



مركز الحوكمة
CENTER FOR GOVERNANCE

MEMBERSHIP OF BOARD COMMITTEES

A place for non-board members?



A PIF COMPANY

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Center for Governance

Report

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EXECUTIVE SUMMARY

Board committees are central to modern corporate governance. They enable smaller groups of board members to examine complex and technical matters in depth, strengthening oversight while preserving the board's collective authority and responsibility.

In most major markets, formal committee membership is restricted to board directors, typically independent non-executive directors. This reflects the principle that board committees are an extension of the board, not something separate or distinct from it. Formal participation by non-board members is uncommon and, in many jurisdictions, prohibited.

Saudi Arabia represents a distinctive model. The Capital Market Authority's Corporate Governance Regulations permit non-board members to serve formally on key committees, including audit, nomination, remuneration and risk committees. In financial institutions, the Saudi Central Bank goes further, requiring audit committees to include a majority of external non-board members. This approach is unusual in comparative corporate governance systems.

Director-only committee models provide clarity. They align authority with fiduciary responsibility, reinforce the primacy of the board and strengthen investor confidence. However, this model depends on boards possessing sufficient expertise, independence and capacity within their own ranks to populate committees effectively.

The rapid expansion of Saudi capital markets, coupled with rising regulatory and investor expectations, has increased demand for board members with specialised oversight skills. This places pressure on board composition and on the depth of the available independent director talent pool.

Hybrid committee structures, combining board and non-board members, can respond to these pressures by injecting technical expertise into committee deliberations without altering formal board composition. In concentrated-ownership environments, they may also enhance the perceived independence and credibility of oversight.

However, extending formal committee authority beyond the board introduces governance risks. These include blurred accountability, misalignment between authority and fiduciary responsibility, information asymmetry between board and non-board committee members, and the possible emergence of a shadow governance structure operating alongside, rather than through, the board. Non-board committee membership should therefore be used only where a clearly defined capability gap exists and, wherever possible, for a limited period.

Over time, the strategic objective for policy makers should be to deepen the breadth, independence and capability of the Saudi director community so that committees can be populated predominantly from within the board itself. Non-board membership should be regarded as a transitional capability-building mechanism, not as a permanent structural feature of the governance system.

INTRODUCTION

Board committees are a central feature of modern corporate governance. They enable smaller sub-groups of directors to examine complex or technical issues in greater depth than would be possible in a full board meeting. In doing so, they support the board's deliberations and enable more informed and rigorous decision-making.

Although collective responsibility typically remains with the board as a whole, committees help ensure that board agendas are not crowded out by detailed or specialist matters. They provide a structured mechanism through which directors with relevant expertise can apply their knowledge more fully, strengthening both oversight and the quality of board discussion.¹

Over the past decade, the importance and breadth of board committees have increased substantially. Regulatory obligations have expanded. Stakeholder expectations have intensified. Business models have grown more complex. Boards are now expected to oversee not only financial reporting and internal control, but also cyber risk, artificial intelligence, digital transformation, culture, ESG-related disclosures, supply chain resilience, and the governance of major projects. In this context, committee work has become both more important and more specialized.

Many governance debates concerning committees focus on their size, independence, and competence.² Far less attention is paid to whether non-board members should hold formal committee membership, largely because the practice is unusual in international markets. In many jurisdictions, committees may draw on external advisers, but without granting them formal membership or voting rights. The appointment of non-board members as formal committee members is uncommon and often prohibited, particularly in markets with dispersed ownership such as the United States and the United Kingdom, where committee accountability is tightly linked to directors' fiduciary duties.

Saudi Arabia represents a notable exception. The Capital Market Authority's Corporate Governance Regulations explicitly permit non-board members to serve on key committees, including audit, nomination, remuneration, and risk committees. In financial institutions, regulatory expectations go further, encouraging a significant presence of external members on certain committees.

This paper examines the role of non-board members in board committees and the implications for Saudi boards and policy makers as governance expectations continue to rise. The central question is not whether non-board members can add value. They clearly can. Rather, it is whether boards can effectively delegate elements of committee authority beyond the board boundary, and under what safeguards in terms of accountability and investor credibility.

The argument advanced in this paper is that formal non-board committee membership should be regarded as an exception, or at most a transitional mechanism within the Saudi governance framework. It may be justified in specific circumstances, for example, where boards face temporary capability gaps or where specialist expertise is demonstrably scarce. However, it should not become a structural substitute for strengthening board composition, independence, and director capability over time.

¹ OECD (2023) G20/OECD Principles of Corporate Governance, Chapter VI, Commentary under Principle VI (Board responsibilities - use of specialized committees).

² DeZoort, F.T., Hermanson, D.R., Archambeault, D.S. and Reed, S.A. (2002) 'Audit committee effectiveness: A synthesis of the empirical audit committee literature', *Journal of Accounting Literature*, 21, pp. 38–75.



