



WE SUPPORT



باديكو القابضة
PADICO HOLDING

2013 United Nations Global Compact Communications on Progress Report

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Letter from the CEO

Despite Palestine’s major economic and political transitions in 2013 we at PADICO HOLDING, as Palestine’s leading and diversified holding company, have surpassed our financial as well as corporate social responsibility benchmarks for the 2012-2013 fiscal year. We have made great strides in preserving our commitment to the ten principles of the UN Global Compact (UNGC), as our subsidiary and affiliate companies and project coordinators continue to find ways to build on its foundation. Most recently we led an effort to establish a local UNGC network by approaching and sending letters to Palestinian companies so as to encourage them to sign on to the UNGC. In addition, we published and circulated an article in the local media about the campaign.

We at PADICO HOLDING aim to develop programs to integrate and advance the principles and the goals of the UNGC, which are totally consistent with the collective Palestinian aspiration to achieve an international standard of human rights, labor rights, and environmentalism despite still being under occupation. Furthermore, our group of companies strives to ensure anti-corruption in the Palestinian corporate world through a transparent system of governance that is reflected in our operations among all of our subsidiaries and affiliates; and we still consider proposals for new models on ways to strengthen these operations for future projects.

We have also gone on to strengthen our humanitarian and environmentally-friendly practices since last year’s Communication on Progress (COP) through growing socially responsible initiatives within our companies including Nakheel Palestine of Agricultural Investment Company and Palestinian Solid Waste Recycling Company (TADWEER). We focused our efforts on expanding just and sustainable Pal-



estinian employment opportunities through the Tamayyaz (“Excellence”) Program, which provides skills-based programs for third and fourth year university students in order to enhance their readiness in the workforce. We continued to lead the Al-Watani Awalan (“The National First”) initiative meant to revitalize Palestinian women’s cooperatives through the buying of their national products for the use of in our series of hotels in Palestine.

As we celebrate our 20th anniversary since our company’s foundation, we are also acknowledging 20 years of responsibility to our people, our environment, and the economy in this third consecutive year of submitting our COP to the UNGC, thereby honoring the edicts of exceptional humanitarian business practice, raising the bar in Palestinian corporate social responsibility.

Sincerely,

Samir O. Hulileh,
Chief Executive Officer



Letter from the Sustainability and Corporate Communications Department

“Commitment” is not a word we at PADICO HOLDING use lightly, nor is our endeavor to uphold an international standard merely a perfunctory stratagem. We hold each of our corporate social responsibility (CSR) initiatives to high scrutiny for effectiveness and efficiency, meticulously planning through spirited brainstorming sessions and primary research and then implementing analyses by way of community feedback.

Prosperity for the Palestinian people, first and foremost, ensures our continuing financial and business success. On the whole, PADICO HOLDING has shown considerable growth in recent fiscal quarters but that was only achieved through holistic and fully integrated strategies that sought to make genuine lasting social impacts within the sectors they served.

As an established pioneering entity in the Palestinian private sector PADICO HOLDING has a moral imperative to give back to Palestinian society wherever and whenever a social problem arises: The Tamayyaz Program and the Al-Watani Awalan initiative seek to curb the rising unemployment rates among Palestinian college graduates and women, respectively. Initiatives within the Nakheel Date Plantation and the upcoming Jericho Gate project pre-empt environmental sustainability through water, land, and agricultural preservation measures. All of this is done through implementing contractual means to set up socially and environmentally responsible initiatives. PADICO HOLDING also works in cooperation with other like-minded local businesses and entrepreneurs to build a positive image of Palestine as a promising and economically viable country.



Above all, I would like to reiterate the Company’s commitment to prioritizing socially responsibly corporate investments. We strive to maintain this initiative whenever we come across proposals for new projects, or even during new decision-making processes in current endeavors. Our decisions are not limited but are guided by principles of responsible investment. At every turn, we ask ourselves: How will this project or decision better impact our society? Therefore, we do not only see ourselves as a collection of companies but also as a team of community leaders with the hope of seeing our investments grow through our continuing drive to succeed, our hard-work ethic, and the whole-hearted belief in corporate social responsibility.

