



United Nations Global Compact (UNGC)

Communications on Progress Report 2016

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## Letter from the CEO

Working in a complex country like Palestine can be extremely challenging, however, PADICO HOLDING is committed to achieving long-term social and economic development. Joining the UNGC was a stepping stone in combining the Compact's principles within the Company's strategies, since we perceive such a tactical partnership as a crucial element to enforce the vision and values of the founders of the Company and its management. Additionally, from the perspective of PADICO HOLDING, committing this membership and the UNGC community is significant as it also strengthens the presence of the Company on the international map, a call to align strategies and operations with universal principles on human rights, labor, environment and anti-corruption, and transparency. We, at PADICO HOLDING, are committed to meeting our social and ethical obligations and responsibilities towards not only the Palestinian society but also our employees.



Despite the various political and economic fluctuations experienced in Palestine, PADICO HOLDING was able to overcome various challenges with its visionary outlook regarding the investment environment in Palestine and the related political volatility due to ongoing Israeli policies and practices that hinder the growth of the Palestinian economy.

As a leading investment company and a solid pillar of the Palestinian economy, PADICO HOLDING led companies within the private sector to invest in Palestine over two decades to confirm that the investment environment in Palestine is feasible and full of opportunities, I stress that it holds a combination of investment encouraging factors, including skilled labor, a high level of education, attractive natural and climatic factors, and the historical and religious dimensions of the Holy Land that attract international tourism.

On the twenty-first anniversary of the establishment of PADICO HOLDING, we celebrate a long investment experience, looking back at the more than twenty years that have passed with tremendous efforts and mobilization of Palestinian and Arab investment capacities internally and abroad, combined to establish this investment achievement that has become an essential part of the Palestinian economic system. PADICO HOLDING employed tremendous effort to overcome this economic crisis through development in the industrial, agricultural, and real estate fields, and toward the establishment of new investment projects in Gaza Strip, West Bank, and Jerusalem. In addition, the company made great steps forward towards reaching the desired level of maturity within its new projects, such that they constitute one of the most important and diverse income sources for the company in Palestine.

It is with great pleasure that we present to you our 2016 Communication of Progress Report (COP), allowing us to reflect on the developments and accomplishments of PADICO HOLDING during this year.

Respectfully,

A handwritten signature in black ink, appearing to read 'S. Hulileh', written over a circular scribble.

Samir O. Hulileh  
Chief Executive Officer

## 1.1 Overview

Palestine Development and Investment Ltd. (PADICO HOLDING) was founded in 1993 as a foreign public shareholding limited liability company registered in the Republic of Liberia, through an initiative by several high profile Palestinian and Arab businessmen, aiming to contribute to building and developing the Palestinian economy by establishing development projects within vital economic sectors.

PADICO HOLDING's paid in capital stands at 250 million shares with a nominal value of one US dollar per share. The company's shares have been traded in Palestine Exchange since 1997.

The company's shareholder base grew gradually over the past years, from 710 shareholders in 1998 to around 8002 shareholders by the end of the first half of 2016. The company's shareholder base includes investors from Palestine, Jordan, the MENA region, and international markets.

## 1.2 Values and Mission

PADICO HOLDING plays an essential role towards building and developing the Palestinian economy. The company along with its subsidiaries and affiliates, founders and shareholders are committed to their role in the economic development of Palestine, and show this by continually implementing investment projects in various vital economic sectors, along with creating jobs, pioneering economic initiatives for the country, and developing partnerships between the public and private sectors. In addition, the company plays a key role in attracting local and international investors to invest in Palestine.

PADICO HOLDING is also committed to its ethical and social obligations to the Company's family of employees and to its local community. As an international company, PADICO HOLDING upholds high standards and maintains a strong internal value system, embracing strong corporate governance principles. As a national company, PADICO HOLDING adheres to a code of ethics and good conduct in all its practices and activities, and aims to ensure good-citizenship practices and dedication in the workplace. Additionally, the company continuously seeks to enhance its internal work environment, adopt socially responsible choices in our investment projects, and implement social and developmental initiatives.

