

## Integrated Logistics bonded Zone Employment Regulations

### 1. Legislative Authority

- 1.1 These Regulations are made by The Special Integrated Logistics Zone Department (the "Department").
- 1.2 These Regulations shall come into force on 15/01/2021.
- 1.3 These Regulations shall be known as The ILBZ Employment Regulations. ("Regulations")

### 2. Application

- 2.1 These Regulations apply to all Customers and their Employees.
- 2.2 All periods and schedules provided for in these Regulations shall be according to the Gregorian calendar.

### 3. Limitation Period

No claim under these Regulations shall be considered by a labor court in the Kingdom of Saudi Arabia unless it is first filed with the ILBZ labor office within twelve (12) months of the Employee's Termination Date.

### 4. Minimum Standards

- 4.1 These Regulations set out minimum requirements. Any condition in any agreement, document or policy that seeks to contradict or waive the minimum requirements set out in these Regulations shall be null and void.
- 4.2 Nothing in these Regulations is intended to prevent Customers from enhancing the benefits provided for under these Regulations to Employees.
- 4.3 The Customer is responsible for discharging all obligations pursuant to these Regulations.

### 5. Sponsorship

- 5.1 Sponsorship for Saudi work and residency may be obtained through ILBZ for non-GCC country national Employees. However, the Customer remains solely responsible for the discharge of all obligations pursuant to these Regulations.
- 5.2 Customers wishing to take advantage of this sponsorship facility shall sign a personnel sponsorship agreement with The Department stipulating the conditions under which The Department shall stand as sponsor for non-GCC country nationals employees.
- 5.3 The Department reserves the right to reject applications for sponsorship at its absolute discretion.

### 6. Non-Sponsored Employees

- 6.1 The Customer may employ the following Employees without obtaining sponsorship for work and residency through The Department:

- (a) GCC country nationals; or
- (b) Individuals sponsored by a relative for Saudi residency, provided that the requisite Employment Approval is obtained.

## **7. Non-Sponsored Workers**

7.1 A Customer may engage the service of the following individuals not sponsored by The Department:

- (a) Persons holding a Saudi work and residence permit with a parent company registered in the Kingdom of Saudi Arabia;
- (b) Persons holding a Saudi work and residence permit with an entity that is part of the same group of companies as the Customer; or
- (c) Persons holding a Saudi work and residence permit with any entity registered in the Kingdom of Saudi Arabia that enters into a contract for services with the Customer,

provided that the requisite Access Approval is obtained on behalf of the individual.

## **8. Employment Approval and Access Approval**

8.1 All Employees must be issued with an Employment Approval before starting work in the ILBZ.

8.2 All other personnel who are seeking to work on a temporary basis for a Customer must be provided with Access Approval before commencing work.

8.3 Employment Approvals and Access Approvals are issued at the absolute discretion of The Department.

8.4 It is the responsibility of the Customer to ensure that it has in place the proper Employment Approvals, residency visas and Access Approvals at all times and to ensure the timely renewal of the same.

## **9. Temporary Personnel**

Customers requiring temporary employees shall engage with The Department approved recruitment agencies.

## **10. General – Mobility of Personnel within and outside of the ILBZ**

10.1 An Employee may not work outside the ILBZ without obtaining the express approval of The Department. Permission to work outside of ILBZ must also be obtained from any other applicable authority located in the jurisdiction where the Employee intends to work.

10.2 An Employee may work for another Customer within ILBZ on a part time or temporary basis without obtaining permission from The Department. In such circumstances, the Customer as named on the Employment Approval remains ultimately responsible for ensuring that all obligations contained in the Employment Contract are fulfilled.

## 11. General

- 11.1 Work is the right of any citizen and all citizens shall have equal right to work without discrimination based on gender, disability, age or any other form of discrimination, whether in the performance of work, upon advertising a position, Salary, employment thereof or on termination.
- 11.2 All Customers in all business activities, shall work to attract and employ all nationalities and shall not favor Saudi nationals over other nationalities provided they possess the vocational skills or educational capabilities needed for the position.
- 11.3 Any nationality may carry out any profession or job. No profession or job shall be reserved to Saudi nationals.
- 11.4 There shall be no segregation of men and women in the workplace.

