

KINGDOM OF SAUDI ARABIA

Capital Market Authority

Instructions for the Foreign Strategic Investors Ownership in Listed Companies

(draft)

Issued by the Board of the Capital Market Authority

Pursuant to its Resolution Number [00-000-000] Dated [00/00/0000
H] Corresponding to [00/00/0000 G] Based on the Capital Market
Law Issued by Royal Decree No M/30 dated 2/6/1424H

Arabic is the official Language of the Capital Market Authority

Important Notice: The current version of these Rules, as may be amended, can
be found at the Authority website: www.cma.org.sa

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Part 1: Preliminary

- A. The purpose of these Instructions is to set out the provisions, requirements and conditions necessary for the foreign strategic investors ownership of strategic shareholdings in listed companies, and determine their obligations and the restrictions pertaining to their ownership of shares.
- B. These Instructions shall have no prejudice to the provisions of the Capital Market Law and its Implementing Regulations, especially the Rules on the Offer Of Securities and Continuing Obligations and the Merger and Acquisition Regulations, and the other related laws.
- C. The Foreign Strategic Investors are entitled to exercise all rights related to the shares of the listed companies they own, including trading in rights issue.
- D. These Instructions shall not apply to the Citizens of the Cooperation Council for the Arab States of the Gulf.

Part 2: Definitions

- A. Any reference to the “Capital Market Law” in these Instructions shall mean the Capital Market Law issued by the Royal Decree No. M/30 dated 2/6/1424H.
- B. Expressions and terms in these Instructions have the same meaning which they bear in the Capital Market Law and the Glossary of Defined Terms used in the Regulations and Rules of the Capital Market Authority.
- C. For the purpose of implementing these Instructions, the following expressions and terms shall have the meaning which they bear as follows unless the context indicates otherwise:
 - **Foreign Strategic Investor:** a foreign legal entity that aim to own a strategic shareholding in listed companies, in accordance with a strategic plan.
 - **Strategic Shareholding:** a directly owned shareholding of a listed company's shares, which contributes to improving the financial or operational performance of the listed company.
 - **Strategic Plan:** a plan prepared by the foreign strategic investor contains, at minimum, the information required stipulated in Annex (1).
 - **Citizens of the Cooperation Council for the Arab States of the Gulf:** natural persons who hold citizenship of one of the Cooperation Council for the Arab States of the Gulf countries , or legal persons that (i) capital of which is majority owned by citizens or governments of the Cooperation Council for the Arab states of the gulf; and (ii) holding the citizenship of one of the Cooperation Council for the Arab states of the gulf countries ,in accordance with the definition set out in the resolution of the Supreme Council of the Cooperation Council for the Arab States of the Gulf in its 15th session approved by the Council of Ministers Resolution number (16) dated 20/1/1418H.

Part 3: Waivers

The Authority may waive the Foreign Strategic Investor from applying the provision of these Instructions in whole or in part, upon the Foreign Strategic Investor's request or on its own initiative.

Part 4: Right to Appeal

Any person subject to these Instruction may appeal to the Committee in respect of any decision or action that the Authority takes under these Instructions.

Part 5: Requirements for the Foreign Strategic Investor's Ownership of Strategic Shareholdings

- A. Without prejudice to the provisions of the Capital Market Law and its Implementing Regulations and the other related laws, for Foreign Strategic Investor to own strategic shareholdings in listed companies, the following requirements shall be fulfilled:
 1. Obtain all necessary regulatory approvals from the relevant authorities in the Kingdom according to their laws.
 2. The foreign strategic investor shall submit its strategic plan.
 3. The Foreign Strategic Investor shall be established or licensed in a country that applies regulatory and supervisory measures similar to those applied by the Authority or are accepted by it, according to the list of countries that apply regulatory and supervisory measures similar to those applied by the Authority or accepted by it, and any update to such list.
- B. The Foreign Strategic Investor shall fulfill the following:
 1. Have a client account.
 2. Have an account with the depositary center.
 3. Any other requirements or conditions as may be imposed by the Authority.
- C. The Authorized Person shall ensure that the Foreign Strategic Investor has fulfilled the requirements stipulated in paragraph (A) of this Part and notify the Authority in writing of such fulfillment.
- D. The Foreign Strategic Investor shall notify the Authority in writing when the ownership of strategic shareholdings is complete, and provide the Authority with a copy of the strategic plan on which the ownership of the strategic shareholdings was completed.

Part 6: Investment Limits

- A. The investments of the Foreign Strategic Investor shall be subject to the following limitations:
 1. The Limitations set forth in the article of association of the listed companies or any instructions issued by the regulatory and supervisory authorities which such companies are subject to.
 2. Other legislative limitations on foreigners ownership in joint stock companies.
- B. Without prejudice to the provisions of paragraph (A) of this Part, the investments of Foreign Strategic Investors to whom the provisions of these Instructions apply shall not be subject to the investment limits

stipulated in the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities.

- C. The Exchange shall publish on its website, as determined by the Authority in this regard, the following information:
1. A statistic reflecting the ownership percentage of the strategic foreign investors in the listed company.
 2. The Limitations specified in subparagraphs (a / 1) and (a / 2) of this Part, according to the information received by the Exchange from listed companies in this regard.

Part 7: The Disposition Mechanism of the shares owned by the Foreign Strategic Investors

The Foreign Strategic Investor, to whom the provisions of these Instructions apply, shall not dispose of any of its shares until the Authority's approval is obtained. The Authority may impose additional limits on such disposition and determine its method.

Part 8: Publication and Entry into Force

These Instructions shall become effective upon their publication.

Annex 1: Contents of the Strategic Plan

The Strategic Plan must include, at minimum, the following information:

1. Name of the Foreign Strategic Investor, place of registration, address and principal place of business.
2. Name of the listed company, place of registration, address and principal place of business.
3. The general business nature of the Foreign Strategic Investor and details of the main products or services performed .
4. The general business nature of the listed company and details of the main products or services performed.
5. The targeted ownership percentage of strategic shareholdings, the stages of ownership, and its time frame.
6. The objectives that the foreign strategic investor is aiming for by owning the strategic shareholding.