THE PURPOSE AND HISTORY OF BOARD COMMITTEES

Committees are a governance response to complexity. Organization theory suggests that, as institutions become more complex, they develop specialized structures to handle specialized tasks.³ Boards face an analogous challenge. As executive activities become more technical, oversight must become more technical, too. Committees are the board's structural answer to these pressures.

Historically, the audit committee was the first board committee to gain prominence. In 1939, the New York Stock Exchange recommended that listed companies establish audit committees composed of outside directors.⁴ In 1972, the Securities and Exchange Commission required companies to disclose whether they had an audit committee and, if not, to explain the reasons.⁵

In 1978, the New York Stock Exchange made audit committees composed solely of independent directors mandatory for listed companies.⁶ Following major corporate and accounting scandals, the Sarbanes-Oxley Act of 2002 entrenched the audit committee as a central monitoring mechanism, imposing strict independence standards and assigning explicit responsibility for oversight of accounting and financial reporting.⁷

3 Lawrence, P. R. and Lorsch, J. W. (1967). 'Differentiation and integration in complex organizations. *Administrative Science Quarterly*, 12, 1–47.

4 New York Stock Exchange (1939) Report of the Committee on Stock List. New York: NYSE.

5 Securities and Exchange Commission (1972) Disclosure of Audit Committee Information, Release No. 34-9548. Washington, DC: SEC.

6 New York Stock Exchange (1977/1978) Listed Company Manual, Section 303.00 – Audit Committees. New York: NYSE.

7 Sarbanes-Oxley Act of 2002, Pub.L. 107–204, 116 Stat. 745.

This logic later extended to other board committees. In 2003, the New York Stock Exchange and NASDAQ adopted listing standards requiring listed companies to establish independent nomination and compensation committees.⁸ In the United Kingdom, committee structures were defined in the Cadbury Report of 1992 and later consolidated into the UK Corporate Governance Code.⁹ At the European level, the European Commission advised listed companies to establish audit, nomination, and remuneration committees as core elements of governance as part of a 2005 Recommendation.¹⁰ Audit committees subsequently became mandatory for public interest entities under the 2006 Statutory Audit Directive, which Member States were required to implement by 2008.¹¹

Over time, board committees have proliferated beyond the traditional audit, nomination and remuneration structures to encompass a widening range of issues.¹² Many large companies now maintain dedicated committees for risk, technology, cybersecurity, sustainability/ESG, strategy, ethics and compliance, investment/capital allocation, health and safety, and, in some cases, finance and human capital.

This expansion has reflected structural shifts in the corporate environment. Regulatory requirements have intensified. Investor scrutiny, shareholder activism, and litigation risk have increased. Executive remuneration structures have grown more technical and more contentious. At the same time, boards face rising expectations from stakeholders on climate, social responsibility, and long-term value creation. The cumulative effect is that oversight in these domains requires sustained technical engagement and time commitments that exceed what can realistically be accommodated within full board meetings. Committees have therefore become a structural mechanism for concentrating the attention and expertise of board members in an increasingly demanding governance landscape.

8 New York Stock Exchange (2003) Corporate Governance Rules (Section 303A), Listed Company Manual. New York: NYSE.

9 Cadbury, A. (1992). Report of the Committee on the Financial Aspects of Corporate Governance. London: Gee & Co. Ltd.

10 European Commission (2005) Commission Recommendation 2005/162/EC of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the supervisory board. Official Journal of the European Union, L 52, 25 February, pp. 51–63.

11 Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts (the Statutory Audit Directive).

12 Kolev, K. et al. (2019), "Board Committees in Corporate Governance: A Cross-Disciplinary Review and Agenda for the Future", Journal of Management Studies.

BOARD COMMITTEES AROUND THE WORLD

Across major jurisdictions, the default position is relatively clear. Board committees are an extension of the board, and are therefore mainly composed of board members, normally those who fulfil independence requirements.¹³ Non-board members may be involved as advisers or attendees, but not as full members. This is particularly the case for audit committees, which tend to be subject to the strictest regulation.

CFG's analysis of 44 jurisdictions worldwide identified only 7 cases in which non-board members were allowed to formally serve on committees. Table I provides an overview of the situation in selected key jurisdictions.¹⁴

Table I: Non-board members on committees: jurisdictional overview

Source: CFG research and analysis

Market	Non-board members on committees	Regulatory approach
United States	✗ Not permitted	Only independent directors can serve on AC, RC and NC (Requirement)
United Kingdom	✗ Not permitted	Only independent directors on AC and RC Majority Independent directors on NC (Recommendation)
Singapore	✗ Not permitted	Majority Independent directors on AC, RC and NC with an independent chair (Requirement)
United Arab Emirates	✗ Not permitted	Majority Independent directors on AC, RC and NC with an independent chair (Requirement)
Brazil	✓ Permitted	Majority Independent directors on AC with an independent chair. Non-board members may be appointed on AC, RC and NC (Recommendation)
Sweden	! Permitted on NC	NC is an external committee of majority representatives of major shareholders, including the chair (Recommendation)
Portugal	! Permitted on RC	RC is appointed by the general meeting and includes only external members independent of management (Recommendation)
Egypt	! Permitted on AC	AC may include external members (Requirement)
Indonesia	✓ Permitted	Non-board members may be appointed to AC, NC, and RC. The chair should be an independent director (Requirement)
Saudi Arabia	✓ Permitted	Non-board members may be appointed to AC, NC, and RC (Requirement). Financial institutions should include a majority of external members on AC