Sincerely,

Hiba Darwish
Sustainability and Corporate
Communications Manager

A handwritten signature in black ink, appearing to be 'Hiba Darwish'.

OUR COMPANY

1.1 Company Overview

Palestine Investment and Development Ltd. (PADICO HOLDING) is a limited public shareholding company traded on the Palestine Exchange (PEX) with paid-in-capital of USD 250 million. Its shareholder base has grown from 710 shareholders in 1998 to around 10,000 shareholders in 2012, attracting institutional investors and funds from the MENA region and from well-established international markets in Europe. Today, PADICO HOLDING has grown its portfolio of investments to include almost every sector that is vital to nation building, with rewarding returns from these investments for shareholders. These sectors include telecommunications and services, tourism, real estate, infrastructure, environment, agriculture, and industry.

PADICO HOLDING’s founders and shareholders seek to be a source of inspiration for other investors and thereby ensure an ongoing commitment to nation-building. Although focused on Palestine and its economic potential, PADICO HOLDING observes international standards and business practices, benefits from the experience of founders from across the region, and remains focused in its determination to forge ahead in building a nation.

1.2 Our Investment Strategy

PADICO HOLDING fulfills its mission and vision by managing a diverse portfolio of subsidiary and affiliate companies on which the Company depends for income. Investing in and maintaining companies that operate in a wide range of economic sectors has enabled the Company to thrive and become the leading investment and development company in Palestine.

PADICO HOLDING is unique compared to other Palestinian and international corporate entities for many reasons. It has the resources to invest in large-scale projects that assure sustainability in earnings and cash flows and it is guided by a diverse board of directors with significant experience relevant to the many sectors in which the Company operates. PADICO HOLDING has also employed a long-term investment strategy since its establishment, premised on diversification and sustainability that allow it to adapt to the challenging circumstances in Palestine.

1.3 Update for the 2013 Fiscal Year

PADICO HOLDING declared growth of 11.2% in pre-tax profits for the first half of 2013 reaching USD 14.23 million compared to USD 12.80 million for the same period in 2012. Consolidated net profit reached USD 13.74 million for the first half of 2013 recording an increase of 12.5%, compared to USD 12.21 million for the same period of 2012, while operational profits rose by 10.6% to reach USD 19.42 million in the first half of 2013 compared to USD 17.56 million in the first half of 2012.

SOCIALLY RESPONSIBLE INVESTMENT IN THE ENVIRONMENT

2.1 The Nakheel Date Plantation



PADICO HOLDING's investments in the agricultural and industrial sectors amounted to USD 44.2 million, representing 8% percent of the company's total investment portfolio at the end of 2012.

One of the most important investments in agriculture, land cultivation, and greening is the Nakheel Palestine for Agricultural Investment Company, which invested an additional USD 3 million in 2013 coming to a cumulative total of USD 14 million investment devoted to developing the Palestinian date production industry, and to producing high quality dates that can be exported to foreign markets, especially those in Europe.

The company has signed deals to purchase dates from local farmers, accordingly. Total production for this year is expected to exceed 600 tons. In 2013 the company succeeded in exporting dates to international markets including Russia, Turkey, Great Britain, America and Indonesia, and the company was awarded two gold stars in the Tasting Contest in Brussels.

In addition, Nakheel Palestine's palm plantations operate on an up-to-date, remotely controlled irrigation system. Each palm tree is irrigated on an as-needed basis, avoiding water waste. Agricultural experts work closely with the farmers, visiting their farms on a regular basis to provide them with support and ensure optimal treatment of the crop as well as appropriate irrigation and fertilization.

Production achievements in 2012 include the farming of 20,200 palm trees using advanced water-efficient irrigation system with a total annual output production of 170 tons of dates. The production is expected to double this year's output in 2013 and is projected to reach an annual output of 3000 tons by the year 2017.

