



## Due Diligence

### An Introduction for SBJBC Members

#### What is Due Diligence?

Due diligence is the process by which a business investigates and evaluates the facts, risks, and legal standing of a counterparty, transaction, or market before entering into a formal agreement. HMRC defines the function of due diligence as the reasonable care a business exercises when entering into relationships or contracts with other businesses, describing it as a series of checks designed to identify and manage risk within a transaction or supply chain.<sup>1</sup> In the United Kingdom, the concept is most commonly linked with mergers and acquisitions, regulatory compliance, financial services, and vendor assessments.<sup>2</sup>

The principle is relatively straightforward, and suggests that before committing capital, entering a partnership, or expanding into a new jurisdiction, a business should verify what it has been told, confirm the accuracy of the information presented to it, and identify issues while there is still time to renegotiate terms or walk away. The principle of *caveat emptor* (let the buyer beware) remains the starting point for any acquisition or investment.<sup>3</sup>

#### When to Conduct Due Diligence

Due diligence is relevant across the full lifecycle of a business relationship and is not a one-off task belonging only to the initial pre-contract phase and scoping. HMRC guidance makes clear that due diligence is an ongoing, dynamic process that develops as the relationship between the trading parties evolves.<sup>1</sup> Businesses should conduct due diligence before acquiring a company or its assets, entering a joint venture, appointing an agent or distributor, onboarding a new supplier, or expanding into an unfamiliar market. The process should then continue throughout the duration of the relationship, with periodic reviews adjusted to the level of risk identified to ensure that the operation remains secure and on track.

For UK businesses operating in Saudi Arabia, the timing of due diligence is incredibly important as the Kingdom's regulatory environment is still developing rapidly under Vision 2030, with new laws and reforms introduced regularly and rapidly. The Ministry of Investment (MISA) has streamlined licensing for foreign investors, and the new Companies Law has consolidated corporate forms under a single framework.<sup>4</sup> The Nazaha Law, enacted by Royal Decree in July 2024 and effective from November 2024, grants expanded powers to the Saudi Oversight and Anti-Corruption Authority, including authority to arrest, investigate, and prosecute public officials for corruption.<sup>5, 10</sup> It means that with these developments, compliance obligations facing UK businesses in the Kingdom are not fixed and instead they require continuous monitoring to ensure all activities remain above board.

## **Why is Due Diligence Important?**

The consequences of inadequate due diligence can be severe and previous case studies are well-documented and frequent across the domestic and international business environment. They include the discovery of hidden liabilities after a deal completes, unforeseen financial obligations, non-compliance with relevant laws, and disputes arising from an inadequate understanding of the transaction.<sup>6</sup> Carrying out due diligence that is insufficient for the risks involved is, in practical terms, as damaging as carrying out none at all, and can often lead to a sense of false security leading to greater or “easily” avoidable mistakes.<sup>7</sup>

For UK companies, the Bribery Act of 2010 is one of the most demanding UK Acts in terms of the expectation for due diligence, and one of the strictest UK laws in terms of liability exposure for insufficient or inadequate due diligence. The Act introduced a corporate offence of a failure to prevent bribery, for which the only defence available to a commercial entity is that it had “adequate procedures” in place. The Act does not enforce a direct statutory duty to conduct due diligence but ensures that due diligence is integral to establishing the adequate procedures defence. The UK Ministry of Justice guidance, issued in March 2011, sets out six principles that inform adequate procedures: proportionate procedures, top-level commitment, risk assessment, due diligence, communication and training, and monitoring and review.<sup>8</sup> Due diligence on persons performing services for or on behalf of an organisation forms a core element of this defence, and is intentionally broad (covering agents, intermediaries, subsidiaries, and joint-venture partners) to ensure that due diligence is a central tool.

