GENERAL RULES

01: General Guidelines for Licensed Firms:

Description of Service:

1. Compliance with all the laws, regulations and instructions of the Kingdom of Saudi Arabia.

2. Non-disposal of property of the licensed firm in any way before obtaining a prior approval from SAGIA.

3. Compliance with the conditions and basic objectives for which the license was issued; no modifications shall be performed to the license except after SAGIA's prior approval and completion of the necessary procedures thereto.

4. Obtaining SAGIA's prior approval when there is an intent to voluntarily cancel the license.

5. Comply with the accounting system approved for the licensed firm, including records, all main contracts and subcontracts, procurements, sales, revenues and expenditures.

6. Provision of detailed Financial Statements audited by one of the auditing firms accredited by the Saudi Organization for Certified Public Accountants (SOCPA).

7. Remittance and transfer of workers' salaries on a monthly basis through one of the banks in the Kingdom.

8. Specify an approved address as general or private residence to receive notifications, announcements, decisions and others from SAGIA, subject to all statutory consequences. This address shall be updated in case of any modification thereafter, within a maximum period of sixty (60) days from the modification date.

9. Create a website containing all fundamental information about the firm, including its corporate contacts.

10. Appointment of a communication officer (Public Relations Officer) to liaise with SAGIA, and must be among the investor's workers who are enrolled with the General Organization for Social Insurance (GOSI). The investor must swiftly update the communication officer's information whenever there is any modification thereto.

11. Any licensed activity shall not be practiced by opening a commercial outlet, except:

    a- Licenses issued for commercial activities for wholesale and retail trade.

    b- Industrial licenses for which SAGIA has consented to open marketing centers for sales of its products.

02: Documents of the Firm to be Maintained Valid for Presentation Upon Request:

1. Investment license, shall be exhibited in a visible place within the firm premises with copies at its branches.
2. Commercial registration of the parent company and branches.
3. Social Insurance Certificate (GOSI) of the parent company and branches.
4. Zakat and Income Tax certificate.
5. Copy of Saudization Certificate (Nitaqat) issued by the Labor Office, taking into consideration the Kingdom's international obligations in this regard.
6. Municipality license of parent company and branches.
7. License/permit issued by the competent authority to undertake investment business.
8. A record of all main contracts and subcontracts, procurements, sales, revenues and expenditures.
9. Firm's financial statements duly audited by an auditing firm recognized and approved by the Saudi Organization for Certified Public Accountants (SOCPA).

03: Restrictions Inscribed on Licenses:

Restrictions stipulated in the investment license upon issuance, which must be complied with by the firm:

No.	Activity	Restriction
1	**IT**	- Not allowed to open commercial outlet
2	**Commercial licenses**	- Training of 15% Saudis - Shall not open more than an outlet in one district
3	**Factory**	- Not allowed to open marketing centers for products without obtaining approval from SAGIA
4	**Scientific and Technical Office**	- The stipulated number of technical employees for the office is (15) employees and this number shall not be increased except with a prior approval from SAGIA. - The office is allowed to conduct market survey for the type of company's activity, and prepare reports on this study for the head office. The office shall submit an annual summary of its activity to SAGIA. - The office is prohibited to undertake any contracts or commercial activities or investment in the Kingdom, directly or indirectly, while it is also prohibited from earning any fees for training Saudi technicians. - The company shall comply with all the laws and regulations of the Kingdom of Saudi Arabia; this license shall be revoked whenever the company violates its provisions, while the competent departments or entities are notified thereof.
5	**Construction**	- Not allowed to undertake consultation and design works
6	**Activities that require approval of government departments or agencies**	- Not allowed to undertake activity except after obtaining approval of the competent department or agency.
7	**General Restrictions and Conditions inscribed at the back of the license**	- The investor or investors shall comply with the following conditions: - Complete "statutory procedures for issuance of investment license" within maximum period of three (3) months from the issuance date of the license. Necessary licenses shall also be sought and obtained from the competent departments to undertake activities that required such