AC: Audit Committee; RC: Remuneration Committee; NC: Nomination Committee

¹³ An independent director is defined as a specific type of non-executive board member who is free from relationships or circumstances that could materially interfere with the exercise of objective judgement. Independence typically requires the absence of current or recent employment with the company, significant shareholding, close family ties with executives or major shareholders, material commercial relationships, or other financial dependencies. Specific independence criteria vary by jurisdiction.

¹⁴ Jurisdictions surveyed by CFG included the US, the UK, Germany, Portugal, Australia, Canada, Brazil, Russia, Turkey, China, Indonesia, Austria, Belgium, Denmark, Finland, France, Hong Kong, Ireland, Italy, Luxemburg, Malaysia, Korea, Netherlands, Norway, The Philippines, Poland, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, Vietnam, Argentina, South Africa, Saudi Arabia, UAE, Qatar, Kuwait, Egypt, Bahrain, Oman, India, and Nigeria.

In the United States, audit committees of listed companies must be composed solely of independent directors. External experts may attend committee meetings, but they are not committee members with formal authority. Similar expectations apply to nomination and compensation committees.

The United Kingdom has similar but slightly less stringent requirements. The UK Corporate Governance Code requires audit and remuneration committees to be composed of independent non-executive directors, and requires the nomination committee to have a majority of independent directors. The legitimacy of board committees rests on the fact that they consist of directors with legal duties to the company and its shareholders.

In Germany's two-tier system, committees sit within the supervisory board and are composed of supervisory board members. Again, the committee is treated as an internal sub-structure of a fiduciary body.

Based on CFG's comparative survey of global jurisdictions, only a small minority allow non-board members to serve on board committees in a formal capacity. There are exceptions, but they are uncommon (see Table 1). Where permitted, the practice is often linked to a practical need for technical or independent capacity beyond what the board can readily provide from its own membership.

Portugal offers a distinctive example in which the remuneration committee may be appointed by the general meeting and may consist of external members independent of management.¹⁵ In Swedish companies, the nominating committee is typically not a board committee at all, but a shareholder committee consisting largely of representatives of major shareholders.¹⁶

In Brazil, boards may establish committees that include non-board members, and it is common for a financial expert to sit on an audit committee without being a director.¹⁷ In Indonesia, listing rules explicitly allow external members on audit committees and nomination and remuneration committees, while requiring an independent board member to chair.¹⁸ Egypt also permits external participation on audit committees in certain settings.¹⁹

These exceptions also reflect patterns of ownership and control. In dispersed-ownership systems such as the United States and the United Kingdom, corporate governance has historically been structured around protecting minority shareholders.²⁰ Committees composed primarily of independent directors are seen as an essential safeguard of minority shareholder interests.

In concentrated-ownership regimes, by contrast, effective control often resides with a dominant shareholder, whether a founder, family, the state, or a sovereign investor. Committees in such settings may be viewed less exclusively as instruments of minority shareholder protection and more as mechanisms to strengthen board capability, enhance technical scrutiny, and reinforce institutional credibility. Saudi Arabia broadly falls within this latter category, albeit within its own distinctive governance architecture.

¹⁵ Recommendation VI.2.1. of the Portuguese Corporate Governance Code.

¹⁶ Recommendations 2.2, 2.3 and 2.4 of the Swedish Corporate Governance Code.

¹⁷ Article 22, V, (b) of the 2023 Novo Mercado Listing Regulations. Article 3.8, practice (b) of the Brazilian Code of Best Corporate Governance Practices.

¹⁸ OJK Regulation No. 55/POJK.04/2015.

¹⁹ Article 2.3.1 of the Egyptian 2016 Code of Corporate Governance.

²⁰ The theoretical underpinning of this approach is the principal-agent problem, which refers to the conflict of interest that can arise when company management, the agent, is authorised to act on behalf of shareholders, the principal, but has incentives or information that may lead it to act in its own interests rather than those of shareholders. The classic reference is Jensen, M.C. and Meckling, W.H. (1976) 'Theory of the firm: Managerial behavior, agency costs and ownership structure', *Journal of Financial Economics*, 3(4), pp. 305–360.

BOARD COMMITTEES IN SAUDI ARABIA

Saudi Arabia is distinctive within the GCC in that it expressly permits non-board members to serve as formal members of key board committees. This is not a matter of informal practice, but a feature embedded in the Capital Market Authority's Corporate Governance Regulations.

Article 51 states that:

“An audit committee shall be formed by a resolution of the Company's Board, and the members of the audit committee shall be from the shareholders or others, provided that no Executive Director is among its members.”

