مركز الحوكمة
CENTER FOR GOVERNANCE

FIDUCIARY DUTIES OF DIRECTORS

Saudi law and international practice:
a guide for board members



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Report

ABOUT THIS PAPER

This paper is written for the men and women who sit on the boards of Saudi companies. Its purpose is practical: to explain, in plain language, what the law now expects of a director, how those expectations play out in real boardroom situations, and how the Saudi approach compares with that of the world's major markets.

The paper focuses on joint stock companies, listed and unlisted, because that is where most board members sit. The core duties discussed, however, apply equally to managers of limited liability companies and directors of simplified joint stock companies.

The paper is guidance, not legal advice. Directors facing a specific question should consult the company's legal counsel.



TABLE OF CONTENTS

EXECUTIVE SUMMARY 6

WHY DIRECTORS' DUTIES MATTER NOW 8

THE RULEBOOK: WHERE THE DUTIES COME FROM 9

WHO OWES THE DUTIES, AND TO WHOM 10

THE DUTIES EXPLAINED 12

THE BUSINESS JUDGMENT RULE: PROTECTION FOR GOOD PROCESS 19

LIABILITY AND ENFORCEMENT 21

SAUDI ARABIA IN INTERNATIONAL CONTEXT 25

THE EXPANDING FRONTIER OF BOARD OVERSIGHT 32

A PRACTICAL TOOLKIT FOR DIRECTORS 33

CONCLUSION 34

ANNEX A. DIRECTORS' DUTIES IN PRACTICE: HOW TO NAVIGATE TEN BOARDROOM SITUATIONS 35

ANNEX B. QUICK REFERENCE TO KEY LEGAL PROVISIONS 39

ANNEX C. DIRECTORS' DUTIES ACROSS ELEVEN JURISDICTIONS 40



EXECUTIVE SUMMARY

The Companies Law, which came into force on 19 January 2023, changed the legal position of every Saudi company director. For the first time, the law names the two duties at the heart of the role, the duty of care and the duty of loyalty, and spells out what they require. It also gives directors something they did not have before: a statutory business judgment rule that protects honest, informed decisions from being second-guessed in hindsight.

The duties can be stated simply. Care is about how well a director does the work: preparing, understanding the numbers, asking questions, and forming an independent view. Loyalty is about whose interest the director serves: the company's, and never the director's own or that of the shareholder who nominated them. Around these two pillars, the law sets specific rules on conflicts of interest, competing businesses, corporate opportunities, gifts, loans, and confidential information.

The core statutory duties apply to directors and managers across company forms. Listed companies face additional requirements, with important differences between the Main Market and Nomu. Banks and other regulated businesses are also subject to sector-specific rules. Directors therefore need to understand both the common foundation of their duties and the requirements that apply to their particular company. Interviews with 20 Saudi board members and governance practitioners conducted for this paper suggest that awareness and understanding of these responsibilities in the Saudi business community remain uneven.

The consequences of getting it wrong are significant and personal. Directors are jointly and severally liable for losses caused by breach of duty. A director who disagrees with a board decision escapes liability only if the objection is explicitly recorded in the minutes; staying away from the meeting is no defense. Shareholders holding 5% of the capital can sue directors on the company's behalf, and a general assembly's release of the board does not stop them from doing that. Serious misconduct carries up to three years' imprisonment and fines of up to SAR 5 million under the Companies Law. The Capital Market Authority's enforcement actions in 2026, including the conviction of board and audit committee members of Saudi German Health, show that these provisions are being enforced in practice.

Viewed internationally, the directors' duties codified in Saudi Arabia's Companies Law are broadly similar to those set out in the United Kingdom's Companies Act 2006. The Saudi law's standard of care uses the same dual test as the UK and Australia. Its business judgment rule follows the Australian statutory model, although it places the burden of proof on the claimant, as Delaware in the United States does. However, Saudi Arabia's enforcement model is led by the regulator rather than private litigation, and published Saudi case law on directors' duties remains limited. For the moment, the practical content of the duties is being shaped by the CMA's governance rules, disclosure requirements and enforcement decisions.

The paper translates these principles into practical guidance for directors. Annex A describes ten common boardroom situations - such as pressure from an appointing shareholder, family interests in a contract, an acquisition on a tight deadline, or warning signs in financial reporting – and outlines the steps that a director should take. Annex B provides a quick reference to the principal Saudi legal provisions. Annex C compares Saudi directors' duties with those in ten other major jurisdictions worldwide.

TEN THINGS EVERY DIRECTOR SHOULD KNOW

1. **THE DUTIES ARE WRITTEN INTO LAW**
Article 26 of the Companies Law imposes duties of care and loyalty on every board member and manager, in every company form.

2. **YOU SERVE THE COMPANY, NOT YOUR NOMINATOR**
A director serves the interests of all shareholders and must protect the rights of other stakeholders, not just the interests of the group that elected him or her.

3. **CARE IS JUDGED AGAINST TWO YARDSTICKS**
The law asks what a reasonably diligent director would do and what someone with your own knowledge and experience would do. Experts are held to a higher bar.

4. **CONFLICTS MUST BE DISCLOSED, RECUSED, AND AUTHORIZED**
Any direct or indirect interest in a company contract must be disclosed immediately, minuted, and authorized by the shareholders; the conflicted director may not vote.

5. **WHAT COMES TO YOU AS A DIRECTOR BELONGS TO THE COMPANY**
Opportunities, assets, and information obtained through the board seat may not be used for personal gain, even after resignation.

6. **SILENCE IS NOT A DEFENSE**
A dissenting director is protected only if the objection is explicitly recorded in the minutes. Absence from the meeting does not help.

7. **GOOD PROCESS EARNS LEGAL PROTECTION**
Under Article 31, an unconflicted, informed director who genuinely and rationally believes a decision serves the company is deemed to have met the duty.

8. **DELEGATION IS NOT ABDICATION**
The board remains responsible for the company's business even when it delegates to committees, executives, or third parties.

9. **MAJOR LOSSES TRIGGER FIXED DEADLINES**
When losses reach half of issued capital, the board must announce them within 60 days and call an extraordinary general assembly within 180 days.

10. **ENFORCEMENT IS PERSONAL AND INCREASING**
Civil claims, CMA sanctions, bans from listed boards, and criminal penalties all attach to individual directors.

WHY DIRECTORS' DUTIES MATTER NOW

A director is entrusted with power over property that belongs to others. Shareholders commit capital and bear the risks and potential financial upside of ownership; the board shapes the company's direction and oversees how its resources are used.

The law has always recognized that this kind of power carries obligations. In the common law tradition, those obligations are called fiduciary duties, from the Latin for trust. The idea is equally familiar in Saudi commercial culture, which has long treated a position of trust - an Amanah - as carrying a duty of honesty and diligence toward those who granted it.[1]

What has changed recently is that the obligations are now written down. The previous Companies Law of 2015 imposed liability on directors for mismanagement and regulated conflicts of interest, but it did not state the underlying duties in general terms, although the Capital Market Authority's (CMA) governance rules for listed companies already referred to them. The new Companies Law, issued by Royal Decree No. M/132 and in force since 19 January 2023, replaced both the 2015 law and the Professional Companies Law with a single statute of 281 articles.[2] Articles 26 to 32 now set out, in one place, the duties of care and loyalty, specific rules on conflicts and competition, directors' liability, the right of the company and its shareholders to sue, and a statutory business judgment rule.

Existing companies were given until 20 January 2025 to bring their bylaws into line with the new law. The core duties and liability provisions, however, applied from day one. Every director who has sat on a Saudi board since January 2023 has been subject to them.

Three developments make the duties more pressing than ever.

The first is enforcement. In May 2026, the CMA announced the conviction of eleven board and audit committee members of Saudi German Health for manipulating the company's financial statements. It also referred seventeen people connected to Cenomi Retail to the Public Prosecution, including current and former directors.[3] The second is the growth of the capital market under Vision 2030, which is bringing into the Kingdom more companies, more minority shareholders, and more international investors who expect governance standards they recognize. The third is the widening scope of what boards are expected to oversee, from financial reporting to cybersecurity, data, and sustainability.

There is a fourth reason. Saudi board members interviewed for this paper repeatedly raised the same concern: directors do not always understand the duties they are expected to fulfill.[4] This paper therefore addresses a gap between what the law requires and what directors understand about their role.

What "fiduciary" means in practice

A fiduciary is someone who holds power on behalf of others and must use it for their benefit, not their own. For a director, this means two things. The director must do the job properly, which is the duty of care. And the director must do it for the company, which is the duty of loyalty. Every specific rule in this paper is an application of one or both of those ideas.

1 *Amanah* denotes a trust or entrusted responsibility. In Islamic ethics, a position of authority entails duties of honesty, diligence, and justice toward those whom one serves.

2 *Companies Law, issued by Royal Decree No. M/132 dated 1/12/1443H*, in force from 19 January 2023 (English translation). Article references in this paper are to the Companies Law unless stated otherwise.

3 Capital Market Authority (2026) 'Conviction of a Number of Board Members of Saudi German Health and its Audit Committee for Violating the Capital Market Law and Its Implementing Regulations by Manipulating the Financial Statements from 2018–2021', news release, 21 May 2026. The convictions were under Art. 49(a) of the Capital Market Law and Art. 7 of the Market Conduct Regulations.

4 We conducted confidential, semi-structured interviews with 20 board members and governance practitioners between March and July 2026 in order to assess levels of awareness and knowledge of fiduciary duties in the Saudi business community.

THE RULEBOOK: WHERE THE DUTIES COME FROM

A Saudi director's obligations come from several layers of rules. The Companies Law is the foundation and applies to every company. The layers above it add detail, and the company's own documents provide a further layer of obligation (see Table 1). When the layers conflict, the higher rule prevails. A provision in the bylaws that contradicts the Companies Law is void, and Article 28(1) specifically provides that any condition purporting to exclude directors' liability is null and void.

Two regulators are particularly important across all sectors. The Ministry of Commerce is the competent authority for all companies except listed joint stock companies. In the latter case, the competent authority is the CMA – although listed companies must also comply with applicable Ministry of Commerce requirements.

The route to enforcement differs. Disputes involving non-listed companies go to the ordinary courts, while the Committee for Resolution of Securities Disputes hears civil and criminal cases arising from the Companies Law involving listed companies. Directors should know from the outset which regime governs their company, because obligations, procedures, and penalties differ.