## 12. Records and Files

13. The Customer shall retain the following records, documents and statements (in hard or electronic format) at the head office:
- (a) List of Employees;
  - (b) Statement of Employees' salaries;
  - (c) Record of fines imposed on Employees;
  - (d) Attendance records;
  - (e) Worker medical examination records; and
  - (f) Employment dossier for each Employee.
- 13.2 The Customer may use English language in Employment Contracts, data, records, employee files, circulars and instructions.

## 14. Recruitment

- 14.1 All costs related to recruitment including sponsorship, obtaining the relevant Employment Approvals and Access Approvals, recruitment or agency fees must be born solely by the Customer.
- 14.2 Under no circumstances may a Customer, recruitment agent, subcontractor or other third party directly or indirectly recoup any Employee recruitment related costs from the Employee.

## 15. Employee Passports

No Customer may hold the passport of an Employee without the individual's prior written consent. Where consent is obtained, the passport must be:

- (a) stored safely; and
- (b) returned as soon as practicable upon request.

## 16. Prohibition on False Representations

A Customer must not persuade or influence a person to become an Employee by making false representations in relation to:

- (a) the availability of a position;
- (b) the job description and title;
- (c) the type of work;
- (d) Salary; and
- (e) the conditions of work or employment.

## 17. Prohibition on Hiring of Children

A Customer is prohibited from hiring a child under the age of eighteen (18) years old.

## 18. Employment Contract

18.1 The Employment Contract shall be in writing and prepared in duplicates: one copy to be retained by each of the two parties, the Customer and the Employee.

18.2 The Employment Contract must include:

- (a) The names of the Customer and the Employee;
- (b) Date of Commencement of Employment;
- (c) Term (whether it is for a fixed or unlimited term);
- (d) Place of Work;
- (e) Job title;
- (f) Terms and conditions relating to Annual Leave;
- (g) Terms and conditions relating to Sick Leave;
- (h) Reference to any disciplinary or grievance policy applicable to the Employee;
- (i) Salary;
- (j) Salary Payment Period; and
- (k) Working hours.

18.3 Changes to contractual terms and conditions will not be effective unless the change is agreed by both the Employee and the Customer in writing.

## 19. Probation

- 19.1 If the Employee is subject to a probation period, it must be expressly stated in the Employment Contract.
- 19.2 The probation period shall not exceed one hundred eighty (180) calendar days excluding public holidays and Sick Leave.
- 19.3 During the probation period, the Customer and the Employee have the right to terminate the Employment Contract without notice, unless otherwise agreed.

## 20. Salary

- 20.1 Salary shall be paid:
- (a) in a currency to be agreed between the Employee and the Customer; and
  - (b) into a local or foreign bank account in the Employee's name.
- 20.2 Payment of Salary earned by an Employee during a Salary Payment Period must be paid within five (5) working days of the end of Salary Payment Period.
- 20.3 The Employee is entitled to be paid a minimum Salary equal to the national minimum wage in Saudi Arabia, applicable from time to time.
- 20.4 Payment of any Supplementary Payment may be deferred and subject to alternative payment terms as agreed between the Customer and the Employee.
- 20.5 Upon termination of employment the Employee's last Salary in respect of the last Salary Pay Period must be paid within fifteen (15) working days of the Termination Date.

## 21. Deductions from Salary

No amount shall be deducted from the Employee's Salary or paid from the Employee to the Customer, except in the following cases:

- (a) The deduction or payment is repayment of any overpayment of Salary or expenses;
- (b) The deduction or payment is a reimbursement of allowances or benefits used by the Employee in excess of their entitlement under the Employment Contract; or
- (c) The deduction or payment is pursuant to an order issued by a competent Saudi court.

## 22. Working Hours and Breaks

- 22.1 An Employee may not work for more than forty-eight (48) hours in respect of each seven (7) calendar day period unless the Employee has expressly agreed otherwise in writing. This excludes any time spent for rest, meals or prayers.
- 22.2 Working hours and rest periods during the day shall be scheduled so that no Employee shall work for more than five (5) consecutive hours without a break of not less than one (1) hour for rest, prayer and meals.