The phrase “shareholders or others” is significant. It makes clear that committee membership is not confined to directors. An equivalent language appears in the provisions governing the nomination, remuneration, and risk committees, embedding the possibility of external participation throughout the core governance architecture.²¹

This flexibility, however, is accompanied by safeguards. The regulatory framework requires that key committees include at least one independent board member and, in the case of the audit committee and the nomination and remuneration committees (which are often combined into a single NRC committee), that they be chaired by an independent director. The board chair may not be a member of the audit committee and may not chair the nomination and/or remuneration committees.

For financial institutions, the regulatory approach goes further. The Saudi Central Bank requires that the audit committee includes more external members than board members.²² This is unusual in international comparison and signals a regulatory preference for enhanced technical capacity and visible independence in a sector where financial reporting quality, compliance, and risk oversight carry systemic implications.

Saudi regulations, however, stress that the board remains fully accountable for committee decisions and activities. Recent regulatory evolution has reinforced this point. Under earlier provisions, audit committee members were elected by the general assembly. Amendments introduced under the 2022 Companies Law and subsequent revisions to the CMA Corporate Governance Regulations transferred appointment authority to the board itself.²³ This reform strengthens the principle that committees derive their legitimacy from the board and remain accountable to it, reducing the risk that they evolve into semi-autonomous bodies with an authority base separate from the board.

21 Articles 48, 51, 57, 61, and 67 of the Capital Market Authority's Corporate Governance Regulations.

22 Article 78 of SAMA Key Principles of Governance in Financial Institutions: “[The Audit Committee] shall be composed of no less than three and no more than five members, all of whom shall be non-executive members, including at least one independent member. It shall be chaired by an independent member, and the number of the members from outside the Board shall exceed that of the members from within the Board. This committee may not be chaired by the Chairman of the Board”.

23 Capital Market Authority (2023) Corporate Governance Regulations. Riyadh: CMA, Kingdom of Saudi Arabia (2022) Companies Law, Royal Decree No. (M/132) dated 1/12/1443H. Riyadh: Ministry of Commerce.

The broader Saudi board committee landscape is relatively streamlined compared with mature markets. CFG data and analysis indicate that Saudi-listed company boards have, on average, around 3 committees, compared with approximately 4.1 for S&P 500 companies and approximately 4 for the largest FTSE companies.²⁴ Fewer committees covering a widening governance agenda implies greater intensity of workload within each committee and increases the importance of technical competence at the committee level.

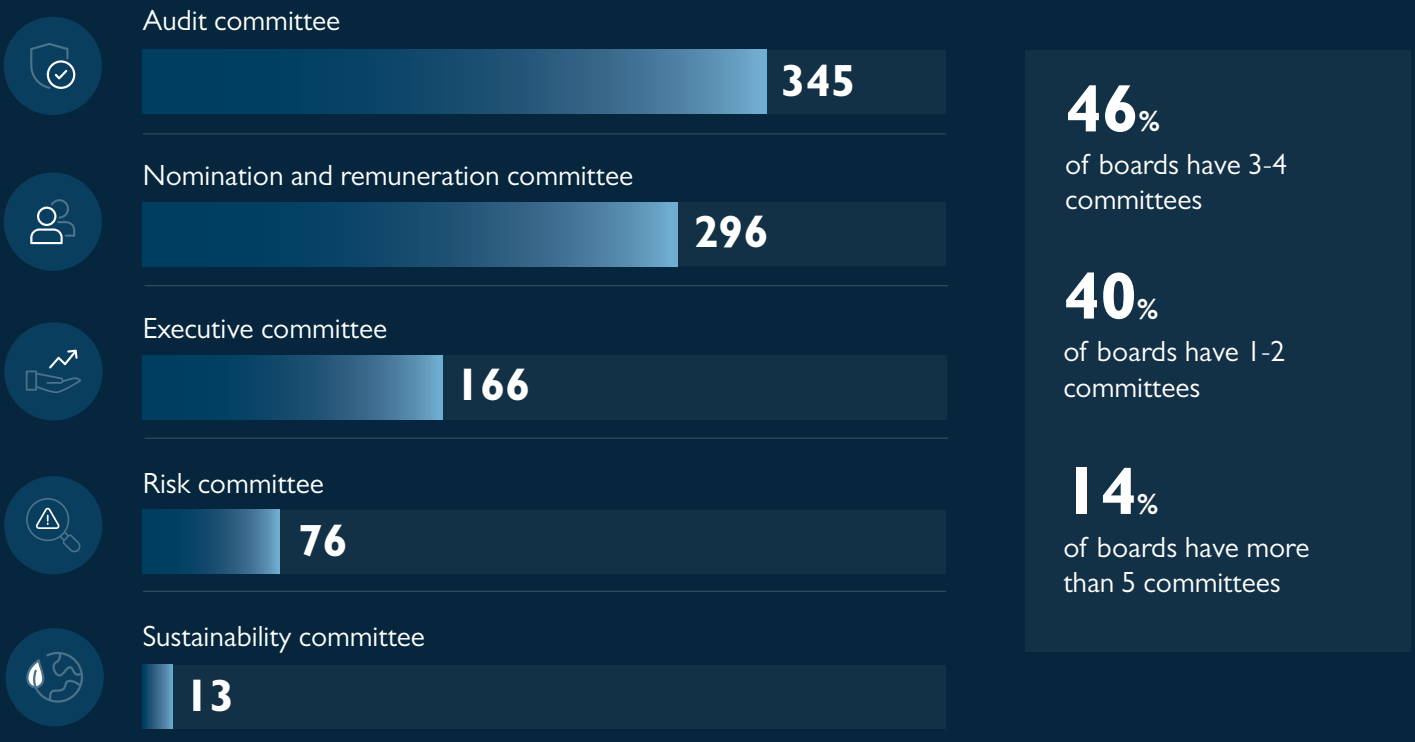
All Saudi-listed companies are required to have a mandatory audit committee. Beyond this, structures vary. Risk committees are present in a minority of listed companies overall, although they are more common in banking and financial services, where regulatory expectations are higher and risk profiles are more complex.

