

SABIC Local Content Terms and Conditions

INSTRUCTIONS: Part A applies generally to all purchases under the Purchase Contract. Part B applies only to High-Value Contracts.

Part A: General Terms and Conditions

1. General

Part A applies to all Purchase Contracts / Agreements. Part B only applies to High-Value Contracts.

2. Definitions

The following terms shall have the following meaning:

“Agreement” means any overarching agreement that the Purchase Contract(s) is/are governed by.

“Contract Value” means the total monetary value of the Purchase Contract, or multiple Purchase Contracts issued during the term of the Agreement as the case may be.

“Goods” means the goods as specified in the relevant Purchase Contract, including any related designs, materials, equipment, documentation and software.

“High-Value Contract” means any Purchase Contract only involving Services or being a Mixed Contract with a Contract Value of fifty (50) million Saudi Arabian Riyals or more.

“LC Certificate” means Local Content percentage as attested by LCGPA.

“LCGPA” means the Local Content and Government Procurement Authority.

“LCTC” means these Local Content Terms and Conditions.

“Local Content” means the total spend in the Kingdom of Saudi Arabia (“KSA”) that benefits the national economy taking into account KSA labor compensation, procurement of goods and services, assets and capacity building.

“Local Content Execution Plan” means an obligatory plan that Supplier prepares and submits to Purchaser to set out in detail how it intends to meet the objectives and targets set out in the Local Content Plan throughout the duration of the Purchase Contract / Agreement.

“Local Content Plan” means the plan committed to by Supplier and approved by Purchaser, that addresses: (i) quantification of the levels of Local Content performance

committed to by Supplier; and (ii) qualification of the levels of Local Content performance describing the methods, activities and initiatives that assure delivery of the committed performance levels – which forms part of, and is attached under, the Purchase Contract/Agreement.

“Minimum Local Content Target Percentage” means the annual Local Content percentage Supplier commits to during the term of the Purchase Contract / Agreement.

“Mixed Contract” means Purchase Contract / Agreement covering the provision of both Goods and Services.

“National Product” means every product produced in KSA, including extractive, agricultural, and industrial products, whether in their initial form or at any stage of subsequent assembly, processing or manufacturing.

“National Products Mandatory List” (NPML) means a list of National Products and services issued by the LCGPA and updated periodically, the most updated version of which can be referred to at <https://lcgpa.gov.sa/>.

“Order Confirmation” means any written communication or system acknowledgement issued by Supplier to Purchaser accepting a Purchase Order or taking any steps by Supplier in connection with any delivery of Goods and/or performance of Services by Supplier.

“Party” shall mean each of Purchaser and Supplier and **“Parties”** shall mean Purchaser and Supplier.

“Purchase Contract” means the agreement for the purchase and sale of Goods and/or Services resulting from a Purchase Order and the corresponding Order Confirmation.

“Purchase Order” means the document, including any attachments thereto, issued by Purchaser to order Goods and/or Services from Supplier.

“Purchaser” means the legal entity specified in the relevant Purchase Contract as purchasing Party.

“SABIC” means Saudi Basic Industries Corporation.

“Saudization Percentage Minimum Target” means the annual targets for employing Saudi nationals, as committed to by Supplier.

“Services” means the services as specified in the relevant Purchase Contract.

“SME” means Small, Medium and Micro Enterprises in Saudi Arabia with a valid Monsha’at certificate. Refer to <https://monshaat.gov.sa/en/SMEs-definition>.

“Supplier” means the legal entity specified in the relevant Purchase Contract as supplying Party.

2. Compliance with LCGPA and Governmental Regulations and Requirements

Supplier acknowledges that as a Supplier to SABIC, it is required to comply with all Local Content and localization requirements issued by the LCGPA, Ministry of Energy and other relevant government ministries and authorities in the KSA, as may be amended from time to time.

3. NPML Products

Insofar as the Supplier is supplying Goods and/or Services listed in the NPML, Supplier shall source exclusively from the NPML unless an exemption is pre-approved by SABIC in writing.

4. Proof of National Product Status or Country of Origin

Supplier shall include proof of National Product status and origin with Goods and/or Services delivery/performance, which can be a copy of one of the following documents during delivery/performance of the Goods and/or Services:

- Made in Saudi Certificate
- Certificate of Origin
- Saber Certificate
- Saudi Tech Brand Certification
- Commercial Registration for only those Services listed in the NPML
- Local Content Certificate (optional)

5. Non-Conformance Reporting

Supplier shall notify Purchaser in writing of any non-conformance with these LCTC and submit a proposed corrective action plan within ten (10) calendar days for Purchaser's review and written approval at Purchaser's sole discretion.