2.2 Solid Waste Recycling and Waste Management

TADWEER was founded in 2010 as the first Palestinian company to offer specialized, environmentally sound solutions for solid waste recycling. The company has already established its first project in the city of Nablus. The project aims to provide appropriate solutions to reduce the environmental burden of household and commercial solid waste in Nablus. Municipal waste will be sorted into recyclable components such as plastic, steel and carton that will be used as input materials, while organic waste will be turned into compost.

The project aims to provide appropriate solutions to municipalities and local councils for commercially sound and environmentally friendly sorting and disposal of household waste. Materials that can be used as raw inputs for products will be made available to factories. All infrastructure work for the project was completed and all production lines were installed at the end of 2012. Investment in the project is USD \$3 million.

In 2010, TADWEER acquired a 25% stake in "Al Kubra Solid Waste Management" company, which has established a solid waste management facility in Zahrat Al Finjan landfill in the city of Jenin. The facility's recycling capacity amounts to 500 tons per day and actual operations commenced in 2011. Total investment in the project is around USD 2.8 million.

2.3 Water Treatment

PADICO HOLDING is planning to set up a tertiary wastewater treatment plant in the city of 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.

2.4 Jericho Gate

The Jericho Gate Real Estate Investment project is the first of its kind in Palestine and includes the development of a variety of tourist and entertainment facilities on an area of 3,000 dunams in the southern entrance of the city of Jericho. PADICO HOLDING has completed the preliminary structural plans and is currently commissioning detailed structural plans, including roads and infrastructure. Preparatory work on the project is expected to start at the end of 2013 after obtaining official approval. The company is preparing a study on the socio-economic impact of the project on Jericho.

The project also makes way for "Green Areas" located on 176 dunams, which comprise 6% of the total area of the project. Gardens, trees, and vegetation will be planted in open spaces and will be designed to preserve the natural ecosystem of the landscape.

COMMUNITY AND SOCIAL INVESTMENTS

3.1 Tamayyaz



PADICO HOLDING has decided to channel a heavy portion of the company's community investments into the flagship Tamayyaz community development program. This initiative focuses on the education skills gap, leadership skills, and entrepreneurship, and it engages all the stakeholders involved to their full potential.

Tamayyaz ("Excellence") is a multi disciplinary program that supplements Palestinian university curricula targeting exceptional fourth and third year university students. The program involved professional training programs, lectures on life skills by successful role models from different sectors, field trips to private sector organizations for hands on experiences, cultivation of academic skills in selected disciplines such as math, science, engineering, and ICT with the purpose of tying in academic training with real life skills needed by the job market, career guidance, and promotion of good citizenship and volunteering.

The curriculum also dictated that student participants attend communications and languages courses with the aim of applying their credentials toward public policy making. Over the course of the program the student participants visited a variety of social welfare project locations in Palestine and were engaged with influential members of Palestinian civil society - an opportunity that aims to empower students in the job market after they graduate.

Student participants will try their role in public policy making by designing, planning, organizing and then ultimately holding a conference aimed at promoting action on social issues to members of the Palestinian public sector. The program included in its first phase 240 students from three universities, and has incorporated three more universities in its second phase, which will begin in October 2013.

3.2 Al-Watani Awalan

PADICO HOLDING created Al-Watani Awalan ("the National First"), an initiative designed to support Palestinian producers and crafts-people by establishing an agreement that Palestinian hotels affiliated with PADICO HOLDING must agree to purchase high quality products from local producers and women's cooperatives instead of from foreign producers. This is done in partnership with the United Nations Development Program (UNDP), the Palestinian Ministry of Agriculture, and the Food and Agriculture Organization of the United Nations (FAO).

Al-Watani Awalan is tailored to support and empower women cooperatives in rural, remote, and marginalized areas. It promotes domestic products, including traditional food, handicrafts, and glassware.



OUR EMPLOYEES

4.1 Commitment to a Just Workplace

PADICO HOLDING is strongly committed to its employees, and continuously works to provide a healthy environment where employees can thrive, grow, and excel. 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 (ILO). Particularly, PADICO HOLDING devotes special attention to the elimination of discrimination with respect to employment and occupation, abolishing all forms of child labor and ensuring that all forms of compulsory or forced labor are eradicated.