Board executive committees are also a common (and distinctive) feature of the Saudi corporate landscape (see box). However, other specialized committees are less common in Saudi companies compared to other markets.

For example, CFG analysis identified only 13 Saudi-listed companies with a sustainability or ESG committee, representing under 4% of the market. This contrasts sharply with the UK, where roughly half of the largest listed companies maintain a dedicated board sustainability committee.²⁵ Board technology committees are even less common in Saudi Arabia, despite recognition of cyber risk, AI, and digital governance as board-level priorities.

Figure 1: Frequency distribution of committee type in Saudi listed companies

Source: CFG research and analysis



²⁴ U.S. and UK data are sourced from 2025 UK and U.S. Spencer Stuart Board Indices.

²⁵ UK data is sourced from the 2025 UK Spencer Stuart Board Index.

The Executive Committee: A Distinctive Feature of Saudi Corporate Governance

A distinctive feature of the Saudi governance landscape is the relatively prominent role of the board-level executive committee.²⁶ In most mature markets, particularly in the United States and the United Kingdom, the term “executive committee” more commonly refers to a senior management body rather than a board committee. In Saudi Arabia, by contrast, the executive committee is frequently constituted as a formal board committee.

CFG data and analysis indicate that close to half of Saudi-listed companies maintain an executive committee. These committees commonly include a mix of executive and non-executive directors. The executive committee typically functions as a high-frequency decision forum between full board meetings. It may be delegated by the board to review or approve investments, financing arrangements, major projects, or other strategic matters within specified limits. As such, it functions as a layer of decision-making that sits between the CEO/executive management and the board as a whole.

This structure is not unique to Saudi Arabia, but its prevalence and operational significance are unusual in international comparison. In concentrated-ownership contexts, the executive committee can become an influential governance node, particularly when executive directors or shareholder-aligned directors are strongly represented.²⁷ While this arrangement can enhance agility and responsiveness (especially if the main board is unwieldy or less engaged in decision-making), it also raises broader governance questions. If substantive authority becomes concentrated in a smaller mixed committee, the full board’s collective deliberative function may be weakened.

26 Al-Matari, E.M., Al-Swidi, A.K., and Fadzil, F.H.B. (2014) ‘The effect of board of directors characteristics, audit committee characteristics and executive committee characteristics on firm performance in Oman: Evidence from Saudi Arabia’, *Asian Social Science*, 10(11), pp. 149–171.

27 Gilson, R.J. (2006) ‘Controlling shareholders and corporate governance: Complicating the comparative taxonomy’, *Harvard Law Review*, 119(6), pp. 1641–1679

Within this landscape, non-board members are disproportionately concentrated on audit committees. CFG research shows that a high proportion of Saudi-listed companies include non-board members on their audit committees, with an average close to two external members per committee. By contrast, external participation is materially less common on nomination and remuneration committees (see Table 2).

The prevalence of non-board members on audit committees relative to other committees can be explained by the fact that audit committees are technically demanding, heavily regulated and exposed to enforcement risk. Nomination and remuneration committees (NRCs), by contrast, are closely bound up with board composition, succession, and executive pay, matters that are inherently political and deeply contextual. Hence, many boards may prefer to retain these latter responsibilities within the board member group.

Comparative data on meeting frequency and size reinforce the centrality of the audit committee in Saudi governance. According to CFG data, Saudi audit committees meet more frequently on average than their UK and US counterparts, though they tend to be smaller in size. Small committee sizes, a high meeting frequency and the participation of external committee members implies a pragmatic governance model: concentrated technical oversight, high engagement intensity, and reliance on specialist external competence to support detailed monitoring.

These patterns sit within the wider context of the Saudi board member ecosystem. Independent directors account for a smaller proportion of Saudi boards than in the US and UK, intensifying pressure on the available pool of eligible independent committee chairs and members, particularly for audit committees. Independent directors will often be asked to serve on multiple committees. This raises legitimate questions about capacity and overextension. In such circumstances, supplementing committees with external expertise can appear a rational solution.

