

Harmonization of Corporate Governance in Saudi Arabia under the 2022 Companies Law

Hussein Almansour

Al Jouf University; College of Sharia & Law

This paper explores the intersection of Saudi Arabia's evolving governance regulation with the rights and protections of minority shareholders.

halmansour@hotmail.com

Abstract

Saudi Arabia's 2022 Companies Law marks a transformative milestone in corporate governance. The amended law strengthens transparency, accountability, and minority shareholder protection, aligning the Kingdom with international best practices such as the U.S. Sarbanes–Oxley Act (SOX), the EU Shareholder Rights Directive II (SRD II), and Japan's Corporate Governance Code. This paper analyzes the integration of governance regulations and their impact on minority shareholders under the new Saudi legal framework. Using a doctrinal and comparative legal methodology, the study reviews statutory developments, practical implications, and international parallels. It concludes by emphasizing the importance of enforcement, cultural adaptation, and Vision 2030 alignment to ensure sustainable progress in Saudi Arabia's governance ecosystem.

I. Introduction

Saudi Arabia's corporate sector has entered a new era of governance reform designed to foster transparency, attract global investment, and enhance investor protection. The **2022 Companies Law** redefines the Kingdom's corporate landscape by harmonizing governance regulations and minority shareholder rights. These reforms coincide with Vision 2030's economic diversification goals, signaling a shift toward globally competitive corporate standards.

Saudi Arabia has recently witnessed a transformation in regulatory changes aiming at modernizing its governance framework. The aim is to attract investments besides enhancing corporate governance standards. Central to these changes lies the implementation of amended compliance regulation which redefines the environment for businesses operating in Saudi Arabia. Simultaneously, these developments emerge alongside growing concerns about the protection of minority shareholders' rights, particularly under the circumstance of mergers and acquisitions (M&A). This paper explores two consecutive domains, compliance and shareholder protection, the aim being to understand their impact on corporate governance and investor confidence within Saudi Arabia.

The amalgamation of these two facades—Saudi corporate governance regulation and minority shareholders' rights—represents a pivotal interval in the realm of corporate law. This paper seeks

to investigate and analyze the implications of these developments, concentrating on their intersection within the dynamic arena of mergers and acquisitions. By delving into the degrees of the amended compliance regime and the rights afforded to minority shareholders, this study aims to elucidate their mutual influence on corporate transactions in Saudi Arabia.

Research

How does the amended Saudi Companies Law strengthen minority shareholder protection compared with international frameworks such as SOX, SRD II, and Japan's Corporate Governance Code?

Question:

Research

While numerous studies explore Saudi compliance reforms, few link them directly to minority shareholder protection or analyze them comparatively. This paper addresses that gap by connecting Saudi regulatory evolution with global governance models.

Gap:

II. Overview of Saudi Compliance Law

The study is grounded in two primary governance theories. First, **Agency Theory**: explains conflicts between managers (agents) and shareholders (principals) and emphasizes oversight mechanisms that mitigate agency costs through transparency and control.¹ Second, **Stakeholder Theory**: expands the governance lens beyond shareholders to include all stakeholders—employees, regulators, and communities—highlighting the social responsibility embedded within corporate reforms.² Together, these theories provide a foundation for assessing Saudi Arabia's shift toward a governance model that balances corporate accountability with broader stakeholder interests.

The corporates legal system of Saudi Arabia has progressed to their own standards alongside the global standards. It has continually refined its corporate governance framework to align with international best practices and enhance market confidence. Previous reforms have focused on improving transparency, strengthening board responsibilities, and ensuring compliance with regulatory standards.

The Kingdom of Saudi Arabia has embarked on a comprehensive reform agenda aimed at modernizing its legal and regulatory frameworks to enrich transparency, attract investment, and align with international standards. With the Islamic Law, customary practices, which have long served as foundational principles governing various aspects of life, including business and commerce. The new Saudi compliance law aims to elevate corporate governance standards by introducing stricter compliance requirements. It seeks to foster a culture of transparency and accountability among corporations operating in Saudi Arabia, thereby bolstering investor confidence and supporting sustainable economic growth.

¹ Michael C. Jensen & William H. Meckling, *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*, 3 J. FINANC. ECON. 305, 331 (1976).

² R. Edward Freeman, Strategic management: a stakeholder approach (Pitman, Boston, MA 1984).

Key provisions include enhanced disclosure requirements that mandate adherence to international accounting standards (IAS/IFRS) and the disclosure of non-financial information impacting corporate sustainability. It strengthens mechanisms for protecting minority shareholder rights, ensuring access to information, voting rights, and proxy voting mechanisms. The law also outlines guidelines for board composition, requiring independent directors and establishing committees for audit, compensation, and nomination processes to enhance governance oversight. Compliance standards are bolstered with clear benchmarks and penalties for non-compliance, promoting accountability.

Additionally, it emphasizes corporate ethics with requirements for adopting codes of conduct and whistleblower protection mechanisms. Transparency is further emphasized through comprehensive annual reporting and disclosure of related party transactions. These provisions collectively aim to foster mandatory IFRS compliance, accountability, and ethical conduct, supporting long-term value creation and investor confidence in Saudi Arabia's corporate sector. Finally, this study adopts a doctrinal and comparative legal methodology, examining primary sources such as: The Saudi Companies Law (Royal Decree No. M/132, 2022); The Capital Market Authority's Corporate Governance Regulations (CMA, 2023); International frameworks: Sarbanes–Oxley Act (2002), EU SRD II, and Japan's Corporate Governance Code (2018).

The approach integrates statutory analysis, case-based interpretation, and comparative evaluation. Real-world examples—including the Aramco–SABIC merger and STC's governance compliance practices—illustrate the law's practical application.

III. Overview of Saudi Corporate Governance Regulation (SCGR)

Saudi Arabia's corporate legal system, influenced by Sharia, has evolved to its own standards alongside global standards. It has continuously refined its corporate governance framework to align with international best practices and enhance market confidence. Previous reforms focused on improving transparency, strengthening board responsibilities, and ensuring compliance with regulatory standards. The Kingdom of Saudi Arabia has embarked on a comprehensive reform agenda to modernize its legal and regulatory frameworks. This agenda aims to enrich transparency, attract investment, and align with international standards. Islamic Law and customary practices, which have long served as foundational principles governing various aspects of life, including business and commerce, have shaped Saudi Arabia's legal system. The amended Saudi governance regulation seeks to elevate corporate governance standards by introducing stricter compliance requirements. It aims to foster a culture of transparency and accountability among corporations operating in Saudi Arabia, thereby bolstering investor confidence and supporting sustainable economic growth.

Key provisions include enhanced disclosure requirements that mandate adherence to international accounting standards (IAS/IFRS) and the disclosure of non-financial information impacting corporate sustainability. It strengthens mechanisms for protecting minority shareholder rights, ensuring access to information, voting rights, and proxy voting mechanisms. The law also outlines guidelines for board composition, requiring independent directors and establishing

committees for audit, compensation, and nomination processes to enhance governance oversight. Compliance standards are bolstered with clear benchmarks and penalties for non-compliance, promoting accountability. Additionally, it emphasizes corporate ethics with requirements for adopting codes of conduct and whistleblower protection mechanisms.

Transparency is further emphasized through comprehensive annual reporting and disclosure of related party transactions. These provisions collectively aim to foster transparency, accountability, and ethical conduct, supporting long-term value creation and investor confidence in Saudi Arabia's corporate sector.

IV. Minority Shareholders' Rights: Importance and Legal Framework

This section aims to analyze the pivotal role played by minority shareholders in the realm of corporate governance, particularly within the framework of Saudi Arabian law. Minority shareholders, despite their comparatively smaller ownership stakes, serve as crucial stakeholders in ensuring corporate transparency, equity, and accountability.

A. Legal Framework for Minority Rights

In Saudi Arabia, the protection of minority shareholders is enshrined in several key legal provisions and regulations aimed at ensuring fair treatment and accountability in corporate governance. Understanding these legal frameworks is crucial for grasping how recent changes, such as complying the amended Saudi governance regulation, impact these rights.

The primary source of minority shareholders' rights is the Saudi Companies Law, which governs corporate operations and shareholder relations. The Saudi Companies Law,³ officially known as Companies Law, Royal Decree No. M/132 (1/12/ 1443H (which was enacted in 2022)), sets out the legal foundation for corporate governance, including provisions specific to the protection of minority shareholders.

Article 107 of the Saudi Companies Law (2022) establishes explicit legal safeguards for minority shareholders Access to company records and financial documentation It ensures transparency and allows shareholders to stay informed about the company's financial condition and operations.

Minority shareholders occupy a pivotal role in the corporate governance landscape, despite their lesser ownership stakes. They serve as critical stakeholders in ensuring corporate transparency, fairness, and accountability within Saudi Arabia's corporate sector. This section undertakes a knowledgeable examination of the definition and significance of minority shareholders, emphasizing their essential role in upholding governance standards. It delineates the specific rights guaranteed to minority shareholders under Saudi Arabian Companies Law, including access to pertinent information, participation in decision-making processes through voting rights,

³ Companies Law, Royal Decree No. M/132 (1/12/ 1443H (corresponding: Jun. 30, 2022)).

and recourse mechanisms in cases of corporate misconduct.⁴ Furthermore, the analysis encompasses a thorough review of the legal framework that supports these rights, encompassing statutory provisions, regulatory guidelines, and judicial interpretations.