- 22.3 The Employee is entitled to a rest period of at least twelve (12) consecutive hours in each twenty-four (24) hour period.
- 22.4 An Employee is entitled to a rest period of at least twenty-four (24) hours in each seven (7) day period.
- 22.5 During the month of Ramadan, the actual working hours for Muslim Employees shall be reduced to a maximum of six (6) hours a day, (up to a maximum of thirty-six (36) hours in respect of each seven (7) calendar day period). There shall be no reduction in an Employee's Salary as a result of the Employee's reduced working hours during Ramadan.

### **23. Annual Leave**

- 23.1 An Employee shall be entitled to at least twenty-two (22) working days Annual Leave in each calendar year (or in the Customer's annual leave year as stated in the Employment Contract or holiday policy ("**Annual Leave Year**").
- 23.2 Nothing in this Article 23 shall prohibit the Customer and Employee agreeing a greater amount of Annual Leave.
- 23.3 An Employee may carry forward up to ten (10) working days of accrued but untaken Annual Leave into the next calendar year (or Annual Leave Year) for a maximum period of twelve (12) months after which any unused annual leave shall expire.
- 23.4 Unless otherwise agreed in writing by an Employee, an Employee cannot receive payment in lieu of Annual Leave.
- 23.5 During Annual Leave the Employee shall receive their Daily Salary.
- 23.6 Annual leave is exclusive of public holidays to which an Employee is entitled.

### **24. Dates of Annual Leave**

- 24.1 The Customer may require the Employee to take Annual Leave on specific dates or between specific periods provided that at least ten (10) working days' prior written notice is provided to the Employee.

### **25. Payment in lieu of Annual Leave**

- 25.1 On termination of employment, the Employee is entitled to a payment in lieu of accrued but untaken Annual Leave calculated up to the Termination Date on the basis of the Employee's Daily Salary.
- 25.2 In the event that the Employee has taken more Annual Leave than the amount accrued at the Termination Date, the Customer may deduct an amount in respect of the excess Annual Leave taken calculated on the basis of the Employee's Daily Salary.

## 26. Public Holidays

- 26.1 Each Employee shall be entitled to paid leave on public holidays that are announced in the Kingdom of Saudi Arabia by the competent authority from time to time and fall on a normal working day for the Employee.
- 26.2 The Employee is entitled to be paid their Daily Salary during any public holiday as per Article 26.1 above.
- 26.3 If an Employee agrees to work on a public holiday, the Customer must provide the Employee with either:
- (a) a day of leave in lieu of each public holiday worked;
  - (b) payment of an amount equal to the Employee's Daily Salary for the public holiday worked; or
  - (c) payment of a pro-rated amount of the Employee's Daily Salary based on the time period worked during the public holiday.

## 27. Hajj Leave

An Employee shall be entitled to a paid leave of not less than ten (10) days and not more than fifteen (15) days, including Eid Al-Adha holiday, to perform Hajj. Hajj leave is available only once during the Employee's employment with the Customer. To be eligible for this leave, the Employee must have spent at least two (2) consecutive years of service with the Customer. The Customer has discretion to determine the number of Employees who shall be given this leave annually in accordance with work requirements.

## 28. Maternity Leave and Maternity Pay

- 28.1 Employees who are pregnant are entitled to at least fourteen (14) weeks paid Maternity Leave, such days to be taken at the Employee's discretion. An Employee is entitled to be paid their Daily Salary during Maternity Leave. Maternity Leave can commence four (4) weeks prior to the expected date of childbirth and must be used in full within the first twelve (12) months following the date of childbirth.
- 28.2 Maternity Leave is exclusive of public holidays.

## 29. Additional Maternity Leave

In the event that the Employee gives birth to child whose special needs require a permanent presence, they shall be entitled to up to an additional six (6) weeks additional Maternity Leave. An Employee is entitled to be paid their Daily Salary during such additional Maternity Leave.

## 30. Return to Work

An Employee has the right to return to work at the end of Maternity Leave (or any period of additional Maternity Leave) to the same role on the same terms and conditions of employment and with the same level of seniority the Employee had immediately prior to taking the leave.

### **31. Prohibition on Termination**

A Customer shall not terminate or threaten to terminate an Employee when pregnant or on Maternity Leave.

