roads are built or expanded in the occupied West Bank and Gaza Strip. PADICO HOLDING has also recently partnered with Ma'an Development Center in a project to raise awareness regarding environmental issues in Palestine. This partnership includes organizing an event honoring prominent environmental advocates in the Palestinian community who have dedicated efforts and launched initiatives for the protection of nature. This is the first event of its kind in the country and included the release of a publication portraying success stories by ten leading individuals who have contributed enormously to advancing the cause for a safer and better environment.

B) COMMITMENT TO OUR EMPLOYEES

PADICO HOLDING is strongly committed to its employees, and continuously works to provide a more enabling and motivating environment where employees can thrive, grow and become more successful. Our company aims to achieve this objective through sound employment practices and active community engagement. The company and all of its subsidiaries and affiliates abide by all the applicable Palestinian labor laws which are in harmony with international labor standards set by the International Labor Organization. Particularly, PADICO HOLDING devotes special attention to the elimination of discrimination in respect to employment and occupation, abolishing all forms of child labor and ensuring that all forms of compulsory or forced labor are eradicated.

Fair Labor Practices & Employee Wellness

PADICO HOLDING is highly regarded as an employer of choice in the Palestinian community. This is due to the way we conduct business as well as to the competitive compensation packages and benefits we offer employees. Our wages are considered highly competitive and the package of benefits we offer is unique and designed to ensure employee satisfaction, wellness, and retention. We offer employees a comprehensive medical and dental plan at no cost, a provident fund, hedge against currency fluctuations, and a bonus scheme in addition to many other benefits and discounts at partner businesses and organizations. We also comply with all the applicable national laws in regards to pay including overtime compensation. Finally, our Human Resources department ensures that all regulation in regards to working hours and duties and breaks to employees are completely satisfied.

Code of Ethics

At PADICO HOLDING, our code of ethics aims to clarify the organization's mission, values and principles, linking them with standards of professional conduct. We believe that this is crucial to

ensuring integrity and creating a culture of compliance, respect, and harmony amongst our team members. All employees are required to review the corporate Code of Conduct in order to comprehend professional and ethical expectations in performing their duties and responsibilities.

PADICO HOLDING's code of conduct reflects the covenant that our company has made to uphold corporate values in dealing with matters such as our commitment to employees, standards for doing business and our relationship with the community. All of our staff, employees and members of the executive management are mandated to conform to the principles outlined in the Code of Conduct, and must ensure that business activities and work responsibilities are carried in a highly ethical manner.

Policies and Procedures

Our Policies and Procedures manual illustrates our organization's policies for operation and the procedures necessary to fulfill those policies. It also serves as a guide to guarantee our fundamental organizational processes are performed in a consistent way that meets the organization's needs. Moreover, the manual serves as a guide that provides existing and prospective employees with a clear job description in order to better comprehend the expectations of a particular position or work assignment. This in turn ensures that employees are well-informed about their work duties, and are not required to perform any responsibilities beyond those assigned to them, or that were not communicated to them prior to assuming a role in our company.

Talent Management

Our corporate success is highly dependent on the active engagement of our employees and their satisfaction in the workplace. In this context, PADICO HOLDING is very well aware that in order to unleash the talent of our employees, it is imperative that we invest in talent management through training and development, performance appraisals and effective recruiting. At PADICO HOLDING, we strive to attract and hire bright and exceptional individuals with great potential who can demonstrate signs of engagement in the workplace and a commitment towards PADICO HOLDING's vision and values of achieving sustainable economic development in Palestine. To achieve this objective, we understand the importance of investing in developing our employees both at the personal and professional levels. This is why we continuously require and encourage employees to participate in training activities and professional development events every year. Our Human Resources department works with line managers to evaluate the performance of employees on a semi-annual basis in order to identify the main areas for professional and leadership development, and determine the most appropriate training approach. Training topics

throughout the past two years focused on leadership, communication strategies, corporate social responsibility, disaster risk management, finance and investor relations.

Community Service

PADICO HOLDING strongly encourages community service and civic engagement where our employees and customers live and work. During 2011, six volunteers were delegated from our company to help secondary school students from the Friends School in an entrepreneurial project. In addition, the Chairman of our Board of Directors along with members from our executive management were involved in a community service waste removal activity near Erez in the Gaza Strip.

Diversity

Diversity is a key part of PADICO HOLDING's identity and a major contributor to our success. Our Company fights all forms of discrimination in the workplace in respect to employment and hiring. We recruit a diverse workforce including men and women, people of many generations and diverse geographic backgrounds. Our employees come from across all regions and cities in Palestine including the West Bank and the Gaza Strip. PADICO HOLDING also focuses on advancing the role of women in the workplace. In fact, the company has one of the highest rates of female representation amongst senior management with three women managers heading key departments within the organization including Human Resources, Public Relations and Investor Relations.

C) ANTI-CORRUPTION: ENSURING TRANSPARENCY, ACCOUNTABILITY AND INTEGRITY

PADICO HOLDING is committed to conducting business in a manner distinguished by fairness, honor, and integrity and in full compliance with all applicable laws and regulations in any environment or location where it conducts business. Therefore, the company is strongly committed to combating corruption and working against all its possible forms including extortion and bribery.

Our company does not offer any inducements with the intention of altering the behaviour or judgement of the recipient. PADICO HOLDING does not provide any allurements of any value in order to retain, obtain, or inapt advantages over other businesses.

An internal auditor is appointed to verify all financial statements to warrant that financial records are not adulterated for any illegitimate reasons. Our accounting system guarantees accountability

for all shareholder assets; all our employees have an obligation to report truthfully, and accurately to be certain that all payments are endorsed by legal documents.

Our approach in management is complete transparency, as well as disclosing regularly our financial reports to the public. Additionally, our Company has a strict corporate governance code that aims to improve constantly. PADICO HOLDIN has a Board of Directors consisting of ten members whose main duty is to follow up on the company's operations, strategies and future plans. In addition, it is within the Board's responsibility to approve annual budgets, govern the organization through establishing its financial and investment policies as well as its overall objectives.

As part of its strong commitment to corporate governance principles, PADICO HOLDING has also applied a majority voting system to its decision making process. Furthermore, the company's policy requires a minimum ownership of 100,000 shares for membership in the Board of Directors, whereby the Chairman and members of the Board of Directors are not eligible to hold any executive positions in the company and/or any of its subsidiaries. To ensure transparency, the board of directors is organized into an Executive Committee and an Audit Committee, as well as an ad hoc committee that is assigned to specific functions as needed.

Our Chief Executive Officer is also a member of a Transparency Palestine-AMAN, a coalition for accountability and integrity. AMAN was established in the year 2000 upon an initiative by a number of Palestinian civil society organizations working in the fields of democracy, human rights, and corporate governance. The program is designed to promote the values of integrity, principles of transparency and systems of accountability in various Palestinian sectors including business with the aim of participating in building of a national system of integrity.