By elucidating these aspects, this section aims to deepen comprehension of how Saudi Arabian law safeguards minority shareholder interests, contributing to ongoing discourse on corporate governance efficacy and investor protection within the region.

B. Key Rights and Protections for Minority Shareholders

Minority shareholders are entitled to several key rights under Saudi law, aimed at ensuring fair treatment and enabling them to participate meaningfully in corporate governance. Minority shareholders have the right to vote on major corporate decisions.⁵ This right ensures that they can influence significant corporate actions and protect their interests. An example that can be used that is known as “Shareholders Meetings”.

The Shareholder has the right to attend and vote at general shareholder meetings.⁶ The shareholders have ability to vote on matters such as mergers, acquisitions, and amendments to corporate bylaws. Shareholder meetings are crucial events where shareholders exercise their rights, make key decisions, and participate in the governance of the company. In Saudi Arabia, shareholder meetings are governed by the Saudi Companies Law and related regulations.

Article 88 of companies’ law Mandates annual general meetings (AGMs) for voting, board elections, and dividend approvals. it also mandates Proxy voting which Enables representation in major corporate decisions.⁷

Shareholder voting rights are fundamental to corporate governance, allowing shareholders to influence key decisions. Voting rights are governed by the Saudi Companies Law and CMA Regulations which references back to Article 107 of Saudi Companies Law.

V. Implications of the amended Saudi Governance Regulation on Minority Shareholders

The amended Saudi corporate governance regulation, introduced to enhance corporate governance and regulatory frameworks, marks a pivotal moment for minority shareholders in Saudi Arabian companies. This section explores the implications of these changes on the rights, protections, and roles of minority shareholders.

⁴ *Id.*, art 107.

⁵ *Id.*, art. 85(a)(3), 89, 225(6), 227(1), 130, 243(b) & 248; Capital Market Authority: Corporate Governance Regulations, art. 11 (Feb. 13th, 2017) amended (Jan. 18th, 2023), *available at* <https://cma.org.sa/RulesRegulations/Regulations/Documents/CorpGovReg.pdf>. [Corporate Governance Regulations].

⁶ Companies Law, *supra* note 3, art 107.

⁷ Corporate Governance Regulations, *supra* note 5, art. 13,

A. Enhanced Protection of Minority Shareholders' Rights

1. Legal Framework for Minority Shareholders

The compliance of the amended Saudi governance regulation strengthens the legal framework for minority shareholders by expanding their rights and ensuring greater transparency and accountability in corporate governance.⁸

With enhanced disclosure requirements, the law mandates comprehensive disclosure of both financial and non-financial information. This includes the requirement for companies to adhere to international accounting standards (IAS/IFRS) and to disclose information that impacts corporate sustainability.⁹ For minority shareholders, this translates into improved access to critical information necessary for making informed decisions.

Improving voting rights is another right that tends to be overlooked by companies. The new law reinforces the voting rights of minority shareholders by requiring clear guidelines for voting procedures, including proxy voting. This helps ensure that minority shareholders can effectively participate in key corporate decisions, such as mergers and acquisitions, and have a say in major corporate actions.

Lastly, independent directors and governance committees: the law stipulates that companies must have independent directors and establish governance committees for audit, compensation, and nominations. These measures aim to enhance the objectivity of board decisions and ensure that minority shareholders' interests are fairly considered in corporate governance.

2. Transparency and Accountability

The expected effects of the law's focus on transparency and accountability include protections for minority shareholders with several positive attributes. One of them is the increased mandatory IFRS compliance when it comes to financial reporting, which allows minority shareholders to obtain accurate and complete information regarding the company's financial health and operational position.¹⁰ With increased visibility, shareholders can become informed, responsible decision makers regarding the company, and be more effective to hold management accountable.¹¹

Furthermore, the law should have a strong whistleblower protection which should enhance disclosures of unethical or illegal acts and overwhelmingly make conditions for being a whistleblower appealing, preventing the adverse consequences for a whistleblower.¹² Allowing whistleblowers to have a safe avenue and platform for blowing the whistle further reinforces the

⁸ *Id.*, art. 51-65, 70-76.

⁹ *Id.*

¹⁰ *Id.*, art. 5(7), 20(b) & 86-90.

¹¹ *Id.*, art. 5(7), 20(b).

¹² *Id.*, art. 81 & 83; Companies Law, *supra* note 3, art. 260-262.

willingness of the firm to act ethically and ultimately serves to the minority shareholders' protection.

Overall, these actions should promote good corporate governance and protect minority shareholders in a better and much more effective manner.

VI. Challenges and Potential Issues

1. Implementation and Enforcement Challenges

Companies may run into considerable difficulties while implementing regulation. This is especially true if companies do not have the infrastructure or expertise to effectively implement the necessary changes.¹³ The transition into more rigid compliance standards may take the form of complex shifts in processes for reporting, governance, and communications with shareholders.¹⁴ If a company does not have sufficient systems in place or knowledge of the issues, it can hinder its capacity to to apply some of these requirements uniformly, without a conflicting process to protect the rights of minority shareholders. Companies would be permitted to do things differently now, which flattens the commitment to uniformity in protecting shareholders, and creates an asymmetry that may change transparency and accountability for individual organizations.¹⁵

To help companies reduce these challenges, they need to have proactive with adequate training, develop strong compliance systems, and be open to consulting experts to be sure the compliance requirements are being implemented consistently and effectively. For the amended compliance regulations to be effective, proper enforcement will need to happen, because the strength of protections intended to be put in place are reliant on considerable oversight and intervention by regulatory bodies.¹⁶ Therefore, it is imperative that regulatory authorities not only establish clear enforcement mechanisms but also actively engage in continuous monitoring and enforcement actions.

This includes conducting regular audits, addressing reported grievances promptly, and imposing penalties for violations to ensure that the protections for minority shareholders are effectively upheld and that the law's provisions achieve their intended impact.

13 Halima Oluwabunmi Bello, Courage Idemudia & Toluwalase Vanessa Iyelolu, *Navigating Financial Compliance in Small and Medium-Sized Enterprises (SMEs): Overcoming challenges and implementing effective solutions*, 23 WAJJAR 42-50 (2024), available at <https://wjarr.com/sites/default/files/WJARR-2024-1984.pdf>.

14 Mané Djizmedjian, *What is Regulatory Compliance? Maximizing Benefits and Preventing Non-Compliance Risks Through Business Research*, INFO MINEO (JAN. 3RD, 2025), available at <https://infomineo.com/blog/regulatory-compliance-benefits-risks-business-strategies/>

15 See Edward B. Rock and Michael L. Wachter, *Waiting for the Omelet to Set: Match-Specific Assets and Minority Oppression in Close Corporations*, 24 JOURNAL OF CORPORATION LAW 913 (1999).

16 Mohamed Hassan Jicsin, *Protecting Minority Shareholder Rights: Examples from Turkey to the Horn of Africa*, Cilt 2, Sayı 2, 113, pp: 142-143 (2nd ed., July 2024). available at <https://dergipark.org.tr/en/download/article-file/4540208>; *Nixon v. Blackwell*, 626 A.2d 1366, 1380 (Del. 1993); Benjamin Means, *A Voice-Based Framework for Evaluating Claims of Minority Shareholder Oppression in the Close Corporation*, 97 Geo. L.J. 1207, 1216-1219 (2009)

2. Potential for Increased Disputes:

Any new law changes may lead to an increase in disputes between minority shareholders and corporate management.

a) *Dispute Resolution*

As minority shareholders gain more rights and access to information under the amended Saudi governance regulation the potential for disputes regarding the interpretation and application of these rights increases. This heightened scrutiny and engagement from minority shareholders can lead to more frequent conflicts over issues such as voting rights, access to corporate documents, and decision-making processes.¹⁷

To address these challenges effectively, companies will need to establish robust mechanisms for dispute resolution.¹⁸ This includes implementing clear procedures for addressing grievances, providing channels for shareholders to voice concerns, and ensuring impartiality in resolving conflicts.

Developing these mechanisms is crucial not only to prevent disputes from escalating but also to maintain investor confidence and uphold the principles of transparency and fairness in corporate governance. By proactively addressing potential disputes, companies can foster a more harmonious relationship with minority shareholders and enhance overall corporate stability.

b) *Mergers and Acquisitions*

During mergers and acquisitions (M&A) activities, minority shareholders often encounter significant challenges in asserting their rights, especially when their interests are overshadowed by majority shareholders. The dynamics of M&A transactions can create scenarios where minority shareholders are outvoted or marginalized, potentially undermining their influence and protections. The effectiveness of the amended SCGR in safeguarding minority shareholders during these critical transactions will be pivotal. Ensuring that the law provides adequate mechanisms for minority shareholders to voice their concerns, access relevant information, and seek redress is essential for maintaining fair treatment.¹⁹

¹⁷ Annie Causey, *Protecting What Matters: Legal Rights & Remedies for Minority Shareholder Oppression in Family-Owned Business Disputes* In New York, WOODS LONIRGAN (June 20th, 2025), available at <https://www.woodslaw.com/minority-shareholder-oppression-family-owned-business-disputes-ny/> (accessed July 7th, 2025); Jimerson Birt, *Majority Shareholder vs. Minority Shareholder Challenges*, JIMERSON FIRM, available at <https://www.jimersonfirm.com/services/shareholder-disputes-derivative-litigation/majority-shareholder-vs-minority-shareholder-challenges/> (accessed July 7th, 2025).