Table 1. The layers of rules that define a Saudi director's duties

Layer	Issued by	Applies to	What it adds on duties
Companies Law (Royal Decree M/132)	Council of Ministers	All companies	Duties of care and loyalty (Art. 26); conflicts, competition, and opportunities (Art. 27); liability (Art. 28); derivative actions (Arts. 29 to 32); business judgment rule (Art. 31); penalties (Arts. 260 to 264)
Implementing Regulations	CMA	Listed joint stock companies	Detailed statement of the seven directors' duties, Art. 4; authorization of interest transactions; definition of indirect interest; removal of directors
Corporate Governance Regulations	CMA	Listed companies	Board responsibilities and functions; duties of each member and of independent directors; conflicts policy; committees; stakeholders; disclosure
Capital Market Law and Market Conduct Regulations	CMA	Listed companies and market	Disclosure obligations; prohibition of misleading statements and market manipulation; CMA sanctions and criminal penalties
Sector rules	SAMA, Insurance Authority, sector regulators	Banks, insurers, regulated sectors	Fit and proper requirements; governance, risk, IT, and cybersecurity principles
Company documents	Shareholders	The company	Bylaws or articles of association; shareholder agreements and family charters; board charter and delegation matrix



WHO OWES THE DUTIES, AND TO WHOM

Every director, in every company form

Article 26 applies to "a company's manager or board member."[5] The duties therefore bind the directors of joint stock and simplified joint stock companies and the managers of limited liability companies alike. They apply equally to executive and non-executive directors, to independent directors, and to the chair. There is no lighter standard for a director who is part-time, unpaid, or appointed to represent a particular shareholder.

The law also makes the duties personal. Article 68(1) requires every board member of a joint stock company to be a natural person (i.e. a real human being, not a company or an AI bot!). A company or government entity may no longer sit on a board through a representative. The individual in the seat is the director, and the individual carries the duties and the liability.

Owed to the company and all its shareholders

Directors owe their duties to the company. Article 26(b) requires a director to act "in the interest of the company and promoting its success." For listed companies, the Implementing Regulation adds that the director must work "in good faith for the best interest of the Company and all its shareholders," must not prioritize personal interests, must promote the company's long-term success and value, and "shall have regard to the rights of the other stakeholders."[6]

The Corporate Governance Regulations state this latter point most directly. The board "represents all shareholders," and a board member "shall represent all shareholders of the Company and take all actions to achieve the best interests of the Company and its shareholders, while protecting the rights of the other Stakeholders rather than only the interests of the group that elected him."[7]

This requirement carries particular weight in Saudi Arabia. Ownership of listed and unlisted companies is often concentrated in founding families, government-related entities, and strategic investors. Cumulative voting and direct appointment rights mean that many directors owe their seat to a single shareholder. For listed companies, bylaws may give a shareholder the right to appoint directors directly, although appointed seats may not exceed half the board or three seats, whichever is less.[8] The law is clear that the nomination route does not define the duty. Once in the boardroom, a nominee director serves the company as a whole, including the minority shareholders who had no say in the appointment. Annex A explores scenarios which examine how this works in practice.

5 *Companies Law, Arts. 26 and 27*. The duties apply to "a company's manager or board member" and therefore extend to managers of limited liability companies as well as directors of joint stock and simplified joint stock companies.

6 Capital Market Authority, *Implementing Regulation of the Companies Law for Listed Joint Stock Companies, Art. 4*.

7 *Corporate Governance Regulations, Art. 83(2)*. See also Art. 20(a): "The Board represents all shareholders; it shall perform its duties of care and loyalty in managing the Company's affairs."

8 *Implementing Regulation of the Companies Law for Listed Joint Stock Companies, Art. 5(b)(2)*. Cumulative voting is mandatory for Main Market companies (Art. 5(a)).

Stakeholders and the long term

Saudi law does not make directors trustees for employees, customers, or the community as some stakeholder-oriented systems do. But it also does not permit a narrow focus on short-term shareholder value. Directors must promote long-term value while having regard to, and protecting, the rights of other stakeholders. The Corporate Governance Regulations require written policies on stakeholder relationships, a whistleblowing mechanism, and a social responsibility policy, although several of these provisions are designated as guiding rather than mandatory. [9] As Section 7 explains, this formula places Saudi Arabia close to the United Kingdom's "enlightened shareholder value" model.

The balance shifts when a company approaches financial distress. As losses mount, creditors' interests come to the fore, and the law imposes specific obligations on the board when losses reach half of the issued capital. These obligations are covered in Section 4.

Independence and non-executive directors

The legal duties are the same for all directors, but the Corporate Governance Regulations give independent directors of listed companies additional responsibilities. Article 29 requires them to express an independent opinion on strategy, policy, performance, and executive appointments; to ensure that the interests of the company and its shareholders are given priority whenever a conflict of interest arises; and to oversee the company's governance rules. Listed boards must have a majority of non-executive directors and at least two independent directors or one-third of the board, whichever is greater.[10]

For a director to be classified as an "independent director", they must fulfill various criteria that are stated in Article 19 of the Corporate Governance Regulations.[11] It is, however, important to recognize that formal independence does not necessarily equate to genuine substantive independence. Numerous research studies have shown that directors who fulfil formal tests of independence can still fail to exercise independent judgment if board culture discourages challenge.[12] The UK Institute of Directors' recent review of the non-executive role describes the modern expectation as "active, informed and adaptive stewardship," emphasizing independence of mind, curiosity, and a willingness to challenge.[13] Saudi law points in the same direction: Article 26(c) requires every director, not only independent ones, to make decisions and vote independently.

9 *Corporate Governance Regulations*, Arts. 80, 84 and 85 are designated as guiding articles; Art. 83 (professional conduct policy) is not so designated.

10 *Corporate Governance Regulations*, Arts. 16 and 19.

11 For example, a director cannot generally be classified as independent if the director or a relative holds 5% or more of the company's shares; has been an employee within the previous two years; has a direct or indirect interest in the company's contracts; receives more than SAR 200,000, or 50% of the previous year's board remuneration, whichever is less, in addition to board fees; or has served on the board for more than nine years. The board must assess each independent director's status every year.

12 MacNeil, I. and Esser, I.-M. (2022) 'The emergence of "comply or explain" as a global model for corporate governance codes', European Business Law Review, 33(1), pp. 1–56.

13 Institute of Directors (2026) *NEDs Reimagined: The Future of the Non-Executive Director*, London: IoD.

THE DUTIES EXPLAINED

Article 26 lists seven elements of the duties of care and loyalty. The Implementing Regulation for listed companies gives each one a name and a fuller description.[14] Table 2 sets them out alongside a plain-language summary and the question a director should ask before acting on this duty.

Table 2. The seven elements of the directors' duties

Article 26	The duty	In plain terms	The question to ask
(a)	Act within the scope of your powers	Use the powers the law and bylaws give you, and use them only for the purpose for which they were given.	Is this decision ours to make, and are we making it for the right reason?
(b)	Act in the company's interest and promote its success	Work in good faith for the long-term success of the company and all its shareholders, having regard to other stakeholders.	Would I make the same decision if I had no connection to any shareholder?
(c)	Decide and vote independently	Form your own view. Do not vote on instruction from a shareholder, an executive, or a colleague.	Is this my judgment, or someone else's?
(d)	Exercise reasonable diligence, skill, and care	Prepare, understand the issues and the numbers, ask questions, and apply your own expertise.	Do I understand this well enough to defend my vote?
(e)	Avoid conflicts of interest	Stay out of situations where your personal interest conflicts, or may conflict, with the company's.	Could anyone reasonably think I have something to gain here?
(f)	Disclose any interest in company transactions	Tell the board immediately of any direct or indirect interest in a company contract or transaction.	Have I disclosed every interest, including those of my relatives and my other companies?
(g)	Accept no benefits from third parties	Do not accept any benefit offered to you because of your position in the company.	Would I be offered this if I were not on this board?

14 Capital Market Authority, *Implementing Regulation of the Companies Law for Listed Joint Stock Companies*, Art. 4. The Ministry of Commerce's Implementing Regulations contain a parallel provision for non-listed companies at Art. 11.

The duty of care: doing the job properly

The duty of care asks how well a director performs the role. The Implementing Regulation for listed companies sets the standard: a director must act "in accordance with the diligence and care that should be exercised by a diligent person with the general knowledge, skill and experience that the member of the Board has and that are expected of a person carrying out the functions carried out by the member of the Board."[15]

This is a two-part test, and each part is important. The first part is objective. Every director must meet the standard of a reasonably diligent person in that role. A director cannot plead inexperience, lack of financial training, or reliance on colleagues as an excuse for failing to meet it. The Corporate Governance Regulations reinforce the point by requiring listed-company directors to be able to read and understand financial statements.[16] The second part is subjective, and it further raises the bar. A director with special expertise is judged against that expertise. A chartered accountant who chairs the audit committee, or a former banker assessing a financing proposal, will be expected to see problems that a generalist might miss.

The standard is about conduct, not outcome. Directors are not liable simply because a decision turned out badly. Business involves risk, and the law accepts that reasonable people make decisions that fail. The law asks whether the director was diligent, informed, and acting in good faith at the time. That is the bridge to the business judgment rule discussed in Section 5.

The Corporate Governance Regulations translate the duty of care into specific expectations for listed-company directors. Article 28 requires each member to allocate sufficient time to the role, to prepare for meetings, to participate effectively by raising questions and engaging with senior executives, to study all information on matters before the board before expressing an opinion, and to work "on the basis of complete information,[17] in good faith and with the necessary care and diligence." It also requires a member who is unable to fulfill these duties to resign. A director may not sit on the boards of more than five listed companies at once.

Attendance is part of the duty. Under Article 70 of the Companies Law, the general assembly may, on the board's recommendation, terminate a director's membership if the director misses three consecutive meetings or five non-consecutive meetings without an acceptable excuse. A director removed on this ground loses the right to remuneration relating to the period since the last meeting attended and must repay anything received for that period.[18] For listed companies, shareholders holding 10% of the voting shares may also ask the general assembly to remove directors. Amendments made by the CMA in March 2026 require such a request to show that the director is unable to perform the duties required by law, list these attendance thresholds among the grounds, and bar a removed director from being re-nominated during the remainder of the term.[19]

15 Capital Market Authority, *Implementing Regulation of the Companies Law for Listed Joint Stock Companies, Art. 4*. The Ministry of Commerce's Implementing Regulations contain a parallel provision for non-listed companies at Art. 11.

16 Capital Market Authority (2023) *Corporate Governance Regulations*. Under Art. 2(b) the Regulations are mandatory for Main Market companies except for provisions marked as guiding; most are guiding for Parallel Market (Nomu) companies.

17 In this context, the requirement to act on "complete information" is best understood as requiring directors to be properly informed about the decision before them. No director will ever possess entirely complete information.

18 *Implementing Regulation of the Companies Law for Listed Joint Stock Companies*, Arts. 6(e), 6(f) and 10.

19 *CMA Board Resolution No. 3-44-2026*, dated 30 March 2026, amending the Implementing Regulation of the Companies Law for Listed Joint Stock Companies.

Oversight and delegation

Directors do not run the company day to day; they oversee those who do. Oversight is therefore central to the duty of care. The Corporate Governance Regulations require the board to set rules for internal control, ensure the integrity of financial reporting, implement risk assessment and management procedures, and review the effectiveness of internal controls every year. Each director must ensure that the financial control and risk management systems are sound.[20]



Boards necessarily delegate. But Article 20(b) of the Corporate Governance Regulations states the governing principle in one sentence: "The Board is responsible for the Company's business even if it delegates some of its powers to committees, individuals or other third parties." The board may not issue a general or open-ended delegation. It must approve a written delegation matrix, specify the matters it reserves to itself, and require periodic reports on how delegated powers are used. Delegation moves the work, not the responsibility.

