



باديكو القابضة
PADICO HOLDING

2014 United Nations Global Compact Communications on Progress Report

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LETTER FROM THE CEO

We operate in a challenging environment and it is essential that we devote maximum effort to sustainable business practice and remain ever sensitive to our stakeholders and our business's impact on the society. In 2014 PADICO HOLDING celebrated its lengthy experience of investment, marking the twentieth anniversary of establishing the Company. We also feel proud and honored as we reflect on the perseverance and relentless efforts to deploy Palestinian capacities locally and abroad, which all came together to found a company that has become today a major player in the Palestinian economy. As a leading Palestinian company, PADICO HOLDING has sought to expand its investment approaches in various fields, providing an ideal example for the Arab private sector to embark on new projects. To this end, it has initiated and launched many pioneering investments such as the first non-governmental financial market (Palestine Exchange), and the first telecommunication company in Palestine (Palestine telecommunication company – PALTEL).

PADICO HOLDING is dedicated to the principles of sustainability and transparency and pursues responsible investments in the fields of energy and the environment, remaining dedicated to improve the community. The Company's continuous commitment to the UNGC has improved its practices with regard to human rights' standards, labor rights, the environment, and the application of business ethics as advocated by the UNGC charter. PADICO HOLDING also seeks to widen the network of Palestinian companies that are members of the Compact.

Furthermore, the Company's subsidiaries and affiliates ensure anti-corruption through transparency and governance which are integrated in all procedures and processes, all companies are also very supple to adopt new principles and ideas to better develop their scope of work.



Additionally, PADICO HOLDING has pursued a course of action within its social responsibility that evolved around education as a top priority, and therefore it has dedicated a large part of its intervention directed towards supporting school and university education directly and indirectly. In 2014, the Company granted scholarships for Palestinian students to obtain their Bachelor degrees as well as its annual contribution to the President Mahmoud Abbas Scholarship Fund, which provides scholarships to Palestinian university students in Lebanon. Continuously, the second phase of "Tamayyaz" program was launched in partnership with seven Palestinian universities.

Samir O. Hulileh,
Chief Executive Officer

A handwritten signature in black ink, appearing to be 'S. Hulileh', written over a circular stamp or seal that is partially obscured by the ink.

OUR COMPANY

1.1 Overview

Palestine Investment and Development Ltd (PADICO HOLDING) was founded in 1993 as a limited public shareholding company registered in Liberia. The Company was incepted as an initiative by distinguished Palestinian and other Arab businessmen, for the purpose of building and developing the Palestinian economy through implementing projects in vital sectors.

PADICO HOLDING's paid-in-capital is 250 million US dollars (USD), and is traded on the Palestine Exchange (PEX) since 1997. The Company's shareholder base has grown from 710 shareholders in 1998 to around 10,000 shareholders in 2013, attracting institutional investors and funds from Palestine, Jordan, the MENA Region, and from well-established international markets.

1.2 Values and Mission

PADICO HOLDING is dedicated to contribute to the development of Palestine and its economy and continues to reaffirm this commitment to the founders, subsidiaries, affiliates, and shareholders. The most essential means by which PADICO HOLDING engages in Palestine is through the implementation of investment projects in vital sectors, leading to job creation, pioneering economic initiatives for the nation, and initiating partnerships between both the public and private sectors. This position has enabled the Company to play a key role in attracting local and international investors to invest in Palestine.

1.3 Strategy

PADICO HOLDING fulfills its vision by managing a diverse portfolio of affiliate and subsidiary companies on which the Company depends for income. Investing in and maintaining companies that operate in a wide range of economic sectors have 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 shrewd, long-term investment strategy since its establishment, premised on diversification and sustainability that allow it to adapt to the challenging circumstances in Palestine.

1.4 Social Responsibility

Since its inception, PADICO HOLDING has evolved in response to resurgent social and developmental needs. This commitment has developed throughout the progression of PADICO HOLDING to reach an advanced methodological and systematic understanding of corporate social responsibility, which is reflected on its continuous devotion to community programs and initiatives.