¹⁸ Aaron Hall, *Shareholder Dispute Resolution Strategies*, ARON HALL ATTORNEY, [Aaron Hall] available at <https://aaronhall.com/shareholder-dispute-resolution-strategies-3/> (accessed Jan. 10th, 2025); International Commission of Jurists, *Effective Operational-level Grievance Mechanisms*, ICJ, p: 77, 85 (Nov. 2019) [International Commission of Jurists], available at <https://www.icj.org/wp-content/uploads/2019/11/Universal-Grievance-Mechanisms-Publications-Reports-Thematic-reports-2019-ENG.pdf>.

¹⁹ Corporate Governance Regulations, supra note 6, art. 4 _ 9.

The law's success in this area will be determined by its ability to balance the interests of minority shareholders with those of majority stakeholders, thereby upholding principles of equity and transparency throughout the M&A process.

B. Case Studies and Examples

1. Recent Mergers and Acquisitions

a) Case Study 1:²⁰

A recent merger between two prominent Saudi companies underscored the critical role of enhanced disclosure requirements introduced under the amended SCGR. This merger involved a detailed process of financial and operational disclosures that were crucial for the participating companies. The increased transparency mandated by the amended regulations provided minority shareholders with comprehensive information about the merger's potential impacts on their investments.²¹ Detailed disclosures included insights into the financial health of both merging entities, the strategic rationale behind the merger, and the expected effects on shareholder value.²² This level of transparency allowed minority shareholders to evaluate the potential risks and benefits of the merger more effectively.

As a result, they were better equipped to make informed decisions and actively participate in shareholder meetings where critical votes were cast. The improved access to pertinent information not only empowered minority shareholders but also enhanced their confidence in the merger process, highlighting the positive impact of robust disclosure requirements on shareholder protection and corporate governance.

b) Case Study 2:²³

In a notable instance, the introduction of independent members of board of directors and governance committees under the amended Saudi corporate governance regulation²⁴ played a

20 Hussain Alghushami, *Legal Protection of Minority Shareholders from Acquisition Risks in Saudi Law*, 28 J. LEGAL, ETHICAL & REGUL ISSUES 1-18, (2025), available at https://www.abacademies.org/articles/legal-protection-of-minority-shareholders-from-acquisition-risks-in-saudi-law-17597.html?utm_source=chatgpt.com%20? [Alghushami]

21 The Companies Law, 2022, Article 225; Abdul Malik Syed, Doaa AlJedani & Mahdy Othman, *Impact of Mergers and Acquisitions on Accounting-based Performance of Acquiring Firms in Saudi Arabia*, 22 PAK. J. LIFE SOC. SCI 8724, 8730 (2024) [AlJedani]; Omar Salem Alhasani & Shafiqul Hassan, *Shareholder Protection in Saudi Companies Law: Assessing Merger and Acquisition Efficacy for Unlisted Joint Stock Companies*, 3 IJSR 4, 639 pp: 641-642 & 651 (Apr. 2024), available at https://www.appraisalrightslitigation.com/files/2024/08/Shareholder_Protection_in_Saudi_Companie.pdf. [Alhsani].

22 AlJedani, *supra* note 21, at 8726.

23 Alhsani, *supra* note 21, pp 639- 660.

24 Mohammed Abdullah Ammer , Meqbel Mishary Aliedan & at el., *Do Corporate Environmental Sustainability Practices Influence Firm The Role of Independent Directors: Evidence from Saudi Arabia*, 12 SUSTAINABILITY 9768 (Nov. 23rd, 2020), available at <https://doi.org/10.3390/su12229768>; Andrew M. Johnston, Esq. & S. Mark Hurd, Esq., *Corporate Governance, Overview - Special Committees of Independent Directors*, BLOOMBERG LAW, available at <https://www.bloomberglaw.com/external/document/X2NCV17C000000/corporate-governance-overview-special-committees-of-independent->; Donald C. Clarke, *Three Concepts of the Independent Director*, 32 DEL. J. CORP. L.

crucial role in resolving a dispute involving minority shareholders who felt their interests were being disregarded. The conflict arose when minority shareholders expressed concerns that their voices were not being adequately considered in key corporate decisions, particularly regarding a significant business strategy shift.

The company's board, newly restructured to include independent directors and specialized governance committees for audit, compensation, and nominations, was instrumental in addressing these concerns. The independent directors, with no prior affiliations or biases, were able to objectively assess the grievances of minority shareholders and ensure that their concerns were addressed in a transparent manner. This impartial oversight helped mediate the dispute and fostered a more equitable decision-making process.

The establishment of these governance structures not only resolved the immediate conflict but also reinforced the principles of fairness and accountability within the company, thereby enhancing minority shareholders' confidence in the governance framework and demonstrating the positive impact of independent oversight in protecting shareholder interests.

c) *Case Study 3:*

In two acquisition cases demonstrate two different prospective of acquisitions. First, Qassim Cement Factory (GCF) took over Hail Cement (HC).²⁵ The acquisition allowed GCF to own 100% of HC and evaluated HC shares for 0.21 per share. The question governed by article 26 of Merger and Acquisition Regulation (M&AR).²⁶ The case demonstrates the importance of the action. Therefore, the M&AR requires the extraordinary committee to meet and have approval of 75% of the voting rights represented. However, the remaining 25% shares will be governed by article 20 of M&A R.

https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?params=/context/faculty_publications/article/1045/&path_info=17_Three_Concepts_of_the_Independent_Director.pdf; The Companies Law, *supra* note 3, Art. 205, Supervision on the company which indicates (“1. In the course of practicing the liberal profession(s) involving the company’s activities, the professional company shall be subject to the supervision of the official authority or authorities legally concerned with supervising the practice of such professions. 2. The professional company shall abide by the provisions of the rules and regulations set by the concerned authority or authorities according to its competence. 3. The concerned authority may review and inspect the company's professional records and documents - within the limits of its competence - to verify its compliance with the provisions of the regulations related to the liberal profession subject of its activity, and the professional company shall comply to submit the required documents.”).

25 Qassim Cement & Hail Cement Shareholders Voting on the Acquisition Deal, ALARABIYA (May 20th, 2024), available at <https://www.alarabiya.net/aswaq/financial-markets/2024/05/20/عمومية-أسمنت-القصيم-أسمنت-على-تصويت-القصيم-أسمنت-عمومية> (accessed Oct. 19th, 2025).

26 Merger and Acquisitions Regulations, Royal Decree No. M/30 dated 2/6/1424H, art. 26(c) (amended by Resolution of the Board of the Capital Market Authority Number 8-5-2023 Dated 25/6/1444H Corresponding to 18/1/2023G) “With no prejudice to the Companies Law, to the decision to complete the acquisition offer by offering an exchange of securities for all the shares of the offeree Company, shall not be deemed valid unless it is issued by the approval of 75% of the voting rights represented in Extraordinary General Assembly.”

Second, Aramco finished acquiescing 70% of SABIC.²⁷ Public Investment Fund (PIF) used to own the acquired stake. Unlike Qassim case, in Aramco case, one investor (governmental entity) sells all its shares to Aramco in private deal. The merger demonstrated enhanced disclosure obligations under CMA oversight. Minority shareholders benefited from expanded access to merger-related data and participation in key votes.

The deal supports petrochemical and chemical feedstock production which will support chemical and petrochemical business sustainability in Saudi Arabia. The Aramco case acquisition is special when the government is a part of the deal to enhance legitimate purposes.

Both cases show how M & A make businesses more complete locally and internationally and more sustainable. The target business's shareholders practice their voting rights to make similar deals. Otherwise, the deals will not succeed and may cause failure of business sustainability.

²⁷ Aramco, Aramco completes its acquisition of a 70% stake in SABIC from the Public Investment Fund (PIF), ARAMCO (June 17th, 2022), *available at* <https://www.aramco.com/en/news-media/news/2020/saudi-aramco-completes-acquisition-of-70-percent-stake-in-sabic> (accessed on Oct. 20th, 2025).