Directors are entitled to rely on management, committees, auditors, and professional advisers. Article 38 of the Corporate Governance Regulations obliges executive management to provide the board with information that is "complete, clear, correct and non-misleading." Reliance, however, must be reasonable. A director who receives information that is inconsistent, incomplete, or contradicted by other evidence must ask questions and follow up. The international cases discussed in Section 7 show that most catastrophic oversight failures involve boards that received warning signs and failed to act.

20 Capital Market Authority (2023) *Corporate Governance Regulations*. Under Art. 2(b), the Regulations are mandatory for Main Market companies except for provisions marked as guiding; most are guiding for Parallel Market (Nomu) companies.

The duty of loyalty: putting the company first

If care is about how well a director works, loyalty is about whose interest the director serves. The duty of loyalty is the strictest of the directors' duties in every legal system, and Saudi law is no exception. It is breached not only by fraud or self-dealing but by any failure to put the company's interest ahead of the director's own or that of a third party. The Companies Law gives it concrete form through six sets of rules.

Transactions in which a director has an interest. Article 27(1) of the Companies Law prohibits a director from having any direct or indirect interest in the company's transactions and contracts without shareholder authorization. Article 71 sets out the procedure for joint stock companies. The director must immediately disclose the interest to the board, and the board must record the disclosure in the minutes. The director may not vote on the matter at the board or the general assembly. The board must then notify the general assembly of the transaction and provide a special report from the external auditor. For listed companies, the general assembly may delegate this authorization to the board, but only within strict limits and for no more than one year at a time.[21]

An "indirect" interest is wider than many directors assume. For listed companies, an interest is indirect if the transaction may benefit, among others, the director's relatives; a partnership or limited liability company in which the director or a relative is a partner or manager; a joint stock company in which the director and relatives together own 5% or more; or any company on whose board the director or a relative sits, other than the company's own affiliates.[22]

Who counts as a relative depends on the type of company. The Companies Law defines relatives as parents and grandparents, children and grandchildren, and spouses. For listed companies, however, the indirect-interest rules use the wider definition in the Corporate Governance Regulations, which also includes brothers and sisters, including half-siblings.[23] Prudent directors disclose any relationship that an outside observer might regard as creating a conflict.

There are sensible exceptions. The prohibition does not apply to contracts awarded through public tenders, or to transactions to meet a director's personal needs made on the same terms the company offers everyone in the ordinary course of its business (Article 27(5)). For listed companies, the general assembly may delegate the authorization of smaller transactions to the board, provided the total for the year is below 1% of revenues and below SAR 10 million, the transaction is in the ordinary course of business, and it carries no preferential terms.[24] Listed companies must also announce related party transactions equal to or exceeding 1% of total revenues to the CMA and the public without delay.

If authorization is refused, the director has a choice. The director must either withdraw from the transaction or competing business, or resign within the period set by the board or general assembly; otherwise membership is deemed terminated.[25]

The consequences of non-compliance extend beyond the conflicted director. The company may ask the court to invalidate the contract and order the director to return any profit (Articles 27(6) and 71(2)). The conflicted director bears liability for resulting damage to the company, and so do the other directors if they were negligent in performing their duties or if the transaction proves unfair and shareholders suffer loss (Article 71(3)).

21 *Implementing Regulation of the Companies Law for Listed Joint Stock Companies*, Art. 64(a) and (d): delegated authority is limited to transactions below 1% of revenues and SAR 10 million and lasts at most one year or until the end of the board's term, whichever is earlier. The regulation does not itself require a general assembly authorization to be renewed annually, although some practitioners advise annual renewal

22 *Implementing Regulation of the Companies Law for Listed Joint Stock Companies*, Art. 64(a) (delegation of authorization to the board) and Art. 66 (definition of indirect interest).

23 *Implementing Regulation of the Companies Law for Listed Joint Stock Companies*, Art. 66 (final paragraph), applying the definition of "Relatives" in Art. 1 of the Corporate Governance Regulations; compare Companies Law, Art. 1.

24 *Implementing Regulation of the Companies Law for Listed Joint Stock Companies*, Art. 64(a) (delegation of authorization to the board) and Art. 66 (definition of indirect interest).

25 Implementing Regulation of the Companies Law for Listed Joint Stock Companies, Art. 67.

Competing with the company. Article 27(2) prohibits a director from engaging in any business that competes with the company or any of its activities without shareholder authorization. The Corporate Governance Regulations define competition broadly: establishing or controlling a competing business, accepting a board seat or management role in a competitor, or acting as an agent for one.[26] The director must notify the board, abstain from related votes and obtain authorization from the ordinary general assembly or the board acting under its delegation. The competing activity is assessed annually. If the company suffers a loss, it may seek compensation (Article 27(7)).

Corporate opportunities, assets, and information. Article 27(3) prohibits a director from exploiting "the company's assets or information or any investment opportunity offered to the company or to him in his capacity as a manager or board member." The principle is simple: what comes to a director through the board seat belongs to the company. The Corporate Governance Regulations extend the prohibition to a director who resigns to pursue an opportunity the company wishes to use, and that came to the director's knowledge during membership.[27] Resignation does not render the opportunity fair game.

Benefits from third parties. Article 26(g) prohibits a director from accepting any benefit from third parties in relation to the director's role. The Implementing Regulation for listed companies describes this as a duty not to exploit the board position to obtain benefits "for a specific act or to refrain from doing a specific act." The Corporate Governance Regulations prohibit accepting gifts from anyone doing business with the company where acceptance may lead to a conflict of interest. Offering or accepting a benefit to vote in a particular way with intent to harm the company is a criminal offense under Article 261(b).

Loans and guarantees. Article 72 prohibits a joint stock company from lending to its directors or their relatives or guaranteeing their borrowing. Any contract in breach is void. The only exceptions are banks and finance companies lending on ordinary client terms, and loans under employee incentive programs approved under the bylaws or by the general assembly. A director who obtains a prohibited loan, and any director who knows of it and does not object, faces a fine of up to ﷼ 500,000 (Article 262(d)).

Confidentiality. Directors must protect the confidentiality of company information and may not disclose board matters to any shareholder other than at a general assembly, or to any third party, except as the law permits (Corporate Governance Regulations, Articles 28(16) and 42(a)(3)). Exploiting or disclosing confidential information with the intent of harming the company is a criminal offense (Article 261(i)).

26 See footnote 20.
27 See footnote 20.

Acting within powers and for proper purposes

Article 26(a) requires directors to carry out their duties within the scope of their powers. The Implementing Regulation for listed companies adds an important qualification: a director must "only exercise powers for the purposes for which they were conferred."[28] This imports the common law doctrine of proper purpose. A power can be exercised within its formal limits and still be misused.

The classic examples involve the balance of power between the board and the shareholders. A board that issues new shares within its authorized capital, not because the company needs the money but to dilute a shareholder who opposes the chair, uses a genuine power for an improper purpose. So does a board that schedules a general assembly to disadvantage a particular bloc of voters, or that uses company resources to entrench itself against a takeover that shareholders might welcome.

Some decisions are not the board's to make at all. The more fundamental the decision, the higher it must go. Article 75 requires general assembly approval for the sale of assets worth more than 50% of total assets, whether in one transaction or a series within twelve months. Changes to the bylaws, capital, and the company's structure are reserved for the extraordinary general assembly. Under Article 77(2), the company may still be bound to third parties who acted in good faith, and directors who exceed their powers are personally exposed.

The same logic protects the board from the shareholders. Article 73 provides that a shareholder may monitor the board but may not interfere in the work of the board or executive management, unless the shareholder is a director or executive or is acting through the general assembly within its powers. The channel for shareholder influence is the assembly, not private pressure on individual directors.



28 Capital Market Authority, *Implementing Regulation of the Companies Law for Listed Joint Stock Companies*, Art. 4.

Independent judgment

Article 26(c) requires a director to make decisions and vote independently. This duty is especially significant in a market of concentrated ownership. It means a director may listen to the views of the shareholder who nominated them, the chair, or the chief executive, but must weigh those views against the company's interests and reach a personal conclusion. A director who votes as instructed without independent consideration is in breach, regardless of the vote's outcome.

Independent judgment also has a collective dimension. The Corporate Governance Regulations require each director to enable colleagues to express their opinions freely and encourage genuine deliberation. They should also be permitted to record any dissenting opinion in detail in the minutes. A board where dissent is unwelcome risks groupthink, and groupthink is a recurring feature of the governance failures examined in Section 7.

Duties at critical moments

Some situations carry specific, time-bound obligations. The most important for directors of joint stock companies arises when accumulated losses reach half of the issued capital. Article 132 requires the board to announce the losses and its recommendations within 60 days of becoming aware of them. In the case of listed companies, the requirement is even stricter; the CMA requires an immediate public announcement. An extraordinary general assembly must then take place within 180 days to decide whether the company should continue, with measures to address the losses, or be dissolved. The automatic dissolution of the old law is gone, but the duty to act remains. Failure to call the assembly is a criminal offense punishable by up to one year's imprisonment and a fine of up to ﷼ 1 million (Article 261(h)).

Financial distress also changes the substance of the duty of loyalty. As insolvency becomes likely, directors must give greater weight to creditors' interests, avoid transactions that strip value from the company, and consider whether proceedings under the Bankruptcy Law are appropriate. Dividends may be paid only out of genuinely distributable profits. Distributing dividends in bad faith, or in breach of the law or the bylaws, is itself an offense under Article 261(f).

Directors cannot solve a crisis by walking away. The law builds in continuity. If the whole board resigns, the resignation does not take effect until a new board is elected. If a board's term expires without an election, its members continue in office until a new board is elected, for a limited period. For listed companies, that period is 90 days after the end of the term, or 120 days after the resignation of the whole board.[29] If membership falls below the minimum needed for valid meetings, the remaining directors must call an assembly within 60 days (Article 69).

29 Implementing Regulation of the Companies Law for Listed Joint Stock Companies, Arts. 6(e), 6(f) and 10.

THE BUSINESS JUDGMENT RULE: PROTECTION FOR GOOD PROCESS

From a director's point of view, the most significant innovation of the Companies Law may be Article 31. It provides that a director "shall be deemed to have fulfilled his duty in a decision he/she made or voted on in good faith" if three conditions are met.[30]

Table 3. The three conditions of the business judgment rule (Article 31)

Condition	What the law says	How a director shows it
1 **No personal interest**	The director has no personal interest in the subject matter of the decision.	Declarations of interest are made and minuted; conflicted members are absent from the deliberation and the vote.
2 **Informed basis**	The director understands and is familiar with the subject matter to an extent the director deems reasonable in the circumstances.	Board papers received in good time; questions asked and answered; expert advice obtained where the matter warrants it; alternatives considered.
3 **Rational belief**	The director believes firmly and rationally that the decision serves the company's interests.	Minutes that record the reasons for the decision, the risks weighed, and how the decision serves the company.

Where the three conditions are satisfied, the director is treated as having met the duty, and the burden of proving otherwise rests on the person bringing the claim. For the purposes of the rule, a "decision" includes an omission as well as an action.

The rule allows boards to take legitimate commercial risk. Without it, directors facing personal liability for every decision that turned out badly would have every incentive to be timid, to avoid innovation, and to over-rely on advisers. With it, a board that makes an honest, informed, disinterested decision is protected even if the decision proves wrong.