PADICO HOLDING actively encourages and utilizes its resources to create along with its partners an innovative strategy for community work and a plan to empower university education with scientific expertise, innovation, creativity, and the optimum values for the business world to refine the personalities of youth and increase their competitiveness as well as their ethical and national principles.

1.5 Financial Performance in the First Half of 2014

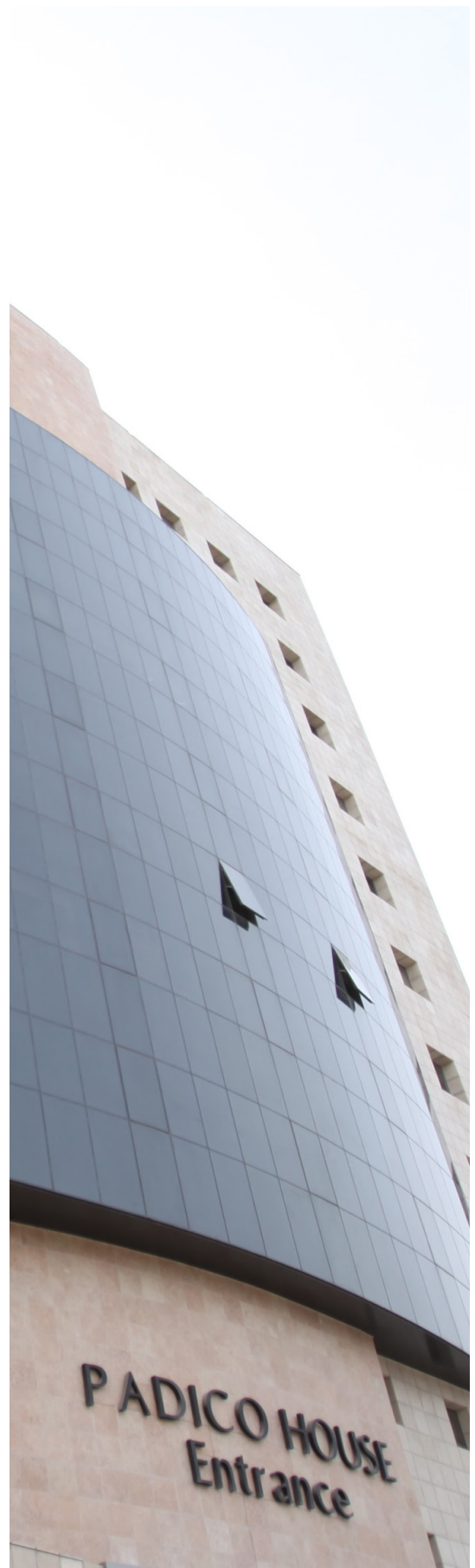
PADICO HOLDING has achieved an acceptable growth in its income for H1/2014 where consolidated net profit reached USD 15.01 million compared to USD 13.74 million for the same period of 2013, marking a growth of 9.2%. EBIT in turn recorded an increase by 10.97%, reaching USD 21.55 million for H1/2014 in comparison with USD 19.42 million for the first half of 2013. This growth can be attributed to the continuous improvement in the financial performance for many of PADICO HOLDING's subsidiaries and its projects.

1.6 Governance

PADICO HOLDING considers corporate governance as an integral part and a strategic necessity; as the Company adheres to a system of governance that guides all affairs of the Company, including the structure, future prospects, optimal utilization of resources, distributing functions and powers within the Board of Directors and along with the executive management. Corporate governance is also a fundamental principle which ensures the Company's commitment to international standards including safe work environment, a code of conduct to regulate the work environment, and to organize the relationship with shareholders and the community. This practice has improved the efficiency and effectiveness of the system that the Company operates within.

