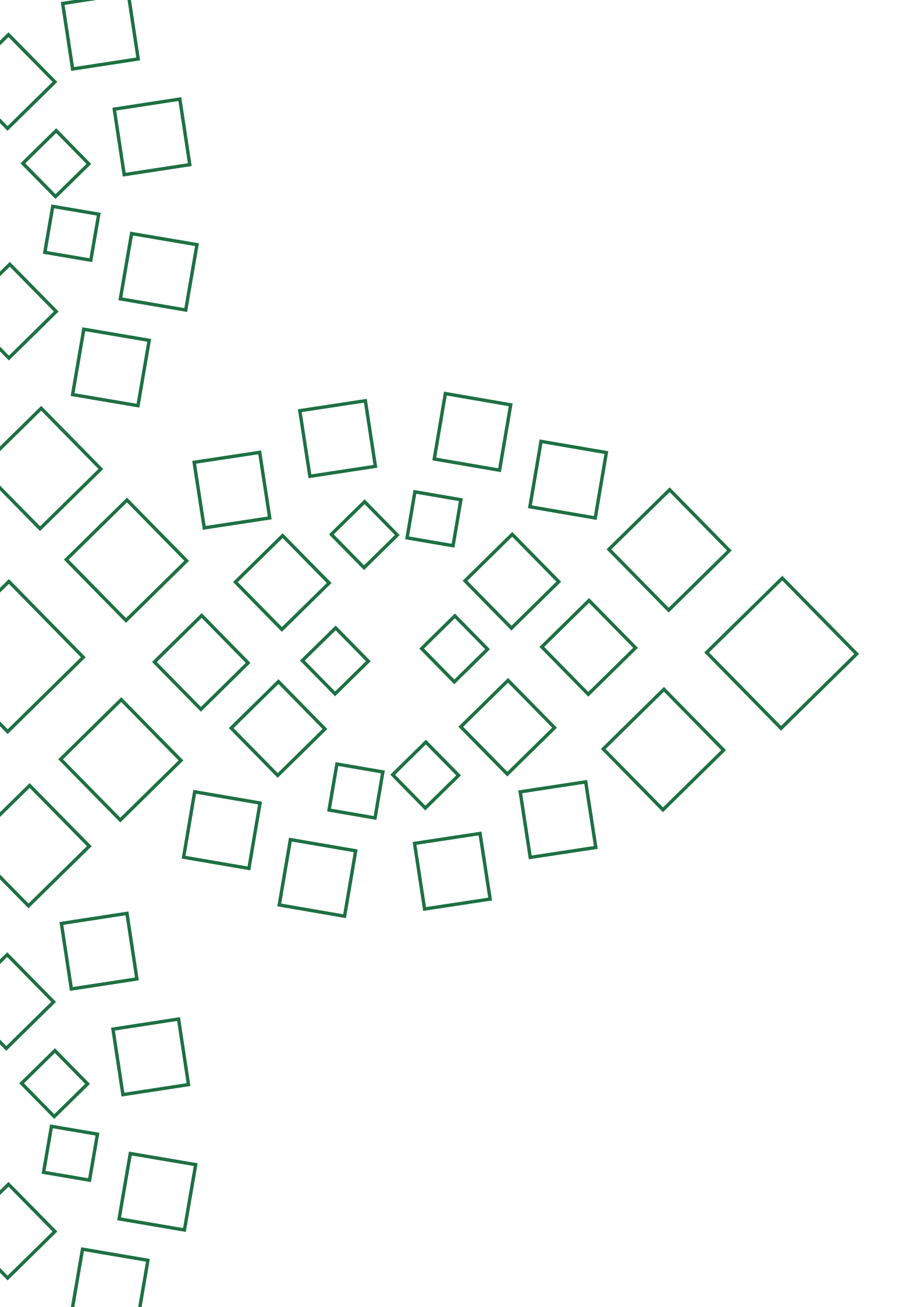




Public Investment  
Fund Program

# The Public Investment Fund Program (2018-2020)

رؤية  
VISION  
2030  
المملكة العربية السعودية  
KINGDOM OF SAUDI ARABIA







We shall be working towards building a solid economy  
based on strong grounds that will lead to the  
multiplication of the sources of income

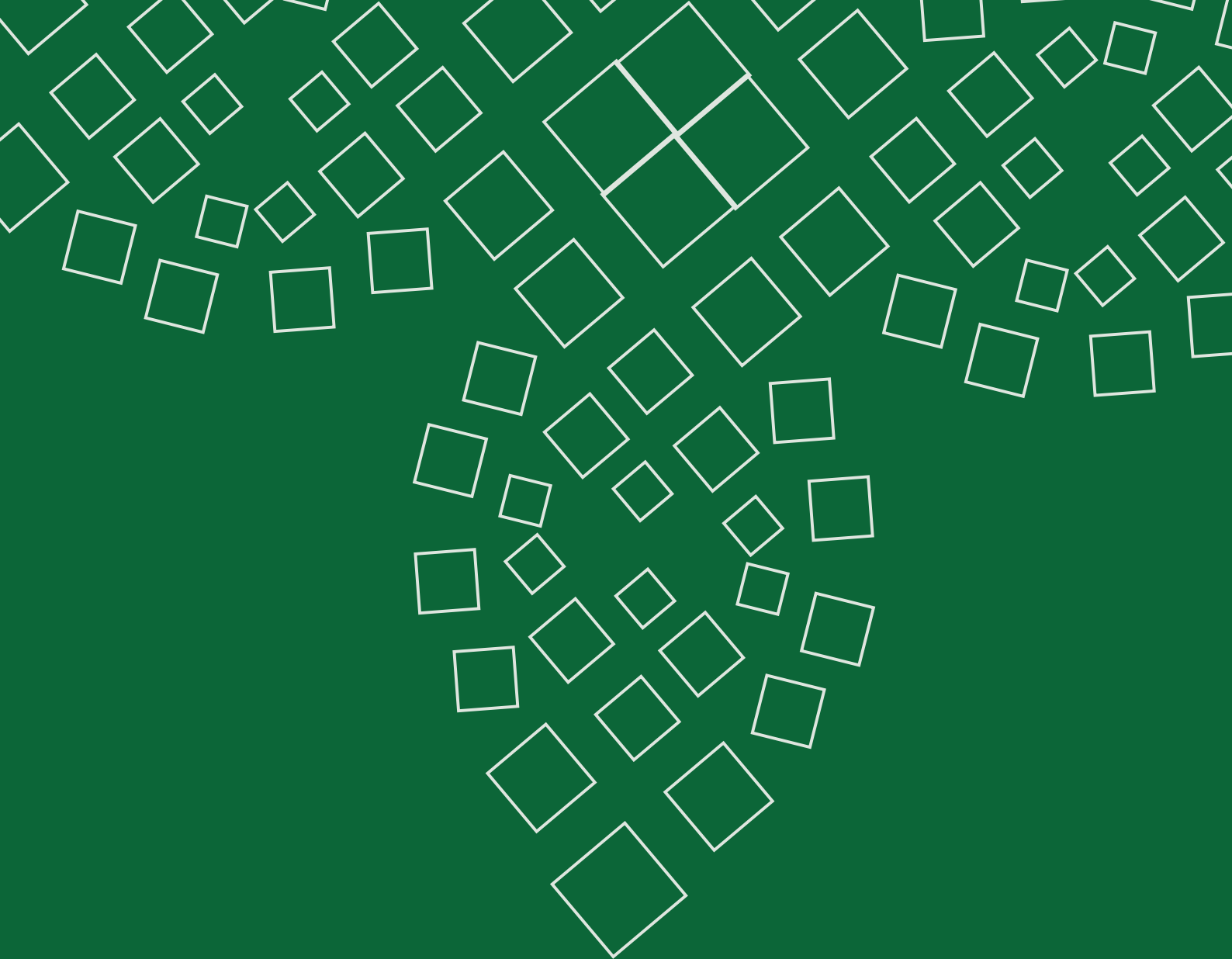
**The Custodian of the Two Holy Mosques  
King Salman bin Abdulaziz Al Saud**



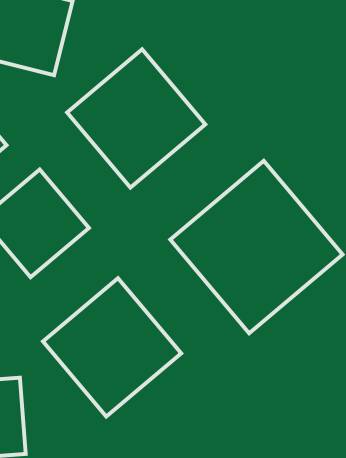
Our nation holds strong investment capabilities, which we will harness to stimulate our economy and diversify our revenues

**His Royal Highness  
Mohammed bin Salman bin Abdulaziz Al Saud**

**Crown Prince, Deputy Prime Minister  
Chairman of the Council of Economic and  
Development Affairs, Chairman of the Public  
Investment Fund**



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## **This Document**

With the guidance of God Almighty, we have embarked on a new era of growth and leadership toward comprehensive economic and social development, with the launch of Saudi Arabia's Vision 2030: "Saudi Arabia... the heart of the Arab and Islamic worlds, the investment powerhouse, and the hub connecting three continents". The Vision revolves around three pillars: a vibrant society, a thriving economy, and an ambitious nation.

The Public Investment Fund (PIF) Program (2018-2020) is one of twelve vision realization programs. The Program outlines our objectives in local and international investments that enable the diversification of the Kingdom's sources of development and growth. The Program crystalizes PIF's role as the engine behind economic diversity in the Kingdom by developing strategic sectors. It also seeks to grow PIF into one of the largest sovereign wealth funds in the world, as well as to build strong economic partnerships to deepen and strengthen the impact and role of Saudi Arabia on the regional and global stages.

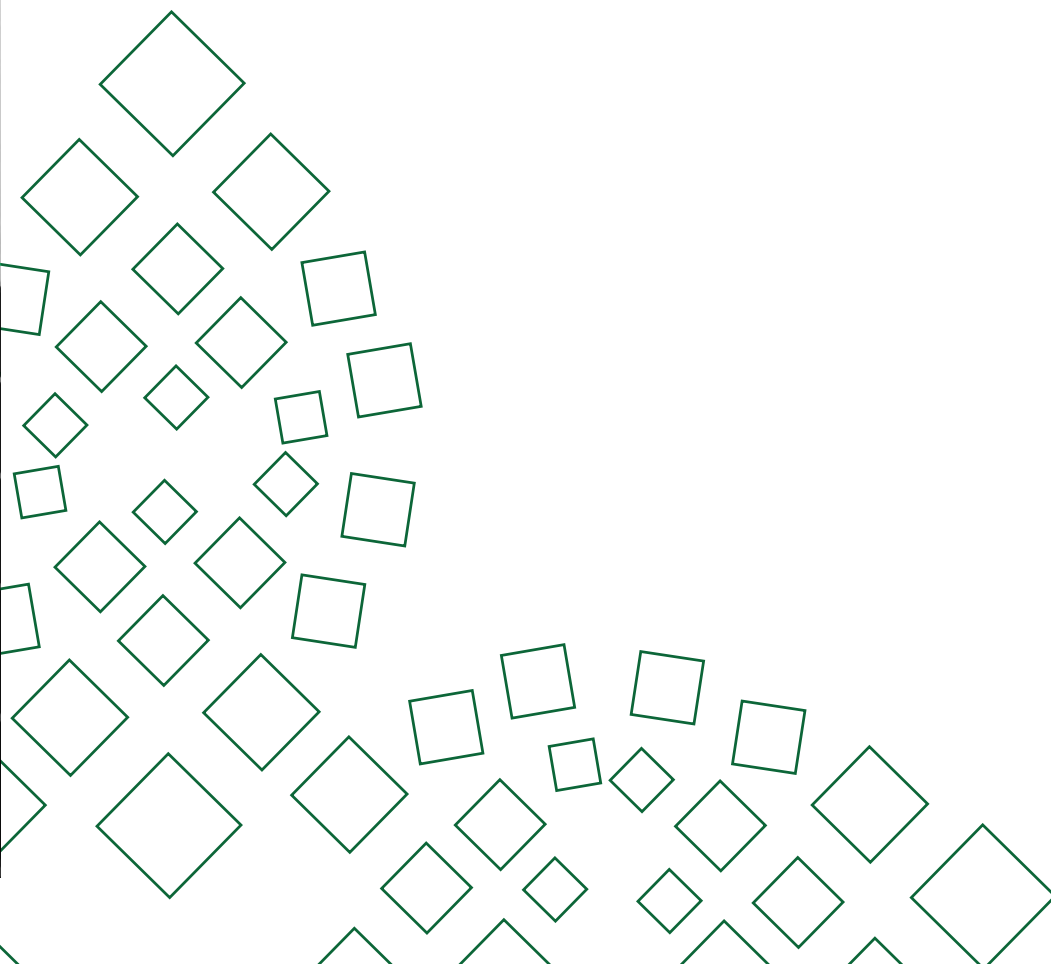
This document details the PIF Program's ambitions, objectives, targets, and initiatives for the period 2018-2020.



# Part One:

## PIF Program Overview

### Ambition and Objectives



## First: PIF Program - Description and Ambition

In order to realize the Kingdom of Saudi Arabia's Vision 2030, the Council of Economic and Development Affairs (CEDA) launched, on April 24, 2017, twelve programs covering the period from 2018 through 2020. Among these programs is the PIF Program, which draws its objectives from the Vision's goal towards a thriving economy. The PIF Program is defined as follows:

The Program strengthens the Public Investment Fund, which is the engine behind economic diversity in the KSA. It also develops high focused strategic sectors by growing and maximizing the impact of the Fund's investments, and seeks to make PIF among the largest sovereign wealth funds in the world. Moreover, the Program establishes strong economic partnerships that help deepen the KSA's impact and role both regionally and globally.

## Second: Objectives and Key Performance Indicators

Vision 2030 identified 96 strategic objectives across its three pillars. Of these, four objectives pertaining to the Vision's second pillar—a thriving economy—are directly assigned to the PIF Program.

### **Objective 1: Grow the assets of the Public Investment Fund.**

PIF Program aims to grow the Fund into one of the world's largest sovereign wealth funds. In fact, PIF's assets have already increased to SAR 840 billion\* (as of September 30, 2017) from SAR 570 billion\* (as of December 31, 2015), reflecting its new direction to maximize value of under-utilized government assets and increase value of investments. Moving forward, the Program's initiatives are expected to increase PIF's assets to SAR 1.5 trillion by 2020; these assets are expected to generate between 4% and 5% in average annual total shareholder returns over that period. Those returns take into account new assets, which PIF will be investing in, that will generate returns beyond 2020 and over the medium to long term.

\* Unaudited and excludes the value of PIF's land assets

## Vision 2030 Direct Objectives of the Public Investment Fund Program

### Grow & Diversify the Economy

#### Level 1

<b>A Vibrant Society</b>	Strengthen Islamic Values & National Identity
	Offer a Fulfilling & Healthy Life
<b>A Thriving Economy</b>	Grow & Diversify the Economy
	Increase Employment
<b>An Ambitious Society</b>	Enhance Government Effectiveness
	Enable Social Responsibility

#### Level 2

Grow Contribution of the Private Sector to the Economy
Maximize Value Captured from the Energy Sector
Unlock Potential of Non-Oil Sectors
Grow the Public Investment Fund's Assets and Role as a Growth Engine
Position Saudi Arabia as a Global Logistic Hub
Further Integrate Saudi Economy Regionally & Globally
Grow Non-Oil Exports

#### Level 3

Grow the assets of the Public Investment Fund
Unlock New Sectors through the Public Investment Fund
Localize Cutting-Edge Technology & Knowledge through the Public Investment Fund
Build Strategic Economic Partnerships through the Public Investment Fund

**Objective 2: Unlock new sectors through the Public Investment Fund.**

The PIF Program will be an important catalyst for the Kingdom's economic transformation and for the launch and development of new sectors, including (but are not limited to) industrial and manufacturing, entertainment, and waste management. To achieve these objectives, the Program will create new companies, create new ecosystems, and develop large-scale infrastructure and real estate projects. By doing so, the new domestic assets are expected to reach 20% of total PIF assets under management by 2020 and contribute SAR 30 billion to the GDP (in real terms) by then.

**Objective 3: Build strategic economic partnerships through the Public Investment Fund.**

The PIF Program aims to develop PIF's assets in international markets as well as grow its role both regionally and globally. PIF will benefit from its scale to become the preferred and most impactful partner globally. Through the Program, PIF's international assets are expected to reach 25% of its assets under management by 2020. Moreover, in its pursuit of these partnerships, the Program is expected to contribute to attracting SAR 20 billion in foreign direct investments (cumulative 2018-2020).

**Objective 4: Localize cutting-edge technology and knowledge through the Public Investment Fund.**

PIF seeks to support the localization of technology and know-how through the launch of new sectors, as well as through the strategic partnerships it forms with global partners. Moreover, PIF will, as an active investor, stimulate and encourage its portfolio companies in Saudi Arabia to expand their research and development efforts. In this context, the Program aims to create 11,000 high-skilled jobs locally by 2020. Moreover, it expects to invest SAR 210 billion - both directly and through its portfolio companies - over the coming three years in advanced technology sectors and research and development, locally and internationally.

In order to measure the performance and impact of the PIF Program, a number of Key Performance Indicators (KPIs) were identified. These include KPIs that measure progress against the four PIF Program objectives, as well as macroeconomic indicators. The 2020 targets for these KPIs are set based on the PIF program's models and projections.