### **32. Additional Break**

32.1 When an Employee returns to work following Maternity Leave, and for a period of a further twenty-four (24) months, they shall be entitled, in addition to the breaks provided for under these Regulations, an additional break not exceeding, in aggregate, one (1) hour a day. The timing of this additional break shall be agreed between the Customer and Employee.

32.2 The additional break referred to in Article 32.1 above shall be calculated as part of the actual working hours and shall not result in any reduction in Salary.

### **33. Parental Leave**

33.1 An Employee:

- (a) who is becoming a parent of a child other than by way of pregnancy; and
- (b) is named as the child's mother on the birth, adoption or other official certificate;

and the child is less than five (5) years old,

is entitled to at least fourteen (14) weeks of parental leave, such leave to be taken at the Employee's discretion. An Employee is entitled to be paid their Daily Salary during the parental leave. Parental leave referred to in this Article 33 must be used in full within the first twelve (12) months following the date of the child's birth or adoption.

33.2 A Customer shall not terminate or threaten to terminate an Employee when they are on parental leave within the meaning of Article 33.1.

### **34. Paternity Leave**

34.1 An Employee whose legal partner is expecting a child shall be entitled to at least two (2) weeks paid paternity leave in the event of the birth of their child ("**Paternity Leave**"). The Customer may request supporting documents.

34.2 Paternity Leave is exclusive of public holidays.

34.3 During Paternity Leave the Employee is entitled to be paid their Daily Salary.

34.4 An Employee is not entitled to receive payment in lieu of Paternity Leave.

34.5 An Employee who is who is becoming a parent of a child of less than (5) five years old, other than by way of pregnancy and is named as the child's father on the birth, adoption or other official certificate is entitled to at least two (2) weeks of parental paternity leave ("**Parental Paternity Leave**"). Parental Paternity Leave is taken at the Employee's discretion. An Employee is entitled to be paid their Daily Salary during Parental Paternity Leave. Parental Paternity Leave referred to in

this Article 34.5 must be used in full within the first twelve (12) months following the date of the child's birth or adoption.

34.6 A Customer shall not terminate or threaten to terminate an Employee when they are on Paternity Leave (or Parental Paternity Leave).

### **35. Right to Time Off Work for Ante Natal Care**

35.1 An Employee who is pregnant or whose legal partner is pregnant is entitled to reasonable paid time off in order to attend appointments for the purpose of receiving ante natal care.

35.2 The Employee must provide reasonable notice in advance of the appointment together with sufficient proof of the ante natal appointment upon request of the Customer.

### **36. Sick Leave**

36.1 An Employee is entitled to Sick Leave of at least sixty (60) consecutive or intermittent working days in a twelve (12) month period starting from the first day of Sick Leave. An Employee is entitled to be paid their Daily Salary during any period of Sick Leave.

36.2 The Customer and the Employee may agree to a higher Sick Leave entitlement.

36.3 In order to be eligible for Sick Leave the Employee must:

- (a) Notify the Customer of their absence as soon as reasonably possible on the first day of absence and keep the Customer updated regularly as directed by the Customer as to the Employee's expected return to work; and
- (b) Provide a sick leave certificate from a medical practitioner licensed by Ministry of Health covering the entire period of the Employee's absence, if requested by the Customer to do so.

36.4 An Employee may not work for another employer, during Sick Leave. If the Customer proves that the Employee has done so, the Customer may deprive the Employee of his Salary for the duration of the Sick Leave or recover the Daily Salary paid to the Employee during such Sick Leave.

### **37. Medical Insurance**

37.1 A Customer must obtain and maintain medical insurance cover for each of its Employees as required by the Cooperative Health Insurance Regulations.

37.2 The cost of such medical insurance must be borne by the Customer and must not be passed to Employees.

### **38. General Employer Duties**

38.1 The Customer shall provide prayer rooms and private sanitary conveniences for male and female Employees to the extent the architecture of the workplace permits, unless the building or relevant work location provides for said facilities itself, in which case the Customer will be exempt from providing the same.

38.2 If the Employee reports to work at the prescribed time, or expresses their readiness to perform their work at such times but is prevented from doing so only by a cause which is ascribed to the Customer, the Employee shall be entitled to their Salary for the period during which no work is performed.