30 Companies Law, Art. 31. The English translation reads: "understands and is familiar with the subject matter of the decision to an extent he deems reasonable according to the circumstances of the decision; and believes firmly and rationally that the decision serves the company's interests. The burden of proving otherwise shall rest with the plaintiff."

What the rule does not protect

The rule is generous, but its limits are important. It does not protect a director who had a personal interest in the decision. Conflicted decisions fall outside it entirely and are governed by the strict loyalty rules in Section 4. It does not protect a director who did not take the time to understand the matter, who rubber-stamped a proposal without reading the papers, or who voted on instruction from others. It does not protect decisions that break the law or the company's bylaws. And it cannot help a director who never made a decision at all. A board that never considered a serious risk cannot claim to have made an informed judgment about it.

The wording of Article 31 is worth reading closely. The informed-basis test refers to the extent the director "deems reasonable according to the circumstances," which has a subjective element, while the belief must be both "firm" and "rational," which introduces an objective check. Published decisions interpreting the rule remain scarce, although practitioners report that courts tend to require clear evidence before finding against a director, consistent with the rule's presumption. The safest assumption is that the rule will be read together with the objective standard of care in Article 26(d). A belief that no reasonable director could have held is unlikely to be treated as rational.

HOW SAUDI ARABIA'S RULE COMPARES

The structure of Article 31 closely follows the statutory business judgment rule in section 180(2) of Australia's Corporations Act. This requires that the judgment be made in good faith for a proper purpose, that the director have no material personal interest in its subject matter, that the director be informed to the extent they reasonably believe appropriate, and that they rationally believe the judgment is in the company's best interests.[31] In Australia, however, legal precedent, principally ASIC v Rich, indicates that the director bears the onus of establishing the elements of the defense. Saudi Arabia places the burden on the claimant, as does Delaware (in the United States), where the business judgment rule operates as a presumption in the directors' favor.[32] The United Kingdom has no statutory rule; its courts simply decline to second-guess honest commercial judgments.

The Saudi rule is therefore among the more director-friendly formulations in the major markets. That protection is earned through proper process. It is the strongest practical reason for directors to insist on good board papers, adequate time, independent advice, and careful minutes.

31 Corporations Act 2001 (Cth), s. 180(2). Australian courts have held that the director bears the onus of establishing the elements of the rule: ASIC v Rich [2009] NSWSC 1229.

32 Aronson v. Lewis, 473 A.2d 805, 812 (Del. 1984), describing the rule as "a presumption that in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the company."

LIABILITY AND ENFORCEMENT



Civil liability: joint, several, and personal

Article 28(1) makes directors jointly and severally liable for any damage suffered by the company, its shareholders, or third parties resulting from a violation of the Companies Law or the bylaws, or from a wrongful act, negligence, or omission in performing their duties. Joint and several liability means each director can be pursued for the whole loss, leaving directors to seek contributions from one another.

Article 28(2) sets out a rule that every director should know by heart. If a decision is taken unanimously, all directors are liable. If it is taken by majority, the directors who objected escape liability only if their objection is explicitly recorded in the minutes. A director absent from the meeting is not protected unless they can show they were unaware of the decision or were unable to object after becoming aware of it.[33] Silence, absence, and unminuted disagreement all leave a director exposed.

Who can sue

The company may bring a claim against its directors for damage caused to it, by decision of the general assembly. If the company does not act, one or more shareholders holding at least 5% of the capital, or a lower percentage if the bylaws so provide, may bring a derivative action on the company's behalf. They must act in good faith, in the company's interest, on valid grounds, and must give the board at least 14 days' notice. The court may order the company to reimburse a good-faith claimant's costs whatever the outcome. A shareholder who has suffered personal loss may also sue in their own name.[34]

33 Companies Law, Art. 28(1) and (2). Art. 71(4) applies the same objection-in-the-minutes rule to decisions on transactions in which a director has an interest.
34 Companies Law, Arts. 29, 30 and 32.

Two further provisions close obvious escape routes. A general assembly resolution releasing the board from liability does not prevent the company or its shareholders from suing (Article 30(1)). And the limitation period is long: except in cases of fraud or forgery, where there is no time bar, a derivative action may be brought until the later of five years from the end of the financial year in which the harmful act occurred and three years from the end of the director's term (Article 30(2)).

Criminal and administrative penalties

The Companies Law sets out a graded set of penalties for directors, which the Public Prosecution investigates and the courts, or, for listed companies, the Committee for Resolution of Securities Disputes, impose.[35] Table 4 summarizes those most relevant to directors.

Table 4. Principal penalties for directors under the Companies Law

Provision	Conduct	Maximum penalty
Art. 260(a)	Intentionally including misleading information in, or omitting material facts from, financial statements or reports to shareholders	3 years' imprisonment and ﷼ 5 million fine, or either
Art. 260(b)	Knowingly using company funds, authority, or voting power against the company's interest for personal gain or to favor another	3 years' imprisonment and ﷼ 5 million fine, or either
Art. 261(b)	Taking or giving a benefit to vote, or abstain, with intent to harm the company	1 year's imprisonment and ﷼ 1 million fine, or either
Art. 261(f)	Distributing dividends in bad faith in breach of the law or bylaws	1 year's imprisonment and ﷼ 1 million fine, or either
Art. 261(h)	Failing to call the general assembly when losses reach half of capital	1 year's imprisonment and ﷼ 1 million fine, or either
Art. 261(i)	Exploiting or disclosing confidential company information with intent to harm the company	1 year's imprisonment and ﷼ 1 million fine, or either
Art. 262	Prohibited loans; failure to keep proper accounts or minutes; serving on a board in breach of the law; knowing of such breaches without objecting	﷼ 500,000 fine
Art. 264(1)(d)	Additional or alternative penalty for Art. 260 and 261 offenses	Ban from the board of any listed company

Penalties under Articles 260 and 261 are doubled for a repeat offense within three years. For listed companies, the Capital Market Law and its implementing regulations add a further layer of exposure for misleading disclosure and market manipulation, with sanctions that include fines, bans from working in CMA-supervised entities, and criminal penalties.

35 Companies Law, Arts. 260 to 264. Penalties under Arts. 260 and 261 are doubled for repeat offenses committed within three years of a final judgment (Art. 263(2)). For listed companies, cases are heard by the Committee for Resolution of Securities Disputes (Art. 266(2)).

Enforcement in practice: two cases from 2026

Saudi Arabia has only a small and largely unpublished body of court decisions on directors' duties. Those that exist show that the duties are enforceable. For example, in one case reported by practitioners, a court found that a company manager breached his duties of care and loyalty by concluding agreements with a company owned by his wife without the partners' approval or disclosure of his interest.[36] For the most part, however, the CMA's supervision and enforcement are shaping the practical content of the duties. Two actions announced in May 2026 show what that looks like.

In the first, the Appeal Committee for the Resolution of Securities Disputes issued final convictions against eleven individuals, including members of the board and audit committee of Middle East Healthcare Company (Saudi German Health), for manipulating the company's financial statements between 2018 and 2021. The company had recognized ﷼ 358 million of revenue that was not due, creating a misleading impression of its book value. The individuals were fined a total of about ﷼ 18 million, with individual fines ranging from about ﷼ 500,000 to ﷼ 3.1 million, and were banned from working in CMA-supervised entities for six months to one year.[37] The day after the ruling, six board and audit committee members resigned, including the chair, the vice chair, and the chairs of the audit and nomination and remuneration committees, and investors were advised to file compensation claims.[38]

In the second, the CMA referred seventeen people connected to Cenomi Retail to the Public Prosecution following a forensic inspection. They included current and former board members, the chief executive, finance managers, and members of the former external auditor's team. The suspected conduct includes creating a false or misleading impression of the value of the company's shares and using company funds and authority for personal purposes and to benefit companies in which some of the suspects had interests. These are, at the time of writing, allegations, and the case is before the Committee for Resolution of Securities Disputes.[39]

Both cases hold the entire governance chain accountable: directors, audit committee members, executives, finance staff, and auditors. For directors, the message is direct. Signing off financial statements is not a formality. Audit committees must test revenue recognition and collectability assumptions, not merely receive the auditor's findings. Neither the business judgment rule nor a general assembly release protects a director who knowingly approves misleading figures.

36 Zaza, L. (2026) 'Companies Law Overview', presentation to the Center for Governance, Riyadh, July 2026 (Latham & Watkins).

37 Capital Market Authority (2026) 'Conviction of a Number of Board Members of Saudi German Health and its Audit Committee for Violating the Capital Market Law and Its Implementing Regulations by Manipulating the Financial Statements from 2018–2021', news release, 21 May 2026. The convictions were under Art. 49(a) of the Capital Market Law and Art. 7 of the Market Conduct Regulations. Available at: https://cma.gov.sa/en/MediaCenter/NEWS/Pages/CMA_N_4061.aspx.

38 Saudi Gazette (2026) 'CMA fines former Saudi German Health officials SR18 million over financial statement manipulation'; Gulf News (2026) '6 Saudi German Hospital board members quit after regulator fines'.

39 Capital Market Authority (2026) news release on the referral of 17 suspects connected to Cenomi Retail (formerly Fawaz Abdulaziz Alhokair & Co.) to the Public Prosecution, 20 May 2026. The matters described are allegations; no finding of liability had been announced at the time of writing.

D&O insurance and indemnities

Article 28(3) allows the company to purchase liability insurance for its directors covering claims made against them in that capacity. Directors should check that such cover is in place, that the limit is adequate for joint-and-several exposure, and that it continues after they leave the board, since claims can be brought years later. They should also understand its limits. Directors' and officers' policies typically exclude fraud, deliberate wrongdoing, and personal profit, and generally do not cover criminal fines. Insurance is a backstop for honest mistakes, not a substitute for discharging the duties.

The same duties, different levels of scrutiny

The core duties in the Companies Law apply to directors of listed and unlisted companies alike. A director of a family company or start-up does not carry lighter responsibilities simply because the business is privately owned.

What may differ in practice is the scrutiny directors face and how readily a failure to fulfill those duties can be identified. Access to evidence helps explain this. The claimant bears the burden of proving that the director failed to discharge their duties. Challenging a decision therefore requires evidence about how it was made. Listed companies face more extensive public disclosure requirements and closer market scrutiny. These can help expose concerns that warrant investigation. Unlisted companies generally disclose less publicly, although they remain subject to regulatory inspection and requirements to provide company records. The concern is therefore practical: where information is harder to obtain, failures may be harder to detect and prove.

Directors interviewed for this paper described this difference in scrutiny as influencing boardroom behavior. In their view, listed-company directors are more conscious that their conduct may be examined. Some described unlisted family-company boards as more responsive to the controlling family's expectations than to external scrutiny. They also pointed to banking as a sector where close SAMA supervision keeps directors' responsibilities firmly in view.

The answer is not necessarily to impose listed-company disclosure requirements on every private business. Requirements should remain proportionate to the company's size and circumstances. But directors who receive less external scrutiny of their duties need to take greater personal responsibility for understanding and applying them. Less scrutiny does not mean less responsibility.