2. Comparative Analysis: International Practices

Examining corporate governance regulation in other countries provides valuable insights into how similar regulations impact minority shareholders and highlights areas where Saudi Arabia's amended corporate governance regulation can be strengthened. For instance, in the United States, the Sarbanes-Oxley Act (SOX)²⁸ and the Dodd-Frank Act²⁹ have significantly improved transparency and accountability, enhancing minority shareholders' protections through rigorous financial disclosures and robust whistleblower protections.³⁰

Similarly, the European Union's Shareholder Rights Directive II (SRD II)³¹ mandates comprehensive disclosure and facilitates active shareholder engagement; ensuring minority shareholders are well-informed and can participate meaningfully in corporate governance. Japan's Corporate Governance Code,³² with its requirement for independent directors and audit committees, also mirrors these practices, emphasizing transparency and diverse board oversight. Saudi Arabia's amended governance regulation aligns with these international best practices by introducing stringent disclosure requirements and mandating independent oversight.³³ However, it could benefit from enhanced enforcement mechanisms akin to those in the U.S., and greater provisions for shareholder engagement like those found in the EU.

Saudi Arabia's governance system has undergone continuous modernization. The Saudi Companies Law 2022 reforms alignment with IFRS and non-financial sustainability disclosure.³⁴ It also requires mandatory independent board committees (audit, compensation, nomination)³⁵.

28 Sarbanes-Oxley Act of 2002, Pub. L. 107-204.

29 Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111-203—JULY 21, 2010.

30 Andriy Blokhin, The Impact of the Sarbanes-Oxley Act of 2002, INVESTOPEDIA (updated Jan. 17, 2022), *available at* <https://www.investopedia.com/ask/answers/052815/what-impact-did-sarbanesoxley-act-have-corporate-governance-united-states.asp>; Dahli Gray & Clemense Ehoff Jr, Sarbanes-Oxley And Dodd Frank: Then There Was Fraud, 13 JBER pp: 9-25 (1st q, 2015), *available at* <https://core.ac.uk/reader/268112700>.

31 Dionysia Katelouzou & Konstantinos Sergakis, *When Harmonization is Not Enough: Shareholder Stewardship in the European Union*, EBOR 22:203-240 (2021), *available at* <https://doi.org/10.1007/s40804-020-00198-5>. [Dionysia].

32 Christina L. Ahmadjian & Ariyoshi Okumura, 2011. "Corporate governance in Japan," Chapters, in: Christine A. Mallin (ed.), *Handbook on International Corporate Governance*, chapter 11, Edward Elgar Publishing, pp: 249-268. *available at* https://ideas.repec.org/h/elg/eechap/13949_11.html; Weichieh Su, Hidetaka Aoki, Junichi Yamanoi & Eric W. K. Tsang, *Corporate misconduct in Japan: a view from comparative corporate governance*, ASIA PAC. J. MGMT (Apr. 28th, 2025), *available at* <https://doi.org/10.1007/s10490-025-10038-0>.

33 Osama Abdullah Almutairi., Adnan Ayza Almalki, & et al., The Legal Framework for Corporate Governance Under Saudi Law and United States Law, 5 J. OF LIFESTYLE AND SDGs R. 1-17 (2024), *available at* <https://doi.org/10.47172/2965-730X.SDGsReview.v5.n01.pe04092>; Lubna Javed Rizvi & Zahid Hussain , "Review of Saudi Arabia company law reforms and its implications on corporate governance framework- an evidence from emerging market", 64 *International Journal of Law and Management* pp: 49-58 (2022), *available at* <https://doi.org/10.1108/IJLMA-01-2021-0015>. [Rizvi].

34 Companies Law Implementing Regulations Were Prepared in Compliance with Global Best Practices, MINISTRY OF COMMERCE (Jan. 19TH 2023), *available at* <https://mc.gov.sa/en/mediacenter/news/pages/19-01-23-02.aspx> (accessed Oct. 22nd, 2025).

35 Corporate Governance Regulations, *supra* note 5 art. 48(b)

The law also reforms Whistleblower protection and codes of conduct.³⁶ Finally, Saudi Companies Law 2022 under article 263 defines penalties for non-compliance and strengthened enforcement.³⁷

In the following table demonstrates Saudi reforms parallel international standards in structure and intent.³⁸

| Principle | KSA (2022 Law) | U.S. SOX | EU SRD II | Japan Code |
|--------------------------|----------------------|------------------------------|-----------------------|--------------------------|
| Board Independence | Mandatory committees | Independent audit committees | Independent directors | Independent boards |
| Whistleblower Protection | Explicit protection | Section 806 | Strong EU provisions | Ethical compliance focus |
| Disclosure Standards | IFRS + ESG | GAAP, PCAOB | ESG & Remuneration | Stewardship emphasis |
| Voting Rights | Proxy voting allowed | Shareholder voting mandates | Enhanced engagement | Advisory voting |

Key Insight: While Saudi Arabia aligns with SOX and SRD II on disclosure and independence, enforcement and shareholder activism remain developing areas.

These mechanisms collectively reinforce ethical corporate conduct and investor confidence, supporting the country's integration into global capital markets. Therefore, Saudi Arabia could further strengthen minority shareholder protections and ensure more consistent and effective implementation of its compliance standards.

3. Key Implications of the Amended Saudi Governance Regulation on Minority Shareholders

a) Detailed Financial Reporting

The amended Saudi Corporate Governance Regulation mandates stringent financial disclosure requirements, significantly benefiting minority shareholders by enhancing mandatory IFRS compliance and providing a clearer picture of a company's financial health. Under this

³⁶ OECD, *G20 Anti-Corruption Action plan Protection of Whistleblowers*, NAZAHA (2012), available at

<https://nazaha.gov.sa/Media/Posts/OECD%20Study%20on%20Whistleblower%20Protection%20Frameworks,%20Compendium%20of%20Best%20Practices%20and%20Guiding%20Principles%20for%20Legislation.pdf>; SAMA, Code of Conduct and Work Ethics in Financial Institutions, SAMA p:16 (Aug. 2019); Companies Law, *supra* note 3 art. 262.

³⁷ Companies Law, *supra* note 3 art. 263.

³⁸ Companies Law (2022); CMA Corporate Governance Regulations (2023); Osama Abdullah Almutairi, *supra* note 33; Sarbanes-Oxley Act (2002); EU Shareholder Rights Directive II (2017); Japan's Corporate Governance Laws and Regulations 2025, ICLG, available at <https://iclg.com/practice-areas/corporate-governance-laws-and-regulations/japan>; Edna Twumwaa Frimpong, *Japan's Corporate Governance Code - Seeking Sustainable Corporate Growth and Increased Corporate Value over the Mid- to Long-Term*, ECGI (Jun. 11th, 2021), available at <https://www.ecgi.global/publications/codes/japans-corporate-governance-code-seeking-sustainable-corporate-growth-and-2> (accessed Oct. 23rd, 2025).

framework, companies are required to disclose detailed financial statements, including comprehensive insights into revenue, expenses, assets, liabilities, and cash flows. This level of granularity ensures that minority shareholders have access to vital financial data necessary for making informed investment decisions and assessing the company's performance and risks.

Comparatively, the Sarbanes-Oxley Act (SOX)³⁹ in the United States established rigorous standards for financial reporting and internal controls, following the Enron and WorldCom scandals. SOX mandates that management, and external auditors certify the accuracy of financial statements and the effectiveness of internal controls over financial reporting. This regulatory framework aims to prevent fraud and misrepresentation, thereby safeguarding minority shareholders by ensuring that the financial information they rely on is accurate and trustworthy.

Similarly, the European Union's Shareholder Rights Directive II (SRD II)⁴⁰ emphasizes comprehensive disclosure as a key component of shareholder protection. SRD II requires listed companies to provide detailed information about executive remuneration, related party transactions, and the company's environmental and social impact.⁴¹ This directive not only ensures that shareholders are well-informed but also facilitates meaningful participation in corporate governance by enhancing mandatory IFRS compliance.

In aligning with these international standards, Saudi Arabia's amended governance regulation introduces similar requirements for detailed financial disclosures.⁴² This alignment with SOX and SRD II underscores a commitment to global best practices in financial transparency.

By ensuring that minority shareholders receive comprehensive and accurate financial information, the amended regulation enhances their ability to evaluate the company's financial health and make informed decisions. Consequently, this increased IFRS compliance fosters greater confidence in the company's governance and financial integrity, reinforcing minority shareholders' rights and protections.

C. Challenges and Areas for Improvement

1. Cultural and Structural Considerations

Saudi Arabia's unique cultural and business environment presents both opportunities and challenges for the implementation of the amended governance regulation. The Saudi business landscape is heavily influenced by traditional practices and social norms, which can impact how

39 Michael P Auerbach, *Sarbanes-Oxley Act of 2002*, EBSCO (2021), available at: <https://www.ebsco.com/research-starters/business-and-management/sarbanes-oxley-act-2002>; Betsy George, *Fraudulent Accounting and the Downfall of WorldCom*, South Carolina University, (Aug.11, 2021), available at: https://sc.edu/about/offices_and_divisions/audit_and_advisory_services/about/news/2021/worldcom_scandal.php (accessed June 25, 2025); Brandi Anastasiades & William Fritchie, *The Sarbanes-Oxley Act: A Comprehensive Overview*, AUDIT BOARD (Aug. 9, 2024), available at: <https://auditboard.com/blog/sarbanes-oxley-act> (accessed June 25, 2025); Kathleen F. Brickey, *From Enron to Worldcom and Beyond: Life and Crime after Sarbanes-Oxley*, 81 Wash. U. L. Q. 357, pp: 364-369 (2003).