### **39. Health and Safety**

39.1 A Customer is under a general duty to ensure, as far as reasonably possible, the health, safety and welfare of Employees.

39.2 A Customer shall ensure that the workplace is maintained in a clean and hygienic condition.

39.3 The Customer shall also:

- (a) Ensure that the inside of the workplace is well ventilated, has appropriate lighting and is maintained at a suitable temperature;
- (b) Provide a sufficient supply of clean drinking water;
- (c) Provide adequate, hygienic and easily accessible sanitary conveniences; and
- (d) Comfortable workstations and seating arrangements which are suitable in respect of the work to be performed at the workstation.

39.4 The Customer must take all necessary measures to protect Employees against work hazards and occupational diseases.

39.5 The Customer must provide appropriate health and safety training to the Employee regarding the protective measures the Employee shall be required to take together with any dangers associated with the Employee's Employment.

39.6 The Customer shall ensure that all health and safety instructions are clearly displayed and in a language understood by the Employees.

39.7 The Customer must provide all protective health and safety equipment to Employees and train the Employees on proper use. The Customer is prohibited from recovering the costs of such protective equipment from Employees.

39.8 A Customer is under a duty to provide and maintain a work place that is free of discrimination and victimization.

### **40. Restrictive Covenants**

If the work assigned to the Employee allows them to become acquainted with the Customer's customers or clients, the Customer may require the Employee in the Employment Contract not to compete with it upon termination of the contract in order to protect his legitimate interests. For this condition to be valid, it must be reasonable and appropriate in the circumstances, and shall be in writing and specific in terms of time, geography and type of work, and the duration of such agreement shall not exceed two (2) years from the date of termination of the relationship between the two parties.

## **41. Employee General Obligations**

41.1 An Employee shall:

- (a) Perform their duties pursuant the Employment Contract diligently to the best of their ability exercising reasonable skill and care;
- (b) Comply with the lawful and reasonable instructions of the Customer;
- (c) Wear modest and demure clothing;
- (d) Keep confidential the Customer's confidential information and trade secrets;
- (e) Act in the best interests of the Customer; and
- (f) Observe health and safety instructions.

## **42. GOSI Registration**

The Customer shall register each of its Employees with the GOSI and pay the relevant contributions for and make the relevant deductions from the Employees as required by the Social Insurance Law and its implementing regulations.

## **43. Training and Vocational Development**

The Customer shall prepare and implement policy designed to grant a reasonable period of paid leave to an Employee for training and vocational development.

## **44. Termination of Employment**

44.1 The minimum written notice of termination required to be given by a Customer or Employee to terminate the Employee's employment (after the successful conclusion of the probation period) shall not be less than sixty (60) calendar days.

44.2 During the notice period, the Employee is entitled to receive their normal Salary.

44.3 Article 44.1 shall not prevent an Employer and Employee from agreeing to a longer notice period in an Employment Contract.

44.4 The Customer may pay the Employee their Salary in lieu of notice.

44.5 A Customer may require an Employee not to attend work or undertake their duties during all or part of the Employee's notice period.

44.6 There is no requirement for either party to provide a reason for termination of employment. Where the notice requirements in Articles 44.1 or 44.3 have been complied with, the Employment Contract will be deemed validly and fairly terminated.

44.7 Articles 44.1 and 44.3 do not apply:

- (a) during any probation period agreed in an Employment Contract;

- (b) where the Employee is guilty of committing Gross Misconduct or a material breach of the Employment Contract; or
- (c) where it has been agreed in the Employment Contract that the Employee's employment will terminate on the expiry of a fixed term.

44.8 An Employee who discloses, in good faith, a reasonable suspicion of a breach of any applicable law shall not be subject to dismissal or any detrimental treatment from the Customer as direct result of such disclosure.

44.9 Other than rights under these Regulations and the Employee's Employment Contract an Employee shall have no other rights to compensation or payments from the Customer on the termination of the Employee's employment.

#### **45. End of Service Gratuity**

45.1 Upon termination of the Employment Contract, the Employer shall pay the Employee an End of Service Gratuity equal to half (1/2) a month's Salary for each of the first five (5) years and one (1) month's Salary for each subsequent year. The End of Service Gratuity shall be calculated on the basis of the Employee's last Salary for the portions of the year in proportion to the time spent.