Education could help across both listed and unlisted companies. Interviewees proposed a short, mandatory course on directors' duties for listed-company directors, refreshed periodically and built around real cases. Several compared it to a driving license: people must demonstrate an understanding of the rules before driving. Yet there is no equivalent universal requirement before joining a listed-company board (unlike in some other major markets, such as India and Hong Kong – see section 7). Such a course would provide a common foundation for directors within the CMA's remit. Appropriate training could also be encouraged in unlisted companies.

Combined with the board evaluations, practical education could help directors recognize problems before they become breaches. Enforcement remains essential, but improving conduct also requires directors to understand what the law expects.

SAUDI ARABIA IN INTERNATIONAL CONTEXT

Directors' duties exist in every major market, and their core is the same everywhere: directors must act with care and be loyal to the company. The differences lie in how the duties are written, whose interests they serve, how demanding the standard of care is, and, above all, how they are enforced. These differences matter to the directors of Saudi companies because international investors bring expectations shaped by their home markets, and because many Saudi company directors sit on boards abroad or on boards with foreign shareholders.

This section compares Saudi Arabia with ten other jurisdictions. Seven are standard reference points: the United States (Delaware), the United Kingdom, Germany, Japan, Australia, South Africa, and the United Arab Emirates. The other three, India, Hong Kong, and Brazil, share the feature that particularly shapes Saudi boardrooms: concentrated ownership. In the United States and the United Kingdom, shareholdings are widely dispersed, and the main governance task is holding managers to account. In India, Hong Kong, and Brazil, as in Saudi Arabia, most listed companies have a controlling shareholder, such as a founding family, a business group, or the state. There, a key governance task is protecting minority shareholders from the controller. Annex C sets out the full comparison.

How the duties are written

In the common law world, directors' duties were first developed by judges. Delaware still relies largely on judge-made duties refined case by case, an approach that is flexible but can be uncertain. Several common law jurisdictions have codified directors' duties, including Australia, the United Kingdom, and South Africa. Civil law systems such as Germany and Japan have always set out directors' obligations in legal codes, typically requiring the care of a "prudent manager."[40]

The three concentrated-ownership markets have taken different routes. India first stated directors' duties in general terms in section 166 of its Companies Act 2013.[41] Hong Kong codified only the duty of care, skill, and diligence and left the duties of loyalty and good faith to the common law.[42] Brazil, a civil law system, has set out a statutory framework of duties in its Corporations Law since 1976.[43]

Saudi Arabia's Sharia-based legal system now contains an extensive statutory framework for companies that has borrowed the vocabulary of the common law. The seven elements of Article 26, as stated in the Implementing Regulation for listed companies, correspond almost exactly to the seven general duties in sections 171 to 177 of the UK Companies Act (Table 5).[44] Saudi directors and their advisers can therefore draw on UK and Commonwealth experience to understand the duties in practice, while remembering that Saudi courts are not bound by it.

40 Hutchison, C. (2025) 'Reassessing the End of History: Directors' Duties and Shareholders' Rights in Comparative Context', University of Pennsylvania Journal of Business Law (forthcoming).

41 Companies Act 2013 (India), s. 166.

42 Companies Ordinance (Cap. 622) (Hong Kong), s. 465.

43 Law No. 6,404/1976 (Brazil) (Corporations Law), Arts. 153 to 159.

44 Companies Act 2006 (UK), ss. 171 to 177.

Table 5. Saudi Arabia's seven duties and their UK counterparts

Saudi Companies Law, Art. 26	UK Companies Act 2006
(a) Act within the scope of powers, and for the purposes for which they were conferred	s. 171: Duty to act within powers and for proper purposes
(b) Act in the company's interest and promote its success	s. 172: Duty to promote the success of the company
(c) Make decisions and vote independently	s. 173: Duty to exercise independent judgment
(d) Exercise reasonable and expected diligence, skill, and care	s. 174: Duty to exercise reasonable care, skill, and diligence
(e) Avoid conflicts of interest	s. 175: Duty to avoid conflicts of interest
(g) Not accept benefits from third parties	s. 176: Duty not to accept benefits from third parties
(f) Disclose any interest in company transactions	s. 177: Duty to declare interest in proposed transaction

Whose interests the duties serve

Delaware is the classic shareholder primacy model: directors act for the corporation and its stockholders. Germany sits at the other pole, with employees on the supervisory boards of large companies and a corporate interest understood as the long-term success of the enterprise. South Africa's King V Code is explicitly stakeholder-centered. The United Kingdom occupies the middle ground with "enlightened shareholder value": directors promote the company's success for the benefit of its members, but must have regard to employees, suppliers, customers, the community, and the environment.

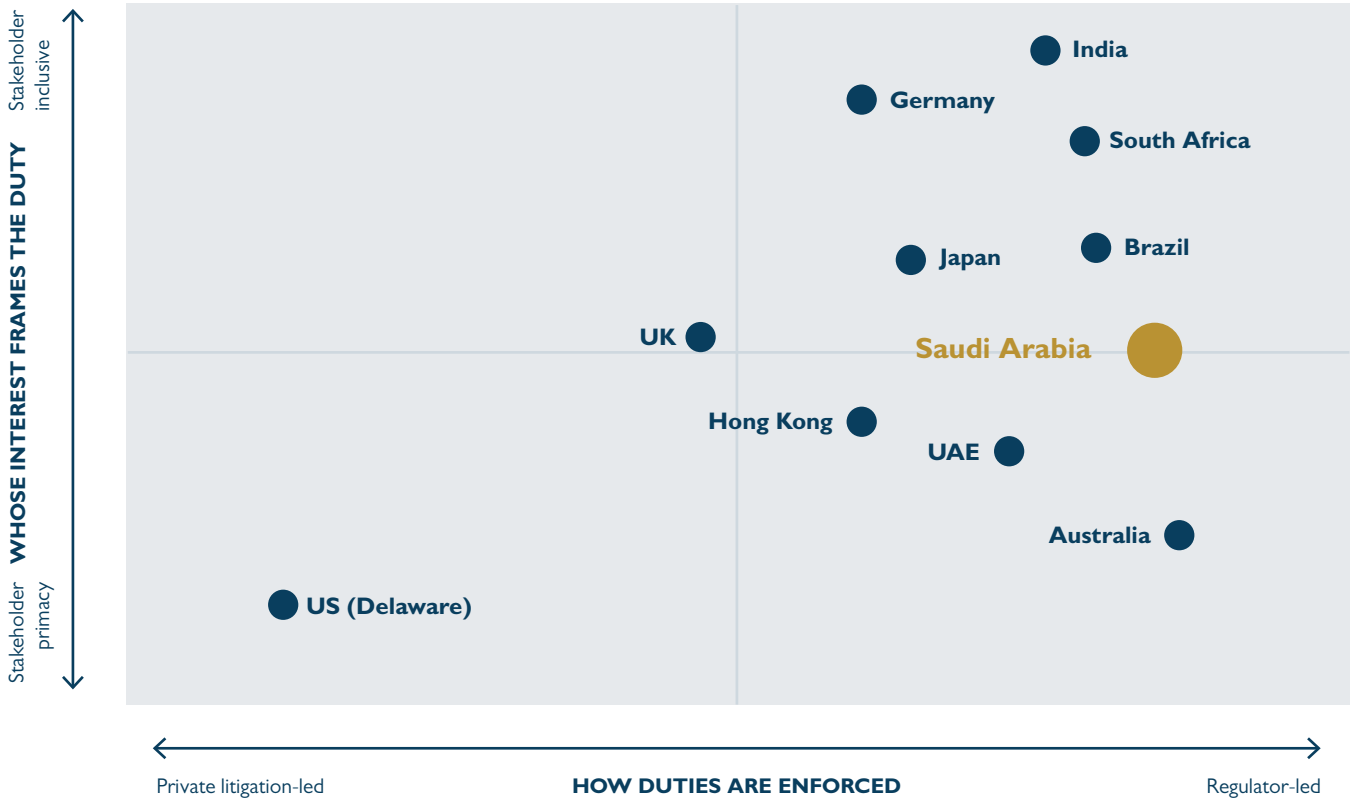
India has the most stakeholder-inclusive wording of any jurisdiction in this comparison. Its directors must act in the best interests of "the company, its employees, the shareholders, the community and for the protection of the environment," and larger companies must spend at least 2% of their average net profits on corporate social responsibility.[45]

Brazil requires directors to serve the company while meeting "the requirements of the public good and the social function of the enterprise."[46] Hong Kong follows the traditional common law view that directors act in the interests of the company as a whole, generally meaning its shareholders collectively.

Saudi Arabia belongs in the middle ground. Directors act for the company and all its shareholders, promote long-term value, and must protect other stakeholders' rights. Figure 1 assesses where the eleven jurisdictions sit. On corporate purpose, Saudi Arabia is close to the United Kingdom. On enforcement, it sits with the regulator-led systems, including India, Hong Kong, and Brazil.

45 Companies Act 2013 (India), ss. 166(2) and 135.
46 Law No. 6,404/1976 (Brazil), Art. 154.

Figure 1. Where Saudi Arabia sits: corporate purpose and enforcement in eleven jurisdictions



Source: CFG assessment. Positions are illustrative and indicate relative orientation, not measured values.

How demanding is the standard of care?

In Delaware, directors are liable for breach of the duty of care only for gross negligence, and most companies exclude directors' monetary liability for such breaches in their charters. The UK and Hong Kong apply the dual objective and subjective test described in Section 4. Australia applies an objective standard tied to the company's circumstances and the director's responsibilities. India applies a single objective standard of "due and reasonable care, skill and diligence." Germany, Japan, and Brazil use the civil law formula of a prudent or diligent manager.[47] Saudi Arabia has adopted the dual test, a more demanding standard than Delaware's, and paired it with a business judgment rule that protects informed, disinterested decisions.

That rule is unusual among concentrated-ownership markets. India and Hong Kong have no statutory equivalent. Brazil's securities regulator, the CVM, has developed a similar doctrine in its decisions, while Indian and Hong Kong courts may relieve a director who acted honestly and reasonably.[48] India, however, protects non-executives in a way Saudi law does not. Its independent directors are liable only for failures that occurred with their knowledge (attributable through board processes) and consent, or where they did not act diligently.[49] Saudi law contains no equivalent limitation for NEDs, but its provisions on individual and joint liability preserve protections for recorded dissent and, in some specific circumstances, absence from board meetings.

47 Corporations Act 2001 (Australia), s. 180(1); Companies Ordinance (Cap. 622) (Hong Kong), s. 465(2); Companies Act 2013 (India), s. 166(3); Law No. 6,404/1976 (Brazil), Art. 153.

48 CVM, PAS 19957.005981/2016-86 (19 November 2019), paras. 30 to 32; Law No. 6,404/1976 (Brazil), Art. 159(6); Companies Ordinance (Cap. 622) (Hong Kong), s. 903; Companies Act 2013 (India), s. 463.