## 1.3 Strategy

PADICO HOLDING achieves its mission and commitment to help develop the Palestinian economy through a group of subsidiary and affiliated companies that invest in key sectors, and which are line with the company's strategic direction. These sectors include real estate, telecommunications, tourism, industry, agriculture, environment, and financial services. The company's ability to generate profit is mostly dependent on the performance of its subsidiaries and affiliates. PADICO HOLDING's investment strategy, which revolves around investing in diverse sectors and regions, has enabled it to become the leading investment and development company in Palestine.

## 1.4 Corporate Social Responsibility

Since its establishment, social responsibility has been an essential part of PADICO HOLDING's value system. The company supports pioneering initiatives and projects that correspond to the needs of Palestinian society. The commitment to this responsibility continued and grew throughout PADICO HOLDING's journey so to reach a much more intricate notion of what responsibility and commitment means, based on a comprehensive and systemic approach. This approach combines academic expertise with innovation and creativity, and integrates the optimal corporate values, so that we are sure to help create a competitive, global personality within their oath, with high ethical and patriotic values.

## 1.5 Financial Performance in the First Half of 2016

PADICO HOLDING profit before income tax reached USD 14.06 million dollars in the first half of 2016, with a decrease by 12.7%, compared to USD 16.11 million in the first half 2015. Consolidated revenues increased by 1.1 % from USD 67.22 million in the first half of 2015 to USD 67.96 million in the first half of this year; as a result of higher operating income of PADICO HOLDING's subsidiaries, which grew by 3.9% from USD 46.28 million in the first half of 2015 to USD 48.09 million for the same period of this year.



This is mainly attributed to the increase in the operating income of PIICO which increased by 37% to reach USD 32.32 million, on the hand, the operating income of PRICO decreased in the first half of 2016 to reach USD 8.69 million compared to USD 15.60 million in the first half of 2015.

As for PADICO HOLDING's share of associates results of operation, it reached USD 19.16 million in the first half of 2016 compared to USD 19.88 million in the same period of 2015. This decrease of 3.6% is attributed to a decline in PALTEL's profit by 4 %.

## 1.6 Governance

Governance is an integral part of the administrative principles that direct the operations of PADICO HOLDING due to its strategic importance in properly directing the company and foreseeing future prospects, in addition to enabling the company to optimize resources and distribute authority and responsibility between the Board of Directors and executive management. Governance is a fundamental principle that ensures the company's commitment to international standards, including a healthy work environment, and a code of conduct for regulating the work environment. It also regulates the company's relationship with the external community as a form of social outreach for the company.

## 1.7 Our Competitive Advantage

PADICO HOLDING has a distinctive nature when compared to other Palestinian and international companies. Members of the Board of Directors have extensive international experience in all economic sectors. The company is capable of investing in large-scale projects with guaranteed returns. Its diverse investment strategy has allowed the company to achieve increasing annual returns over the past years, despite the difficult and complex circumstances in Palestine, making it a model for investment in the country.

The diverse characteristics of PADICO HOLDING as a company have given it a competitive advantage in the business world when compared to other Palestinian and international companies. The Board of Directors' steadfast vision and sensible planning help steer and maintain the direction of the company's investments, despite any challenges.

## 1.8 Commitment to the UNGC

PADICO HOLDING went beyond its commitment to good governance standards by signing the Corporate Governance Conduct in Palestine, and joined the United Nations Global Compact, to become the first Palestinian company to commit to international standards that reflect the highest levels of transparency of which the company is very proud to adhere to.

The company joined this Compact because of its belief in the importance of an international presence as well as its commitment to international standards that govern its activities and events in various fields, such as the environment, workers'



**United Nations** Global Compact

rights, governance, and transparency. The company presents annual reports to the United Nation Global Compact which demonstrate its commitment to these standards.