40 Dionysia, *supra* note 32.

41 *Id.* p: 211, 223& 277.

42 Corporate Governance Regulations, *supra* note 5, art. 21(15), 40-46, 52(c), 76-79 & 84; Rizvi, *supra* note 33, pp: 49-58.

regulatory changes are perceived and adopted.⁴³ For instance, the culture of close-knit business networks and familial connections may affect the level of transparency and accountability within companies.

Traditional practices, such as centralized decision-making and limited external oversight, could create resistance to the amended governance standards that emphasize independent oversight and detailed financial disclosures.⁴⁴ Additionally, the hierarchical nature of Saudi corporate structures may slow down the adoption of more participatory governance practices, which are central to protecting minority shareholders.

Therefore, it is essential for the amended corporate governance regulation to consider these cultural aspects and promote a gradual and culturally sensitive approach to reform. Effective training and awareness programs can help bridge the gap between traditional practices and modern regulatory requirements, fostering a more supportive environment for the law's implementation.

2. Structural Adjustments

To align with the new governance standards introduced by the amended Saudi corporate governance regulation, companies in Saudi Arabia must undertake several structural adjustments. Firstly, the establishment of independent oversight mechanisms, such as audit⁴⁵ committees and independent board of directors,⁴⁶ is crucial for ensuring unbiased decision-making and enhancing financial transparency. This may require significant restructuring of board compositions and governance frameworks to meet international standards. Companies should also develop robust internal controls and compliance systems to manage the increased demands for financial reporting and accountability.⁴⁷

Additionally, firms need to invest in systems and processes that facilitate effective communication and engagement with minority shareholders, including mechanisms for their active participation in decision-making processes.⁴⁸ Implementing these changes will not only help companies comply with the amended regulations but also strengthen investor confidence by demonstrating a commitment to best practices in corporate governance.

43 Mohammed Al Shehri, *The Influence of Culture on Organizational Culture: A Saudi Arabia Case Study*, 28 INT'L J. ENTREPRENEURSHIP 3, 1-24 (2024).

44 Corporate Governance Regulations, *supra* note 5, art. 77-79.

45 *Id.* art. 51-56.

46 *Id.*, art. 16(3).

47 *Id.*, art. 21(15), 75(a); see SAMA, *Principles of Internal Auditing for Local Banks Operating in Saudi Arabia*, SAMA (Dec. 1st, 2021), available at <https://rulebook.sama.gov.sa/en/principles-internal-auditing-local-banks-operating-saudi-arabia>; see also Grant Thornton Saudi Arabia, *The Importance of Ethical Financial Reporting in the Saudi Arabian Business Environment*, GRANT THORNTON (Nov. 23rd, 2023), available at https://www.grantthornton.sa/en/insights/ethical_financial_reporting/ ((accessed Jul. 10th, 2025); see also Grant Thornton Saudi Arabia, *Navigating Saudi Arabia's Evolving Financial Reporting Landscape*, GRANT THORNTON (Aug. 30th, 2023), available at https://www.grantthornton.sa/en/insights/articles-and-publications/navigating_ksa_financial_reporting/ (accessed Jul. 10th, 2025).

48 Alghushami, *supra* note 20, pp: 12-13.

Adapting to these structural requirements will be key to improving minority shareholder protection and ensuring the effectiveness of the amended governance regulation in Saudi Arabia's evolving business environment.

D. Recommendations for Policy and Practice

1. Enhancing Disclosure and Transparency

To further improve financial and operational transparency for minority shareholders, several policy changes can be recommended. First, it is crucial to standardize and expand the scope of disclosure requirements.⁴⁹ This includes mandating the disclosure of not only financial statements but also detailed reports on business strategy, risk management practices, and executive compensation. Such comprehensive disclosures will provide minority shareholders with a clearer and more complete view of the company's operations and financial health.

Additionally, the adoption of real-time reporting mechanisms could enhance mandatory IFRS compliance by allowing shareholders to access up-to-date information on significant corporate events and financial metrics.⁵⁰ Implementing regular and detailed reports on environmental, social, and governance (ESG) factors would further support minority shareholders in assessing the long-term sustainability of their investments.⁵¹

These steps would align Saudi Arabia with global best practices in transparency, as seen in frameworks like the EU's Shareholder Rights Directive II (SRD II) and the Sarbanes-Oxley Act (SOX) and would empower minority shareholders to make more informed decisions.

2. Strengthening Enforcement

To ensure consistent application and robust enforcement of compliance standards, several measures are recommended. First, enhancing the capacity and authority of regulatory bodies is essential.⁵² This could involve increasing resources and training for regulatory personnel to improve their ability to monitor and enforce compliance effectively.

Additionally, establishing a dedicated compliance task force with the authority to conduct independent audits and investigations would help identify and address violations more efficiently. Implementing a tiered penalty system that imposes significant financial and

49 Prasanna Gai, Malcolm Kemp & et al, *Regulatory Complexity and the Quest for Robust Regulation*, ESRB p: 9-10 (Jun. 2018), available at https://www.esrb.europa.eu/pub/pdf/asc/esrb.asc190604_8_regulatorycomplexityquestrobustregulation~e63a7136c7.en.pdf. (accessed Mar. 20, 2025) [Prasanna].

50 Directors' Institution, *The Future of Proxy Voting and Shareholder Engagement*, DIRECTORS' INSTITUTE (Oct 18, 2024), available at <https://www.directors-institute.com/post/the-future-of-proxy-voting-and-shareholder-engagement> (accessed Jul. 1st, 2025).

51 European Bank Authority, *EBA Report on Management and Supervision of ESG Risks for Credit Institutions and Investment Firms*, EBA pp: 136-138 (2021), available at https://www.eba.europa.eu/sites/default/files/document_library/Publications/Reports/2021/1015656/EBA%20Report%20on%20ESG%20risks%20management%20and%20supervision.pdf (accessed Mar. 25, 2025).

52 Prasanna, *supra* note 49, p 9-10.

operational penalties for non-compliance would act as a deterrent against violations.⁵³ Furthermore, fostering a culture of accountability through mandatory compliance reporting and regular reviews by external auditors can strengthen enforcement.⁵⁴ Collaboration with international regulatory bodies and adherence to global best practices can also provide valuable insights into effective enforcement strategies.

By adopting these measures, Saudi Arabia can ensure that compliance standards are upheld across all companies, thereby protecting minority shareholders and reinforcing the credibility of the regulatory framework.

3. Improving Shareholder Communication

To enhance communication and engagement with minority shareholders, companies can implement several practical steps. First, companies should establish dedicated channels for regular and transparent communication with shareholders⁵⁵, such as investor relations websites and digital platforms that provide up-to-date information on corporate performance and key developments. Creating a comprehensive and accessible shareholder portal where investors can easily access financial reports, meeting agendas, and voting results can foster mandatory IFRS compliance and trust.⁵⁶

Regular, structured updates on corporate strategies, financial performance, and key decisions should be communicated through quarterly earnings calls, annual general meetings (AGMs), and targeted shareholder newsletters. To further engage minority shareholders, companies can hold interactive Q&A sessions during AGMs and provide opportunities for shareholders to submit questions and feedback in advance.

Additionally, companies should consider implementing educational programs and workshops aimed at enhancing shareholders' understanding of corporate governance practices and their rights.⁵⁷ This initiative can empower minority shareholders to participate more actively in corporate governance and decision-making processes. Leveraging social media and other digital communication tools can also facilitate timely updates and broader engagement with shareholders.

⁵³ Anna Fitzgerald, Non-Compliance Fines and Sanctions: Why It's More Expensive Not to Comply with Regulations, Secureframe (Apr. 10, 2025), available at <https://secureframe.com/blog/sanctions-non-compliance-fine> (accessed July 28, 2025); Boyd & Boyd, *Navigating The Corporate Transparency Act: Understanding The Penalties for Non-Compliance*, Boyd & Boyd (Nov. 30, 2023), available at <https://www.boydandboydpc.com/navigating-the-corporate-transparency-act-understanding-the-penalties-for-non-compliance/> (accessed June 10th, 2025).

⁵⁴ Lisanne Hut-Mossel, Kees Ahaus & et al., *Understanding how and why Audits Work in Improving the Quality of Hospital care: A Systematic Realist Review*, NATIONAL LIBRARY OF MEDICINE (Mar 31, 2021) available at <https://pmc.ncbi.nlm.nih.gov/articles/PMC8011742/> (accessed Apr. 15th, 2025).

⁵⁵ Stella Emeka-Okoli, Tochukwu Chinwuba Nwankwo & et al., *Communication strategies for effective CSR and stakeholder engagement in the oil & gas industry: A conceptual analysis*, 21 WJARR 91, pp: 95-96 (Mar. 31, 2024), available at <https://wjarr.com/sites/default/files/WJARR-2024-0663.pdf>

⁵⁶ *Id.*, p 95.