49 Companies Act 2013 (India), s. 149(12).

How the duties are enforced

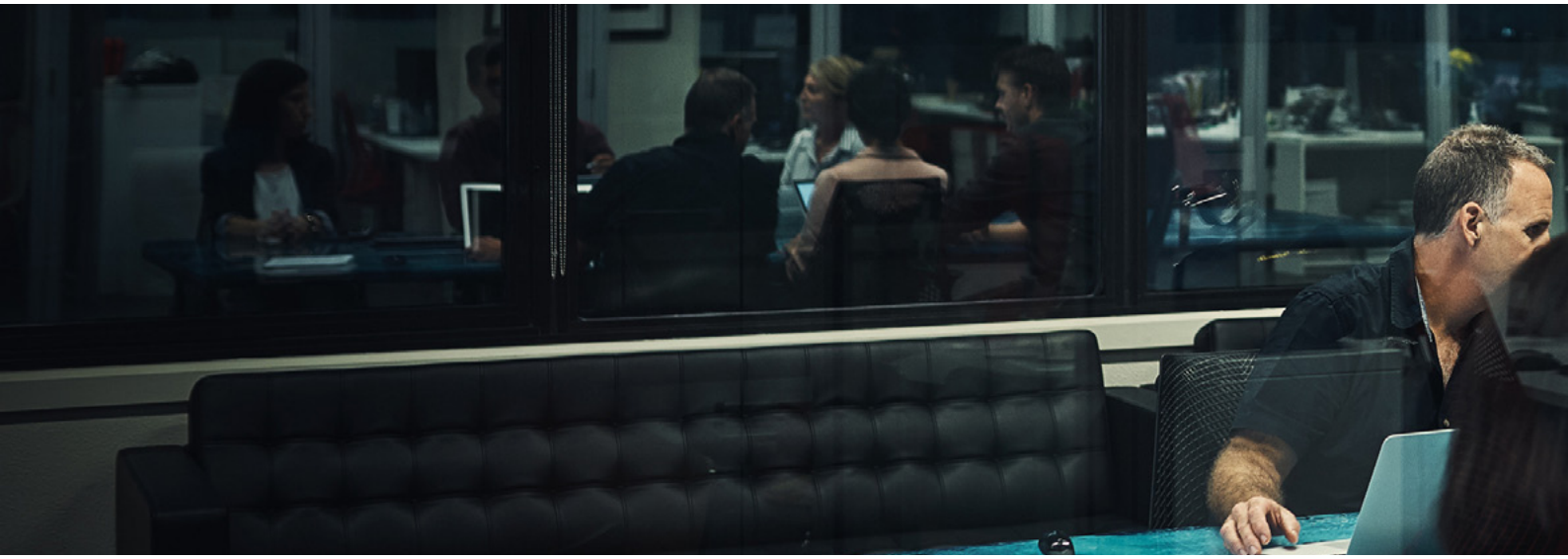
Enforcement is where the systems diverge most sharply. Delaware relies heavily on private litigation to enforce directors' fiduciary duties, particularly shareholder derivative suits. The threshold for personal liability remains high, but court decisions have clarified and reinforced what boards are expected to do, especially in overseeing critical compliance risks. Under the Caremark line of cases, directors may be liable for a bad-faith failure to put any reporting system in place for mission-critical risks, or for ignoring red flags.[50] After the Boeing 737 MAX crashes, the Delaware courts allowed a claim to proceed against directors who had no system for monitoring aviation safety.[51]

The UK provides a statutory route for shareholder derivative claims, but it is relatively little used. For listed companies, accountability is reinforced by a mixture of factors: disclosure, shareholder scrutiny, regulatory oversight and reputational pressure. In Germany, the supervisory board itself must examine and, in principle, pursue claims against management board members who breach their duties.[52] Australia shows public enforcement at full strength. The regulator regularly sues directors for breach of the duty of care, and its case against the board and executives of Star Entertainment has pushed boards across the market to spend more time on risk and compliance.[53]

India, Hong Kong, and Brazil also rely mainly on regulators to enforce directors' duties. In Hong Kong, the Securities and Futures Commission (SFC) can ask a court to disqualify directors of listed companies for up to 15 years and order them to pay compensation. It has taken action against independent directors as well as executives.[54] In India, the securities regulator can bar directors from the securities market. Shareholders can also bring complaints before a tribunal, although class actions remain rare.[55]

In Brazil, the securities regulator, CVM, can impose substantial fines on directors. The precise amount depends on the transaction value, the benefit obtained or the losses involved.[56] Shareholders can also sue on the company's behalf, subject to rules on shareholder support and whether the company has acted. Companies listed on Brazil's Novo Mercado must resolve certain corporate disputes through arbitration, with disclosure requirements applying to those proceedings.[57]

Saudi Arabia belongs to this latter group. As Section 6 explains, the CMA is the central enforcer for listed companies, and published case law remains limited.



50 In re Caremark International Inc. Derivative Litigation, 698 A.2d 959 (Del. Ch. 1996); Marchand v. Barnhill, 212 A.3d 805 (Del. 2019).

51 In re The Boeing Company Derivative Litigation, C.A. No. 2019-0907-MTZ (Del. Ch. 7 September 2021).

52 Bundesgerichtshof, judgment of 21 April 1997, II ZR 175/95 (ARAG/Garmenbeck), BGHZ 135, 244.

53 Australian Securities and Investments Commission (2026) 'Federal Court finds two Star Entertainment senior executives breached duties, non-executive directors did not breach duties', media release 26-040MR, 5 March 2026.

54 Securities and Futures Ordinance (Cap. 571) (Hong Kong), s. 214.

55 Companies Act 2013 (India), ss. 241–245; Securities and Exchange Board of India Act 1992, s. 11B.

56 Law No. 6,385/1976 (Brazil), art. 11, as amended by Law No. 13,506/2017.

57 Law No. 6,404/1976 (Brazil), arts. 136-A and 159; B3, Novo Mercado Regulation; CVM Resolution 80/2022.

Controlling shareholders: Insights from India, Hong Kong, and Brazil

Where a company has a controlling shareholder, the main governance risk is that value leaks to the controller through related party transactions, diverted opportunities, or directors who vote as instructed by controlling shareholders. India, Hong Kong, and Brazil offer four insights for Saudi boards.

Nominee directors. Brazilian law states that a director elected by a group of shareholders has the same duties to the company as any other director and may not breach them "even to defend the interests of those who elected him."[58] The rule, in force since 1976, is almost identical to Saudi Arabia's and shows that the principle can work in a market of controlling shareholders. Its strength depends on board practice: genuine deliberation, clear minutes, and recorded dissent.

Duties for the controller. Brazil also places duties on the controlling shareholder itself, which must respect the interests of other shareholders, employees, and the community. It is liable if it abuses its power.[59] Saudi law instead makes the directors liable and bars shareholders from interfering in the board's work outside the general assembly (Article 73).

Related-party transactions. India and Hong Kong take the decision on significant related-party transactions away from the controller. In India, only independent directors on the audit committee may approve them, and material transactions need shareholder approval at which no related party may vote.[60] In Hong Kong, significant connected transactions need advice from a committee of independent directors and an independent financial adviser, and approval by shareholders without a material interest.[61] Saudi law requires the interested director to disclose the interest and abstain, and requires a report from the external auditor, but does not generally require the related shareholder to abstain.[62]

Director education. Since July 2025, first-time directors of Hong Kong-listed companies must complete between 12 and 24 hours of training within 18 months of appointment (depending on the director's experience).[63] In India, independent directors must pass an online proficiency test within two years of registering, unless exempted by experience.[64] Both resemble the "driving license" for directors proposed by several interviewees for this paper (Section 6).



58 Law No. 6,404/1976 (Brazil), Art. 154(1).
59 Law No. 6,404/1976 (Brazil), Arts. 116 and 117.
60 SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, reg. 23, as amended in 2025.
61 HKEX Main Board Listing Rules, Chapter 14.
62 Companies Law, Arts. 71(1) and 95(2); CMA Implementing Regulation for listed companies, Art. 64(f).
63 Hong Kong Exchanges and Clearing Limited (2024) Consultation Conclusions: Review of Corporate Governance Code and Related Listing Rules.
64 Companies (Appointment and Qualification of Directors) Rules 2014 (India), r. 6.

Lessons from international failures

Governance failures from abroad offer lessons for board members. The cases in Table 6 share a pattern: boards that deferred to a dominant personality or to management, did not challenge optimistic information, and did not act on warning signs. The cases from India and Hong Kong repeat a pattern familiar in concentrated ownership markets: warning signs in dealings with the controlling shareholder that the board did not examine closely enough.



Table 6. International governance failures and their lessons for Saudi boards

Case	What went wrong	The lesson
BHS (UK, 2016)	Directors allowed the retailer to be sold to an undercapitalized buyer for a nominal sum, leaving a pension deficit of about £571 million.[65]	Do not defer to a dominant shareholder or adviser; get informed before approving material transactions.
Carillion (UK, 2018)	The board approved aggressive revenue recognition and kept paying dividends as the balance sheet deteriorated.[66]	Formal independence means little without the willingness to challenge.
Patisserie Valerie (UK, 2018)	An alleged fraud that overstated cash balances went unnoticed by the board.[67]	Probe audit findings rather than simply receiving them.
Post Office Horizon (UK)	Successive boards ignored evidence that an IT system was generating false financial shortfalls while sub-postmasters were prosecuted.[68]	Do not rely uncritically on management assurances.
Wells Fargo (US, 2016)	The board did not act effectively on red flags about unauthorized customer accounts driven by sales incentives.[69]	Demand explanations, monitor remediation, and examine incentives.
Boeing 737 MAX (US, 2021)	The board had no system for monitoring aviation safety, its most critical risk.[70]	Mission-critical risks need direct board-level monitoring.
Star Entertainment (Australia, 2026)	The regulator pursued the whole board over oversight of money laundering risks; two executives were found in breach (under appeal).[71]	Regulators will test how boards oversee non-financial risks.
Satyam (India, 2009)	The board approved the founder's USD 1.6 billion bid for two family-controlled companies, reversed after investor protests. Weeks later, the chairman admitted that about USD 1 billion of reported cash did not exist.[72]	A related-party deal proposed by a controlling founder needs rigorous challenge.
Hanergy Thin Film (Hong Kong, 2017)	Most revenue came from sales to the parent group, and large sums owed by the group went unpaid. Four independent directors were disqualified for failing to assess the parent's ability to pay, and the former chairman for putting the parent's interests first.[73]	Independent directors must test the controller's capacity to pay, not simply approve the paperwork.
Americanas (Brazil, 2023)	The retailer disclosed BRL 20 billion of accounting inconsistencies, hidden supplier-finance debt among them, and sought court protection days later.[74]	Audit committees must look beyond the reported figures. They need to understand how the company earns its profits, finances its operations and records its debts, and challenge explanations that do not add up.

65 House of Commons Work and Pensions and Business, Innovation and Skills Committees (2016) BHS: First Report of the Work and Pensions Committee and Fourth Report of the Business, Innovation and Skills Committee of Session 2016–17.

66 House of Commons Business, Energy and Industrial Strategy and Work and Pensions Committees (2018) Carillion: Second Joint Report, Session 2017–19.