		licenses. SAGIA shall be notified by the investor(s) in written of any hindrances or obstacles from government department or agencies in order to assist the investor(s) before commencement date of the activity indicated in the application by at least three (3) months. - Work within the perimeter of the licensed activity - Execute the investment project within the period specified in this application at the licensed site and branch. - Official use of the firm in accordance with the stipulations contained in the license issued by SAGIA, at all government departments or institutions, and on all firm's printed materials and transactions. - Renewal of investment license within the stipulated period. - Receive and cooperate with SAGIA's inspector, provide documents, records, statistics and data that are demanded by the inspector during the inspection visits. - Not to produce or market any unlicensed products. - Respect others with regard to intellectual property right. - Take necessary precautions to conserve the environment. - Ensure that his employees comply with all the regulations and laws issued by government ministries and departments. - Notify SAGIA in written of any modification in the mailing address, postal, e-mail, telephone and fax within a maximum period of ten (10) business days, from the date of such modification, using the form prepared for that purpose. <u>The Investor (s) affirms and pledges the following:</u> - To comply with all the conditions and regulations set forth in the Foreign Investment Law of the Kingdom of Saudi Arabia, issued by the Royal Decree No. (M/1) dated 05/01/1421 AH and its Implementing Regulations. The investor (s) also affirms (or affirm) accuracy of the documents, data and information provided to obtain this license. - The Investor who has obtained SAGIA's investment license shall use it for the purpose for which it was issued. The government of the Kingdom of Saudi Arabia and the Saudi Arabian General Investment Authority (SAGIA) shall not bear any responsibility towards anyone, inside or outside the Kingdom, for any illegal business, directly or indirectly. SAGIA has the right to revoke the license upon future

		occurrence of legal violations or security risks which the Saudi society might be exposed to, or which might put the Kingdom in international predicament, as a result of exploiting investment activities for suspicious purposes. - The purpose of this license is to undertake realistic investment activity as per the documents, data and information provided. In case it becomes obvious to SAGIA, at any time that the license is used for unrealistic activity, or that any of the documents, data and information provided is inaccurate, SAGIA has the right to revoke the license without any liability whatsoever, as well as enforce statutory regulations on the applicant and owner of the license. - That the Investor(s) (has or have) not been finally indicted for substantial violations of the Foreign Investment Law. - That the Investor(s) (has or have) not been previously convicted for financial or trade violations, whether in the Kingdom of Saudi Arabia or in other countries. - That the Investor(s) shall transfer the capital stipulated in this application to the Kingdom of Saudi Arabia after issuance of the investment license. - That the Investor(s) (is or are) not residing in the Kingdom of Saudi Arabia at the time of filling the application for the license, under any designation or nationality or passport. That he or they have not been residing in the Kingdom during the past three (3) years. - That he has perused and understood the above-mentioned general laws, conditions, obligations, affirmations, pledges. This in addition to the contents of the application form, and consent to comply with them accordingly. - That the name and signature below are for him, or for them, or for his legal representative (s), and the signature of the former is perceived binding on him or on them.

04: Classification of Licenses:

A program to measure the impact of the licensed foreign investments in the Kingdom has been launched to evaluate the level at which the objectives of foreign investment have been achieved in terms of transfer of technological know-how, localization of IT knowledge, diversification of the Kingdom's sources in terms of Income, development of exports and import substitution, development of Saudi human resources, Reinforcing economic competitiveness and its products in both domestic and foreign markets, and balanced development among the different regions of the Kingdom.

The firms that demonstrate the above will be granted special incentives and privileges to help promote and motivate excellence and sustainability. According to this program, firms will be divided into the following categories: Strategic, Distinctive, Advanced, Limited, Innovative, Promising, and Contracting. The categories are based on specific and objective quantitative and qualitative indicators. The table below gives further details on the categories:

1. Ratio of sales or exports of the firm's products to total sales.
2. Profit growth ratio and reversible losses.
3. Ratio of local content consumption of materials out of the total raw materials used.
4. The stock and inventory turnover ratio, compared to average ratios of the sector.
5. Ratio of operational revenues to total revenues.
6. Presence of technological content, or patents.
7. Products must be manufactured according to the international standard specifications.
8. The presence of research laboratories or training centers.

These classifications are defined as follows:

1. **Strategic**:

   Firms committed to deepening the value chain across targeted sectors, such as: transportation, healthcare, education and technology, and bringing in associated investments.

2. **Distinctive**:

   Firms employing not less than 10 Saudis, with monthly wages of a minimum ten thousand (10,000) Riyals each, and are within the "platinum" category prescribed by the Ministry of Labor; firms with a labor force that exceeds one hundred(100) employees and a Saudization rate of over 50%; and finally, the top 10 firms in different sectors based on their capital.