1.7 Commitment to the UNGC

The Company seeks to form a Palestinian Chapter that will include at least ten companies from the private sector. During 2014, PADICO HOLDING's executive management has preceded working with local main executives and general managers calling for a group of private sector companies and banks to join the UNGC Charter. The sustainability and Corporate Communications Manager has held several meetings with private sector representatives to explain the importance of being a member of the UNGC; as well as interviews with Palestinian newspapers to urge and encourage companies to join and create a UNGC Chapter in Palestine.



SOCIALLY RESPONSIBLE

INVESTMENT IN THE ENVIRONMENT



PADICO HOLDING is dedicated to international principles of sustainability and transparency, and pursues responsible investments in the fields of energy, environment, and infrastructure. Over the years, the Company amended its course of work in order to best improve its practices with regard to human rights' standards, labor rights, the environment, and the application of business ethics as advocated by the UNGC. The total amount of investment of PADICO HOLDING in this sector amounted to USD 45.98 million, constituting 8 % of the total investments at the end of 2013.

2.1 Jericho Gate Real Estate Investment Company

With a total capital of JD 35 million, Jericho Gate Real Estate Investment Company was established in 2011 by PADICO HOLDING in partnership with Palestine Telecommunications Company (PAL-TEL) and Palestine Real Estate Investment Company (PRICO). The company seeks to implement an unprecedented mega developmental tourism project in Palestine, as it 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 dunums in the South of Jericho.

Jericho Gate will consist of various tourism and entertainment facilities that include establishing residential villas, resorts and hotels, sports city, entertainment and water parks, a commercial compound and other entertainment and tourism facilities. The company has commenced with work on the infrastructure of the project and preparing the main streets that connect it to Jericho. It has also finished preparing the public square for the project on an area of 45 dunums, which will be used during the upcoming period for a number of events and activities. The project also makes way for "Green Areas" located on 176 dunums, 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.

The project, once finalized, is expected to have a noticeable benefit on the Palestinian economy as a whole and to cater the needs of the locals in Jericho, as it will up-bring the international tourism coming to Palestine.

2.2 NAKHEEL Palestine Company

NAKHEEL Palestine Company was launched in March 2010 and it primarily aims at upgrading the sector of palm trees in Palestine and promoting Palestinian dates in international markets, especially European markets. The company started establishing farms of date palm to produce “Medjool” dates, considered the largest in Palestine as they occupy a total area of 3 thousand dunums.

NAKHEEL Palestine managed to achieve many remarkable achievements in 2013, as it succeeded in planting 4500 additional trees in 2013, increasing the number of planted trees to approximately 24000 trees. The total number of manufactured and sold dates reached 550 tons, including what was produced in the farms of the company as well as the dates brought from other local farmers. The Company witnessed an increase in the efficiency of workers and the used machinery and tools; and after succeeding in 2013 to export dates to a number of international markets that included Russia, America and Indonesia, NAKHEEL Palestine was able to export dates to Norway for the first time.

On a different note, NAKHEEL Palestine participated in numerous exhibitions and international conferences such as the Gulfood exhibition held in Dubai-UAE, the 11th International Halal Showcase exhibition in Kuala Lumpur-Malaysia, and the first Dutch-Palestinian Cooperation Forum in Bethlehem-Palestine. During these events, a number of workshop and meetings took place with international corporations aiming to develop food processing and manufacturing in Palestine, as well as presenting the company’s products to import and export companies.

The company has also recently finished working on a new lab in order to test samples of water, trees, leafs and dates, all in order to improve the quality of its products and surpass the standards of quality of dates. It’s worth mentioning that this is considered pioneering achievement in the private date’s industry.

2.3 Palestine Power Generation Company

As part of its approach to invest in infrastructure, namely the energy sector, PADICO HOLDING established Palestine Power Generation Company to produce energy in 2010 in cooperation with a number of Palestinian and regional companies. In accordance with an agreement signed between the company and the Palestinian Energy and Natural Resources Authority, the company will establish the first station to produce electricity in the West Bank.