67 Serious Fraud Office prosecution; four defendants deny the charges; trial is listed for January 2028.

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THE EXPANDING FRONTIER OF BOARD OVERSIGHT

Over time, directors' duties themselves have not changed in their essentials, but the range of matters to which they apply has grown rapidly. Regulation now moves faster, reaches further across borders, and covers areas that were once regarded as technical or operational. A director exercising reasonable care today must understand risks that did not feature on board agendas a decade ago. Four deserve particular attention.

CYBERSECURITY

Cyber risk is now treated as a mission-critical governance matter in most major markets. In Saudi Arabia, SAMA requires financial institutions' boards to approve and maintain IT and cybersecurity governance policies and makes clear that outsourcing an operation does not transfer the board's accountability for it. For all listed companies, the board's annual review of the effectiveness of internal controls necessarily extends to these systems.

> **Key question for board members:** *"If a cyberattack disrupted our most critical operations tomorrow, what evidence gives the board confidence that the company could respond and recover?"*

ARTIFICIAL INTELLIGENCE

Companies are deploying AI in credit decisions, recruitment, customer service, and operations. The duty of care applies to the decision to deploy such systems: whether the board understands the material risks, whether the system's decisions can be explained, and whether meaningful human oversight exists. Directors need not be technologists, but they must ask the questions a diligent director would ask.

> **Key question for board members:** *"Where are we relying on AI for decisions with significant consequences, and how would we detect and correct a harmful or unreliable result?"*

DATA

Data is now among the most valuable assets many companies hold, and the duty to protect the company's assets extends to it. Saudi Arabia's Personal Data Protection Law has made data governance a compliance obligation with real penalties, and board oversight of data protection is now a mainstream expectation rather than a specialist one.

> **Key question for board members:** *"How do we know that the sensitive data we hold is collected, used, shared and protected appropriately, including by external providers?"*

PEOPLE AND SUSTAINABILITY

Boards are increasingly expected to oversee workforce strategy, culture, health and safety, and succession below the chief executive level, as well as climate and other sustainability risks. The Corporate Governance Regulations already require listed boards to oversee stakeholder relationships and treat employees fairly. They also suggest (through a guiding article) that the board recommends a social responsibility policy to the Ordinary General Assembly.Investor expectations and sustainability disclosure standards being adopted in many markets point in the same direction.

> **Key question for board members:** *"Which workforce, safety or environmental issues could materially affect the company's long-term success and what evidence shows that management is addressing them?"*

The common thread is that directors must move from compliance after the fact to forward-looking oversight. The question is not only whether the company complied with the rules last year, but whether the board has the information, expertise, and structures to anticipate the next risk.

A PRACTICAL TOOLKIT FOR DIRECTORS

Directors' legal duties translate into specific actions. Table 7 sets out the practices that, taken together, both discharge the duties and build the evidential record that earns the protection of the business judgment rule.

Table 7. Director's checklist

When	Good practice
On appointment	1. Read the bylaws, board charter, delegation matrix, conflicts policy, recent minutes, and annual reports. 2. Disclose every interest and competing activity, including those of relatives and other companies. 3. Confirm D&O insurance cover and its terms, including run-off after you leave. 4. Complete induction on the company's strategy, finances, and principal risks.
Before each meeting	5. Insist on complete papers in good time; listed companies must circulate them at least five days ahead. 6. Read them, including the financial information, and prepare questions. 7. Check the agenda for items in which you may have an interest.
In the meeting	8. Declare interests at the outset and leave the room for conflicted items. 9. Ask questions until you understand; test assumptions and the downside case. 10. Form and express your own view; do not vote on instruction from others. 11. If you disagree, say so and ask that your objection and reasons be minuted.
After the meeting	12. Review the draft minutes; confirm that deliberations, reasons, and any dissent are accurately recorded. 13. Follow up on actions and information requests. 14. Keep board information confidential.
Every year	15. Renew disclosures of interests and competing activities. 16. Take part in a genuine board and individual evaluation and in training on duties and emerging risks. 17. Review whether you still have the time and independence to serve.
When something goes wrong	18. Act on red flags promptly; do not accept reassurance without evidence. 19. Take independent legal advice early. 20. Watch fixed deadlines, such as the 60-day and 180-day periods when losses reach half of capital.

One mechanism ties these habits together, and it is the one most often left dormant. The Corporate Governance Regulations (Article 39) recommend an annual assessment of board performance, and an external assessment "from a competent third party" every three years. Yet the Saudi directors that we interviewed describe this as among the least operationalized provisions in the framework.

Board evaluation provides a way to test whether the practices described in Table 7 are being followed. It should examine both the board's collective effectiveness and each director's contribution.

Do directors prepare properly and receive the information they need? Does discussion test management's assumptions and allow concerns to be raised freely? Are conflicts disclosed and managed, unanswered questions followed up, and decisions and objections accurately recorded? Reviewing a sample of significant decisions can help answer these questions more reliably than a questionnaire alone.

The findings should lead to specific improvements, with responsibility assigned and progress reviewed. Used in this way, evaluation helps directors understand how well they are fulfilling their duties and where their board needs to improve.

CONCLUSION

The Companies Law has given Saudi Arabia a modern, codified statement of directors' duties that is recognizable to investors from London, Sydney, or New York, while remaining rooted in the Kingdom's own legal system and ownership structures. The duties of care and loyalty are now specific obligations with specific consequences, enforced by a regulator that showed in 2026 that it is prepared to pursue individual directors.

For the individual director, the implications are practical. Prepare properly, understand the numbers and form your own judgment, regardless of who nominated you. Disclose interests and step back from conflicted decisions. Protect the company's opportunities and information, act on warning signs and ensure that objections are recorded in the minutes.

Two developments will shape the next phase. As courts and the Committee for Resolution of Securities Disputes publish decisions on directors' duties, their practical meaning will become clearer. At the same time, boards will need to apply those duties to an expanding range of issues, including cybersecurity, data, artificial intelligence and sustainability.

Boards that invest in their capabilities, secure the information they need and encourage constructive challenge will be better equipped to fulfill their duties and benefit from the law's protection. These same disciplines also support sound commercial judgment. By applying them consistently, directors can make better decisions and improve their company's prospects of long-term success.



ANNEX A. DIRECTORS' DUTIES IN PRACTICE: HOW TO NAVIGATE TEN BOARDROOM SITUATIONS

Directors' fiduciary duties are easier to understand in context. The ten situations below describe situations Saudi directors often face. Each sets out a scenario, what the law requires, and what a well-advised director would do. They are illustrations, not legal advice on any particular set of facts.

SITUATION 1	The nominee director and the appointing shareholder
The situation	A director sits on the board of a listed company as the nominee of a family holding company that owns 35% of the shares. Before a board vote on a large capital expenditure program, the holding company asks him to vote against it and to send it the board papers and a summary of the discussion.
What the law requires	The director must decide and vote independently (Art. 26(c)) in the interest of the company and all its shareholders, not only the group that elected him (CGR Art. 83(2)). He may not disclose board information to any shareholder outside a general assembly (CGR Art. 28(16)), subject to narrow exceptions such as the financial information a parent company needs for its own accounts. The shareholder may not interfere in the board's work except through the general assembly (Art. 73).
What a good director does	The director can listen to the holding company's concerns and test them in the boardroom, but he must reach his own view on the merits. He/she should decline to share confidential papers. If the board wants a structured flow of information to major shareholders, it should approve a written information protocol that treats shareholders fairly and complies with disclosure rules. If he/she votes against the proposal, his reasons should be his own and should be minuted.

SITUATION 2	A contract with a company owned by a director's family
The situation	Management proposes awarding a SAR 40 million logistics contract to a company in which a director's son owns 30%. The director believes the contract is on market terms and asks whether he needs to do anything, since he personally owns no shares in the supplier.
What the law requires	The son is a "relative," and his shareholding creates an indirect interest (IRL Art. 66; CGR definition of relatives). The director must disclose immediately; the disclosure must be minuted, and he may not vote at the board or the general assembly (Art. 71(1)). The board must notify the general assembly with a special auditor's report, and the general assembly must authorize the contract (Art. 27(1)). For a listed company, a transaction of 1% of revenues or more must be announced (CGR Art. 41(6)).
What a good director does	The director should disclose in writing, leave the room for the deliberation, and not vote. The remaining directors should satisfy themselves that the terms are genuinely arm's length, ideally with a benchmark or competing quotations, because they share liability if the contract proves unfair (Art. 71(3)). The contract should not be signed until the authorization is obtained.

SITUATION 3	The opportunity that came to the board
The situation	During a strategy session, management presents an acquisition target that the company has decided not to pursue this year for lack of funds. A director, who is a partner in a private equity firm, sees the target's potential. Six months later, he resigns from the board and his firm bids for the target.
What the law requires	A director may not exploit any investment opportunity offered to the company or to him as a director (Art. 27(3)). For listed companies, the prohibition extends to a director who resigns in order to use an opportunity the company wishes to use (CGR Art. 42(b)). Confidential information obtained as a director may not be used for personal benefit.
What a good director does	The safe course is to treat the opportunity as the company's. If the director wishes to pursue it, he should raise it with the board while still a member, fully disclose his interest, and seek an express decision that the company has definitively declined the opportunity and released it, with shareholder authorization where required. Resigning first and bidding later is exactly the conduct the rules are designed to catch.

SITUATION 4	An invitation to join a competitor's board
The situation	A director of a listed cement company is invited to join the board of another cement producer in a different region. She considers that the two companies serve different markets and do not really compete.
What the law requires	Accepting a board seat in a company that competes with the company or any of its activities counts as competing business (CGR Art. 45). It requires notification to the board, abstention from related votes, and authorization by the ordinary general assembly or by the board under a delegation that names the permitted competing activities and lasts no more than one year (Art. 27(2); CGR Art. 44; IRL Art. 64(c) and (d)). If authorization is refused, she must withdraw or resign (IRL Art. 67). Competing business also negates independence (CGR Art. 19(c)(8)).
What a good director does	Whether the businesses compete is for the board and shareholders to assess, not the director alone. She should notify the board before accepting, let the board assess the overlap against the criteria approved by the general assembly, and accept only with authorization. If she is an independent director, she should expect to lose that status.

SITUATION 5	The large acquisition on a tight deadline
The situation	The chief executive asks the board to approve an acquisition within 48 hours by circulation, saying the seller has another bidder. The papers are a twelve-page summary. The price represents about 30% of the company's total assets.
What the law requires	Urgent decisions may be taken by circulation, but any director may require a meeting to deliberate (Art. 82). The business judgment rule protects only a decision taken on an informed basis (Art. 31). Sales of more than 50% of assets in twelve months need general assembly approval (Art. 75); acquisitions may trigger other approvals under the bylaws and CMA rules.
What a good director does	A director who is not comfortable should ask in writing for a meeting. The board should ask for the key due diligence findings, the valuation basis and any fairness opinion, the financing plan, and the downside case. If the deadline genuinely cannot be moved, the minutes should record what the board knew, what it asked, the risks it weighed, and why it concluded the deal serves the company. A board that cannot get that information should be prepared to decline.