3. **Advanced**:

Publically listed companies (companies listed in the capital market) or international consulting firms with no less than 25 employees, in which the Saudization range is within the “platinum” category; contracting companies with more than three hundred (300(employees with monthly average wages of not less than five thousand (5000) Riyals per employee, and in the “green” category prescribed by the Ministry of Labor.

4. **Limited**:

Contracting companies with less than three hundred (300) employees with monthly average wages less than five thousand (5000) Riyals per employee; individual establishments, firms working in the restaurant industry, technology companies that are not internationally classified, and industrial workshops

5. **Innovative and Promising**:

Innovative firms which have registered patents

6. **Non-Classified Contracting Entities**:

Contracting companies without classification, will be granted a temporary license to help them establish a sustainable foundation and obtain categorization from MOMRA

SAGIA’s board of directors approved resolution No. 359/1, dated 19/09/1435 AH, that states the advantages and benefits granted to licensed projects which includes license duration, service priority in the business centers, and the annual financial fees associated with their services.

Category	**License Period (Year)**	**Service Priority in Business Centers**	**No. of representatives that can be listed to represent the firm**	**Listing in the website of SAGIA**	**Identifying customer-relations representative for the Firm**	**Annual fee (SAR) Due in Advance Upon Renewal**
Strategic (A+)	5	1	4	Yes (Profile and Success Story)	Yes	30,000
Distinctive (A)	3	2	3	Yes (Profile and Success Story)	Yes	30,000
Advanced (B)	2	3	2	Yes- Profile	No	45,000

Limited (C)	1	4	1	No	No	60,000
Innovative and Promising	1	1	1	Yes – Profile	No	10,000
Constructions Classified in their Home Countries and Non-Classified in the Kingdom (NC)	3	3	2	No	No	500,000 (for the Three Years)

05: Foreign Investment Violations:

1. Undertaking unlicensed investment or commercial activities.

2. Absence of investment license for the company's branches and marketing centers.

3. Use of name or logo of an international or local trading agency without license, or use of printed materials or stamps or advertisement media under a trade name different than the name licensed by SAGIA.

4. Employing workers who are not under the sponsorship of the licensed firm

5. Renting out workers who are under the sponsorship of other individuals or firms, or making them work for other agencies.

6. Presenting false or unauthentic construction contracts 7-Use of the firm's location for unlicensed activities

7. Use the firms location for unlicensed activities.

8. Unavailability of an accounting system for the firm, and failure to register daily accounting transactions.

9. Inability of SAGIA or the approved certified auditor to access and review the firm's accounting system and its financials, as well as information, statistics, data, and transactions based on SAGAI's request

10. Operating irregular workers

11. Failure to promptly and unjustifiably provide a detailed financial report for the firm, audited by an auditing firm accredited by the Saudi Organization for Certified Public Accountants (SOCPA) after elapse of six (6) months from the end of the fiscal year (as per the commercial registration).

12. Relinquish or surrender construction projects to other firms without SAGIA's approval

13. Non-compliance with the laws, regulations and instructions issued by the relevant government agencies or departments

14. Non-compliance with any of the conditions or instructions or inventories or the commitments contained in the new license application form or a renewal or amendment.

15. -Refusing to meet or cooperate with SAGIS's inspector.

16. -Failure to provide SAGIA with the required information, documents, statistics, data, statements, financial transfers and transactions, etc.

06: License Cancellation based on decision of SAGIA’s Board of Directors (Punitive Cancellation)

Firms for which a cancellation decision has been issued by the Board of Directors of SAGIA have one of the following options:

First Option:

Implement cancellation decision through:

- Submit a renewal application for liquidation purpose, as per Service No. (10.02) of this manual.
- Finalize the status of workers registered under the firm, and close the firm’s file with the Ministry of Labor.
- Settle outstanding dues with the General Organization for Social Insurance (GOSI).
- Settle outstanding dues of the department of Zakat and income
- Cancellation of municipality license.
- Cancellation of licenses issued by other government agencies (if any), as per Section No. (11.08) of this **manual**.
- Cancellation of the commercial registration.
- Cancellation of the investor(s) residence permit(s), and perform final exit from the Kingdom.

Second Option:

- Appeal the decision of the Board of Directors of SAGIA within sixty (60) days from the date of receipt or knowledge of the decision, as per Service No. (10.03) of this **manual.**
- Appeal in accordance with the Laws of Litigation before the Board of Grievances .