6. NPML Performance Reporting

Supplier shall submit performance reports evidencing compliance with the NPML semi-annually. Supplier shall also submit a final report that includes the NPML spend and exemption cases from the NPML to be attested by SABIC.

7. Record Maintenance and Audits

Supplier shall retain, maintain and preserve all records of evidencing NPML compliance for sixty (60) calendar months following the expiration/termination of the Purchase Contract / Agreement. Purchaser retains the right to audit such records. These records shall include, as a minimum, the information provided in Supplier's NPML reports submitted under paragraph 6 above.

8. Non-Compliance Sanctions and Consequences

If Supplier breaches or fails to comply with any of its obligations under these LCTC and fails to remedy the same within thirty (30) calendar days of written notice by Purchaser, Purchaser shall be entitled to enforce one or more of the following sanctions/remedies:

Occurrence (cumulative, whether for same breach or different breach)	Sanctions
First	First written warning of breach and demand for Supplier to replace non-compliant Goods and/or Services at Supplier's expense and/or execute recovery plan to meet the targets stated in the Local Content Plan
Second	Final written warning of breach and demand for Supplier to replace non-compliant Goods and /or Services at Supplier's expense and/or execute recovery plan to meet the targets stated in the Local Content Plan
Third	Up to a one (1)% penalty of the Contract Value if Local Content performance (including Local Content Execution Plan and NPML compliance) deviates by more than five (5)% from total committed targets in the Purchase Contract / Agreement
Fourth or more	Immediate termination of the Purchase Contract / Agreement without any liability to Purchaser; and/or suspend Supplier from SABIC's vendor master list for future tenders, whether or not a penalty as described above has been applied

The above sanctions are without prejudice to any other rights or remedies available to Purchaser under the Purchase Contract / Agreement or Applicable Law (as defined in the Purchase Contract / Agreement).

Part B: Specific Conditions for High-Value Contracts

9. Local Content Execution Plan

Supplier shall submit a Local Content Execution Plan for Purchaser's written approval within sixty (60) calendar days from the date of award of Purchase Contract or Agreement (as the case may be). Upon Purchaser's approval, Parties agree that the Local Content Execution Plan shall be incorporated into and form part of the Agreement or Purchase Contract (as the case may be).

10. LC Certificate

Supplier shall provide and maintain a valid LC Certificate during the term of the Purchase Contract / Agreement.

11. Supplier and Subcontractors

- 11.1 Supplier shall ensure that all its subcontractors engaged under the Purchase Contract, where such subcontracted scope is performed in, delivered into, or otherwise connected to KSA, comply with these LCTC and provide Purchaser with an annual compliance attestation covering all business received from Purchaser.
- 11.2 Supplier shall, and shall ensure that such subcontractors: (i) give preference for SME participation; and (ii) apply price preference for National Products not listed in the NPML when comparing offers, all in accordance with LCGPA regulations.
- 11.3 Where Supplier engages subcontractors solely for work performed and delivered entirely outside KSA, and such subcontracted scope has no direct connection to the delivery of Goods and/or performance of Services into KSA, these LCTC shall not apply to those subcontractors. Supplier shall, upon Purchaser's request, provide reasonable evidence of the jurisdiction in which its subcontractors operate to confirm the applicability or exemption of these LCTC.

12. Local Content and Localization Performance Reporting

Supplier shall submit performance reports evidencing compliance with these LCTC quarterly (for Purchase Contracts / Agreements up to three (3) years) or semi-annually (for Purchase Contracts / Agreements exceeding three (3) years). Supplier shall also submit a final report (when requested by Purchaser) that includes: (i) NPML compliance; (ii) the achieved Local Content percentage after being attested by the LCGPA; and (iii) achievement of Saudization Percentage Minimum Target.

13. Local Content and Localization Representative

Supplier shall designate an individual responsible for Local Content and localization communications with Purchaser, providing their details promptly upon signing/effective date of the Purchase Contract / Agreement. This representative shall be the primary point of contact for all Local Content matters under the Purchase Contract / Agreement.

14. Record Maintenance and Audits

Supplier shall retain, maintain and preserve records of NPML compliance and all Local Content activities and targets for sixty (60) calendar months following the expiration/termination of the Purchase Contract / Agreement. Supplier shall ensure that its subcontractors comply with the same stipulations. Purchaser retains the right to audit such records. These records shall include, at minimum: (i) documentation of activities and commitments set out in the Local Content Plan, including all relevant assumptions and calculations; and (ii) the information provided in Supplier's Local Content performance reports submitted under paragraph 12 above. These records shall cover, but not be limited to, information enabling the validation that the applicable Minimum Local Content Target Percentage and Saudization Percentage Minimum Target have been met, and that the relevant Goods and/or Services were supplied in compliance with the NPML.