

## IS YOUR BOARD READY FOR SAUDI ARABIA'S NEW ESG COMPLIANCE ERA?

Under Vision 2030, Saudi Arabia is integrating ESG into its national strategy. Although ESG disclosure remains voluntary today, guided by the CMA's 2019 recommendations and Tadawul's 2021 framework, regulators are rapidly moving toward unified national standards. Large-scale commitments, a dedicated ESG index, and emerging guidelines from SAMA, the Ministry of Economy signals that sustainability will soon be embedded in corporate governance. As boards pivot from awareness to action, expert legal guidance is key to aligning ESG practices with global norms and Vision 2030's goals.



## Introduction

Saudi Arabia's Vision 2030 transformation has thrust ESG into the spotlight. Regulators are actively embedding sustainability into national strategy. For example, the Capital Market Authority (CMA) issued voluntary ESG disclosure guidelines in 2019, and the Saudi Exchange (Tadawul) issued its own ESG reporting framework in 2021.<sup>1-2</sup> As Tadawul CEO Mohammed Al-Rumaih observes, "Saudi Arabia is undergoing a rapid transformation under Vision 2030" centered on a sustainable financial ecosystem.



Although formal ESG reporting is not yet mandatory, these guidelines signal a legal and cultural shift: according to Chambers & Partners, "no specific ESG reporting requirements" exist today, but Tadawul ESG disclosure guidelines serve as a resource for issuers.<sup>2-4</sup> The government is now moving to codify ESG standards nationally – the Ministry of Economy and Planning has announced unified Saudi ESG guidelines aligned with international norms.<sup>5-6</sup> In this evolving environment, boards must treat ESG governance as a strategic imperative and seek expert guidance on compliance.



## Vision 2030 and the ESG regulatory framework in Saudi Arabia

Under Vision 2030, the Kingdom is rapidly expanding its sustainability agenda. The CMA's 2019 disclosure guidelines encourage listed firms to report on environmental, social and governance factors,<sup>1</sup> and the Saudi Exchange (Tadawul) has supported issuers' ESG journeys (the Exchange stresses that working with issuers on ESG "is fundamental" to advancing the market).<sup>7</sup>

In 2023, Saudi-listed firms also gained a dedicated ESG index to spotlight best practices.<sup>1</sup> Notably, major national programs reinforce these reforms: Saudi Arabia has pledged to reach net-zero greenhouse emissions by 2060 under its Circular Carbon Economy strategy,<sup>8</sup> and Aramco – the state oil giant – is targeting net-zero operations by 2050.<sup>9</sup> Meanwhile, the Saudi Green Initiative (SGI) aims to cut 278 million tons of CO<sub>2</sub> annually by 2030, backed by investment of hundreds of billions Saudi Riyals.<sup>10</sup> These public commitments underscore how legal mandates

(formal and voluntary) are converging with Vision 2030's economic diversification goals. At present, boards and executive teams should note that although ESG disclosure remains largely voluntary and the regulatory guidance has been aspirational rather than mandatory,<sup>1-4</sup> yet, this is changing fast. Authorities have signaled that ESG issues will be integrated into corporate governance rules and capital markets regulations.<sup>11</sup>

For example, the Chamber of Commerce and industry is developing unified corporate sustainability standards, and Tadawul has partnered with the UN Sustainable Stock Exchanges initiative. These trends mean that savvy boards must interpret new mandates early and start charting out an action plan. Our firm can help directors and general counsel understand which reporting frameworks to follow and how to align disclosure with the Kingdom's Vision 2030 targets.