Observations:

Foreign investor is entitled to the following services:

1. *Renewal of residence permit, as per Service No. (10.08) of this manual;*
2. *Exit-re-entry visa for the investor whose license is revoked, as per Service No. (10.09) of this manual;*

07: Specialized Activities Which Require Approval by Other Government Agencies:

No.	Government Agency	Issuance of License	Activity Requiring Approval
1	**Ministry of Health (MOH)**	After Approval	Construction, management and operation of a hospital and all healthcare services, except those included in the Negative list.
2	**Ministry of Petroleum and Mineral Resources**	After Approval	- Mineral exploration licenses (service) - Mineral exploitation and production licenses (industrial).
3	**General Authority of Civil Aviation (GACIA)**	After Approval	- Cargo air transport. - Airline companies. - Aircraft maintenance training centers. - Aviation training centers
4	**Ministry of Education (MOE)**	After Approval	- Construction, management and operation of elementary, intermediary and high secondary schools for teaching in Arabic or any other language (The activity is currently suspended by the decision of the Council of Ministers). - Construction, management and operation of institutes, colleges or universities for teaching and issuance of graduation certificates in Arabic or any other language.
5	**Capital Market Authority (CMA)**	After Approval	Financial activities, such as financial advice, custody or safekeeping and underwriting, etc.
6	**Saudi Arabian Monetary Agency (SAMA)**	After Approval	Insurance, finance, lease, banking, etc.
7	**Ministry of Interior (MOI)**	After approval	Manufacture of civil explosives (Deleted from the Negative List).
8	**Ministry of Defense or Any Military Agency or Government Institution**	After approval	Temporary licenses for the performance of time-limited contracts.
9	**Higher Economic Council**	After approval	For derogation of any of the activities of the Negative List.

10	**Saudi Food & Drug Authority (SFDA)**	Before approval (Restricted Activity)	- Manufacture of human and animal drugs. - Manufacture of cosmetics - Scientific and Technical Offices
11	**General Organization for Technical Education & Vocational Training**	Before approval (Restricted Activity)	Construction and management of higher institutes.
12	**Ministry of Transport**	Before approval (Restricted Activity)	- Maritime transport (shipping) intermediaries. - Management and operation of vessel fleets flying Saudi flag or foreign flags. - Service centers on the highways
13	**Saudi Standards, Metrology and Quality Organization (SASO) & Ministry of Trade and Industry**	Before approval (Restricted Activity)	Quality assurance Laboratories
14	**Ministry of Agriculture**	Before approval (Restricted Activity)	- Poultry. - Livestock breading. - Fish and Shrimp farming.
15	**Supreme Commission for Tourism and Antiquities (SCTA)**	Before approval (Restricted Activity)	- Travel and tourism agencies, except for ticket issuance by the General Authority of Civil Aviation (GACIA). - Construction, management and operation of hotels.
16	**Ministry of Culture and Information**	Before approval (Restricted Activity)	- Advertising agencies. - Printing presses. - Photography - TV & Radio Studios. - Foreign media offices & their representatives.
17	**National Programs for Exhibitions and Conferences**	Before approval (Restricted Activity)	Organize and manage exhibitions and conferences
18	**Ministry of Municipalities and Rural Affairs (MOMRA)**	Before approval (Restricted Activity)	Service centers on the highways
19	**Ministry of Agriculture**	Before approval (Restricted Activity)	- Poultry. - Livestock breading. - Fish and Shrimp farming.

08: Types of Licenses, Minimum Capital Requirement and Percentage of Saudi Partnership:

No.	License Type	Minimum Acceptable Capital (SR)	Minimum Saudi Participation (%)
1	**Service**	-	-
2	**Industrial**	1,000,000	-
3	**Commercial**	26,666,667 Foreign capital shareholding not less than twenty million (SR.20, 000,000) and partnership not more than 75%.	25%
4	**Agricultural**	25,000,000	-
5	**Communications**	-	40%
6	**Communications Value Added**	-	30%
7	**Insurance**	100,000,000	40%
8	**Reinsurance**	200,000,000	40%
9	**Real Estate Financing**	200,000,000	40%
10	**Real Estate Development**	The value of each project is not less than 30,000,000 (covering land and construction); the land and building will be outside the perimeter of the two Holy Mosques	-
11	**Management of Construction projects, detailed engineering design and EPC contracts**	-	25%