## KPIs that measure progress against the four PIF Program objectives

### Grow the assets of the Public Investment Fund

KPI	Target (2020)
<ul style="list-style-type: none"> <li>PIF assets under management</li> </ul> <i>Unaudited and does not include the value of PIF's land assets</i>	<b>SAR 1.5 trillion</b> - Baseline of SAR 0.84 trillion* (2017)
<ul style="list-style-type: none"> <li>Total Shareholder Return (TSR)</li> </ul> <i>Annualized expected nominal returns – include realized and unrealized capital gains and dividends</i>	<b>4% – 5% (up to 2020)</b> - Baseline of 3% (2014-2016)

### Unlock new sectors through the Public Investment Fund

KPI	Target (2020)
<ul style="list-style-type: none"> <li>Share of assets in new sectors</li> </ul> <i>As % of total PIF's assets under management</i>	<b>20%</b>
<ul style="list-style-type: none"> <li>New sector assets' direct contribution to GDP</li> </ul> <i>In real terms</i>	<b>SAR 30 billion</b>

### Build strategic economic partnerships through the Public Investment Fund

KPI	Target (2020)
<ul style="list-style-type: none"> <li>Share of assets in international investments</li> </ul> <i>As % of total PIF's assets under management</i>	<b>25%</b> - Baseline of 5%* (2017)
<ul style="list-style-type: none"> <li>Cumulative 3-year contribution of PIF Program to FDIs</li> </ul> <i>Includes MoUs and agreements</i>	<b>SAR 20 billion (2018-2020)</b>

### Localize cutting-edge technology and knowledge through the Public Investment Fund

KPI	Target (2020)
<ul style="list-style-type: none"> <li>Number of new direct high-skilled jobs created</li> </ul>	<b>11,000 direct jobs</b>
<ul style="list-style-type: none"> <li>Investments in cutting-edge technology and in R&amp;D</li> </ul> <i>Local and international, includes direct and indirect investments through portfolio companies</i>	<b>SAR 210 billion (2018-2020)</b>

\* As of September 30, 2017

## Macroeconomic indicators

### Macroeconomic indicator

#### Target (2020)

- Contribution to gross domestic product (GDP)  
*In real terms; direct contribution*

**SAR 170 billion** - Baseline of SAR 110 billion (2016)

**6.3% of total GDP** - Baseline of 4.4% (2016)

### Macroeconomic indicator

#### Target (2020)

- Jobs created

**20,000 direct jobs**

**9,000 indirect jobs**

**256,000 construction jobs**

### Macroeconomic indicator

#### Target (2020)

- Share of local content  
*Direct contribution of assets and investments*

**SAR 50 billion** - Baseline of SAR 32 billion (2017)

**2.3% of total local content** - Baseline of 1.7% (2017)

### Macroeconomic indicator

#### Target (2020)

- Non-governmental investments  
*Direct and indirect cumulative local investments through the PIF Program*

**SAR 630 billion**

### Macroeconomic indicator

#### Target (2020)

- Balance of payments  
*Average over the period between 2018 and 2020*

**SAR 47 billion**

### Macroeconomic indicator

#### Target (2020)

- Impact of PIF investments on household consumption rate

**+1.4 pp**

### Macroeconomic indicator

#### Target (2020)

- Impact of PIF investment on the Inflation rate

**+0.7 pp**



The PIF Program also indirectly contributes to 28 other Vision 2030 objectives.

#### **Strengthen Islamic values and national identity**

- Facilitate hosting more Umrah visitors and provide an easier access to the Holy Mosques
- Improve quality of services provided to Hajj & Umrah visitors
- Enrich the spiritual and cultural experience of Hajj & Umrah visitors

#### **Offer a fulfilling and healthy life**

- Ease the access to healthcare services
- Develop & diversify entertainment opportunities
- Grow Saudi contribution to arts & culture
- Enable suitable home ownership among Saudi families

#### **Grow and diversify the economy**

- Attract foreign direct investment
- Create special zones & rehabilitate economic cities
- Grow and capture maximum value from the mining sector
- Develop the digital economy
- Localize promising manufacturing industries
- Localize military industry
- Enable the development of the retail sector
- Enable the development of the tourism sector
- Increase localization of non-oil sectors
- Create and improve performance of logistic hubs
- Improve local, regional and international connectivity
- Develop economic ties with the region
- Develop economic ties with global partners
- Support national champions consolidate their leadership globally
- Develop promising local companies into regional and global leaders

#### **Increase employment**

- Develop our brightest minds in priority fields
- Grow SME contribution to the economy
- Source relevant foreign talent effectively

#### **Enhance government effectiveness**

- Maximize revenues from government state-owned assets

#### **Enable social responsibility**

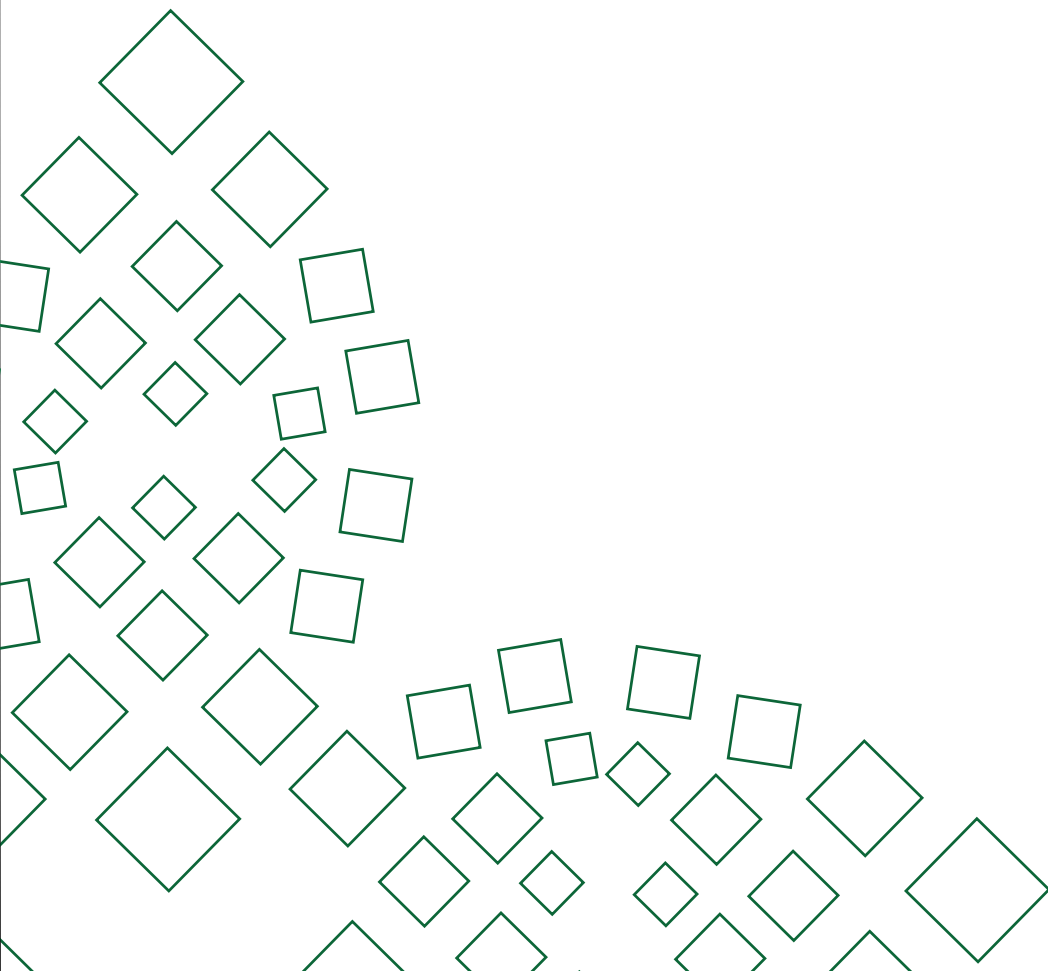
- Support growth of non-profit sector
- Empower non-profit organizations to create a deeper impact



# **Part Two:**

## **The Public Investment Fund**

### **A New Beginning**



## First: PIF History and Context

For more than 46 years, PIF has been a leading economic catalyst for the Kingdom of Saudi Arabia. Since its establishment in 1971 by virtue of the Royal Decree No. M/24, PIF has created several of the Kingdom's national champions, and funded key projects and companies, providing financial support to initiatives of strategic importance to the national economy.

March 23, 2015 became a key milestone in PIF's evolution, as the Council of Ministers issued its resolution number 270, moving PIF's oversight to the Council of Economic and Development Affairs (CEDA) from the Ministry of Finance. Accordingly, the Board of Directors was reconstituted, with His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud, Crown Prince, Deputy Prime Minister, and Chairman of CEDA, becoming the Chairman of the Public Investment Fund's board. This change broadened PIF's mandate and expanded its scope to play a strategic national role.

PIF's contribution has since grown significantly in light of the strategies set by CEDA, as part of the broader effort to drive national economic transformation and achieve positive and sustainable change in Saudi Arabia. Specifically, PIF is actively contributing towards domestic economic development, while expanding its international assets by investing in global sectors and markets, establishing strategic partnerships and launching large-scale programs and initiatives. PIF will aim to maximize sustainable returns in line with the ambitious goals and objectives of Vision 2030.

## Second: Vision, Mission, and Principles

Following the announcement of Vision 2030, which emphasized investing for the long-term as a key theme, PIF launched a strategic transformation program, redeveloping its vision and mission, modernizing its strategy, reviewing its existing assets and restructuring its organization and governance.

### Vision Statement

To be a global investment powerhouse and the world's most impactful investor, enabling the creation of new sectors and opportunities that will shape the future global economy, while driving the economic transformation of Saudi Arabia.

### Mission Statement

To actively invest over the long term to maximize sustainable returns, be the investment partner of choice for global opportunities, and enable the economic development and diversification of the Saudi economy.

**PIF invests, owns and manages its assets on commercial basis. This underpins six principles that guide PIF:**

PIF contributes to the development and diversity of Saudi Arabia's economy, drives the diversification of the government's sources of income, launches new sectors in the local economy and localizes technology, knowledge and innovation.

**Catalyst for  
Economic  
Development**

**Enabler of  
the Private  
Sector**

PIF complements, enables, and partners with the private sector, by creating new opportunities through its investments.

PIF adopts an innovative and gold-standard institutional model that is continuously evolving with emerging and future trends, and that seeks excellence by developing people, talent and systems.

**Institutional  
Leadership**

**Active  
Investor**

PIF is a long-term active investor that enables its portfolio companies to grow into regional and global leaders; it engages with companies through their respective boards employing a rigorous governance framework that meets local and international requirements, and advocates for sound corporate governance standards in its portfolio.

PIF takes a strategic approach towards investing, leveraging its scale to be a partner of choice for global investors and businesses.

**Engaged  
Partner**

**Global  
Impact**

PIF is unique as it mobilizes its capital resources and leverages its network and scale to create complex and transformative new ecosystems, innovate, and positively affect trends at the global level.

## Third: Objectives and Investment Pools

PIF structures its investments around six pools:

### **1) Saudi Equity Holdings**

Assets in this pool include listed and unlisted companies mainly in Saudi and across different sectors. PIF seeks to optimize and maximize the value of assets in this pool, enabling growth and supporting companies to become regional and global leaders.

### **2) Saudi Sector Development**

Assets in this pool include investments in new sectors and companies – directly or indirectly. Through these investments, PIF seeks to unlock the potential of critical new sectors, when commercially viable, to support the diversification and development of the economy, to increase private sector participation, to localize knowledge and technology, and to create high-skilled jobs and opportunities for small and medium enterprises.

### **3) Saudi Real Estate & Infrastructure Development**

This pool includes real estate and infrastructure assets in the Kingdom. These investments and projects are intended to improve the utilization and maximize the value of the land bank, and to upgrade critical infrastructure to support economic development. Moreover, PIF will also capitalize on these investments to bring the best-in-class development expertise and to attract capital from local and foreign investors.

### **4) Saudi Giga-Projects**

This pool includes PIF's investments that aim to create large-scale and complex ecosystems that significantly transform the Saudi economy. These giga-projects are multifaceted, globally unique in scope and ambition, and designed to stimulate overall growth and add significant value to the economy. Moreover, these projects are expected to generate significant value for PIF in the medium to long-term.

### **5) International Strategic Investments**

Assets in this pool include long-term international direct and indirect investments through selected strategic partnerships. Through this pool, PIF targets investments that:



- Involve themes with major strategic, technological, and/ or economic impact.
- Focus on industries of the future.
- Increase Saudi Arabia's reach and positive impact worldwide.

## 6) International Diversified Pool

This pool includes diversified investments across global asset classes (fixed-income, public equity, private equity, real estate and infrastructure, among others), to provide diversified sources of liquidity and income.

The following table shows the expected long-term returns for each of the fund's investment pools:

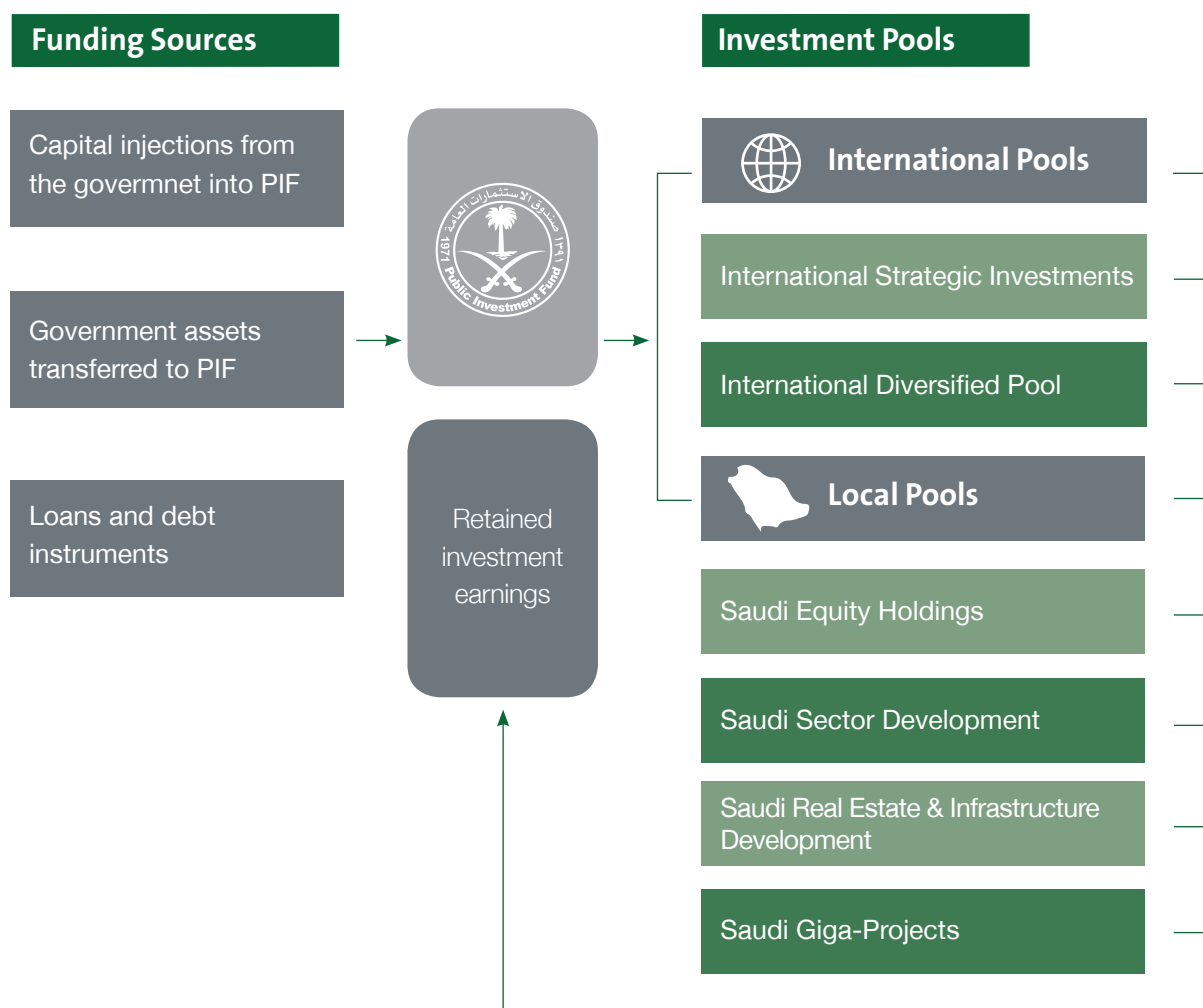
Investment Pool	Expected average annual returns (%)*
Saudi Equity Holdings	8.5
Saudi Sector Development	9.0
Saudi Real Estate & Infrastructure Development	7.0
Saudi Giga-Projects	8.5
International Strategic Investments	8.0
International Diversified Pool	6.5

\* In nominal terms.

## Fourth: PIF Funding Sources

PIF has four major sources of funding:

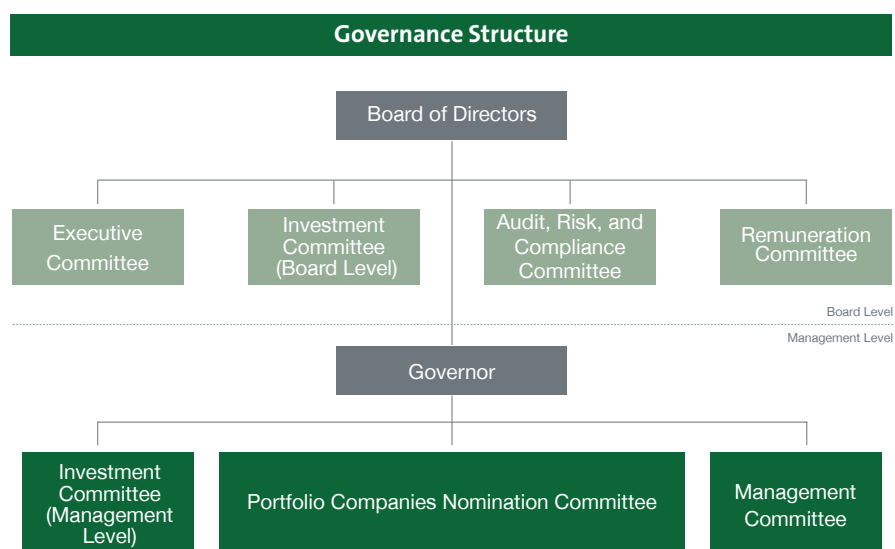
- Capital injections from the government.
- Government assets transferred to PIF.
- Loans and debt instruments.
- Retained earnings from investments.