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[ESG Investments: The Middle Eastern and African Regulatory Perspective Part 1 – Publications](#) <sup>(1,11,12,13,15,16,17,20)</sup>

[Gulf Exchanges Encourage ESG Disclosures for GCC Listed Companies](#) <sup>(2,24)</sup>

[Corporate Governance 2024 - Saudi Arabia | Global Practice Guides | Chambers and Partners](#) <sup>(4)</sup>

[Saudi Arabia developing unified ESG guidelines to raise reporting standards, official says | Arab News](#) <sup>(5,6,21)</sup>  
[saudiexchange.sa](https://saudiexchange.sa) <sup>(3,7,22,23)</sup>

[Top oil exporter Saudi Arabia targets net zero emissions by 2060 | Reuters](#) <sup>(8,9,10)</sup>



## Sector-Specific ESG Trends

*Saudi companies are responding to ESG in different ways across key industries:*

### Energy and Renewables

The National Renewable Energy Program sets a target of 58.7 GW of renewables by 2030 (including 30 GW solar and 16 GW wind).<sup>12</sup> The Public Investment Fund (PIF) plans to deliver about 70% of this capacity.<sup>13</sup> Innovative projects exemplify the ambition: NEOM's The Line is designed as a "zero-carbon city...running on 100% renewable energy".<sup>14</sup>

On the oil side, Saudi Arabia has publicly committed to net-zero emissions by 2060, while Aramco aims for net-zero emissions from its own operations by 2050.<sup>8-9</sup> These energy-sector shifts are attracting ESG- focused capital: global investors note that PIF has also partnered on large-scale green ventures (e.g. green hydrogen and localizing clean tech) that align with Saudi climate goals.

### Finance and Capital Markets

Sustainable finance is booming. Saudi issuers sold roughly US\$8 billion worth green bonds and sukuk by 2023, up from about \$1 billion in 2019.<sup>15</sup> The PIF has established a Green Finance Framework aligned with ICMA principles to guide these investments.<sup>16</sup> Major banks are incorporating ESG into lending and risk policies, and one banking sector sustainability award has been won by a Saudi bank.

On the market side, Tadawul's ESG index and the CMA's ESG guidelines (though voluntary) are raising expectations. International standards are gaining traction: many listed companies are adopting Global Reporting Initiative (GRI) or SASB frameworks for sustainability reporting.<sup>17</sup> Our experience is that finance-sector boards are increasingly asking legal advisers how to integrate sustainability covenants and ESG ratings into their capital strategies, to satisfy both regulators and investors.

### Real Estate and Infrastructure

Saudi's mega-projects prioritize ESG by design. For example, the Red Sea coastal resort (PIF-owned) just secured a SR14.12 billion green loan for new luxury hotels, which will be "powered by renewable energy".<sup>18</sup> Its sister project, Amaala, is likewise described by executives as a "green project, using renewable energy".<sup>19</sup>

Similarly, NEOM (the \$500 billion high- tech zone) includes sustainable urban developments; NEOM's ambitious project, 'The Line' will eliminate cars and roads to ensure that it is totally free of carbon emissions.<sup>14</sup> Master developments like Qiddiya and Diriyah are building sustainability requirements into planning permissions. Such public-private initiatives are fast becoming the norm: they set higher bars for green building, water conservation, and community impact. Corporate real estate divisions and infrastructure sponsors will need legal support to certify compliance with new green construction codes and to secure the sustainable financing (green loans/bonds) that projects increasingly demand.

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[Saudi crown prince touts vertical living in NEOM's zero-carbon city | Reuters](#) <sup>(14)</sup>

[Top oil exporter Saudi Arabia targets net zero emissions by 2060 | Reuters](#) <sup>(8,9,10)</sup>

[Saudi Red Sea project secures \\$3.8 billion 'green' loan for new hotels | Reuters](#) <sup>(18)</sup>

[Saudi Red Sea tourism project to raise up to \\$2.7 bln 'green' loan next year | Reuters](#) <sup>(19)</sup>



## Public and Private ESG Initiatives

The Saudi government itself is accelerating ESG initiatives across the ministries and public agencies.

Vision 2030's theme of a circular carbon economy and environmental stewardship is implemented through programs like the SGI, as well as industry-specific efforts. The Ministry of Energy and the Ministry of Economy coordinate on programs such as the Carbon Capture Challenge.<sup>20</sup>

Importantly, Saudi officials have signaled a "whole-of-society" approach: Yara Sindi, general manager of Monitoring, Reporting, & Policies for Sustainability and Director of Corporate Sustainability at Ministry of Economy and Planning - announced that the Kingdom is "developing unified national ESG guidelines" informed by international best practices.<sup>5-6</sup> The goal is to equip companies with frameworks and tools so that high-quality sustainability reports become the norm, not the exception.<sup>5-6</sup>

On the private sector side, the adoption is accelerating. A recent report noted that about 30% of Saudi Arabia's top firms now publish voluntary sustainability reports.<sup>21</sup> Leading companies across sectors are already investing in ESG management: major energy, finance and industrial players have announced carbon reduction targets and launched sustainability offices.