This has direct relevance for UK-Saudi commercial activity. Saudi Arabia’s own Anti-Bribery Law criminalises both the offering and receiving of bribes across public and private sectors, with 2021 amendments extending the law’s scope to non-governmental and private sector entities, including international organisations.<sup>9</sup> Between 2021 and 2023, Nazaha arrested approximately 5,000 individuals on corruption charges,<sup>10</sup> so UK businesses operating in the Kingdom are therefore subject to parallel anti-corruption regimes, and the due diligence conducted must satisfy the requirements of both.

## **Elements Within Due Diligence**

A thorough due diligence process will cover several domains, each addressing a different dimension of risk associated with business activities. Financial due diligence involves the examination of financial statements, liabilities, projections, and the overall financial health of a counterparty. Legal due diligence means reviewing contracts, litigation history, intellectual property, and compliance with applicable laws. Operational due diligence assesses internal controls, supply chains, workforce capabilities, and the capacity to scale. Reputational due diligence is then the review of media coverage, public perception, and environmental, social, and governance (ESG) practices.<sup>11</sup>

In the Saudi context, data transparency or availability can vary considerably between sectors or companies within the Kingdom, making it important to consider extending investigations beyond standard financial reviews to encompass domains like tax (including VAT and Zakat), Saudisation compliance, and alignment with Vision 2030 objectives.<sup>12</sup> Data compliance under the PDPL is also an emerging area of due diligence in the Kingdom, given the PDPL only came into full effect recently so many UK business may not yet have this on their radar. Each of these elements deserves its own analysis, and this article is intended to serve as the foundation from which individual articles on each workstream will be developed as part of a broader Due Diligence Programme.

## **What Risks to Look For**

Risk identification sits at the centre of any due diligence exercise. The categories of risk that a UK business should assess when engaging with partners, suppliers, or targets in any market include

sanctions exposure, the presence of politically exposed persons (PEPs), adverse media, litigation history, and regulatory breaches.<sup>13</sup> The assessment should be proportionate to the characteristics and scale of the relationship. A low-risk domestic supplier arrangement demands less scrutiny than an international joint venture in a high-risk area.

In the UK-Saudi bilateral context, specific risks demand attention. These include compliance with both the UK Bribery Act and Saudi Anti-Bribery Law, adherence to the Saudi Personal Data Protection Law (PDPL), sector-specific licensing requirements under MISA, and the operational implications of Saudisation quotas.<sup>14</sup> Where a company is bidding on government contracts, local content and procurement participation requirements add a further compliance layer.<sup>15</sup> The due diligence process should leave no area unexamined, and the scope of investigation should be documented clearly so that findings are traceable and defensible.

### **Tailoring Due Diligence by Partner Type**

The scope and intensity of due diligence should vary depending on the type of commercial relationship a business is entering. A UK company appointing a local agent in Riyadh faces a different risk profile to one acquiring a Saudi enterprise outright, and the due diligence conducted should reflect that difference. The following partner types each present distinct concerns, which will be examined in detail in later papers within this series.

#### **Agents**

An agent acts on behalf of a UK company within the Saudi market, and the actions of that agent are attributable to the principal. Under the UK Bribery Act 2010, agents are “associated persons” whose conduct directly exposes the principal to criminal liability.<sup>16</sup> Due diligence on agents must therefore go beyond commercial suitability. It requires verification of the agent’s identity, beneficial ownership structure, political connections, and history of their activities in the market. Where an agent has relationships with government entities or holds positions of influence, the risk of bribery or conflicts of interest increases. The due diligence should examine who owns and controls the agency, whether any principals or directors are politically exposed persons, and whether the fee structure is commensurate with the services to be provided.<sup>17</sup>

#### **Distributors**

Distributors operate with greater autonomy than agents, purchasing goods and reselling them within the Saudi market under their own commercial terms. The risks differ accordingly. A distributor’s conduct in the market, from pricing practices to compliance with Saudi consumer protection and competition law, reflects on the UK brand it represents. Due diligence on distributors should assess financial stability, market reputation, operational capacity, and compliance history. It should also establish whether the distributor has existing relationships with sanctioned entities or adverse media exposure. As Garancie has noted in its work on global distribution partner selection, the due diligence on distributors should be scaled according to the risk profile of each relationship, from basic screening for low-risk partners to enhanced due diligence for those operating in complex or high-risk environments.<sup>18</sup>