## Fifth: PIF Governance and Operating Model

PIF has adopted a governance and operating model that reflects its mandate and objectives, and that also builds on global best practices. The operating model ensures transparency, efficiency in decision making, and ability to evolve in the future.



### Governance Framework and Board Committees

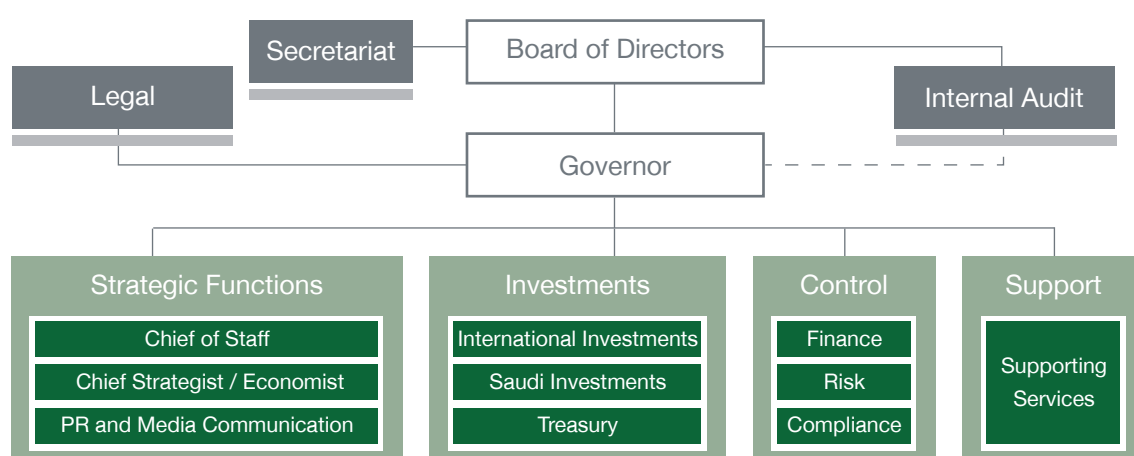
The roles and responsibilities of the Board are classified according to five main themes: strategy and planning; governance and oversight; regulation, recruitment and remuneration; reporting and monitoring; and investment. The key mandates of these committees are as follows:

- **Board of Directors.** Sets the long-term strategy for the fund, approves the business plan and the annual budget, PIF's organization and governance structures, investment pools, and major investment decisions.
- **Executive Committee.** Reviews and aligns PIF's performance with its mandate, and provides management with strategic direction and guidance.
- **Board Investment Committee.** Reviews and endorses PIF's investment activities including: investments in and governance of portfolio companies, new direct and indirect investments, establishment of new companies, asset transfers, investment policy, and investment returns.
- **Audit, Risk, and Compliance Committee.** Ensures that investments comply with risk management policies, and addresses compliance and audit risks including high-impact legal and operational risks. Approves business continuity and audit plans.
- **Remuneration Committee.** Approves senior management appointments and remuneration, and approves the general framework for performance management and staff remuneration.

The following table provides an overview of the composition of PIF's Board and committees.

Name	Board of Directors	Executive Committee	Investment Committee	Audit, Risk, and Compliance Committee	Remuneration Committee
H.R.H. Prince Mohammed bin Salman bin Abdulaziz Al Saud	Chairman	Chairman			Chairman
H.E. Dr. Ibrahim Al-Assaf	Member				
H.E. Eng. Adel Fakeih	Member	Member			
H.E. Mohammad Al Shaikh	Member	Member		Chairman	Member
H.E. Eng. Khalid Al-Falih	Member				
H.E. Mohammad Al-Jadaan	Member		Chairman		
H.E. Ahmed Al-Khateeb	Member	Member	Member		
H.E. Yasir Al-Rumayyan	Member	Member	Member		Member
H.E. Eng. Ibrahim Al-Sultan		Member			
H.E. Abdulaziz Al Furaih				Member	
Eng. Abdulrahman Al-Rowaita				Member	
Mr. Ayman Alsayari			Member		
Mr. Rashed Al Rashed				Member	
Mr. Abdul Rahman Al Mofdi		Member			
Mr. Richard Fischer			Member		

The following diagram shows PIF's organizational structure:



\* H.R.H. stands for His Royal Highness.

\*\* H.E. stands for His Excellency.

## Overview of PIF Policy

The following table provides an overview of the main policies governing PIF's day-to-day functions.

Policy name	Description
Investment policy	Describes the investment objective of specific portfolios, and provide details such as asset classes allowed, target allocation, KPIs, and risk tolerance
Risk appetite statement	Identifies the magnitude and type of risk that PIF can take in order to achieve its strategic objectives
Risk policies	Consists of risk management policies: market risk, liquidity risk, credit and counterparty risk, operational risk, business continuity, and business confidentiality
Code of conduct	Determines expected staff behavior and rules
Compliance policy	Presents policies on abstaining from certain businesses and on trading of some shares
Financial policy	Enumerates financial management policies such as accounting
HR policy	Covers policies relating to remuneration, development, and performance

## Sixth: Risk Management

PIF's risk management strategy has five objectives:

- Optimize the risk-return profile through smart risk taking.
- Maximize PIF's ability to deliver on its objectives.
- Promote sound decision making.
- Support the safeguarding of PIF and ensure employee well-being.
- Achieve the Government's goals and aspirations.

These objectives are achieved through:

- **Risk Governance.** This area involves ongoing monitoring of PIF's risk exposure, and ensuring adherence to its agreed-upon risk appetite. Main activities within this area include regular risk monitoring and reporting, defining PIF's Risk Appetite Statement (RAS), escalating and mitigating RAS breaches, and managing operational risk control frameworks and information security controls.
- **Decision Support.** This area entails supporting investment decision making from a risk perspective. Main activities include overall risk management involvement in the investment process, risk assessments of individual investments, and assessment of the impact of individual investments on PIF's overall portfolio risk profile.

Risks can be classified into two categories:

- **Investment Risks.** Risks in this category imply a probability of loss, or of not achieving expected outcomes, related to one or more specific investments. Investment risks include counterparty or country concentration risk, asset liquidity risk, and funding liquidity risk. Such risks are the focus of the Decision Support area of risk management, although they are also within the scope of Risk Governance.
- **Non-investment Risks.** These risks imply a probability of loss, or of not achieving expected outcomes, not related to any specific investment. Non-investment risks include information security risk and reputational risk. Such risks are the focus of the Risk Governance area of risk management.

In order to manage the risks indicated above, PIF has adopted the widely accepted “three lines of defense” model, with a clear division of roles and responsibilities by areas of the business. The overall risk management oversight role within PIF resides with the Board. The governance structure then follows separate paths for decision support and for risk governance:

- Decision-making support is covered by the Board Investment Committee, on the basis of recommendations of the Management Investment Committee.
- Risk management is covered by the internal and external auditors and by the Board’s Audit, Risk, and Compliance Committee.

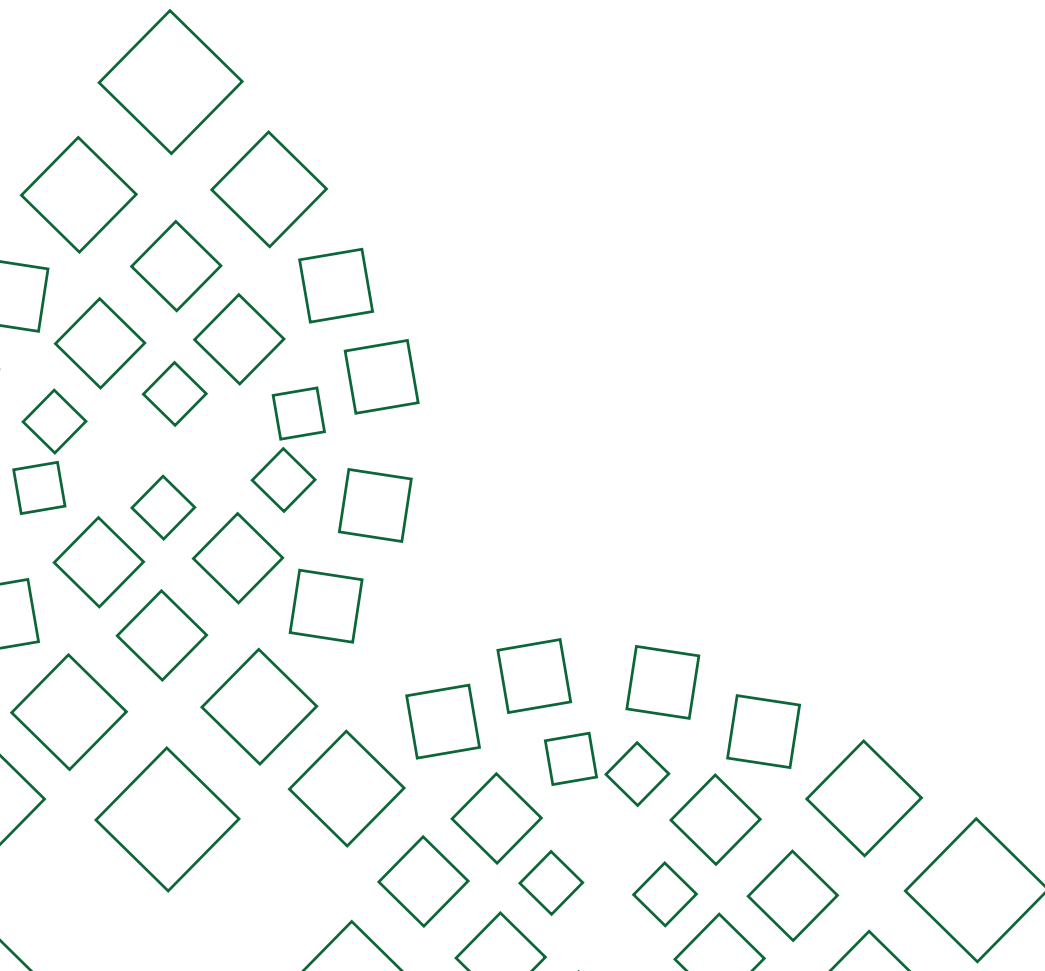
Clear roles and responsibilities exist for each line of defense within PIF’s structure:

- Business Units. This line of defense is responsible for establishing a departmental control framework and embedding risk-return tradeoffs in decision-making processes.
- Risk Management. This line of defense is responsible for strategic risk management, risk policy and procedure setting, and functional oversight.
- Internal Audit. This line is responsible for independent challenge and assurance.



# **Part Three:**

## **The Public Investment Fund Program Initiatives**





The PIF Program (2018–2020) includes 30 initiatives (20 local, 7 international, and 3 institutional):

Index	Initiative Category
<b>First</b>	<b>Initiative to maximize the value of PIF's investments in Saudi companies</b>
1.1	Transforming PIF to an active investor
<b>Second</b>	<b>Initiatives to launch and develop new sectors</b>
2.1	Establishing the Saudi Military Industries Company (SAMI)
2.2	Supporting the Saudi Industrial Transformation and Development
2.3	Establishing the Entertainment Investment Company
2.4	Launching Noon.com, a regional e-commerce platform
2.5	Establishing the Saudi Real Estate Refinancing Company
2.6	Establishing the Saudi Recycling Company
2.7	Establishing the National Energy Efficiency Services Company (Super Esco)
2.8	Establishing the Fund of Funds to boost SME funding
2.9	Establishing a Heli-taxi Company for Private Transportation and Sightseeing Trips
<b>Third</b>	<b>Initiatives to develop real estate and infrastructure projects and companies</b>
3.1	Establishing a Housing Community Development Company
3.2	Maximizing the Value of PIF's Land and Create New Urban Models in the Main Cities
3.3	Developing King Khalid International Airport City in Riyadh
3.4	Developing King Abdulaziz International Airport City in Jeddah
3.5	Developing the Hajj and Umrah Experience, and Increasing the Hotel and Housing Capacity in The Holy City of Makkah
3.6	Developing the Hajj and Umrah Experience, and Increasing the Hotel and Housing Capacity in Al Madinah
3.7	Developing a Tourism and Entertainment Destination in Asir
<b>Fourth</b>	<b>Giga-projects initiatives</b>
4.1	Neom Project



Index	Initiative Category
4.2	The Red Sea Project
4.3	The Qiddiya Project
<b>Fifth</b>	<b>Initiatives to develop international strategic partnerships</b>
5.1	SoftBank Vision Fund Initiative
5.2	US Infrastructure Investment Program Initiative
5.3	Russian Direct Investment Fund Initiative
5.4	French Private Equity Investment Initiative
5.5	Uber Investment Initiative
5.6	Saudi-Jordanian Investment Fund Company Initiative
<b>Sixth</b>	<b>International investments to diversify sources of wealth and income</b>
6.1	International Diversified Investments Initiatives
<b>Seventh</b>	<b>PIF's institutional initiatives</b>
7.1	Building Human Capital Capabilities
7.2	Upgrading the IT systems and Infrastructure Needed to Support the Fund's Activities
7.3	Strengthening PIF's Image and Presence Locally and Globally

## First: Initiative to Maximize the Value of PIF's Investments in Saudi Companies

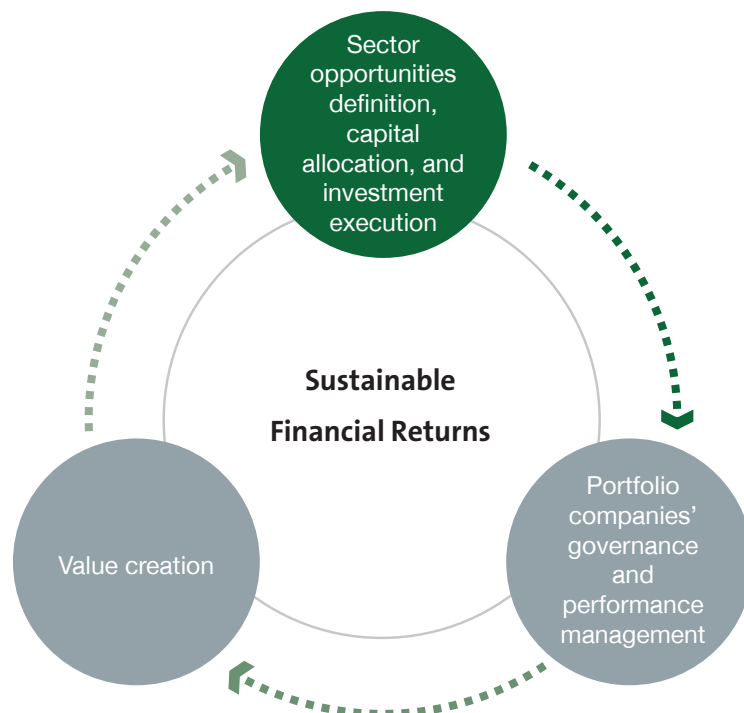
### 1.1: Transforming PIF to an active investor

PIF seeks to maximize value of its portfolio companies and generate long-term sustainable returns. As an active investor and impactful shareholder, PIF aims for positive change primarily through:

- Enabling growth of companies to become regional and global champions.
- Building competitive advantage, leveraging PIF's scale and network.
- Stimulating innovation in sectors, business models and industry structures to build and maintain leadership.
- Seeking synergies and collaboration between portfolio companies.
- Advocating sound corporate governance practices.

To achieve this objective, PIF is implementing a three-pronged approach:

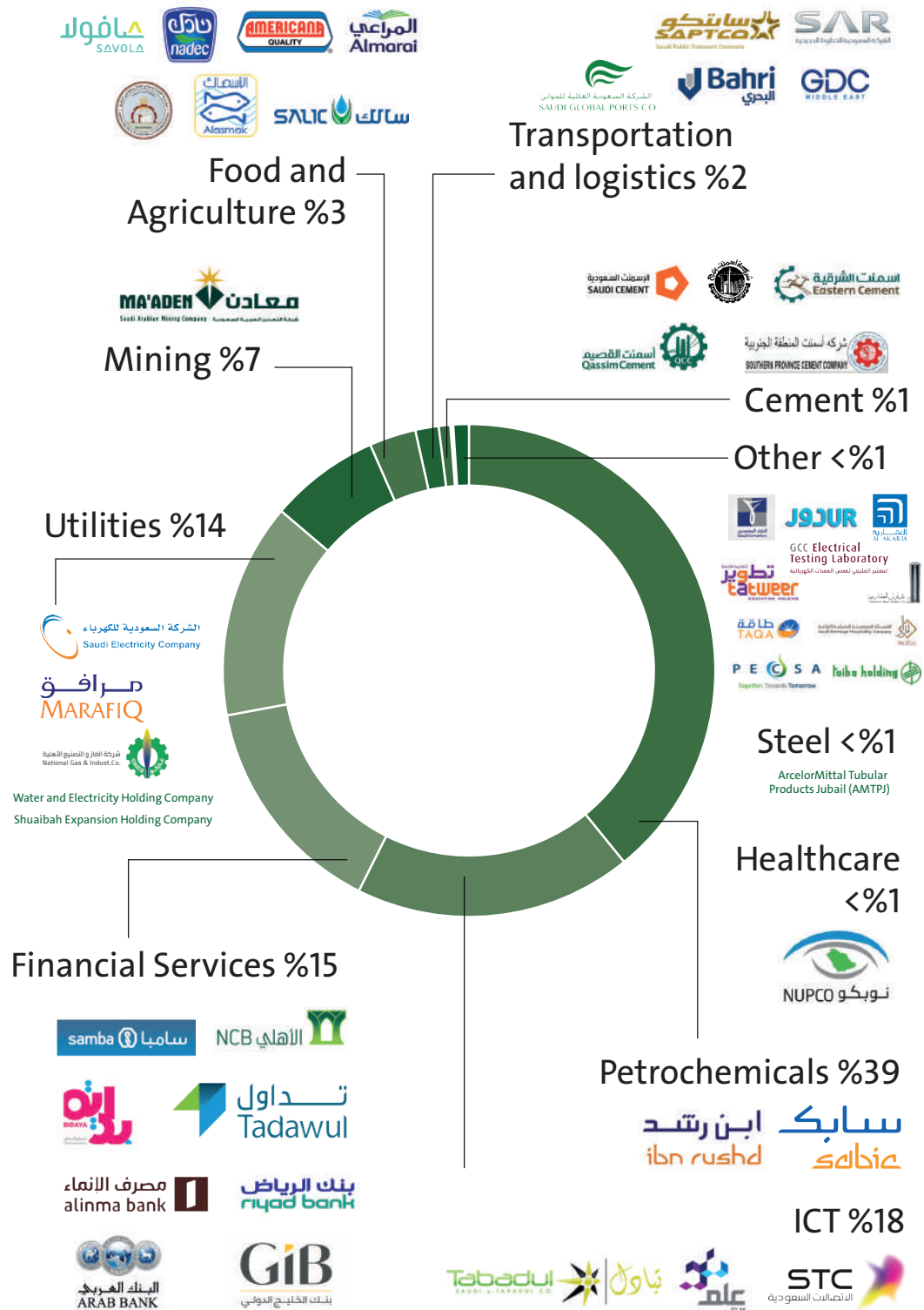
- Identifying and capturing opportunities in sectors that it is investing in and optimizing capital allocation.
- Institutionalizing portfolio companies' governance and performance management frameworks.
- Building a value creation toolkit to support portfolio companies.