# CORPORATE SOCIAL RESPONSIBILITY

PADICO HOLDING considers the diversity in the Palestinian community including the different textures of the cultural scenes, as well as the range of intellectual and social ideologies as the Company's vision is based on these elements which make up the fundamentals of a society. Thus, PADICO HOLDING sees its role towards the society is empowering excellence through a variety of sustainable initiatives like:

## 2.1 Tamayyaz Program

PADICO HOLDING in partnership with the private sector, represented by PADICO HOLDING, Sharek Youth Forum, International Youth Foundation, Silatech, the Palestinian Center for Your Economic Empowerment, and the Future Development Commission in Gaza emphasizes the role of youth in comprehensive development; youth have an essential and pivotal role, while economic progress is impossible without academic progress, youth represent a major factor of strength and determination which are the main features required in political and economic work. Accordingly, youth ideas should be respected; youth should be dealt with in an existential concept and not as mere implementation tools; it is important to recognize youth work, so they can give without limits and work with devotion. The "Tamayyaz" program is a gateway for youth and student graduates to the labor market. during the past five years more than 800 university students were targeted, with the aim to, enhance their motivation and self-proficiency, and improve their competitive opportunities in the labor market through an integrated program designed exclusively for the students of Palestinian universities implemented with more than 30 Palestinian national institutions and companies.



## 2.2 Gaza Ahla Initiative

PADICO HOLDING participated in the youth initiative that includes 30 artists from Gaza, who had the expertise to decorate the facades of houses along the Sea, in front of Al-Shate' Refugee Camp. The areas across from the facades of the houses were decorated with used car tires and wood, which left an aesthetic and beautiful appearance, in addition to determining seating areas suitable for children to play. The area included in the initiative is estimated at around 1.4 kilometers, including around 88 house.



## 2.3 Memberships

PADICO HOLDING is a board member of several organizations that contribute in civilizing and engaging our community, socially and economically. One of the organizations PADICO HOLDING is part of is Injaz Palestine, which is focused on empowering young entrepreneurs into becoming Palestine's future economic and social leader of Palestine. Similarly, PADICO HOLDING is part of Give to Palestine, an organization devoted to helping in-need Palestinians, targeting women and children. PADICO HOLDING acts as a financial supporter to the promising projects that aim to impact the society as a whole. For example, PADICO HOLDING sponsored building a library for Children in Jerusalem, a project strategized by Give To Palestine.



## OUR EMPLOYEES

PADICO HOLDING offers a great sense of recognition and gratitude to its employees. It works on maintaining a high level of social and moral responsibility towards its workforce in addition to the local and international communities. As a well-developed leading company, PADICO HOLDING carries on with all of its projects, strategies and professional development whilst abiding its code of conduct. The Company continues to serve the community in terms of developing potential local projects.

### 3.1 Commitment to Creating Just Environment in the Workplace

PADICO HOLDING offers various opportunities for its employees, allowing them to excel and stand out within their communities. The Company deliberately encourages the direct and continuous engagement with developing projects, practices and procedures.

PADICO HOLDING focuses on preventing all issues related to discrimination. Additionally, it focuses on eliminating child labor and compulsory labor.

NAKHEEL Palestine Company has developed in terms of employability rate. The project employs 60 permanent employees and 120 individuals during the harvest date season. Furthermore, the Jericho Gate project has the potential of offering employment opportunities for around 150-200 individuals, once the project is established. Since the majority of these works have previously worked in Israeli Settlements, where labor rights were neglected, they experience a positive change working for the projects in Jericho since they are guaranteed their rights as labors.

### 3.2 Compliance and Labor Practices

PADICO HOLDING is recognized for providing employment opportunities around the West Bank and Gaza Strip. It employs over 4000 employees directly and indirectly through its subsidiaries and affiliates. PADICO HOLDING offers competitive job opportunities that include development opportunities, medical insurance, overtime compensation and annual salary increase. In addition, the Human Resources Unit at the company recognizes and takes into consideration all procedures relevant to its employees in order to guarantee equal labor rights based on applying international labor standards.