The production capacity of the company amounts to approximately 200 megawatt and is possible to see an increase to reach 400 megawatt. The project is underpinned by a successful partnership between the private and public sectors, as the station abides by the concept of build, operate and own (BOO).

This is one of the pioneering and strategic projects, as it is the first to generate electricity in the West Bank, marking a new landmark step towards achieving the independence of the Palestinian energy sector. In addition, this will pave the way for the entrance of major industries to the Palestinian market, such as the industries of cement and steel and will also provide competitive prices for energy, lower than the current prices.

The company is currently working on completing the preparations to sign final necessary agreements with the National Palestinian authority. The station is expected to start its operations in 2018, and PADICO HOLDING owns 20 % of the shares of Palestine Power Generation Company.

COMMUNITY AND SOCIAL INVESTMENTS

Since its inception, PADICO HOLDING has evolved in response to resurgent social and developmental needs. This commitment has developed throughout the progression of PADICO HOLDING to reach an advanced methodological and systematic understanding of corporate social responsibility, which is reflected on its continuous devotion to community programs and initiatives.



3.1 Tamayyaz Program

PADICO HOLDING renewed its strategic partnership which was initiated when “Tamayyaz” program was launched in 2012, and launched phase 2 of “Tamayyaz” program in partnership with seven Palestinian universities. This approach comes with the necessity of partnership between the academic and private sectors on one hand with a more proactive cooperation between various sectors such as the economic, governmental and civil society. “Tamayyaz” program came as part of this partnership, and the second of it was launched in partnership between PADICO HOLDING, Sharek Youth forum, and the International youth Foundation.

The Program is intended to bridge the gap between Palestinian university graduates and the local and international markets. The 2 year program is built on subjecting students to unique experience and mentorship to equip them with life skills, knowledge, and increase their competitiveness to enter the job market. Tamayyaz program aims at providing university graduates with incentives for continuous learning and enhancing their ability to keep up with the latest developments in their field of work, to improve their knowledge, build up their personalities and critical thinking abilities; as well as empowering their sense of citizenship and belonging to Palestine, and social responsibility especially voluntary work.

The idea of “tamayyaz” program was tailored when PADICO HOLDING felt the challenges faced by the Palestinian economy in general, and the high unemployment rates in Palestine.



3.2 Traces Exhibition

Developing the Palestinian Cultural sector is an important element of PADICO HOLDING's corporate citizenship. As part of this commitment, PADICO HOLDING instigated "Traces" Exhibition featuring the work of over 50 Palestinian artists living and working in the Gaza Strip. Furthermore, the objective of this project was to elevate the benchmarks of cultural and artistic sense in the country, and to raise the exposure of artists as well as the platform of which they can utilize to engage with the international community. The aspiration of "Traces" is to allow artists to explore concepts related to memory, evidence, remains and reminders, and to consider the importance of documentation and its impact on the present cultural condition in Palestine.

"Traces" Exhibition was a collaborative venture between PADICO HOLDING, Artist Pension Trust (APT), the United Nations Development Programme (UNDP) and the French Institute in Jerusalem. The Exhibition was held at PADICO HOLDING's Art Gallery in Ramallah- Palestine and was open for 10 days to art collectors, school and university students, artists, and any other interested stakeholders. It is noteworthy that the money collected from selling the art works is directly given to the artists

3.3 Supporting the Gaza Strip

In light of the last aggression on the Gaza Strip and the exceptional difficult circumstances Gazans live in; PADICO HOLDING has worked relentlessly along with its subsidiaries and affiliates to complement the initiatives implemented to aid the Gaza Strip, especially by the United Nations Relief and Works Agency (UNRWA) and Sharek youth Forum.

Furthermore, the Executive Club, owned by PADICO Tourism, held discussion meeting titled "The Mechanism of Involvement for the Private Sector in Supporting Gaza". The Global Communities, the UNRWA, government representative, and the Coordinating Council spoke at the event. The outcomes of the event were recommendations on short and long term strategies to relief the Gaza Strip.

Additionally, the Company is part of the Coordinating Council for the private sector aiming at combining all efforts to rebuild the Gaza Strip.