#### **Joint Venture Partners**

A joint venture creates shared governance, shared liability, and shared reputational exposure, so the due diligence required before entering a joint venture in Saudi Arabia is among the most extensive of any partner type. It should include the full financial standing of the prospective partner, including audited accounts, debt obligations, and any contingent liabilities. It must investigate the ownership structure in detail, like who the shareholders are, who sits on the board, who the beneficial owners are, and whether any of these individuals are connected to the government or hold positions that would

qualify them as politically exposed persons. This also means that JV agreements often require ongoing monitoring in case the situation changes. In a market where corporate transparency norms differ from those in the UK, the question of who is behind the company is not a formality. It is a matter of compliance and commercial survival.<sup>19</sup>

### **Acquisition Targets**

Acquiring a Saudi company or business is the most capital-intensive form of market entry and demands the highest level of due diligence. Limited publicly available information is a well-recognised challenge in the Kingdom, and foreign investors should not rely on publicly accessible data alone.<sup>20</sup> A full acquisition due diligence process should cover financial health, tax compliance (including Zakat), employment obligations, the status of existing contracts, IP ownership, regulatory licences, and any pending or historical litigation. Investigators should also assess the target's compliance with Saudisation requirements, its alignment with Vision 2030 sector priorities, and whether the acquisition will trigger regulatory consents from bodies such as the General Authority for Competition (GAC), SAMA, or MISA, as 100% foreign ownership is still restricted in certain sectors like defence.<sup>21</sup>

### **Jurisdictional Consistency in Due Diligence**

All businesses should also be reminded that the due diligence standards a business applies should be consistent across every jurisdiction in which it operates. Compliance in one country does not guarantee protection in another, and a failure or shortfall identified in one jurisdiction has the capacity to trigger regulatory scrutiny, enforcement action, or reputational damage in others.<sup>25</sup> Anti-corruption and anti-money laundering regimes increasingly overlap across borders, and the UK Bribery Act 2010 applies to any company carrying on business in the United Kingdom, regardless of where the conduct occurred.<sup>8</sup> As another example, the US Foreign Corrupt Practices Act (FCPA) extends its anti-bribery provisions to foreign persons and entities that engage in any act in furtherance of a corrupt payment while in the territory of the United States, including through the use of the US banking system.<sup>26</sup> The EU is moving in the same direction with a proposed Anti-Corruption Directive agreed in December 2025 would require member states to assert jurisdiction over offences committed for the benefit of a corporate body established in their territory, even where the conduct took place elsewhere.<sup>27</sup> For UK businesses operating in Saudi Arabia, this means the due diligence conducted on a Saudi partner, agent, or acquisition target must satisfy the requirements of all regimes to which the business is exposed, not only those of the two Kingdoms.

A dimension of exposure that can be easily overlooked concerns the currency in which transactions are conducted. International payments using US dollars are typically cleared through bank accounts held at US financial institutions, and the US Department of Justice and the Securities and Exchange Commission have jurisdiction over foreign entities on the basis that dollar-denominated wire transfers routed through the US banking system constitute conduct within the territory of the United States.<sup>28</sup> This principle is not confined to the US dollar, and the same logic of thinking applies across transactions in euros, sterling, yen, and other major currencies, each of which clears through the banking system of its home jurisdiction and carries with it the regulatory expectations of that jurisdiction.<sup>29</sup> A UK company transacting with a Saudi counterparty in US dollars therefore exposes itself to US regulatory authority in addition to UK and Saudi law, even where neither party has a physical presence in the United States. The practical consequence is that due diligence processes should be designed to the standard of the most demanding regime to which a business is subject, applied uniformly, and documented in a manner that is defensible across all relevant jurisdictions.