Ownership structure provides a further context. Saudi Arabia is characterized by concentrated ownership, with significant state participation, sovereign investment holdings, and strong family control. This environment creates two parallel pressures. On the one hand, controlling shareholders may wish to enhance the board's technical oversight capacity, particularly in areas such as audit, risk, or sustainability. On the other hand, they may be reluctant to alter formal board composition where it already reflects established ownership dynamics. The appointment of non-board committee members, especially independent technical experts, can therefore function as a governance adaptation: strengthening oversight credibility and specialist capability without materially redistributing control at the board level.

Table 2: Core committee meetings and membership

Source: CFG research and analysis

		Number of meetings	Number of members on committees	Number of external members
Saudi	Audit	6.1	3.3	2
	NRC	3.7	3.3	1.3
	Risk	4	3.5	1.4
UK ²⁸	Audit	5.4	4.3	
	RC	4.9	4.6	Not allowed
	NC	3.9	6.1	
US ²⁹	Audit	8.1	4.5	
	RC	5.6	4.2	Not allowed
	NC	4.7	4.3	

²⁸ UK Spencer Stuart Board Index (2025).

²⁹ U.S. Spencer Stuart Board Index (2025).

STRENGTHS AND WEAKNESSES OF DIFFERING COMMITTEE MODELS

International comparison reveals three broad approaches to board committee composition.

- MODEL 1** Restricts committee membership to independent non-executive directors. This model is most closely associated with the United States and other jurisdictions where independence is treated as the central safeguard of board committee effectiveness and credibility.
- MODEL 2** Requires committees to comprise non-executive directors, though not necessarily all independent. This reflects typical UK and European practice, where independence is important, but board cohesion and collective judgement of all directors is also emphasized.
- MODEL 3** Is a hybrid structure in which directors serve alongside formally appointed non-board members. Saudi Arabia falls within this third category, together with a relatively limited group of other markets.

Table 3: The three committee membership models

Source: CFG research and analysis

Model 1	Model 2	Model 3
Only independent non-executive directors	Independent & non-executive directors	Independent directors, non-executive directors & non-board
United States, Germany ³⁰	United Kingdom, Australia, France	Saudi Arabia, Indonesia, Brazil

The primary strength of Models 1 and 2 is clarity. Committee authority is exercised exclusively by directors who are subject to statutory duties, fiduciary responsibility, collective accountability, and shareholder scrutiny. Responsibility and accountability are aligned.

This alignment is particularly important in audit committees, where independent directors are widely regarded by investors as a proxy for reporting integrity. Director-only models, therefore, map closely onto international investor expectations and global governance codes.

Their limitation lies in capacity. These models assume that the board itself contains sufficient depth and diversity of expertise to populate the necessary committees.

Where the supply of experienced independent directors is constrained, committees may rely heavily on a small group of individuals. In areas of rapid technical change, such as cyber risk, artificial intelligence governance, or sustainability reporting, board refresh cycles may struggle to keep pace with operational complexity.

The hybrid model seeks to address this capacity constraint. By allowing external specialists to sit formally on committees, boards can strengthen technical competence without expanding board size or altering internal power balances.

³⁰ In Germany, committees are composed of supervisory board members. The two-tier system ensures that all supervisory board members are therefore independent of the executive board.

Rising Demand for Qualified Directors in a Growing Market

Saudi Arabia's capital market has expanded rapidly in recent years, with a sharp increase in IPOs, market capitalization, and sectoral diversity. At the same time, regulatory expectations have intensified. Boards are now expected to demonstrate stronger audit oversight, more rigorous internal control supervision, enhanced disclosure quality, and greater attention to emerging risks.

This expansion has materially increased demand for qualified independent directors, particularly those with financial, regulatory, and sector-specific expertise. Policy makers have responded by emphasizing professional certification, director training, and stronger board evaluation practices.

While rarely framed publicly as a "shortage", the sustained regulatory focus on director capability reflects recognition that board capacity must deepen in parallel with market growth.

In this context, hybrid committee structures can be understood partly as a pragmatic response to rising demand for specialized expertise within a still-maturing director talent pool.



In concentrated-ownership environments, hybrid structures may also enhance perceived "independence" of committee oversight, particularly when external members are demonstrably independent of controlling shareholders and management. Committee service can also operate as a practical evaluation pathway for potential future directors.

Yet flexibility introduces structural risks. The first is asymmetry in terms of legal accountability. Directors carry statutory duties and legal liability. Non-board members, even when expected to exercise skill, care and diligence, do not occupy the same fiduciary position. If oversight fails, responsibility may be blurred.

The second risk concerns integration and information. External members focused on a specific committee mandate may lack a holistic understanding of the company's overall strategy and culture. Heavy reliance on management-provided information can reinforce asymmetry. Where non-board members form a majority, committee deliberations may drift away significantly from the board's broader strategic priorities.

The third and most sensitive risk is shadow governance. Committee participation can become a channel through which affiliated individuals (e.g. controlling shareholders or executive management) exercise influence outside of the formal board structure. In such circumstances, non-board membership ceases to be a capability-enhancing mechanism and instead becomes an alternative locus of authority.