45.2 End of Service Gratuity must be paid within fifteen (15) working days of the Termination Date.

45.3 For End of Service Gratuity purposes, one (1) month is deemed to be thirty (30) calendar days. A day's pay for End of Service Gratuity purposes is calculated on the basis of one month's Salary / 30.

#### **46. Work and Residency Permit Cancellation**

The Customer and the Employee must cooperate to ensure the cancellation of the Employee's Saudi residency permit and Employment Approval within thirty (30) calendar days of the Termination Date.

#### **47. Repatriation**

The Customer shall be responsible for repatriating the Employee to the Employee's home country as per the Employee's passport, or any other country agreed upon. The minimum repatriation obligation is a one-way economy airfare ticket which is payable to the Employee within thirty (30) days of the Termination Date.

## SCHEDULE 1 - Definitions

<b>Access Approval</b>	The access approval provided at the discretion of the Department to enable an individual to work on a temporary basis for a Customer in the ILBZ.
<b>Annual Leave</b>	The annual leave entitlement detailed at Article 23 of the Regulations.
<b>Basic Salary</b>	The Employee's Salary excluding any allowances or Supplementary Payment.
<b>Cooperative Health Insurance Regulations</b>	The Cooperative Health Insurance Law promulgated by Royal Decree No. M/10, dated 01/05/1420H (corresponding to 11 September 1999), as supplemented by implementing regulations, and ministerial decisions or resolutions.
<b>Customer</b>	A company established in The Department pursuant to ILBZ Companies Regulations which employs one or more Employees.
<b>Daily Salary</b>	(a) An Employee's annual Salary divided by two hundred and sixty (260) for an Employee who works a five (5) day week or three hundred and thirteen (313) for an Employee who works a six (6) day week; or (b) where the Employee does not earn a regular Salary, Daily Salary shall be calculated on the basis of the average Salary received by the Employee during the six (6) months preceding the Termination Date.
<b>Employee</b>	An individual who works under an Employment Contract with a Customer which requires the individual to personally perform work for a Salary.
<b>Employment Approval</b>	The approval, issued at the discretion of The Department, to enable an Employee to work for a Customer in the ILBZ.
<b>Employment Contract</b>	An agreement between the Customer and the Employee setting out the terms and conditions of employment as amended or replaced from time to time. The Employment Contract may be express or implied, and (if it is express) may be concluded verbally or in writing.
<b>End of Service Gratuity</b>	The payment described at Article 45 of these Regulations.
<b>GCC National</b>	An individual who is a national of a Gulf Cooperation Council member state.
<b>GOSI</b>	General Organization for Social Insurance

<b>Gross Misconduct</b>	Conduct which is so serious that a reasonable employer would take the view that dismissal without notice, or pay in lieu of notice, is justified for a first offence.
<b>ILBZ</b>	Integrated Logistics and Bonded Zone as defined in the Law for establishing the Special Integrated Logistics Zone promulgated by Royal Order No. (A/17) dated 01/02/1440H (corresponding to 10 October 2018).
<b>Maternity Leave</b>	The period of leave detailed at Article 28 above.
<b>Non-Sponsored Employee</b>	An individual described at Article 6 of the Regulations.
<b>Salary</b>	The Basic Salary plus all allowances (including but not limited to housing, transport and cost of living allowances, if any) excluding any Supplementary Payment.
<b>Salary Payment Period</b>	A weekly, bi-weekly, semi-monthly or monthly recurring length of time during which an Employee is paid.
<b>Sick Leave</b>	The period of sick leave detailed at Article 36 above.
<b>Social Insurance Law</b>	Social Insurance Law promulgated by Royal Decree No. M/33 dated 17/08/1421H (corresponding to 29 November 2000).
<b>Supplementary Payment</b>	Any commission, bonus or other payment made to an Employee that is discretionary, one off and/or paid on an adhoc basis.
<b>Termination Date</b>	<ul style="list-style-type: none"> <li>(a) With reference to Article 44 of these Regulations, the date that the notice period expires.</li> <li>(b) The last day of the term of a fixed term contract.</li> <li>(c) With reference to an Employment Contract terminated during the probation period, the date the termination of employment is effective.</li> </ul>