This practice should then be consistent with all business-related activities globally, not just, as spoken about earlier, between the UK and Saudi Arabia.

## The Role of Garancie

Garancie is an independent due diligence provider with over sixteen years of specialist experience conducting investigations across more than 165 countries, with a particular focus on Europe, the Middle East, and Africa.<sup>22</sup> The firm's methodology centres on public record searches and open-source intelligence (OSINT), delivering fully cited, auditable reports that cover corporate registry checks, beneficial ownership verification, sanctions and watchlist screening, PEP identification, adverse media analysis, and regulatory compliance assessments.<sup>23</sup> Garancie's research is conducted in English and in relevant local languages by jurisdiction-specific expertise, and the firm has completed over 10,000 investigations and due diligence assessments globally.<sup>24</sup> For SBJBC members entering or expanding within the Saudi market, Garancie's ability to conduct independent, evidence-based due diligence on prospective partners, agents, distributors, and acquisition targets provides the means to meet the necessary demands set under UK and Saudi Arabian laws and of meeting broader compliance obligations.

## Bibliography

1. HM Revenue & Customs, 'EDDC01020 – General: What is Due Diligence?', HMRC Internal Manual (London: HMRC). Available at: <https://www.gov.uk/hmrc-internal-manuals/excise-due-diligence-condition/eddc01020>
2. LexisNexis UK, 'What is Due Diligence? Definition & Use Cases' (London: LexisNexis). Available at: <https://www.lexisnexis.com/en-gb/glossary/due-diligence>
3. LegalVision UK, 'Due Diligence in a Business Purchase in England' (London: LegalVision, July 2025). Available at: <https://legalvision.co.uk/business-sale-purchase/due-diligence-business-purchase/>
4. Centuro Global, 'Doing Business in Saudi Arabia: A Guide for Foreign Companies' (2024). Available at: <https://www.centuroglobal.com/article/doing-business-in-saudi-arabia/>
5. Library of Congress, 'Saudi Arabia: New Law Regulating the Work of the Oversight and Anti-Corruption Authority' (Washington, D.C.: Library of Congress, 15 October 2024). Available at: <https://www.loc.gov/item/global-legal-monitor/2024-10-15/saudi-arabia-new-law-regulating-the-work-of-the-oversight-and-anti-corruption-authority/>
6. Zoppi, M., 'What is Due Diligence in Law?', GZ Legal (London: Zoppi & Co). Available at: <https://www.zoppi.co.uk/blog/what-is-due-diligence-in-law>
7. Rahman Ravelli, 'Simplified Due Diligence Explained' (March 2025). Available at: <https://www.rahmanravelli.co.uk/expertise/anti-money-laundering-investigations/articles/simplified-due-diligence-explained/>
8. Norton Rose Fulbright, 'Summary of the UK Bribery Act 2010' (London: Norton Rose Fulbright, May 2020). Available at: <https://www.nortonrosefulbright.com/en/knowledge/publications/b0080606/summary-of-the-uk-bribery-act-2010-may-2020>
9. Deloitte Middle East, 'Saudi Arabia's Anti-bribery and Corruption Law – 2.0' (Dubai: Deloitte). Available at: <https://www.deloitte.com/middle-east/en/services/financial-advisory/perspectives/saudi-arabia-s-anti-bribery-and-corruption-law--2-0.html>
10. Greenberg Traurig, 'The New Nazaha Law: More Prosecution Prospects in Saudi Arabia's Fight Against Corruption' (August 2024). Available at: <https://www.gtlaw.com/en/insights/2024/8/the-new-nazaha-law-more-prosecution-prospects-in-saudi-arabias-fight-against-corruption>
11. LexisNexis International, 'What is Due Diligence? Definition & Use Cases' (London: LexisNexis). Available at: <https://www.lexisnexis.com/en-int/glossary/compliance/what-is-due-diligence>
12. Grant Thornton Saudi Arabia, 'M&A in Saudi Arabia: Key Considerations for Due Diligence and Transaction Advisory' (November 2024). Available at: <https://www.grantthornton.sa/en/insights/articles-and-publications/ma-in-saudi-arabia-key-considerations-for-due-diligence-and-transaction-advisory/>
13. LexisNexis UK, 'What is Due Diligence? Definition & Use Cases', as cited above (note 2).