Saudi Aramco's latest sustainability report highlights its low-carbon initiatives (in line with the net-zero ambition) and as part of corporate governance under Vision 2030 and reporting exercise, petrochemical giant, SABIC publishes detailed ESG disclosures.

In banking, Saudi banks have issued comprehensive ESG reports and pursued green credit lines. In general, the corporate sector has started moving from awareness phase to action phase: many issuers have begun integrating ESG metrics into executive compensation and leveraging technology (e.g. cloud GRC platforms) to track their ESG performance. Investor and public pressure is also reshaping corporate behavior. Regulators and exchanges emphasize that ignoring ESG carries risk: The Saudi Exchange warns that investors and issuers "recognize value beyond financial statements," and that ESG is "no longer a topic that listed companies can ignore".<sup>22</sup>

Boards are beginning to formalize oversight: Tadawul notes that "working with issuers to support their ESG journeys is fundamental" to advancing the market, implying that board committees and management teams must actively engage on sustainability.<sup>7</sup> In our counsel's view, forward-thinking companies are treating ESG compliance not just as an operational task but as a governance issue, elevating it to the boardroom agenda.



## Market Sentiment and International Investors

Global capital markets are watching Saudi Arabia closely on ESG. The country's recent inclusion in major indices (MSCI, FTSE) has dramatically boosted foreign participation. The number of Qualified Foreign Investors (QFIs) in Saudi jumped from just 50 in 2017 to over 2,500 by 2020.<sup>23</sup>

These international investors often have ESG mandates and a company's sustainability credentials factor in heavily on their investment decisions.<sup>23</sup> Regional bodies too have acted: the GCC Exchanges Committee (chaired by Tadawul) introduced a set of 29 Unified ESG Metrics in early 2023, giving a common reporting framework for Gulf-listed companies.<sup>24</sup>

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This regional initiative – voluntarily adopted by stock exchanges in Saudi and neighboring markets – reflects the demand from global asset owners for consistent, comparable ESG data. Market sentiment in Saudi is thus shifting. Surveys and engagement indicate that both debt and equity investors will favor issuers with clear ESG strategies. Credit rating agencies have started including ESG criteria in their assessments of Saudi corporates.

Meanwhile, socially conscious capital is flowing into Saudi Arabia. For instance, sustainable development funds and green finance instruments are on the rise in the Kingdom. All of this signals that corporate ESG readiness will be a key part of maintaining investor confidence and accessing competitive financing terms.



## Expert Guidance and Next Steps

Saudi Arabia's evolving ESG regime means that today's legal and governance professionals must stay ahead of the rapidly changing compliance landscape.

As a leading corporate law firm, we understand how new ESG regulations in Saudi Arabia and guidelines translate into board duties and disclosure obligations.

We help boards and general counsel interpret emerging ESG mandates and embed them into corporate governance. For example, we advise on tailoring board charters or committee mandates to cover sustainability oversight, aligning corporate

reporting with Tadawul/CMA guidelines, and conducting due diligence on ESG risks. If your board and legal team is assessing ESG readiness, now is the time to act. Our firm offers ESG compliance readiness assessments, customized training for directors, and strategic planning services.

We can help you outline a roadmap for legal compliance with ESG in Saudi Arabia that fits Saudi regulations and Vision 2030 objectives, whether that involves drafting policies, navigating through requirements, implementing reporting systems, or preparing reports for stakeholder reviews.

**Contact us** to schedule an ESG readiness workshop, discuss regulatory alignment, or obtain specialized legal advice. By partnering with us, your company can transform ESG compliance from a challenge into a source of long-term value and resilience.