SITUATION 6	Outvoted on a decision you believe is wrong
The situation	A director considers that a proposed dividend is imprudent because of the company's deteriorating cash position. The rest of the board approves it. She is due to travel and plans to miss the next meeting, when the minutes will be approved.
What the law requires	A director who objects to a majority decision is protected only if the objection is explicitly recorded in the minutes; absence does not protect (Art. 28(2)). Dissenting opinions must be recorded in detail (CGR Art. 31(b)). Distributing dividends in bad faith in breach of the law is an offense (Art. 261(f)).
What a good director does	She should state her objection clearly at the meeting, ask that it be minuted with her reasons, and check the draft minutes before they are signed, sending written comments if she cannot attend. If the concern is serious and persistent, she should consider whether she can continue to discharge her duties; a member unable to do so should resign (CGR Art. 28(20)).

SITUATION 7	Red flags in the numbers
The situation	The audit committee receives an anonymous report through the whistleblowing channel alleging that a business unit is booking revenue from customers who are unlikely to pay. Management says the allegation comes from a disgruntled employee and that the external auditor has not raised the issue.
What the law requires	The board must ensure the integrity of financial reporting and sound control systems (CGR Arts. 21 and 28). Whistleblowing reports must be investigated (CGR Art. 81). Intentionally misleading financial statements are criminal (Art. 260(a)); the Saudi German Health case shows the exposure of board and audit committee members.
What a good director does	The audit committee should not accept management's assurance at face value. It should commission an investigation independent of the business unit, ask the external auditor to review the specific transactions, examine collection history and credit-loss provisions, and report to the full board. Every step should be documented. The board should consider whether disclosure obligations arise.

SITUATION 8	When losses reach half of the capital
The situation	The chief financial officer of an unlisted company reports that, after a large impairment in the second quarter, accumulated losses now stand at 52% of issued capital. The chair suggests waiting for the annual results before taking any action, as the third quarter is expected to be profitable.
What the law requires	The board must announce the losses and its recommendations within 60 days of becoming aware of them, and call an extraordinary general assembly within 180 days to decide whether to continue with remedial measures or dissolve (Art. 132). Failure to call the assembly is an offense (Art. 261(h)).
What a good director does	The clock starts when the board becomes aware, not at year-end. The board should minute the date of awareness, prepare the announcement and a credible recovery plan within 60 days, and set the assembly date. As distress deepens, directors should weigh creditors' interests and take advice on their obligations under the Bankruptcy Law.

SITUATION 9	The generous supplier
The situation	A major equipment supplier, currently bidding for a contract, invites a director and his spouse to attend an international exhibition, with business-class flights and hotel paid.
What the law requires	A director may not accept any benefit from third parties in relation to his role (Art. 26(g)). Directors may not accept gifts from those doing business with the company where this may lead to a conflict of interest (CGR Art. 46).
What a good director does	He should decline. If attending the exhibition has genuine value to the company, the company should pay. The director should also report the offer under the company's gifts and conflicts policy, so the procurement team is aware of it.

SITUATION 10	The director who drifts away
The situation	Two old friends, the founding shareholders and directors of a closed joint stock company, bring in a third person as a shareholder and director. After eighteen months he stops attending meetings. It later emerges that he has set up his own company and is diverting business opportunities to it.
What the law requires	Persistent absence without excuse allows the general assembly to terminate membership (Art. 70); for listed companies, shareholders holding 10 percent can seek removal (2026 amendments). Competing without authorization and exploiting company opportunities breach Art. 27(2) and (3). Inactivity is itself a breach of the duty of care.
What a good director does	The board should act early rather than hope the problem resolves. It should record the absences, write to the director, and recommend termination to the general assembly if there is no acceptable explanation. Once diversion is suspected, it should secure evidence and take legal advice on invalidating transactions, recovering profits, and claiming compensation. A director cannot avoid responsibility by claiming to have been inactive.

ANNEX B. QUICK REFERENCE TO KEY LEGAL PROVISIONS

Provision	Subject	What it requires
CL Art. 26	Duties of care and loyalty	Seven elements: act within powers; act in company's interest; decide independently; diligence, skill, and care; avoid conflicts; disclose interests; accept no third-party benefits
CL Art. 27	Conflicts, competition, exploitation	No interest in company contracts or competing business without shareholder authorization; no exploitation of company assets, information, or opportunities
CL Art. 28	Liability	Joint and several liability; objection must be minuted; absence no defense; exclusion clauses void; D&O insurance permitted
CL Arts. 29, 30, 32	Claims against directors	Company action by general assembly; 5% derivative action with 14 days' notice; release does not bar suit; limitation of 5 years or 3 years after term; costs
CL Art. 31	Business judgment rule	No personal interest; informed basis; firm and rational belief; burden on claimant
CL Art. 70	Absent directors	Termination for three consecutive or five non-consecutive unexcused absences
CL Art. 71	Disclosure of interest	Immediate disclosure, minuted; no vote at board or assembly; auditor's special report to assembly
CL Art. 72	Loans to directors	Prohibited, including to relatives, save for banks on client terms and approved employee schemes
CL Art. 73	Shareholder interference	Shareholders monitor through the general assembly and may not interfere in management
CL Art. 75	Major asset sales	Assembly approval for sales above 50% of total assets within twelve months
CL Art. 132	Losses of half of capital	Announce within 60 days; call extraordinary assembly within 180 days
CL Arts. 260 to 264	Penalties	Up to 3 years and SAR 5 million for serious offenses; up to 1 year and SAR 1 million; fines up to SAR 500,000; bans from listed boards
IRL Art. 4	Duties (listed companies)	Detailed statement of the seven duties, including the dual care test and regard for stakeholders
IRL Arts. 64 to 66	Interest transactions (listed)	Board may authorize below 1% of revenues and SAR 10 million under delegation; definition of indirect interest
CGR Arts. 19, 20, 21	Independence; board responsibility	Independence criteria; board represents all shareholders and remains responsible despite delegation; main functions
CGR Arts. 28, 29	Duties of members and independent directors	Preparation, attendance, questioning, confidentiality, resignation if unable to serve; independent directors' functions
CGR Arts. 41 to 46	Conflicts	Written conflicts policy; avoiding conflicts; competition rules; gifts
CGR Art. 83(2)	Representation	Represent all shareholders and protect stakeholders, not only the group that elected the director

CL: Companies Law. IRL: Implementing Regulation of the Companies Law for Listed Joint Stock Companies. CGR: CMA Corporate Governance Regulations.

ANNEX C. DIRECTORS' DUTIES ACROSS ELEVEN JURISDICTIONS

Jurisdiction	Sources and structure	Corporate purpose	Standard of care and key duties	Business judgment rule	Enforcement
US (Delaware)	Judge-made fiduciary duties within the Delaware General Corporation Law; oversight duties shaped by Caremark and Marchand	Shareholder primacy	Care (gross negligence threshold), loyalty, good faith, oversight	Judge-made presumption; burden on claimant; enhanced scrutiny or entire fairness for conflicts and control transactions	Private litigation through derivative suits with strict demand requirements
UK	Companies Act 2006, ss. 171 to 177, interpreted with common law; UK Corporate Governance Code (comply or explain)	Enlightened shareholder value (s. 172)	Dual objective and subjective care test; proper purpose; independent judgment; conflicts; third-party benefits; declaration of interests	No statutory rule; courts defer to honest commercial judgment	Rare derivative actions; regulatory enforcement (FRC, FCA); disqualification; reporting and reputational pressure
Germany	Stock Corporation Act (AktG), e.g. § 93; two-tier board	Stakeholder-inclusive; codetermination	Prudent and conscientious manager; loyalty; compliance oversight	Codified in § 93(1) AktG	Supervisory board must examine and, in principle, pursue claims (ARAG/ Garmenbeck); limited shareholder litigation
Japan	Companies Act; Corporate Governance Code and Financial Instruments and Exchange Act for listed companies	Hybrid, stakeholder-aware	Care of a prudent manager; loyalty; disclosure and ESG-linked oversight	Recognized by courts	Derivative suits possible; enforcement mainly through FSA and exchange oversight
Hong Kong	Companies Ordinance (Cap. 622), s. 465; common-law fiduciary duties; HKEX Listing Rules and Corporate Governance Code for listed issuers	Best interests of the company as a whole	Dual objective and subjective care test; good faith; proper purpose; conflicts and disclosure of interests	No statutory business judgment rule; common-law principles govern review of business decisions; separate discretionary court relief where the director acted honestly and reasonably	SFC court actions for compensation and disqualification; HKEX discipline; derivative actions and unfair-prejudice remedies
India	Companies Act 2013, s. 166; SEBI Listing Obligations and Disclosure Requirements Regulations 2015 for listed entities	Stakeholder-inclusive: company, members, employees, community and environment (s. 166(2))	Due and reasonable care, skill and diligence; independent judgment; good faith; conflicts and undue gains prohibited	No express statutory business judgment rule; discretionary court relief for honest and reasonable conduct where the director ought fairly to be excused (s. 463)	Companies Act penalties; SEBI oversight of listed entities; tribunal remedies for oppression, mismanagement and class actions; conditional liability limits for independent and eligible non-executive directors (s. 149(12))

Jurisdiction	Sources and structure	Corporate purpose	Standard of care and key duties	Business judgment rule	Enforcement
UAE	Commercial Companies Law and CMA (formerly SCA) governance rules for public joint stock companies; separate regimes in DIFC and ADGM	Predominantly shareholder-oriented with emerging ESG elements	Care, loyalty, confidentiality, proper purpose; conflict management	No general statutory rule	Regulatory enforcement by the UAE Capital Market Authority, formerly the SCA; civil liability; criminal exposure
South Africa	Companies Act 2008; King V Code (apply and explain)	Stakeholder-inclusive; social and ethics committee	Care, skill, and diligence; good faith; best interests	Codified in s. 76(4)	Derivative actions; regulatory enforcement; broad standing; disqualification
Brazil	Corporations Law No. 6,404/1976, Arts. 153 to 159; CVM regulation for publicly held companies	Company's interests, while respecting the public good and its social function (Art. 154)	Care and diligence of an active and honest person in their own affairs (Art. 153); loyalty; proper purpose; conflicts; confidentiality and disclosure	Developed in CVM decisions for informed, considered and disinterested business decisions; separate court relief for conduct in good faith and directed toward the company's interests (Art. 159(6))	CVM administrative sanctions; company claims and shareholder actions under specified conditions; civil liability
Australia	Corporations Act 2001, ss. 180 to 184, with case law	Shareholder-oriented, increasingly shaped by non-financial risk	Objective care and diligence standard (s. 180(1)); good faith and proper purpose; no misuse of position or information	Statutory, s. 180(2); burden on director	Heavy public enforcement by ASIC; civil penalties, compensation, disqualification
Saudi Arabia	Companies Law 2022, Arts. 26 to 32; Implementing Regulations; CMA Corporate Governance Regulations; Capital Market Law; SAMA rules for financial institutions	Hybrid, close to UK's enlightened shareholder value; represent all shareholders, protect other stakeholders	Dual care test (Art. 26(d)); seven duties mirroring UK ss. 171 to 177; conflicts, competition, opportunities; loan prohibition (Art. 72)	Statutory, Art. 31; similar in structure to Australia's rule; burden on claimant	Regulator-led (CMA); joint and several liability; 5% derivative action; release does not bar suit; criminal penalties; little published case law yet

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