14. Attorney.sa, 'Foreign Investment in Saudi Arabia: Top Legal FAQs' (November 2025). Available at: <https://attorney.sa/foreign-investment-in-saudi-arabia/>
15. Centuro Global, 'Doing Business in Saudi Arabia', as cited above (note 4).
16. Pinsent Masons, 'The UK Bribery Act 2010: Principles, Offences and Penalties' (December 2025). Available at: <https://www.pinsentmasons.com/out-law/guides/the-uk-bribery-act-2010-principles-offences-and-penalties>
17. The Law Society, 'Bribery Act 2010' (London: The Law Society). Available at: <https://www.lawsociety.org.uk/topics/regulation/bribery-act-2010>
18. Garancie Limited, 'The Critical Need for Due Diligence on Prospective Global Distribution Partners' (October 2025). Available at: <https://garancie.com/the-critical-need-for-due-diligence-on-prospective-global-distribution-partners/>
19. Saudi Mergers & Acquisitions, 'Commercial Due Diligence in Saudi Arabia' (January 2025). Available at: <https://saudimergersacquisitions.com/navigating-the-unique-landscape-of-commercial-due-diligence-in-saudi-arabia/>
20. PwC Middle East, 'Doing Business in the Kingdom of Saudi Arabia 2025' (Dubai: PwC). Available at: <https://www.pwc.com/m1/en/tax/documents/doing-business-guides/dbisa.pdf>
21. PwC Middle East, 'Doing Business in the Kingdom of Saudi Arabia 2025', as cited above (note 20).
22. Garancie Limited, 'About Us'. Available at: <https://garancie.com/about-us/>
23. Garancie Limited, 'Due Diligence & Investigation Services'. Available at: <https://garancie.com/services/>
24. Certn, 'Due Diligence Checks in More Than 165 Countries: Garancie' (April 2021). Available at: <https://credence.co.uk/garancie-due-diligence-checks/>
25. Pitcoff Law Group, 'Cross-Border Risk: Compliance Beyond Your Borders' (New York: Pitcoff Law Group, January 2026). Available at: <https://www.pitcofflawgroup.com/cross-border-risk-compliance-beyond-your-borders/>
26. US Department of Justice and Securities and Exchange Commission, 'A Resource Guide to the U.S. Foreign Corrupt Practices Act' (Washington, D.C.: DOJ/SEC, 2012). Available at: <https://www.sec.gov/spotlight/fcpa/fcpa-resource-guide.pdf>
27. Council of the European Union, 'Council and European Parliament Reach Deal on New EU Law to Step Up Fight Against Corruption' (Brussels: Council of the EU, 2 December 2025). Available at: <https://www.consilium.europa.eu/en/press/press-releases/2025/12/02/council-and-european-parliament-reach-deal-on-new-eu-law-to-step-up-fight-against-corruption/>
28. White & Case LLP, 'DOJ Global Corruption Efforts Beyond the FCPA' (New York: White & Case). Available at: <https://www.jdsupra.com/legalnews/doj-global-corruption-efforts-beyond-29296/>
29. Daoud, M., 'Global Currency, Local Compliance: How US Dollar and Allied Currency Regulations Reshape Emerging Markets', International Banker (June 2025). Available at: <https://internationalbanker.com/banking/global-currency-local-compliance-how-us-dollar-and-allied-currency-regulations-reshape-emerging-markets/>