## PIF's Perspective on Sectors

An overview of PIF's holdings and perspectives in selected sectors is presented below:

### Direct investments in Saudi Companies, by economic sector\*



\* Includes regional companies.



## **Petrochemicals Sector**

### **PIF's investments in the sector**

PIF is a shareholder in the Saudi Basic Industries Corporation (SABIC) and the Arabian Industrial Fibers Company (Ibn Rushd). SABIC is the fourth-largest global chemical company by revenue<sup>1</sup>.

### **The PIF Program's objectives in this sector by 2020**

The petrochemical sector is the largest industrial sector in the Kingdom, providing approximately 100,000 jobs in 2016<sup>2</sup>. Moreover, the Kingdom was among the largest producers regionally in 2016<sup>3</sup> and the sector is a key element of Saudi Arabia's efforts to grow and localize industries.

As such, the PIF Program will look into the following opportunities in this sector during the next three years (2018–2020):

- Expand in manufacturing derivatives and specialty chemicals to increase sector profitability, support local manufacturing, prepare for an expected increase in local demand, and maintain Saudi Arabia's position as a key global producer.
- Reduce the heavy reliance on advantaged feedstock (ethane) by expanding operations internationally and capitalizing on additional advantaged feedstock, or by improving competitiveness when cracking other feedstock (such as naphtha and LPG).
- Achieve operational excellence by continuously supporting companies in improving their processes and increasing their competitiveness, and by investing in R&D.

## Telecommunications and Information Technology Sector

### PIF's investments in the sector

PIF is a shareholder in Saudi Telecom Company (STC), Elm, and Tabadul Company.

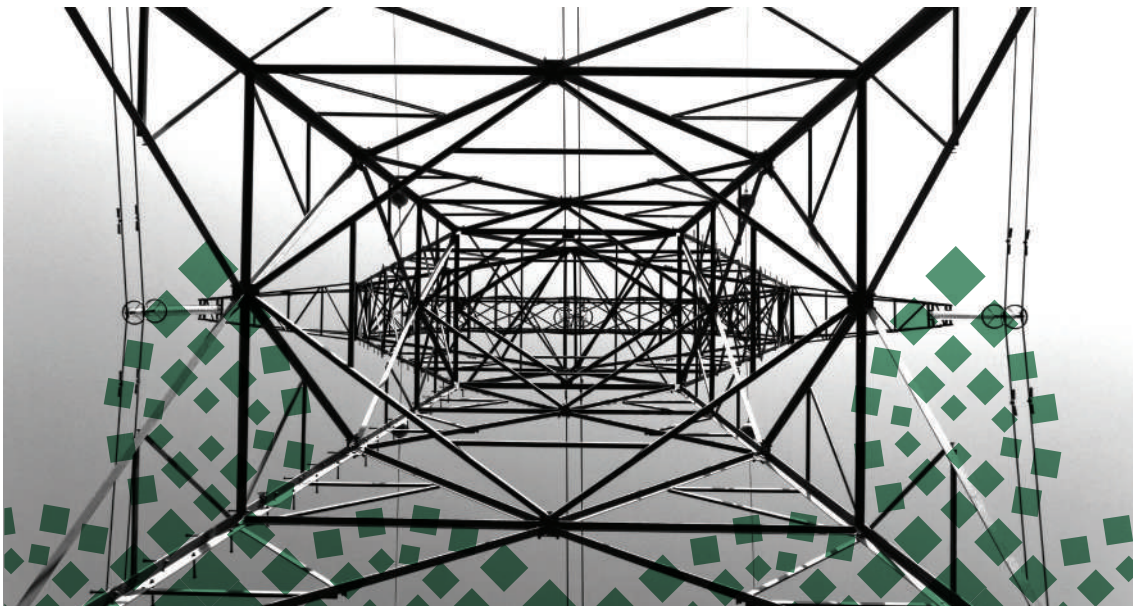
### The PIF Program's objectives in this sector by 2020

Saudi Arabia is considered the biggest ICT market in the region, with yearly spending expected to reach SAR 140 billion in 2017 and employment to reach 213,000 jobs<sup>4</sup>.

Going forward, an advanced digital infrastructure is a key enabler for multiple Vision 2030 objectives. Such infrastructure includes a wider and more reliable broadband network. The sector is also expected to localize technology, enhance the efficiency and productivity of government and companies, launch digital economy, and improve the competitiveness and growth of SMEs.

With those factors in mind, the PIF Program will look into the following opportunities during the next three years (2018–2020):

- Support the expansion of the ICT infrastructure, with a focus on fiber, to improve service quality and connectivity.
- Enhance digital content offerings and expand the breadth of the value proposition offered by ICT companies to the consumer segment, to transform these companies into integrated service players. This expansion will include opportunities to develop digital banking solutions through improved cooperation between portfolio companies.
- Meet the growing needs of companies (SMEs and large companies) and government, and support digital transformation in various sectors.



- Support ICT companies to become regional players and global challengers, expanding their international customer base and tapping into new markets.
- Turn Saudi Arabia into an innovation and digital hub, through the localization of knowledge and technology in emerging sectors (such as cloud services, data analytics, and information security).

## Financial Services Sector

PIF's involvement in the financial services sector is in banking services and capital markets.

### PIF's investments in the sector

PIF's investments in the financial services sector are distributed among the National Commercial Bank (NCB), Samba Financial Group, Riyadh Bank, Alinma Bank, Bidaya Home Finance, and Saudi Stock Exchange (Tadawul). PIF also own shares in Arab Bank (Jordan) and Gulf International Bank (GIB).

### The PIF Program's objectives in this sector by 2020

The banking sector is the biggest financial services subsector. It contributed SAR 111 billion to Saudi Arabia's real GDP in 2016, which represents around 6% of non-oil GDP, and has been growing at an annual rate of 7% over the past four years<sup>5</sup>.

In the case of the capital markets subsector, the Saudi stock market is the largest regional market, with a total market capitalization in 2016 of SAR 1.68 trillion<sup>6</sup>.

Going forward, Vision 2030 offers significant potential for the Financial Services sector. While most opportunities will lie in the financing of projects to grow the economy, additional opportunities will be available in other financial services (for example, advice on raising capital, commercial financing, and payment services). Vision 2030 also highlights the Kingdom's commitment to attracting foreign direct investment (FDI) – capital markets will be a key channel for attracting this FDI.

As the Financial Services sector is primarily an enabler of economic growth, future growth and resulting size of the sector will largely depend on how other sectors of the economy develop.

The PIF Program will look into the following opportunities in the sector during the next three years (2018–2020), taking into account its importance in meeting the financing needs for economic development and diversification:

- Explore potential regional and international expansion opportunities to support Saudi companies that are targeting regional and international markets.
- Support Tadawul to become the leading regional exchange in terms of market size, increase in number of listed companies, breadth and innovation of products



offered (such as fixed income products), and ease of foreign investor access.

- Develop digital banking ecosystems and support banks in their digital transformation plans in line with global trends and practices, to improve customer service and achieve operational excellence.



## Utilities Sector

### PIF's investments in the sector

PIF's investments in the utilities sector include the Saudi Electricity Company (SEC), Water and Electricity Holding Company (WEHC), Power and Water Utility Company for Jubail and Yanbu (Marafiq), the National Gas & Industrialization Company (GASCO), and the Shuaibah Expansion Holding Company. PIF also has an indirect investment in ACWA Power through Sanabil.

### The PIF Program's objectives in this sector by 2020

Saudi Arabia's total power generation capacity reached almost 82 gigawatts in 2015, provided by more than six companies. SEC was the largest of these companies, with a production capacity representing 70% of the total<sup>7</sup>.

With regard to the power supply subsector, Saudi Arabia has large-scale assets in power transmission and distribution, offering service coverage in 2015 of roughly 70 thousand kilometers of high-voltage lines and almost 540 thousand kilometers of low- and medium-voltage lines<sup>8</sup>. The subsector also includes customer service across all channels (branches, call centers, internet, mobile phones and self-service devices).

The PIF Program will look into the following opportunities in this sector during the next three years (2018–2020):

- Realize operational excellence at the portfolio assets level, leading to enhanced fuel consumption efficiency, and reduced capital costs.
- Invest in solar power and renewables to localize the sector across the value chain and lead the Kingdom to become a global player in the industry.
- Invest in energy modernization, including the use of smart systems, and bidirectional infrastructure to integrate renewable energy sources.

## Mining Sector

### PIF's investments in the sector

PIF is a shareholder in Ma'aden, which is involved in extraction of the following mineral resources: gold and base metals, phosphate, aluminum, and industrial minerals.



### The PIF Program's objectives in this sector by 2020

The mining sector is one of the most promising sectors in the Kingdom. However, spending on exploration activities remains low due to their high cost and long duration. The sector is one of the pillars of industrial development in the Kingdom and contributed roughly SAR 11 billion to Saudi Arabia's non-oil GDP in 2016<sup>9</sup>.

In line with Vision 2030, Saudi Arabia seeks to increase the mining sector's contribution to GDP and employment by 2020<sup>10</sup>. The sector will support the development of other industries, given its relationship with new sectors that the Kingdom is developing.

The PIF Program will look into the following opportunities in this sector during the next three years (2018–2020):



- Invest in the exploration and extraction of untapped resources of various minerals to increase production and expand the sector's contribution to GDP threefold.
- Build a leading position globally in phosphate and fertilizer production, by tapping into new global markets and creating strategic partnerships.
- Support downstream aluminum production to enable the development and growth of manufacturing sectors, given Saudi Arabia's unique opportunity to become a key player in the aluminum market through the establishment of strategic partnerships and expansion into global markets.
- Increase the investment in upstream aluminum projects.

## Food and Agriculture Sector

### PIF's investments in the sector

PIF's investments in the food and agriculture sector in Saudi Arabia are distributed among Almarai, the Saudi Agriculture and Livestock Investment Company (SALIC), the Savola Group, the National Agricultural Development Company (NADEC), the Saudi Fisheries Company, and the Flour Mills Company\*. PIF also owns a stake in Americana Group.



### The PIF Program's objectives in this sector by 2020

Vision 2030 aims at ensuring food self-sufficiency for the Kingdom. The country will implement highly efficient sustainable production technologies for factories, livestock farms, and fisheries, in addition to more efficient use of natural and renewable water resources in agricultural areas. The Vision will continue the Kingdom's efforts to identify collaboration models between consumers, food manufacturers, and

\* Previously known as Grain Silos & Flour Mills Organization; excluded from detailed description because it is being privatized.

distributors to increase production efficiency and reduce waste.

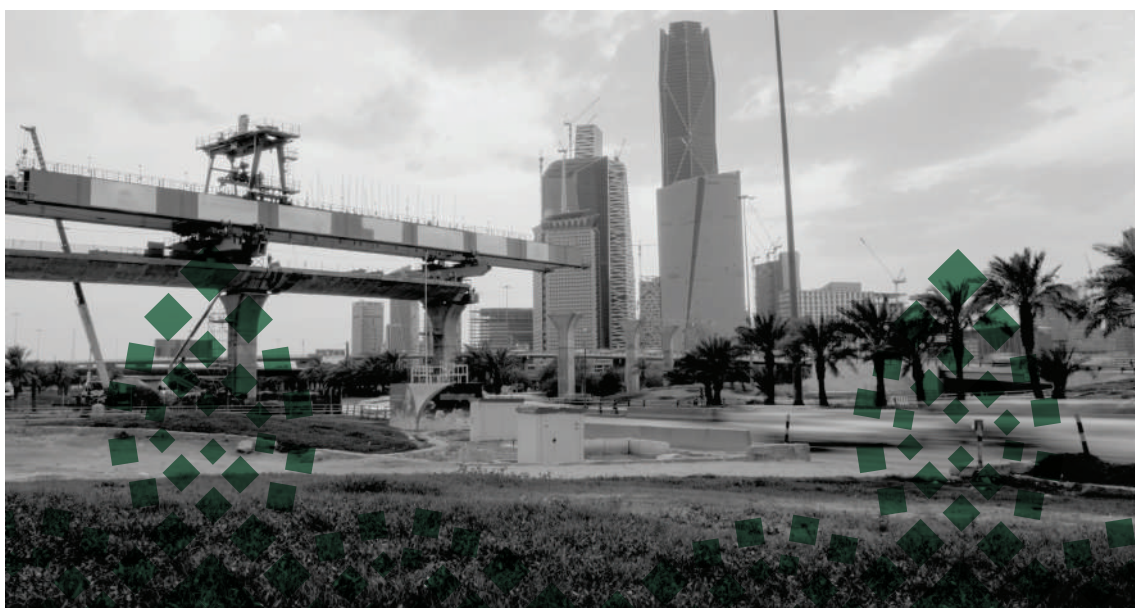
The PIF Program will look into the following opportunities in the sector during the next three years (2018–2020):

- Invest in commercially viable agriculture projects to improve self-sufficiency, given that food consumption in the Kingdom reached approximately 31 million metric tons while food production was limited to about 7 million metric tons.
- Acquire a significant share of the global food market, and grow Saudi Arabia's processed food exports to regional and global markets. Investing in this sector will enable PIF to benefit from local demand, which was estimated at about SAR 72 billion in 2016<sup>11</sup>. Moreover, the overall growth outlook of this sector in the Kingdom and the region is positive, given population growth and changes in consumption behaviors (which increasingly favor processed and canned food, and branded food items).
- Invest in emerging agricultural technology companies, in order to promote advanced technologies in the Kingdom, improve the productivity of local agricultural activities, and reduce the waste of natural resources.

## Transport and Logistics Sector\*

### PIF's investments in the sector

PIF's investments in transport and logistics include the Saudi National Maritime Transport Company, the Saudi Global Ports Company (SGP), the Saudi Railway Company (SAR), Saudi Arabia Public Transport Company (SAPTCO), and GDC Middle East.



\* The classification of the logistics sector includes the sectors of maritime, air and road transportation (railways and roads). The focus was however on the maritime and the railway sectors as PIF's portfolio companies operate in these sectors

### **The PIF Program's objectives in this sector by 2020**

Vision 2030 aspires to transform the Kingdom into a global logistics hub for sectors of national interest and for industrial and consumer goods. Saudi Arabia will provide favorable working conditions for manufacturers and logistics providers, easy access to the Arabian Peninsula countries and Northeast Africa, and a distinctive distribution network for local markets.

The PIF Program will look into the following opportunities in this sector during the next three years (2018–2020):

- Develop a Saudi regional leader in seaport operations, to enable Saudi Arabia to leverage its Red Sea and Gulf locations and play a pivotal role globally in providing services necessary to support imports to and exports from the Kingdom.
- Facilitate cooperation between PIF's portfolio companies, including cooperation between ports and the Saudi Railway Company.
- Expand investments across the logistics value chain (such as storage and shipping), to realize synergies.
- Explore global acquisitions opportunities to achieve economies of scale and enhance Saudi Arabia's global presence.
- Contribute to building and securing the necessary infrastructure for national industries, by supporting, for example, the Waad al-Shamal phosphate project.

## **Cement Sector**

### **PIF's investments in the sector**

PIF's investments in this sector are distributed among several cement companies: the Southern Province Cement Company (SPCC), the Qassim Cement Company (QCC), the Yanbu Cement Company (YCC), the Eastern Province Cement Company (EPCC), and Saudi Cement.

### **The PIF Program's objectives in this sector by 2020**

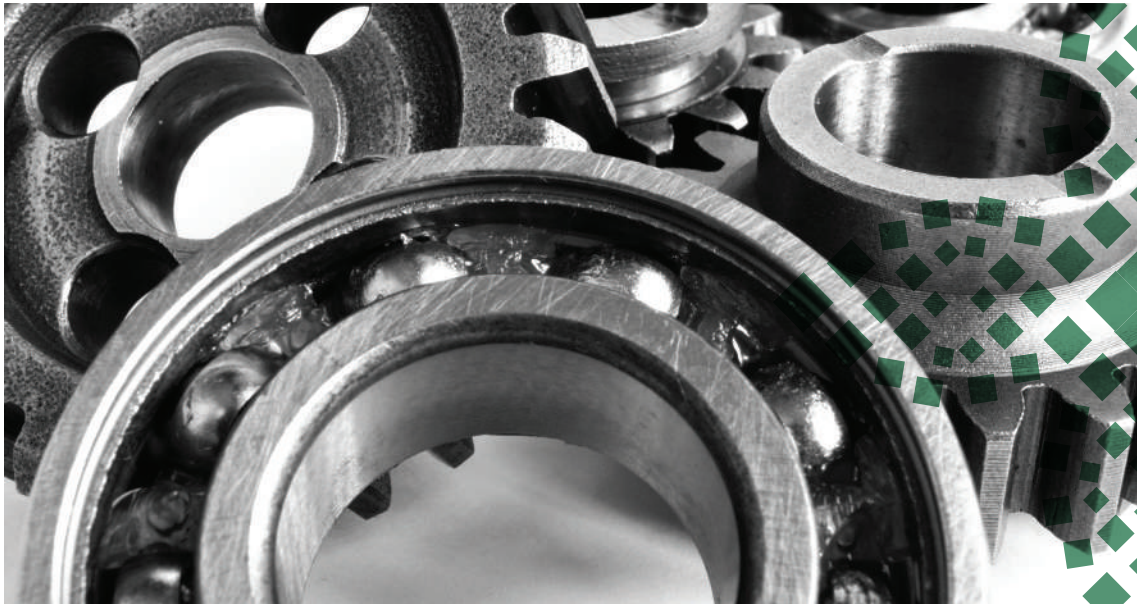
Cement is a key industrial sector in the Kingdom, providing around 12,500 jobs. The sector's total revenues amounted to approximately SAR 15 billion in 2016, with production capacity increasing at a higher rate than demand in recent years<sup>12</sup>.