OUR EMPLOYEES

PADICO HOLDING is equally committed to its social and moral obligations to its employees and to local and international communities. The Company adheres to high standards within its corporate value system and embraces strong corporate governance principles that are compliant with global best practices. As a leading national company, PADICO HOLDING abides by an ethical code of conduct throughout all of its professional activities, aiming to ensure good citizenship practices and dedication to work. Additionally, the Company continuously endeavors to enhance its internal work environment, adopt responsible investment projects, and implement community development initiatives.

4.1 Commitment to Creating Just Environment in the Workplace

PADICO HOLDING is dedicated to offering a vigorous atmosphere to its employees to flourish, cultivate, and stand out. The company aspires to attain this objective through its continuously developing practices and procedures, as well as its constant engagement with the society as a whole. The company and all of its subsidiaries and affiliates abide by all the applicable Palestinian labor laws, which are parallel to the international labor standards set by the International Labor Organization (ILO). Chiefly, PADICO HOLDING focuses on eliminating all sorts of discrimination, eradicating and condemning all forms of child labor and compulsory labor.

NAKHEEL Palestine Company 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. Additionally, Jericho Gate will offer between 150-200 permanent job opportunities in Jericho once it's in its final establishment phase. The majority of these workers used to work in Israeli settlements where they were not entitled to the labor rights that are afforded to them now through both projects.



4.2 Compliance and Labor Practices

PADICO HOLDING is considered an essential employer in the Palestinian community. It employs more than 4000 employees directly and indirectly through its subsidiaries and affiliates. The company offers competitive job packages and development opportunities granted, as well as medical insurance, overtime compensation, and annual salary increase. Furthermore, the Human Resources Unit at PADICO HOLDING oversees all procedures relevant to its employees as to regulate all processes and guarantee applying international labor standards.

4.3 Training and Enrichment

PADICO HOLDING has adopted the policy of continuously developing its junior and senior employees through trainings and workshops to assure that each and everyone has an equal opportunity to thrive. Additionally, PADICO HOLDING focuses on offering high quality dual courses that combine theoretical and practical training as well as covering comprehensive essential skills. The training offered by PADICO HOLDING vary covering computer and office management skills, investor relations, communications, and finance and accounting, English language and business writing. The Company believes in providing its employees with courses and skills different from their field work so that they can build different knowledge in diverse aspects.

4.4 Community Involvement

PADICO HOLDING incorporates community involvement as it promotes civic responsibility and personal growth. Many societal projects and initiatives are the beginning of an entire community renewal. The long-term benefits can include the creation of more jobs, improvement in community relations, and community empowerment. PADICO HOLDING employees give back to the society within a well planned, long term programs that are implemented annually; such as teaching extracurricular classes to school and university students in order to provide them with the business know-how, raise their entrepreneurial tendencies, and give them a realistic sense of the labor market.

4.5 Safe Operating Environment

The Business Operations Manual describes how each aspect of your company procedures and operations must be executed, and sets the mainframe of rules and regulations that to ensure consistency in order to create a successful credible business. Additionally, the Business Operation Manual serves as a guide to provide existing and prospective employees with a clear job description in order to better know the scope of work and try to develop among it with the rest of the team, as well as performing within their job assignments and tasks.

4.6 Maintaining Diversity

Hiring a diverse workforce is essential to PADICO HOLDING, as diversity is key to gaining the perspectives and ideas that foster innovation. The Company increasingly leverages diversity for its business goals, because it provides different experiences, backgrounds, mindsets, and skills to build the foundation necessary to compete on an international scale. Additionally, PADICO HOLDING fights all forms of discrimination in the workplace such as gender, religion, and geographical distribution.