The Nakheel Date Plantation has increased employment among Palestinian farmers in the Jericho area. Currently, the project employs 60 permanent employees and during the date-harvest season, the number of employees rises to 120. The majority of these workers used to work in Israeli settlements where they were not entitled to the labour rights that are afforded to them now through the Nakheel Date Plantation project.

4.2 Compliance and Labor Practices

PADICO HOLDING is highly regarded as an employer of choice in the Palestinian community. It employs more than 4000 employees directly and indirectly through subsidiary and affiliate companies. 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 designed to ensure employee satisfaction, wellness, and retention. We offer employees a comprehensive medical and dental plan at no cost, a provident fund, a mechanism that hedges 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 concerning pay, including overtime compensation. Finally, our Human Resources Unit ensures that all regulation in regards to working hours and duties and breaks are completely satisfied.

4.3 Training and Enrichment

PADICO HOLDING cares greatly about the professional and personal development of its employees. We frequently offer training courses on topics ranging from computer and office management skills, to communications, to finance and accounting, to courses in English language. Employees are often encouraged to take training programs in fields different from their own so that they can better understand other aspects of our business. Our company also hopes to promote our employees' physical wellbeing.

In the process of evaluating the Tamayyaz Program PADICO HOLDING endowed its Sustainability and Corporate Communications Manager for an Executive Education course at the Harvard Kennedy School so as to better analyze the program's impact on student participants.

4.4 Safe Operating Environment

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 that our fundamental organizational processes are performed in a consistent manner 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.

4.5 Maintaining 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 with respect to employment and hiring. We recruit a diverse workforce that includes men and women, people of all ages, 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.

4.6 Code of Business Conduct

Integrity

We believe that our reputation for integrity fairness and professionalism is essential to our long term success. We respect the interests of all our stakeholders (in particular shareholders, employees, investment partners, service providers, media, government authorities, regulators and political stakeholders) and of society as a whole. We are committed to fostering an open dialogue with our stakeholders based on fairness, professionalism and respect.

Use of company's assets and insider trading

Our employees will not unduly benefit personally from opportunities discovered through the use of corporate property and/or privileged information. Specifically our employees who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of the company's business.

Financial Integrity

In terms of financial integrity, we are committed that financial statements shall properly document all assets and liabilities, accurately reflect all transactions of the corporation in the financial books, records, cost accounts and financial statements and be retained in accordance with the company's policy and applicable law.

Conflict of Interest

Directors and employees are expected to avoid conflict of interest between themselves and the company. The conflict of interest can occur when the private interest of a director or an employee interferes in any way with the interests of the company as a whole, such as taking actions or having interests that makes it difficult to perform the work objectively and effectively.

Compliance

We strive to comply with all applicable laws, regulations and polices. In particular each director and employees is responsible for :



- Leading by example, especially in supervisory roles, by setting the right tone and culture for compliance with applicable law.
- Being familiar with guidelines, manuals, handbooks and best practices relating to their respective areas of responsibility and implementing the measures and approaches prescribed diligently and to the best of their ability.
- Reporting and violations or misconduct.

Excellence

We are committed to achieving excellence by improving and challenging management practices and processes to deliver superior results to our stakeholders in an atmosphere of openness, fairness and trust.

People and Society

We believe in ensuring a sustainable development approach, therefore we take account of environment and social issues in our business decisions and when managing our resources and infrastructure .

4.7 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 associated with 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.