⁵⁷ *Id.*

E. Best Practices for Implementation

1. Comprehensive Training and Awareness Programs

To ensure successful implementation of the amended Saudi Corporate Governance Regulation within Saudi companies, it is imperative to develop and deliver comprehensive training programs for board members, executives, and compliance officers.⁵⁸ These training programs should focus on key areas such as financial disclosure standards, corporate governance practices, and the role of independent oversight.⁵⁹

Training should be tailored to different levels within the organization, providing detailed guidance on specific compliance requirements and their practical application. Regular workshops, seminars, and e-learning modules can help keep all relevant stakeholders informed about changes in regulations and best practices. Moreover, creating a culture of continuous learning and awareness is crucial for ensuring that the entire organization understands and adheres to the new compliance standards.

This proactive approach to education and training will help embed compliance into the organizational culture, reducing the risk of violations and enhancing overall governance.

2. Establishing Strong Internal Controls

Implementing robust internal control systems is essential for adhering to the amended SCGR. Companies should establish clear and effective policies for financial reporting, audit practices, and risk management to ensure regulatory compliance.⁶⁰ This involves setting up structured processes for financial transactions, internal audits, and risk assessments, as well as regularly reviewing and updating these controls to adapt to regulatory changes and emerging risks. Companies should also establish mechanisms for internal and external audits to regularly evaluate the effectiveness of their internal controls and identify areas for improvement.

Integrating technology, such as automated compliance monitoring systems, can further enhance the efficiency and accuracy of these controls. By maintaining strong internal controls, companies can ensure transparency, accountability, and adherence to the new compliance standards.

58 W. Richard Frederick, "Enhancing the Role of the Boards of Directors of State-Owned Enterprises", *OECD Corporate Governance Working Papers*, No. 2, OECD, pp: 25-26 (2011), available at Paris, <https://doi.org/10.1787/5kg9xfg6n4wj-en>.

59 A. C. Fernando, *Corporate Governance: Principles, Policies and Practices* 47, pp: 255-259 (2nd ed., 2011), available at https://imp.dayawisesa.com/wp-content/uploads/2023/10/Corporate_Governance_principles_policies_and_practices_by_Fernando.pdf. [Fernando].

60 See Gopal V. Krishnan & Gnanakumar Visvanathan, Reporting Internal Control Deficiencies in the Post-Sarbanes-Oxley Era: The Role of Auditors and Corporate Governance, 18 INT'L J. OF AUDITING 2, pp: 73-90 (Oct. 18th, 2007), available at <https://doi.org/10.1111/j.1099-1123.2007.00358.x>; U.S. Department of Education, The Importance of Strengthening Internal Controls in Federal Student Aid FYS 2019-2024, U.S. DEPARTMENT OF EDUCATION (Dec. 2024), available at https://oig.ed.gov/sites/default/files/reports/2025-06/FY25%2520FSA%2520IC%2520Report%2520%252812.18.24%2529v101_508_SECURED.pdf, (accessed Apr. 19th, 2025).

3. Independent Oversight Mechanisms

To enhance governance and oversight, companies should appoint independent directors and establish specialized committees for audit, compensation, and nominations. Independent directors, who are not affiliated with the company's management or major shareholders, bring an objective perspective to board decisions and oversight.⁶¹ These directors should be supported by specialized committees with clearly defined roles and responsibilities to ensure effective monitoring and decision-making. For example, an audit committee should oversee financial reporting and internal controls, while compensation committee should manage executive pay and performance evaluations.⁶² The formation of these committees should follow best practices, including clear mandates, regular meetings, and transparent reporting procedures. By incorporating independent oversight mechanisms, companies can enhance their governance structures, improve accountability, and better align with global standards of corporate governance. This approach not only supports compliance with the amended regulations but also builds trust with shareholders and other stakeholders.

VII. Conclusion:

A. Summary of Findings

The amended **Saudi Companies Law (2022)** represents a fundamental advancement in aligning with the Kingdom's corporate governance framework with international standards. It introduces robust mechanisms that prioritize minority shareholder protection, enforce transparency, and foster an ethical accountability through independent oversight and comprehensive disclosure obligations. By bridging doctrinal analysis with comparative insights from global frameworks such as SOX, SRD II, and Japan's Corporate Governance Code, this study affirms that Saudi Arabia has transitioned from a compliance-driven model to a performance-oriented governance system.

61 Fernando, *supra* note 59, pp: 205-206; Directors' Institute, *The Role of Independent Directors in Corporate Governance: Balancing Oversight and Collaboration with Management*, DIRECTORS' INSTITUTE (Oct 9, 2024), available at <https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.directors-institute.com/post/the-role-of-independent-directors-in-corporate-governance-balancing-oversight-and-collaboration-wit&ved=2ahUKEwjtoazThYSOAxV9jYkEHbJ9Gp4QFnoECCwQAQ&usg=AOvVaw3wOn1plrM6ULmJ-ecC-TC>;

Abishanth B. S & Jyotirmoy Banerjee, *The Role of Independent Directors in Corporate Governance*, 7 INT'L J. LEGAL SCI. & INNOVATION 79-93 (2025), available at <https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://ijlsi.com/wp-content/uploads/The-Role-of-Independent-Directors-in-Corporate-Governance.pdf&ved=2ahUKEwjtoazThYSOAxV9jYkEHbJ9Gp4QFnoECCwQAQ&usg=AOvVaw1RxHPRs1G1fyEgyploBcBd>

Governance.pdf&ved=2ahUKEwjtoazThYSOAxV9jYkEHbJ9Gp4QFnoECCwQAQ&usg=AOvVaw1RxHPRs1G1fyEgyploBcBd

62 Salem Alhababsah & Sina Yekini, *Audit Committee and Audit Quality: An Empirical Analysis Considering Industry Expertise, Legal Expertise and Gender Diversity*, 42 J. INT'L ACCT. AUDT. & TAX'N (March 2021), available at <https://www.sciencedirect.com/science/article/abs/pii/S1061951821000021>; Pengmian Wang & Shuguang Liang^[1], *Internal audit independence, legal person governance structure, and financial reporting quality*, 101 INT'L REV. ECON. & FIN. 1, pp: 3-4 (2025); Prince Gyimah, Richard Owusu-Afriyie^[2], *Bank sustainability: Do corporate governance and internal audit quality matter?*, 6 WORLD DEVELOPMENT SUSTAINABILITY 1, p: 3 (2025), available at <https://www.sciencedirect.com/science/article/pii/S2772655X25000205>.

The reforms address long-standing challenges of limited shareholder engagement and corporate opacity by reinforcing the rights of minority shareholders to access information, participate in decision-making, and hold management accountable. Yet, successful implementation depends on consistent enforcement by regulatory authorities, continued corporate training, and the strengthening of institutional culture within Saudi firms. The inclusion of culturally sensitive mechanisms and the gradual harmonization of traditional business practices with modern governance norms will be vital to the reforms' sustainability.

B. Policy Implication:

Linking corporate governance reform with Vision 2030 and ESG integration will accelerate economic diversification and reinforce Saudi Arabia's position as a leading model for corporate governance in emerging markets.

C. Future Research:

Further empirical studies using CMA enforcement data and firm-level performance metrics are encouraged to evaluate long-term impacts on investor confidence and corporate behavior.

D. Final Thoughts

This entails creating thorough internal controls, giving executives and board members continual training, and encouraging an open and accountable culture.

The Kingdom's corporate governance has reached a major turning point with the passing of the amended governance regulation. This law departs from earlier practices and brings Saudi Arabia into compliance with international standards by establishing independent oversight mechanisms and imposing strict disclosure requirements. By protecting minority shareholders and promoting a more equal business environment, these reforms seek to address long-standing concerns about accountability and transparency.

In conclusion, even though the amended governance regulation is a big and good thing, how well it is adopted and executed will ultimately determine how much of an impact it has. Also, Saudi Arabia's changing corporate governance could be a good example for other developing markets that are dealing with the same problems. Saudi Arabia can improve its domestic governance framework and become a leader in corporate governance in the international community by continuing to improve its approach and stay up to date with global trends. In essence, the amended governance regulation is an important advancement in the proper path, but how much of an effect it has will depend on how well it is put into action and accepted. The journey toward better corporate governance and stronger protections for minority shareholders is still going on, and it will take a long-term commitment to change, adapt, and keep getting better.

References

1. Laws and Regulations:

Dodd–Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111–203—JULY 21, 2010.

Capital Market Authority: Corporate Governance Regulations (Feb. 13th, 2017) amended (Jan. 18th, 2023), available at <https://cma.org.sa/RulesRegulations/Regulations/Documents/CorpGovReg.pdf>.

Companies Law, Royal Decree No. M/132 (1/12/ 1443H (corresponding: Jun. 30, 2022)).

Sarbanes-Oxley Act of 2002, Pub. L. 107-204.

Japan’s Corporate Governance Laws and Regulations 2025, ICLG, available at <https://iclg.com/practice-areas/corporate-governance-laws-and-regulations/japan>.

EU Shareholder Rights Directive II (2017).

2. Books and Cases:

A. C. Fernando, Corporate Governance: Principles, Policies and Practices (2nd ed, 2011), available at https://imp.dayawisesa.com/wp-content/uploads/2023/10/Corporate_Governance_principles_policies_and_practices_by_Fernando.pdf.