### 3.3 Training and Enrichment

PADICO HOLDING does not only guarantee labor rights in terms of health and safety, but it also aims to advance its current employees in terms of professional development. The company offers its junior and senior employees training sessions and workshops that offer a high quality of combined theoretical and practical training. These trainings include computer and office management skills, investor relations, communications, finance and accounting, English language, and business writing. PADICO HOLDING believes that it is essential to provide its employees with trainings and workshops focusing on something other than their field of specialty, in order to develop its employees in other skills and professions.

### 3.4 Community Influences

PADICO HOLDING values community work and encourages its employees to participate in projects and initiatives that promote civic responsibility and personal growth. This does not only encourage employee's participation in the society, but it also has an impact on the society as a whole. It works on benefiting the community in terms of providing new job opportunities, improvement in community relations, and community empowerment. Some of the social work.

employees are involved in include: 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.

### 3.5 Safe Operating Environment

The Business Operations Manual defines how each aspect of your company procedures and operations must be executed. It also sets the mainframe of rules and regulations in order to ensure consistency in a credible business. The Business Operations Manual serves as a guideline providing employees with a clear job description, assisting them in understanding their job assignments and tasks .

### 3.6 Maintaining Diversity

PADICO HOLDING focuses on hiring a diverse workforce in order to gain various perspectives, insights and ideas that lead to great results and establishments. The company gathers different experiences, backgrounds, mindsets, and skills to build a ground that qualifies to compete on an international scale.

## Investment in the Environment

PADICO HOLDING recognizes the importance of maintaining eco-conscious business practices. Operating in way that is environmentally responsible not only preserves Palestine for future generations of Palestinians, but it also makes economic sense. The company has therefore pursued a number of infrastructure investments that provide for the needs of the Palestinian people in a healthy and sustainable way.



### 4.1 Jericho Gate Real Estate Investment Company

PADICO HOLDING, PALTEL Group, and PRICO established the Jericho Gate Real Estate Investment Co. at the beginning of the year 2011 with an initial capital of JD 35 million. Jericho Gate seeks to implement a grand tourism development project, the first of its kind in Palestine. The project aims to develop a variety of tourist and recreational facilities, including the establishment of residential villas, hotels, resorts, a sports city, amusement water park, commercial center, and other facilities, touristic, and recreational projects. The proposed project is to serve internal and foreign tourism in Palestine.



## 4.2 Nakheel Palestine Company

Nakheel Palestine Company was established through an initiative by a group of PADICO HOLDING's subsidiaries in March of the year 2010, as a private shareholding Limited Liability Company, with a capital of USD13 million. The company primarily aims to promote and help develop the palm sector in Palestine, and market the Palestinian dates in international markets, particularly European markets. The Palestinian palm sector is still emerging; the local demand greatly exceeds the supply, and Palestinian dates do not have a large share in the external markets that the company is targeting. The company began to establish palm farms with the "Medjoul" classification, with a total area of 3 thousand dunums. The company continues with its expansion plan to all facilities; during the year 2015, 2,300 new seedlings were planted, for the total number of trees in the company's farms to reach around 22,600 palm trees.



## 4.3 Palestine Power Generation Company

Within the framework of increasing its investments in the infrastructure sector, particularly the energy sector, PADICO HOLDING, in partnership with a group of Palestinian and regional companies, established Palestine Power Generation Company in the year 2010. The company will build the first electric power generation plant in the West Bank, under the agreement signed between the company and Palestinian Energy and Natural Resources Authority. The plant's power production capacity is about 400MW. The project is the result of partnership efforts between the private and public sector in Palestine, where the plant will be built according to the Build-Operate-Own (BOO) concept. PADICO HOLDING has a 20% share in Palestine Power Generation Company.

This is a leading and strategic project. It is the first project for electric power generation in the West Bank, which is an important step towards the independence of the Palestinian energy sector, and will also enable large Industries to enter the Palestinian market, such as the cement and steel industries, in addition to providing competitive sources of energy at prices less than the current ones. It is to be noted that the agreement to supply gas from the Israeli side in the value of USD1.2 billion over 20 years was cancelled during the first quarter of the year 2015.



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