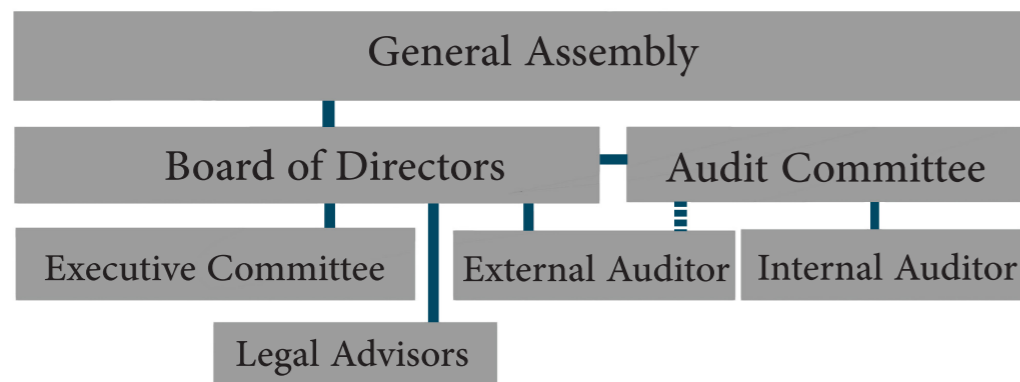
ANTI-CORRUPTION

5.1 Working Toward Better Corporate Governance

PADICO HOLDING adheres to a system of governance that guides all affairs of the Company, including the structure, functions and powers of the Board of Directors, the relationship with shareholders and the community, reporting and financial disclosures, social responsibility, and environmental sustainability. Restructuring completed in 2011 resulted in the formation of three principal holding companies. This has simplified corporate structure, enhanced transparency and facilitated the implementation of governance procedures.

PADICO HOLDING sets an example among Palestinian companies in the field of corporate governance. The formation, functions, roles, and authority of the Board of Directors, the disclosure of financial statements, publication of the annual report, news of Company activities and investment plans are all executed in accordance with the requirements of the Palestinian Capital Market Authority. PADICO HOLDING affirmed its commitment to principles of transparency and corporate governance by signing the Code of Corporate Governance in Palestine.

PADICO HOLDING's governance structure consists of a General Assembly (GA), which elects a Board of Directors to represent the company's shareholders. The GA also appoints a partner at a professional accounting firm to serve as an external auditor. This partner may manage PADICO HOLDING's file for a maximum of five years, in accordance with international accounting standards.



5.2 Working with the IFC to Improve Governance

In September 2012, PADICO HOLDING consigned an analysis of its corporate governance structure to the International Finance Corporation (IFC), the investment arm of the World Bank Group. The study of our company's corporate governance structure included a comprehensive review of the elements of governance and transparency at PADICO, as well as the functions and powers of the Board of Directors, the company's relationship with shareholders and the community, our reporting and disclosure standards, and the social and environmental sustainability of our projects.

The IFC submitted its recommendations earlier this year to PADICO HOLDING's Board of Directors who aim to develop a plan for implementation of those recommendations in the near future in order to further strengthen the current corporate governance structure.

COMMITMENT TO UNITED NATIONS IDEALS

6.1 UNRWA Audiovisual Digitization Project

In the vein of helping to sustain UN initiatives, PADICO HOLDING along with other Palestinian private sector institutions, contributed to funding the UNRWA Audiovisual Digitization Project in Gaza and Amman.

The goal of the project is to digitize, store, and disseminate more than 500,000 historical negatives, prints, slides, films and videocassettes. Digitizing preserves the historical value of these materials and makes it easier to categorize.

The images themselves were taken by UNRWA photographers and their predecessors during the most tumultuous moments of the 20th century including images of the Palestinian exodus, the ongoing plight of the refugees, years of Arab-Israeli conflict, and portraits of important public and political figures.

The primary materials are split into two locations: the Gaza portion and the Amman portion. The Gaza portion employs a team of young Palestinian film enthusiast and recent graduates who perform all digitizing and scanning on site, and therefore stand to gain valuable work experience as a result. The Amman portion has successfully transported all of its 413,503 negatives to the Danish Royal Library (DRL) in Copenhagen for digitization. A collection of films is also being digitized by the French Institut national de l'audiovisuel (INA).

The dissemination of these newly digitized materials will be handled through exhibitions in East Jerusalem and Ramallah as well as a traveling exhibition in UNRWAS's past fields of operation and cities of political and cultural importance. A web-portal as well merchandising will be made available to the general public in the near future to further raise awareness.

Lastly, important original materials in the collection will be shown in the Palestinian Museum in Birzeit, Palestine.