Three archetypes of non-board committee members can be identified:

Expert

An external specialist filling a genuine technical gap.

Independent

A genuinely independent individual strengthening objectivity in controlled companies.

Affiliated

A non-board member aligned with controlling interests, potentially bypassing board-level constraints.

The first two archetypes can reinforce governance quality when subject to clearly defined legal responsibilities, board-level chairing, and structured periodic review. The third, by contrast, may constitute a governance red flag, particularly when applied to audit or other core monitoring committees where fiduciary clarity is paramount.

From a governance design perspective, the hybrid model is most defensible when deployed selectively and for a clearly articulated purpose. Its strongest justification lies in introducing scarce, highly specialized expertise into domains where the board's internal capability has not yet fully matured. A time-limited external appointment to a technology, sustainability or audit committee can function as a pragmatic capability-building mechanism, provided that director primacy and ultimate accountability remain unambiguous.

However, extending formal committee membership beyond the board should never become a structural substitute for board competence. In addition, where non-board members are appointed, robust safeguards are essential. The committee chair should be a board member. The terms of reference of the committee should be tightly defined. Independence screening and conflict management of non-board members should be rigorous. Disclosure to shareholders should be transparent. Periodic evaluation should assess whether the continued presence of external members remains justified.

The longer-term objective should be to deepen the capacity of directors themselves to discharge complex oversight responsibilities. Investment in board refreshment, targeted recruitment, and structured director development can gradually reduce reliance on non-board members. In this sense, the hybrid model should be viewed as a bridge to maturity, not a permanent feature of governance architecture.

Table 4: Non-board members on committees: Summary of benefits and risks

Source: CFG research and analysis

Key benefits	Key risks
Access to specialized expertise and fresh perspectives	Blurred accountability and fiduciary ambiguity
Trial Runs for potential new board members	Information asymmetry and integration challenges
Enhanced committee diversity and effectiveness	Risk of shadow governance structures
External credibility	Market and stakeholder confidence risks
Agility in fast-changing environments and periods of	Power dynamics and board capability substitution risk
Reduced pressure on director's workload	Conflicts of interest and exposure of sensitive information

Boardroom Voices: Director Views on Non-Board Committee Members

How do directors themselves view the presence of non-board members on board committees? We are grateful to those directors who provided us with their confidential views.

A UK non-executive director of a FTSE 100 company framed the issue in constitutional terms:

“I am instinctively cautious. Committee authority flows from the board. If someone is not a director, they do not share collective responsibility. I am happy to take expert advice, but I am less comfortable sharing formal decision rights.”

She added that, under the framework set out in the UK Corporate Governance Code, committees are seen as subsets of the board, not parallel bodies. For her, the concern is not expertise but fiduciary responsibility.

“If I am liable, I want the people voting beside me to be equally liable.”

An American director of a NYSE-listed technology group expressed a more pragmatic but still cautious view:

“In areas like cyber or AI, the board’s knowledge gap can be real. Bringing in a specialist to participate in committee discussions can raise the quality of challenge. But once they vote, you have effectively created a shadow director. This puts them in a whole new liability situation.”

Saudi directors offered a wider range of views, reflecting local practice. An independent director on several Tadawul-listed boards commented:

“In Saudi Arabia, it is normal to see external members on audit committees. In my experience, they often strengthen technical oversight. But this must not make board members on the main board passive. Ultimately, committees advise, and boards must decide.”

He emphasized that under the Capital Market Authority’s rules, legal responsibility remains with the board.

“External members contribute. But they do not carry the same statutory burden as board members.”

A Saudi audit committee chair in a family-controlled company was more openly supportive:

“We brought in an external member during a complex refinancing. It changed the tone of the discussion. Management knew the technical scrutiny was credible. For us, it worked.”

Yet he drew a boundary.

“It should be time-bound. Otherwise, the board risks outsourcing its own development.”

Finally, a director of a large Saudi state-influenced enterprise reflected on perception:

“Investors and regulators look to the board when things go wrong. If key committees rely heavily on non-board members, the question will be asked: who was really in charge?”

CONCLUSION AND RECOMMENDATIONS FOR SAUDI BOARDS AND POLICY MAKERS

Saudi Arabia's flexible approach to non-board committee membership reflects its business history and market structure. Ownership remains concentrated. Regulatory expectations are rising. The supply of technically experienced independent directors is still developing. In this context, allowing boards to supplement committee capability can strengthen the quality and depth of oversight.

However, flexibility must not become dependency. Formal non-board committee membership should remain an exception, not a substitute for board capability. The primacy of the board and the clarity of fiduciary accountability are foundational governance principles. They must not be diluted through convenience or habit. Where external committee members are appointed, governance design should, as far as possible, replicate the safeguards that underpin director-only committees.

For Saudi boards, three disciplines are essential.

First, anchor committees firmly in director accountability. The committee chair should always be a board member. Core monitoring committees, particularly the audit committee, should not evolve into majority external member bodies. Authority must remain visibly and substantively with those who carry fiduciary responsibility.