In line with Vision 2030, opportunities will emerge for the sector, given the various expected (or initiated) real estate and infrastructure projects, such as: Riyadh metro, Jeddah metro, the expansion of the Holy Mosque in Makkah, and Jubail second industrial city, which development will last until 2030 approximately.

The PIF Program will look into the following opportunities in this sector during the next three years (2018–2020):



- Study expansion opportunities for Saudi companies to become regional providers.
- Establish local champions with the capacity to meet future market demand.
- Increase operational efficiency to supply the Vision 2030 projects, including investment in alternative energy sources and the closure of old and ineffective furnaces.



## Steel Sector

### PIF's investments in the sector

PIF owns shares in the ArcelorMittal Tubular Products Jubail (AMTPJ).

### The PIF Program's objectives in this sector by 2020

Steel production in Saudi Arabia largely focuses on long products such as billets and reinforcing steel, due to the traditional demand of the construction and oil and gas sectors. Local production has recently faced challenges on two fronts:

- Saudi Arabia's greater reliance on imports of flat-end products compared to the imports of long products.
- Decelerating demand and increased supply due to small factories' preference to import.

In the light of Vision 2030, the steel industry is expected to grow driven by the increased demand in key sectors, including the construction, automobile manufacturing, military industries, and renewable energy sectors, as well as of the expected growth in residential property construction.

The PIF Program will look into the following opportunities in the sector during the next three years (2018–2020):

- Develop local capabilities to produce high-end products that support new sectors. This includes constructing, for example, the first blast furnace in the

region that can contribute to the production of products adapted to the needs of advanced industries and localizing the production of flat products.

- Strengthen the Kingdom's position as a global Oil Country Tubular Goods (OCTG) leader.
- Expand capabilities across the value chain to improve the sector's competitiveness and profitability.

## Health Care Sector

### PIF's investments in the sector

PIF is a shareholder of the National Unified Procurement Company for Medical Supplies (NUPCO), a company established for the purpose of standardizing the procurement activities of government health entities in Saudi Arabia. In the future, NUPCO can expand its services to private health care providers by providing strategic value added services. PIF indirectly contributes to Ibrahim Mohammed Al Mana & Brothers Co., which owns Al Mana General Hospital in the Eastern Region.



### The PIF Program's objectives in this sector by 2020

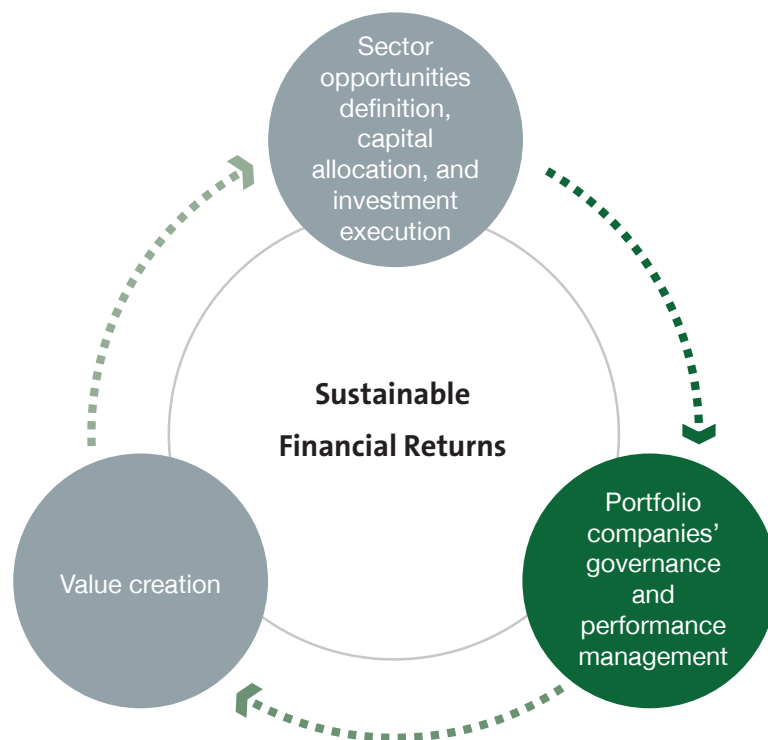
The health care sector in the Kingdom includes all activities related to the provision of health care (such as hospitals, clinics, and pharmacies), as well as the production of materials related to health care (such as pharmaceuticals and medical supplies). In light of Vision 2030, the Kingdom aims to facilitate access to health care services, and intends to achieve this goal through investments in health care-related infrastructure projects and increased participation by local and foreign private service providers.

The PIF Program will look into the following opportunities in the sector during the next three years (2018–2020):

- Support efforts to localize health care and contribute to making the Kingdom

a regional center for health care by establishing cutting-edge medical cities and health care infrastructure and attracting the best medical resources. An opportunity exists to develop this sector substantially in Saudi Arabia. For example, the average number of beds was 2.1 beds per 1,000 inhabitants, below the global average of 3.1 beds and the OECD average of 5 beds<sup>13</sup>.

- Localize the pharmaceutical industry and the assembly of medical devices and equipment. The Kingdom is one of the largest importers of pharmaceutical products in the region. The value of imported pharmaceutical products is equivalent to 80% of total consumption<sup>14</sup>. Greater health awareness and increased spending on health care are expected to accelerate this growth.
- Support the development of IT systems and software for health care, including solutions related to patient health information, the ability to coordinate provided services, rapid diagnostic assistance solutions, and the exchange of medical information with patients and their families.



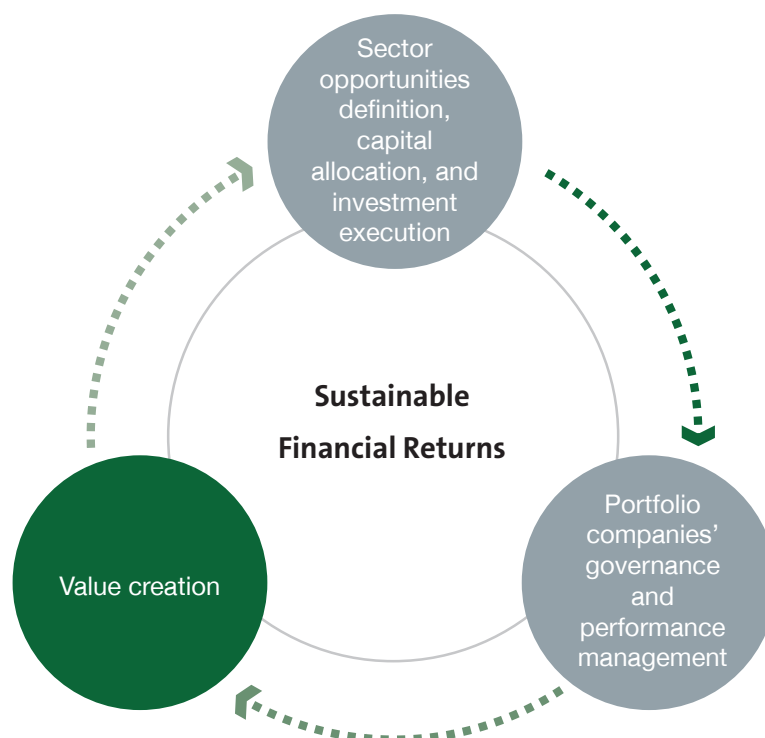
### **Governance of portfolio companies and performance management**

PIF aims—as a second step—to support its portfolio companies in achieving high growth rates, by helping them develop their governance system and keep up with best practices in governance, and by monitoring their compliance with applicable rules and regulations in the Kingdom and abroad.

As such, PIF has established a department responsible for the governance of its portfolio companies and developed a best-practice framework to support the companies in improving their performance and the relationships between

all stakeholders (including shareholders, regulators, board of directors, and management). The governance framework includes six pillars:

- **PIF's shareholder opinion.** PIF will assess the performance of portfolio companies and develop a perspective on the companies' priorities and strategic direction. PIF's board representatives will participate in driving the portfolio companies' strategies based on PIF's shareholder opinions.
- **Portfolio companies' governance standards.** PIF will offer portfolio companies support in implementing best-practice governance and in complying with regulations and directions from Saudi and international regulators.
- **Performance monitoring.** PIF will closely monitor the performance of the portfolio companies by exercising its rights as a shareholder to maximize returns for all investors and achieve its strategic objectives.
- **Board of directors' nomination.** PIF will seek to attract top talent, for its representation on portfolio companies' boards of directors, combining relevant local and international expertise, in order to maximize benefits for all investors and the national economy.
- **Supporting board of directors' representatives.** PIF will support its board representatives in carrying out their responsibilities, by providing them with the investment-related and regulatory analyses and opinions required to achieve PIF's strategic objectives.
- **Development programs.** PIF will seek to establish an academy to train and up-skill the PIF team as well as board members and CEOs in its portfolio companies, and by engaging specialized training centers to provide integrated programs.



## Value creation in portfolio companies

PIF will support its portfolio companies in driving growth and improving performance, which in turn helps maximize PIF's assets and consolidates its role as an active investor. Moreover, PIF will develop programs that will be made available to portfolio companies and will support in creating synergies between companies.

PIF has identified opportunities for value creation for its Saudi portfolio companies, including:

- Program to accelerate development of national champions.
- Program to accelerate setup and growth of new companies.
- Program to leverag PIF's global network.
- Support in acquisitions and financial restructuring.
- Digital readiness assessment and growth plan.
- Promotion of social responsibility standards.
- Dialogue forums for managers and employees.

### Impacted PIF Program Objectives

#### Direct objectives

- Grow the assets of the Public Investment Fund.
- Build strategic economic partnerships through the Public Investment Fund.

#### Indirect objectives

- Create and improve performance of logistic hubs.
- Improve local, regional, and international connectivity.
- Maximize revenues from state-owned assets.
- Attract foreign direct investment.
- Develop the digital economy.
- Localize promising manufacturing industries.
- Increase localization of the oil and gas sector.
- Support national champions in consolidating their leadership globally.
- Develop promising local companies into regional and global leaders.
- Support growth of non-profit sector.
- Empower non-profit organization to create a deeper impact.
- Grow and capture maximum value from the mining sector.
- Grow SME contribution to the economy.



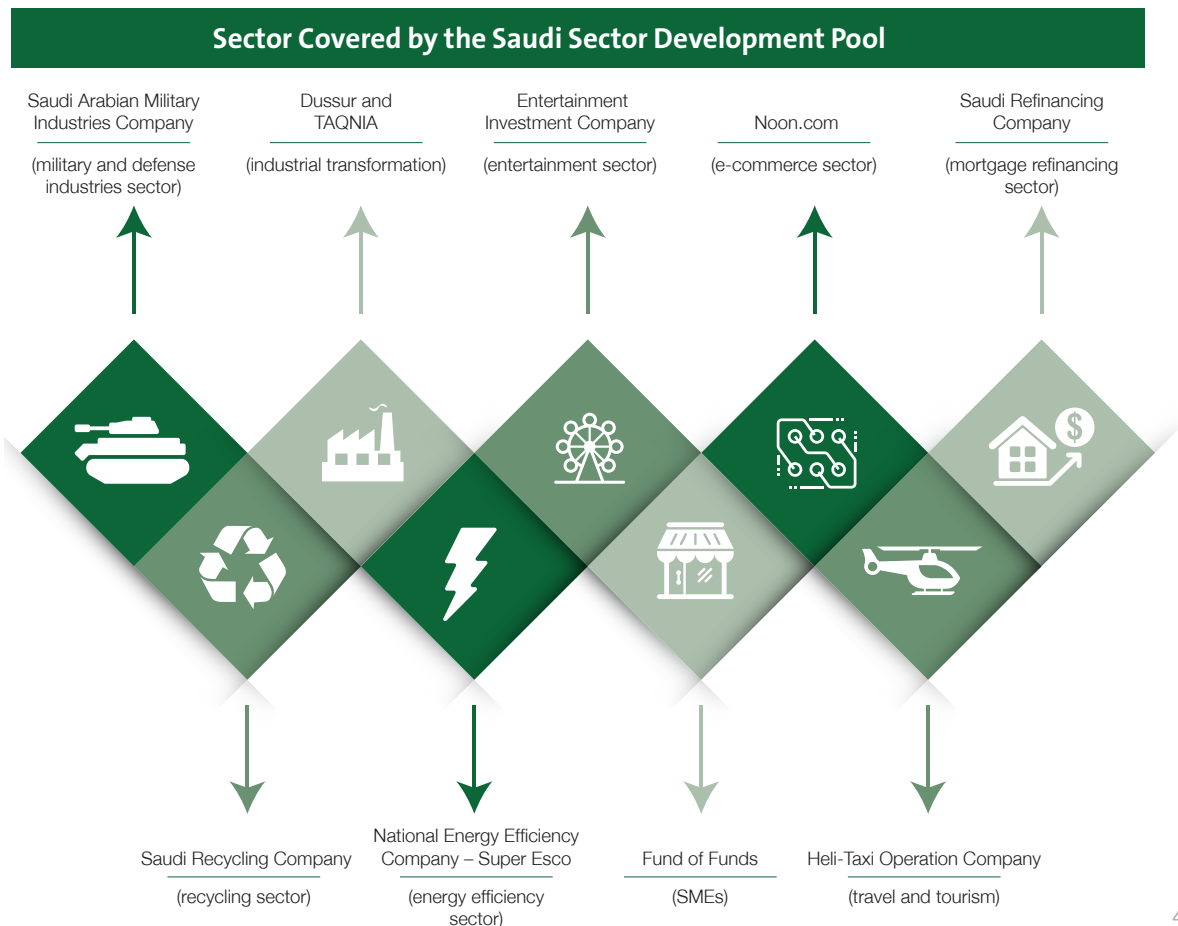
## Second: Initiatives to Launch and Develop New Sectors

PIF plays a catalytic and complementary role to the private sector in the Kingdom. It invests in and builds new promising sectors across the value chain that enable private sector participation, particularly small and medium enterprises, and drive job creation and capability development in those sectors.

As a global player, PIF actively engages its vast network to bring selected strategic partners to the Kingdom in those new sectors. Through these partnerships, PIF facilitates transfer of technology and expertise and subsequently building competitive advantages, as well as contributing towards bolstering foreign direct investments in Saudi Arabia.

As a partner to the private sector, PIF enables companies to scale and compete in regional and global markets. Moreover, and by promoting sound governance principles, PIF contributes to boosting the value and attractiveness of its companies in the eyes of investors.

The PIF Program has identified a number of sectors that will contribute to Saudi Arabia's economic development and diversification, and that are also commercially viable. To that end, the program includes 9 initiatives to build new companies and invest further in those sectors.



## 2.1: Establishing the Saudi Military Industries Company (SAMI)

### Military and Defense industries sector

Saudi Arabia is one of the largest spenders on defense and security in the world. Approved expenses for the military sector in 2016 constituted 21% of the Kingdom's total expenditures<sup>15</sup>. Despite this significant spend, the share of local content in this sector does not exceed 5% of Saudi Arabia's total current expenditure on armaments, maintenance, and spare parts<sup>16</sup>. Therefore, the Saudi Vision 2030 has stipulated the importance of localizing much of the military spend with a target of 50% by 2030.



### Initiative description

In 2017, PIF founded SAMI (100% owned subsidiary), which aspires to be among the top 25 military industrial companies worldwide. SAMI aims to combine the latest technology and the best capabilities to develop military products according to global standards and promote Saudi Arabia's self-sustainability in this sector. The company developed its strategy based on extensive studies and research of best practices, as well as coordination with local and international experts and partners. The company has begun negotiations with several international companies to contribute to building its local capacity.

Accordingly, the company's scope of work is to achieve the highest level of localization and profitability in the following areas:

- **Defense Electronics.** Manufacture radar systems and equipment, sensors, routers, communications systems, and command and control systems.
- **Weapons, Ammunition, and Rockets.** Manufacture medium and heavy weapons, artillery, and guided munitions.
- **Terrestrial Systems.** Manufacture and maintain components and structural

systems of tanks and vehicles, including spare parts and equipment.

- **Air Systems.** Manufacture and maintain fixed-wing aircraft spare parts and equipment, as well as unmanned aerial vehicles.
- **Emerging Technologies.** Monitor military industry trends and build capacity in modern technologies such as cybersecurity and guided weapons.

PIF will support the company's plan to develop the latest technologies, manufacture products, and provide services to improve the quality of military industries.

### Initiative's expected impact

The company's contribution to the GDP is expected to amount to SAR 900 million, creating 5,000 jobs by 2020.

Impacted PIF Program Objectives	
Direct Objectives	<ul style="list-style-type: none"> <li>• Grow the assets of the Public Investment Fund.</li> <li>• Unlock new sectors through the Public Investment Fund.</li> <li>• Build strategic economic partnerships through the Public Investment Fund.</li> <li>• Localize cutting-edge technology and knowledge through the Public Investment Fund.</li> </ul>
Indirect Objectives	<ul style="list-style-type: none"> <li>• Localize the military industry.</li> <li>• Increase localization of non-oil sectors.</li> <li>• Attract foreign direct investment.</li> </ul>

## 2.2: Supporting the Saudi Industrial Transformation and Development

### Industrial transformation

National industrial diversification is a key pillar of Vision 2030, with the aim of increasing non-oil manufacturing exports from 16% to 50% of GDP.