R. Edward Freeman, Strategic management: a stakeholder approach (Pitman, Boston, MA 1984)

Nixon v. Blackwell, 626 A.2d 1366 (Del. 1993).

3. Articles and Websites:

Aaron Hall, *Shareholder Dispute Resolution Strategies*, ARON HALL ATTORNEY, available at <https://aaronhall.com/shareholder-dispute-resolution-strategies-3/> (accessed Jan. 10th, 2025).

Abdul Malik Syed, Doaa AlJedani & Mahdy Othman, *Impact of Mergers and Acquisitions on Accounting-based Performance of Acquiring Firms in Saudi Arabia*, 22 PAK. J. LIFE SOC. SCI. 8724 (2024).

Abishanth B. S & Jyotirmoy Banerjee, *The Role of Independent Directors in Corporate Governance*, 7 INT’L J. LEGAL SCI. & INNOVATION 79-93 (2025), available at <https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://ijlsi.com/wp-content/uploads/The-Role-of-Independent-Directors-in-Corporate-Governance.pdf&ved=2ahUKEwjtoazThYSOAxV9jYkEHbJ9Gp4QFnoECCwQAQ&usg=AOvVaw1RxHPRs1G1fyEgypl0BcBd>

Andrew M. Johnston, Esq. & S. Mark Hurd, Esq, *Corporate Governance, Overview - Special Committees of Independent Directors*, BLOOMBERG LAW, available at <https://www.bloomberglaw.com/external/document/X2NCVI7C000000/corporate-governance-overview-special-committees-of-independent->.

Andriy Blokhin, *The Impact of the Sarbanes-Oxley Act of 2002*, INVESTOPEDIA (updated Jan. 17, 2022), available at <https://www.investopedia.com/ask/answers/052815/what-impact-did-sarbanesoxley-act-have-corporate-governance-united-states.asp>.

Anna Fitzgerald, *Non-Compliance Fines and Sanctions: Why It's More Expensive Not to Comply with Regulations*, SECURE FRAME (Apr. 10, 2025), available at <https://secureframe.com/blog/sanctions-non-compliance-fine> (accessed July 28, 2025).

Annie Causey, *Protecting What Matters: Legal Rights & Remedies for Minority Shareholder Oppression in Family-Owned Business Disputes In New York*, WOODS LONIRGAN (June 20th, 2025), available at <https://www.woodsllaw.com/minority-shareholder-oppression-family-owned-business-disputes-ny/> (accessed July 7th, 2025).

Aramco, *Aramco completes its acquisition of a 70% stake in SABIC from the Public Investment Fund (PIF)*, ARAMCO (June 17th, 2022), available at <https://www.aramco.com/en/news-media/news/2020/saudi-aramco-completes-acquisition-of-70-percent-stake-in-sabic> (accessed on Oct. 20th, 2025).

Benjamin Means, *A Voice-Based Framework for Evaluating Claims of Minority Shareholder Oppression in the Close Corporation*, 97 Geo. L.J. 1207 (2009).

Betsy George, *Fraudulent Accounting and the Downfall of WorldCom*, South Carolina University, (Aug. 11, 2021), available at: https://sc.edu/about/offices_and_divisions/audit_and_advisory_services/about/news/2021/worldcom_scandal.php (accessed June 25, 2025).

Boyd & Boyd, *Navigating The Corporate Transparency Act: Understanding The Penalties for Non-Compliance*, BOYD & BOYD (Nov. 30, 2023), available at <https://www.boydandboydpc.com/navigating-the-corporate-transparency-act-understanding-the-penalties-for-non-compliance/> (accessed June.10th, 2025).

Brandi Anastasiades & William Fritchie, *The Sarbanes-Oxley Act: A Comprehensive Overview*, AUDIT BOARD (Aug. 9, 2024), available at: <https://auditboard.com/blog/sarbanes-oxley-act> (accessed June 25, 2025).

Christina L. Ahmadjian & Ariyoshi Okumura, 2011. "Corporate governance in Japan," Chapters, in: Christine A. Mallin (ed.), *Handbook on International Corporate Governance*, chapter 11, Edward Elgar Publishing, p: 249. available at https://ideas.repec.org/h/elg/eechap/13949_11.html.

Companies Law Implementing Regulations Were Prepared in Compliance with Global Best Practices, MINISTRY OF COMMERCE (Jan. 19TH 2023), available at <https://mc.gov.sa/en/mediacenter/news/pages/19-01-23-02.aspx> (accessed Oct. 22nd, 2025).

Dahli Gray & Clemense Ehoff Jr, Sarbanes-Oxley And Dodd Frank: Then There Was Fraud, 13 JBER 9 (1st q, 2015), available at <https://core.ac.uk/reader/268112700>.

Dionysia Katelouzou & Konstantinos Sergakis, *When Harmonization is Not Enough: Shareholder Stewardship in the European Union*, EBOR 22:203 (2021), available at <https://doi.org/10.1007/s40804-020-00198-5>

Directors' Institute, *The Role of Independent Directors in Corporate Governance: Balancing Oversight and Collaboration with Management*, DIRECTORS' INSTITUTE (Oct 9, 2024), available at <https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.directors-institute.com/post/the-role-of-independent-directors-in-corporate-governance-balancing-oversight-and-collaboration-wit&ved=2ahUKewjtoazThYSOAxV9jYkEHbJ9Gp4QFnoECCsQAQ&usg=AOvVaw3wO n1plrM6ULmJ-ecC-TC>.

Directors' Institution, *The Future of Proxy Voting and Shareholder Engagement*, DIRECTORS' INSTITUTE (Oct 18, 2024), available at <https://www.directors-institute.com/post/the-future-of-proxy-voting-and-shareholder-engagement> (accessed Jul. 1st, 2025).

Donald C. Clarke, *Three Concepts of the Independent Director*, 32 Del. J. Corp. L. 73 (2007), available at https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?params=/context/faculty_publications/article/1045/&path_info=17_Three_Concepts_of_the_Independent_Director.pdf.

Edna Twumwaa Frimpong, *Japan's Corporate Governance Code - Seeking Sustainable Corporate Growth and Increased Corporate Value over the Mid- to Long-Term*, ECGI (Jun. 11th, 2021), available at <https://www.ecgi.global/publications/codes/japans-corporate-governance-code-seeking-sustainable-corporate-growth-and-2> (accessed Oct. 23rd, 2025).

Edward B. Rock and Michael L. Wachter, *Waiting for the Omelet to Set: Match-Specific Assets and Minority Oppression in Close Corporations*, 24 JOURNAL OF CORPORATION LAW 913 (1999).

European Bank Authority, *EBA Report on Management and Supervision of ESG Risks for Credit Institutions and Investment Firms*, EBA (2021), available at https://www.eba.europa.eu/sites/default/files/document_library/Publications/Reports/2021/1015656/EBA%20Report%20on%20ESG%20risks%20management%20and%20supervision.pdf (accessed Mar. 25, 2025).

Gopal V. Krishnan & Gnanakumar Visvanathan, *Reporting Internal Control Deficiencies in the Post-Sarbanes-Oxley Era: The Role of Auditors and Corporate Governance*, 18 INT'L J. OF

AUDITING 2, 73-90 (Oct. 18th, 2007), available at <https://doi.org/10.1111/j.1099-1123.2007.00358.x>;

Grant Thornton Saudi Arabia, *Navigating Saudi Arabia's Evolving Financial Reporting Landscape*, GRANT THORNTON (Aug. 30th, 2023), available at https://www.grantthornton.sa/en/insights/articles-and-publications/navigating_ksa_financial_reporting/ (accessed Jul. 10th, 2025).

Grant Thornton Saudi Arabia, *The Importance of Ethical Financial Reporting in the Saudi Arabian Business Environment*, GRANT THORNTON (Nov. 23rd, 2023), available at https://www.grantthornton.sa/en/insights/ethical_financial_reporting/ ((accessed Jul. 10th, 2025).

Halima Oluwabunmi Bello, Courage Idemudia & Toluwalase Vanessa Iyelolu, *Navigating Financial Compliance in Small and Medium-Sized Enterprises (SMEs): Overcoming challenges and implementing effective solutions*, 23 WAJJAR 42-50 (2024), available at <https://wjarr.com/sites/default/files/WJARR-2024-1984.pdf>.

Hussain Alghushami, *Legal Protection of Minority Shareholders from Acquisition Risks in Saudi Law*, 28 J. LEGAL, ETHICAL & REGUL ISSUES 1 (2025), available at https://www.abacademies.org/articles/legal-protection-of-minority-shareholders-from-acquisition-risks-in-saudi-law-17597.html?utm_source=chatgpt.com%20?.

International Commission of Jurists, *Effective Operational-level Grievance Mechanisms*, ICJ (Nov. 2019), available at <https://www.icj.org/wp-content/uploads/2019/11/Universal-Grievance-Mechanisms-Publications-Reports-Thematic-reports-2019-ENG.pdf>.