Second, ensure that external appointments are purposeful and time-bound. External members should address a clearly defined expertise or independence gap. Their mandates, legal duties, conflict disclosures, confidentiality obligations and decision rights must be explicit. External members are not informal advisers. They are formal participants in delegated authority structures and should be governed accordingly.

Third, prioritize integration with the full board. Hybrid structures must not fragment governance. Reporting lines should be direct and substantive. Committee deliberations must feed clearly into board debate. External committee members should have a strong understanding of the board's strategic concerns. Committees exist to enhance board judgment, not to operate as parallel centers of influence.

For policy makers, the priority is clarity and direction. In the near term, the legal status, duties and potential liability exposure of non-board committee members, particularly on audit committees of listed companies, should be explicitly articulated. Independence screening and disclosure standards should be strengthened to reduce the risk of affiliated appointments becoming vehicles for shadow influence.

Regulatory flexibility regarding non-board committee membership may be justified during a transitional phase, particularly where specialist expertise is required in emerging domains such as cyber risk, AI governance or ESG reporting. However, such flexibility should not be regarded as a permanent feature of Saudi regulatory architecture. Over time, the objective should be to deepen the breadth, independence and capability of the Saudi director community so that committees can be populated primarily from within the board itself.

As Saudi capital markets deepen and international investor scrutiny intensifies, credibility will rest on visible accountability and institutional maturity. The hybrid model should therefore be framed explicitly as a capability-building bridge rather than as a parallel governance architecture. Used with discipline and clear safeguards, it can strengthen technical oversight while preserving board authority. Used without boundaries, it risks blurring responsibility and weakening investor confidence.

APPENDIX: EXAMPLES OF NON-BOARD MEMBERS SERVING ON SAUDI BOARD COMMITTEES

Non-Board Committee Membership in Practice: Examples from Saudi Companies

The following cases, drawn from publicly available disclosures and CFG research, illustrate how non-board committee membership operates in practice across Saudi-listed companies.

Expert capacity appointments

Several Saudi companies have appointed non-board members to committees in order to strengthen technical oversight in specialist areas.

At **Riyad Bank**, Abdul Latif Ali Al Rasheed was appointed to the risk committee to provide cybersecurity expertise. This reflects the increasing need for digital and information security competence at the committee level, particularly in financial institutions.

Red Sea International Co. appointed Sarah Al Harthi as a non-board member of its sustainability and safety committee, drawing on her experience in renewable energy and sustainable utilities. This illustrates how companies can use external committee appointments to introduce emerging ESG expertise without immediately altering board composition.

At **Bank Albilad**, Khalid Sulaiman Al Harbi was appointed as an external member of the risk committee in recognition of his background in information security and IT strategy. This is a clear example of capability-driven committee design.

These cases reflect the “expert” archetype: non-board members are used to address specific technical gaps that may not yet be present on the board.

Independent reinforcement and talent pipeline

Other cases suggest that non-board committee membership can strengthen perceived independence or act as a pathway to future board appointment.

At **Naqi Water Co.**, Nawaf Yusuf Al Qafari served on the audit committee when the board lacked sufficient independent directors. This type of appointment can help boards meet independence expectations while longer-term board refreshment is under consideration.

At **Al Taiseer Group Talco Industrial Co.**, Ahmed Abdullah Misfer Al Zahrani was appointed as an external member of both the audit committee and the remuneration and nomination committee, and was later appointed to the board as an independent director. This demonstrates how committee service can function as a “trial run” for future board roles.

Similarly, at **Nama Chemicals Co.**, Ali Mohamed Al Hudhaif served on the audit committee prior to being appointed as a director. These examples suggest that committee-level involvement can broaden the board talent pipeline in a structured and evaluative manner.

At **BinDawood Holding Co.**, controlled by the BinDawood family, external members were appointed to both the audit committee and the nomination and remuneration committee. The company described these members as independent. In family-controlled contexts, such appointments may strengthen external credibility and reassure minority investors about oversight quality.

Affiliated and influence-sensitive appointments

A different set of examples involves non-board committee members with clear links to controlling shareholders.

At **Al-Omran Industrial Trading Co.**, Yousef Mohammed Al Omran was appointed to the audit committee while affiliated with the Al Omran family, a significant shareholder.

At **Al Drees Petroleum and Transport Services Co.**, Saad Hamad Al Drees has served on the audit committee in a family-aligned capacity.

At **Jarir Marketing Co.**, Abdulsalam Abdulrahman Al Agil, associated with a shareholder group, has served on the audit committee.

These cases illustrate the “affiliated” archetype, in which non-board committee membership may reflect shareholder alignment rather than independent technical contributions.

A spectrum of practice

Taken together, these examples demonstrate that non-board committee membership in Saudi Arabia is not a uniform practice. It spans a spectrum from capability enhancement and independence reinforcement to appointments that may reflect dominant shareholder influence.

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We welcome comments and feedback on this paper.
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