PIF plays a pivotal role in achieving this target focusing on selected themes:

- Developing and expanding local supply chains of high value/ high volume imports.
- Supporting the aspirations of the Kingdom of Saudi Arabia to become a regional manufacturing hub by integrating value chains.
- Investing in “future” and advanced manufacturing sectors.

PIF will support the diversification of the industrial base through complementing the private sector and investing in profitable sectors that are currently underdeveloped

and require large capital investments. PIF has identified a number of priority sectors that it can potentially grow, including mobility and automotive parts, battery technology, industrial and electrical equipment, renewables, metalworking, industrial digital software and hardware, and robotics. In addition, PIF will mobilize its network and scale globally to attract leading technical partners and investors.

### **Initiative description**

This initiative addresses the development of two major undertakings: the Saudi Arabian Industrial Investments Company (Dussur) and the Saudi Technology Development and Investment Company (TAQNIA).

#### **Saudi Arabian Industrial Investments Company (Dussur)**

Dussur was established by PIF, Aramco, and SABIC to focus on Saudi Arabia's strategic industrial areas. The company seeks to form partnerships with international institutions, such as the recently signed partnership with General Electric for SAR 1 billion to manufacture gas turbines in Saudi Arabia.

#### **Saudi Technology Development and Investment Company (TAQNIA)**

TAQNIA was established in 2011 and is fully owned by PIF. The company aims to develop and bring global industrial technologies to the Kingdom. The activities of TAQNIA are distributed across three channels:

- **Investments.** This channel provides two types of investment support—international and local—with the purpose of transferring technologies to Saudi Arabia or local support to startups during their early stages.
- **Industries.** This channel aims to build partnerships and strong business relationships with global leaders in the sectors in which the company operates.
- **Services.** This channel focuses on commercializing Saudi technology and achieving quick wins.

### **Initiative's expected impact**

The initiative will contribute to achieve the Kingdom's industrial transformation objectives by unlocking new sectors, creating jobs, and diversifying the economy and exports. For example, Dussur is expected to invest more than SAR 5 billion by 2020, create 2,500 jobs and provide a cumulative GDP contribution (direct and indirect) of up to SAR 3 billion.

Impacted PIF Program Objectives	
Direct Objectives	<ul style="list-style-type: none"> <li>• Grow the assets of the Public Investment Fund.</li> <li>• Unlock new sectors through the Public Investment Fund.</li> <li>• Build strategic economic partnerships through the Public Investment Fund.</li> <li>• Localize cutting-edge technology and knowledge through the Public Investment Fund.</li> </ul>
Indirect Objectives	<ul style="list-style-type: none"> <li>• Develop the digital economy.</li> <li>• Localize promising manufacturing industries.</li> <li>• Increase localization of non-oil sectors.</li> <li>• Attract foreign direct investment.</li> </ul>

## 2.3: Establishing the Entertainment Investment Company

### Entertainment sector

The entertainment sector has great potential for growth and prosperity in Saudi Arabia:

- **Large Saudi young population.** A total of 12 million citizens (representing 59% of the Kingdom's total population) are below the age of 30<sup>17</sup>.
- **Significant spend on entertainment abroad.** Saudis spend nearly SAR 31 billion annually on recreational and entertainment activities<sup>18</sup>.
- **Large untapped demand and underdeveloped offerings despite a constantly evolving sector.**

Vision 2030 prioritizes the entertainment sector. The aspiration is to grow household spending on entertainment from 2.9% to 6.0% and develop a market of SAR 30 billion in recreational services<sup>19</sup>.

#### Initiative description

PIF is establishing a new entertainment company to serve as its operational and investment arm in this sector. The company will promote investment in a variety of entertainment activities, in addition to attracting global strategic partners and building local talent and technical capabilities. It will improve the quality of life of citizens and residents, meet individuals' entertainment needs and expectations, stimulate the private sector, and create new opportunities for SMEs in the entertainment sector. The company will also focus on several related endeavors:

- Build and operate major entertainment theme parks in the main regions.
- Build and operate family / specialized entertainment centers and entertainment villages in Saudi Arabia, which will provide the latest technologies, offerings and best entertainment experiences in partnership with global operators.
- Localize knowledge and expertise in the entertainment field.



### Initiative's expected impact

The company is expected to invest up to SAR 10 billion in developing entertainment projects, with the first entertainment village to be inaugurated in 2019. The company is projected to directly contribute SAR 1 billion to the GDP and create 1,000 direct jobs by 2020.

#### Impacted PIF Program Objectives

##### Direct Objectives

- Grow the assets of the Public Investment Fund.
- Unlock new sectors through the Public Investment Fund.
- Build strategic economic partnerships through the Public Investment Fund.
- Localize cutting-edge technology and knowledge through the Public Investment Fund.

##### Indirect Objectives

- Grow and diversify entertainment opportunities.
- Increase localization of non-oil sectors.
- Attract foreign direct investment.

## 2.4: Launching Noon.com, a Regional e-Commerce Platform

### E-Commerce sector

The Saudi e-commerce market is a promising high growth market: its size was estimated at SAR 5.2 billion in 2016, representing 1.0% of the total retail market. The market is expected to double its share of total retail sales to reach 2.4% by 2020 and to witness increasing growth to reach 2.9% by 2025 and 3.4% by 2030<sup>20</sup>.



### Initiative description

PIF contributes to this sector through Noon.com, an emerging e-commerce platform. Noon.com aims to be the main e-commerce player in Saudi and the region. The company's head offices will be in Riyadh and will be supported by warehouses and an e-payment platform. Noon.com will develop leading offering and propositions:

- **Provide high-quality services.** Noon will provide a smooth digital experience for its customers in the purchase and payment process, as well as a fast delivery service in the main cities. Customers will have the option of receiving products at their doorstep, in a receipt center, or in a smart safe. This array of choices will be a key differentiator for the company. Noon will also provide multichannel customer services around the clock and top-notch after-sales service.
- **Develop an internal platform for online payment.** The company plans to develop internal technical solutions such as a website, a mobile application, and a warehouse management system. The company's e-payment platform represents the most important technology initiative.
- **Establish an internal department for logistics.** The Middle East's logistics ecosystem is weak with regards to retail e-commerce. This shortcoming is one of the main challenges that hinders active local and international institutions from growing in the market. Noon's internal logistics department will enable e-commerce businesses to offer quick delivery services and better customer experience at a competitive cost. Noon aims to build an effective delivery process with a warehouse capacity of up to 10 million square feet by 2025.

PIF can support the e-commerce sector in several ways through its investment capacity and strategic partnerships in the technology sector:

- Facilitate communication with government entities, regarding relevant regulations.
- Support and facilitate customs clearance for cross-border trade.
- Explore areas of partnerships with logistics companies.
- Explore areas of partnerships with the financial sector and financial technology companies.

### Initiative's expected impact

Noon will contribute to the GDP and will create high-skilled jobs through infrastructure investment in the e-commerce sector (including online payment and logistics), thus providing high-quality services to consumers at competitive costs.



### Impacted PIF Program Objectives

#### Direct Objectives

- Unlock new sectors through the Public Investment Fund.
- Build strategic economic partnerships through the Public Investment Fund.
- Localize cutting-edge technology and knowledge through the Public Investment Fund.

#### Indirect Objectives

- Enable the development of the retail sector.
- Attract foreign direct investment.
- Develop the digital economy.
- Increase localization of non-oil sectors.

## 2.5: Establishing the Saudi Real Estate Refinancing Company Mortgage Sector

The real estate mortgage market offers opportunities for growth by providing long-term and low-cost liquidity to finance companies and banks, in addition to providing financing solutions for borrowers at a fixed interest rate, to protect them from the risk of interest rates changes.



### Initiative description

PIF founded Saudi Refinancing Company to be a pillar of the Saudi Arabia mortgage market by acting as a catalyst of growth and sustainability. The company's objectives are as follows:

- Ensure stability and growth for the secondary mortgage market.
- Provide liquidity for the secondary mortgage market.
- Provide access to domestic and foreign sources of financing for banks and finance companies operating in the mortgage market.

The company was established in 2017 in accordance with the mortgage law enacted in 2013; it is fully owned by PIF with a capital of SAR 1.5 billion. PIF will support the company, including exploring opportunities to raise the company's total capital to SAR 5 billion based on market demand.

### Initiative's expected impact

The company will have a positive impact on the real estate market in general, expanding the size of the home financing market from SAR 280 billion in 2017 to SAR 500 billion in 2020 and helping to increase home ownership to 52% in 2020.

Impacted PIF Program Objectives	
Direct Objectives	<ul style="list-style-type: none"> <li>• Grow the assets of the Public Investment Fund.</li> <li>• Unlock new sectors through the Public Investment Fund.</li> <li>• Localize cutting-edge technology and knowledge through the Public Investment Fund.</li> </ul>
Indirect Objectives	<ul style="list-style-type: none"> <li>• Enable suitable home ownership among Saudi families.</li> </ul>

## 2.6: Establishing the Saudi Recycling Company

### Waste management sector

The waste management sector in Saudi Arabia offers significant growth opportunities, as it remains under-developed despite the large volume of waste generated in Saudi Arabia. At present, the annual volume of waste that can be recycled is approximately 50 million tons. Only 10% of this waste is recycled while the other 90% is disposed in landfills with low standards rather than being recycled to generate energy or deposited in engineered landfills for gas extraction. These methods have negative effects such as environmental pollution, damage to public health, and potential fires.

### Initiative description

PIF plans to set up the Saudi Recycling Company that will serve as PIF's investment arm in the sector and will contribute to the development of the sector in Saudi Arabia. The company will launch projects along the value chain (collection, sorting, treatment, and disposal of waste) and across multiple waste sources (municipal solid waste, industrial waste, construction waste).

The company will invest and operate recycling projects by partnering with specialized private sector companies and attract foreign investments from large technical partners enabling the localization of technologies and knowledge.

### Initiative's expected impact

This company will contribute to the preservation of the environment and protection of natural resources through the provision of innovative solutions that will help improve the quality of life in the Kingdom. In addition to its core activities, the company will support raising awareness by launching campaigns and initiatives about the concept and importance of recycling and sustainability.

#### Impacted PIF Program Objectives

##### Direct Objectives

- Unlock new sectors through the Public Investment Fund.
- Build strategic economic partnerships through the Public Investment Fund.
- Localize cutting-edge technology and knowledge through the Public Investment Fund.

##### Indirect Objectives

- Increase localization of non-oil sectors.



## 2.7: Establishing the National Energy Efficiency Services Company (Super Esco)

### Energy efficiency sector

The economic reform plans in Saudi Arabia aimed at promoting energy efficiency have resulted in high energy cost for final consumers in general. Market size for energy efficient solutions is expected to grow due to high power consumption and increased costs.

### Initiative description

This company aims to develop the energy efficiency services sector in Saudi Arabia. Its goal is to become one of the leading companies in this sector by playing a central role in modernizing buildings and public and private services.

PIF will provide support and assistance to the National Energy Efficiency Services Company through appointing board members, providing capital of SAR 1.9 billion to enable the development of the business, and providing support and assistance in the selection and evaluation of potential partners.

The National Energy Efficiency Services Company will undertake the key task of rehabilitating public buildings for which royal decrees have been issued for rehabilitation and modernization. During the initial phase, the company will focus on the rehabilitation of public buildings and facilities (representing approximately 70% of projects); subsequently, it will expand into the commercial buildings sector. The company will also seek to explore other business areas such as advisory services related to energy and renewable energy sources.

### Initiative's expected impact

This initiative has several implications:

- Achieve significant energy savings for Saudi Arabia.
- Develop the energy efficiency services sector (through public-private partnerships).
- Create jobs in the energy services sector and related sectors (approximately 700 jobs by 2020).

### Impacted PIF Program Objectives

#### Direct Objectives

- Grow the assets of the Public Investment Fund.
- Unlock new sectors through the Public Investment Fund.
- Localize cutting-edge technology and knowledge through the Public Investment Fund.

#### Indirect Objectives

- Increase localization of non-oil sectors.

## 2.8: Establishing The Fund of Funds to Boost SME Funding

### Overview of the SME sector

SMEs are one of the core pillars of the world's largest economies and are essential for employment and job creation. In fact, approximately 53% of the workforce in Saudi Arabia works in SMEs, which contribute about 21% of the GDP. In addition, SMEs play an important role in enabling economies to diversify



in strategic sectors<sup>21</sup>.

Despite their importance, SMEs in Saudi face several challenges, most notably limited access to financing. As such, there are opportunities to support potential growth in Saudi Arabia by increasing SMEs' contribution to the non-oil GDP and to job creation.

Globally, private equity and venture capital funds play an important role in enabling the growth of SMEs. Companies supported by private equity and venture capital firms tend to grow faster, and provide more jobs.

In this context, developing a thriving private equity and venture capital ecosystem in Saudi Arabia is essential for the long-term success of the SME sector. Currently, the private equity and venture capital sector in Saudi Arabia is nascent and lags behind other GCC and international markets.

### **Initiative description**

In light of the challenges facing SMEs, the Council of Ministers issued a decision in 2016 to establish the fund of funds with a capital of SAR 4 billion. The decree stipulated that the primary purpose of the fund is to invest in private equity and venture capital funds on a commercial basis, with the aim of supporting and incentivizing SME investments.

The fund of funds will be the first of its kind vehicle in Saudi Arabia and will serve as a catalyst for SME investments. The fund seeks to achieve two main objectives:

- Achieve financial returns in order to ensure sustainability.
- Support the achievement of Saudi Arabia's major economic priorities regarding the establishment of SMEs.

In this context, and in line with international standards, the fund will seek to invest its capital of SAR 4 billion in private equity, venture capital, and seed capital funds that will invest in SMEs in Saudi Arabia for a period of 15 to 20 years.

### **Initiative's expected impact**

The fund of funds is expected to achieve significant economic benefits and impact quickly, providing more than 2,600 jobs and contributing SAR 400 million to the non-oil GDP by 2020. The initiative is also expected to develop the private equity and venture capital sectors in Saudi Arabia, to diversify the economy by supporting SMEs and increasing their share of GDP, and to engage and enable the private sector to invest in SMEs.

### Impacted PIF Program Objectives

#### Direct Objectives

- Grow the assets of the Public Investment Fund.
- Unlock new sectors through the Public Investment Fund.
- Localize cutting-edge technology and knowledge through the Public Investment Fund.

#### Indirect Objectives

- Ease the access to healthcare services
- Increase localization of non-oil sectors
- Grow SME contribution to the economy
- Develop the digital economy
- Localize promising manufacturing industries

## 2.9: Establishing a Heli-Taxi Company For Private Transportation And Sightseeing Trips

### Travel and tourism sector

The Kingdom of Saudi Arabia offers opportunities to invest in heli-taxi services for tourists and businessmen in order to make Saudi Arabia discovery and intra-city mobility easier.

### Initiative description

PIF is currently exploring the opportunity of establishing a heli-taxi company, focusing on two particular types of services:

- Private transportation services within the main cities, such as the route between King Khaled International Airport in Riyadh and King Abdullah Financial District.
- Tourist trips to various attractions, including Riyadh landmarks (Edge of the World, Al-Thamama park), destinations in the vicinity of Jeddah (Corniche, Old Jeddah), the new Red Sea project (a giga-project), and other discovery trips.

### Initiative's expected impact

The company is expected to facilitate access to new real estate projects in Saudi Arabia, while providing high-quality services that complement the tourism and entertainment initiatives, including the giga-projects (Qiddiya, Red Sea).

### Impacted PIF Program Objectives

#### Direct objectives

- Grow the assets of the Public Investment Fund

#### Indirect Objectives

- Enable the development of the tourism sector

## Third: Initiatives to Develop Real Estate and Infrastructure Projects and Companies

PIF has identified a number of initiatives aimed at maximizing the value of under-utilized land and generating economic, social and financial returns. These initiatives include a number of projects:

### 3.1: Establishing a Housing Community Development Company

PIF is assessing the establishment of a community development company to provide Saudi citizens with affordable residential solutions. The company would also contribute to the localization of building materials and real estate services.

PIF's objective is to position this company to become a leading player in Saudi real estate development, complementing existing efforts and initiatives by other parties to address the current housing gap at affordable prices. The initial studies show that a comprehensive and integrated solution to community development remains the best way to address housing challenges while strengthening the urban fabric and providing housing and financing solutions for the purchasing of houses.

#### Impacted PIF Program Objectives

Direct objectives

- Grow the assets of the Public Investment Fund.

Indirect objectives

- Enable suitable home ownership among Saudi families.