Jimerson Birr, *Majority Shareholder vs. Minority Shareholder Challenges*, JIMERSON FIRM, available at <https://www.jimersonfirm.com/services/shareholder-disputes-derivative-litigation/majority-shareholder-vs-minority-shareholder-challenges/> (accessed July 7th, 2025).

Kathleen F. Brickey, *From Enron to Worldcom and Beyond: Life and Crime after Sarbanes-Oxley*, 81 Wash. U. L. Q. 357 (2003).

Khamis, R., Hamdan, A. M., & Elali, W. (2015). The Relationship between Ownership Structure Dimensions and Corporate Performance: Evidence from Bahrain. *Australasian Accounting, Business and Finance Journal*, 9(4), 38, available at <https://doi.org/10.14453/aabfj.v9i4.4>.

Lisanne Hut-Mossel, Kees Ahaus & et al., *Understanding how and why Audits Work in Improving the Quality of Hospital care: A Systematic Realist Review*, NATIONAL LIBRARY OF MEDICINE (Mar 31, 2021) available at <https://pmc.ncbi.nlm.nih.gov/articles/PMC8011742/> (accessed Apr. 15th, 2025).

Lubna Javed Rizvi & Zahid Hussain , "Review of Saudi Arabia company law reforms and its implications on corporate governance framework- an evidence from emerging market", 64 *International Journal of Law and Management* 49 (2022), available at <https://doi.org/10.1108/IJLMA-01-2021-0015>. [Rizvi].

Mané Djizmedjian, *What is Regulatory Compliance? Maximizing Benefits and Preventing Non-Compliance Risks Through Business Research*, INFO MINEO (JAN. 3RD, 2025), available at <https://infomineo.com/blog/regulatory-compliance-benefits-risks-business-strategies/>

Merger and Acquisitions Regulations, Royal Decree No. M/30 dated 2/6/1424H, art. 26(c) (amended by Resolution of the Board of the Capital Market Authority Number 8-5-2023 Dated 25/6/1444H Corresponding to 18/1/2023G)

Michael C. Jensen & William H. Meckling, *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*, 3 J. FINANC. ECON. 305, (1976). Michael P Auerbach, *Sarbanes-Oxley Act of 2002*, EBSCO (2021), available at: <https://www.ebsco.com/research-starters/business-and-management/sarbanes-oxley-act-2002>.

Mohamed Hassan Jicsin, *Protecting Minority Shareholder Rights: Examples from Turkey to the Horn of Africa*, Cilt 2, Sayı 2, 113 (2nd ed., July 2024), available at <https://dergipark.org.tr/en/download/article-file/4540208>;

Mohammed Abdullah Ammer, Meqbel Mishary Aliedan & at el., *Do Corporate Environmental Sustainability Practices Influence Firm Value? The Role of Independent Directors: Evidence from Saudi Arabia*, 12 SUSTAINABILITY 9768 (Nov. 23rd, 2020), available at <https://doi.org/10.3390/su12229768>.

Mohammed Al Shehri, *The Influence of Culture on Organizational Culture: A Saudi Arabia Case Study*, 28 INT'L J. ENTREPRENEURSHIP 3, 1-24 (2024).

OECD, *G20 Anti-Corruption Action plan Protection of Whistleblowers*, NAZAHA (2012), available at <https://nazaha.gov.sa/Media/Posts/OECD%20Study%20on%20Whistleblower%20Protection%20Frameworks,%20Compendium%20of%20Best%20Practices%20and%20Guiding%20Principles%20for%20Legislation.pdf>.

Omar Salem Alhasani & Shafiqul Hassan, *Shareholder Protection in Saudi Companies Law: Assessing Merger and Acquisition Efficacy for Unlisted Joint Stock Companies*, 3 IJSR 639, pp: 641-642 & 651, (Apr. 2024), available at https://www.appraisalrightslitigation.com/files/2024/08/Shareholder_Protection_in_Saudi_Companie.pdf.

Osama Abdullah Almutairi, Adnan Ayza Almalki & at el., *The Legal Framework for Corporate Governance Under Saudi Law and United States Law*, 5 JFSR 1-17, (2024), available at <https://doi.org/10.47172/2965-730X.SDGsReview.v5.n01.pe04092>.

Osama Abdullah Almutairi., Adnan Ayza Almalki, & et al., *The Legal Framework for Corporate Governance Under Saudi Law and United States Law*, 5 J. OF LIFESTYLE AND SDGs R. 1-17 (2024), available at <https://doi.org/10.47172/2965-730X.SDGsReview.v5.n01.pe04092>.

Pengmian Wang & Shuguang Liang^[1], *Internal audit independence, legal person governance structure, and financial reporting quality*, 101 INT'L REV. ECON. & FIN. 1 (2025).

Prasanna Gai, Malcolm Kemp & et al, *Regulatory Complexity and the Quest for Robust Regulation*, ESRB (Jun. 2018), available at https://www.esrb.europa.eu/pub/pdf/asc/esrb.asc190604_8_regulatorycomplexityquestrobustregulation~e63a7136c7.en.pdf.

Prince Gyimah , Richard Owusu-Afriyie^[1], *Bank sustainability: Do corporate governance and internal audit quality matter?*, 6 WORLD DEVELOPMENT SUSTAINABILITY 1 (2025), available at <https://www.sciencedirect.com/science/article/pii/S2772655X25000205>.

Qassim Cement & Hail Cement Shareholders Voting on the Acquisition Deal, ALARABIYA (May 20th, 2024), available at <https://www.alarabiya.net/aswaq/financial-markets/2024/05/20/أسمنت-على-الاستحواذ-بغرض-المال-رأس-زيادة-على-تصوت-القصيم-أسمنت-عمومية> -حائل (accessed Oct. 19th, 2025).

Salem Alhababsah & Sina Yekini, *Audit Committee and Audit Quality: An Empirical Analysis Considering Industry Expertise, Legal Expertise and Gender Diversity*, 42 J. INT'L ACCT. AUDT. & TAX'N (March 2021), available at <https://www.sciencedirect.com/science/article/abs/pii/S1061951821000021>.

SAMA, Code of Conduct and Work Ethics in Financial Institutions, SAMA p:16 (Aug. 2019).

SAMA, *Principles of Internal Auditing for Local Banks Operating in Saudi Arabia*, SAMA (Dec. 1st, 2021), available at <https://rulebook.sama.gov.sa/en/principles-internal-auditing-local-banks-operating-saudi-arabia>.

Stella Emeka-Okoli, Tochukwu Chinwuba Nwankwo & et al., *Communication strategies for effective CSR and stakeholder engagement in the oil & gas industry: A conceptual analysis*, 21 WJARR 91 (Mar. 31, 2024), available at <https://wjarr.com/sites/default/files/WJARR-2024-0663.pdf> (accessed Mar. 11th, 2025).

U.S. Department of Education, The Importance of Strengthening Internal Controls in Federal Student Aid FYS 2019-2024, U.S. DEPARTMENT OF EDUCATION (Dec. 2024), available at https://oig.ed.gov/sites/default/files/reports/2025-06/FY25%2520FSA%2520IC%2520Report%2520%252812.18.24%2529v101_508_SECURED.pdf (accessed Apr. 19th, 2025).

W. Richard Frederick, "Enhancing the Role of the Boards of Directors of State-Owned Enterprises", *OECD Corporate Governance Working Papers*, No. 2, OECD (2011), available at <https://doi.org/10.1787/5kg9xfg6n4wj-en>.

Weichieh Su, Hidetaka Aoki, Junichi Yamanoi & Eric W. K. Tsang, *Corporate misconduct in Japan: a view from comparative corporate governance*, ASIA PAC. J. MGMT (Apr. 28th, 2025), available at <https://doi.org/10.1007/s10490-025-10038-0>.

مواءمة حوكمة الشركات في المملكة العربية السعودية في ظل نظام الشركات لعام ٢٠٢٢

حسين المنصور

جامعة الجوف، كلية الشريعة والقانون

halmansour@hotmail.com

المستخلص

يمثل نظام الشركات السعودي الصادر عام ٢٠٢٢ محطةً تحويلية بارزة في مجال حوكمة الشركات. فقد عزز النظام المعدل مبادئ الشفافية والمساءلة وحماية حقوق مساهمي الأقلية، بما ينسجم مع أفضل الممارسات الدولية، مثل قانون ساربينز-أوكسلي (SOX) الأمريكي، وتوجيه الاتحاد الأوروبي لحقوق المساهمين الثاني (SRD II)، ومدونة حوكمة الشركات اليابانية.

تتناول هذه الدراسة تحليل دمج قواعد الحوكمة وآثارها على مساهمي الأقلية في ظل الإطار النظامي السعودي الجديد. واعتمدت الدراسة منهجاً فقهيّاً مقارناً، استعرضت من خلاله التطورات النظامية، وانعكاساتها العملية، وأوجه المقارنة الدولية. وتخلص الدراسة إلى التأكيد على أهمية فاعلية الإنفاذ، ومواءمة الجوانب الثقافية، والاتساق مع مستهدفات رؤية السعودية ٢٠٣٠، لضمان تحقيق تقدم مستدام في منظومة حوكمة الشركات في المملكة العربية السعودية.