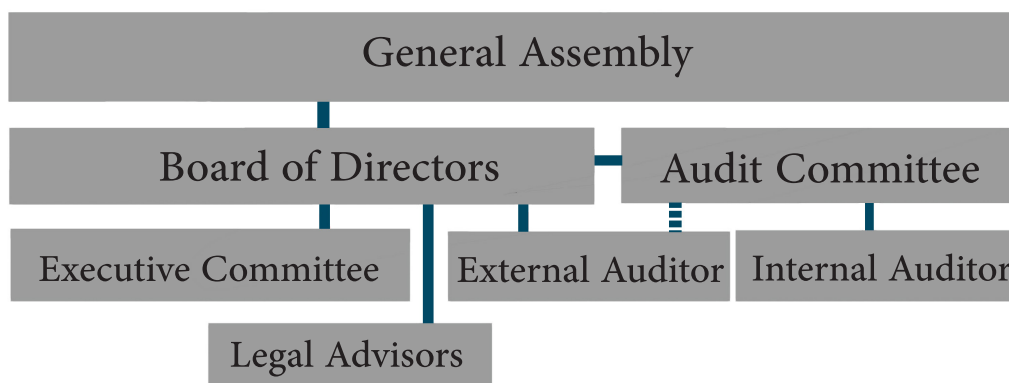
REFLECTING LEADERSHIP IN ANTI-CORRUPTION PRACTICES

PADICO HOLDING is devoted to implementing high ethical standards and practices, as it continues to invest significantly in ethics and compliance initiatives to maintain or increase their level of integrity throughout all divisions. Additionally, it maintains its annual participation in internal and local anti-corruption conferences and workshops such as the “Third Annual High-Level Anti-Corruption Conference for G20 Governments and Business” in Paris.

5.1 Corporate Governance within PADICO HOLDING

PADICO HOLDING implements a governance structure that directs all procedures and processes of the Company, including the Board of Directors’ which has separate Executive and Audit Committees, in addition to several interim committees mandated to perform certain tasks at specific times. Additionally, PADICO HOLDING issues quarterly and annually financial disclosures, press releases, and quarterly newsletters stating the Company’s recent developments to maintain a transparent relationship with shareholders and the community. Furthermore, annual reports are published in accordance with all the requirements set by the Palestine Capital Market Authority (PCMA) and the Palestine Exchange (PEX).

PADICO HOLDING continues to reiterate its assurance to implement international standards of transparency, as well as embracing and utilizing any new tools which will develop its corporate governance.



5.2 The IFC Corporate Governance Study

PADICO HOLDING continues to apply the recommendations for improvements based on the results of a study conducted in 2013 with the International Finance Corporation (IFC), the investment arm of the World Bank Group, which provided a comprehensive review of the Company’s governance structure and transparency. This came as part of the Company’s commitment to strengthen the standards of international best practices within its structure and to benefit from international expertise in the areas of governance.

COMMITMENT TO UNITED NATIONS IDEALS

Cooperation with different United Nations (UN) entities is a sign of a great maturing within PADICO HOLDING in promoting principles of sustainable development as put forward by most of the UN's work worldwide regarding diverse issues like environment, peace, shelter, and sustainability.

6.1 Electronic Archive

Coming from PADICO HOLDING's commitment to support the Palestinian cause and the refugees and as part of its focus to empower the national identity, the Company sponsors the "Electronic Archive" initiative which is being implemented by the United National Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

The objective is to preserve the history of Palestinians through accumulating more than 500,000 historical pictures, negatives, films and recordings for the, and prior to, the Palestinian exodus, including all the rough and harsh situations that face the refugees, portraits of important public and political figures, and the Palestinian cause. The main data is split into two locations: the Gaza portion and the Amman portion. The Gaza portion employs a team of young Palestinian film enthusiasts to make all digitizing and scanning on site. Consequently, the Amman portion has successfully transported all of its 413,503 negatives to the Danish Royal Library (DRL) in Copenhagen for digitization.

Additionally, exhibitions in East Jerusalem and Ramallah will take place to showcase the material and a web-portal will be created for all interested people. It is noteworthy that the original data/material will be exhibited in the Palestinian Museum in Birzeit, Palestine.