### 3.2: Maximizing the Value of PIF's Land and Create New Urban Models in the Main Cities

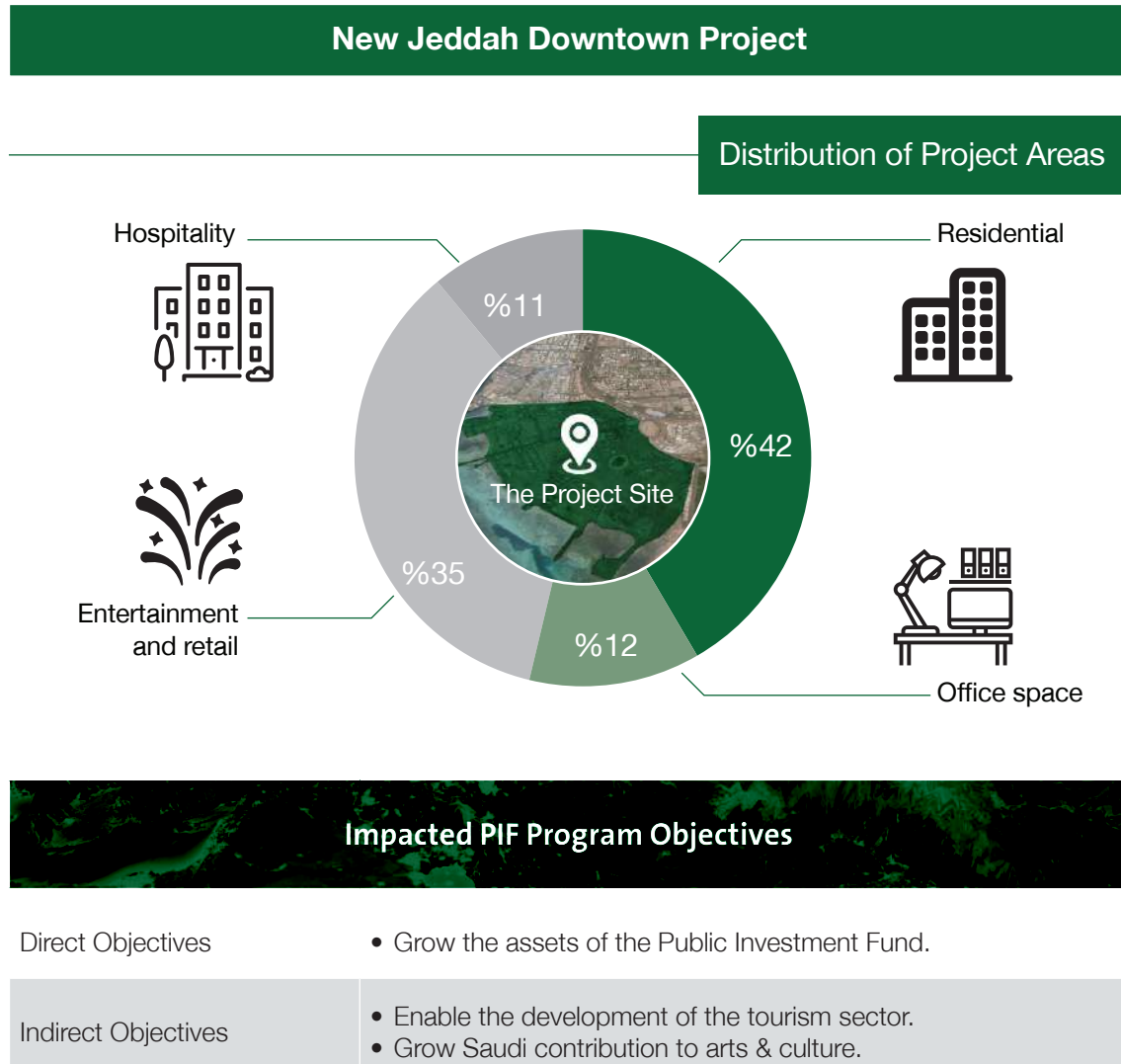
The PIF Program plays a key role in transforming and revitalizing downtowns in major cities. This initiative includes the New Jeddah Downtown project: the redevelopment of Jeddah's waterfront corniche. This initiative aims at developing a world-famous waterfront combining a leading regional tourist destination with leisure and recreation areas. The project will have a direct positive impact on the residents of Jeddah and their quality of life and seeks to position Jeddah among the top 100 cities in the world. The project is expected to generate 9,700 jobs by 2020.

The project is situated in a coastal location along the Red Sea. PIF is currently considering various ways to support this effort, beginning with its main contribution to the management of the lands allocated to the project, and its management of



the gradual handover to the master developer. In addition, PIF may play a role in financing the project or investing in low-risk real estate assets.

Planning is under way to start the project during the first quarter of 2019. The first phase is scheduled to open in the last quarter of 2022.



### 3.3: Developing King Khalid International Airport City in Riyadh

The King Khalid Airport City in Riyadh will provide a world-class business gateway to Riyadh as well as a unique and business-friendly environment aimed at attracting local and international talent and fostering the growth of the new sectors of the future knowledge-based economy.

The King Khalid International Airport's traffic is currently around 20 million passengers and more than 380,000 tons of air cargo per year, according to 2015 statistics. Following the opening of Terminal 5, the number of travelers is expected to reach 35 million by 2020. The area around King Khalid International Airport—119 square kilometers—can be used to build a world-class integrated

urban environment, turning the Airport City into a new center for social and economic activity in Riyadh. PIF is currently assessing various ways to drive this effort.

### Impacted PIF Program Objectives

#### Direct Objectives

- Grow the assets of the Public Investment Fund.

#### Indirect Objectives

- Enable the development of the tourism sector.
- Create and improve performance of logistic hubs.
- Improve local, regional, and international connectivity.

## 3.4: Developing King Abdulaziz International Airport City in Jeddah

The King Abdulaziz Airport City in Jeddah will become a world-class integrated urban environment to serve as a new catalyst for diversified economic growth in the airport region, as Jeddah is already a vibrant business and tourist destination.

The King Abdulaziz International Airport is one the country's largest airports, hosting 29 million passengers and about 500,000 tons of air cargo per year according to 2015 statistics<sup>22</sup>. It is expected to grow rapidly over the next decade after the completion of a number of expansion projects. The presence of 24 square kilometers of free land area surrounding the airport offers a unique opportunity to create new economic activity that combines commercial profitability with social and economic impact.

PIF is currently considering various ways to drive this effort, through its main contribution to the management of the lands allocated to the project, and its management of the gradual handover to the master developer. It may also play a role in financing the project.

### Impacted PIF Program Objectives

#### Direct Objectives

- Grow the assets of the Public Investment Fund.

#### Indirect Objectives

- Enable the development of the tourism sector.
- Create and improve performance of logistic hubs.
- Improve local, regional, and international connectivity.

### 3.5: Developing the Hajj and Umrah Experience, and Increasing the Hotel and Housing Capacity in The Holy City of Makkah

This initiative includes the Rou'a Al Haram and Umm Al-Qura projects, and will serve the visitors to the Holy Mosque through:

- Enhancing the urban fabric of Makkah, and enabling the improvement of the hotel sector.
- Developing a comprehensive plan for Makkah and the holy sites.
- Enriching the pilgrim experience, and upgrading service provision.



#### **Rou'a Al Haram project**

The main objective of this project is to lead a world-class development in central Makkah to enrich the experience of visitors and residents by providing high-quality services.

The project is located to the north of the Holy Mosque in an 854,000 square-meter area and will provide around 70,000 rooms in three- to five-star hotels as well as 9,000 residential units by 2030. It will provide hospitality services, residential services, commercial services, and cultural features.

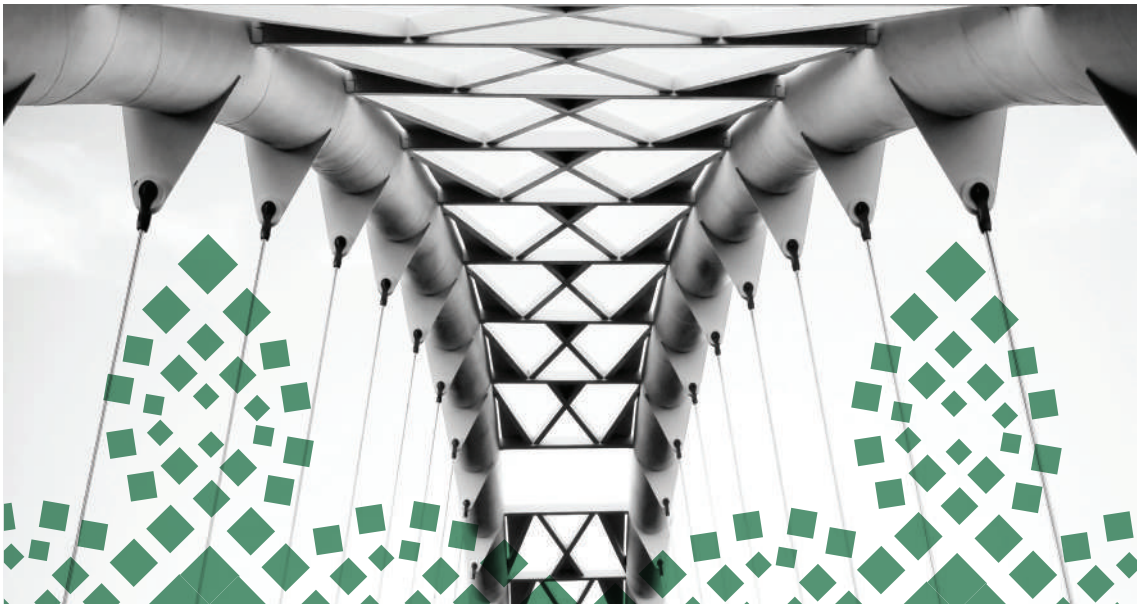
Currently, the foundations for the project are being laid. The infrastructure development activities for the project will start in 2018, and the project will become operational in 2024. Rou'a Al Haram is expected to create more than 160,000 jobs by 2030. Initial estimates indicate that the company's projects will contribute up to SAR 8 billion annually to the GDP.

#### **Umm Al-Qura Development & Construction project**

The King Abdulaziz Road project is being implemented by Umm Al-Qura Development & Construction, a company in which PIF is an investor. This project is vital to the redevelopment of various neighborhoods in Makkah. The objective

of the project is to achieve the development plan of Makkah. The project will contribute to the development of six major neighborhoods in Makkah and will provide an integrated development and investment environment. The King Abdulaziz Road project is located in the western part of Makkah, passing through a number of neighborhoods to the Jabal Omar project. The project's total area exceeds 1.2 square kilometer.

The development idea underlying the project rests on the concept of the movement of vehicles and pedestrians in parallel. The idea was based on the existence of a two-way motor road with a width of 80 meters for both directions. Cars pass between the entrance of Western Makkah (at the intersection of Jeddah Highway and the Third Ring Road) and the Holy Mosque area (at the periphery of the First Ring Road). In the middle of the road, an urban block separates the roads running in opposite directions, together with a pedestrian road that is 60 meters wide. The pedestrian traffic between the entrance to West Makkah and The Holy Mosque area will be smooth and will not interfere with motor traffic. The extension of this corridor continues within the project of Jabal Omar to the east, with a width of 50 meters to meet the areas of West and North Al-Haram to represent the natural extension of Al-Haram. The project includes the site of the King Abdullah Mosque, with a total area of 141 thousand square meters. The project includes the following features:



- Approximately 100 buildings providing about 25,000 housing units.
- 58 hotels in addition to about 40 buildings with hotel apartments; the hospitality buildings will provide about 40,000 hotel units.
- Three commercial markets and office sections.
- Multiple healthcare facilities.

### Impacted PIF Program Objectives

#### Direct Objectives

- Grow the assets of the Public Investment Fund.

#### Indirect Objectives

- Facilitate hosting more Umrah visitors and provide an easier access to the Holy Mosques.
- Improve quality of services provided to Hajj & Umrah visitors.
- Enrich the spiritual and cultural experience of Hajj & Umrah visitors.

## 3.6: Developing the Hajj and Umrah Experience and Increasing the Hotel and Housing Capacity in Al Madinah

This initiative includes Rou'a Al Madinah and Dar Al-Hijrah projects.

### Rou'a Al Madinah project

Rou'a Al Madinah project seeks to be a model of excellence and sustainability through the development of projects that value the unique heritage of Al Madinah. The project will leverage Al Madinah's status as a global Islamic destination by providing sustainable, vibrant, and high-quality developments that will enrich the experience of its visitors and residents.

Vision 2030 will contribute to serving the Al-Masjid An-Nabawi's visitors in four ways:

- Facilitate the hosting of a larger number of Umrah performers by providing accommodation for approximately 23 million visitors annually.
- Facilitate access to Al-Masjid An-Nabawi through integrated development with the Mosque via pedestrian corridors.
- Enrich the experience of Hajj and Umrah visitors through Al Madinah's cultural heritage.
- Attracting foreign direct investment.

Located near Al-Masjid An-Nabawi, with a total area of 1.3 square kilometers, the project is well positioned to fill approximately 90% of the total demand gap for hospitality services in Al Madinah, which will require about 80,000 hotel rooms by 2030. The project will also provide 500 residential units and will create 200,000 jobs by 2030, contributing SAR 7 billion to the GDP annually. It will provide hospitality, residential, and commercial services.

Currently, the foundations for this project are being laid, and the infrastructure development activities for the project will start in 2018. The project will become operational in 2023.



**Dar Al-Hijrah project**

The Dar Al-Hijrah Company targets the development of a new destination in Al Madinah for those wishing to live there or visit. The project site has an area of 1.6 square kilometers and is located on the western side of Al Madinah. The project includes the following features:

- Apartments of different specifications in terms of luxury and space, targeting different segments of citizens, residents, and visitors.
- One- to four-star hotels.
- A hospital and a rehabilitation hospital for citizens and foreigners.
- Family entertainment venues and a commercial market.
- Office space for businesses.

**Impacted PIF Program Objectives**

Direct Objectives	<ul style="list-style-type: none"><li>• Grow the assets of the Public Investment Fund.</li></ul>
Indirect Objectives	<ul style="list-style-type: none"><li>• Facilitate hosting more Umrah visitors and provide an easier access to the Holy Mosques.</li><li>• Improve quality of services provided to Hajj &amp; Umrah visitors.</li><li>• Enrich the spiritual and cultural experience of Hajj &amp; Umrah visitors.</li></ul>

**3.7: Developing a Tourism and Entertainment Destination in Asir**

PIF is considering the development of a project that aims to attract new tourism and entertainment traffic in the south of Saudi Arabia through a mix of residential, entertainment, and hospitality facilities. The location enjoys a unique climate thanks to its favorable weather with an average temperature of 23° Celsius in July and a moderate, humid climate for more than 200 days a year. Asir is located on a high plateau and enjoys stunning scenery.

The project includes hospitality and residential units, entertainment, and outdoor activities (including exploration of cliffs and nature parks). Moreover, the project will be integrated with new infrastructure investments (including generation of conventional and renewable energy, comprehensive road networks).

**Impacted PIF Program Objectives**

Direct Objectives	<ul style="list-style-type: none"><li>• Grow the assets of the Public Investment Fund.</li></ul>
Indirect Objectives	<ul style="list-style-type: none"><li>• Develop &amp; diversify entertainment opportunities</li><li>• Enable the development of the tourism sector</li></ul>

## Fourth: Giga-Project Initiatives

The PIF program is targeting the development of a series of projects, unique in their scope and ambition, into integrated economic ecosystems that will support the economic transformation of the Kingdom and act as a catalyst for investment across various sectors. Each of these giga-projects will generate high financial returns in the medium to long term. These initiatives currently include three Giga-projects.

### 4.1: Neom Project

#### **Geography of the project**

The Neom project has an exceptional strategic location at the confluence of Asia, Europe and Africa, in a region that brings together the best of the Arab region, Asia, Africa, Europe and America. Located in the northwest of the Kingdom, overlooking the Red Sea and the Gulf of Aqaba from the north and west, it occupies an area of 26,500 square kilometers, with a 468-kilometer waterfront. To the east, the project is surrounded by mountains that rise to a height of 2,500 meters. Temperatures in the project area are moderate due to the mountain breeze. The project includes land within the Egyptian and Jordanian borders, making it the first private zone across the borders of three countries.

Access to the Red Sea, through which more than 10% of the world trade passes, is a major feature of the project. About 70% of the world's population can access the site within 8 hours. The project's location and economic importance will be enhanced because it is the main entrance to the King Salman Bridge, which will link the Kingdom with the Arab Republic of Egypt.

#### **Project profile**

The Neom project is an ambitious aspiration of Vision 2030 aiming to contribute to the transformation of the Kingdom into a leading global model in various aspects of life. The project will be the land of the future, where great minds and talents can create ground-breaking ideas and think outside the box, in a real world inspired by imagination. The project will also become center of the economic future supported by the Public Investment Fund.

The project aims to develop key economic sectors for the future, as well as sectors that address the issue of economic leakage in Saudi Arabia, and will be supported by various development and investment funds. Nine key economic sectors have been identified to enhance the economic footprint of the project:

- Future of energy: including power equipment manufacturing, renewable energy generation, energy storage solutions, power transmission solutions and oil and gas.
- Future of transportation: including seaports, airports and autonomous transportation



solutions, such as drones.

- Future of food: including a global center for the innovation of food technologies, including agriculture using sea water, aquatic and aeronautical agriculture and desert agriculture.
- Future of technical and digital science: including artificial intelligence, virtual reality and enhanced technologies, data centers, Internet objects and e-commerce.
- Future of advanced manufacturing: including new materials, 3D printing, robotics industry and vehicle industry.
- Future of biotechnologies: including biotechnology, human biotechnology and pharmaceutical industry.
- Future of living: including housing and education, security and safety, green spaces, healthcare and hospitality.
- Future of media and media production: including the development of the television and film production industry, the development of digital content, and the development of the video game industry.
- Future of entertainment: including facilities, activities and sports and cultural recreational activities.

### **Project differentiators**

Attracting international investors to participate in building, developing, and growing the region is one of the project's key success factors as well as an attractive element of business prosperity and growth. This aspect of the initiative is supported by highly flexible regulations that will be formulated in accordance with best international practices, given the project's independence of the Kingdom's regulations (aside from the sovereign ones).

The special economic zone will be a Greenfield project built on raw land, differentiating it from other projects and cities around the world, which have evolved over hundreds of years. The resulting flexibility will permit the use of next-generation technologies as a cornerstone of the project's infrastructure and the creation of a fertile environment for entrepreneurship and innovation in all sectors, encouraging a new lifestyle that takes into account human beings' ambitions and aspirations and state-of-the-art technology.

One key ambition of the project is to create the world's best place to live in, by adopting best standards of living based on best global practices in the fields of public transportation, green spaces, environmental sustainability, work-life balance, health care, education, high-quality sport and leisure activities, state-of-the-art sports facilities, and world-class sporting event hosting. The creation of an ideal lifestyle and quality of living will be an inevitable result, positioning the region

as the main destination of the future.

Moreover, the project will automate all services and procedures in order to become the most efficient region in the world and will apply automation to legal, governmental, investment, and other activities. The entire region will be subject to the highest global standards of sustainability, with paperless electronic transactions, procedures, and processes.

An advanced economic concept of manpower will be applied, attracting the best human talent and devoting it to innovation, decision management, and enterprise leadership. A large number of robots, perhaps exceeding the human population, will carry out repetitive and arduous tasks, making per capita GDP in the region the highest in the world. All of these project characteristics will differentiate the project in terms of efficiency of services and contribute to the “best place to live in” ambition.

The project is divided into two phases:

- Phase 1 (2019-2025). Main pillars for the project will be laid out by the last quarter of 2019, with the general strategy defined, institutions and city council responsible for its development established, lead investors attracted, economic presence strengthened, initial master plan prepared, and development works of the basic infrastructure launched.
- Phase II (2025 and beyond). At this stage, the focus will be on sustainable growth of key sectors. The city is expected to be a global model for living and innovation.

### Impacted PIF Program Objectives

#### Direct Objectives

- Grow the assets of the Public Investment Fund.
- Unlock new sectors through the Public Investment Fund.
- Build strategic economic partnerships through the Public Investment Fund.
- Localize cutting-edge technology and knowledge through the Public Investment Fund.

#### Indirect Objectives

- The impact of this initiative will not be restricted to a small number of objectives.

## 4.2: The Red Sea Project

### Geography of the project

The Red Sea project sprawls along the northwestern coast of Saudi Arabia, between the cities of Umluj and Al-Wajh, over an area of 34,000 square kilometers. It will be a luxurious waterfront destination established on a number of islands and mountainous areas surrounded by nature and heritage sites. The region has a number of outstanding features:

- One of the best beaches and diving sites along the Red Sea (consisting of 50 islands and unique coral reefs)
- A natural reserve of marine life (for example, hawksbill sea turtles) and wild terrestrial animals (for example, Arab tigers and wolves, falcons, and eagles)
- Moderate climate, suitable to visit beaches throughout the year
- Dormant volcanoes, representing main touristic attractions
- Proximity to Mada'in Saleh and the historical village of Al-'Ula (the first Saudi heritage site on the UNESCO World List)

### Overview of the project

The Red Sea project is a unique and luxurious tourist destination consisting of islands, beautiful nature, and distinctive cultural landmarks. The project will set new standards for sustainable development, create a new category of tourism, and put Saudi Arabia on the international tourism map.

The project also aims to diversify and promote tourist activities in Saudi Arabia throughout the year and its strategic location will attract visitors, who are expected to reach 1 million a year by 2035. The project will provide five tourist experiences for visitors: sun and sand, eco-tourism, adventure tourism, culture and heritage, and wellness tourism. The project will offer access to 130 activities divided into eight categories: wellness, eco-tourism, water sports, other sports, entertainment, culture, education, and health care.

The project site will be located in a special zone, with its own regulations, and facilitated visa requirements. It will target the market for meetings, conferences, and exhibitions, as this market is witnessing remarkable growth in Saudi Arabia and other GCC countries. The final project development will include a wide variety of assets for commercial and private sale, including hospitality, luxury residences, retail, and entertainment activities.

In general, the maximum number of resort visitors will be capped annually to protect the environment and preserve the area. In this regard, environmental protection measures will be established in line with global best practices. The Red Sea project targets the following combination of visitors:

- Citizens of GCC countries (including Saudi Arabia), 60%

- International visitors, 40%

Finally, to maximize business feasibility and ensure stable occupancy, the project's capacity will be developed in line with expected demand growth (visitors). The project will be developed in two main phases: from 2017 to 2022, and from 2022 to 2035. The Red Sea project is expected to launch in Q3 of 2019, with completion of the first phase of the project by Q4 of 2022, including the development of luxury hotels and residential units as well as logistics infrastructure, including air, land, and sea transport centers.

Element	Phase I 2017–2022	Phase II 2022–2035
Capacity (visitors per year)	90,000	1,000,000
Hotel rooms	2,000	10,000
Housing units	700	8,000
Airport (number of travelers)	500,000	1,000,000

The project is expected to contribute SAR 15 billion annually to GDP and create up to 35,000 jobs after its completion and launch. PIF will be the main financier of the early phases of this project which will eventually form innovative partnership models with the private sector and be a major attraction for foreign investment.

### Impacted PIF Program Objectives

Direct Objectives	<ul style="list-style-type: none"> <li>• Grow the assets of the Public Investment Fund.</li> <li>• Unlock new sectors through the Public Investment Fund.</li> <li>• Build strategic economic partnerships through the Public Investment Fund.</li> <li>• Localize cutting-edge technology and knowledge through the Public Investment Fund.</li> </ul>
Indirect Objectives	<ul style="list-style-type: none"> <li>• The impact of this initiative will not be restricted to a small number of objectives.</li> </ul>

### 4.3: The Qiddiya Project

#### Geography of the project

The Qiddiya area is strategically located in the Riyadh region, covering an area of 334 square kilometers, about 40 kilometers to the southwest of the city of Riyadh (approximately one hour drive from the King Khalid International Airport). The area is easily accessible and the terrain is characterized by multiple highlands, including valleys, hills, and rock formations.

#### Overview of the project

The project aspires to turn Qiddiya into the Kingdom's iconic entertainment destination; home of activity, discovery, and engagement. Indeed, the project aims to redefine the entertainment notion in the Kingdom and take advantage of the promising opportunities offered by the local market. The project also seeks to enhance economic diversification, attract foreign investment, and reduce the Kingdom's spending leakage in entertainment and recreation to other regional and international destinations (currently, the amount of internal spending per capita is half the amount of external spending). In addition, the project will contribute to the creation of new jobs and functions in the Saudi labor market.

Qiddiya's world-class entertainment offerings will include theme parks, motorsport and thrill activities, a sports city, events and cultural activities, and opportunities to enjoy natural beauty and wildlife. Retail malls and outlets, food and beverage strips, and an array of hospitality options will complement these exquisite features.

In addition, the project will feature real estate developments to attract residents to Qiddiya to own vacation houses. The development will feature approximately 4,000 residential units in 2025 and will increase to reach about 11,000 units by 2030.

The project will be completed over the course of five phases

- Phase I (2016–2017). Adopt the strategy and build the project team.
- Phase II (April 2017–October 2017). Conduct a technical and commercial feasibility study; develop the initial master plan; establish the regulatory framework; devise the organizational structure; build and activate communications, public relations, and marketing; and develop a strategy to target investors and financing.
- Phase III (November 2017–March 2018). Prepare a detailed master plan, establish the experience and visitor's center and a simulation studio, and lay the foundation stone by the end of Q1 of 2018.
- Phase IV (April 2018–September 2022). Design and build the entertainment city, design and build the sports city, design the cars city and the combat city, design and construct landscapes (safari), design and construct water and snow games, design and build the arts and culture area, and design and construct retail and hospitality centers.

- Phase V (October 2022 and beyond). Officially open the city, expand some components of the city, and operate the amusement park.

By 2030, the number of visitors is expected to reach 17 million visitors per year for the entertainment sector, 12 million visitors for the shopping sector, and 2 million visitors for the hospitality sector. The project is expected to contribute SAR 17 billion to the GDP by 2030 and provide 57,000 jobs.

PIF will play a key role in securing the necessary financing for the initial phases of the project, particularly in terms of financing the infrastructure and the project as a whole until the project attracts the necessary investments. PIF can leverage its portfolio companies to access a larger number of potential investors and operators and can support the project by applying appropriate financial and regulatory incentives to increase the project's attractiveness as an investment.

### Impacted PIF Program Objectives

#### Direct Objectives

- Grow the assets of the Public Investment Fund.
- Unlock new sectors through the Public Investment Fund.
- Build strategic economic partnerships through the Public Investment Fund.
- Localize cutting-edge technology and knowledge through the Public Investment Fund.

#### Indirect Objectives

- The impact of this initiative will not be restricted to a small number of objectives.



## Fifth: Initiatives to Develop International Strategic Partnerships

The following six strategic investment initiatives are commercially viable large programs and present opportunities to partner with global investors to deploy significant, high impact, long-term capital commitments. These initiatives are intended to:

- Enhance and diversify returns.
- Bolster Saudi Arabia's position on the world stage as a leader and enabler of the future global economy and build its international reputation as a preferred investor and partner of choice.
- Support the creation of opportunities to attract foreign investments and support localization of content and technologies, where possible.

### 5.1: SoftBank Vision Fund (Vision Fund) Initiative

PIF is investing in the SoftBank Vision Fund—the largest technology investment fund ever, expected to reach \$100 billion.

The SoftBank Vision Fund will target long-term investments in growing businesses run by disruptive innovators that seek to become the foundational platforms of the information revolution.

The fund invests through minority stake, majority stake, and public equity investments of \$100 million or more. It aims for long-term investment horizons, providing businesses with a committed partner for growth.

The fund invests across all technology sectors and geographies, from Internet of Things (IoT), artificial intelligence, robotics, mobile applications, and computing to cloud technologies, software, consumer internet businesses, financial technology, health sciences, computational biology, and transportation.

PIF will be a major investor in the SoftBank Vision Fund and may invest up to \$45 billion as it aims to become one of the top investors in the global technology sector. The Fund will provide PIF with a platform to access a range of exciting, emerging technology opportunities. This, in turn, will help enable PIF's role in supporting Vision 2030 strategy to develop a diversified, knowledge-based economy.

SoftBank Investment Advisers will manage the Vision Fund and will invest \$28 billion of its own capital. Other major investors in the fund include the Mubadala Investment Company and leading technology companies such as Apple and Sharp.

### Impacted PIF Program Objectives

#### Direct Objectives

- Grow the assets of the Public Investment Fund.
- Build strategic economic partnerships through the Public Investment Fund.
- Localize cutting-edge technology and knowledge through the Public Investment Fund.

#### Indirect Objectives

- Develop the digital economy.
- Develop economic ties with global partners.
- Attract foreign direct investment.

## 5.2: US Infrastructure Investment Program Initiative

PIF is investing alongside Blackstone in a program focused on US infrastructure. Blackstone will build a dedicated platform for the infrastructure partnership. PIF has committed up to \$20 billion to the new Blackstone Infrastructure Fund program. Blackstone anticipates that the program will reach \$40 billion in total equity commitments over time, including capital from Blackstone and other third parties.

PIF believes that its investment presents the opportunity to improve and modernize US infrastructure at scale. Independent estimates indicate that the US national infrastructure funding gap is as high as \$2 trillion.

### Impacted PIF Program Objectives

#### Direct Objectives

- Grow the assets of the Public Investment Fund.
- Build strategic economic partnerships through the Public Investment Fund.

#### Indirect Objectives

- Develop economic ties with global partners.

### 5.3: Russian Direct Investment Fund (RDIF) Initiative

PIF and the Russian Direct Investment Fund (RDIF) entered into a series of agreements to invest up to \$10 billion in joint Russia-Saudi projects. Already, over \$1 billion has been invested in various sectors including infrastructure, manufacturing, logistics, and retail. RDIF is a sovereign wealth fund of Russia that acts as a catalyst for attracting foreign capital into the Russian economy through long-term strategic partnerships with leading international investors. The partnership aims to develop further Russia-Saudi relations in the context of economic and political development.

#### Impacted PIF Program Objectives

Direct Objectives	<ul style="list-style-type: none"> <li>• Grow the assets of the Public Investment Fund.</li> <li>• Build strategic economic partnerships through the Public Investment Fund.</li> </ul>
Indirect Objectives	<ul style="list-style-type: none"> <li>• Develop economic ties with global partners.</li> </ul>

### 5.4: French Private Equity Investment Initiative

PIF is investing in a private equity program focused specifically on France and more generally on Europe. The Program will invest through French private equity managers over a period of seven years. Funds under the program will include a mix of growth, leveraged buy-out, and private debt.

#### Impacted PIF Program Objectives

Direct Objectives	<ul style="list-style-type: none"> <li>• Grow the assets of the Public Investment Fund.</li> <li>• Build strategic economic partnerships through the Public Investment Fund.</li> </ul>
Indirect Objectives	<ul style="list-style-type: none"> <li>• Develop economic ties with global partners.</li> </ul>

### 5.5: Uber Investment Initiative

PIF has invested \$3.5 billion in Uber Technologies for a 5% stake in the company, and will participate in the Uber board through one representative. Uber is a global leader in the transportation and technology sectors that is transforming mobility. The company is a pioneer of the sharing economy and has demonstrated outstanding

growth potential. The investment is part of PIF's objective of becoming one of the major investors in technology and emerging trends.

Impacted PIF Program Objectives	
Direct Objectives	<ul style="list-style-type: none"> <li>• Grow the assets of the Public Investment Fund.</li> <li>• Build strategic economic partnerships through the Public Investment Fund.</li> </ul>

## 5.6: Saudi-Jordanian Investment Fund Company Initiative

PIF signed a memorandum of understanding (MoU) with the Jordanian Investment Fund in August 2016 to encourage Saudi investments in Jordan in many sectors, including infrastructure, tourism, and energy, in addition to potential projects indicated in the MoU. The MoU also grants PIF the privileges provided under the corporate regulations of the Jordanian Investment Fund, in addition to other privileges.

Established in March 2017 and expected to invest in the upcoming years, the Saudi-Jordanian Investment Fund Company is owned by PIF (90%) and by a group of Jordanian banks (10%). This allows PIF to benefit from the Jordanian banks' local expertise and access to attractive local investment opportunities.

Impacted PIF Program Objectives	
Direct Objectives	<ul style="list-style-type: none"> <li>• Grow the assets of the Public Investment Fund.</li> <li>• Build strategic economic partnerships through the Public Investment Fund.</li> </ul>
Indirect Objectives	<ul style="list-style-type: none"> <li>• Develop economic ties with the region.</li> <li>• Improve local, regional, and international connectivity.</li> </ul>

## Sixth: International Investments to Diversify Sources of Wealth and Income

### 6.1: International Diversified Investment Initiatives

PIF Program aims to build a balanced portfolio to provide a diversified source of wealth preservation and income. The international diversified pool will adopt a long-term strategic asset allocation that aims to drive the overall returns of the pool in-line with a predetermined risk-appetite and thresholds. The allocation will ensure diversification and taps globally deep asset classes, including fixed income, public equities, private equities, real estate and infrastructure, alternative investments (including hedge funds), and direct investments.

In addition to PIF's investments, the Saudi Arabian Investment Company (Sanabil) has a primary role in launching and growing this portfolio through its international investments. Sanabil has been established as a closed, wholly-owned joint stock company. It aims to invest in a diversified portfolio focusing on achieving high risk-adjusted returns. Sanabil's approach to managing investments is to combine the unique circumstances of its structure with the investment mind-set of a sophisticated investor and is based on:

- Being long-term institutional investors seeking to benefit from investment opportunities and market inefficiencies.
- Adding value through strategic asset allocation, manager and security selection, and portfolio tilts that take advantage of economic themes.
- An experienced Sanabil investment team and long-term partnerships with external managers and advisors which are integral to meeting the investment objectives.
- Risk management approach centered on diversification, detailed due diligence, and downside protection.

In addition PIF has a portfolio of direct investment in global companies, for example:

- Hapag-Lloyd, a global transportation company (PIF owns 10%)
- POSCO E&C, an engineering and construction company (PIF owns 38%)

#### Impacted PIF Program Objectives

Direct Objectives

- Grow the assets of the Public Investment Fund.

## **Seventh: PIF's Institutional Initiatives**

To meet the objectives of its program, and in line with its key role in achieving Vision 2030, PIF seeks to strengthen its institutional capacity through the following initiatives:

### **7.1: Building Human Capital Capabilities**

PIF actively seeks to attract and retain talent and highly qualified individuals and to build future leaders in the field of investment and in new target sectors. The fund aims to establish itself as the preferred employer for Saudis as well as expatriates. As such, the fund is establishing the PIF Academy to develop the capabilities of new employees, and fresh graduates, as well as partnering with leading training and academic institutions.

PIF will also create a research and development platform to attract innovative talent, and will monitor future investment opportunities both in sectors in which it is already investing and in new sectors.

### **7.2: Upgrading the IT Systems and Infrastructure Needed to Support the Fund's Activities**

PIF is building and updating its information systems in line with best international standards and future trends. The Fund is also addressing electronic and cybersecurity risks by adopting a dedicated system, as well as systems needed to manage risks and to ensure business continuity.

### **7.3: Strengthening PIF's Image and Presence Locally and Globally**

To enhance its local and global presence, PIF is improving transparency and communication pertaining to its achievements and activities. Moreover, the Fund is sponsoring the Future Investment Initiative, a pioneering initiative that establishes a link between the world's most important investors, business and thought leaders, and key government officials, in the fields of innovation that will shape the future.



## **What now?**

“The PIF Program presents a deep and diverse portfolio of initiatives, and has been developed and launched with the support and guidance of the Kingdom’s leadership, as part of the national efforts to drive forward economic reform. This Program and its objectives are focused on creating prosperity and sustainable opportunity generation for current and future generations, and will be achieved through collaboration between the public and private sectors, within the Kingdom and with international partners.

The Program development process has been founded upon a desire to balance innovation and opportunity identification with transparent governance mechanisms and critical risk management frameworks for every objective, initiative and potential project.

Our ambitions are clear, with PIF acting as the engine behind economic diversification. To achieve this, we must ensure efficient, effective and competent delivery, and an ability to work through any challenges with perseverance, dedication and determination.

The Program will be implemented by talented and highly qualified national professionals with broad and deep experience in local and global markets, with the support of international expertise. The implementation will be systematic and will progress within the institutional framework that this document has outlined.

Identifying, analyzing and undertaking new initiatives will be an ongoing process, and we will continue to explore potential opportunities, both domestically and globally. The emphasis will be placed on strategic value addition to our economy, across a range of sectors and investment types. They will be explored and considered according to the principles detailed within this document.

We are committed, now and always, to being devoted in making every possible effort.”



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“We will use our investment power to create a more diverse and sustainable economy”

- VISION 2030



**Public Investment  
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